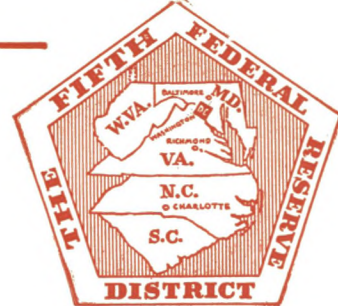


# Monthly Review



July 1956

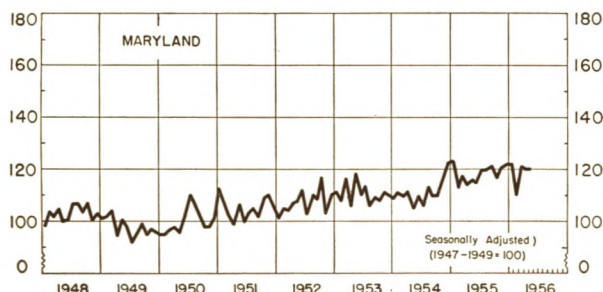


Construction contracts presuppose an equivalent construction outlay. Construction expenditures are an important part of the economic balance-wheel. Contract awards established new high records in 37 Eastern states in the first five months of 1956, but fell behind last year in the Fifth District.

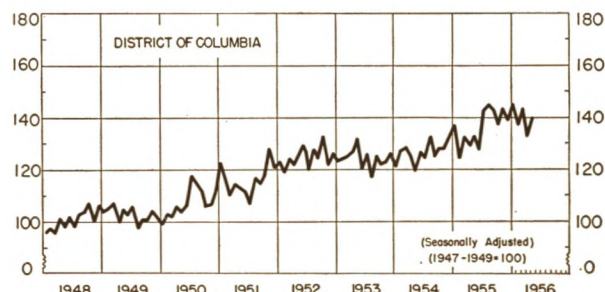
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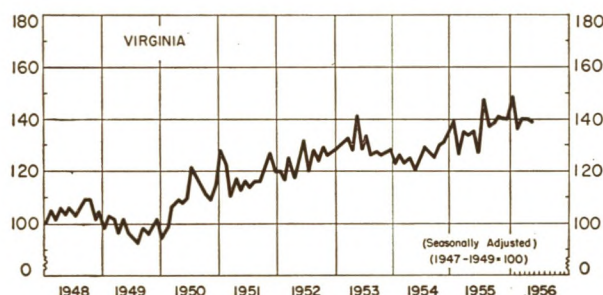
## FIFTH DISTRICT DEPARTMENT STORE SALES



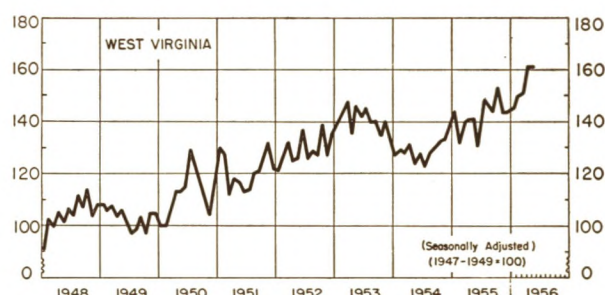
Department store sales during May in Maryland, on a seasonally adjusted basis, were at the April level and were 3% ahead of a year ago. For the first five months sales were 2% higher than a year earlier. Growth in department store sales in Maryland has shown little progress in the last 10 months and growth since World War II has been relatively slow.



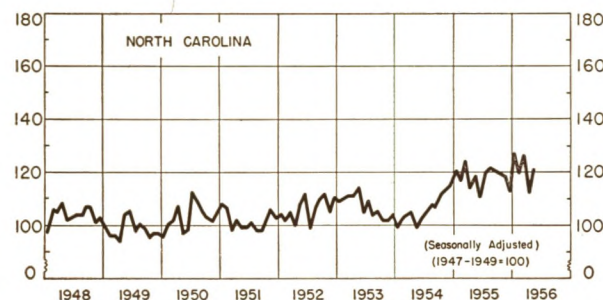
Department store sales in the District of Columbia in May were 5% higher than in April, after seasonal correction, 5% ahead of a year ago, and the first five months were up 6%. The trend of seasonally adjusted sales has been jaggedly downward since January. Growth since the end of World War II has been about the same as in the District as a whole.



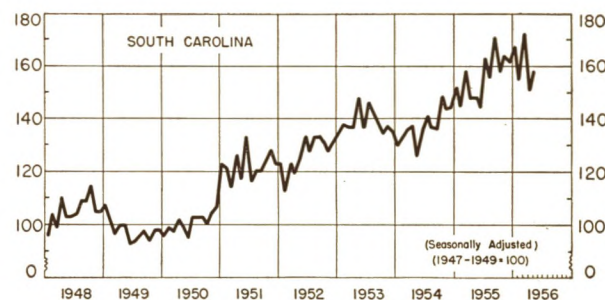
Department store sales in Virginia during May were at the same level as in April, after seasonal correction, 4% ahead of May 1955, and the first five months were up 5%. The trend since July 1955 has been about flat. Growth since World War II has been about the same as in the District as a whole.



Department store sales in West Virginia during May were at the same seasonally adjusted level as in April, but 14% higher than in May 1955; for the first five months they were up 10%. Sales in West Virginia have been rising at a rapid rate during the past year.



Department store sales in North Carolina, trending downward slightly since the first of the year, were 8% higher in May than April, 3% ahead of a year ago and the first five months were up 2%. Sales since the Spring of 1954 have shown about the same rise as the District but growth since the end of World War II has been considerably slower.



Department store sales in South Carolina in May were 5% higher than in April, after seasonal correction, 7% ahead of May 1955 and the first five months of the year were up 7%. South Carolina has shown the most rapid rise of any state in the District since the Spring of 1954 as well as since the end of World War II.



## Cross-Currents in 1956 Construction

**I**N a speech last May, Mr. Allan Sproul, retiring president of the Federal Reserve Bank of New York, noted that the economy had been "in transition from a period in which consumer investment in houses and durable consumer goods was the dominant expansive force . . . to a period in which business investment in plant and equipment is the dominant force." The overall result was pretty much of a standoff for the economy—with economic activity fairly stable at a very high level. As expressed in another quarter, general business activity has moved "violently sideways."

In short, the economy has returned to "rolling adjustment"—a series of large-scale shifts in the short-run fortunes of major industries that have canceled out each other. As Secretary of the Treasury Humphrey expressed it recently, a rolling readjustment is "an adjustment here, an adjustment there." Should one of the integral adjustments zig, so to speak, when it should zag, the net result could be a sharp decline in aggregate business activity rather than a pattern of stability.

Rolling readjustment can also occur within a major industry. Construction affords a recent example. For the first five months of this year, outlays for residential building in the United States amounted to \$5,751 million, 7.5% less than for the same period a year earlier. Nonresidential building, on the other hand, at \$4,847 million, was up 6.6% from a year ago. Together they were little changed from the total construction outlays of the 1955 period.

### Awards at Record Levels

Whether residential building will complete its adjustment and re-emerge as an expansionary force during the second half of this year was a moot point at mid-year. On a seasonally adjusted basis, the nation's outlays for home building peaked in July 1955 and then declined in every succeeding month until the small

upturn this past April. However, preliminary data indicate that there was a slight decline again in May. All told, the seasonally adjusted annual rate of outlays declined almost 12% from July 1955 to March 1956.

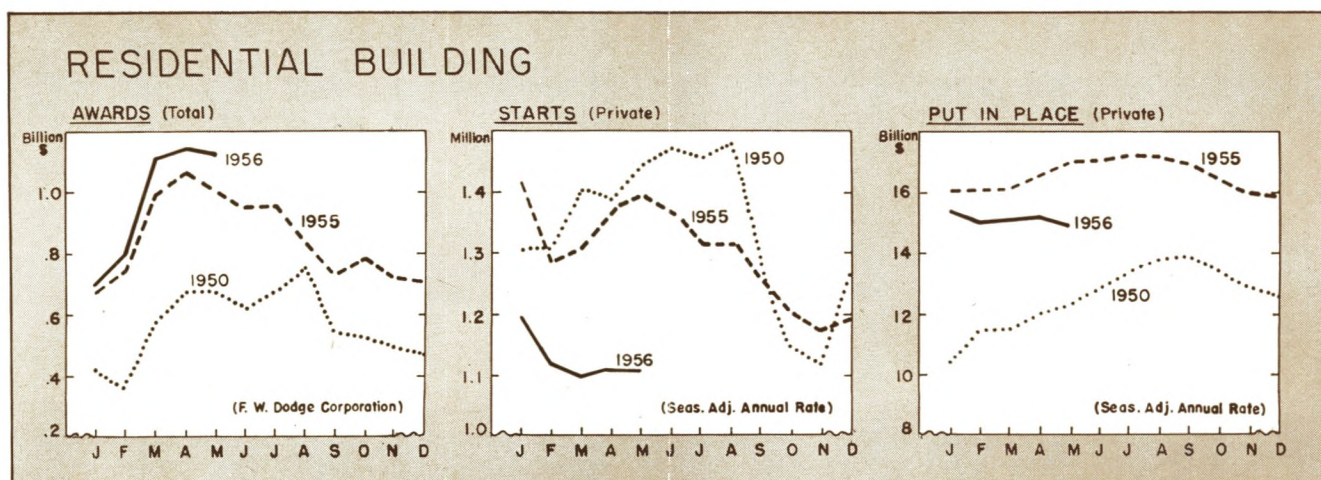
A few months ago, when lending terms on mortgages guaranteed or insured by Federal agencies were liberalized and the Federal Home Loan Banks were given access to greater amounts of funds, it was felt that adjustment in the home building industry might be completed very shortly. This opinion was not confirmed by subsequent developments although recent leveling-out of the decline in residential outlays is regarded by some analysts as an optimistic indicator.

Promise of an upturn in this sector is held out by new housing starts which, after dropping almost continuously throughout last year, have held steady at around 1.1 million (seasonally adjusted annual rate) for the last four months for which data are available—February, March, April, and May.

Another indicator on the optimistic side is the record of contract awards for residential building. Latest figures of the F. W. Dodge Corporation show that private contracts awarded in May in the 37 states east of the Rockies rose to \$1,094 million, 12% higher than a year earlier. This was the third consecutive month that private awards for residential building reached an all-time record high for any month in the history of this series. For the first five months of the year, the total of private awards was 7.4% greater than it was in the same period last year.

### Mixed Pattern

Complicating the analysis of the residential building situation and prospect have been divergencies between residential starts, contract awards, and outlays during the first half of 1956. In explaining the continued divergence of residential contract awards data collected by the F. W. Dodge Corporation and the Department





of Labor's housing starts totals, the company has pointed out that the awards data do not include the 11 states west of the Rockies. In recent months residential building in that region has lagged behind the national average, thus loading the Dodge totals on the upside in comparison with starts data drawn from the entire country. A second reason given was that bad weather in many parts of the country lengthened the usual one or two months' lag between awards and the start of construction.

Another point of difference has been the gap between the declines in starts and in outlays. While the number of new private nonfarm housing starts was down 17% in the first five months of this year as compared with the same period last year, outlays were off only 7.4%.

The explanation generally given is twofold: higher building costs and larger and better-equipped homes. Assuming no errors in the data for starts and outlays and allowing for a 4.7% rise in residential building costs (Boeckh—20 city average) from the first quarter of 1955 to the first quarter of this year, explanation of the difference between starts and outlays falls largely on the shift to bigger and better homes. Such a shift is most unusual for a limited period of one year. However, the recent survey of the National Association of Home Builders disclosed that the 100 builders contacted plan to build this year 28% fewer homes to sell for less than \$15,000 and 61% more than last year in the \$15,000-and-over class. All told, this group expected to erect just 4% fewer homes this year than last.

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### *Record Volume of Nonresidential Building*

**C**ONTINUED upsurge in construction activity is attributable largely to record outlays by business for expansion and modernization of productive facilities. If present business plans materialize, such investment will continue to be an expansionary force for the rest of the year.

Last Fall's McGraw-Hill survey showed business spending 13% more in 1956 for new plant and equipment than in 1955. Five months later, after many tentative plans had become more definite, the joint survey by the Securities and Exchange Commission and the Department of Commerce disclosed an increase in spending plans to exceed 1955 by 22%. This Spring's survey by McGraw-Hill of 1956 business-spending plans indicated an increase over 1955 of 30%.

Although results of the McGraw-Hill and SEC-Commerce surveys are not directly comparable, due to differences in methods and coverage, the final McGraw-Hill tally at least confirms the sharp increase disclosed by the Government survey. In view of the weaknesses in other major areas of the economy during the first half, this is a highly significant trend.

Latest data available show that while outlays for residential building in the first five months of this year were lagging 7% behind the same period last year, non-residential construction was running 19% ahead of the 1955 pace. Contrary to a year ago when all classes of commercial building were setting the pace in the non-residential field, in the first five months of this year industrial building has been the star performer with activity 25% above that of a year earlier. The rate of increase, furthermore, has risen considerably since January, so that industrial building in May was 17% above the year-end level and 35% above a year ago.

This, together with a favorable trend of contract awards for industrial building, has led to an upward

revision in the Government's estimate of private outlays for this type of construction this year. Last November the Departments of Commerce and Labor looked for a 17% increase this year; in June they raised their sights to a plus 25%.

The F. W. Dodge Corporation has reported that contracts awarded for manufacturing building in the first five months exceeded the total for the same period of 1955 by 39%. Interestingly, the floor area involved was 45% greater than in the 1955 period.

The Engineering News-Record's reports on contract awards show that for the first 25 weeks of this year, industrial awards were booming—130% higher than a year ago. The disparity between this and the Dodge figure is due to differences in geographic coverage, size of projects reported, and timing of contracts. Timing probably accounts for the major share of the difference between the two series. Engineering News-Record reports the total value of a contract at the time of its award, with the whole project going into the figures right away. Dodge, on the other hand, reports awards piecemeal, as sections of the project are started or as subcontractors enter the picture.

Another impressive factor in the industrial building picture is the backlog of proposed projects. The Engineering News-Record keeps a continuous monthly inventory of projects in the planning stage, and on April 30 this total was 26% above a year earlier.

### **Record Commercial Construction**

The backlog of proposed commercial building projects has also been swelling despite the heavy flow of projects out of the planning stage and into contract awards. As of April 30 it was 23% higher than on that date in 1955. Engineering News-Record reports that for the eight months to that date, the inflow of new proposed commercial projects exceeded the volume



leaving the backlog and becoming contract awards.

Contract awards for commercial building as reported by Engineering News-Record increased 18% in the first 25 weeks of this year, and on the Dodge scoreboard they were up 16% in the first five months compared with the same period of 1955. The significance of these gains is highlighted by the fact that these comparisons are being made with the strongest part of 1955.

On outlays for commercial buildings erected this year, the record shows that such expenditures in the first five months exceeded the rate for the comparable period of 1955 by 22%. Compared with the last five months of 1955, however, outlays, seasonally adjusted, were only 1.7% higher. In their June revision of construction estimates for 1956, the Departments of Commerce and Labor evidently took such movements into consideration in changing the original estimate of a 14% gain for the year to 12.5%.

### *District Building Activity Simmers Down*

THE construction industry has played an important part in establishing the economy of the Fifth District in 1955 and early 1956 at an all-time high level—a more important part, in fact, than its magnitude in dollars would indicate. Construction, along with other capital outlays, is an important balance wheel in the economy, for it utilizes savings of people and business concerns to expand industrial capacity and create a place for people to live. In balanced amounts, construction and other capital outlays give employment to an expanding labor force and create an added demand for goods and services which keeps the economy dynamic and prevents stagnation. When construction and other capital outlays do not utilize the total savings of the economy, the result is a stagnant economy. When they attempt to use more than the total savings of people and businesses, they create stresses in the economy and cause inflation.

Growth in the value of construction in the Fifth District since World War II has been at substantially the same rate as in the nation as a whole, that is, through 1955. From 1946 to 1947 and from 1951 to 1952 the value of total construction contract awards in the District receded somewhat, whereas nationally in these periods it continued to increase. Over the entire period there has been little difference in the growth in District and national figures.

Based on the first five months of 1956 relative to 1955, however, Fifth District and national contract awards have gone in opposite directions—the national figure going up, and the Fifth District down.

In this same comparison, total contract awards in the Fifth District were down 13% compared with a 13% rise for the nation. The District decline is not

Seasonally adjusted outlays for stores, restaurants, and garages in the first four months of this year, while 28% greater than in the same period of 1955, were practically unchanged from the last four months of 1955. This may have been a factor in the recent revision of the 1956 estimate from a plus 17% to a plus 13%. Since the volume of store construction is influenced by the volume of new housing, an extension of the adjustment in new residential building over a longer period of time than is currently envisaged could have a pronounced impact on commercial building.

Outlays for new construction in the other major category of commercial building, office buildings and warehouses, increased 19% in the first four months of this year over the same period last year and almost 3% over the last four months of 1955, the strongest part of that year. In view of this strength, the original Government estimate of a 9% increase in such outlays this year has been boosted to 12%.

confined to any one particular type of construction; it runs the entire gamut.

Residential awards in the District were down 16% in the first five months of 1956 from 1955 compared with a gain of 9% in the nation. Furthermore, all states in the District, except West Virginia, showed declines. West Virginia recorded a small increase.

Nonresidential awards in the District were down 15% compared with a national increase of 16%. In this area, Virginia increased slightly from a year ago, and South Carolina showed a 19% gain; other states declined from 12% in Maryland to 61% in the District of Columbia.

Contract awards for public works and utilities in the first five months of 1956 were down 2% from a year ago in the Fifth District compared with an increase of 20% in the United States. South Carolina increased 22%; Virginia, 7%; and West Virginia more than tripled, but other states showed losses ranging from 21% to 32%.

Of the nonresidential components, commercial buildings in the District in the first five months of 1956 declined 14% from a year ago compared with a 15% increase in the nation. In this type of construction, Virginia was 16% ahead of a year ago and the District of Columbia 5%; other states showed losses ranging from 10% in West Virginia to 37% in South Carolina.

Aggregate dollar awards for manufacturing buildings in the District for first five months of 1956 were at a level 8% below 1955, which compares with a 39% national increase. In this type of construction, increases were shown in Virginia (95%), the District of Columbia (109%), and South Carolina (60%). Declines of 25% in Maryland, 50% in West Virginia, and 30%



in North Carolina more than offset the above increases.

Contract awards for educational buildings in the District dropped 15% in the first five months of 1956 compared with those months of 1955; nationally they rose 12%. The school integration issue appears to have little to do with these changes, for the declines occurred most substantially in Maryland, down 32%; the District of Columbia, down 61%; and West Virginia, down 54%. Virginia dropped 21%, but North Carolina was up 24%, and South Carolina was up 14%.

"All other" nonresidential contract awards took the worst beating of any group, except "other" residential, in the first five months of 1956 relative to a year earlier—off 20%. Nationally, awards for this type of construction were up 3%. In this sector Maryland showed an 81% increase, South Carolina 41%, and Virginia 1%; but other states were down, ranging from 24% in North Carolina to 79% in the District of Columbia.

The reason for divergent trends in the District as compared with the United States is not readily forthcoming. The Dodge figures for 37 eastern states show an increase of 13% in total awards, with all but three areas showing increases. Two fairly important areas, Middle Atlantic down 13% and Southeast up 3%, give some toning down in the aggregate increase. The St. Louis district also dropped 12% and the Kansas City district 13%, while the large percentage increases came in the Pittsburgh, upstate New York, and Cleveland areas. All areas except three, however, showed increases ranging from 3% to 78%, with most of them in good but moderate percentage increases. Possibly the District's construction decline is associated with the current softness in its far-flung textile industries and in the synthetic fiber chemical industries or in the lack of growth in other District industries in the past few years. This, however, does not seem to have had any noticeable direct effect on expansion of newer industries and these are largely responsible for holding contract awards for manufacturing building in the first five months of 1956 only 8% below similar months of 1955.

### **Construction in Perspective**

By almost any measuring stick, the construction industry has risen much faster than the economy as a whole in the postwar period. Perhaps the best yardstick to measure the District economy is personal income which, on a national basis, closely approximates changes in the gross national product.

Personal income between 1947 and 1954 (latest available) rose 50% in the Fifth District while the value of construction contract awards in the same period increased 118%. This may not be a fair comparison, however, since the construction industry was retarded during the war period by materials allocation and may not have been able by 1947 to establish its position in the economy at that time. From 1940 on up to 1954 the construction industry grew somewhat less rapidly

than personal income. Actually, personal income from 1940 to 1954 rose a sharp 274% while construction awards in the District rose 251%.

From 1940 through 1954 (excluding the war years) contract awards in the District averaged 8% of personal income, varying between 6% in 1947 and 1948 and 12% in 1941. In the postwar years the ratio has averaged between 6% and 9%, with 9% in 1950 and again in 1955. This indicates that the 1955 level was fairly close to a balanced relation in District economy.

### **Contribution of the States**

Of the District's total construction contract awards of \$2,329,000,000 in 1955, Maryland accounted for 35.3%; the District of Columbia, 5.1%; Virginia, 28.6%; West Virginia, 5.9%; North Carolina, 15.2%; and South Carolina, 10.0%.

In the postwar period some fairly significant variations in the states' shares have been witnessed. Maryland has varied from 27.2% in 1952 to 35.3% in 1955. The District of Columbia's highest contribution was in 1949, 11.4%; its lowest, 4.2% in 1951. Virginia's highest percentage was in 1951, 29.4%; its lowest in 1948, 20.4%. West Virginia has ranged from 6.2% in 1950 to 10.5% in 1948. North Carolina has ranged from 14.5% in 1954 to 21.3% in 1952. South Carolina, excluding the atomic energy project, has ranged from 8.7% in 1950 to 12.7% in 1946.

In 1955, residential building awards accounted for 40.4% of the District total. Nonresidential accounted for 39.9% and public works and utilities 19.7%. The nonresidential range in postwar years has been from 29.4% of the total in 1947 to 41.9% in 1953. The residential range was from 36% in 1953 to 46.3% in 1950. Public works and utilities made their lowest contribution of 16.5% in 1950 and their highest, 28.0%, in 1947.

Breakdown in the nonresidential sector shows commercial buildings accounted for 11.2% of total construction contract awards in 1955, manufacturing buildings 10.0%, educational buildings 8.7%, and other nonresidential construction 10.0%.

The 11.2% for commercial building awards in 1955 was the highest percentage of total construction in the postwar period; the lowest occurred in 1951, when materials allocation regulated this type of building and the percentage was 5.0.

Awards for manufacturing buildings accounted for 15.5% of the total in 1946 and 3.7% in 1949. Educational buildings were 13.4% of the total in 1953 and 2.5% in 1946. Other nonresidential construction accounted for 5.4% of total awards in both 1946 and 1947 and 14.0% in 1949.

One- and two-family houses accounted for their largest percentage of District awards in 1955, 36.2% compared with 1949's low of 24.6%. All other shelter provided 17.4% of the District's total in 1949 and 4.2% in 1955 for the widest range in any of the construction

(Continued on page 9)



# Loan Survey Results . . .

## Member Bank Business Loans — A Decade Of Change

**D**URING the eventful decade from the end of 1945 through 1955, member banks in the Fifth District added \$1,885 million (or 30.3%) to their total assets. Of this increase in total assets, \$1,443 million was in the form of interest-earning assets, that is, loans and investments. At the end of 1945, 6.6% of the member banks' total earning assets was in the form of loans to commercial and industrial firms. By the end of 1955, commercial and industrial loans by these banks had increased to 17.7% of total loans and investments. Commercial and industrial loans, at the end of the decade, were 3½ times the 1945 level.

This third report on the Federal Reserve's survey of business loans at member banks as of October 5, 1955 compares the principal characteristics of this kind of lending in 1955 with those revealed by a similar survey undertaken in November 1946. The first and second reports on the District results of the 1955 survey were published in the April and June 1956 issues of this *Monthly Review*. A national summary of the findings appeared in the April 1956 issue of the *Federal Reserve Bulletin* published by the Board of Governors of the Federal Reserve System.

### Business Loans by Bank Size

In November 1946 there were 136 member banks in the District with total deposits of less than \$2 million. In October 1955 there were only 94 in this deposit category. In 1946 the 136 very small banks held only

1.4% of the dollar amount of business loans outstanding at all member banks in the District and only 7% of the number of loans. In 1955, not only had the number of banks in this deposit category declined by one-third, but their proportion of business loans had been cut in half (to 0.7%) and the number of loans held had been reduced to only 3% of the District total. The accompanying chart shows the relative holdings by each bank size group of the amount of business loans outstanding and the number of loans in both 1946 and 1955. It should be remembered, in making comparisons between bank size groups, that differences between the two periods are due more to the shifting of banks between size groups than to changed lending practices within the groups. In other words, a bank shifting because of growth into a larger size group takes with it a larger dollar amount of business loans than a bank just entering the size group from the next lower category brings with it.

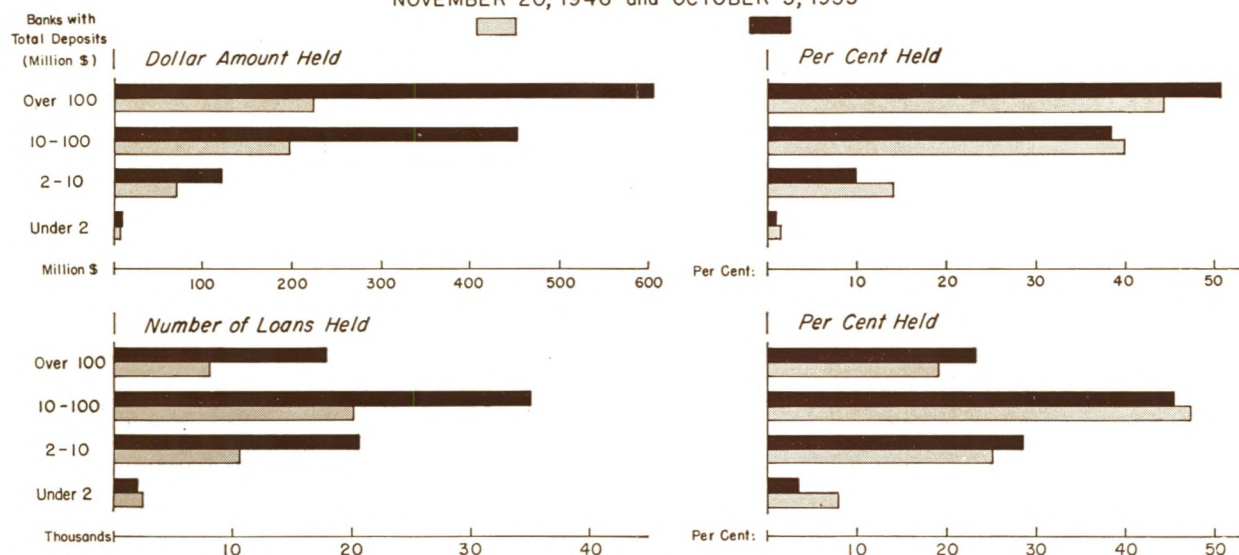
### Business Loans by Size of Borrower

Business firms with total assets in excess of \$5 million accounted for one-fifth of business borrowing from District member banks in 1955, a slightly larger proportion than they took in 1946. The smallest business borrowers, those with total assets under \$50,000, accounted for nearly 60% of the number of business loans held by District member banks in 1946 but had only 15% of the dollar amount of these loans outstanding.

## BUSINESS LOANS AT MEMBER BANKS

### FIFTH FEDERAL RESERVE DISTRICT

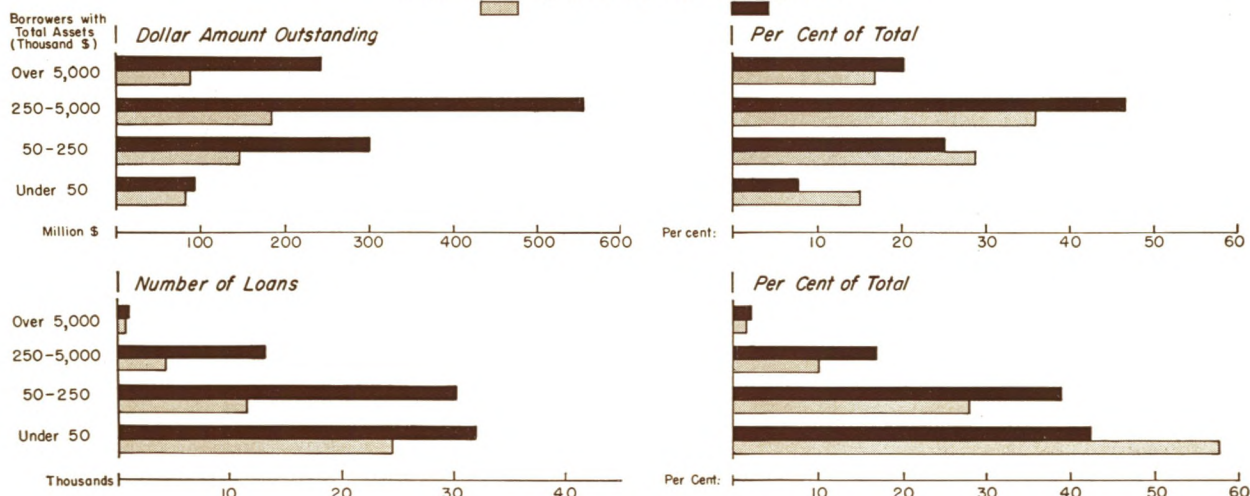
NOVEMBER 20, 1946 and OCTOBER 5, 1955





# BUSINESS BORROWERS AT MEMBER BANKS FIFTH FEDERAL RESERVE DISTRICT

NOVEMBER 20, 1946 and OCTOBER 5, 1955



By 1955 the number of loans to firms in this size group had dropped to 42% of the total held by all District member banks, and they accounted for only 7.3% of the dollar amount of business loans outstanding. Again, it should be remembered that the growth of firms (bringing them into a larger size group in 1955 than in 1946) plus emergence of new firms during the period and failure of some old firms are partially responsible for the shifts in relative position of the size groups.

## The Business of the Borrower

An accompanying table shows the dollar amount and the number of loans held by each of the principal types of business borrowers in 1946 and in 1955. Perhaps the most striking feature of this table is the much slower growth shown in loans to wholesale and retail

merchants from 1946 to 1955 than in the loans to other classes of borrowers. Wholesale merchants actually had a smaller dollar amount of loans outstanding in District member banks in October 1955 than in November 1946. They had dropped from 21.5% of the total dollar amount outstanding in November 1946 to 8.5% on the 1955 survey date. Retail merchants more than doubled the dollar amount outstanding at District member banks, but they accounted for a smaller percentage of the total in 1955 than in 1946. In sharp contrast, sales finance companies and service firms showed an almost fourfold increase in their indebtedness to member banks. Manufacturing and mining firms increased their outstanding bank loans by 2½ times over the period. Insofar as number of loans is concerned, re-

## BUSINESS LOANS BY TYPE OF BUSINESS Fifth District Member Banks (Estimated)

Business of Borrower	Amount Outstanding				Number of Loans			
	October 5, 1955		November 20, 1946		October 5, 1955		November 20, 1946	
	Thousands of Dollars	% of Total	Thousands of Dollars	% of Total	Number	% of Total	Number	% of Total
All Businesses	1,187,400	100.0	496,894	100.0	77,898	100.0	42,497	100.0
Manufacturing and mining	278,217	23.5	110,518	22.2	11,233	14.4	6,282	14.8
Food, liquor, and tobacco	60,492	5.1	26,662	5.4	1,991	2.6	1,069	2.5
Textiles, apparel, and leather	82,543	7.0	23,519	4.7	1,884	1.8	792	1.8
Metals and metal products	38,297	3.2	18,999	3.8	1,918	2.4	963	2.3
Petroleum, coal, chemicals, and rubber	19,850	1.7	11,381	2.3	1,662	2.1	836	2.0
All other manufacturing and mining	77,035	6.5	29,957	6.0	4,278	5.5	2,622	6.2
Trade	325,433	27.4	211,646	42.6	34,159	43.9	21,605	50.8
Wholesale	100,962	8.5	106,573	21.5	5,448	7.0	6,018	14.1
Retail	224,471	18.9	105,073	21.1	28,711	36.9	15,587	36.7
Other	583,750	49.1	174,487	35.1	32,506	41.7	14,591	34.3
Sales finance companies	105,124	8.9	28,892	5.8	727	0.9	445	1.1
Transportation, communication, and other public utilities	71,663	6.0	39,313	7.9	2,588	3.3	3,160	7.4
Construction	89,134	7.5	38,508	7.7	5,298	6.8	2,553	6.0
Service firms	81,149	6.8	21,616	4.4	11,687	15.0	4,260	10.0
All other nonfinancial	236,680	19.9	46,157	9.3	12,206	15.7	4,173	9.8



tail merchants still accounted for almost 37% of the total in 1955, whereas wholesale merchants had dropped to 7% of the total from 14.1% in 1946.

Another noticeable difference between 1946 and 1955 business borrowing is found in the relative use of long-term (over one year) loans relative to short-term loans. Manufacturing and mining firms as a group had over one-fourth of their loans with maturities in excess of one year in 1946 in contrast to less than one-fifth with these longer maturities in 1955. Retail and wholesale merchants, on the other hand, increased their use of longer term borrowing, although a predominant por-

tion of their total borrowing was still with maturities of one year or less. Wholesale merchants had 7.9% of their business loans in 1946 on long-term basis. This had increased to 13.9% in 1955. Retail merchants raised their longer term borrowings from 21.3% of their total in 1946 to 24.3% in 1955. Sales finance companies, traditionally short-term borrowers, showed a sharp swing away from the small amount of longer term borrowing they had been using in 1946. In 1946 their borrowing with maturities of over one year accounted for 7.3% of their total borrowings. In 1955 this longer term borrowing had dropped to 1.7%.

**BUSINESS LOANS BY MATURITY**  
Fifth District Member Banks  
(Estimated)

Amount Outstanding  
(Thousands of Dollars)

Per cent of Industry Total

Business of Borrower	October 5, 1955		November 20, 1946		October 5, 1955		November 20, 1946	
	Short-term (one year or less)	Long-term (over one year)	Short-term (one year or less)	Long-term (over one year)	Short-term (one year or less)	Long-term (over one year)	Short-term (one year or less)	Long-term (over one year)
All Businesses .....	916,510	270,890	380,728	116,165	77.2	22.8	76.6	23.4
Manufacturing and mining .....	224,321	53,895	81,104	29,414	80.6	19.4	73.4	26.6
Food, liquor, and tobacco .....	52,965	7,527	18,667	7,995	87.6	12.4	70.0	30.0
Textiles, apparel, and leather .....	68,316	14,227	17,778	5,739	82.8	17.2	75.6	24.4
Metals and metal products .....	30,321	7,975	13,736	5,264	79.2	20.8	72.3	27.7
Petroleum, coal, chemicals, and rubber .....	16,749	3,101	10,569	811	84.4	15.6	92.9	7.1
All other manufacturing and mining .....	55,970	21,065	20,354	9,603	72.7	27.3	67.9	32.1
Trade .....	256,912	68,522	180,832	30,814	78.9	21.1	85.4	14.6
Wholesale .....	86,962	14,000	98,148	8,425	86.1	13.9	92.1	7.9
Retail .....	169,950	54,522	82,684	22,389	75.7	24.3	78.7	21.3
Other .....	435,277	148,473	118,550	55,937	74.6	25.4	67.9	32.1
Sales finance companies .....	103,311	1,813	26,795	2,098	98.3	1.7	92.7	7.3
Transportation, communica- tion, and other public util- ities .....	31,798	39,865	15,547	23,767	44.4	55.6	39.5	60.5
Construction .....	76,477	12,657	32,839	5,670	85.8	14.2	85.3	14.7
Service firms .....	49,661	31,488	11,883	9,733	61.2	38.8	55.0	45.0
All other nonfinancial .....	174,031	62,650	31,486	14,671	73.5	26.5	68.2	31.8

### District Building Activity Simmers Down

(Continued from page 6)

segments.

The variation shown in this analysis of various types of construction activity and how they have fared seems to indicate that construction's prime characteristic is irregularity. Thus, variability by types of construction should be the expected rule. For example: a company decides to locate in a given area, builds a plant, and employs its workers. First off, this gives rise to a demand for housing space to accommodate the workers, who (assuming no unemployment) had to migrate into the area, or leave other jobs, providing job openings for migration of other people. Expansion in the working population gives rise to a larger demand for commercial facilities and schools and these are constructed in turn. Expansion of industrial concerns, commercial concerns, and population all give rise to a greater demand for electric, gas, and transportation services and these come still later, providing the public utilities did not anticipate the original expansion. Thus, it makes sense that different types of construction move differently in time as the requirements dictate. That seems to

be just what has happened.

### Employment

Employment in contract construction in the Fifth District averaged 242,000 in 1955, an increase of 29% over the average employment level in 1947. Contract construction does not cover the entire field of construction workers, but it does cover about the only part of construction employment that can be counted and is an important part of the total. In 1950 the Occupational Census showed 335,000 workers employed in the construction industries compared with a contract construction figure of 205,000 in April 1950. The 1950 census showed these workers were 6.4% of all employed people in the District.

The increase in employment in the first four months of 1956 over 1955 varied considerably among the states. West Virginia led the District with an increase of 21.1%, followed in turn by Maryland up 15.7%, District of Columbia up 14.0%, Virginia up 12.1%, North Carolina up 1.1%, and South Carolina down 2.2%.



## *Business Conditions and Prospects*

**M**ODERATE improvement in business conditions in the Fifth Federal Reserve District took place in May. Improved business over April levels was witnessed in retail trade, in mineral output, and in construction contract awards. Output of the District's factories, however, receded slightly during the month.

Loans of Fifth District member banks rose during May but total assets declined, due mainly to a reduction in security holdings. Bank debits, after seasonal correction, receded moderately from their all-time high established in April. Electric power production in April was down 3% from March on an adjusted basis.

Time deposits of Fifth District member banks eased \$5 million from April to May. Although sales of Series E and H savings bonds were down 2% during the month, new savings commitments in the form of life insurance rose 4% from April to May to a level 18% ahead of a year ago and thus continued the sharp upward trend in evidence for more than five years.

New business incorporations in the District during April were 4% higher than March and were a sharp 24% above a year ago. Nonagricultural employment in May was higher than April in most District states, with nonmanufacturing employment more than offsetting declines at the manufacturing level.

### **Construction**

Construction contract awards of all types were 12% higher in May (after seasonal correction) and 11% ahead of May 1955 thus reducing the accumulated loss for the five months to 17%.

Strength in commercial and public works and utilities contract awards were responsible for the rise in the over-all total. Commercial awards (seasonally adjusted) in May rose 29% from April and were 21% ahead of a year ago. This brought the five months' total to 13% under last year compared with a 22% accumulated loss in April. Public works and utilities awards jumped 83% (after seasonal correction) from April to May. May was a booming 120% above a year ago, although the first five months' total showed a 2% decline from last year. For four months the accumulated decline was 21%.

The substantial upsurge taking place nationally in new industrial construction has not been present in the Fifth District. May awards for this type of construction, after seasonal correction, were 45% under April, 47% under May 1955, and the first five months were down 8%. There was a fairly substantial upsurge in this type of construction in the last half of 1955, which carried over into January this year; but since January, awards for manufacturing buildings have consistently declined with the May figure only 31% above the comparatively low base years 1947-49.

Residential construction reversed the April rise by

dropping 6% (after seasonal correction) to a level 15% below a year ago; and the first five months were down 21%. The dominant part of residential construction, one- and two-family houses, showed a seasonally adjusted decline in awards in May of 10% from April. This level was 11% under May 1955 and the five-month total was down 14%.

### **Trade**

The trade level showed moderate improvement after seasonal correction between April and May in both department and furniture stores. A small increase was indicated in passenger automobile registrations during the month for states thus far reporting, but the increase was less than normal for the season. New commercial car registrations for four states of the District rose 17% from April to May, were 6% higher than a year ago, and the four months' figures were up 13%.

Department store sales in May rose 3% on an average daily seasonally adjusted basis from April, were 5% higher than in May 1955; the first five months' total was up 5%. Gains in May were good in women's apparel items and most homefurnishings' departments showed large increases over a year ago. Radios, television, and floor coverings fell behind last year. Department store inventories (adjusted) were off 1% from April to May but remained 11% ahead of a year ago. This is the third consecutive decline in the inventory level, apparently a readjustment designed to bring stocks in line with the relatively flat sales trend.

Retail furniture store sales rebounded 4% on a seasonally adjusted basis from the April level and brought the May figure close to the March peak. May sales were 10% higher than a year ago, and the first five months of the year were also up 10%. Furniture store inventories, after seasonal correction, were 10% higher at the end of May than a month earlier but were still 1% lower than a year ago.

### **Manufacturing**

Activity in the manufacturing industries of the District during May receded slightly from April on a man-hour basis. For the three states thus far reporting May man-hours in all manufacturing industries of Virginia, North Carolina, and South Carolina declined 0.8% from April and were 0.4% under May last year. The decline occurred in the Carolinas, with North Carolina down 0.5% and South Carolina 2.6%. Virginia showed little change, up 0.2%, during the month and 1.0% from last year.

Man-hours in the durable goods industries of these states were up 1.0% in May and stood even with a year ago. Lumber in North Carolina and transportation equipment in Virginia were largely responsible for the rise during the month.

Man-hours in nondurable goods industries of these



states were down 1.4% from April to May, to a point slightly (0.5%) under a year ago. Each of the states showed a modest decline during the month, leaving Virginia 1.5% above a year ago, North Carolina down 0.6%, and South Carolina down 1.8%.

Cotton consumption in Fifth District mills during May was off a mere 2% (after seasonal correction) from April and remained 2% ahead of May 1955. For the first five months total consumption was actually 6% higher than a year ago. Selected cutbacks in operations were noted early in June, and a few shutdowns occurred. Japanese competition has been suggested as being responsible, but it is probable that retailers' and fabricators' inventories, together with lack of intense demand at the retail level, are important factors.

Cigarette production in April in the District was 6% higher than in March (after seasonal correction), 12% ahead of a year ago, and the first four months were up 6%.

## Banking

Total assets of Fifth District member banks declined \$38 million in May compared with April. Loans and investments were off the same amount but loans rose \$23 million and security holdings declined \$61 million. Reserves, cash, and bank balances slipped \$3 million and other assets rose \$3 million.

At the end of May, deposits were down \$73 million, with demand deposits off \$68 million and time deposits, \$5 million. Borrowings increased \$27 million during the month and capital accounts were \$11 million higher while other liabilities declined \$3 million.

Business loans (weekly reporting member banks) made a new high in the third week of June and consumer loans, after showing some irregularity, were near their all-time high on that date. Real estate loans have been creeping upward and are again approaching the high point established last Fall.

## FIFTH DISTRICT BANKING STATISTICS

### DEBITS TO DEMAND DEPOSIT ACCOUNTS\*

	(000 omitted)			
	May 1956	May 1955	5 Months 1956	5 Months 1955
District of Columbia				
Washington .....	\$1,498,124	\$1,331,990	\$ 7,490,741	\$ 6,567,237
Maryland				
Baltimore .....	1,785,137	1,640,070	8,564,369	7,672,741
Cumberland .....	28,620	27,352	132,517	120,717
Frederick .....	28,151	24,021	128,563	114,238
Hagerstown .....	48,799	45,442	235,198	211,852
Salisbury** .....	37,820	35,941	176,456	163,742
Total 4 Cities .....	1,890,707	1,736,885	9,060,647	8,119,548
North Carolina				
Asheville .....	74,728	62,817	359,510	327,563
Charlotte .....	435,030	407,719	2,230,769	2,005,464
Durham .....	83,867	81,436	422,450	395,967
Greensboro .....	170,401	144,469	802,431	716,296
High Point** .....	55,991	48,333	277,030	246,054
Kinston .....	22,081	21,487	110,976	111,057
Raleigh .....	215,205	185,209	1,172,388	1,057,238
Wilmington .....	53,922	50,898	263,636	258,612
Wilson .....	19,739	19,034	104,369	101,350
Winston-Salem .....	184,942	167,326	951,517	835,028
Total 9 Cities .....	1,259,915	1,140,395	6,418,046	5,808,575
South Carolina				
Charleston .....	92,819	82,443	460,655	413,905
Columbia .....	193,003	181,744	982,395	877,875
Greenville .....	143,564	124,236	719,491	629,330
Spartanburg .....	70,563	63,922	350,809	326,199
Total 4 Cities .....	499,949	452,345	2,513,350	2,247,309
Virginia				
Charlottesville .....	40,360	37,309	188,531	179,778
Danville .....	41,977	36,210	213,954	191,887
Lynchburg .....	62,000	52,731	307,647	261,789
Newport News .....	65,876	57,139	311,269	270,547
Norfolk .....	326,495	288,839	1,540,479	1,403,764
Portsmouth .....	39,263	36,586	188,946	178,463
Richmond .....	710,421	637,604	3,442,337	3,180,598
Roanoke .....	163,529	131,204	757,396	628,241
Total 8 Cities .....	1,449,921	1,277,622	6,950,559	6,295,067
West Virginia				
Bluefield .....	60,147	43,369	282,264	214,994
Charleston .....	193,322	165,157	910,514	844,071
Clarksburg .....	41,599	34,907	201,211	175,514
Huntington .....	88,511	80,195r	426,584	395,884r
Parkersburg .....	37,678	32,238	182,771	156,056
Total 5 Cities .....	421,257	355,866	2,003,344	1,786,519
District Totals .....	\$7,019,873	\$6,295,103r	\$34,436,687	\$30,824,255r

\* Interbank and U. S. Government accounts excluded.

\*\* Not included in District Totals.

r Revised.

### WEEKLY REPORTING MEMBER BANKS

	(000 omitted)		
	Change in Amount from		
Items	June 13, 1956	May 16, 1956	June 15, 1955
Total Loans .....	\$1,812,294**	+ 4,264	+177,092
Bus. & Agric. ....	831,249	— 5,227	+ 99,250
Real Estate Loans .....	334,277	+ 761	+ 12,542
All Other Loans .....	672,505	+ 8,934	+ 68,823
Total Security Holdings .....	1,638,707	+ 51,972	—105,561
U. S. Treasury Bills .....	89,126	+ 48,916	+ 14,945
U. S. Treasury Certificates ..	18,118	+ 2,662	— 4,340
U. S. Treasury Notes .....	295,586	+ 7,589	— 69,333
U. S. Treasury Bonds .....	967,850	— 8,569	— 46,257
Other Bonds, Stocks & Secur. ....	268,027	+ 1,374	— 576
Cash Items in Process of Col. ..	369,352	— 4,739	— 2,528
Due from Banks .....	181,885*	+ 13,395	+ 1,182
Currency and Coin .....	79,522	+ 3,561	+ 3,536
Reserve with F. R. Banks .....	521,012	— 8,278	+ 9,236
Other Assets .....	74,273	+ 2,000	+ 7,057
Total Assets .....	\$4,677,045	+ 62,175	+ 90,014
Total Demand Deposits .....	\$3,528,505	+ 74,944	+ 65,288
Deposits of Individuals .....	2,670,065	+106,743	+ 37,622
Deposits of U. S. Government ..	103,071	— 40,296	+ 12,098
Deposits of State & Local Gov. ....	230,047	+ 11,847	+ 15,331
Deposits of Banks .....	463,822*	+ 4,418	+ 4,950
Certified & Officers' Checks ..	61,500	— 7,768	— 4,713
Total Time Deposits .....	754,832	— 4,822	— 5,560
Deposits of Individuals .....	679,888	+ 407	— 2,255
Other Time Deposits .....	74,944	— 5,229	— 3,305
Liabilities for Borrowed Money ..	10,500	— 6,300	— 5,500
All Other Liabilities .....	46,830	— 3,224	+ 8,290
Capital Accounts .....	336,378	+ 1,577	+ 27,496
Total Liabilities .....	\$4,677,045	+ 62,175	+ 90,014

\* 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	May 1956	5 Mos. 1956
Maryland .....	+ 2	0
Dist. of Columbia .....	+ 8	+ 3
Virginia .....	+ 5	+ 3
West Virginia .....	+13	+19
North Carolina .....	+18	+10
South Carolina .....	+10	+ 4
District .....	+ 9	+ 5
INDIVIDUAL CITIES		
Baltimore, Md. ....	+ 2	0
Washington, D. C. ....	+ 8	+ 3
Richmond, Va. ....	+ 8	+ 1
Charleston, W. Va. ....	+18	+ 7
Greenville, S. C. ....	+17	+ 5

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

## WHOLESALE TRADE

LINES	Sales in May 1956 compared with		Stocks on May 31, 1956 compared with	
	May 1955	Apr. 1956	May 31, 1955	Apr. 30, 1956
Auto supplies .....	+ 2	+25	NA	NA
Electrical, electronic and appliance goods .....	+35	+ 5	+12	+ 4
Hardware, plumbing, and heating goods .....	+ 7	+17	NA	NA
Machinery equipment supplies .....	+ 8	- 2	+24	+ 2
Drugs, chemicals, allied products .....	+12	+ 9	+ 8	+ 1
Dry goods .....	NA	NA	NA	NA
Grocery, confectionery, meats .....	+10	+11	+ 7	- 2
Paper and its products .....	+ 6	- 3	NA	NA
Tobacco products .....	NA	NA	NA	NA
Miscellaneous .....	+ 7	+ 2	+34	- 1
District total .....	+11	+ 5	+16	+ 2

NA Not Available.

Source: Bureau of the Census, Department of Commerce.

## DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals	
Sales, May '56 vs May '55 --	+ 8	+ 7	+ 9	+10	+ 9	
Sales, 5 mos. ending May 31, '56 vs 5 mos. ending May 31, '55 -----	+ 5	+ 2	+ 7	+ 7	+ 6	
Stocks, May 31, '56 vs '55 --	+ 3	+ 7	+13	+17	+11	
Outstanding Orders May 31, '56 vs '55 -----	+21	+16	+13	+12	+15	
Open account receivables May 1, collected in May '56 ---	31.4	51.6	45.3	38.6	42.9	
Instalment receivables May 1, collected in May '56 --	10.6	13.7	13.4	15.4	13.2	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, May '56 vs May '55 -----	+ 7	+ 9	+ 7	+18	+ 6	+11

## BUILDING PERMIT FIGURES

	May 1956	May 1955	5 Months 1956	5 Months 1955
Maryland				
Baltimore .....	\$ 2,922,771	\$16,046,590	\$ 22,723,886	\$ 43,595,882
Cumberland .....	312,905	148,400	855,055	801,691
Frederick .....	813,585	471,970	1,224,250	1,168,175
Hagerstown .....	129,296	615,865	660,741	1,330,885
Salisbury .....	76,124	62,432	1,098,885	1,032,599
Virginia				
Danville .....	559,287	250,110	3,663,243	3,342,021
Hampton .....	499,564	461,954	3,758,444	7,155,082
Hopewell .....	300,229	319,544	854,558	1,610,707
Lynchburg .....	405,825	549,181	5,273,835	4,095,798
Newport News .....	121,971	237,274	1,089,672	850,026
Norfolk .....	9,218,013	1,682,681	13,905,301	6,065,359
Petersburg .....	305,650	164,000	1,260,050	1,567,400
Portsmouth .....	222,591	298,975	1,451,739	1,549,815
Richmond .....	1,964,678	2,446,657	13,903,113	9,445,765
Roanoke .....	1,272,598	980,510	11,719,255	5,087,353
Staunton .....	245,630	168,300	1,273,916	1,369,355
Warwick .....	572,582	2,020,609	3,118,122	5,291,565
West Virginia				
Charleston .....	710,619	709,178	2,524,717	2,890,149
Clarksburg .....	157,945	185,151	703,432	858,464
Huntington .....	574,160	529,355	2,105,094	2,021,226
North Carolina				
Asheville .....	256,309	247,790	2,920,746	1,324,077
Charlotte .....	6,585,771	3,609,029	14,895,362	13,570,975
Durham .....	939,100	564,116	3,719,271	6,151,989
Gastonia .....	708,200	1,030,050	2,895,950	3,621,950
Greensboro .....	2,382,955	1,009,319	7,354,011	4,627,424
High Point .....	541,360	674,290	2,785,904	3,787,019
Raleigh .....	1,556,321	2,107,865	5,726,385	9,343,879
Rocky Mount .....	352,681	369,934	1,623,562	1,652,645
Salisbury .....	625,160	125,695	1,255,125	506,163
Wilson .....	232,550	189,100	2,600,075	1,670,775
Winston-Salem .....	2,188,249	1,638,613	6,785,468	6,589,017
South Carolina				
Charleston .....	188,129	507,404	933,171	1,282,625
Columbia .....	1,372,064	1,105,826	5,142,720	3,788,940
Greenville .....	529,750	1,101,598	3,381,226	3,376,746
Spartanburg .....	1,336,858	39,255	2,485,986	870,700
District of Columbia				
Washington .....	6,504,669	5,067,360	23,437,118	28,447,620
District Totals .....	\$47,686,149	\$47,735,980	\$181,109,388	\$191,741,861

## FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	May 1956	Apr. 1956	May 1955	% Chg.—Latest Mo.	% Chg.—Yr. Ago.
New passenger car registration*	174	196r	196r	- 2	- 9
Bank debits .....	190	192	176	- 1	+ 8
Bituminous coal production*	110	105r	99r	+ 5	+11
Construction contracts .....	228	204r	206	+12	+11
Business failures—number .....	172	153	151	+12	+12
Cigarette production .....	125	105	106	+ 2	+ 0
Cotton spindle hours .....	125	127	125r	- 2	+ 0
Department store sales .....	135	131	128	+ 3	+ 5
Electric power production .....	193	193	182	- 3	+ 8
Manufacturing employment*	111	111	108r	- 3	+ 3
Furniture store sales .....	129	124r	117	+ 4	+10
Life insurance sales .....	228	219	193	+ 4	+18

\* Not seasonally adjusted.

r Revised.

Back figures available on request.