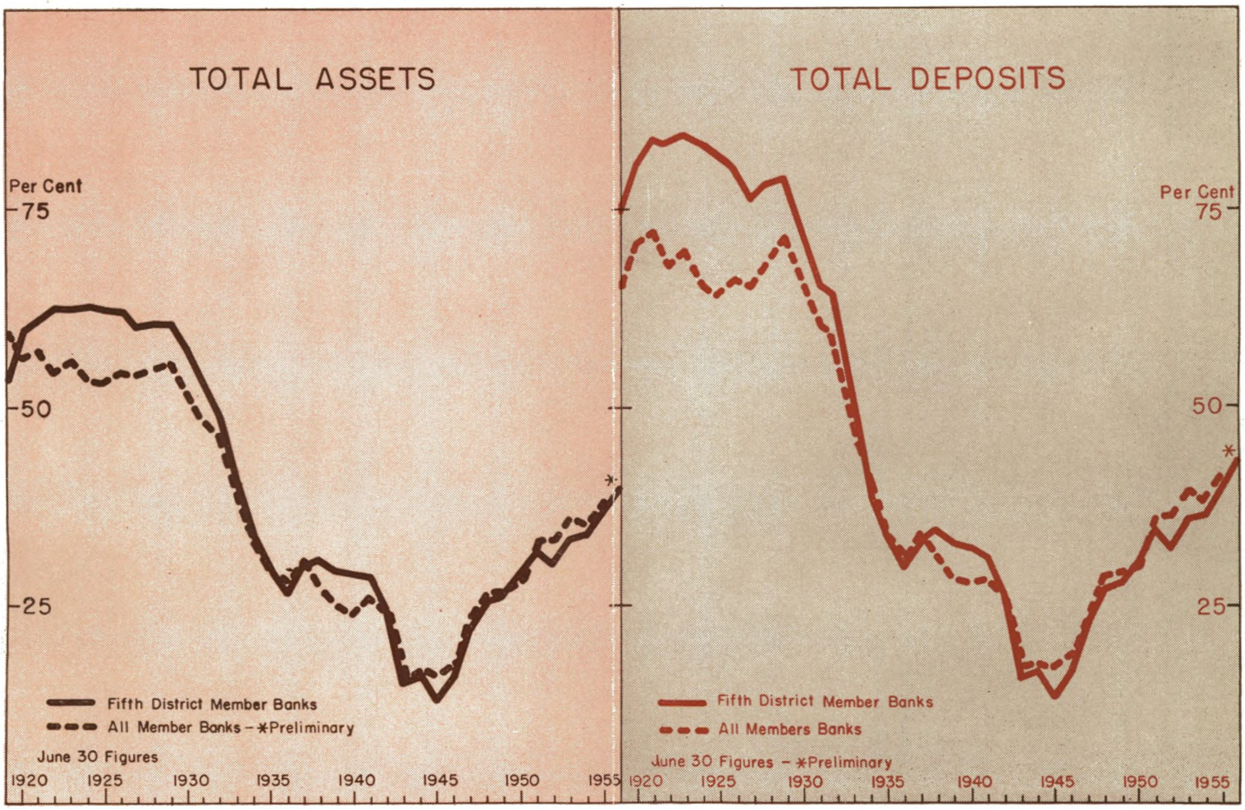
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

THE FIFTH FEDERAL RESERVE DISTRICT

September 1956

RATIOS OF MEMBER BANK LOANS TO:

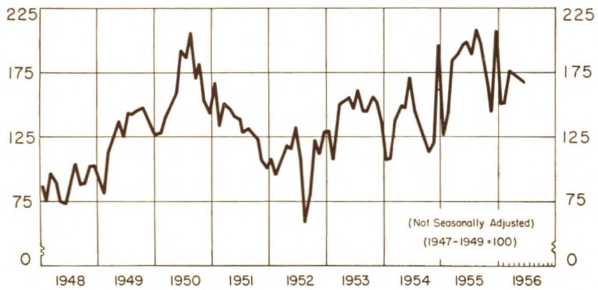


Member bank loans move higher . . . . and raise some important questions. The article on page 3 describes some of these developments and discusses problems in store for commercial bankers.

Also In This Issue - - -

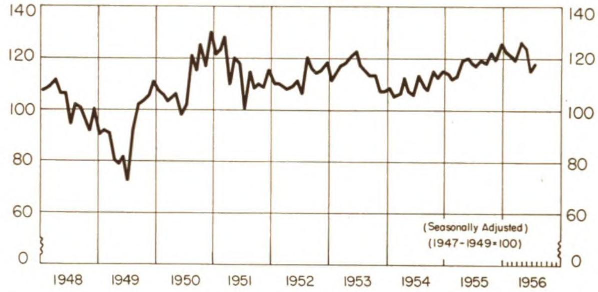
FIFTH DISTRICT TRENDS

NEW PASSENGER CAR REGISTRATIONS



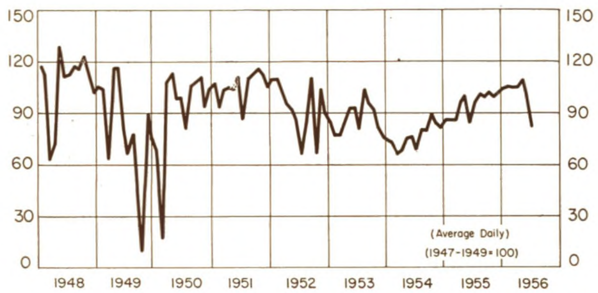
New passenger automobile registrations in June declined 2% from May to a level 17% below a year ago. First-half registrations were down 5%. Two states and the District of Columbia for July showed a 3% increase over June but were 15% under last year.

COTTON CONSUMPTION



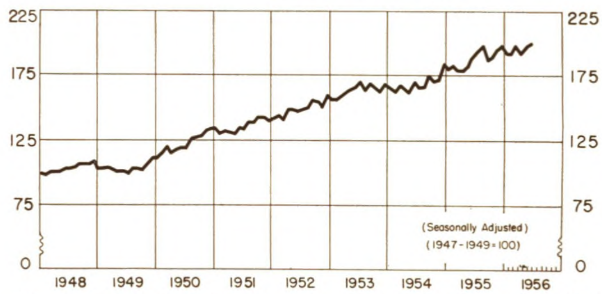
Cotton consumption in July in Fifth District mills did not decline by normal seasonal proportions. Consequently, the average daily adjusted index for July rose 3% from June, was 1% higher than a year ago, and seven months' consumption was 4% above last year.

BITUMINOUS COAL PRODUCTION



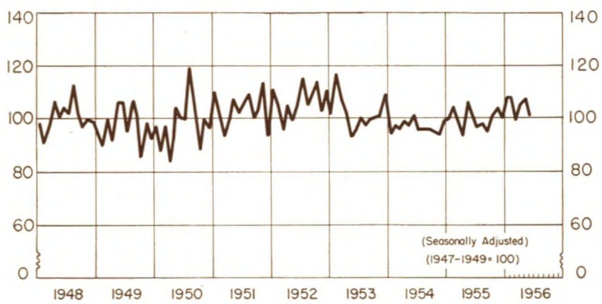
The steel strike hurt bituminous coal operations in this District substantially during July when average daily output dropped 19% from June to a level 15% under a year ago. Seven months' output, however, was 13% larger than last year.

ELECTRIC POWER PRODUCTION



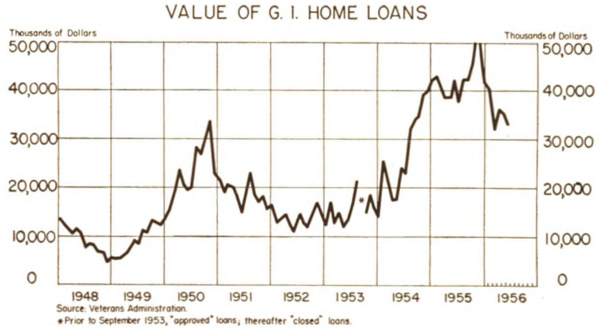
Electric power production in June was at an all-time high level in this District after taking account of seasonal factors. June output was 1% higher than May and 6% higher than a year ago. Output in the first half-year was 8% larger than a year ago.

CIGARETTE PRODUCTION



Production of cigarettes in this District in June was 6% smaller than in May but at the same level as a year ago. First-half figures were up 5%. Virginia output in July was 7% above a year ago.

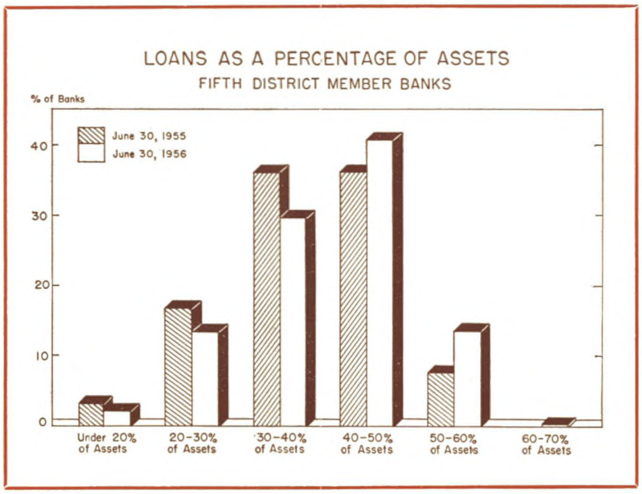
VALUE OF G. I. HOME LOANS



The number of GI home loans closed in June dropped 6% from May, was down 25% from June 1955, and the first half-year was down 13%. The dollar amount of loans in June was down 7% from May and 21% from June 1955; the first half-year was down 11%.

Member Bank Loans Move Higher . . .
And Raise Some Important Questions

WHAT'S happening to commercial bank loans? Ask almost any commercial bank officer or student of banking and the chances are the recent widespread growth of loans will be cited. Odds are not even, however, that a conclusive answer as to the significance of the increases will be forthcoming—the analysts differ sharply on this point. Some view the trend with considerable alarm, obviously feeling that the relatively rapid loan expansion of the current era means greater risk to the lender and a dangerous weakening in banks' liquidity positions. Others, just as sincerely, find little to be disturbed about in this expansive credit trend and even feel that banks might extend their percentages upward without creating serious difficulties for themselves or contributing to the inflationary trend that worries many of those who look ahead.



Because these increasing ratios are so interesting—and so potentially significant for the banking system—this article will attempt to place them in perspective so that their meaning can, perhaps, be judged more accurately. There can be, of course, no "correct" ratio since banks differ so widely in their operations that ratios can normally be expected to vary from place to place, from bank to bank, and from time to time. The ratio prevailing at any particular bank reflects past experience, the needs of its community, the character of its deposits, its cash and capital positions, the nature of its loans and investments, its analysis of future trends, and the economic philosophy of its management.

Increasing Loan Percentages As Danger Signals

Although many analysts do not feel that present loan percentages are too high, most agree that loan percentages *could* become too high. There are, in fact, two danger zones into which a bank can move by concentrating too heavily on loans: first, since loans are generally the most illiquid of a bank's earning assets, an increased loan percentage may create liquidity problems—the inability to convert deposits upon demand. If the bank maintains adequate primary and secondary reserves and expands its loans through compressing its long-term investments, or through increased capital, it creates for itself no liquidity problems. If the expansion occurs at the expense of secondary reserves, however, problems may arise quickly unless its loan structure is such that it provides an adequate return flow of funds to meet liquidity needs.

A second danger inherent in rising loan percentages involves the increased chances of losses—for loans obviously are subject to greater risk of default than are most bank investments. The extent of this risk clearly depends not only upon the proportion of loans to other assets but also upon the quality of the advances made. The conclusion to be drawn is that increasing loan percentages, while suggesting some movement away from liquidity and safety, nevertheless must be interpreted carefully in the light of other developments in the banks' capital and assets structures.

Even though the loan-deposit ratio is commonly used in discussing changing loan patterns, more emphasis is placed in the remaining analysis upon the loan-asset ratio because it is felt the latter ratio is more significant. Where the loan-deposit ratio is used there is a tendency to lapse into thinking of the bank's "liquidity cushion" as approximately the difference between 100% and the bank's loan-deposit ratio. For example, if the loan-deposit ratio is 70%, the temptation is to view the bank as having liquid assets of only 30% of deposits less the percentage in fixed assets and long-term investments. Actually, the liquid assets will constitute a greater percentage of deposits since total assets are always more than 100% of deposits because of the existence of other liabilities and capital accounts.

Recent Trends in the Fifth District

The accompanying chart comparing loan to asset ratios for the call dates of June 30, 1955 and 1956, reveals clearly the sharp uptrend in loan percentages among Fifth District member banks within this period. At the low end of the scale, 20.1% of the banks on the June 1955 call date had loan-asset ratios of less than 30%. By June 1956, the percentage had fallen to 15.9%. Differences were even greater at the upper end of the scale where the percentage of banks with loan ratios of more than 50% climbed from a 1955 figure of

7.7% to a 1956 figure of 13.9%. A few banks increased their ratios to even more than 60%.

There has also been a definite increase in the "typical" or most frequent loan-asset ratio. In mid-'55, the "typical" ratio was shared equally by the 30-40% and the 40-50% ranges, each of which contained 36.1% of the banks. By mid-'56, the largest percentage of the banks —40.6%—had loan ratios of 40-50% and only 29.6% had ratios of 30-40%. In interpreting these percentages, it should be remembered throughout that these are June figures and consequently differ from those during other seasons of the year.

Various methods were employed by individual banks to effectuate these increases, but comparison of the District figures on the two dates suggests that most banks expanded loans at the expense of government securities. This was certainly true of the increase in the ratio of total Fifth District loans to total Fifth District assets. It does not mean that most of the funds for loan expansion came from the sale or "run off" of government securities. Actually, most of the volume came from deposit increases—over $263 million as compared with $150 million from reduced government security holdings. Increases in capital stock, surplus, and borrowings from the Federal Reserve and other lenders also substantially increased loanable funds.

How, then, could the reduction in government security holdings have been most important in increasing the loan percentages? The answer to this paradox lies in the fact that loan-asset ratios cannot increase unless there is a decrease in the ratio of some other asset or assets to total resources. If the loan-asset ratio of a bank is to remain constant, then the bank must increase the volume of its loans in the same proportion as the increase in its total assets. The same is true if it is to keep the percentage of its government securities or the percentage of any other asset constant. Among Fifth District member banks, however, the funds were so distributed that the percentage of loans rose from 37.2% in 1955 to 39.7% in 1956 while the percentage of government securities was allowed to fall from 32.2% to 29.0%. Since there was little change in other assets (with the exception of "cash assets" which increased slightly from 22.5% to 23.1%) the fall in the government security-asset ratio obviously accounted for the increases in the loan-asset and cash-asset ratios.

Some Historical Relationships

The cover chart uncovers some interesting, and perhaps forgotten, relationships in banking history. Despite recent increases, present loan-asset and loan-deposit ratios are much below those of the early years of the Federal Reserve System. On June 30, 1919, the first date for which comparable ratios could be computed, Fifth District member bank loan-asset and loan-deposit ratios stood at 52.1% and 73.0%, respectively, as compared with 1956 ratios of 39.7% and 43.6%. These high ratios continued, sometimes rising and sometimes falling, until 1929 when they dropped sharply following the market crash. They rose again slightly in 1935, reversed direction in 1938, and dropped to lows of 13.2 and 14.0% by 1945. At the end of World War II a marked upward trend began and has continued rather steadily until the present time. Ratios for all member banks have followed a quite similar pattern, generally running slightly below Fifth District percentages before the early 1940's and predominantly above them since then.

Most of these variations can be easily explained. Before 1930 loan ratios were extremely high because a lack of sufficient short-term investments forced banks to depend mainly upon call loans to satisfy liquidity needs. Low percentages of the depressed 1930's naturally resulted from light loan demand, the banks' prudent increases in cash assets, and the need for investments in order to provide income. The still lower war-year percentages can be explained by low loan demand, heavy excess reserves, and tremendous expansion in bank-held Federal debt. The sharp postwar increases have come largely from increasing loan demands which have favored reduced investments and expanded loans, particularly in years of rising interest rates.

Some Important Questions

How far *should* a banker allow loan ratios to rise if loan pressures continue to mount? Can he afford to turn away customers to other banks or nonbank lenders? How dangerous would his asset position become for a given expansion in loans? Should he take advantage of current high earnings to float new stock issues? These are interesting and difficult questions with potentially different answers for every bank. In view of their importance, however, the prudent banker will take bearings on his position and plot his course in case loan demands become more intense. Such an appraisal might very well reveal a possibility of increasing profits and better satisfying community needs through loan expansion. For others the answer might be quite different.

There is also no easy answer as to how far loan ratios *would* rise under heavy demands. Much, of course, would depend on monetary policy. If the Federal Reserve System were to follow a relatively easy money policy, there would probably be little increase in loan percentages. On the other hand, if inflationary pressures grew and dictated a tight money policy, percentages might rise further although the rise eventually would be limited by loan "rationing" resulting from the banks' unwillingness to undergo further risk. Augmented interest rates could also be expected to aid in the loan curtailing process.

District Farm Income—An Outlook Analysis

THE District farm income picture—as snapped in mid-August—does not look quite as good as it was in 1955. There will, to be sure, be exceptions. Dairymen, poultrymen with commercial laying flocks, peanut, peach and apple producers seem likely to take in more cash in '56 than in '55. Also included in this group will be those who took heavy crop losses last year due to hurricane winds and heavy rains.

On what factual situations—and conjectures—are, then, somewhat smaller total farm income figures—for the year 1956—based? To begin with, farmers' cash income for the first five months was nearly 3% below the same period in '55 and income from livestock was down more than that from crops. Normally, only little more than one-fifth of total District cash farm income—about two-fifths of all livestock receipts, and one-seventh of all income from crops—is received by the end of May. In addition, District farmers on a yearly basis customarily receive $2 of cash income from livestock for every $3 they obtain from crops.

In this District significant facts are that 42 cents of each dollar of farm income come from tobacco and cotton and tobacco produces more cash for farmers than any other commodity. When one looks at these two prime commodities and notes that decreased production of both is inevitable (due primarily to cuts in acreage), he is seeing most of the argument for lower total income this year. In addition, lower support prices for cotton—about $12 per bale under last year's—must also be considered an income-depressing factor.

Grounds for Conjecture

From USDA's *Crop Production* Report, we have indications of 1956 crop prospects as of August 1. If we use these estimates and assume that prices this year will bear the same relationship to loan levels as in 1955, we have a fair basis for comparing income from crops.

The District's tobacco farmers seem certain to have less "folding money" this year than last. Maryland tobacco growers, in fact, have received 5% less income from their 1955 crop (sold in 1956) than from the crop sold last year. Tobacco producers in the flue-cured areas are in for a bigger cut, however. With acreage down by 11%, due to reductions in allotments, and yields somewhat lower, production is expected to be 14% below last year. Burley, fire-cured, and sun-cured crops are, however, larger and could bring in more money.

Cotton farmers, faced with reduced acreage allotments and lower yields, are expecting this year's crop to be 7% smaller than in 1955. These indications, coupled with the $12 per bale lower loan rate, will undoubtedly reduce cotton income considerably.

With increased acreage (allotments were raised because of the short supply of Virginia-type peanuts) and weather more favorable for production, the District's 1956 peanut crop may be one-third larger than in '55. Yields are running around three bags per acre above last year, and quality is better. The basic loan rate for Virginias is up. Result: indications of substantial improvement in peanut growers' income.

On the livestock side of the picture, it now appears that total income from all sources will be down from last year, though not as much as that from crops. Income from eggs and dairy products are likely exceptions to the expected decline elsewhere.

With larger sales and higher prices, income from dairy products should be well above those in 1955. Both total milk production and production per cow are running ahead of a year ago. And the increase in support prices for butter and manufacturing milk should have an upward influence on market prices.

Where regular income checks are dependent on poultry and eggs, those in the egg business appear to be headed for a neat gain, while those raising broilers will get smaller checks. Thus far in 1956 District egg production has been 3% larger than last year. Egg prices have averaged about 4 cents per dozen higher, and poultry prophets expect the yearly average will also exceed 1955. Broiler prices, on the other hand, have been a substantial 6 cents lower than a year earlier. Meanwhile, broiler chicks hatched and chick placements have been well above last year. Prospective large supplies would seem to head off any substantial price increase, and increased production will not offset the lower prices.

Less cash also seems to be in store for the cattle raisers. The number of cows and heifers 2 years old and older on January 1 and the anticipated calf crop indicate that marketings this year will be lower unless there is considerable net liquidation. Prices during the first half of the year were well below 1955. Fed cattle prices turned upward in July and appear likely to retain most or all of this increase. Large further advances are not expected, however.

On the basis of the number of pigs saved, District farmers this year have slightly more pigs old enough to be converted into ham, bacon, or chops. The larger marketings, however, appear certain to fall far short of offsetting the reduced prices received this year.

While much can happen—weatherwise and otherwise—to upset some of the above assumptions, the projections, covering commodities that produce 80% of all cash farm income, seem to indicate a slight slippage in this year's farm income.

Fifth District Member Banks . . .
Record-Breaking Earnings in the First Half

PARTICIPATING in record levels of business activity, Fifth District member banks established a new half-year earnings high in 1956. Gross earnings amounted to $135.2 million, more than 12% above the figure for the first half of 1955. Higher gross income this year reflected both increased loan volume and higher average rates of return on loans and securities.

Earnings Came Predominantly From Loans . . .

Loans and discounts continued to provide the bulk of District member banks' earnings, accounting for 60% of the total in the first half of 1956. Even though total loans advanced at a slower pace over the first six months of this year than in the same period last year, the amount outstanding on June 30, 1956 was 11.5% greater than on June 30, 1955. The 5.161% (average annual rate) return on loans outstanding in the first half compared with 5.031% in the same period last year.

Practically all classes of borrowers increased their loans in the first half of 1956. While credit extended consumers, business borrowers, and purchasers of real estate did not grow as rapidly as in the first six months of 1955, the increase accounted for the major portion of this year's over-all rise. All types of consumer loans rose in the first six months of the current year, but the rise in automobile instalment paper, the largest single component of total consumer instalment loans, was not as pronounced this year as last and accounted predominantly for the smaller increase in total consumer borrowing. Real estate and business loans rose at about half the rate of last year's increase. Loans to farmers, which are generally heavier in Spring and early Summer, advanced at a much faster rate this year than last.

. . . But Earnings From Securities Were at a High Level

Holdings of U. S. Government securities declined by 7.1% over the first half, and the amount outstanding on June 30 was 6% below that on the comparable year-ago date. Higher rates of return on these securities, however, lifted their contribution 5% above first-half 1955. The average annual rate of return on Governments for the January-June period was 2.297% as against 2.038% for the same months last year. U. S. Government securities accounted for one-fifth of total earnings. All other earnings—interest and dividends on securities other than U. S. Government, service charges, trust department operations, safe deposit box rentals, and others—also accounted for a fifth of total earnings and were more than 10% above last year.

Net Current Earnings Were High . . .

Net current earnings, before adjustments for losses and recoveries and income taxes, continued to move upward. Operating expenses of District member banks rose appreciably over last year although the increase was not as much as that in total earnings. For the first half, total current expenses were up $8.8 million, or 12%, over the first six months of 1955. Gross earnings this year, however, were $15.0 million (12.4%) higher than in 1955, with the result that net earnings, up $6.2 million, were 13.1% above last year's figure.

. . . But Net Profits Did Not Keep Pace . . .

Net profits after taxes, while gaining slightly over previous mid-years, showed only about half the rate of increase in the first six months of this year over the same period last year as that shown for net current earnings. The small increase in net profits was largely due to smaller profits and recoveries as against larger losses and charge-offs reported by member banks.

EARNING ASSETS
Fifth District Member Banks
(Dollars in millions)

	June 30, 1956p	June 30, 1955r	% Change First Half 1956	% Change First Half 1955
Loans and investments	6,005.4	5,808.6	— 1.0	— 0.1
Loans—net	3,167.3	2,843.3	+ 4.4	+ 7.7
Reserves	40.8	34.1	+ 6.5	+ 3.3
Loans—gross	3,208.1	2,877.4	+ 4.4	+ 7.6
Real estate loans:				
On farm land	61.3	59.6	+ 2.0	+ 9.6
On residential property	537.7	501.2	+ 4.3	+ 3.3
On other properties	202.9	196.6	+ 0.1	+ 14.3
Loans to banks	19.2	13.1	+262.3	+178.7
Loans to brokers and dealers in securities	42.0	34.8	+ 15.1	+ 16.8
Other loans for purchasing or carrying securities	73.1	90.9	— 26.6	— 9.3
Loans to farmers	86.6	91.4	+ 23.9	+ 13.5
Commercial and industrial loans	1,111.0	961.3	+ 3.3	+ 5.2
Instalment loans to individuals:				
Retail automobile paper	296.8	237.6	+ 8.1	+ 20.6
Other retail paper	86.8	80.1	+ 5.9	+ 5.4
Repair and modernization loans	58.7	53.2	+ 4.6	— 0.7
Other instalment loans	138.5	134.8	+ 4.8	+ 7.1
Single payment loans	368.5	330.5	+ 9.2	+ 7.7
All other loans	125.0	92.2	— 0.6	+ 24.9
U. S. Government Securities	2,311.2	2,461.4	— 7.1	— 7.7
Treasury bills	104.9	100.0	— 33.7	— 44.1
Treasury certificates of indebtedness	34.7	32.1	— 58.1	— 79.6
Treasury notes	520.9	610.9	— 3.0	+ 11.4
U. S. nonmarketable bonds	99.4	139.6	— 24.2	— 3.7
Other U. S. bonds—5 years or less	512.9	409.2	— 4.5	— 18.5
Other U. S. bonds—over 5 years	1,038.4	1,169.6	— 0.3	+ 2.9
Other securities*	526.9	503.9	— 3.6	— 0.1

p Preliminary.
r Revised.
* Includes U. S. guaranteed obligations.
Note: May not add to totals because of rounding.

During the first half of 1956, District member banks reduced their Government security holdings in order to obtain funds to meet a growing loan demand. Because of conditions prevailing in the Government securities markets, these sales frequently resulted in losses to the banks. Such losses, and to some extent the building up of valuation reserves on loans, resulted in a reduction of current earnings. Taxes for the first six months of 1956 were only slightly higher than for the corresponding period of 1955.

Net profits realized by Fifth District member banks on their current half-year's operations were equal to an annual rate of 8.45% on total capital accounts—a shade lower than the 8.49% realized in the same period last year.

. . . And Retained Earnings Fell Below the 1954 Record

Cash dividends to stockholders amounted to more than one-third of the first six months' net profits, a proportion slightly higher than first-half 1955 and much higher than first-half 1954 when less than a third of net profits was paid out in dividends. Fifth District member banks retained 62% of their net profits in the current six months' period. This was one percentage point less than that retained last year. Due partly to these retained earnings, stockholders' equity in total assets rose to 7.65% as of June 30, 1956 as against 7.38% on June 30, 1955.

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

	First Half 1956p	First Half 1955r	% Change
Earnings			
Interest and dividends on U. S. Government obligations	27,605	26,296	+ 5.0
Interest and discounts on loans	80,745	69,590	+16.0
All other earnings	26,870	24,363	+10.3
Total earnings from current operations	135,220	120,249	+12.4
Expenses			
Total current operating expenses	82,015	73,227	+12.0
Net current earnings	53,205	47,022	+13.1
Recoveries, transfers from reserves, and profits	2,208	4,191	—47.3
Losses, charge-offs, and transfers to valuation reserves	8,354	6,623	+26.1
Profits before income taxes	47,059	44,590	+ 5.5
Taxes on net income	21,814	20,998	+ 3.9
Net profits	25,245	23,592	+ 7.0
Cash dividends declared	9,538	8,631	+10.5
Net profits after dividends	15,707	14,961	+ 5.0

p Preliminary.
r Revised.

ASSETS AND LIABILITIES
FIFTH DISTRICT MEMBER BANKS BY STATES
June 30, 1956p
(Dollars in Millions)

							Fifth District	
ASSETS	Md.	D. C.	Va.	W. Va.	N. C.	S. C.	June 30, 1956	June 30, 1955r
Loans and investments	1,114.2	1,010.4	1,824.0	629.2	991.8	435.8	6,005.4	5,808.6
Loans and discounts (including overdrafts)	531.0	535.1	1,023.3	274.5	597.8	205.6	3,167.3	2,843.3
U. S. Government obligations (direct and guaranteed)	468.8	411.9	637.8	306.0	303.4	184.7	2,312.6	2,462.8
Other securities	114.4	63.4	162.9	48.7	90.6	45.5	525.5	502.5
Reserves, cash, and bank balances	328.1	321.8	489.1	189.8	370.0	142.8	1,841.6	1,721.9
Reserves with Federal Reserve Bank	160.1	187.0	200.6	74.7	131.8	54.3	808.5	745.7
Cash in vault	21.2	19.7	39.5	17.5	16.8	11.3	126.1	155.5
Balances with banks	65.4	49.1	116.4	66.7	70.5	46.2	414.3	392.0
Cash items in process of collection	81.4	66.0	132.6	30.9	150.9	31.0	492.7	428.7
Other Assets	22.3	24.8	37.9	10.4	19.3	7.4	122.1	112.4
Total Assets	1,464.6	1,357.0	2,351.0	829.4	1,381.1	586.0	7,969.0	7,642.9
LIABILITIES								
Demand deposits	1,032.1	979.8	1,377.5	545.8	1,003.4	466.0	5,404.5	5,206.9
Individuals, partnerships, and corporations	767.8	857.5	1,045.3	411.1	692.5	356.4	4,130.6	3,996.2
U. S. Government	49.7	28.6	51.2	17.8	38.8	17.5	203.5	203.0
States and political subdivisions	119.4	.1	104.9	57.5	82.8	62.6	427.3	422.4
Banks	88.3	64.7	149.7	42.0	153.8	16.4	514.9	477.3
Certified and officers' checks, etc.	6.9	28.9	26.4	17.4	35.5	13.1	128.2	108.1
Time deposits	314.4	268.1	764.3	205.2	232.9	74.2	1,859.2	1,793.7
Individuals, partnerships, and corporations	297.9	238.1	685.6	203.6	168.6	68.3	1,662.1	1,596.6
U. S. Government and postal savings	6.2	15.7	19.2	.7	4.4	5.1	51.4	60.4
States and political subdivisions	10.2	------	58.5	.7	58.2	.5	128.1	115.8
Banks	------	14.3	1.0	.3	1.7	.3	17.6	20.8
Total deposits	1,346.4	1,247.9	2,141.8	751.0	1,236.3	540.2	7,263.7	7,000.5
Borrowings	.9	.9	7.5	.4	15.7	------	25.3	14.3
Other liabilities	9.2	9.7	19.2	4.3	23.4	4.9	70.7	64.0
Total Liabilities	1,356.5	1,258.5	2,168.5	755.7	1,275.4	545.1	7,359.6	7,078.9
Total Capital Accounts	108.1	98.5	182.5	73.7	105.7	40.9	609.4	564.1
Total Liabilities and Capital Accounts	1,464.6	1,357.0	2,351.0	829.4	1,381.1	586.0	7,969.0	7,642.9
Demand deposits adjusted	812.8	820.6	1,043.9	455.1	659.9	401.1	4,193.4	4,097.9
Number of banks	70	13	203	100	54	33	473	477

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

Business Conditions and Prospects

THE Fifth District's economy during July showed distinctly mixed movements. The steel strike substantially hurt bituminous coal output, but despite the tightness in structural steel supplies, construction contract awards were strong. The trade level evinced both strength and ease. Industrial operations, based on incomplete reports, did likewise. Outside the direct influence of the steel strike, changes in the employment level apparently were limited to normal seasonal proportions.

While total deposits of the member banks declined, time deposits rose. Mutual savings bank deposits in Maryland continued to rise, and somewhat surprisingly, purchases of U. S. Savings Bonds were higher during the month. But over-all economic activity in the District was reflected in the fact that bank debits for July achieved a new high. And, in late August, business and consumer loans, reflecting the exuberance on the national scene currently exhibited by both entrepreneur and consumer, touched levels never before recorded.

Manufacturing

Man-hours in all manufacturing industries of the Carolinas during July were down 1.4% from June, a smaller decline than last year. Durable goods man-hours were off a slender 0.9% from June to July, while nondurable goods man-hours declined 1.7% which was considerably above last year. Increased man-hours between June and July occurred in furniture, fabricated metals, machinery, food, and seamless hosiery. Other industries showed declines ranging from 0.9% to 2.5%. The tobacco industry's end-of-season operations declined 4.4%.

Apparently, reduction in home building has not had a commensurate effect on the lumber industry for July man-hours in the Carolinas were down only 2.3% from June and 4.9% from a year ago. The furniture industry, in a downward trend for some months, reversed direction during July by 0.5%. In textiles, man-hours were down 1.7% from June to July (a less than seasonal decline) and were 4.2% smaller than a year ago. Broadwoven fabrics were off 1.9% from June to July, while yarn and thread slipped 1.1%. In man-hours, however, broadwoven fabrics were 4.1% under a year ago, and yarn and thread were off 8.5%. Full-fashioned hosiery continued its downward trend and ended July 1.1% under a year ago. Seamless hosiery, however, rose 2.3% during the month and was 1.1% ahead of a year ago. In the paper industries man-hours slipped 2.5% during the month and were 0.9% smaller than a year ago.

Construction

Total construction contract awards in July moved contra-seasonally—the adjusted level was up 17% from June and 9% ahead of July 1955; and the cumulative loss for seven months was 10% from last year. In this major sector strength came from public works and utilities, which rose 78% (adjusted basis) from June to July, 142% from July 1955 to July 1956, and showed a seven months' total up 29% from a year ago. Here July awards were at an all-time high level, well above any previous month. This is the only major segment of the construction industry to show awards for the seven months' period ahead of a year ago. By contrast, nonresidential totals were down 16% and residentials were down 17%.

Apartments and hotels, manufacturing buildings, and "other" nonresidential awards showed adjusted increases from June to July, while those for commercial construction and one- and two-family houses decreased substantially during the month. Awards for commercial buildings in July were back to the level of late 1953, while those for one- and two-family houses were lowest since September 1953. Since April strength has been shown in nonresidential contract awards other than commercial, manufacturing, and educational. The May, June, and July level of these awards is back near the peak established early in 1955.

The areas of strength in construction awards were those where structural steel requirements are greatest, and it remains to be seen how much delayed steel delivery will retard completion of these projects.

Textiles

Cotton consumption (after seasonal correction) rose 3% from June to July, leaving July 1% and the first seven months 4% ahead of a year ago. Meanwhile, adjusted cotton spindle hours rose 6%, were 1% ahead of a year ago, and for the first seven months were up 4% over 1955.

National shipments of rayon and acetate rose 5% from June to July but were still 14% under a year ago; for seven months they were 12% under last year. Filament yarn shipments in July were 21% under a year ago, while staple and tow shipments were up 2%. Operations in synthetic weaving mills have been on a four-day week for the most part since April. With production still apparently out of line with demand, most large weavers planned a complete shutdown for the week following Labor Day.

New business has been written in the cotton textile industry in such items as carded broadcloth, sheets and pillowcases, and some industrial fabrics; but in the main, there has been very little forward coverage in most items and hopes for a sharp post-Labor Day upturn are still high.

Trade

The mixed trends in retail trade are presumably related to the relatively cool Summer and its influence on major household appliance sales. Department store sales (seasonally adjusted) established a new District high in July—up 4% from June, 3% from a year ago, and the seven months' total was 5% over last year. Sales were strong in women's and misses' coats and suits, floor coverings, radios and television. The chief weakness was in major household appliances, probably accounted for by loss of sales of air conditioners and fans. Total sales of appliance stores (without seasonal correction) were 3% under July last year, though seven months' sales were 7% above a year ago.

Department store inventories were down 2% (after seasonal correction) from June to July but were still 8% above July 1955. Outstanding orders (adjusted) dropped 13% during the month but were 11% higher than a year ago.

Sales of retail furniture stores were off 1% (after seasonal correction) from June to July, but July was 5% under the all-time peak established in July a year ago. Sales, however, were not far below the 1956 highs established in April and May, and seven months' totals were 7% above a year ago. Furniture store inventories (corrected) rose 1% during July but were 1% smaller than in July 1955.

New passenger automobile registrations rose 4% in North Carolina, 1% in Virginia, and 13% in the District of Columbia from June to July. In the three areas, however, sales were 15% and the seven months' total was 9% under a year ago. The 15% decline compares with 20% in twenty states reporting in August for July, and the 9% seven months' figure compares with the twenty-state decline of 13%.

New commercial car registrations rose 34% in North Carolina but dropped 14% each in West Virginia and the District of Columbia. The three-state figure was 16% under a year ago compared with a twenty-state figure of 11%, while the seven months' total for the District states was up 5% compared with a gain of 4% in twenty states.

Banking

Total assets of Fifth District member banks declined modestly ($60 million) from June to July. Loans and investments were off $16 million and reserves, cash, and bank balances declined $45 million. Compared with a year ago, however, total assets were up $224 million, loans and investments were up $163 million, and reserves, cash, and bank balances were up $51 million. Loans and investments eased off because U. S. Government obligations declined $22 million and other securities were off $1 million, offset in part by a rise of $6 million in loans and discounts. The $45 million June to July decline in reserves, cash, and bank balances came mainly from $27 million less in balances held with domestic banks and $18 million less in cash items in process of collection.

Total deposits of member banks in July were off slightly ($38 million). Demand deposits slipped $54 million, offset in part by a $16 million rise in time deposits. Deposits of banks rose $13 million, while other demand deposits dropped $67 million.

Bank debits in reporting cities of the District rose 6% (after seasonal correction). The month was a sharp 11% above July 1955 and the seven months' total was also up 11%. Business and consumer loans of the weekly reporting banks were at all-time high levels in late August, while real estate loans were showing a sagging tendency.

FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES*

(Based on Dollar Value)

STATES	July 1956	7 Mos. 1956
	Percentage change with corresponding period a year ago	
Maryland	+ 7	+ 2
Dist. of Columbia	+11	+ 4
Virginia	− 1	+ 3
West Virginia	+ 2	+12
North Carolina	− 8	+ 7
South Carolina	−20	+ 1
District	0	+ 4
INDIVIDUAL CITIES		
Baltimore, Md.	+ 7	+ 2
Washington, D. C.	+11	+ 4
Richmond, Va.	+ 9	+ 3
Charleston, W. Va.	− 1	+ 6
Greenville, S. C.	−10	+ 3

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

WHOLESALE TRADE

LINES	Sales in July 1956 compared with July 1955	Sales in July 1956 compared with June 1956	Stocks on July 31, 1956 compared with July 31, 1955	Stocks on July 31, 1956 compared with June 30, 1956
Auto supplies	+13	−46	− 7	− 9
Electrical, electronic and appliance goods	− 6	+21	+ 2	+ 3
Hardware, plumbing, and heating goods	− 3	− 7	0	− 4
Machinery equipment supplies	+23	−13	+19	0
Drugs, chemicals, allied products	+14	− 3	+10	+ 1
Dry goods	+13	+35	+27	+10
Grocery, confectionery, meats	− 1	− 3	+11	+ 2
Paper and its products	+19	+ 5	+22	+ 1
Tobacco products	+ 3	−10	NA	NA
Miscellaneous	+17	− 4	+21	− 9
District total	+ 8	− 5	+12	− 1

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, July '56 vs July '55	0	+ 1	+ 1	0	0
Sales, 7 Mos. ending July 31, '56 vs 7 Mos. ending July 31, '55	+ 5	+ 3	+ 7	+ 7	+ 6
Stocks, July 31, '56 vs '55	+ 5	+ 7	+14	+18	+12
Outstanding orders, July 31, '56 vs '55	+ 4	+ 6	+27	+11	+ 6
Open account receivables, July 1, collected in July '56	27.5	46.8	42.3	36.3	39.3
Instalment receivables, July 1, collected in July '56	11.9	13.8	12.5	14.8	13.2

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, July '56 vs July '55	+ 1	+ 1	0	+ 4	− 3	− 2

BUILDING PERMIT FIGURES

	July 1956	July 1955	7 Months 1956	7 Months 1955
Baltimore	$ 4,378,855	$ 8,334,200	$ 31,492,438	$ 62,944,422
Cumberland	108,595	81,050	1,037,100	984,341
Frederick	449,850	431,800	3,801,760	1,974,975
Hagerstown	61,685	108,525	806,510	1,552,785
Salisbury	68,487	65,780	1,282,005	1,312,056
Virginia				
Danville	461,328	472,823	5,169,919	4,283,107
Hampton	421,491	1,622,345	4,969,222	10,148,248
Hopewell	134,999	231,139	1,504,657	2,240,775
Lynchburg	799,620	619,690	6,675,555	6,822,208
Newport News	97,229	138,820	1,304,495	1,400,321
Norfolk	2,741,193	878,393	17,426,893	8,227,845
Petersburg	582,000	948,000	2,022,050	2,694,400
Portsmouth	315,155	1,276,070	3,507,084	3,070,785
Richmond	2,209,306	1,042,170	17,772,859	13,770,119
Roanoke	1,117,772	1,066,437	13,842,587	7,576,561
Staunton	328,750	256,790	1,785,339	1,923,095
Warwick	622,435	1,002,941	4,749,795	7,487,726
West Virginia				
Charleston	1,068,833	598,860	5,477,204	4,002,275
Clarksburg	148,481	190,824	1,339,173	1,254,288
Huntington	353,590	468,711	2,909,365	4,142,779
North Carolina				
Asheville	1,335,284	216,997	4,693,105	1,874,077
Charlotte	2,208,166	2,929,035	19,618,705	18,104,593
Durham	1,135,928	1,036,679	5,661,788	7,994,936
Gastonia	544,300	585,150	3,917,200	4,772,850
Greensboro	1,414,567	948,796	10,258,592	6,781,743
High Point	530,480	495,487	3,643,089	4,707,351
Raleigh	1,453,432	2,062,153	7,906,600	13,437,501
Rocky Mount	190,108	357,485	2,136,522	2,246,671
Salisbury	95,150	44,397	1,440,100	843,775
Wilson	385,200	523,300	3,178,653	2,374,575
Winston-Salem	779,267	901,798	9,192,258	8,213,001
South Carolina				
Charleston	228,264	223,517	2,313,488	1,899,294
Columbia	582,559	636,964	6,634,139	5,057,081
Greenville	407,480	572,588	4,144,441	4,766,600
Spartanburg	209,777	443,239	3,229,965	1,579,929
Dist. of Columbia				
Washington	6,457,732	5,476,327	33,259,389	49,574,727
District Totals	$34,427,348	$37,289,280	$250,104,044	$282,041,815

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	July 1956	June 1956	July 1955	% Chg.—Latest Mo. Prev. Mo.	% Chg.—Latest Mo. Yr. Ago
New passenger car registration*	......	168	190r	− 2	−17
Bank debits	191	180	172	+ 6	+11
Bituminous coal production*	82	103r	97r	−20	−15
Construction contracts	267	229r	246	+17	+ 9
Business failures—number	333	280	226	+19	+47
Cigarette production	......	101	97	− 6	0
Cotton spindle hours	126	119	125	+ 6	+ 1
Department store sales	140	134	136r	+ 4	+ 3
Electric power production	......	200	194	+ 1	+ 6
Manufacturing employment*	......	111	109r	0	+ 2
Furniture store sales	125	126	132	− 1	− 5
Life insurance sales	223	228	187	− 2	+19

* Not seasonally adjusted.

r Revised.

Back figures available on request.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	1956 July	1955 July	1956 7 Months	1955 7 Months
Dist. of Columbia				
Washington	$1,496,286	$1,315,904	$10,485,530	$ 9,312,203
Maryland				
Baltimore	1,739,077	1,550,938	12,166,883	10,931,584
Cumberland	32,457	25,968	194,471	176,775
Frederick	25,186	21,857	181,408	162,414
Hagerstown	51,426	49,630	336,671	305,858
Salisbury**	38,392	33,674	254,136	234,674
Total 4 Cities	1,848,146	1,648,393	12,879,433	11,576,631
North Carolina				
Asheville	74,546	67,270	509,776	461,789
Charlotte	425,368	380,817	3,088,146	2,807,067
Durham	88,408	88,710	603,415	571,821
Greensboro	168,895	159,393	1,131,804	1,028,150
High Point**	51,155	48,394	385,287	347,149
Kinston	22,354	23,480	155,706	156,995
Raleigh	233,533	186,089	1,639,858	1,473,337
Wilmington	54,307	53,339	374,352	366,861
Wilson	20,319	21,019	146,631	139,782
Winston-Salem	178,386	157,107	1,330,509	1,177,076
Total 9 Cities	1,266,116	1,137,224	8,980,197	8,182,878
South Carolina				
Charleston	92,575	83,378	645,843	580,958
Columbia	187,060	194,557	1,366,825	1,258,373
Greenville	132,415	122,911	998,000	888,270
Spartanburg	68,932	60,073	489,616	450,591
Total 4 Cities	480,982	460,919	3,500,284	3,178,192
Virginia				
Charlottesville	38,259	37,680	269,546	257,142
Danville	39,321	35,770	295,556	268,283
Lynchburg	59,116	52,501	429,705	375,501
Newport News	62,416	54,917	439,792	384,729
Norfolk	323,340	293,334	2,179,665	2,010,597
Petersburg**	26,022	30,433	201,585	214,874
Portsmouth	37,897	34,693	264,388	251,665
Richmond	731,492	636,584	4,875,363	4,532,187
Roanoke	158,757	138,338	1,078,899	905,433
Total 8 Cities	1,450,598	1,283,817	9,832,914	8,985,537
West Virginia				
Bluefield	53,488	43,205	395,543	308,429
Charleston	170,190	166,548	1,262,586	1,178,672
Clarksburg	39,199	36,958	283,794	251,153
Huntington	83,659	80,692r	599,461	556,343r
Parkersburg	35,994	36,266	256,462	226,136
Total 5 Cities	382,530	363,669r	2,797,846	2,520,733r
District Totals	$6,924,658	$6,209,926r	$48,476,204	$43,756,174r

* Interbank and U. S. Government accounts excluded.
** Not included in District Totals.
r Revised.

WEEKLY REPORTING MEMBER BANKS

(000 omitted)

Items	Aug. 15, 1956	Change in Amount from July 18, 1956	Change in Amount from Aug. 10, 1955
Total Loans	$1,840,320**	+ 8,639	+169,860
Bus. & Agric.	842,069	+ 9,746	+ 92,998
Real Estate Loans	333,901	— 1,160	+ 4,228
All Other Loans	690,620	+ 5	+ 76,661
Total Security Holdings	1,638,068	+ 41,566	— 91,010
U. S. Treasury Bills	43,956	— 2,803	— 13,096
U. S. Treasury Certificates	54,201	+ 43,631	+ 26,822
U. S. Treasury Notes	306,986	+ 13,859	— 45,820
U. S. Treasury Bonds	967,046	— 12,244	— 54,458
Other Bonds, Stocks & Secur.	265,879	— 877	— 4,458
Cash Items in Process of Col.	376,203	+ 27,401	+ 79,107
Due from Banks	170,707*	+ 2,072	— 4,370
Currency and Coin	74,490	— 4,552	— 3,940
Reserve with F. R. Banks	515,888	— 35,758	+ 9,787
Other Assets	72,384	+ 1,354	+ 2,717
Total Assets	$4,688,060	+ 40,722	+162,151
Total Demand Deposits	$3,508,614	+ 24,475	+118,963
Deposits of Individuals	2,618,275	— 10,125	+ 55,787
Deposits of U. S. Government	131,278	+ 26,488	+ 35,018
Deposits of State & Local Gov.	207,418	+ 5,000	+ 13,476
Deposits of Banks	489,877*	— 1,434	+ 9,272
Certified & Officers' Checks	61,766	+ 4,546	+ 5,410
Total Time Deposits	766,200	— 1,153	+ 11,079
Deposits of Individuals	689,805	— 337	+ 7,061
Other Time Deposits	76,395	— 816	+ 4,018
Liabilities for Borrowed Money	23,650	+ 9,100	— 4,150
All Other Liabilities	51,728	+ 5,571	+ 9,314
Capital Accounts	337,868	+ 2,729	+ 26,945
Total Liabilities	$4,688,060	+ 40,722	+162,151

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

FEDERAL RESERVE BANK OF RICHMOND
FIFTH DISTRICT