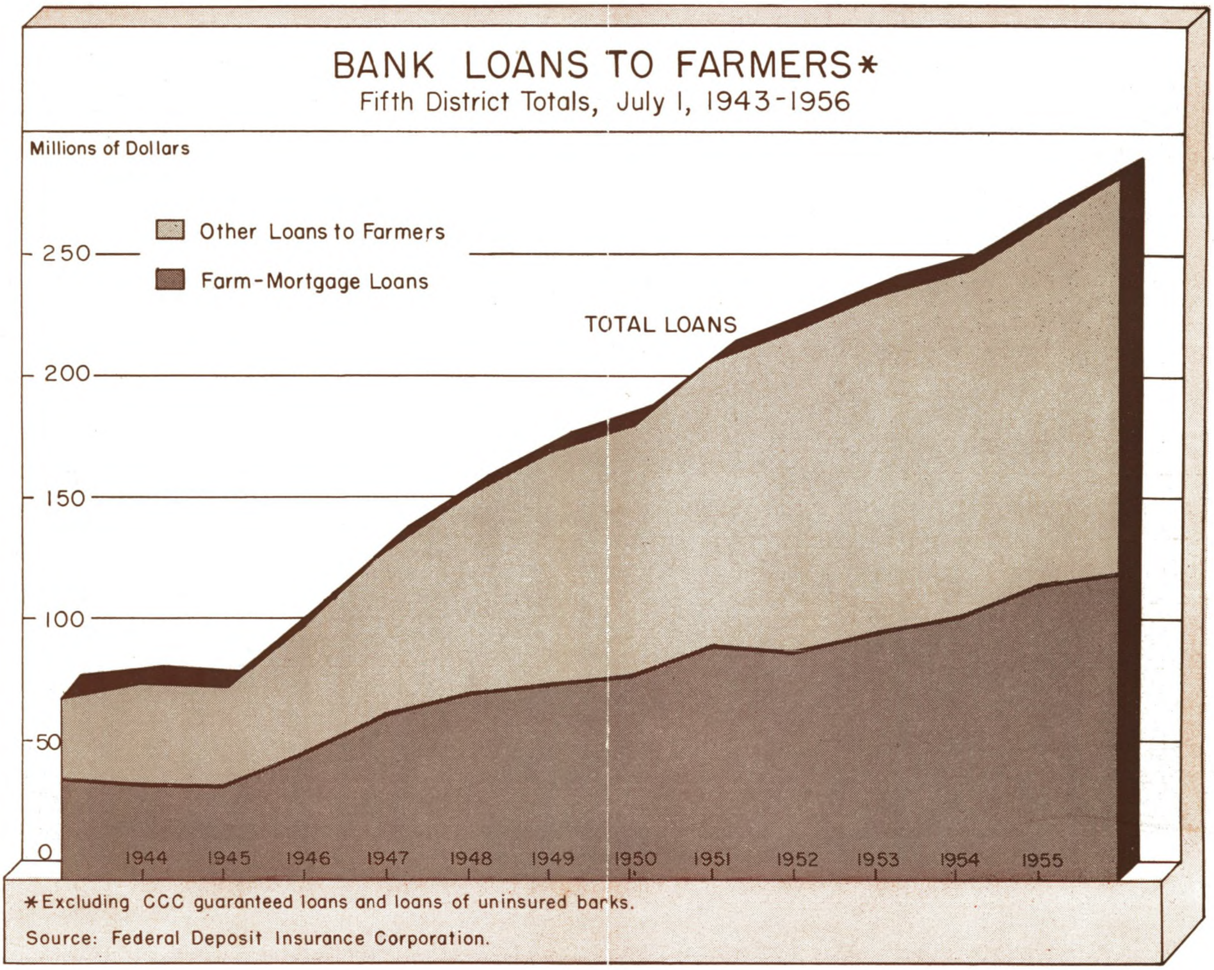
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

THE FIFTH FEDERAL RESERVE DISTRICT

November 1956

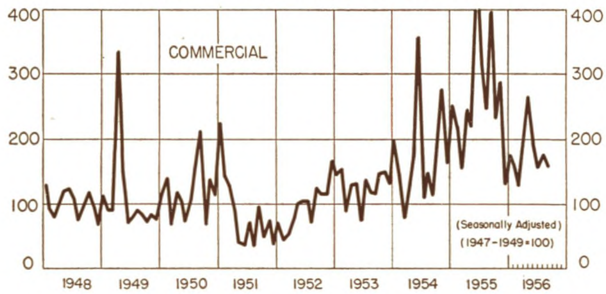


The Federal Reserve System, with the active cooperation of the American Bankers Association and the Federal Deposit Insurance Corporation, made a nationwide Agricultural Loan Survey as of June 30, 1956. The above chart reveals the sharp loan expansion since the previous farm loan survey was made in 1947. The article on page 3 shows how Fifth District banks meet the challenge of farm credit.

Also In This Issue - - -

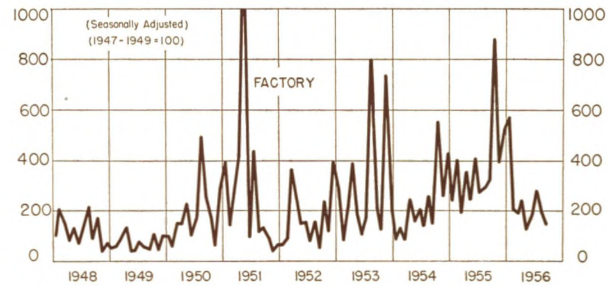
Fifth District Trends

CONSTRUCTION CONTRACT AWARDS



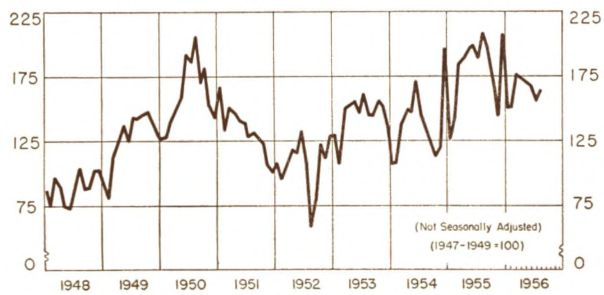
District contract awards for commercial construction during September fell off 10% (adjusted basis) from August and were 60% under September last year; the nine months' total was off 38%. September commercial awards rose in West Virginia and North Carolina, both from the previous month and a year ago, but declined in all other states in both periods.

CONSTRUCTION CONTRACT AWARDS



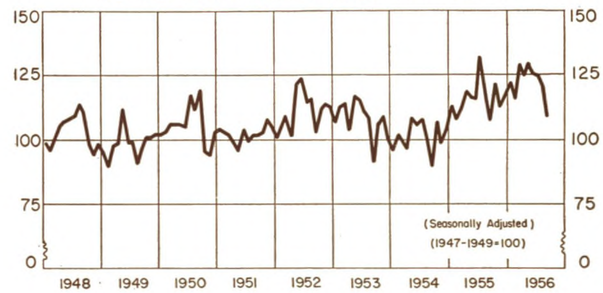
District contract awards for factory buildings during September dropped 29% (adjusted basis) from August, were 56% under September last year. The nine months' total was down 24%. North Carolina gained over a year ago but declined from August; South Carolina showed an increase over both periods. Other states had declines in both periods.

NEW PASSENGER CAR REGISTRATIONS



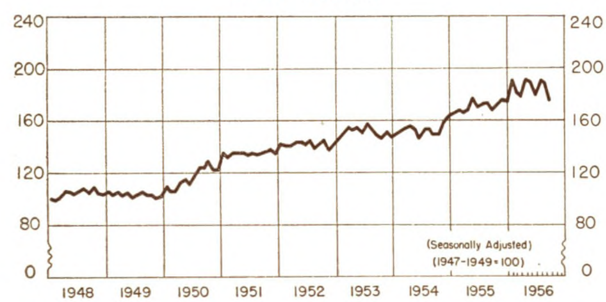
Registrations of new passenger cars in August rose 3% over July, with gains in Maryland, Virginia, and South Carolina more than offsetting losses elsewhere. Registrations were, however, 21% under a year ago.

RETAIL FURNITURE STORES NET SALES



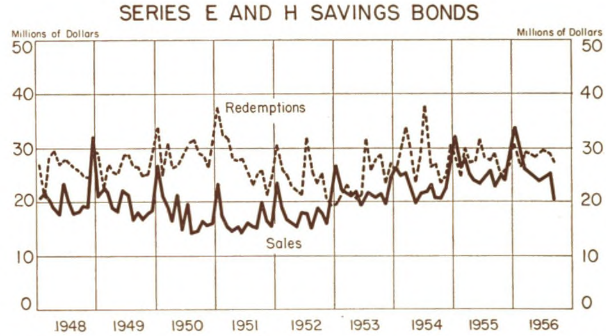
Sales of retail furniture stores in the Fifth District (seasonally adjusted) slipped 10% from August to September to the lowest level in 1956 but were 1% ahead of September 1955, the lowest month last year. Nine months' sales were 5% ahead of a year ago.

BANK DEBITS



Changes in bank debits (adjusted) ranged from a gain of 2% in North Carolina to a decline of 12% in the District of Columbia. The District total was down 10% in September from August. All states showed gains over a year ago, ranging from 3% in Virginia to 10% in West Virginia, but the District of Columbia held even with last year.

SERIES E AND H SAVINGS BONDS



Higher interest rates on other types of securities and a general slowing-down in the level of savings have affected sales of savings bonds in this District. September sales were off 19% from August and 12% under a year ago; the nine months' total was even with last year.

The Ag Loan Survey (Reveals) . . .
Banks Meet the Challenge of Farm Credit

FIFTH DISTRICT bankers are serving a complete cross section of the region's farmers, according to the 1956 Agricultural Loan Survey now nearing completion. In the course of a day's business, they make loans to farmers of all ages, to those with small net worth as well as those of sizable financial means. They lend to producers of nearly every conceivable farm product, and the advances run all the way from a few days to a number of years.

Background on the Loan Survey

Far-reaching changes have taken place both in banking and agriculture since the last nationwide survey of farm loans of commercial banks in 1947. At that time farmers' indebtedness to principal institutional lenders in both the District and the nation was near the post-World War II low. Since then it has about doubled. Another striking change has been the 35% increase in the value of farmers' equities since 1947.

Changes also have occurred within the banks. Although total assets of banks have risen between one-third and two-fifths, their total loan volume has substantially more than doubled. Thus, loans which amounted to just over one-fifth of total bank assets in 1947 now represent about two-fifths of the total.

In view of the rapidity and magnitude of changes, both from farming and banking points of view, a new bench mark seemed to be needed for viewing farm credit developments. A further consideration favoring the new survey was the lack of comprehensive quantitative information on some important aspects of farm lending. These blind spots included the extending of loans to young and/or small-scale farmers and the financing of intermediate-term investments. Additionally it was thought desirable to look at all of a farmer's borrowing from a bank as contrasted with the traditional analysis of separate notes.

The numerous individuals and agencies associated with this survey would be among the first to admit the practical limitations of any survey or current reporting series. In a sense, such a survey resembles taking a still photograph of farm loans of banks as of June 30, 1956 instead of making a movie which would be the approximate equivalent of one or more current reporting series on farm loans of banks.

Within the framework of a single-shot type of survey, two basic decisions had to be made. One involved what information to obtain, although as previously noted, this had been partially solved by the basic data deficiencies which led to the survey in the first place. The harder decision involved establishment of a sample adequate to provide accurate data for the nation but inadequate for smaller areas, or deciding on a reliable sample for states or parts of states. It was decided that the minimum acceptable sample was one which would produce reliable estimates by Federal Reserve Districts. Even this necessitated a sampling of 141 Fifth District banks subdivided by volume of agricultural loans and location so as to represent properly all banks in the District.[1]

It was on this basis that the American Bankers Association, the Federal Deposit Insurance Corporation, and the Federal Reserve System launched the survey of farm loans of banks as of June 30, 1956. As a further step to improve the quality of farm credit statistics, corresponding studies of farm loans held by other institutional lenders are in process. In time, results of the study of the farm loan portfolio of life insurance companies and the lending activities of the Farm Credit Administration and Farmers Home Administration will also be available.

Farmer Customers—Actual and Potential

On June 30, 1956, Fifth District banks had an estimated 266,000 loans outstanding to 199,000 farmer borrowers.[2] This is approximately 30% of the total number of farm families who are actual and/or potential customers for bank loans. The outstanding amount of these loans totaled $306 million. This figure is higher than the June 30, 1956 Call Report indicates since loans totaling an estimated $16 million are actually farm loans but are classified otherwise for Call Report purposes.

Origin and Size of Farm Loans

The slang saying, "there is more than one way to skin a cat," has some applicability in farm credit. Although most loans (73%) are made direct, the remaining 27% are extended indirectly by banks acquiring farmers' notes originally made out to machinery or farm supply dealers or insurance companies.

Comparison of the extent to which banks of various sizes acquire farm loan paper from dealers reveals that the larger the bank the greater the reliance placed upon this source of farm loans. Banks with less than $3 million of deposits obtained 18% of their farm loans and 6% of their outstanding loan volume from dealers. For banks with deposits of from $3 to $10 million, the corresponding shares are 25% for number and 10% for amount. For banks with $10 million or more in deposits, 38% of their loans and 20% of their outstanding volume of farm loans represented dealer paper.

The average size of farm loans also tended to increase

[1] The Federal Reserve Bank of Richmond proudly notes that each of the 141 banks invited to participate both agreed to do so and supplied the requested information even though diligent effort was required of officers and staff members. Such a 100% response is one more indication of the importance banks, individually and collectively, attach to meeting farm credit needs.

[2] The survey did not include loans directly guaranteed by the Commodity Credit Corporation.

with the size of bank. This was true both of loans made direct to farmers and of farm loans acquired from dealers. Notes originally made for amounts under $1,000 account for the vast majority of non-real-estate farm loans (77%) and notes from $1,000 to $5,000 for about half of all farm real estate notes. In terms of dollar amount, however, the larger loans dominate the situation. The outstanding amounts in each of the two loan size groups of $1,000 to $1,999 and $2,000 to $4,999, for example, accounted for 21% of the total loan value for non-real-estate loans, whereas each of the three size groups of $2,000 to $4,999, $5,000 to $9,999, and $10,000 to $24,999, accounted for from 24% to 28% of all farm real estate loans.

Purpose of Loans

In recent years considerable attention has been given to farmers' need for intermediate-term credit. Until this survey was made, however, no effective measure of the number or amount of such loans was available.

This survey reveals that loans for purposes normally associated with intermediate-term credit have the largest dollar volume outstanding of any category of farm loans held by Fifth District banks. Such intermediate-type loans account for 33% of total outstandings. This compares with 30% for current operating expenses, 22% to buy farm real estate, 8% to consolidate and pay other debts, and 7% for other purposes.

Intermediate-term loans, as the term is used here, include loans for four groups of purposes. Those for the purchase of farm machinery lead in importance, accounting for 18% of all loans and 14% of the outstanding amount. Loans for the purchase of automobiles and other consumer durables account for 7% of the number and 4% of the outstanding amount of all loans, while those to improve land and buildings comprise but 5% of the number but 11% of all outstandings. While loans for intermediate-term purposes represent a larger dollar volume than any other category, loans for current operating expenses—which have a much smaller average size—are by far the more numerous, accounting for half of all loans.

PURPOSE OF FARM LOANS
Fifth District Banks, June 30, 1956

Item	Number of Loans	Amount Outstanding	Average Size
	Thousands	Mil. Dol.	Dollars
Current Operating Expenses:			
Feeder livestock	3	10	2,950
Other current operating expenses	129	82	635
Total	132	92	693
Intermediate-Term Investments:			
Other livestock	6	13	2,210
Machinery	48	42	861
Automobiles and other consumer durables	20	11	569
Improve land and buildings	14	34	2,382
Total	88	100	1,133
Buy Farm Real Estate	19	69	3,612
Other Purposes:			
Consolidate and pay other debts	11	25	2,329
Other	16	20	1,329
Total, All Purposes	266	306	1,151

Maturity, Repayment Method, and Renewal Status

The length of time specified as the life of a given note is an incomplete guide to the time that may elapse before it is paid in full. Despite the role of renewals in Fifth District commercial banking, there is, nevertheless, enough importance to "maturity" to justify a careful analysis. The survey reveals that 58% of all bank loans to farmers and 48% of the outstanding dollar volume had a maturity of six months or less.

Farm real estate loans are generally written with a longer maturity than other farm loans. For example, in the case of number of loans, only 29% are for six months or less, whereas 64% of the non-real-estate loans fall in this maturity period. Furthermore, 35% of the real estate loans are written for one year or longer, whereas only 9% of the non-real-estate loans are for a year or better. In dollar volume, 28% of the real estate loans and 62% of the non-real-estate loans are for six months or less, and 44% and 10%, respectively, are for a year or longer.

Single-payment loans outnumber instalment loans by about four to one, and in amount, by three to one. Of the instalment loans, somewhat less than half provide for interest to be charged on the unpaid balance. Although these are less numerous than those with interest charged on the original amount, they average much larger in size than either the latter group or the single-payment loans.

Banks extend farmers far more credit for periods of a year or longer than is revealed by studying the maturity of the notes. Although 70% of all notes, accounting for 61% of the amount outstanding, had not been renewed up to June 30, 1956, an undetermined number had been made with an understanding that some or all of the principal would be renewed. In addition, 23% of the notes, representing 32% of the dollar volume, had already been renewed according to prior agreement.

Unforeseen developments occasionally prevent farmers, like others, from paying their notes when due. As a result, there are renewals despite expectations that the original loans would be repaid when due. These loans accounted for about 7% of both the number and amount of farm loans as of June 30, 1956.

Security

About 15% of all loans, representing 41% of the total outstanding dollar volume, are farm-mortgage loans. There are far fewer farm-mortgage loans than other loans secured by chattel mortgages (30%) or those which have a co-maker or are endorsed (33%). The only other "security" classification of significance is the group of unsecured notes which account for 20% of the total number and 17% of the outstanding amount.

Considerable variation exists in the average size of loans in these different security classifications. The farm-mortgage classification and the Government-guaranteed or insured group, which are principally farm-mortgage loans insured by the Farmers Home Administration, have the largest average size. Of the other major security classifications, the unsecured group ranks next in average size, followed by the chattel-mortgage loans and then by the endorsed and co-maker group.

SELECTED CHARACTERISTICS OF FARM LOANS
Fifth District Banks, June 30, 1956

Item	Number of Loans	Amount Outstanding	Average Size
	Thousands	Mil. Dol.	Dollars
How Acquired:			
Loan made direct to customer	194	268	1,380
Loan acquired from dealer	72	38	529
Renewal Status:			
Note has not been renewed	187	187	1,001
Note renewed by agreement	62	99	1,610
Note renewed for other reasons	17	20	1,149
Repayment Method:			
Single payment	216	224	1,039
Instalment:			
Interest on unpaid balance	23	68	2,961
Interest on original amount	27	14	521
Security:			
Unsecured	52	54	1,030
Endorsed or co-maker	87	42	480
Chattel mortgage, etc.	80	69	867
Real-estate mortgage	41	124	3,021
Government guaranteed or insured	1	4	4,914
Other	5	13	2,578
Maturity:			
Demand	7	22	3,261
6 mos. and less	147	124	841
6 mos. to 1 year	77	86	1,116
1 to 5 years	28	38	1,370
Over 5 years	7	36	5,168
Total, All Notes	266	306	1,151

Tenure, Age, and Net Worth of Borrower

Of the 189,000 farm borrowers from Fifth District banks whose tenure is known, owner-operators represent by far the largest share—71%. Tenants account for 23% and landlords 6%. Corporation farms account for only 0.1%. The proportion of tenants to owner-operators who borrow from banks (25%) is practically the same as the relationship of tenants to owner-operators reported in the last census (29%). Although tenants are as likely as owner-operators to be customers for bank loans, the average bank debt of tenants on June 30, 1956 was only $485 compared with an average of $1,849 for owner-operators.

In contrast with such fields of activity as baseball or football where the accent is on youth, people of all ages are engaged in farming and are represented among those to whom banks make farm loans. The age of many farm borrowers whose notes are acquired from dealers is not known by the banker, but of those whose age is known, 50% were reported to be 45 years of age or older, 33% were from 35 to 44, 15% were from 25 to 34, and 2% were under 25 years of age.

It is possible to orient these data in terms of census data on the age distribution of all farmers in the District. Those 45 years and over comprise 57%; those 35 to 44 represent 24%; those 25 to 34 account for 16%; and those under 25 years make up 3% of the total. Thus, Fifth District banks are seen to be extending credit to farmers of all ages. Although some of the divergence which these data reveal may be attributable to possible shifts in actual age composition since the census enumeration, it seems certain that a higher proportion of farmers in the age groups 25-34 and 35-44 borrow from banks than farmers of other ages. It may be that many of the younger farmers have not attempted to establish bank connections and that some who tried were unsuccessful. It may also be true that farmers over 45 have developed a stronger financial basis and hence fewer require credit. Average size of bank debt was found to increase with age of the borrower.

Of the farm borrowers whose net worth category is known, 24% fall under $3,000 and 36% have a net worth of from $3,000 to $10,000. Thus, six out of ten farmers have a net worth of less than $10,000. Those in the $10,000 to $25,000 range account for 27% of the total; those with a net worth of from $25,000 to $100,000 represent 11%; and the remaining 2% have net worths of $100,000 or more.

When the proportion of farmers in the various net worth categories is compared for small, medium, and large banks, it is found that banks of each size group number among their farm customers practically the same percentage of farmers in each net worth category as the above data for all banks reveals. In other words, the small farmer is as welcome a customer in a big bank as he is in a small- or medium-size bank. Similarly, the wealthier farmers comprise as big a share of a small bank's farm customers as they do of middle-size or larger banks. The survey, however, shows that the average amount of outstanding debt of farmers with higher net worth increases as the size of the bank increases.

SELECTED CHARACTERISTICS OF FARM BORROWERS
Fifth District Banks, June 30, 1955

Item	Number of Borrowers	Number of Loans	Amount Outstanding	Average Size of Debt	Average Size of Loan
	Thousands	Thousands	Mil. Dol.	Dollars	Dollars
Age of Borrower:					
Under 25	3	4	3	877	756
25-34	27	34	32	1,180	958
35-44	61	81	93	1,521	1,143
45 and over	94	131	166	1,774	1,266
Corporation	*	**	1	9,736	6,508
Unknown	14	16	11	762	682
Tenure:					
Owner-operator	133	186	246	1,849	1,325
Tenant	44	53	222	485	408
Landlord	11	15	27	2,415	1,768
Corporation	*	**	1	9,736	6,508
Unknown	11	12	10	933	848
Net Worth of Borrower:					
Under $3,000	45	52	16	368	316
$3,000-$9,999	66	84	64	961	754
$10,000-$24,999	48	71	91	1,858	1,289
$25,000-$99,999	20	34	81	3,985	2,396
$100,000 and over	4	8	44	12,126	5,457
Unknown	16	17	10	656	603
Total, All Borrowers	199	266	306	1,534	1,151

* Only 129. ** Only 193.

Shifts In Commodity Demand Create Changes In Fifth District Agriculture

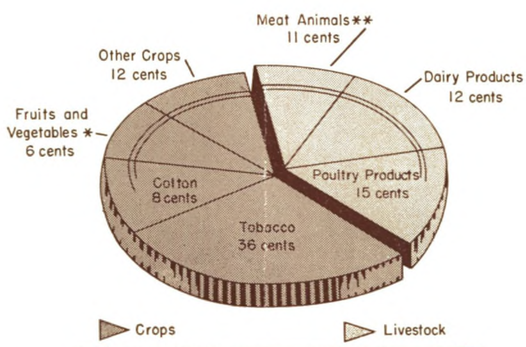
New demands exerted by a changing economy have brought about definite changes in the character of agriculture. The dethroning of King Cotton and tobacco's sharp rise to prominence are the prime exhibits in the Fifth District's farm history. Recent years have brought perhaps less obvious but decided shifts toward what may be called a two-armed type of agriculture—illustrated by expansion and a better balance between crop and livestock enterprises.

These shifts in production emphasis have naturally altered the quantity as well as quality of farm commodities put on the market. And times are still changing! How to meet the relatively rapid variations in demand keeps and will keep most District farmers—and those who lend to them—on the alert.

Newly available data may answer the problem of economic change since they invite analysis of the present pattern of commodity participation in the agriculture of this area. The pattern emerges from a study of 1955's cash farm income by commodity sources.

WHERE THE FARMER'S DOLLAR COMES FROM

FIFTH DISTRICT



* Including potatoes, sweet potatoes, and tree nuts.
** Including wool and other livestock, the sum of which accounts for less than one cent of each dollar.
Source: U. S. Department of Agriculture.

Crops Versus Livestock

1955 provided excellent crop yields throughout the District, though there were notable exceptions. It is, therefore, not surprising that crops on the average continued to put more cash—62 cents of each dollar of farm income—in farmers' pockets than did livestock. Actually, livestock and their products (hereafter referred to as livestock) are now far bigger money-makers for District farmers than in the late twenties when they contributed 28 cents to each dollar of farm income as against 38 cents today.

The pattern varies considerably from state to state—for example, the Carolinas are predominantly crop states and these contribute more than 75 cents of each dollar of cash farm income. But West Virginia and Maryland, insofar as their agriculture is concerned, are primarily livestock states. Farmers in the Mountaineer State, for instance, now receive 78% of their income from livestock, while in Maryland 70 cents of the farmer's dollar is livestock income. Virginia, on the other hand, has done an about-face in its farming pattern and today finds that 55 cents of each farm dollar comes from livestock as contrasted with 40 cents in the late 1920's.

Tobacco Leads the Parade

A closer look at the District's agriculture may provide a clearer picture. If the light is turned on tobacco it is seen to be pacing all commodities by contributing 36 cents to the average farm dollar. Poultry in recent years has become big business and, with its 15-cent contribution to each dollar the farmer makes, is running second as an income-producing enterprise.

Dairy products and meat animals (cattle, calves, hogs, sheep and lambs) are now neck and neck for third place. With dairy products currently furnishing 12 cents to the average dollar of District farm income and the meat animals group 11 cents, dairying now has a slight edge on third place. Accounting for 8 cents of each dollar and coming in a poor fifth is cotton—once King of all District money-making farm enterprises. Providing 6 cents of each cash dollar and running sixth as an income producer are the fruits and vegetables. Then, of course, there are the also-rans, the "other crops"—peanuts, forest products, corn, wheat, hay, soybeans, small grains, etc.—which, when lumped together, account for 12 cents of each dollar of District farm income.

By states, the characteristics of the agriculture as revealed by the relative income positions of the more important commodities look like this: Tobacco is the prime income producer in North Carolina with poultry in second place. In South Carolina tobacco has nudged cotton out of first place. Dairying now occupies the spotlight in Maryland, but is followed closely by poultry; the reverse is true in West Virginia. In Virginia poultry has a slight edge over tobacco.

This brief review of the relative income contributions of various commodities produced by District farmers has attempted to provide a clearer indication of the nature of the District's agriculture, to stress the obvious factor of change and to imply the need for constant study and evaluation of this fluid, highly competitive, and vulnerable sector of the District's economy.

Ups and Downs In

Fifth District Personal Income

Personal Income in Fifth District states and the District of Columbia increased again in 1955—and the rise of nearly 7% was somewhat faster than the 6.5% national figure.

In dollar amount, Virginia showed the largest personal income of any Fifth District state—$5,494 million. Maryland was a close second with $5,463 million, followed in order by North Carolina's $5,371 million, South Carolina's $2,557 million, West Virginia's $2,555 million, and the District of Columbia's $1,992 million.

In the Fifth District income progress has hardly been regular in the postwar period—between 1946 and 1949, and again in 1954 and 1955, the increase was roughly 5.8% per annum (compound annual rate). In the period from 1950 through 1953 the effects of the Korean War and its resultant price rise caused a substantial bulge above this rate of growth. Interestingly, all states of the District have shown somewhat the same pattern.

Composition of Personal Income

Most important contribution to 1955 District income came from Government disbursements which accounted for 25% of the District's total. Nationally, the figure was under 17%. All District states showed a larger percentage derived from Government payments than the nation as a whole, except West Virginia which was slightly under the national average. The District of Columbia, Virginia, and Maryland (with their substantial concentrations of Government facilities) naturally derived a super-average share of personal income from this source.

Manufacturing-industry wage and salary disbursements contributed just under a fifth of total personal income in 1955 compared with nearly a fourth for the nation in that year. Lack of substantial manufacturing facilities in the District of Columbia is in part responsible for this difference, although West Virginia, Virginia, and Maryland each showed wages and salaries from manufacturing as smaller than national proportions.

Third in importance in personal income contribution in the Fifth District are the wages and salaries of trade and service industries. These accounted for nearly 17% of the total in 1955 compared with a national 18.5%. The District of Columbia alone showed a larger proportion than nationally with Maryland at the national average.

Altogether, Government income disbursements and manufacturing, trade and service wages and salaries accounted for 61.5% of the District's total personal income in 1955, which was slightly above the 59.1% figure for the nation.

Farm income contributed a relatively small proportion of the District's personal income—5.7% as against 4.7% nationally. In the District this source is most important in North Carolina (12.6%) and South Carolina (9.2%). Virginia's contribution is at the national level, with West Virginia and Maryland considerably under.

In the contract construction industries, wages and salaries, which usually account for 40-50% of total construction outlay, have not contributed commensurately with the industry's economic importance. Here, direct

CHANGES IN PERSONAL INCOME AND SELECTED COMPONENTS

FIFTH DISTRICT AND THE UNITED STATES

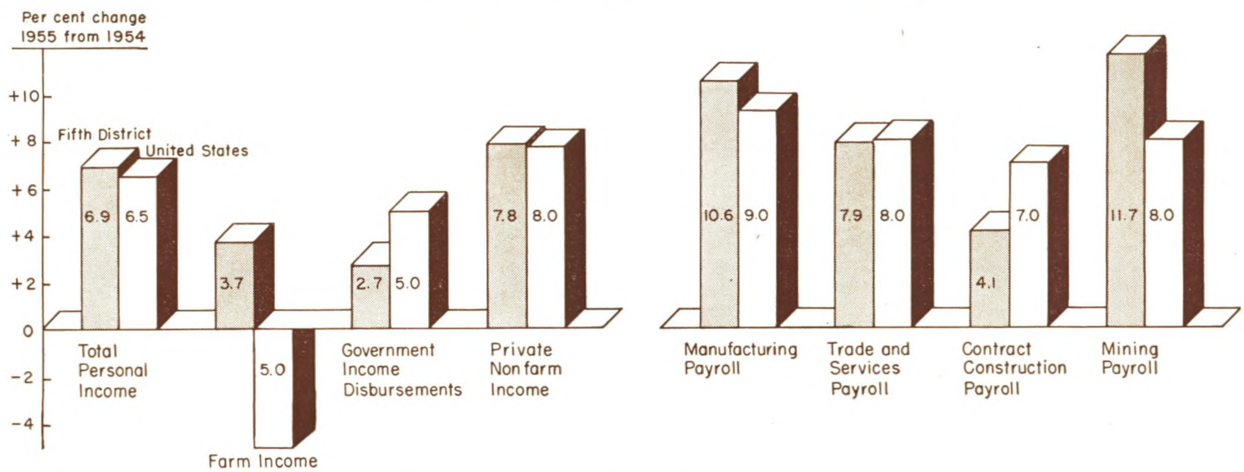


Table 1
PERSONAL INCOME COMPOSITION, 1955
(Percent of Total)

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.	Dist.	U.S.
Farm Income	1.6	......	4.7	2.8	12.6	9.2	5.7	4.7
Government Disbursements	24.3	45.1	31.3	15.3	18.1	21.9	25.0	16.8
Manufacturing Wages and Salaries	20.4	2.4	15.5	21.5	25.0	26.7	19.6	23.8
Trade and Service Wages and Salaries	18.5	20.4	17.0	13.8	16.2	14.9	16.9	18.5
Contract Construction Wages and Salaries	4.9	2.4	3.9	2.9	3.0	3.3	3.6	3.9
Mining Wages and Salaries	0.2	......	1.0	13.9	0.2	0.2	1.9	1.2
All Other	30.1	29.7	26.6	29.8	24.9	23.8	27.3	31.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

contributions were but 3.6% of the total in 1955 and 3.9% for the nation. Variations as between District states were not materially different, ranging from 2.4% in the District of Columbia to 4.9% in Maryland.

Mining wages and salaries contribute importantly to personal income in the Fifth District only in West Virginia. There it contributed 13.9% of the state's total in 1955 and nearly 2% of total Fifth District personal income compared with the national total of 1.2%.

The above contributions to personal income accounted for 72.7% of the total in 1955 compared with a national figure of 68.9%. District and national differences are largely accounted for by the higher percentage of Government income disbursements in the District and lower contributions in manufacturing, trade and service wages and salaries. Details are shown in Table 1.

What Caused the Increase?

Manufacturing industries' wages and salaries showed the largest dollar as well as the largest percentage increase in both Fifth District and the nation between 1954 and 1955. The District increase of $441 million was 10.6% higher in 1955 than in 1954; the national increase was $6,095 million or 9.0%.

Second in importance, both dollar-wise and percentage-wise, were wages and salaries in trade and service industries. These payrolls rose $288 million in the District (up 7.9%) and $4,160 million in the nation (up 8.0%).

Next in importance in the District increase were Government income disbursements which totaled $153 million. They were up 2.7%, whereas nationally they increased 5.0%.

Farm income gave the Fifth District its fourth largest increase. Nationally, farm income did not contribute to total personal income but was a $719 million offset to other gains for a loss of 5.0% in the period.

Contract construction wages and salaries added $33 million to personal income in the period under review, an increase of 4.1%. Nationally, they added $783 million for a plus 7.0%.

Despite the larger percentage increase in manufacturing payrolls in the Fifth District between 1954 and 1955, the dollar increase in these payrolls did not constitute as large a proportion of the total dollar increase (29.0%) in the District as in the nation (32.7%).

Income from sources other than those enumerated accounted for a larger percentage of the total increase during the year in the Fifth District (33.6%) than in the nation (30.2%). Percentage-wise, the District increase in all other sources of income from 1954 to 1955 was 8.7%.

The accompanying table shows the dollar increase in the sources of personal income between 1954 and 1955 in both the District and the nation, together with the percentage of the total increase.

Table 2
CHANGE IN PERSONAL INCOME COMPONENTS 1954 TO 1955 AND PERCENT OF TOTAL CHANGE

	Fifth District		United States	
	Million Dollars	% of Total	Million Dollars	% of Total
Farm Income	+ 48	3.2	— 719	— 3.9
Government Income Disbursements	+ 153	10.1	+ 2,426	13.0
Mining Payroll	+ 46	3.0	+ 271	1.5
Manufacturing Payroll	+ 441	29.0	+ 6,095	32.7
Trade and Services Payroll	+ 288	18.9	+ 4,160	22.3
Contract Construction Payroll	+ 33	2.2	+ 783	4.2
All Other	+ 511	33.6	+ 5,628	30.2
Total	+1,520	100.0	+18,644	100.0

Long-Term Change

The postwar period has been one of violent price changes. Between 1945 and 1955 the price level (measured by the implicit deflators of the gross national product) has risen nearly 50%. The bulk of this increase was between 1945 and 1951 where the gain was 43%—from 1951 to 1955 it was only 4.5%. If District income were expressed in terms of constant purchasing power, it would show a decline from 1945 to 1946 and a sharper decline from 1946 to 1947. Since 1947, however, it has shown a fairly consistent rise each year with the exception of 1954.

Between 1946 and 1955 many internal divergent movements are observed. These longer run changes are important to understand the structural changes that take place in the income base. Figures are unavailable for detailed analysis of the 1946-1955 period; but payroll figures are available in all important sectors of the District's wage and salary income. These accounted for

70.8% of total personal income in 1954 and 60.6% in 1946. In this period construction contract wages and salaries rose at a compound annual rate of 12.6% per annum, followed by communication and public utilities, 12.0% per annum; finance, insurance, and real estate, 10.3% per annum; government, 9.4%; trade, 8.3%; manufacturing, 7.7%; service industries, 7.8%; transportation, 4.5%; while mining wages and salaries showed an actual decrease in the period and agricultural income rose 1.4%.

It is clear that the great expansion in the construction industry, whose payroll directly has shown the largest annual rate of increase in the postwar period, has had its effect in expanding both communication and utilities in about the same proportion and has also increased activity in financial, insurance, and real estate concerns. It is probable that the substantial expansion in real estate activity has been mainly responsible for the entire group increase. If comparable data were available for 1955, the chances are that these longer run changes would not be greatly different from what they were in 1946 to 1954.

It should be noted that payrolls in manufacturing and trade industries have risen at a more rapid rate than total income payments; the only payroll item falling below the increase in the total was in transportation industries. All other sources of income, particularly proprietors and property income, have moved at a slower pace than total income payments, and this is particularly true in recent years. The government payroll, dominated largely by the Federal government, has slowed down its rate of growth in relation to that of total personal income.

State Changes

Long-run changes in personal income (1946 to 1955) have varied among the District states rather substantially. The compound annual rate of increase has ranged from 7.2% in Maryland to 3.1% in the District of Columbia. South Carolina follows Maryland with the second highest annual rate of increase in personal income in the period under review, 6.2%,followed in turn by North Carolina, 5.9%; Virginia, 5.7%; and West Virginia, 4.7%.

What was responsible for these varying rates of increase in personal income? In the period 1946-1954 most payroll items rose substantially faster than total personal income. The only exception in this District was in the District of Columbia. Largest increases in the period came in construction, finance, real estate, insurance, and communication. Much larger-than-average payroll increases in these areas were common to all of the states but not to the District of Columbia.

Personal Income Per Capita

Personal income per capita in the Fifth District in 1955 averaged $1,481, a 4.4% increase over 1954. In dollars it was nearly 20% smaller than the $1,847 national average.

In the states of the Fifth District income per capita ranged between $1,108 in South Carolina and $2,324 in the District of Columbia. Maryland showed the second largest figure, $1,991, followed by Virginia, $1,535; West Virginia, $1,288; and North Carolina, $1,236.

West Virginia showed the largest increase (6%) between 1954 and 1955 when both manufacturing and bituminous coal payrolls rose substantially. The District of Columbia and North Carolina tied for second largest increase (5.4%), followed by South Carolina (5.0%), Virginia (3.5%), and Maryland (2.2%).

Historically, District per capita income gained substantially on the national level since 1929 and 1939; but it has lost position slightly since 1946. In 1929 District per capita income was 33% smaller than the national average; in 1939, it was 21.6% smaller; in 1946, 19.1% smaller; and in 1955, 19.8% smaller.

The gains have come largely in the Carolinas and Virginia. Maryland and the District of Columbia have lost position, but the gains in other states of the District have more than offset these losses as the accompanying table shows.

Table 3

PER CAPITA PERSONAL INCOME
PERCENT ABOVE OR BELOW NATIONAL AVERAGE

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.	Dist.
	%	%	%	%	%	%	%
1929	+10.5	+ 81.1	−38.1	−34.3	−52.5	−61.6	−33.0
1939	+18.9	+100.9	−24.1	−30.4	−43.2	−50.9	−21.6
1946	+ 5.1	+ 35.2	−20.7	−26.3	−31.3	−38.9	−19.1
1955	+ 7.8	+ 25.8	−16.9	−30.3	−33.1	−40.0	−19.8

How the States Have Fared

Personal income for the whole Fifth District achieved an increasing share of the national total from 1929 to 1942—percentages of the national total rose from 6.12% in 1929 to 8.39% in 1942. It remained above 8% through 1946, dropped down to the 7.70's in 1947 and 1948, showed continuous improvement (up to 8.02% by 1951), slipped to 7.70% in 1954 and improved slightly to 7.72% in 1955.

Accounting mainly for the long-term increase in the District's proportion are Virginia, North Carolina, and South Carolina. West Virginia has varied little, while the District of Columbia has been in a downward trend since 1932. Virginia's proportion of the national total rose substantially in the war period, receded in the early postwar period, and has since recovered about half of that loss. Maryland, likewise, showed a considerable increase during the war period, receded immediately in the postwar period, but has since regained most of its loss. North Carolina's chief increase came in the Great Depression and war period. Since then its percentage has fluctuated little. South Carolina's percentage has moved up little since 1942 except for a bulge in the Korean War Period.

Business Conditions and Prospects

On balance September was not a favorable month for the Fifth District economy. The trade level weakened, construction was down, bituminous coal output held even, and cigarette demand lessened. On the other hand, the pace in the District's manufacturing industries quickened somewhat, sparked mainly by the nondurable goods industries. Farm income was up seasonally during August, continuing to run moderately ahead of a year ago. Demand for bank credit diminished slightly during September, and over-all spending in the District (as reflected in adjusted bank debits) declined sharply from August but held above a year ago.

Trade

Department store sales slipped moderately during the month (after seasonal correction), but this was from an all-time peak in this District; sales are still ahead of a year ago, and the year's accumulated sales show a small gain. In the furniture stores sales eased a little more than in department stores, but they too were still slightly ahead, and the cumulative total was comfortably ahead of last year.

Efforts to clean up automobile inventories seem to have borne fruit as the August complete registrations showed a small rise over July, and dealer inventories worked down to a lower level than in the past several years. This provides pleasant accommodation for the new models now on offer to a curious public.

It may be that inventories of department stores are becoming a bit heavy, since the increase over a year ago is about three times that of sales; but the stores are hardly likely to worry over this ratio at this time of the year. Furniture stores appear to have done a remarkable job of maintaining balanced inventories and sales.

Construction

The decline in construction contract awards during September was appreciable and occurred in all lines except apartments and hotels, which more than doubled from the previous month on a seasonally adjusted basis. All types of construction awards in September were under a year ago with the exception of apartments and hotels and nonresidential construction other than commercial, manufacturing, and educational. On an accumulated basis, all types were under a year ago excepting apartments and hotels and public works and utilities. Employment in the industry is still ahead of a year ago, and there has thus far been no apparent drop in the amount of construction put in place. The continuing decline in contract awards, however, brings the time nearer when some cutback in construction employment will be witnessed.

Manufacturing

Over-all activity in the manufacturing industries of the District improved moderately during September but remained below a year ago. Improvement during the month was mainly in the nondurable goods industries; most sectors of the durable goods industries managed to hold their own. The lumber industry slackened somewhat during the month. The furniture industry showed mixed trends, partly up and partly down. Primary metal industries held their own while fabricated metals moved upward.

Transportation equipment industries rose considerably during the month with shipbuilding and aircraft largely responsible for the uplift. New business on the books of both industries has improved substantially, and a better level of operations appears to be under way. The food industries rose during the month beyond their normal seasonal peak. Apparently, slackening cigarette consumption was reflected in a drop in manufacturing operations during the month although output continued considerably ahead of last year.

Operations in District textile mills receded moderately (after seasonal correction) due in part to shutdowns on the synthetic side early in the month. Cotton consumption also declined moderately from the August level, but this seems to have been more an operating problem than a demand situation. Mills have improved their backlogs rather substantially with fourth quarter output pretty well sold out and some extension into the first quarter. However, there appears to be no great urgency to continue adding further to backlogs, and for the time being new business is dull.

Banking

Surprisingly, bank loans (all member banks) in September dropped back a bit ($12 million) from a month earlier while investments during the month rose slightly ($21 million). The slackening in loan demand has apparently been in the smaller banks, for loans of the large weekly reporting banks made a new high in September. There has been some change in the character of lending in the weekly reporting banks with current emphasis on commercial, industrial, and agricultural loans. A marked slackening in the rate of increase in consumer loans has taken place, and real estate loans have shown little change during 1956. Total deposits of all member banks rose $113 million in September, but the increase came in interbank deposits (up $40 million) and other demand deposits (up $82 million). The partial offset was a slight reduction ($8 million) in time deposits. Borrowings from the Federal Reserve bank declined (by $13 million), but borrowings from others rose by a similar amount.

Savings

One of the pressing problems of the day is an insufficient amount of saving to finance the high-and-rising level of investment. Interestingly, despite some slackening at the trade level during September, new savings in this District did not contribute much. Savings deposits in mutual savings banks in Maryland constituted the only available institutional figure to show a rise during the month. These deposits were up 0.7% ($3 million) during the month and were 4.7% ahead of a year ago. Net new savings in savings and loan associations dropped 18% during the month to a level 20% under a year ago, and the nine months' accumulated savings were 16% under a year ago. Although time deposits of the member banks eased slightly ($8 million or 0.4%), they were still $66 million (3.7%) higher than a year ago. Purchase of Series E and H savings bonds during September dropped about a fifth and stood 12% under a year ago; the nine months' total, however, was even with last year.

Agriculture

Cash income from farm marketings in the District during August ran 1% ahead of a year ago. This slight increase hardly reflects the Districtwide situation, for actual gains ranged between 1% in West Virginia and 12% in Virginia. These were approximately offset by a loss of 15% in South Carolina, which can probably be attributed mainly to a decline in the quantity of flue-cured tobacco marketed.

The 4% increase in cash farm income in the first eight months reflected gains in all states except South Carolina. The range was from 1% in West Virginia to 8% in North Carolina. South Carolina's total eased about 3%.

Average farm prices declined from July to August in Maryland, Virginia, West Virginia, and South Carolina but rose in North Carolina. Maryland, Virginia, and West Virginia showed higher prices than a year ago; in the Carolinas prices were under last year. In the first eight months prices were about a standoff against a year ago.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	Sept. 1956	Sept. 1955	9 Months 1956	9 Months 1955
Dist. of Columbia				
Washington	$1,332,193	$1,396,840	$13,301,806	$12,102,935
Maryland				
Baltimore	1,558,839	1,525,951	15,513,902	14,104,905
Cumberland	26,452	26,944	250,674	231,580
Frederick	25,131	24,109	232,824	213,398
Hagerstown	48,723	46,683	434,238	394,061
Salisbury**	34,898	34,918	326,748	305,800
Total 4 Cities	1,659,145	1,623,687	16,431,638	14,943,944
North Carolina				
Asheville	72,688	76,247	660,566	607,413
Charlotte	434,104	473,044	3,967,132	3,702,890
Durham	107,407	98,994	814,043	761,261
Greensboro	160,355	160,821	1,461,010	1,343,053
High Point**	52,843	52,257	494,819	451,311
Kinston	58,131	56,872	245,305	247,758
Raleigh	265,512	267,055	2,147,393	1,968,733
Wilmington	56,965	55,259	489,079	474,837
Wilson	68,161	69,507	245,807	241,360
Winston-Salem	247,167	202,490	1,785,529	1,557,730
Total 9 Cities	1,470,490	1,460,289	11,815,864	10,905,035
South Carolina				
Charleston	90,723	95,280	828,786	763,582
Columbia	187,595	183,798	1,750,997	1,628,274
Greenville	146,930	132,905	1,288,007	1,148,756
Spartanburg	73,812	80,003	638,988	593,606
Total 4 Cities	499,060	491,986	4,506,778	4,134,218
Virginia				
Charlottesville	41,289	36,436	350,691	330,125
Danville	54,843	54,497	395,801	362,530
Lynchburg	57,866	61,580	550,595	493,794
Newport News	55,313	60,077	556,772	506,611
Norfolk	281,051	287,194	2,786,126	2,606,825
Petersburg**	24,328	33,186	252,233	279,513
Portsmouth	34,143	34,411	336,341	322,070
Richmond	732,825	747,623	6,403,010	5,989,891
Roanoke	149,014	141,719	1,385,952	1,187,110
Total 8 Cities	1,406,344	1,423,537	12,765,288	11,798,956
West Virginia				
Bluefield	58,060	47,349	514,318	403,857
Charleston	166,019	163,320	1,618,504	1,514,133
Clarksburg	38,693	37,098	362,705	323,182
Huntington	81,927	79,312r	763,060	713,329r
Parkersburg	37,191	36,155	332,068	294,504
Total 5 Cities	381,890	363,234r	3,590,655	3,249,005r
District Totals	$6,749,122	$6,759,573r	$62,412,029	$57,134,093r

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

WEEKLY REPORTING MEMBER BANKS

(000 omitted)

Items	Oct. 17, 1956	Change in Amount from Sept. 12, 1956	Change in Amount from Oct. 12, 1955
Total Loans	$1,850,225**	— 4,736	+127,486
Bus. & Agric.	866,609	+ 8,774	+ 93,164
Real Estate Loans	336,823	— 889	+ 3,601
All Other Loans	673,356	— 12,454	+ 35,076
Total Security Holdings	1,651,636	+ 24,191	— 73,438
U. S. Treasury Bills	81,805	+ 32,805	+ 9,754
U. S. Treasury Certificates	49,686	— 5,022	— 5,581
U. S. Treasury Notes	294,722	+ 7,153	— 36,864
U. S. Treasury Bonds	960,170	— 11,085	— 63,290
Other Bonds, Stocks & Secur.	265,253	+ 340	+ 22,543
Cash Items in Process of Col.	397,917	+ 161	— 12,555
Due from Banks	180,838	— 10,737	— 12,337
Currency and Coin	79,661	— 4,405	— 3,366
Reserve with F. R. Banks	532,200	+ 3,026	— 683
Other Assets	80,550	+ 6,372	+ 12,598
Total Assets	$4,773,027	+ 13,872	+ 37,705
Total Demand Deposits	$3,594,301	+ 38,895	+ 1,913
Deposits of Individuals	2,667,419	— 17,678	+ 4,338
Deposits of U. S. Government	110,063	+ 14,739	— 14,855
Deposits of State & Local Gov.	201,500	+ 23,278	+ 6,265
Deposits of Banks	553,597*	+ 10,357	— 437
Certified & Officers' Checks	61,722	+ 8,199	+ 6,602
Total Time Deposits	758,750	— 4,641	+ 11,718
Deposits of Individuals	694,104	+ 2,969	+ 17,674
Other Time Deposits	64,646	— 7,610	— 5,956
Liabilities for Borrowed Money	23,800	— 21,800	— 3,175
All Other Liabilities	55,723	+ 1,295	+ 7,744
Capital Accounts	340,453	+ 123	+ 19,505
Total Liabilities	$4,773,027	+ 13,872	+ 37,705

* 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	Sept. 1956	9 Mos. 1956
Maryland	— 4	+ 1
Dist. of Columbia	—14	+ 1
Virginia	+ 3	+ 3
West Virginia	—10	+ 8
North Carolina	+ 1	+ 7
South Carolina	—16	— 1
District	— 7	+ 3
INDIVIDUAL CITIES		
Baltimore, Md.	— 4	+ 1
Washington, D. C.	—14	+ 1
Richmond, Va.	+13	+ 4
Charleston, W. Va.	+ 7	+ 5
Greenville, S. C.	—23	— 2

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

WHOLESALE TRADE

	Sales in Sept. 1956 compared with		Stocks on Sept. 30, 1956 compared with	
LINES	Sept. 1955	Aug. 1956	Sept. 30, 1955	Aug. 31, 1956
Auto supplies	—10	— 6	+ 6	— 5
Electrical, electronic and appliance goods	+ 5	+ 5	+23	+15
Hardware, plumbing, and heating goods	— 4	— 7	+ 6	— 3
Machinery equipment supplies	+16	0	+35	— 4
Drugs, chemicals, allied products	— 1	— 5	+ 7	0
Dry goods	+ 4	—11	+ 2	—16
Grocery, confectionery, meats	— 6	— 7	+ 6	+ 5
Paper and its products	— 6	—21	+17	+ 2
Tobacco products	— 9	—17	NA	NA
Miscellaneous	+ 2	—12	+18	— 6
District total	— 3	— 4	+19	— 7

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 Sept. '56 vs Sept. '55	+ 5	— 2	+ 2	+ 7	+ 3
Sales, 9 Mos. ending Sept. 30, '56 vs 9 Mos. ending Sept. 30, '55	+ 5	+ 2	+ 6	+ 7	+ 6
Stocks, Sept. 30, '56 vs '55	— 5	+10	+10	+16	+10
Outstanding Orders, Sept. 30, '56 vs '55	+ 1	+20	+ 1	+ 3	+ 7
Open account receivables Sept. 1, collected in Sept. '56	31.0	49.3	40.9	37.4	40.3
Instalment receivables Sept. 1, collected in Sept. '56	10.6	13.8	12.7	15.9	13.1

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Sept. '56 vs Sept. '55	— 1	+ 2	+ 5	+17	+ 2	+ 3

BUILDING PERMIT FIGURES

	Sept. 1956	Sept. 1955	9 Months 1956	9 Months 1955
Maryland				
Baltimore	$ 1,392,523	$ 5,675,365	$ 53,789,717	$ 73,660,792
Cumberland	108,666	58,945	1,221,916	1,168,136
Frederick	210,825	358,700	4,067,045	2,516,475
Hagerstown	1,088,085	258,060	2,014,740	1,886,380
Salisbury	80,775	169,562	1,427,097	1,550,734
Virginia				
Danville	414,153	358,737	6,153,449	4,987,656
Hampton	568,093	925,415	5,960,884	12,318,806
Hopewell	79,770	111,910	1,680,567	2,811,215
Lynchburg	411,910	263,520	7,688,485	7,482,698
Newport News	185,813	160,130	1,633,861	1,831,882
Norfolk	1,961,235	1,107,920	20,664,418	10,400,608
Petersburg	359,200	167,000	2,706,150	2,974,800
Portsmouth	717,276	337,592	4,493,545	3,681,075
Richmond	1,185,548	1,849,179	20,527,620	17,273,505
Roanoke	1,253,594	1,672,671	17,126,956	10,225,759
Staunton	132,220	230,575	2,163,110	2,285,445
Warwick	409,361	807,540	5,803,958	9,177,335
West Virginia				
Charleston	668,517	842,329	7,009,927	5,605,737
Clarksburg	161,845	195,324	1,583,843	1,566,987
Huntington	426,726	411,365	3,898,261	5,028,637
North Carolina				
Asheville	659,743	537,792	5,564,048	2,843,351
Charlotte	1,386,941	1,639,416	22,208,820	21,913,042
Durham	388,999	552,463	6,547,939	8,822,931
Gastonia	640,825	782,000	4,854,775	5,973,750
Greensboro	560,680	661,397	11,947,643	8,879,570
High Point	217,453	493,097	5,452,983	6,180,333
Raleigh	1,266,503	1,535,987	12,194,060	16,521,883
Rocky Mount	176,552	178,152r	2,634,574	2,730,804r
Salisbury	605,425	177,574	2,132,775	1,136,149
Wilson	158,150	523,300	3,450,203	3,574,246
Winston-Salem	1,124,403	1,167,125	12,725,963	10,398,027
South Carolina				
Charleston	145,783	575,000	2,638,799	2,640,240
Columbia	733,494	744,606	7,908,418	7,161,815
Greenville	296,750	362,800	4,790,800	5,964,000
Spartanburg	284,828	506,067	4,047,317	2,277,253
Dist. of Columbia				
Washington	9,842,463	4,860,404	47,791,380	58,421,433
District Totals	$30,305,127	$31,259,019r	$328,506,046	$343,873,489r

r revised.

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	Sept. 1956	Aug. 1956	Sept. 1955	% Chg.—Latest Mo. Prev. Mo.	% Chg.—Latest Mo. Yr. Ago
New passenger car registration*	......	164	200r	+ 3	—21
Bank debits	176	188	169r	— 6	+ 4
Bituminous coal production*	110	110r	99r	0	+11
Construction contracts	208	240	241	—13	—14
Business failures—number	311	298	171	+ 4	+82
Cotton spindle hours	114	118	117	— 3	— 3
Department store sales	140	145	135r	— 3	+ 4
Electric power production	......	203	187	+ 3	+ 3
Manufacturing employment*	..	113	113r	+ 5	+ 1
Furniture store sales	109	121	108	—10	+ 1
Life insurance sales	226	230	202	— 2	+12

* Not seasonally adjusted.

r Revised.

Back figures available on request.