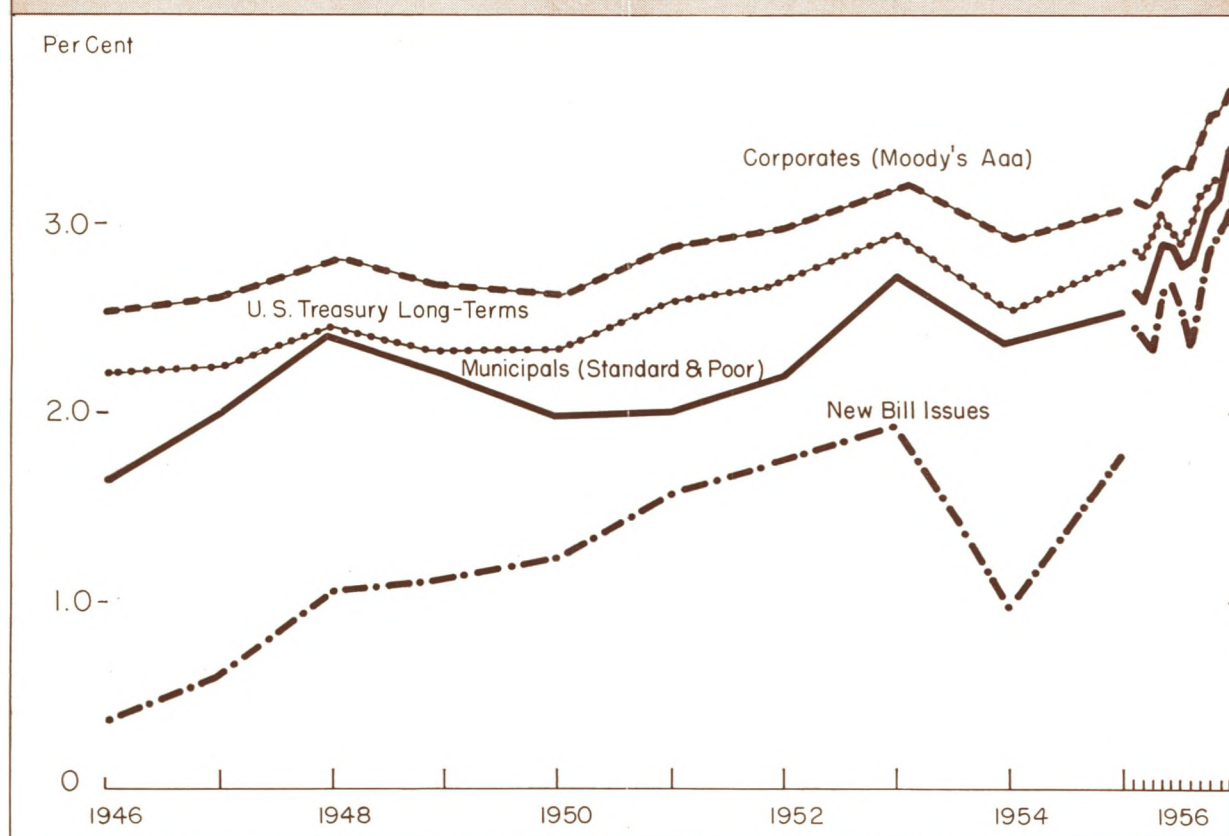




March 1957

## POSTWAR PATTERN OF INTEREST RATES



**T**HE play of market forces during 1956, when the demand for funds greatly exceeded the volume of savings, pushed interest rates to the highest levels of the postwar period. The article on page 3 reviews some of the consequent developments in the municipal bond market.

## Also In This Issue - - -

*Characteristics of Farm Borrowers* .....Page 5

*District Banking Review—New Records*

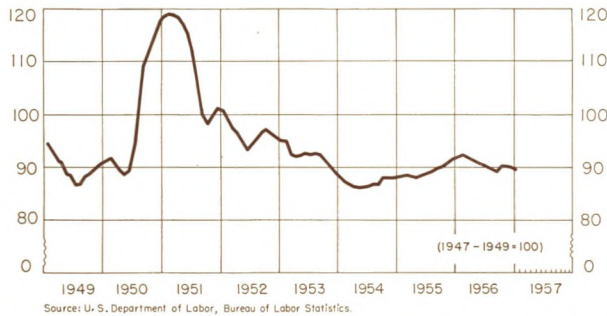
*In A Tight Money Period* .....Page 7

*Business Conditions and Prospects* .....Page 9

*Fifth District Statistical Data* .....Page 11

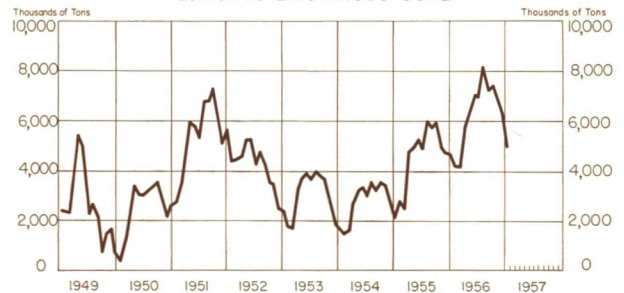
## FIFTH DISTRICT TRENDS

WHOLESALE PRICE-COTTON BROAD WOVEN GOODS



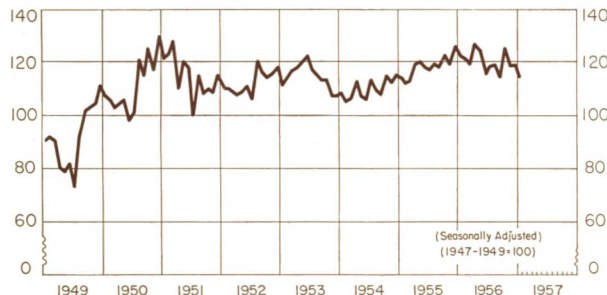
Prices of cotton broad woven goods have been in a general downward trend since February 1956. In this period, prices have slipped 3%. Between May 1954 and February 1956, these prices rose 7%. January 1957 prices were 25% lower than the peak figure, February 1951.

EXPORTS-BITUMINOUS COAL



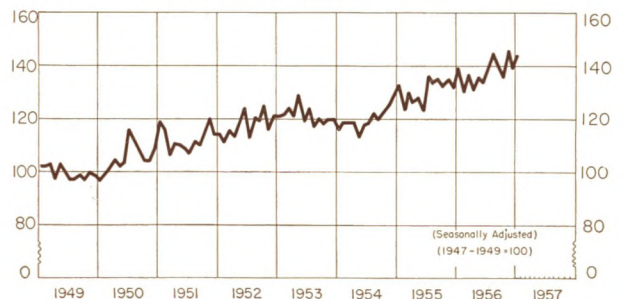
Coal exports in 1956 continued the rise under way since 1955 and the year's total was close to the all-time peak of 1947. Exports usually drop seasonally in the winter months; this occurred late in 1956 and early in 1957, but the January level was running well ahead of a year ago.

COTTON CONSUMPTION



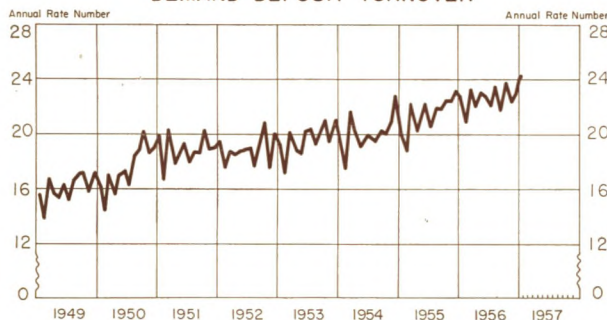
Average daily consumption of cotton in Fifth District mills declined 3% in January from December and was 7% under a year ago. The January adjusted level stood about halfway between the low point in 1954 and the high point in 1956. Further curtailment is indicated.

DEPARTMENT STORE SALES



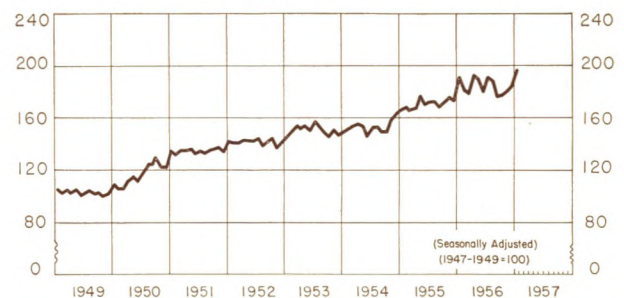
Sales of department stores adjusted in January rose 4% from a slightly disappointing December to a level 4% ahead of a year ago. The January index was not far below the November all-time peak.

DEMAND DEPOSIT TURNOVER



Turnover of demand deposits in Fifth District reporting banks during January was at an annual rate of 24.1 times. This compares with 22.8 times in January 1956 and 22.9 times in December 1956. The January rate was 6% higher than a year ago and 5% higher than in December.

BANK DEBITS



Bank debits in Fifth District cities (seasonally adjusted) in January rose 7% from December and were 3% higher than in January 1956. The January adjusted index was at an all-time high level following a general leveling off in the first half of 1956 and some reduction through the third quarter of 1956.



## Municipal Bonds—

### High Activity Accompanied Rising Rates

**D**ESPITE a sharp rise last year in borrowing costs to near-record levels, offerings of new long-term bond issues by state and local governments in the nation have continued to surge. The flow of new issues in the first three quarters of 1956 exceeded slightly the volume of the preceding year, but by the fourth quarter postponements had begun to curtail offerings and flotations in the last three months ran behind year-earlier figures. According to Investment Bankers Association estimates, 87 issues amounting to over \$191 million were postponed during the last quarter of 1956.

Nothing is more indicative of the compelling demand for credit by states and municipalities than the fact that despite some adverse market factors during most of 1956, the \$5.4 billion of new long-term financing by these units was only 9% less than the 1955 total. The latter, it should be noted, was the second-highest in history and was 14% smaller than the record-holder, 1954.

Demand for credit by states and localities in the Fifth District also fell off for the second year running and was almost 22% under 1955's total. Municipals were, of course, competing with a multitude of other avid borrowers—all of them wanting funds which were relatively scarce.

In some cases, would-be municipal borrowers balked at paying the higher cost necessary to participate in a market in which the forces of demand were so much stronger than those of supply that interest rates rose sharply. In other cases, prospective borrowers were inhibited from selling their bonds because of legal restrictions.

Three major-purpose categories showed increases in the District: bond issues for public improvements and miscellaneous projects were up 58%; public utility issues increased 69%, and, interestingly, refunding issues were 12% greater than a year ago. But there were also reduced offerings in several sectors, notably the sharply curtailed highway bond issues which slumped 51% from the preceding year. This was reflected in a decline of 70% in total issues of revenue bonds, the second consecutive reduction of this magnitude. Declines also occurred last year in issues to finance construction of schools (−4%); water, sewer, and drainage facilities (−23%); hospitals (−83%); and public housing projects (−20%).

On a state basis the largest reduction in bond offerings was in South Carolina, where the total of \$31,979,000 was only about one-half what it was in 1955. In other states there were declines of 36% in West Virginia, 34% in Virginia, and 14% in North Carolina. Maryland was unique in the District, posting an increase of almost 10%. As shown in the table, its \$165,396,000 of offerings were more than twice as large as the second-place total for Virginia.

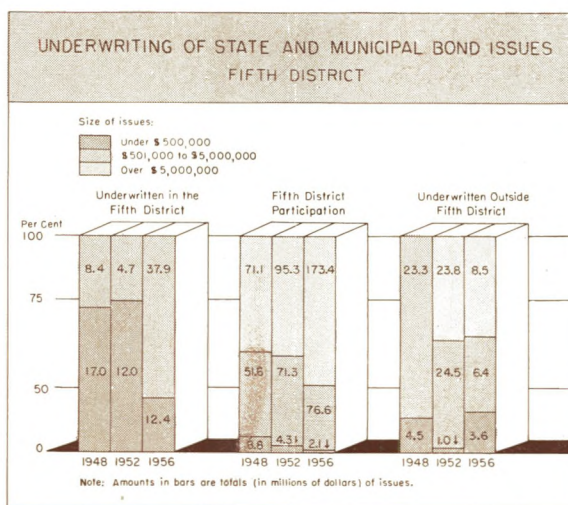
#### Highest In History

Like any other coin, "tight money" has two sides. Though rising interest rates last year made it more difficult for some states and municipalities to sell bond issues on terms they considered satisfactory, higher rates provided a more advantageous market for the investor. In fact, as yields on tax-exempt securities continued their upward climb last year, the situation was described as an investor's "dream market." As measured by the Dow-Jones index, yields on representative 20-year municipals reached the 3% mark in the second week of September, exceeded by two points near the end of October the highest yield (3.06%) in the 1953 market decline, and then went on to the highest mark of the year with an average of 3.29% in late November and again in early December. The latter yield was the highest reached in almost two decades.

Taking into consideration present-day Federal income tax rates as compared with rates in the Thirties, last year's yields were the highest on record for municipals. Furthermore, these securities moved into relatively more favorable positions in comparison with some other classes of securities. The Dow-Jones average yield on 20-year municipal bonds, for example, at its peak last year was only a few basis points less than average yields on long-term Treasury bonds. Yields on corporate bonds continued to exceed returns on comparable quality state and local obligations, but for investors in high income brackets the differential was more than offset by the tax-exempt (from Federal income taxes) feature of the latter securities.

#### Broader Market

Rising interest rates on municipals reflected the





necessity for state and local governments to tap a market for credit beyond that which was solely or principally interested in the tax-exemption advantage of these securities. This necessity, in turn, stemmed mainly from the increased volume of bond offerings to finance constantly expanding needs for new public facilities. But to reach investors other than those regularly interested in tax-exempts, state and local governments had to pay interest rates high enough to attract relatively scarce funds on a straight-return basis.

The rise in yields (decline in prices) during 1956—from a low of 2.44% in February to a high of 3.29% in early December, as measured by the Dow-Jones index—meant, of course, increased borrowing costs to Fifth District states and municipalities. The following are a few examples of differences in rates paid on similar new issues by the same borrower in 1955 and 1956:

	1956	1955
Anne Arundel Co., Md.	3.69%	2.65%
Richmond, Va.	2.68%	2.22%
Charlotte, N. C.	2.99%	2.70%
Lancaster Co., S. C.	2.90%	2.20%

In some Fifth District localities, as in the rest of the country, higher interest costs resulted in some postponed offerings and rejected bids. There were relatively very few such instances, however, and even here many issues were reoffered and sold before year-end.

### District Financing Grows

One out of every two state and local bond issues in the District last year was sold in its entirety to investment bankers located in the District. Inasmuch as many issues wholly financed by District financial institutions were relatively small ones, this local underwriting accounted for only 16% of the total dollar volume of District issues. This was, nevertheless, the best showing

in this respect in the postwar period. In the first few years following World War II, when there were many more small issues than there were last year, the proportion of total issues wholly financed by District investment bankers was only slightly lower than last year's figure of 16%. It was not, however, above 9% until 1956.

The accompanying chart shows that no individual issue underwritten entirely in the District exceeded \$5 million last year. This, however, is a relatively large amount in this District—comprised as it is of small towns and containing only seven cities with populations as large as 100,000. Noteworthy is the fact that 42% of the total dollar volume of issues underwritten completely in the District was in the size-group \$1,000,000-\$5,000,000. This share is substantially higher than the comparable figure in any one of the past nine years, the only period for which data are available.

It would be a mistake to stress one year's experience and hold that this indicates a growing ability on the part of the District's financial institutions to finance the capital requirements of its public bodies. On the other hand, it is worth noting that only 6% of the total value of all bonds issued by the District states and localities last year were financed entirely by "foreign" investment bankers. Furthermore, a number of these were "border" cases—issues underwritten outside the District because the nearest cities to the small towns and counties issuing the bonds were across nearby District lines.

Finally, it should be pointed out that for the past three years the per cent of total District issues underwritten entirely outside the District has been much lower than at any time in the postwar period. This, too, can be overstressed, but it is another indicator to be watched of the growing financial strength of the Fifth District.

### STATE AND MUNICIPAL BOND OFFERINGS—1956

	Md.		Va.		W. Va.		N. C.		S. C.		5th Dist.		
	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	No. of Issues	Amt. \$000	Per Cent
School Building and Improvement	15 2*	48,050 2,842	7	16,730	4	2,566	22	21,790	9 2*	4,105 15,250	57 4*	92,881 18,092	27.8 5.4
Water, Sewer, and Drainage Systems	16	42,731	9	6,570	6	2,907	33	17,293	12	2,188	76	71,689	21.5
Street, Highway, and Bridge Building and Improvement	2 3*	3,201 31,567	3	21,709	4 1*	761 1,400	5	1,425	1	600	15 4*	27,696 32,967	8.3 9.9
Public Improvement and Miscellaneous	13	16,271	8	10,081	8	6,836	17	2,945	12	4,111	58	40,244	12.1
Public Housing Authority	2	12,520	5	18,533	1	1,915	1	740	1	1,925	10	35,455	10.6
Public Utility Systems (excluding water systems)	5	6,625	—	—	—	—	1	600	3	3,650	9	10,875	3.3
Refunding	1	440	—	—	1	320	7	643	—	—	9	1,403	0.4
Hospitals	2	1,150	1	425	2	497	2	440	1	150	8	2,662	0.8
Revenue (including above)	—	—	1	20,000	12	8,527	—	—	—	—	13	28,527	8.5
Total	42	165,396	28	73,510	27	17,202	68	45,876	40	31,979	194	333,963	100.0

\* State Issues.

Details will not add to total due to rounding.

Total number of issues will not equal the sum of individual issues as some issues are divided among more than one category.

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



## Characteristics of Farm Borrowers\*

ONE of the points of strength which has enabled commercial bankers to meet the credit needs of their farm customers is the fact that they know their customers—both as individuals and as families—and frequently a good deal about their farming operations. Thus, bankers participating in the 1956 Agricultural Loan Survey were able to supply information on borrower characteristics in practically all cases except where purchased paper was involved.

In this article, net worth of borrower and type of farm are the two main characteristics against which other borrower characteristics are viewed and discussed. These data, like those covered in previous articles, give added proof that Fifth District bankers are extending farm credit to all classes and types of farmers.

### Part-Time Farmers

For the purpose of this study, respondent banks were asked to classify as part-time farmers those farm borrowers who, in their opinion, received a third or more of their gross income from off-farm activities. Clearly, this is a rather broad group. It includes relatively small-scale farming operations customarily associated with the "typical" part-time farmer who does some farming while holding down a nonfarm job. In addition, the definition is broad enough to include the numerous large-scale farming operations carried on by business and professional men, many of whom have sizable incomes from their nonfarm activities.

In the analysis of the loan survey data, a comparison was made of the net worth characteristics of part-time farmers. It is estimated that only 17% of all part-time farmers for whom net worth data were available fall in the net worth category under \$3,000. This compares with an all-farm borrower figure of 24%. It naturally follows that if a smaller than average percentage of part-time farmers falls in the lowest net worth category (under \$3,000), a higher than average proportion have net worths of \$3,000 and above. Actually, in each of the four higher net worth categories a higher percentage of part-time farmers occurs than is true of all farm borrowers.

The stronger than average financial position of part-time farmers is associated with higher average indebtedness to banks than is true of all farm borrowers—\$2,002 compared with \$1,609. In addition, however, the average indebtedness of part-time farmers exceeded that of all farm borrowers in each net worth category.

### Age and Net Worth

Of the farmers whose ages were reported, some 51% were 45 years old or older. Of these, 15% had net worths of from \$25,000-\$99,999 and an additional 3%

had net worths of \$100,000 or more. In the lower net worth groups 31% were in the \$10,000-\$24,999 range, 33% in the \$3,000-\$9,999 range, and 18% below \$3,000.

There were relatively fewer farmers in the younger age groups—33% were from 35 to 44 years of age, 14% were from 25 to 34 years, and 2% were under 25. In each of these younger age groups there was a general shift in the proportion of farmers toward the lower net worth classes with the result that nearly three-fourths of the borrowers under 25 had net worths under \$3,000. This illustrates rather conclusively that at least among farm loan customers of banks there is a fairly strong direct relationship between net worth and age.

#### SELECTED CHARACTERISTICS OF FARM BORROWERS, BY NET WORTH\*

Fifth District Banks, June 30, 1956

		Net Worth				
Item	Total	Under \$3,000	\$3,000-\$9,999	\$10,000-\$24,999	\$25,000-\$99,999	\$100,000 and over
Thousands of Borrowers						
Age:						
Under 25 .....	3.2	2.3	0.7	0.1	**	---
25-34 .....	26.2	10.1	10.7	4.4	0.9	0.1
35-44 .....	58.9	15.3	23.3	14.6	5.3	0.4
45 and over .....	90.8	15.8	30.1	28.4	13.6	2.9
Total .....	179.2	43.5	64.8	47.6	19.8	3.4
Tenure:						
Owner-operator .....	128.6	12.6	51.7	43.4	18.0	2.9
Landlord .....	11.1	1.5	3.2	4.0	1.9	0.5
Tenant .....	42.5	30.5	10.4	1.4	0.2	---
Total .....	182.1	44.6	65.4	48.7	20.1	3.4
Indebtedness:						
Under \$1,000 .....	119.1	41.9	47.1	24.1	5.8	0.3
\$1,000-\$4,999 .....	51.5	2.9	17.5	20.8	9.4	0.9
\$5,000 and over .....	12.9	**	1.3	4.0	5.1	2.4
Total .....	183.5	44.8	65.9	48.8	20.3	3.6
Part-Time						
Farmers .....	27.1	4.6	10.5	8.0	3.2	0.6
All Farmers .....	183.5	44.8	65.9	48.8	20.3	3.6

Note: Borrowers whose specified characteristics were unknown and, in some cases, corporation farms are excluded. Total borrower numbers, therefore, are at variance with one another and with previously published data.

\* Details may not add to totals because of rounding.

\*\* Less than 50.

### Tenure and Net Worth

Of the farm borrowers whose net worth and tenure are known, an estimated 24% had a net worth of under \$3,000; 36% had a net worth of from \$3,000 to \$9,999; 27% from \$10,000 to \$24,999; 11% from \$25,000 to \$99,999; and 2%, \$100,000 and above. While tenants were found in all but the uppermost bracket, 72% of all tenants had net worths under \$3,000 and 24% were in the \$3,000-\$9,999 grouping. The concentration of tenants in the lowest net worth grouping is further evidenced by the fact that they accounted for 68% of all farm borrowers with net worths below \$3,000. In the \$3,000-\$9,999 grouping tenants represented 16% of the total. Their share was much smaller in the higher net worth brackets.

\*This is the third of a series on the 1956 Agricultural Loan Survey. Earlier articles appeared in the *Monthly Review* for November 1956 and January 1957.



### Type of Farm

As might be expected, all types of farms are represented among those operated by bank customers. Although the census also reports type of farm, direct comparisons between the census and the loan survey are difficult. In the first place the census, by getting a fairly detailed breakdown of each farmer's income by sources, can tell with a measure of exactness whether or not one-half or more of a farmer's cash farm income is derived from a single source or a closely related group of sources. Another difference arises from the fact that type of farm for part-time and other classes of non-commercial farms is not determined by the census.

Bankers at times have less detailed information than the census on many of their farm customers. Thus, it is not surprising that they report a higher proportion of their farm customers as general farmers, thereby signifying that no single source accounts for one-half or more of their cash farm income. Although there is no definite proof on this point, it would appear reasonable to suppose that the overreporting of farms as "general farms" resulted in the other types of farms being underreported to a fairly uniform degree. Such an adjustment of the data would suggest a generally representative over-all sample, except possibly for some oversampling of tobacco farms and undersampling of poultry and cotton farms.

### Indebtedness by Type of Farm

The average size of note and borrower's indebtedness varies considerably by type of farm. For example, the average amount outstanding for meat animal farms is nearly \$3,800. This is followed by about \$3,500 for dairy farms and \$2,400 for poultry farms. Cotton and

tobacco farms have the smallest average bank debt—\$1,200 and \$1,100, respectively. Between these extremes are general farms with an average bank debt of \$1,600 and farms producing other major products with an average debt of \$2,900.

As might be expected from these averages, the proportion of livestock farmers whose total indebtedness to given banks is under \$1,000 is relatively lower than in the case of crop farmers. The reverse is true of farmers whose indebtedness is greater. For instance, of those with an indebtedness of from \$1,000 to \$4,999, there is a somewhat heavier proportionate representation of livestock farmers than crop farmers. The shift is even more pronounced in the case of farmers with an indebtedness of \$5,000 or more.

### Tenure by Type of Farm

Where tenure is known, owner-operators account for 70% of all farm borrowers and 84% of the outstanding loan volume. If owner-operators and landlords (the two groups owning farm real estate) are combined, 76% of all borrowers and 93% of the outstanding indebtedness are accounted for. As might be expected, the percentage of owner-operators is higher on livestock farms than on crop farms.

Tenants on all types of farms are included among bank customers. Only in the case of tobacco and cotton farmers, however, do tenants exceed 20% of the total. Actually, 34% of all tobacco farmers who borrow from banks are tenants. On the other hand, because of their small average size of loan, they account for but 12% of total loans outstanding to tobacco farmers. Of the cotton farmers who borrow from banks, tenants represent 28% of the number and 11% of the total indebtedness.

#### SELECTED CHARACTERISTICS OF FARM BORROWERS, BY TYPE OF FARM\*

Fifth District Banks, June 30, 1956

Item	Total	Type of Farm							General
		Meat Animals	Dairy	Poultry	Cash Grain	Cotton	Tobacco	Other Major Product	
		Thousands of Borrowers							
Indebtedness:									
Under \$1,000	122.0	2.7	4.7	1.1	2.2	7.9	64.9	1.9	36.7
\$1,000-\$4,999	51.3	3.3	3.9	1.3	1.5	3.2	19.1	1.7	17.4
\$5,000 and over	12.7	1.5	2.2	0.3	0.3	0.5	3.3	0.4	4.2
Total	186.0	7.5	10.8	2.6	3.9	11.6	87.3	4.0	58.3
Tenure:									
Owner-operator	128.0	6.9	9.1	2.4	3.3	7.9	49.5	2.9	46.0
Landlord	11.0	0.3	0.3	**	0.1	0.4	5.8	0.5	3.5
Tenant	43.2	0.2	1.3	0.1	0.6	3.2	29.1	0.6	8.1
Total	182.2	7.4	10.7	2.6	3.9	11.6	84.4	4.0	57.6
Net Worth:									
Under \$3,000	44.3	0.3	0.3	0.2	0.6	4.4	25.2	0.8	12.4
\$3,000-\$9,999	64.8	1.9	2.9	1.0	1.3	3.8	29.5	1.1	23.3
\$10,000-\$24,999	47.9	2.7	4.1	0.9	1.6	2.3	19.2	1.2	15.9
\$25,000 and over	23.6	2.6	3.2	0.5	0.4	1.1	9.2	0.8	5.8
Total	180.7	7.5	10.6	2.6	3.9	11.5	83.2	3.9	57.4

Note: Borrowers whose specified characteristics were unknown and, in some cases, corporation farms are excluded. Total borrower numbers, therefore, are at variance with one another and with previously published data.

\* Details may not add to totals because of rounding.

\*\* Less than 50.



## District Banking Review—

## New Records In A Tight Money Period

THE year 1956 sharply underlined the harsh theme that there are limits to what the economy can do without upsetting stability and re-inviting insidious inflation. In the tense struggle for a level of economic activity possibly higher than the nation's resources could support, the spotlight was focused sharply on credit, and special lights played on the commercial banks, traditional creators of new purchasing power. Member banks in this District found loan demand insistent throughout the year and during the first half sold investments in order to satisfy their customers' credit hunger.

Prime visible result of the year's operations was a new record for gross earnings, 10.6% above their 1955 level. Expenses also advanced sharply and at a percentage pace equal to that of earnings. The dollar increase in total expenses, however, was well under the increase in gross earnings so that net current earnings rose to a new high level during the year. Net profits, however, increased more slowly than net current earnings due primarily to losses on security sales.

New records were established during the year in total assets held by the District's member banks. Total loans increased at only about half the pace experienced in 1955 but reached the record figure of \$3.3 billion at the end of the year. Total deposits, at \$7.7 billion at the year's end, were 4.2% above the end of 1955 compared with the 3% increase experienced in 1955.

## Earnings

The gradually mounting total of loans outstanding and an upward movement of interest rates were principally responsible for a 10.6% rise in operating earnings to a record \$276.7 million. Interest and discount on loans rose 14.2% over 1955 and accounted for 60% of total earnings as against 58% in 1955. Interest on United States Government securities, which accounted for 20% of total earnings as against 21.5% in 1955, rose 2.1% during the year even though the total amount of these securities held by member banks declined almost \$44 million in 1956. All other types of earnings were larger than in 1955.

Expenses advanced by 10.7% to \$170.9 million during 1956 and took 61.8% of gross earnings. All expense items rose during the year. Total salaries and wages, which accounted for 48% of all expenses, rose 9.4%; both officers' salaries and other salaries and wages showed increases greater than in 1955. Interest on time deposits rose 15%—double their rate of increase during the previous year—and resulted from the upward movement of interest rates as well as the larger amount of time deposits held by member banks in 1956. Interest on borrowed money almost doubled during the

past year as a result of a higher level of borrowing and higher discount rates.

Despite the large advance in expenses during 1956, net current earnings rose by 10.3% to a record \$105.8 million. After the addition of a relatively small amount of recoveries and transfers from reserves and the deduction of an appreciable amount of losses, charge-offs, and transfers to reserves as well as \$34.4 million of taxes on net income, the net profit total rose by only 4.6%.

The \$47.1 million of net profits realized by Fifth District member banks during 1956 represented an average return of 7.76% on total capital accounts and was lower than the 7.97% return in 1955. Cash dividends of about 48% of net profits were declared, leaving retained profits of \$24.5 million. This was an increase of 1.4% over 1955 but almost 13% less than 1954 when retained earnings of member banks in the District reached a peak.

## Earning Assets

Fifth District member banks increased their loans and investments by 2.9% in 1956, a figure somewhat less than the gain which took place in 1955. At the close of 1956, the member banks had total earning assets of \$6.2 billion, \$179 million more than at the close of the previous year. This increase was the net of a \$225

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

	1956 <sup>1</sup>	1955 <sup>2</sup>	% Change 1955 to 1956
<b>Earnings</b>			
Interest and dividends on securities:			
U. S. Government .....	55,041	53,904	+ 2.1
Other .....	11,667	10,403	+ 12.2
Interest and discount on loans	166,265	145,558	+ 14.2
Other charges on loans .....	1,996	1,618	+ 23.4
Service charges on deposits .....	15,857	14,421	+ 10.0
Other charges, fees, etc. ....	7,571	6,955	+ 8.9
Trust departments .....	11,084	10,422	+ 6.4
Other current earnings .....	7,241	7,016	+ 3.2
<b>Total .....</b>	<b>276,722</b>	<b>250,296</b>	<b>+ 10.6</b>
<b>Expenses</b>			
Salaries—officers .....	29,932	27,856	+ 7.5
Salaries and wages—other .....	52,164	47,177	+ 10.6
Directors' fees, etc. ....	2,017	1,871	+ 7.8
Interest on time deposits .....	29,133	25,311	+ 15.1
Interest on borrowed money ..	1,305	919	+ 42.0
Taxes, other than income .....	7,684	6,879	+ 11.7
Recurring depreciation .....	6,296	5,374	+ 17.2
Other current expenses .....	42,369	38,936	+ 8.8
<b>Total .....</b>	<b>170,900</b>	<b>154,322</b>	<b>+ 10.7</b>
Net current earnings .....	105,822	95,975	+ 10.3
Recoveries, transfers from reserves, and profits .....	5,393	8,275	— 34.8
Losses, charge-offs, and transfers to reserves .....	29,627	25,744	+ 15.1
Profits before income taxes .....	81,588	78,505	+ 3.9
Taxes on net income .....	34,439	33,410	+ 3.1
Net profits .....	47,149	45,096	+ 4.6
Cash dividends declared .....	22,607	20,886	+ 8.2
Profits retained .....	24,542	24,210	+ 1.4

<sup>1</sup> Preliminary.

<sup>2</sup> Revised.

Note: May not add to totals because of rounding.



## Federal Reserve Bank of Richmond

million rise in loans and a \$46 million decline in securities. The estimated average yield on loans for the year was 5.29% ; and on Government securities, 2.29%.

Commercial and industrial firms, accounting for more than half of the rise in total loans, increased their indebtedness to District member banks by almost 12% during 1956. About three-fourths of this rise in business borrowing occurred in the last six months of the year. Loans to individuals contributed the next largest dollar amount of increase and rose 9% during the year. They accounted for a third of the total rise in loans. Instalment loans, which amounted to three-fifths of the total of all loans to individuals, rose at a slightly higher rate during the year—by 9.8%. Total real estate loans held by member banks in the District accounted for the third largest dollar amount of increase and rose 5% during the year.

Holdings of United States Government securities by member banks in the District showed only a slight reduction at the close of 1956. While these securities were reduced appreciably in the first half of the year, renewed investment in these issues during the last five months brought the total at year-end to only 1.8% below the amount held a year earlier. This compared with a decline of 6.7% in United States Government securities during 1955. Other securities (state, municipal, and corporate obligations, and United States guaranteed obligations) held by District member banks showed a very slight decline, \$2.8 million or 0.5%.

### EARNING ASSETS Fifth District Member Banks (Dollars in millions)

	Dec. 31, 1956 <sup>1</sup>	Dec. 31, 1955 <sup>2</sup>	% Change 1955 to 1956
Loans and investments .....	6,248.1	6,069.1	+ 2.9
Loans—net .....	3,259.9	3,034.5	+ 7.4
Reserves .....	47.6	38.3	+ 24.3
Loans—gross .....	3,307.5	3,072.8	+ 7.6
Real estate loans:			
On farm land .....	57.8	60.1	— 3.8
On residential property ..	546.8	515.5	+ 6.1
On other properties .....	212.1	202.4	+ 4.8
Loans to banks .....	7.6	5.3	+ 43.4
Loans to brokers and dealers in securities .....	43.9	36.5	+ 20.3
Other loans for purchas- ing or carrying securities ..	71.1	99.6	— 28.6
Loans to farmers .....	68.5	69.9	— 2.0
Commercial and industrial loans .....	1,202.2	1,075.4	+ 11.8
Instalment loans to indi- viduals:			
Retail automobile paper ..	296.9	274.6	+ 8.1
Other retail paper .....	96.6	82.0	+ 17.8
Repair and moderniza- tion loans .....	63.3	56.1	+ 12.8
Other instalment loans ..	141.6	132.2	+ 7.1
Single payment loans .....	363.1	337.4	+ 7.6
All other loans .....	136.1	125.8	+ 8.2
U. S. Government securities ..	2,444.5	2,488.1	— 1.8
Treasury bills .....	235.2	158.2	+ 48.7
Treasury certificates of in- debtedness .....	84.8	82.8	+ 2.4
Treasury notes .....	487.5	537.2	— 9.3
U. S. nonmarketable bonds ..	86.3	131.2	— 34.2
Other U. S. bonds—5 years or less .....	831.7	536.8	+ 54.9
Other U. S. bonds—over 5 years .....	719.1	1,041.8	— 31.0
Other securities <sup>3</sup> .....	543.7	546.5	— 0.5

<sup>1</sup> Preliminary.

<sup>2</sup> Revised.

<sup>3</sup> Includes U. S. guaranteed obligations.

Note: May not add to totals because of rounding.

### ASSETS AND LIABILITIES Fifth District Member Banks, by States December 31, 1956<sup>1</sup> (Millions of dollars)

ASSETS	Fifth District						Fifth District	
	Md.	D. C.	Va.	W. Va.	N. C.	S. C.	Dec. 31, 1956	Dec. 31, 1955 <sup>2</sup>
Loans and investments .....	1,164.9	1,029.5	1,917.8	640.4	1,044.7	450.9	6,248.1	6,069.1
Loans and discounts (including over- drafts) .....	539.4	555.6	1,049.2	277.3	618.6	219.8	3,259.9	3,034.5
U. S. Government obligations (direct and guaranteed) .....	508.8	414.8	692.6	316.3	330.5	182.8	2,445.6	2,489.7
Other securities .....	116.7	59.1	176.0	46.8	95.6	48.3	542.6	544.9
Reserves, cash, and bank balances ..	384.5	321.8	579.6	212.1	417.3	162.6	2,077.9	1,910.9
Reserves with Federal Reserve Bank ..	161.1	167.7	221.5	84.4	132.8	51.4	818.9	813.3
Cash in vault .....	35.5	28.1	56.3	21.3	30.3	17.7	189.2	147.1
Balances with banks .....	73.3	52.2	147.8	71.5	82.8	59.3	486.9	449.2
Cash items in process of collection ..	114.7	73.9	153.9	34.9	171.3	34.3	583.0	501.3
Other assets .....	23.3	25.3	40.2	10.4	22.3	8.0	129.4	116.1
Total Assets .....	1,572.8	1,376.7	2,537.5	862.8	1,484.2	621.4	8,455.4	8,096.2
LIABILITIES								
Demand deposits .....	1,139.4	998.3	1,553.7	589.7	1,129.2	496.0	5,906.4	5,650.1
Individuals, partnerships, and corpo- rations .....	867.5	845.5	1,118.7	432.2	800.5	386.0	4,450.4	4,346.3
U. S. Government .....	37.5	29.3	40.6	21.7	23.0	16.5	168.6	149.6
States and political subdivisions .....	110.8	.2	125.1	56.3	82.2	66.3	440.9	420.7
Banks .....	13.3	1.9	.1	193.7	15.9	675.9	594.4	594.4
Certified and officers' checks, etc. ....	9.8	42.2	47.5	29.9	29.8	11.3	170.6	139.1
Time deposits .....	314.7	266.6	770.7	192.1	215.3	78.1	1,837.5	1,785.3
Individuals, partnerships, and corpo- rations .....	298.8	238.1	698.7	190.6	181.6	72.2	1,679.9	1,599.7
U. S. Government and postal savings ..	6.2	15.2	19.0	.4	4.8	5.1	50.8	54.3
States and political subdivisions .....	9.7	—	51.2	1.0	27.3	.5	89.6	111.0
Banks .....	13.3	1.9	.1	1.7	.3	.3	17.2	20.3
Total deposits .....	1,454.1	1,265.0	2,324.4	781.8	1,344.6	574.0	7,744.0	7,435.4
Borrowings .....	—	.6	3.1	.9	.3	—	4.9	4.8
Other liabilities .....	11.0	12.0	22.5	5.0	30.0	6.0	86.4	74.6
Total Liabilities .....	1,465.1	1,277.6	2,350.0	787.6	1,374.9	580.0	7,835.3	7,514.8
Total Capital Accounts .....	107.7	99.1	187.5	75.1	109.3	41.4	620.1	581.4
Total Liabilities and Capital Ac- counts .....	1,572.8	1,376.7	2,537.5	862.8	1,484.2	621.4	8,455.4	8,096.2
Demand deposits adjusted .....	873.4	814.0	1,137.4	483.5	741.2	429.3	4,478.9	4,404.8
Number of banks .....	68	13	203	100	53	33	470	473

<sup>1</sup> Preliminary.

<sup>2</sup> Revised.

Note: May not add to totals because of rounding.



## Business Conditions and Prospects

**B**USINESS activity in the Fifth District on February 1 was about the same as in December, on a seasonally adjusted basis, largely because strength at the trade level offset softness in other areas. Manufacturing activity was generally at a slightly lower level, with both durable and nondurable goods sharing in the decline.

Coal production was still high, near the December level, though well below the October peak. Construction activity on the site declined somewhat more than last year. Although data on contract awards were not available at press-time, building permits in 37 cities of the District rose 6% from December to January after seasonal correction.

Demand for bank loans, normally at their seasonal low in January, declined more than twice as much as last year. Similarly, the December-January decline in bank deposits this year was nearly twice as large as last year, although time deposits more than doubled last year's rise.

A substantial increase of 21% in cash income from farm marketings during December put 1956 about 2% ahead of 1955. In the overall, the upward progress of business activity in the District apparently came to a halt, at least temporarily, last Fall.

### Trade

Strongest factor in the District economy both for the year 1956 and for January '57 was expansion at the trade level. Retail sales in the independent stores of the Fifth District during 1956 were about 2% higher than in 1955, with strength shown in restaurants, taverns, apparel stores, filling stations, and drug stores. Weakness was shown in furniture, furnishings and appliance stores, lumber, building material and hardware stores, general merchandise stores, and automotive stores.

Department stores of this District increased their sales 5.2% in 1956, with independent stores showing an increase of 2.5%. January 1957 sales rose 4% (seasonally corrected) to a point 4% above a year ago. Adjusted inventories of department stores were down 4%; thus, with the above-noted gain in sales, inventories have been brought back in line with the sales level. Outstanding orders, which had dropped rather substantially in December, improved moderately in January and were back to the level of the previous January.

Sales of retail furniture stores continued the improvement under way since September—during January they rose 3% above December, after seasonal correction, though January sales failed by 2% to equal those of a year ago. Sales improvement was found mainly in

cash sales, which implies a clearance situation, while inventories remained at the December level. In household appliance stores during January sales were 15% above January 1956.

Although figures are not available, a canvass of automobile dealers in important District cities indicates January sales were about the same as December—for most, a disappointing month. In Richmond, Virginia, Chamber of Commerce figures show new automobile sales in January 37% higher than in December but 6% under January a year ago. New passenger car registrations in the Fifth District during December were 16% higher than in November, but 28% under December 1955. This brought registrations during 1956 down 14% from 1955. New commercial car registrations in December were down 21% from November and 35% from December 1955. The 1956 total was off 4% from 1955.

### Manufacturing

Man-hours in the manufacturing industries of Virginia and the Carolinas during January were 3% under December, which was partly seasonal, but were also 2% under a year ago. The slipping tendency was observable both in durable and nondurable goods industries. In durable goods the 3.9% decline during the month brought a level 1.7% under a year ago. The Carolinas accounted for the decline, since Virginia showed a slight increase. In nondurable goods industries the December-January decline was 2.9%, to a level 2.1% under a year ago. All three states shared in these declines.

Important in the durable goods' man-hour decline were: lumber and wood products, down 3.5%; furniture and fixtures, down 3.9%; stone, clay and glass industries, down 4.2%; primary metals, down 2.1%; fabricated metals, down 4%; machinery, down 0.6%; and transportation equipment, down 10.1%. Only the transportation equipment industry showed an increase over a year ago, but here the gain was a hearty 23.9%.

Declining man-hours in all of the nondurable goods industries were shown between December and January, except apparel, which rose 1.1% and was slightly ahead of a year ago. Tobacco firms showed a decline of 7.3%, compared with December, although this level was 8.2% ahead of a year ago. In paper industries, man-hours were off a mite but remained slightly above a year ago. All other nondurable goods industries showed declines in January from December as well as from a year ago. They ranged from 0.5% in the chemical industries to 10.3% in the yarn and thread mills.

Average daily cotton consumption in District mills was off 3% from December to January (seasonally adjusted), a level 7% under a year ago. New forward business in cotton goods and yarns, as well as in most



synthetic fabrics, was almost as scarce as the proverbial hen's teeth during January and on into February. If the dearth of business was due to an overinventoried position at the retail level, an uptilt in new business should not be too far away, for January department store figures indicate considerable progress in bringing inventories in line with sales.

### **Nonmanufacturing Employment**

A seasonal decline of 3.4% occurred in nonmanufacturing employment (December to January) in Virginia and the Carolinas; the January level was actually 3.6% above a year ago. Contributing to the year-to-year gain were all of the nonmanufacturing industries. Largest gains were registered in contract construction, mining, finance, insurance, real estate, trade, service, and government. In South Carolina, mining employment was down 7.7%, and both Carolinas showed declines in contract construction.

### **Agriculture**

Cash income from farm marketings during December was 21% above a year earlier, and the month put 1956 2% above 1955. Crop income was 15% higher than a year earlier, while livestock and products income was up 28% in the same period. For the year 1956, gains in farm income over 1955 were recorded in Virginia (up 7%), Maryland (up 6%), and North Carolina and West Virginia (each up 2%). South Carolina slipped by 4%.

Farm price changes were mixed in January—North Carolina showed a gain of 6.5%, West Virginia 1.3%, and South Carolina 1.2%. Both Maryland and Virginia had small declines (0.8%). Maryland farm prices were 2% above a year ago, Virginia unchanged, West Virginia up 0.8%, North Carolina down 3.8%, and South Carolina down 1.6%.

Farm income in the District in the first half of 1957 will be substantially ahead of last year if Soil Bank payments are made in this period. But a minimal 20% reduction in flue-cured tobacco acreage and probably some reduction in peanut acreage could well bring '57 farm output and income for the District somewhat under the 1956 level. Effects of these developments would, of course, be mainly concentrated in the flue-cured areas.

### **Banking**

Total loans and investments of Fifth District member banks dropped \$169 million during January—last year the decline was \$96 million. Loans and discounts fell \$84 million this year—last year it was \$37 million. Security holdings were down \$85 million—they were off \$59 million last year.

Total deposits of member banks dropped \$354 million during January—as against \$195 million last year. Total deposits, however, were \$121 million higher than a year ago (January 1956 deposits were \$92 million higher than in 1955). Time deposits rose \$28 million in January—the 1956 figure was \$12 million. They were \$72 million higher in January than a year ago (in January 1956 they were \$30 million higher than in January 1955).

Commercial and industrial loans of the weekly reporting banks declined during January and up to mid-February in about the same proportion as last year. In the week of February 20 these loans turned up sharply. Business loans had been relatively stable between mid-January and mid-February. Loans to manufacturing and mining concerns during this period were in a strong upward trend, though this was offset by seasonal reductions in loans to commodity dealers, trade establishments, and sales finance companies.





# FIFTH DISTRICT STATISTICAL DATA

## FURNITURE SALES\*

(Based on Dollar Value)

Percentage change with corresponding period a year ago

STATES	January 1957
Maryland	- 8
Dist. of Columbia	- 4
Virginia	0
West Virginia	- 4
North Carolina	+ 4
South Carolina	+ 4
District	- 2
INDIVIDUAL CITIES	
Baltimore, Md.	- 8
Washington, D. C.	- 4
Richmond, Va.	0
Charleston, W. Va.	+ 4
Charlotte, N. C.	0
Greenville, S. C.	-15

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

## BUILDING PERMIT FIGURES

(37 Cities)

	January 1957	January 1956
Maryland		
Baltimore	\$ 6,968,650	\$ 3,721,490
Cumberland	39,250	21,700
Frederick	132,000	47,750
Hagerstown	3,258,346	2,400
Salisbury	96,276	84,815
Virginia		
Danville	389,531	368,305
Hampton	4,543,498	433,889
Hopewell	63,383	189,279
Lynchburg	386,800	494,955
Newport News	77,739	91,444
Norfolk	834,437	791,843
Petersburg	119,000	245,000
Portsmouth	283,086	301,120
Richmond	1,336,485	1,473,964
Roanoke	1,417,818	1,402,733
Staunton	193,535	113,625
Warwick	326,418	452,739
Winchester*	12,500	NA
West Virginia		
Charleston	598,670	146,785
Clarksburg	21,646	44,706
Huntington	258,950	195,612
North Carolina		
Asheville	235,850	119,715
Charlotte	1,195,028	2,189,972
Durham	498,936	110,584
Gastonia	531,300	1,038,325
Greensboro	2,120,624	774,835
High Point	489,559	555,169
Raleigh	1,338,540	723,325
Rocky Mount	110,624	450,596
Salisbury	361,715	111,040
Wilson	211,200	174,050
Winston-Salem	1,319,097	705,329
South Carolina		
Charleston	217,305	160,023
Columbia	1,034,448	1,198,182
Greenville	189,500	894,406
Spartanburg	225,164	308,585
Dist. of Columbia		
Washington	4,843,458	3,527,967
District Totals	\$36,267,866	\$23,666,257

\* Not included in District totals.  
NA Not available.

## WHOLESALE TRADE

LINES	Sales in Jan. 1957 compared with		Stocks on Jan. 31, 1957 compared with	
	Jan. 1956	Dec. 1956	Jan. 31, 1956	Dec. 31, 1956
Auto supplies	+ 1	+23	- 5	+26
Electrical, electronic and appliance goods	-35	-43	-23	- 5
Hardware, plumbing, and heating goods	+ 3	- 5	+17	+ 4
Machinery equipment supplies	- 3	- 1	+33	+13
Drugs, chemicals, allied products	+ 8	+16	+ 6	- 2
Dry goods	0	+44	NA	NA
Grocery, confectionery, meats	+10	+18	- 4	+ 6
Paper and its products	0	+ 9	-10	+ 5
Tobacco products	+25	+ 4	+ 8	+19
Miscellaneous	+16	-10	+10	+ 1
District total	+ 8	+ 4	+ 4	+ 4

NA Not available.

Source: Bureau of the Census, Department of Commerce.

## FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	Rich. 1957	Balt. 1956	Wash. 1956	Other Cities 1956	Dist. Totals 1956	% Chg.—Latest Mo.	
						Prev. Mo.	Yr. Ago
Sales, Jan. '57 vs Jan. '56	- 3	+15	+10	+ 7	+ 8		
Sales, 12 Mos. ending Jan. 31, '57 vs 12 Mos. ending Jan. 31, '56	+ 2	+ 5	+ 6	+ 6	+ 5		
Stocks, Jan. 31, '57 vs '56	- 7	+10	+10	+14	+ 9		
Outstanding Orders, Jan. 31, '57 vs '56	- 5	+ 2	+ 2	0	0		
Open account receivables, Jan. 1, collected in Jan. '57	32.4	49.1	39.1	39.4	40.3		
Instalment receivables, Jan. 1, collected in Jan. '57	10.3	16.4	12.3	16.7	13.7		
Sales, Jan. '57 vs Jan. '56	Md. +15	D.C. +10	Va. + 3	W.Va. +14	N.C. + 1	S.C. + 7	
New passenger car registrations*	151	151	151	+16	-28		
Bank debits	196	184	191	+ 7	+ 3		
Bituminous coal production*	100	100	106r	0	- 6		
Construction contracts	146	196	196	-23	-33		
Business failures—number	211	157	137	+34	+54		
Cigarette production	100	108	108	- 7	0		
Cotton spindle hours	115	117	123	- 2	- 7		
Department store sales	144	139	138	+ 4	+ 4		
Electric power production	200	192	192	- 2	+ 2		
Manufacturing employment*	114	112r	112r	0	+ 2		
Furniture store sales	119	115	122	+ 3	- 2		
Life insurance sales	260	268	202	- 3	+29		

\* Not seasonally adjusted.

r Revised.

Back figures available on request.



## FIFTH DISTRICT BANKING STATISTICS

## DEBITS TO DEMAND DEPOSIT ACCOUNTS\*

(000 omitted)

	January 1957	January 1956
Dist. of Columbia		
Washington .....	\$1,516,007	\$1,571,029
Maryland		
Baltimore .....	1,916,367	1,731,550
Cumberland .....	30,606	27,180
Frederick .....	26,058	24,152
Hagerstown .....	48,480	45,327
Salisbury** .....	38,461	34,922
Total 4 Cities .....	2,021,511	1,828,209
North Carolina		
Asheville .....	81,216	73,239
Charlotte .....	501,732	481,022
Durham .....	98,841	88,757
Greensboro .....	192,673	163,244
High Point** .....	59,639	54,546
Kinston .....	27,584	24,339
Raleigh .....	274,163	260,313
Wilmington .....	57,087	53,462
Wilson .....	24,878	23,424
Winston-Salem .....	218,871	192,321
Total 9 Cities .....	1,477,045	1,360,121
South Carolina		
Charleston .....	104,443	94,936
Columbia .....	210,827	205,721
Greenville .....	156,126	144,606
Spartanburg .....	75,187	75,349
Total 4 Cities .....	546,583	520,612
Virginia		
Charlottesville .....	43,704	39,534
Danville .....	55,377	48,295
Lynchburg .....	65,530	65,359
Newport News .....	64,184	61,236
Norfolk .....	336,436	309,514
Petersburg** .....	28,293	31,032
Portsmouth .....	40,626	37,491
Richmond .....	780,238	730,029
Roanoke .....	159,637	153,877
Total 8 Cities .....	1,545,732	1,445,335
West Virginia		
Bluefield .....	67,250	63,293
Charleston .....	224,671	199,503
Clarksburg .....	49,803	46,673
Huntington .....	104,266	84,568r
Parkersburg .....	41,203	41,875
Total 5 Cities .....	487,193	435,912r
District Totals .....	\$7,594,071	\$7,161,218r

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

\*\* Not included in District Totals.

r Revised.

## WEEKLY REPORTING MEMBER BANKS

(000 omitted)

ITEMS	Change in Amount from		
	Feb. 13, 1957	Jan. 16, 1957	Feb. 15, 1956
Total Loans .....	\$1,857,655**	- 24,501	+ 112,861
Bus. & Agric. ....	881,837	- 13,589	+ 99,576
Real Estate Loans .....	333,576	- 265	+ 3,698
All Other Loans .....	673,391	- 10,506	+ 15,592
Total Security Holdings .....	1,587,037	- 19,006	- 98,483
U. S. Treasury Bills .....	76,991	- 1,349	- 598
U. S. Treasury Certificates ..	34,224	- 2,121	+ 11,803
U. S. Treasury Notes .....	262,509	- 10,938	- 53,926
U. S. Treasury Bonds .....	957,420	+ 4,071	- 35,833
Other Bonds, Stocks & Secur.	255,893	- 8,669	- 19,929
Cash Items in Process of Col. ..	352,874	- 8,896	+ 2,095
Due from Banks .....	182,499*	- 11,645	- 170
Currency and Coin .....	82,972	+ 1,808	+ 6,553
Reserve with F. R. Banks .....	503,608	- 28,077	+ 1,884
Other Assets .....	76,265	+ 1,913	+ 5,693
Total Assets .....	\$4,642,910	- 88,404	+ 30,433
Total Demand Deposits .....	\$3,478,114	- 84,160	+ 13,030
Deposits of Individuals .....	2,650,459	- 59,575	+ 14,101
Deposits of U. S. Government ..	56,160	+ 17,073	- 28,981
Deposits of State & Local Gov.	213,803	- 4,053	+ 10,225
Deposits of Banks .....	496,225*	- 29,891	+ 14,962
Certified & Officers' Checks ..	61,467	- 7,714	+ 2,723
Total Time Deposits .....	755,339	+ 11,917	+ 15,654
Deposits of Individuals .....	702,319	+ 12,597	+ 32,394
Other Time Deposits .....	53,020	- 680	- 16,740
Liabilities for Borrowed Money ..	8,070	- 25,680	- 25,430
All Other Liabilities .....	56,206	+ 5,058	+ 6,512
Capital Accounts .....	345,181	+ 4,461	+ 20,667
Total Liabilities .....	\$4,642,910	- 88,404	+ 30,433

\* Net figures, reciprocal balances being eliminated.

\*\* Less losses for bad debts.