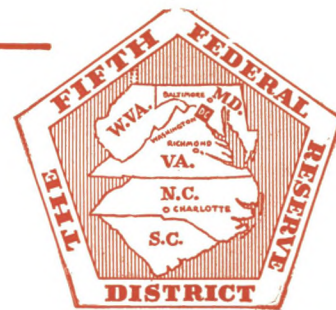
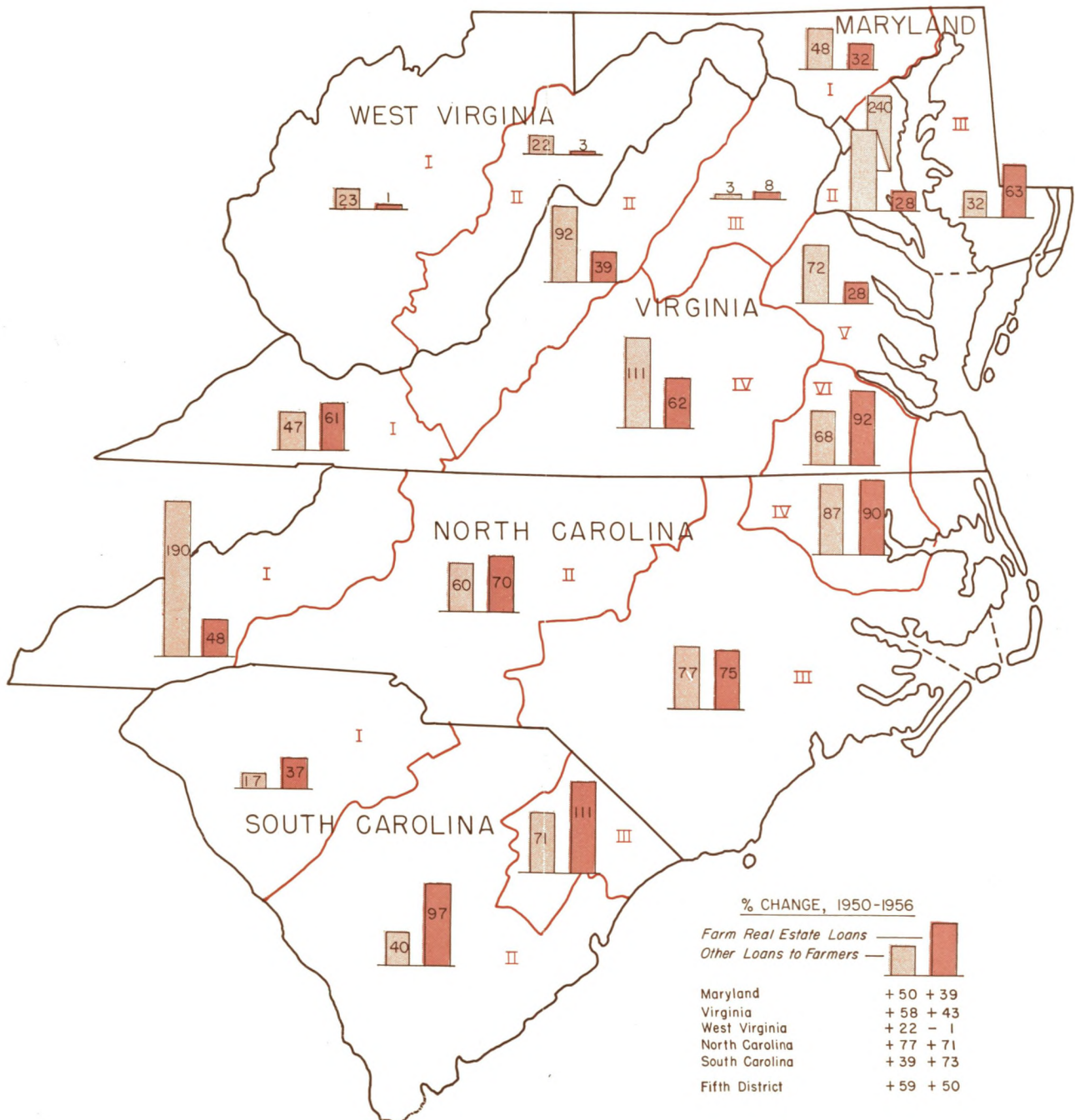


# Monthly Review



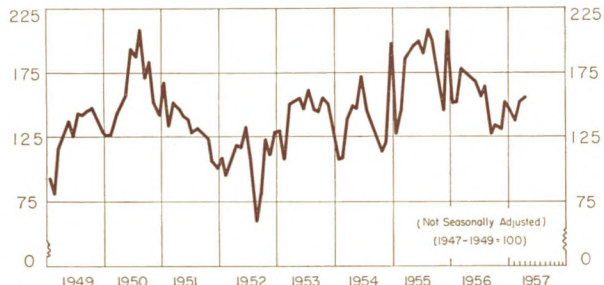
July 1957

## AREA CHANGES IN BANK LOANS TO FARMERS JUNE 30, 1950 - 1956



## FIFTH DISTRICT TRENDS

NEW PASSENGER CAR REGISTRATIONS



Complete April registrations were 7% higher than March, 6% under a year ago, and the four months' accumulation was down 9%. Three states and D. C. for May showed a 4% gain over April but were 5% under a year ago. Five months' total was down 7%.

LIFE INSURANCE SALES



The demand for life insurance continues to be intense—for a variety of reasons. District sales in May were 4% higher than April (after seasonal correction) and a snappy 23% ahead of a year ago. The five months' total was 24% above the same portion of 1956.

DEPARTMENT STORE SALES



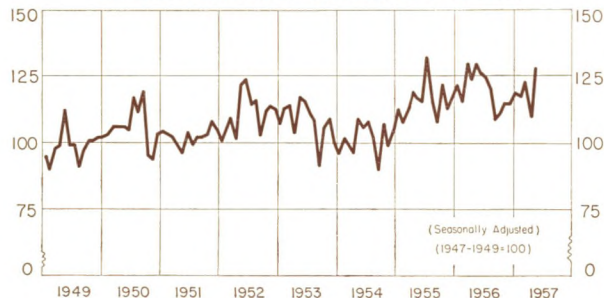
Moderate improvement of 2% in average, daily adjusted sales took place in May. The month was 3% ahead of last year, and the five months' total rose 4%. May ran slightly above the low end of the range for the past eight months.

COTTON SPINDLES CONSUMING OTHER THAN COTTON



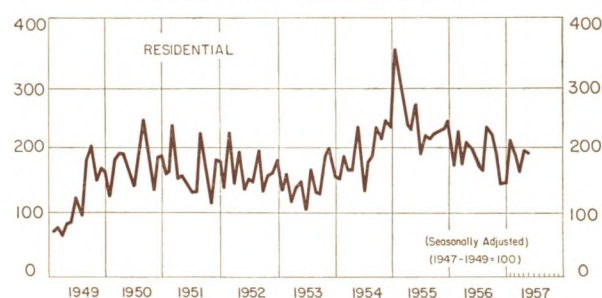
Spindle hours on the cotton system, spinning fibers other than cotton, have been in an upward trend since February. May totals rose an additional 2% (seasonally corrected) and stood 3% ahead of a year ago. The five months' total, however, was 7% under a year ago.

RETAIL FURNITURE STORES NET SALES



Retail furniture store sales in May (adjusted) recovered sharply from the April level and were not far behind the all-time record. May sales were 1% under a year ago and the five months' total was down 9%.

CONSTRUCTION CONTRACT AWARDS



Contract awards for residential construction in the Fifth District in May dipped 3% (after seasonal correction) to a level 4% under a year ago; the five months' total was, however, just 2% under last year.

A New Guide—

## Area Trends In Banks' Farm Lending

As this article reaches bankers' desks, the task of filing the Statement of Condition or Call Report for June 6, 1957 will be fresh in mind. Many bankers will have noted volume and other changes occurring over the past year, especially in loans as set forth in Schedule A. And those changes considered significant will undoubtedly be pointed out and discussed at subsequent Board meetings.

For those items which the regulations prescribe publication, most bankers will compare their own performance with that of their competitors. And those particularly interested in agricultural loans will note that in the past there has been nothing better with which to compare their own performance than state, regional, or national totals.

### First Appearance of Area Data

In the newly developed series of data on area trends on bank-farm lending (now making its first appearance in this article) there have been several underlying objectives. One of the foremost of these was the feeling at the Federal Reserve Bank of Richmond that more

knowledge of developments in different parts of the District—and the forces thus reflected—would produce sounder decisions for future actions. Secondly, it was believed that many banks in the District would welcome an opportunity to compare performance with other banks in their same general area. Additionally, it was assumed that farmers and farm leaders, as well as other businessmen who deal with farmers, would find such data of some practical use.

### Basis for Designing "Areas"

Several years ago the United States Departments of Agriculture and Commerce subdivided the nation into "economic areas." About 40 of these are in the five states of the Fifth Federal Reserve District, and some consideration was given to use of this break-down. In a number of cases, however, the differentiating characteristics between adjacent economic areas lay outside the field of agriculture, and some consolidation therefore seemed advantageous. Other factors favoring some combining of economic areas include the small number of banks in certain areas, office locations of some

BANK LOANS TO FARMERS, BY STATE AND AREA\*  
Fifth District, June 30, 1950-1956

State and Area	Other Loans to Farmers								Farm Real Estate Loans							
	1950		1951		1952		1953		1954		1955		1956			
	Millions of Dollars															
Maryland																
Area I	5.8	6.2	6.6	7.0	7.0	7.8	8.6	8.5	9.6	9.8	10.6	10.8	12.2	11.2		
Area II	0.5	0.7	0.9	0.8	1.0	1.2	1.6	3.1	3.6	3.6	3.8	4.0	4.0	3.9		
Area III	4.2	4.4	4.8	5.0	4.9	5.0	5.5	4.4	5.0	5.4	5.6	6.1	6.5	7.2		
Total	10.5	11.3	12.3	12.9	12.9	14.1	15.8	16.0	18.2	18.8	20.1	21.0	22.7	22.4		
Virginia																
Area I	3.7	4.6	4.3	4.6	5.0	4.9	5.4	3.6	4.2	4.2	4.6	5.0	5.6	5.9		
Area II	5.6	6.9	7.3	7.8	8.3	9.2	10.7	5.7	6.1	6.7	6.8	7.0	7.7	7.9		
Area III	10.4	11.7	12.7	12.1	11.9	11.8	10.8	5.8	6.0	5.9	6.1	6.5	6.9	6.3		
Area IV	6.7	8.1	9.3	10.6	11.6	12.6	14.2	7.2	7.7	8.0	8.6	9.9	11.7	11.8		
Area V	2.1	2.2	2.2	2.6	2.6	3.1	3.6	3.6	4.0	3.9	3.9	3.8	4.2	4.6		
Area VI	3.7	4.3	4.7	5.1	5.5	5.7	6.2	1.7	1.8	1.8	2.1	2.4	2.4	3.3		
Total	32.3	38.0	40.7	42.9	45.0	47.4	51.1	27.8	29.9	30.6	32.3	34.7	38.7	39.8		
West Virginia**																
Area I	3.0	3.5	3.5	3.3	3.2	3.5	3.7	6.1	10.5	6.2	6.1	6.7	6.6	6.2		
Area II	3.1	3.4	3.5	3.7	3.4	3.3	3.8	3.2	3.2	2.9	3.3	3.2	3.2	3.3		
Total	6.4	7.2	7.3	7.4	6.9	7.1	7.8	10.5	14.7	10.1	10.2	10.7	10.7	10.4		
North Carolina																
Area I	1.6	2.3	3.3	3.3	3.7	3.5	4.6	2.8	2.7	2.9	3.4	3.6	3.6	4.1		
Area II	12.1	13.4	17.3	16.7	17.2	18.3	19.4	8.6	9.3	10.1	11.1	12.0	13.5	14.6		
Area III	19.5	22.9	25.5	27.7	28.5	32.6	34.4	10.7	12.2	13.5	15.3	15.5	17.9	18.7		
Area IV	4.2	5.1	5.5	6.2	6.9	7.4	7.9	2.0	2.2	2.3	2.9	3.0	3.5	3.9		
Total	37.4	43.8	51.7	54.0	56.4	61.9	66.4	24.1	26.6	28.9	32.8	34.2	38.7	41.3		
South Carolina																
Area I	5.4	6.0	6.0	6.6	6.1	6.0	6.3	2.7	2.9	2.8	3.0	3.1	3.4	3.7		
Area II	7.4	8.5	8.9	9.9	9.4	9.8	10.4	2.1	2.4	2.6	2.8	3.2	3.7	4.2		
Area III	3.4	4.5	4.9	5.4	5.3	5.5	5.8	1.3	1.6	1.6	2.0	2.1	2.4	2.8		
Total	16.3	19.0	19.8	21.9	20.9	21.3	22.6	6.2	6.9	7.1	7.9	8.4	9.6	10.7		
Fifth District***	102.9	119.2	132.0	139.2	142.2	151.8	163.8	84.8	96.6	95.8	103.4	109.2	122.1	127.4		

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

\*\* State total includes data for entire state. Area totals exclude data for the 6 West Virginia counties not located in the Fifth District.

\*\*\* Includes data for the District of Columbia and the entire state of West Virginia.

Note: In instances where it was necessary to allocate the loans of branch systems, it is recognized that some loans credited to one area may have belonged to another. However, such differences as exist are not believed to be statistically significant.

Source: Federal Deposit Insurance Corporation and Board of Governors of the Federal Reserve System.

branch bank systems, and the very practical fact that 40 areas are too many for convenient analysis.

An important reason for using economic areas as the basis for farm loan analysis is that interested readers can easily compare them with data from the Census of Agriculture since most of these are on an economic-area basis. Actually, in six instances individual economic areas are used as farm loan areas. In six other instances two economic areas have been combined; and in the remaining six farm loan areas combinations were made of from three to five economic areas.

There were only two departures from using economic areas as the basis of these tabulations. One was the omission of the six northern or "panhandle" counties of West Virginia which are in the Fourth Federal Reserve District (Cleveland). The other was the placement of the Maryland counties around Baltimore and Washington which the census lists as metropolitan areas "A" and "B". It was decided to treat Baltimore City, Baltimore County, and Montgomery County as parts of farm loan area I and to place Anne Arundel and Prince Georges counties as parts of farm loan area II.

In view of the above considerations, the 18 areas delineated on the map appearing on the cover are the present basis for the new farm loan data herewith presented. It is recognized that further experience and use may reveal needed changes in these groupings. Comments and suggestions will, therefore, be welcomed.

**Problems of Allocating Loans of Branch Systems**

In this Federal Reserve District branch banking is important; hence, one of the technical problems in developing area data is the allocation of loans of branch systems whose offices lie in more than one area. Fortunately, the 1956 Agricultural Loan Survey provided accurate and up-to-date weights for allocating loans of most of the District's branch systems which crossed area boundaries. Over the next few years weights based on last year's loan survey can be used. However, successful continuance of these series of area farm loans of banks will be in part dependent upon frequent and realistic revision of the weights assigned.

All in all, there are less than 25 District banks whose offices cross area lines as here delineated. Branch banking does not exist in West Virginia, but elsewhere branch systems frequently cross area lines and the need for allocation arises. However, the estimated farm loans of branch systems which cross area lines account for less than 20% of other loans to farmers in 13 of the 18 areas. Similarly, in the case of farm real estate loans, the estimated loans of branch banks crossing area lines represent less than 20% of the total in 14 of the 18 areas of the District.

**Differential Shifts in Loan Volume**

One of the outstanding facts revealed by the data in the accompanying table and the cover chart is that farm

loan volume can undergo major changes in periods of but a few years. For example, as the cover chart shows, other loans to farmers increased less than 25% from mid-1950 to mid-1956 in Northern Virginia, in the entire state of West Virginia, and in the Piedmont area of South Carolina. This contrasts with a loan volume which more than doubled in Southern Maryland, Central and Southside Virginia, and the Mountain area of North Carolina. The general pattern shown by changes in the volume of farm-mortgage loans is more or less the same as for other loans to farmers except that the relative magnitude of increase in the two categories of loans may be quite different in any given area.

In view of these differential rates of gain in loan volume, it follows that the percentage share of the total loans in a state accounted for by the various farm loan areas also changes. During the period 1950-56, four areas experienced declines in the share of both categories of farm loans. These were Northern and Western Maryland, Northern Virginia, and the Piedmont areas of both North and South Carolina. Three areas experienced relative gains in both categories of farm loans. These were Central and Southside Virginia, the peanut producing area of North Carolina, and the tobacco area of South Carolina.

State and Area	Other Loans to Farmers		Farm Real Estate Loans		Total Farm Loans	
	1950	1956	1950	1956	1950	1956
	%	%	%	%	%	%
<b>Maryland</b>						
Area I .....	56	55	53	50	54	52
Area II .....	4	10	19	18	13	15
Area III .....	40	35	28	32	32	33
Total .....	100	100	100	100	100	100
<b>Virginia</b>						
Area I .....	11	11	13	15	12	12
Area II .....	17	21	20	20	19	20
Area III .....	32	21	21	16	27	19
Area IV .....	21	28	26	30	23	29
Area V .....	7	7	13	12	9	9
Area VI .....	12	12	6	8	9	11
Total .....	100	100	100	100	100	100
<b>West Virginia</b>						
Area I .....	49	50	65	65	59	58
Area II .....	51	50	35	35	41	42
Total .....	100	100	100	100	100	100
<b>North Carolina</b>						
Area I .....	4	7	12	10	7	8
Area II .....	32	29	36	35	34	32
Area III .....	52	52	44	45	49	49
Area IV .....	11	12	8	10	10	11
Total .....	100	100	100	100	100	100
<b>South Carolina</b>						
Area I .....	33	28	44	35	36	30
Area II .....	46	46	34	39	43	44
Area III .....	21	26	22	26	21	26
Total .....	100	100	100	100	100	100

\*Details may not add to totals because of rounding.  
Source: Federal Deposit Insurance Corporation and Board of Governors of the Federal Reserve System.

## Financing Homes—In a Tight Money Era

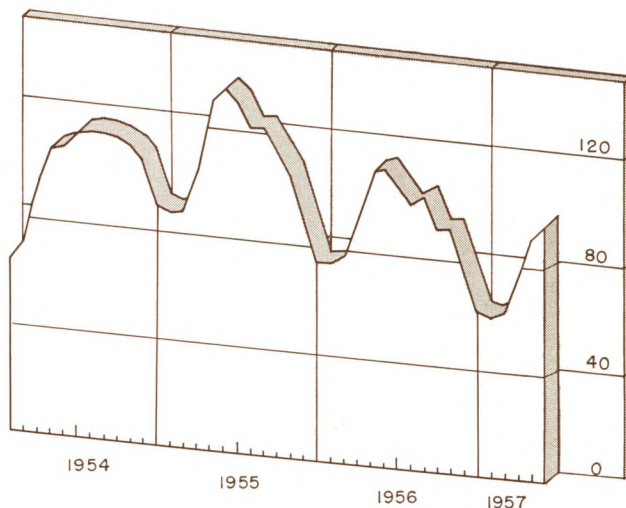
AMERICAN homeowners owed over \$100 billion on loans secured by mortgages on their residential properties at the end of March. This estimated total represents an increase of \$2 billion during the first quarter and an increase of \$10.3 billion over the amount outstanding at the end of March 1956. The \$2 billion increase from January through March, however, was well below the \$2.6 billion increase in the first quarter of 1956 and the \$2.9 billion increase in the same period in 1955.

### Some Recent Trends

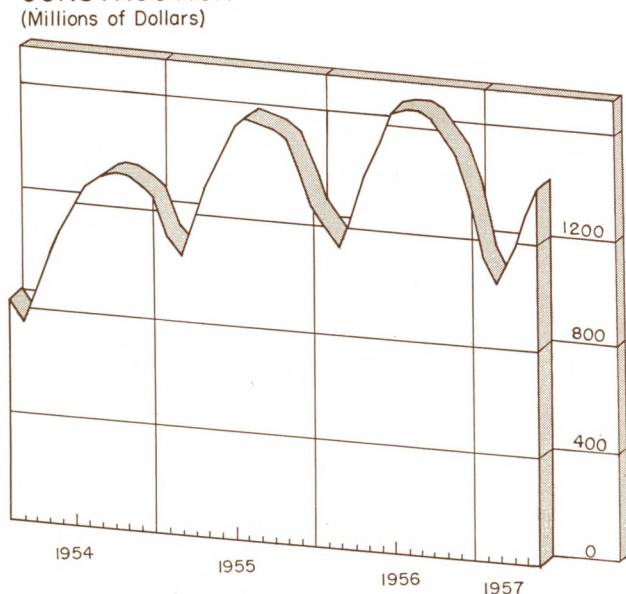
The accompanying charts depict some interesting aspects of residential real estate activity since 1954. Private expenditures for new residential construction (according to U. S. Department of Commerce data, unadjusted) rose in each of the three full years shown. Spending during the first five months of 1957 was still at a very high level, and, although it had dropped below most of the corresponding months of 1955 and 1956, it was well above levels maintained in any earlier years. Part of the growth in these expenditures was, of course, due to inflating construction costs, and part was caused by a gradual shifting by builders to larger and consequently more costly houses. The chart of private housing starts (U. S. Department of Labor data) shows a decline, relative to the same month in the preceding year,

justed annual basis, starts increased in each of these months, the annual rate in May being at 990,000 units. This compares with a low of 880,000 units established in March.

PRIVATE HOUSING STARTS  
(Thousands)



EXPENDITURES FOR NEW RESIDENTIAL CONSTRUCTION  
(Millions of Dollars)



in the number of units begun in each month since September 1955, although a moderate improvement in the number of houses started was indicated by this year's April and May figures. On a seasonally ad-

During the past two years, when demands for credit have pressed so insistently upon a more slowly growing supply, residential mortgages have attracted a sizeable share of the total. In 1955, the year in which the present credit policy of restraint had its roots, the increase in mortgage debt on 1- to 4-family houses accounted for 25% of the increase in total (net) debt, public and private, in the United States (U. S. Department of Commerce estimate). In 1956, home mortgage debt accounted for 39% of the increase in the total. Thus, a larger share of available credit was diverted to residential mortgages in the tight year 1956 than in 1955, a year of phenomenal residential real estate activity. This reflects the fact that a large part of the mortgages closed in 1956 were based on commitments made in 1955 and earlier.

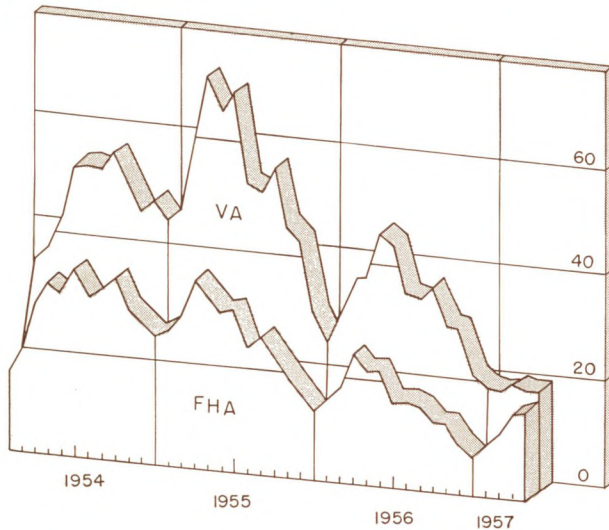
Two billion dollars was added to total mortgage debt in the first three months of this year when other long-term rates had risen to a point which made the maximum 4½% VA rate completely unpalatable and the new FHA 5% rate only moderately attractive. Yet of the \$2 billion increase 50% of it was in VA guaranteed loans, reflecting again the presence of unused commitments. Only 40% of the increase was in conventional loans, where rates are free to fluctuate with market conditions. And just 10% of the total was in FHA insured loans.

This is not to say that lenders in actual practice found the 4½% VA rate acceptable. New commitments to make VA loans have dropped sharply and those

made required substantial discounts to increase yields. The purchase price of 4½% VA loans in the secondary market fell to around 93 per cent of par (average for the nation) in the early part of the year and have re-

**APPLICATIONS FOR FHA COMMITMENTS AND VA APPRAISALS**

(Thousands of Units)



mained in this vicinity. FHA loans, however, became more acceptable to lenders after the increase in the maximum rate to 5% in December. The Federal National Mortgage Association reports that these 5% loans (5½% to the borrower because of the ½% insurance fee paid to FHA) are currently selling at from 97 to 98 with some sales up to par.

The chart showing applications for FHA commitments and VA appraisals reflects these trends. Applications leading to both of these types of Government underwritten financing have dropped off sharply from the high levels they reached early in 1955. But since early 1957—shortly after the increase in the maximum interest rate permitted on FHA insured loans—FHA applications have gradually increased while those to the VA have remained virtually unchanged at the low level reached at the close of 1956.

**Sources of Funds**

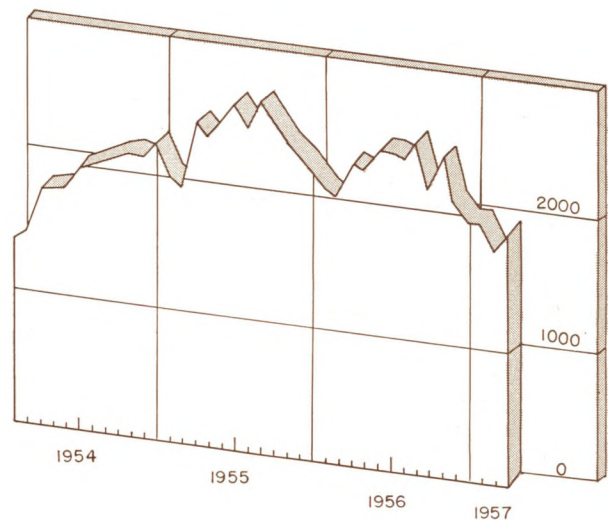
Where does mortgage money come from? Basically, loanable funds can come from only two sources—namely, the savings of the people or the creation of new money. During the first quarter of this year no new money went directly into mortgages. The commercial banks—creators of new deposit money—actually reduced the amount of residential mortgage loans they had outstanding. Furthermore, surveys made by the Federal Reserve System in February and May of this year indicate that bank loans to mortgage originators (such as mortgage companies, insurance companies,

savings and loan associations, and mutual savings banks) were also reduced in the early months of this year. Consequently, it appears that all of the increase in mortgage debt in the first quarter of this year came from funds channeled through the financial intermediaries and have represented the employment of savings—not the employment of newly created money.

Savings and loan associations provided almost half of the new funds which went into residential mortgages in the first quarter of the year. Of the net increase in their savings capital amounting to \$1,010 million, \$864 million went to increase their mortgage holdings. The remainder, supplemented by net earnings during the period and a reduction in their cash holdings, was used principally to reduce their indebtedness to the Federal Home Loan Banks and to acquire U. S. Government securities. The total of new mortgage loans made during the first three months of the year by savings and loan associations was considerably more than this net increase of \$864 million, since the total amount received as repayments on outstanding mortgages was, in effect, re-employed in this medium. According to data on mortgage recordings of \$20,000 or less (Federal Home Loan Bank Board figures) an estimated \$2 billion of mortgage loans were made by savings and loan associations in the current first quarter. This was more than double the amount made by any other class of lender in this period and accounted for 36% of the total mortgage recordings figure.

Life insurance companies and mutual savings banks continued to add to their mortgage holdings in early

**MORTGAGE RECORDINGS OF \$20,000 OR LESS**  
(Millions of Dollars)



1957 and, although their total contribution was less than that made by the savings and loan associations, they provided the largest share of "G. I." funds made available in the period.

## *In the Labor Market—*

### *Some Basic Changes Have Been Made*

Two economically significant developments have been under way for some time in Fifth District labor markets: (1) an increasing proportion of those employed are in occupations other than manufacturing; and (2) an increasing proportion of nonproduction workers are employed in manufacturing industries.

#### **Employment Changes—Fifth District**

Statistically, here's the picture: In the eighteen-year span, 1939 to 1956, total nonagricultural employment in the Fifth District rose 67.8%—with manufacturing employment up 49.4% and nonmanufacturing employment up 77.6%. In the postwar decade, 1947 to 1956, the over-all rise was 19.2%—with manufacturing employment up 11.1% and nonmanufacturing employment up 23.2%. In both periods all segments (except mining, transportation, communication, and public utilities) showed substantially larger gains than manufacturing employment.

Mining employment in the District was off 19.9% between 1939 and 1956 and slumped 34.3% between 1947 and 1956. In this industry, employment rose sharply between 1939 and 1947 to accommodate the needs of war and postwar export. Since 1947, demand for the product of mines (in this District largely bituminous coal) has undergone considerable reduction, while rapid strides in mechanization of mines were taking place. In this industry, the increase in production efficiency has been phenomenal and probably exceeded by few sectors in the manufacturing industries.

Transportation, communication, and public utility employment has shown absolute growth in both periods under review, although growth between 1939 and 1956 was equal only to that in manufacturing industries and between 1947 and 1956 about half that in manufacturing. Here, too, a rather substantial increase in efficiency can be assumed—railroad trains have become longer, trucks larger, and inland waterways have increased tonnage in relation to manpower requirements.

All other areas of nonmanufacturing employment have shown substantially greater gains than manufacturing industries. Contract construction employment, for example, rose 115% between 1939 and 1956 and 39.3% between 1947 and 1956. Wholesale and retail trade gained 91.5% from 1939 and 30.2% from 1947. Finance, insurance, and real estate increased 123.2% over 1939 and 63.3% over 1947. Government employment gained 90.6% over 1939 and 26.4% over 1947. Service and miscellaneous employment rose 71.8% over 1939 and 24.7% over 1957. These are substantial gains in areas where mechanization does not play the dominant role it does in manufacturing or mining.

#### **National Variations**

Total nonagricultural employment in the Fifth District has not shown changes greatly different from national employment figures either between 1939 and 1956 or between 1947 and 1956. Since 1939 the District has shown an increase of 67.8% compared with a gain of 69.9% nationally. Since 1947, the District increase has been 19.2% compared with a national figure of 18.5%. This over-all similarity hides some fairly significant divergences in the various employment sectors.

At the manufacturing level, the 1939-56 change in the District found a gain of 49.4% comparing rather unfavorably with a national gain of 67.2%. This was due in main to the fact that the employment level in the Fifth District had shown a greater recovery from depression than the national level up to 1939, which was in turn due to a faster revival in soft goods industries (which are dominant in the Fifth District) than in the hard goods industries. The District and national changes since 1947, however, have shown only significant divergences. The District in this period rose 11.1% compared with a 10.5% increase nationally.

Even greater variations are shown in employment changes in the mining industries of the District as compared with the United States. The dominance of the bituminous coal industry as an employer in the Fifth District and the huge strides in efficiency of production in this industry, together with some absolute loss in market since 1947, are primarily responsible for District and national variances. Employment in the mining industries of the Fifth District dropped 19.9% between 1939 and 1956 and dropped 34.3% since 1947, which compares with a national drop of 5.9% since 1939 and 15.7% since 1947.

Contract construction employment has also shown considerable variance in the changes in the periods under review. Fifth District employment in this area rose 115.5% from 1939, which compares with a national increase of 164.1%. Differences are also notable since 1947, with the District increase from that date to 1956 being 39.3% as compared with 53.2% nationally. Part of the explanation for the lower Fifth District gains from the 1939 period is that in the base year the District was high relative to the nation; construction contract awards rose by greater percentages in the nation in both periods.

Employment in the wholesale and retail trade also shows considerable divergence from national changes. Between 1939 and 1956 employment in trade was 91.5% higher in the District and 68.5% higher in the nation. Between 1947 and 1956 the District gain was 30.2% and the national gain 21.2%. These differences are

probably explained by the relative improvement in personal incomes of the Fifth District as compared with those nationally and a consequent reflection of this on the trade level.

Somewhat the same explanation as in trade may also be given for the District's substantially larger increase in employment in the finance, insurance, and real estate field in both periods under review than in the nation as a whole. The gain in this source of employment between 1939 and 1956 was 123.2% compared with a national gain of 64.4%. Between 1947 and 1956 the District gain was 63.3%, the national gain, 37.6%.

The greater-than-national gains in the Fifth District in Government employment during the Second World War have been gradually diminishing since that time. Between 1939 and 1942 Government employment in the District rose 69.5%, whereas in the nation, this type of employment gained only 37.2%. But between 1939 and 1956 the District rise of 90.6% compares with a national rise of 79.6%, and between 1947 and 1956 the District gain of 26.4% is smaller than the national gain of 31.1%.

Changes in employment between District and nation in the periods under review for transportation, communication, public utilities, service and miscellaneous industries have not been substantially different.

Between 1947 and 1956 the most significant developments in the employment field both in the District and the nation, have been in the relatively smaller increases in manufacturing employment, 11.1% in the District—10.5% in the nation, as compared with other nonagricultural employment up 23.2% in the District and up 22.8% in the nation. Over this period substantial capital outlays have been made in both District and nation, and these have probably more favorably affected

the output per man-hour in manufacturing industries than in many areas of other nonagricultural employment.

**State Variations**

The employment rise for the District as a whole has been far from uniform among the states. Look at the period 1947 to 1956: mining employment in the District dropped 34.3%, but it rose more than 30% in both North and South Carolina where it is of small significance—the extreme drop, 39%, occurred in West Virginia. Contract construction rose 39.3% in the District as a whole but ranged from a dip of 1.1% in the District of Columbia to a sharp gain of 61.9% in Virginia. Transportation, communication, and public utility employment rose 5.5% in the overall but ranged from a decline of 8.8% in the District of Columbia to a gain of 18.2% in North Carolina.

Jobs in wholesale and retail trade rose 30.2% in the District but slipped 4.3% in the District of Columbia and ranged upward to Virginia's 41.2% increase. Finance, insurance and real estate rose 63.3% in the District, ranging from a plus 22.2% in the District of Columbia to a plus 128.8% in South Carolina. Government employment gained 26.4% for the District in the period under review, but the District of Columbia showed a gain of only 9% and Maryland jumped 48.4%, reflecting a larger number of people living in that state but working in Washington; the other states fell within these extremes.

Total nonagricultural employment was up 19.2% in the District, 1947 to 1956; but owing to the dominant position of bituminous coal, West Virginia showed a 4.9% decline in the period. The District of Columbia gained only 6.3%, and the remaining states ranged between 23.2% and 29.1%. Employment in manufacturing in this period gained 11.1% but losses of 3.6% and 4.8% were recorded in the District of Columbia and West Virginia, respectively, while Maryland was up 17.2%, South Carolina 13.8%, North Carolina 12.8%, and Virginia 10.1%.

**Nonproduction Workers in Manufacturing Industries**

The second major development in the labor market has been the increasing proportion of nonproduction workers employed in manufacturing. This trend is hardly novel—in a sense it was under way between 1900 and 1919 and may have begun even earlier. Interruptions occurred during the twenties and the depressed thirties, but it gained considerable momentum in the late thirties. After interruption during the Second World War period, it has again gained momentum in the post-war years.

Although the ratio of nonproduction workers to the total employed in manufacturing among the states of

(Continued on page 10)

MANUFACTURING ESTABLISHMENTS				
Proportion of Nonproduction Workers to Total Employees, 1954 and Percentage Point Change 1947 to 1954				
	Per Cent of Nonproduction Workers to Total		Percentage Point Change 1947 to 1954	
	Fifth District	United States	Fifth District	United States
Chemicals and Related Products	31.8	32.3	+9.5	+6.2
Food and Kindred Products	33.2	30.7	+7.7	+6.9
Electrical Machinery	32.9	24.3	+5.9	+4.6
Transportation Equipment	19.4	22.2	+5.3	+6.3
Furniture and Fixtures	12.8	15.3	+5.2	+4.9
Instruments and Related Products	22.9	28.1	+5.1	+2.4
Machinery (excluding electrical)	24.0	23.8	+5.0	+4.0
ALL INDUSTRIES	15.4	23.2	+4.1	+6.5
Pulp, Paper, and Products	17.2	17.2	+3.7	+3.1
Lumber and Products				
Except Furniture	8.0	9.7	+3.6	+2.5
Stone, Clay, and Glass Products	12.3	16.2	+3.4	+4.1
Petroleum and Coal Products	19.6	24.0	+3.3	+4.2
Fabricated Metal Products	17.9	19.6	+3.1	+4.2
Rubber Products	19.9	20.2	+2.1	+3.5
Textile Mill Products	6.2	8.8	+1.4	+1.9
Primary Metal Industries	14.4	16.1	+1.3	+3.3
Leather and Leather Products	10.2	9.8	+1.1	+0.9
Tobacco Manufacturing	9.4	8.4	+0.9	+0.4
Miscellaneous Manufactures	9.7	20.3	+0.8	+6.4
Apparel and Related Products	7.9	10.0	+0.6	+0.1
Printing and Publishing Industries	36.2	38.2	-0.4	-0.5



## Business Conditions and Prospects

**B**USINESS activity in the Fifth Federal Reserve District during May was moderately on the plus side as compared with April. A firmer trade level and a somewhat better than seasonal rise in construction employment were noted between April and May and more than offset a further decline in manufacturing activity. In general, the District economy meandered along in the sidewise movement familiar for the past six or eight months.

Nonagricultural employment rose slightly during May as gains in the nonmanufacturing sector offset losses in manufacturing. Farmers' cash incomes continued to run well ahead of a year ago, mainly in the crop sector. Fifth District residents continued to show an extraordinary predilection for life insurance. Although District sales were not up to national, May was 23% higher than a year ago and the first five months were up 24%. Residential construction remained fairly slow, but other types more than offset these declines, and on-site employment has been appreciably ahead of a year ago.

Member bank credit extended declined during May, but the small decrease in loan volume this year compared with fairly sizable gains in the past two years. May bank debits adjusted, however, were 4% above April, and an impressive 9% over May 1956 even though inflating prices were an important contributing factor.

### Manufacturing

Man-hours in total District manufacturing industries (incomplete returns) declined further from April to May, to a level moderately under a year ago. The April-May decline was a bit larger in durable goods industries than in nondurables, with the former showing a somewhat larger decline from a year ago as well. Declines stood out in transportation equipment and in furniture industries. Lesser ones occurred in the lumber, stone, clay, and glass industries, which were in part offset by increases in primary and fabricated metals and in machinery, both electrical and otherwise.

Nondurable goods industries generally showed fewer man-hours between April and May, but food and tobacco industries rose, while apparel and paper industries remained even. Declines were general in the several segments of textile mill products with the exception of seamless hosiery which was up during the month and showed a good gain over a year ago. Broad woven fabrics, yarn and thread mills, and knitting mills man-hours were below a year ago, apparel industries were nearly 8% ahead of a year ago, while paper industries showed a moderate increase. The chemical industries were a big loser between April and May with man-hours down 6%, partly due to seasonal contraction in the fertilizer industry. Chemical industry man-hours in May were 4.4% under a year ago.

It is apparent that the curtailment in textile mill products man-hours has been more pronounced in the woolen or synthetic weaving industries than in cotton, for during May cotton consumption (seasonally adjusted) in Fifth District mills rose 3% from April and cut the reduction from a year ago to 3%.

### Trade

Department store sales of the District picked up 2% between April and May (after seasonal correction) and left the May level moderately above the low end of the range through which sales have been moving since last August. May sales showed a 3% increase over a year ago which was slightly behind the 4% gain for the first five months of the year. Radios, phonographs, television, sheet music, and records did well during May compared with a year ago, while women's and misses' coats and suits did quite poorly. Department store inventories dropped a little during May (after seasonal correction) but were 7% higher than a year ago, compared with a 3% gain in sales.

Retail sales of furniture stores in the District, after taking a sharp break in April, recovered substantially in May to approach previous peak levels. If this performance is confirmed nationally, the current softness in furniture manufacturing will not last long.

Three states and the District of Columbia show new passenger automobile registrations for May 4% above April, but 5% under last year. April showed a 7% rise over March, was 6% under a year ago, and four months' totals were down 9%. A canvass of selected dealers in the District indicated an unsatisfactory level of new car sales in May and less than one-third showed improvement over April.

Despite a good seasonal rise between April and May in sales of household appliance stores, May sales were 2% under a year ago, and compared rather poorly with the 7% gain for the first five months. A similar performance has occurred in the major household appliance departments of department stores, but the sales trend is upward.

### Bituminous Coal Production

Output of District mines inched up in May (1% from April—on an average daily basis—and 2% ahead of a year ago). The first five months also showed a gain of 2%, a relatively good performance in view of the level of consumption as estimated by the National Coal Association for the first half of 1957. This estimate shows industrial consumption in this period 7 million tons under the first half of 1956 and retail consumption down 9 million tons. This loss in consumption is lessened at the production level as overseas demand has increased 8 million tons and stockpiles are estimated to be up 4 million tons, leaving a net decline of 4 million tons in

production. Market information seems to indicate moderate softness in bituminous coal prices in selected areas.

### **Financial**

Total loans and investments of member banks in the Fifth District slipped \$11 million between April and May, compared with a \$38 million decline in this period last year and \$26 million in 1955. Loans and discounts were off \$4 million this year; last year in the April-May period they rose \$23 million, and the year before, \$24 million. Security holdings were off \$7 million this year; last year the decline was \$61 million, and the year before, \$50 million.

Total deposits of member banks declined \$74 million from April to May, strikingly similar to the \$73 million decline in this period last year and the \$77 million in 1955. However, gross demand deposits were \$99 million less this year compared with \$78 million last and \$75 million in 1955. Time deposits rose \$25 million this year compared with slight declines of \$5 million last year and \$2 million in 1955.

Total borrowings from the Federal Reserve Bank and from others amounted to \$102 million at the end of May, an increase of \$48 million over April and \$29 million over a year ago.

Considerable improvement occurred in the level of institutional savings during May due chiefly to a substantial rise in time deposits of member banks. Improvement occurred at savings and loan associations in May over April, but the May level was about the same as a year ago. Net redemptions of E and H savings bonds were about three times larger than a year ago but slightly less than a month earlier. The gain in

mutual savings bank deposits in Baltimore during May was \$579,000 compared with \$872,000 a month earlier and with only \$9,000 last year. Together the net new savings in these institutions amounted to \$44.9 million in May compared with \$22.0 million in April and \$19.8 million in May 1956. It is apparent that the increase in interest rates on time deposits in commercial banks is having a favorable effect on the growth in time deposits, but it is equally apparent that it is partly at the expense of savings and loan associations and partly at the expense of savings bond holdings.

### **Agriculture**

Cash income from farm marketings in April rose seasonally over March and was 13% ahead of a year ago. This gain was slightly better than the 12% increase for the first four months of the year. Crop income during the month was 28% higher than a year ago or at a somewhat slower pace than the 33% gain shown in the first four months. Income from livestock and products, however, was 7% higher than in April last year which is considerably better than the 4% shown during the first four months.

Slight declines occurred in the level of farm prices during May in Maryland, Virginia, and North Carolina. West Virginia and South Carolina showed no change. Maryland's aggregate level is running considerably under a year ago and that for North and South Carolina is moderately below, but small gains are shown for Virginia and West Virginia. The U. S. Department of Agriculture has estimated cigarette consumption for the current year up between 3% and 4% over last year but notes that there has been no increase in the utilization of tobacco mainly because of greater use of filter tips which require less tobacco.

---

## *In the Labor Market—*

### *Some Basic Changes Have Been Made*

(Continued from page 8)

the Fifth District has varied somewhat, in the main it has followed much the same trends as the District and the nation. The percentage of nonproduction workers employed by all operating establishments in 1899 in the Fifth District amounted to 5.0% of all employees. It rose continuously until 1919 when it was 9.2%; then declined to 8.5% in 1929, 8.1% in 1935, and 7.0% in 1937, followed by a rise to 10.8% in 1939, 11.3% in 1947, and 15.4% in 1954. Surveys made between the 1947 and 1954 censuses showed an increase in every year except 1950.

The increase in the proportion of nonproduction workers employed in the major manufacturing industries has been general, both in District manufacturing and national. Between 1947 and 1954 all Fifth District industries, with the exception of printing and publishing, showed some increase. Nationally, there was an increase in every major industry except apparel and

printing and publishing.

Naturally, the proportion of nonproduction workers varies widely from industry to industry, both in the District and in the nation. The District in 1954 ranged from 6.2% for textile mill products to 36.2% for printing and publishing; the nation from 8.4% for tobacco manufacturing to 38.2% for printing and publishing. In general, industries with the largest proportion of nonproduction workers showed sharper increases between 1947 and 1954, but there were exceptions. The District's furniture and fixtures industries had only 12.8% of their workers in the nonproduction category, an increase of 5.2 percentage points over 1947, whereas instruments and related products had 22.9% of their workers in the nonproduction category, an increase of 5.1 percentage points. Machinery (other than electrical) had 24.0% of its workers in nonproduction status, or a gain of 5.0 percentage points over 1947.

Arrayed in the order of percentage point change (as a percentage of all nonproduction workers, 1947-54), the District's chemical and related products industries were at the top, with a plus 9.5 percentage points. Following were food and kindred products with a 7.7 percentage point gain; electrical machinery 5.9; transportation equipment 5.3; furniture and fixtures 5.2; instruments and related products 5.1; machinery (excluding electrical) 5.0. Remaining industries ranged from 3.7 in the case of pulp and paper down to 0.6 for apparel and related products, and printing and publishing decreased 0.4 during the period.

For all District manufacturing, 15.4% of workers were of the nonproduction type in 1954, or 4.1 percentage points above 1947. This compares with 23.2% for all United States manufacturing industries, an increase of 6.5 points over 1947. However, 12 out of 20 major Fifth District industry groups showed larger increases in the percentage of nonproduction workers to total workers than the same industries for the United States.

(District and national comparisons are shown in the table on page 8, together with percentage point changes, 1947-1954.)

The April Monthly Labor Review, discussing the problem from the national angle, stresses the fact that the largest increases in the proportion of nonproduction workers in the postwar period have been accompanied by the largest increases in capital outlays and expanded research and development activities. This has required the services of a larger number of engineers, scientists, and other technical workers as well as construction labor. Attention is also called to the introduction or expansion of overhead functions which has led to widespread increases in clerical, professional, and sales personnel. Illustrative are emphases on human relations, employee counseling, safety education, credit unions, suggestion awards, retirement, supplemental employment benefit programs, and grievance handling. Added to these have been the requirements of Government or regulatory agencies for more data and information of various sorts.

### FIFTH DISTRICT BANKING STATISTICS

#### DEBITS TO DEMAND DEPOSIT ACCOUNTS\*

(000 omitted)

	May 1957	May 1956	5 Months 1957	5 Months 1956
<b>Dist. of Columbia</b>				
Washington .....	\$1,608,239	\$1,498,124	\$ 7,804,399	\$ 7,490,741
<b>Maryland</b>				
Baltimore .....	2,018,165	1,785,137	9,340,880	8,564,369
Cumberland .....	31,241	28,620	144,998	132,517
Frederick .....	28,865	28,151	138,087	128,563
Hagerstown .....	44,732	46,118 <sup>r</sup>	238,644	227,535 <sup>r</sup>
Salisbury** .....	40,437	37,820	187,671	176,456
Total 4 Cities .....	2,123,003	1,888,026 <sup>r</sup>	9,862,609	9,052,984 <sup>r</sup>
<b>North Carolina</b>				
Asheville .....	78,021	74,728	380,346	359,510
Charlotte .....	447,212	435,030	2,274,986	2,230,769
Durham .....	99,853	83,867	452,660	422,450
Greensboro .....	190,294	170,401	900,310	802,431
High Point** .....	58,669	55,991	291,008	277,030
Kinston .....	23,343	22,081	119,946	110,976
Raleigh .....	275,690	215,205	1,307,534	1,172,388
Wilmington .....	55,876	53,922	269,762	263,636
Wilson .....	21,618	19,739	106,813	104,369
Winston-Salem .....	197,838	184,942	976,513	951,517
Total 9 Cities .....	1,389,745	1,259,915	6,788,870	6,418,046
<b>South Carolina</b>				
Charleston .....	105,667	92,819	506,815	460,655
Columbia .....	217,417	193,003	1,062,850	982,395
Greenville .....	142,703	143,564	727,381	719,491
Spartanburg .....	72,147	70,563	352,159	350,809
Total 4 Cities .....	537,934	499,949	2,649,205	2,513,350
<b>Virginia</b>				
Charlottesville .....	46,6693	40,360	212,646	188,531
Danville .....	43,182	41,977	232,776	213,954
Lynchburg .....	62,928	62,000	309,100	307,647
Newport News .....	68,058	65,876	316,005	311,269
Norfolk .....	347,918	326,495	1,647,445	1,540,479
Petersburg** .....	27,527	26,212	135,535	148,039
Portsmouth .....	42,517	39,263	195,800	188,946
Richmond .....	807,485	710,421	3,751,130	3,442,337
Roanoke .....	173,971	163,529	795,143	757,396
Total 8 Cities .....	1,592,752	1,449,921	7,460,045	6,950,559
<b>West Virginia</b>				
Bluefield .....	66,928	60,147	315,151	282,264
Charleston .....	204,561	193,322	978,174	910,514
Clarksburg .....	44,068	41,599	212,025	201,211
Huntington .....	100,445	88,511	458,409	426,584
Parkersburg .....	41,580	37,678	193,791	182,771
Total 5 Cities .....	457,582	421,257	2,157,550	2,003,344
<b>District Totals</b> .....	\$7,709,255	\$7,017,192 <sup>r</sup>	\$36,722,678	\$34,429,024 <sup>r</sup>

\* 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		
	June 12, 1957	May 15, 1957	June 13, 1956
<b>Total Loans</b> .....	\$1,884,988**	- 11,103	+ 72,694
Bus. & Agric. ....	891,866	- 17,605	+ 60,617
Real Estate Loans .....	335,975	+ 384	+ 1,698
All Other Loans .....	688,979	+ 6,265	+ 16,474
<b>Total Security Holdings</b> .....	1,588,574	+ 15,720	- 50,133
U. S. Treasury Bills .....	75,640	+ 28,343	- 13,486
U. S. Treasury Certificates .....	91,018	- 9,977	+ 72,900
U. S. Treasury Notes .....	202,114	- 9,047	- 93,472
U. S. Treasury Bonds .....	953,435	+ 3,994	- 14,415
Other Bonds, Stocks & Secur. ....	266,367	+ 2,407	- 1,660
<b>Cash Items in Process of Col.</b> ..	398,730	+ 395	+ 29,378
Due from Banks .....	184,191*	- 4,045	+ 2,306
Currency and Coin .....	82,571	+ 4,182	+ 3,049
Reserve with F. R. Banks .....	523,237	+ 19,286	+ 2,225
Other Assets .....	80,121	+ 645	+ 5,848
<b>Total Assets</b> .....	\$4,742,412	+ 25,080	+ 65,367
<b>Total Demand Deposits</b> .....	\$3,528,141	+ 35,335	- 364
Deposits of Individuals .....	2,658,556	+ 54,361	- 11,509
Deposits of U. S. Government .....	78,555	- 33,175	- 24,516
Deposits of State & Local Gov. ....	237,895	+ 9,752	+ 7,848
Deposits of Banks .....	491,743*	+ 13,075	+ 27,921
Certified and Officers' Checks .....	61,392	- 8,678	- 108
<b>Total Time Deposits</b> .....	781,525	+ 10,513	+ 26,693
Deposits of Individualas .....	730,507	+ 10,690	+ 50,619
Other Time Deposits .....	51,018	- 177	- 23,926
<b>Liabilities for Borrowed Money</b> ..	27,500	- 15,650	+ 17,000
All Other Liabilities .....	53,217	- 6,764	+ 6,387
<b>Capital Accounts</b> .....	352,029	+ 1,646	+15,651
<b>Total Liabilities</b> .....	\$4,742,412	+ 25,080	+ 65,367

\* 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	Percentage change with corresponding period a year ago	
	May 1957	5 Mos. 1957
Maryland	- 1	- 5
Dist. of Columbia	- 6	- 6
Virginia	- 7	- 5
West Virginia	+10	- 2
North Carolina	- 1	+ 1
South Carolina	+ 5	- 3
District	- 1	- 4
INDIVIDUAL CITIES		
Baltimore, Md.	- 1	- 5
Washington, D. C.	- 6	- 6
Richmond, Va.	- 8	- 4
Charleston, W. Va.	- 7	+ 3
Charlotte, N. C.	- 1	+ 5
Greenville, S. C.	+ 8	- 3

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

BUILDING PERMIT FIGURES

(37 Cities)

	May 1957	May 1956	5 Months 1957	5 Months 1956
Maryland				
Baltimore	\$ 8,312,790	\$ 2,922,771	\$ 36,113,639	\$ 22,723,886
Cumberland	60,650	312,905	361,116	855,055
Frederick	290,600	813,585	745,910	1,224,250
Hagerstown	207,352	129,296	3,737,099	660,741
Salisbury	137,609	76,124	616,059	1,098,885
Virginia				
Danville	449,619	559,287	2,010,121	3,663,243
Hampton	2,082,959	499,564	8,836,976	3,758,444
Hopewell	605,321	300,229	1,176,884	854,558
Lynchburg	668,683	405,825	4,009,748	5,273,835
Newport News	488,274	121,971	1,484,342	1,089,672
Norfolk	817,047	9,218,013	3,766,398	13,905,301
Petersburg	161,400	305,650	1,175,942	1,260,050
Portsmouth	286,446	222,591	1,355,469	1,451,739
Richmond	2,533,089	1,964,678	10,448,388	13,903,113
Roanoke	964,034	1,272,598	6,368,045	11,719,255
Staunton	212,500	245,630	840,110	1,273,916
Warwick	845,662	572,582	3,298,853	3,118,122
Winchester*	72,513	NA	415,560	NA
West Virginia				
Charleston	1,000,387	710,619	2,873,301	2,524,717
Clarksburg	220,940	157,945	821,446	703,432
Huntington	643,035	574,160	1,928,171	2,105,094
North Carolina				
Asheville	466,253	256,309	1,680,934	2,920,746
Charlotte	799,767	6,585,771	6,166,184	14,895,362
Durham	894,167	939,100	4,736,898	3,719,271
Gastonia	715,700	708,200	2,951,525	2,895,950
Greensboro	835,140	2,382,955	6,866,070	7,354,011
High Point	568,055	541,360	1,989,700	2,785,904
Raleigh	907,405	1,656,321	5,015,252	5,726,385
Rocky Mount	1,719,071	352,681	2,681,833	1,623,562
Salisbury	139,725	625,160	976,803	1,255,125
Wilson	171,310	232,550	974,310	2,600,075
Winston-Salem	2,305,826	2,188,249	9,272,511	6,785,468
South Carolina				
Charleston	195,817	188,129	1,083,515	933,171
Columbia	536,571	1,372,064	6,023,122	5,142,720
Greenville	243,995	529,750	1,442,847	3,381,226
Spartanburg	282,006	1,336,858	1,951,828	2,485,986
Dist. of Columbia				
Washington	5,300,217	6,504,669	26,547,712	23,437,118
District Totals	\$37,069,422	\$47,686,149	\$172,329,061	\$181,109,388

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

WHOLESALE TRADE

LINES	Sales in May 1957 compared with		Stocks on May 31, 1957 compared with	
	May 1956	Apr. 1957	May 31, 1956	Apr. 30, 1957
Auto supplies	+ 7	+ 2	+ 2	+ 3
Electrical, electronic and appliance goods	-16	-10	-13	+ 5
Hardware, plumbing, and heating goods	- 6	- 1	+25	- 9
Machinery equipment supplies	+ 8	0	+16	- 2
Drugs, chemicals, allied products	+ 3	+ 5	+ 1	0
Dry goods	-14	-25	NA	NA
Grocery, confectionery, meats	0	+ 6	- 7	- 5
Paper and its products	-32	+ 9	+ 2	- 1
Tobacco products	+ 6	+18	+ 5	- 1
Miscellaneous	- 7	+ 1	-12	- 6
District total	- 1	+13	0	- 7

NA Not available.  
Source: Bureau of the Census, Department of Commerce.

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals		May	Apr.	May	% Chg.—		
							1957	1957	1956	Prev. Mo.	Yr. Ago	
Sales, May '57 vs May '56	- 3	+ 4	+ 6	+ 3	+ 3	New passenger car registration*	---	163	171	+ 7	- 6	
Sales, 5 Mos. ending May 31, '57 vs 5 Mos. ending May 31, '56	- 2	+10	+ 6	+ 3	+ 4	Bank debits	208	200	190	+ 4	+ 9	
Stocks, May 31, '57 vs '56	- 8	+11	+11	+ 2	+ 7	Bituminous coal production*	109	108	107r	+ 1	+ 2	
Outstanding Orders, May 31, '57 vs '56	+ 8	+13	- 9	0	+ 2	Construction contracts***	179	180	218	- 1	-18	
Open account receivables, May 1, collected in May '57	34.0	50.4	42.2	42.5	41.4	Business failures—number	266	153	172	+74	+55	
Instalment receivables, May 1, collected in May '57	10.6	14.1	12.1	16.1	13.0	Cigarette production	---	107	107	+ 3	+ 2	
	Md.	D.C.	Va.	W.Va.	N.C.	S.C.	Cotton spindle hours	121	118	125	+ 3	- 3
Sales, May '57 vs May '56	+ 5	+ 6	0	+ 6	- 1	+ 1	Spindle hours—other than cotton**	139	136	135	+ 2	+ 3
							Department store sales	139	136	135	+ 2	+ 3
							Manufacturing employment*	---	112	112r	0	0
							Furniture store sales	128	110r	129	+16	- 1
							Life insurance sales	280	270	228	+ 4	+23

\* Not seasonally adjusted.  
\*\* 1948-1949=100.  
\*\*\* Due to revision in construction series 1956 figures are revised.  
r Revised.  
Back figures available on request.