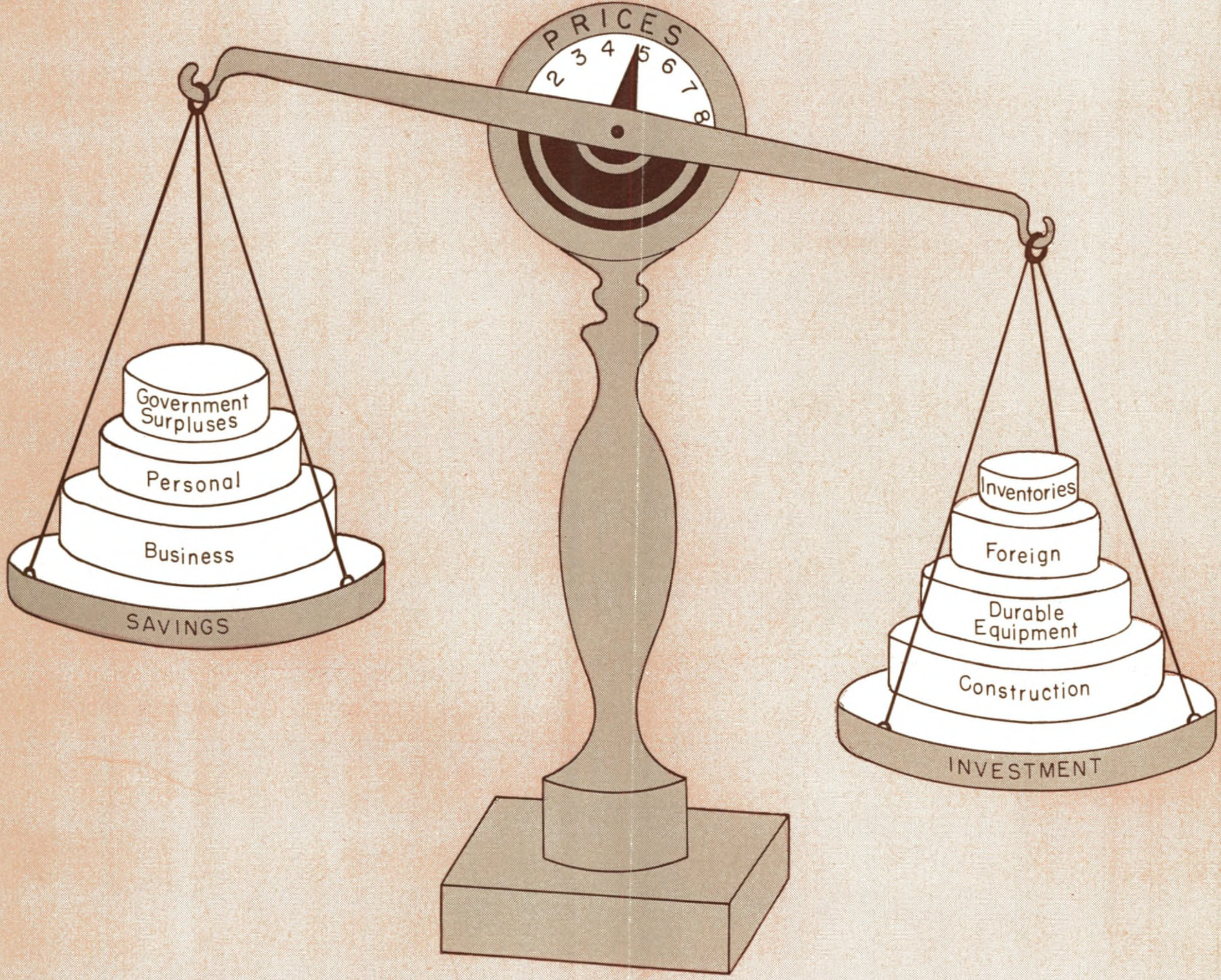
FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

THE FIFTH FEDERAL RESERVE DISTRICT

September 1957

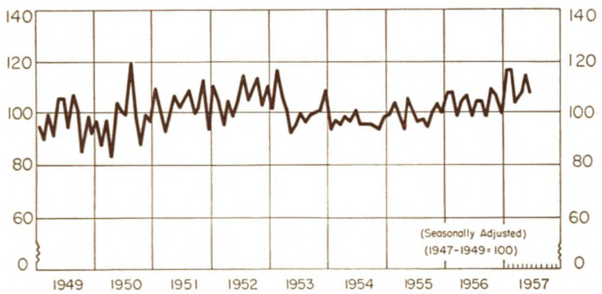
THE SAVINGS-INVESTMENT GAP— KEY TO ECONOMIC INSTABILITY



"As a nation, we have been trying to spend more than we earn through production, and to invest at a faster rate than we save ···· In consequence, prices have been rising, and the purchasing power of the dollar has been falling." *Statement of Federal Reserve Board Chairman Martin before the Senate Finance Committee, August 13, 1957*

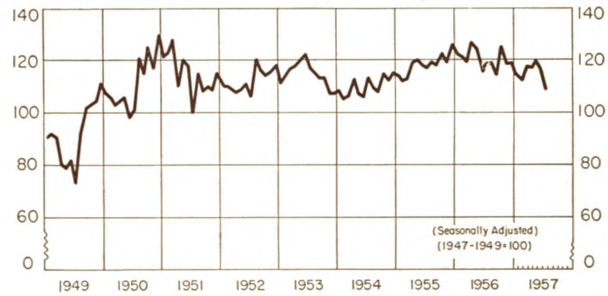
FIFTH DISTRICT TRENDS

CIGARETTE PRODUCTION



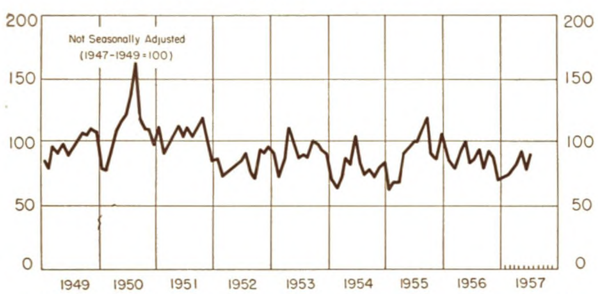
Output of cigarettes in the Fifth District (seasonally adjusted) dropped 6% from May to June but was 9% higher than in June 1956. In the first half-year a gain of 6% was made; Virginia figures indicate a further drop from June to July.

COTTON CONSUMPTION



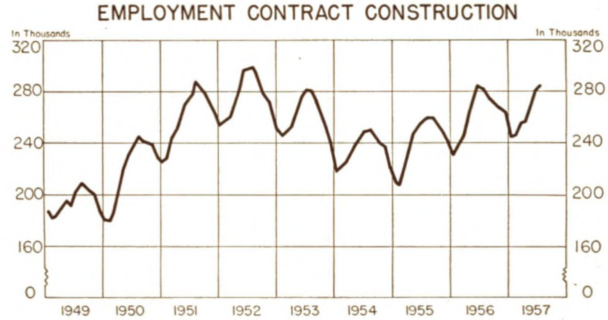
Substantial curtailment finally caught up with the cotton textile industry when cotton consumption in July on an average daily (adjusted) basis dropped 7% from June. This brought the level 8% below July 1956 and the seven months' total down 5%.

NEW COMMERCIAL CAR REGISTRATIONS



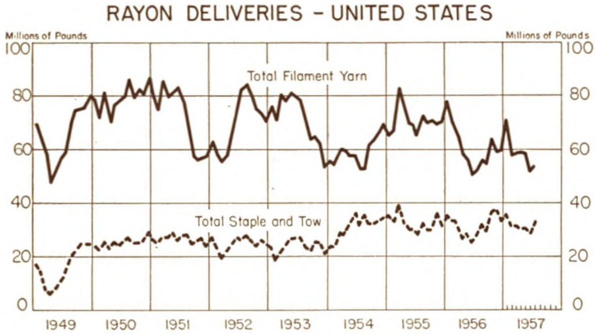
Following a rather poor June, new commercial car registrations in the Fifth District rose 17% in July but were still 2% under July 1956. In the first seven months of the year a drop of 8% is shown.

EMPLOYMENT CONTRACT CONSTRUCTION



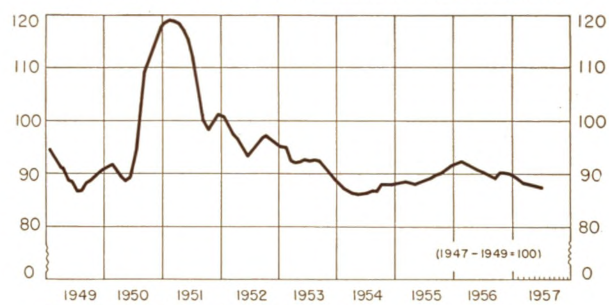
Employment in contract construction industries is highly seasonal. It usually rises in July; this year it rose 4,000 or 1.4% which is slightly better than any year since 1954. July level was, however, only 0.3% ahead of last year.

RAYON DELIVERIES - UNITED STATES



Total filament yarn shipments of rayon producers rose 4% from June to July to a level 4% ahead of a year ago. This was due largely to a rise of 7% in high tenacity and to 4% in acetate. Staple and tow shipments in July were 17% ahead of June, 20% ahead of a year ago, with the seven months' total up 5%.

WHOLESALE PRICE-COTTON BROAD WOVEN GOODS



Source U. S. Department of Labor, Bureau of Labor Statistics

Lack of strong demand and high producer inventories found their reflection in a further drop in prices of cotton broadwoven goods during July. The July level was down 0.2% from June and 3.0% below a year ago.

Abridged Statement of Federal Reserve Board Chairman, William McChesney Martin, Jr., Before the Senate Finance Committee, August 13, 1957

Our country has been experiencing a period of unusual prosperity, featured by heavy spending, both governmental and private. As a nation, we have been trying to spend more than we earn through production, and to invest at a rate faster than we save. The resulting demands have pressed hard upon our resources, both human and material. In consequence, the purchasing power of the dollar has been falling.

We are not facing a new, or insoluble problem—it is as old as the invention of money—and history is marked with both defeats and triumphs in dealing with this invisible but deadly enemy of inflation. The question is not whether we can solve the problem, but how best to deal with it under our form of government and free enterprise institutions. Solve it we can—and must.

There is much current discussion of the origin of inflationary pressures. Some believe they reflect a recurrence of demand-pulls, similar to those present in the earlier postwar period. Others believe they originate in a cost-push engendered by administered pricing policies and wage agreements that violate the limits of tolerance set by advances in productivity.

These distinctions present an oversimplification of the problem. Inflation is a process in which rising costs and prices mutually interact upon each other with a spiral effect. Inflation always has the attributes, therefore, of a cost-push. At the same time, demand must always be sufficient to keep the spiral moving. Otherwise the marking up of prices in one sector of the economy would be offset by a reduction of prices in other sectors.

We are now faced with the seeming paradox that prices are expected to continue to rise, even though the specific bottlenecks in capacity that impeded the growth of production in 1956 have now been largely relieved, and investment in productive facilities continues at very high levels. The problem is no longer one of specific shortages causing prices of individual commodities to be bid up because of limited availability but rather it is one of broad pressure on all of our resources.

Recently, this general pressure has been expressing itself particularly in rising prices for services as compared with goods. Despite the existence in some lines of reduced employment and slack demand, many employers now face rising costs when they seek to expand activity by adding appreciably to the number employed. As a result, many current plans for further expansion of capacity place great emphasis on more efficient, more productive equipment rather than on more manpower.

This generalized pressure on resources comes to a head in financial markets in the form of a shortage of saving in relation to the demand for funds. When funds are borrowed from others who have curtailed their own expenditures, no additional demand for resources is generated. On balance, however, demands for funds by those who have wanted to borrow money to spend in excess of their current incomes have outrun savings. Those who have saved by limiting current expenditures, and thus made funds available for lending, have still not kept pace with the desire of governments, businesses, and individuals to borrow in order to spend.

Just as an intense general pressure on available resources manifests itself in rising wages and prices, a deficiency of savings relative to the demand for borrowed money manifests itself in an increase in the price of credit. In such circumstances, interest rates are bound to rise. Any attempt to substitute newly created bank money for this deficiency in savings can only aggravate the problem and make matters worse.

The response to higher interest rates is complex. One result is that some would-be borrowers draw on cash balances to finance projected expenditures or lenders draw on their balances to lend at the higher rates, thus reducing their liquidity and increasing the turnover of the existing money supply. To the extent accumulated cash balances can be used more actively, expenditures remain high relative to available resources and prices tend to rise, but the reduced financial liquidity eventually exerts restraint on borrowing and spending.

Another result of higher interest costs, together with greater difficulty in obtaining loans, is that many potential borrowers revise or postpone their borrowing plans. To the extent that expenditures are revised or deferred, inflationary pressures are reduced.

The most constructive result is the encouragement of a volume of savings and investment that permits continued expansion of productive facilities at a rate consistent with growing consumption demands. Only in this way can the standard of living for a growing population be improved and the value of savings be maintained.

Constructive adaptations, if made in time at the onset of inflationary pressures, need not be large in order to restore balance between prospective demands and the resources available to meet them. It is essential, however, that adjustment be made. Otherwise the pressure of excess demand will foster an inflationary spiral.

Once such a spiral is set in motion it has a strong tendency to feed upon itself. If prices generally are expected to rise, incentives to save and to lend are diminished and incentives to borrow and to spend are increased. Consumers who would normally be savers are encouraged to postpone saving and, instead, purchase goods of which they are not in immediate need. Businessmen, likewise, are encouraged to anticipate growth requirements for new plant and equipment. But, because the economy is already operating at high levels, further increases in spending are not matched by corresponding increases in production. Instead, the increased spending tends to develop a spiral of mounting prices, wages, and costs.

The unwarranted assumption that "creeping inflation" is inevitable deserves comment. This term has been used by various writers to mean a gradual rise in prices which, they suggest, could be held to a moderate rate, averaging perhaps 2 per cent a year. The idea of prices rising 2 per cent in a year may not seem too startling, but this concept of creeping inflation implies that a price rise of this kind would be expected to continue indefinitely.

Such a prospect would work incalculable hardships. If monetary policy were directed with a view to permitting this kind of inflation—even if it were possible to control it so that prices rose no faster than 2 per cent a year—the value of the dollar would be cut in half each generation. Losses would thus be inflicted upon millions who have fixed incomes and assets of fixed dollar value. The heaviest losers would be those unable to protect themselves by escalator clauses or other offsets against prices that were steadily creeping up.

An inflationary psychology also impairs the efficiency of productive enterprise. In countries that have had rapid or runaway inflations, this process has become so painfully obvious that no doubt remained as to what was happening to productivity. In making decisions on whether or not to engage in some business operation, the question of whether the operation would increase the profit from inflation became far more important than whether the proposed venture would enable the firm to sell more goods or to produce them at lower cost.

Inflation does not simply take something away from one group and give it to another group. Universally, the standard of living is hurt, and countless people injured, not only those who are dependent on annuities or pensions, or whose savings are in the form of bonds or life insurance. The great majority, even those who have cost of living agreements whereby their wages will be raised, cannot escape the effects of speculative influences that accompany inflation and impair reliance upon business judgments and competitive efficiency.

Finally, we should not overlook the way that inflation could damage our social and political structure. Money would no longer serve as a standard of value for long-term savings. Consequently, those who would turn out to have savings in their old age would tend to be the slick and clever rather than the hard-working and thrifty. Fundamental faith in the fairness of our institutions and our Government would deteriorate. The underlying strength of our country and political institutions rests upon faith in the fairness of these institutions, in the fact that productive effort and hard work will earn an appropriate economic reward. That faith cannot be maintained in the face of chronic inflation.

There is no validity whatever in the idea that any inflation, once accepted, can be confined to moderate proportions. Once the assumption that a gradual increase in prices is to be expected becomes a part of everybody's expectations, keeping a rising price level under control becomes incomparably more difficult than the problem of maintaining stability when that is the clearly expressed goal of public policy.

It has been suggested, from time to time, that the Federal Reserve System could relieve current pressures in money and capital markets without contributing to inflationary pressures. These suggestions usually involve Federal Reserve support of the United States Government securities market through one form or another of pegging operations. There is no way for the Federal Reserve to peg the price of Government bonds at any given level unless it stands ready to buy all of the bonds offered to it at that price. This process inevitably provides additional funds for the banking system, permits the expansion of loans and investments and a comparable increase in the money supply. In the present circumstances the System could not peg the Government securities market without, at the same time, igniting explosive inflationary fuel.

We must be clear in viewing these relationships to distinguish cause from effect. It is sometimes said that rising interest rates, by increasing the costs of doing business, lead to higher prices and thus contribute to inflation. This view is based upon an inadequate conception of the role of interest rates and upon a mistaken idea of how interest costs compare with total costs. As an element of cost, interest rates are relatively small; but as a reflection of demand pressures in markets for funds, interest rates are highly sensitive. Rising interest rates result primarily from an excess of borrowing demands over the available supply of savings. Since these demands are stimulated by inflation, under these circumstances rising interest rates are an effect of inflationary pressures, not a cause. Any attempt to prevent such a rise by creating new money would lead to a much more rapid rise in prices and in costs than would result from any likely increase in interest rates.

How, then, may further inflation be restrained? Bluntly, the answer is to be found in a moderation of spending, both governmental and private, until the demands for funds are balanced by savings. This prudence must be coupled with sound fiscal policy, which means a larger budget surplus as well as effective monetary policy to restrain the growth of bank credit.

Experience has demonstrated that there is no tolerable alternative to adequate fiscal and monetary policies, operating in an environment of open, competitive markets under our system of human freedoms. Neither an economic dictatorship nor complacent acceptance of creeping inflation is a rational or tolerable way of life for the American people.

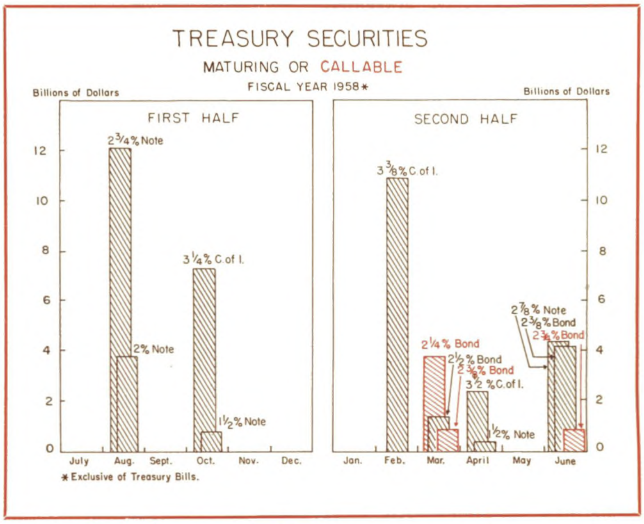
Treasury Financing—
Fiscal 1957 and Fiscal 1958 To Date

A $1,645 million surplus in fiscal year 1957, which ended last June 30, marked the fifth balanced budget since 1930. The realization of a $1.6 billion surplus for the second consecutive year was possible despite the highest level of budget expenditures since 1953, because expanding income tax receipts were derived from a rising national income level. The surplus, $19 million greater than that of fiscal 1956, was considerably greater than had been expected initially, as the following table of successive changes in budget projections for fiscal 1957 indicates:

	Net Budget Receipts	Budget Expenditures	Surplus
Jan. 1956, Budget Message	66.3	65.9	.4
Aug. 1956, Midyear Review	69.8	69.1	.7
Jan. 1957, Budget Message	70.6	68.9	1.7
Actual	71.0	69.3	1.6

The increase in expenditures over the original budget estimate reflected a $2.4 billion step-up in defense spending and smaller but substantial increases in the postal deficit, interest cost, Atomic Energy Commission expenditures, and stockpiling outlays. The largest offsetting contraction in spending occurred in the housing program, reflecting the Federal National Mortgage Association's decision to pay for its mortgage buying activities through the sale of debentures to the public rather than through withdrawals from the Treasury, as scheduled in the original budget. Other sizable reductions in expenditures from projected levels occurred for foreign aid, the Interior Department, General Services Administration, and the Civil Aeronautics Administration.

In recent years the cash budget has run a greater surplus or a smaller deficit than the administrative budget by about $2 or $3 billion; this difference largely reflected the excess of receipts over expenditures in Government trust funds, which are not taken into account in the administrative budget. However, the cash surplus (receipts and payments basis) of $2.1 billion for fiscal 1957 exceeded the budget surplus by only $0.5 billion, compared with the fiscal 1956 cash surplus of $4.5 billion, which was greater than the administrative budget surplus by $2.9 billion. The narrowing of the spread between the cash and budget surplus figures in fiscal 1957 primarily reflected increased expenditures in the cash budget: a rise in Old Age and Survivors Insurance outlays, attributable to the liberalization of coverage and benefits under recent amendments, and the redemption of Treasury notes by the International Monetary Fund as a result of the Middle East situation and other balance of payments difficulties. (Although original issuance of these notes constituted budget expenditures, their redemption was a cash expenditure.)



In addition to these pressures upon the Treasury's cash resources, substantial drains were reflected in both the administrative and cash budgets from unexpectedly heavy defense and foreign-aid spending. Increasing Savings bond redemptions and relatively high attrition on refundings combined with the spending pressures to result in $13.5 billion of new cash borrowing during fiscal 1957, compared with $8.7 billion during fiscal 1956. (This fiscal 1957 figure excludes the tax anticipation bills sold in January and February to replace earlier obligations issued for new money; if included, this would raise the new cash borrowing figure to $16.7 billion.)

Treasury Offerings and Refundings in Fiscal 1957

Of the $13.5 billion of new money, $7.6 billion was borrowed during the first half of the fiscal 1957 and $5.9 billion during the last half. In addition to the $1.1 billion raised through additions to the weekly bill auction level for seven weeks beginning January 28, 1957, the Treasury offered the following issues for cash:

	Billions of Dollars
2¾% Tax Anticipation Certificate, Mar. 22, 1957	$ 3.2
2.627% Special bills, Jan. 16, 1957	1.6
2.617% Special bills, Feb. 15, 1957	1.8
2.585% Tax Anticipation Bills, Mar. 22, 1957	1.0
3⅜% Certificate, Feb. 14, 1958 } 3½% Note, May 15, 1960 }	3.2
2.825% Tax Anticipation Bills, Sept. 23, 1957	1.5
	$12.3
Additions to bill auction level	1.1
	$13.4

Exclusive of Treasury bills, total refundings undertaken by the Treasury in fiscal 1957 amounted to $36.9 billion compared with $30.2 billion the previous year. By combining refunding operations the Treasury was able to refund 5 maturing notes and 2 maturing

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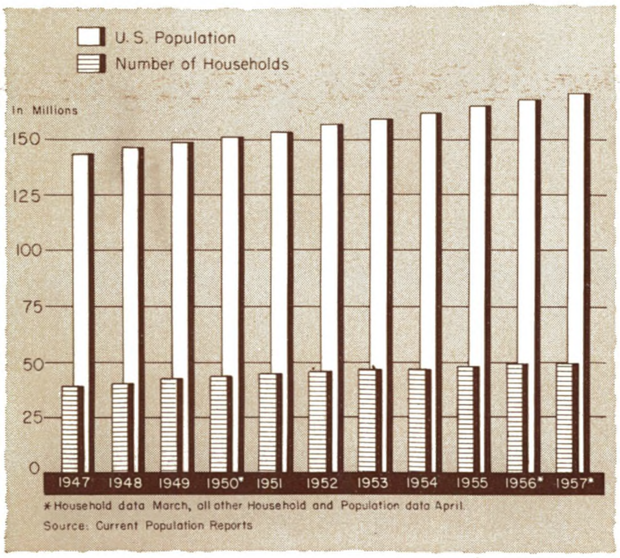
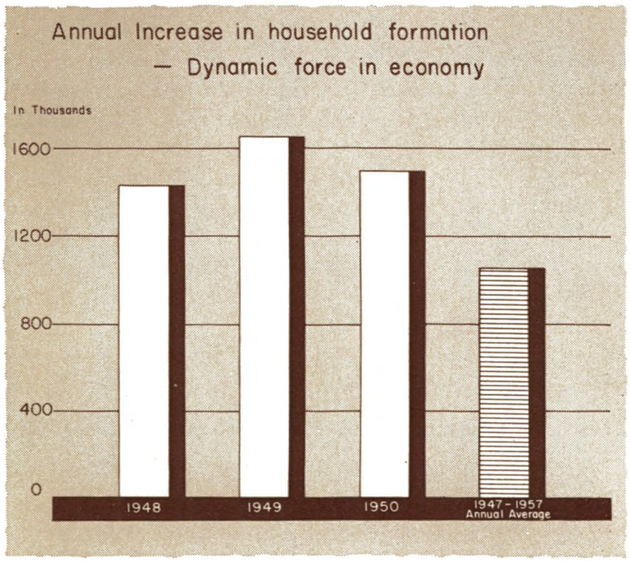
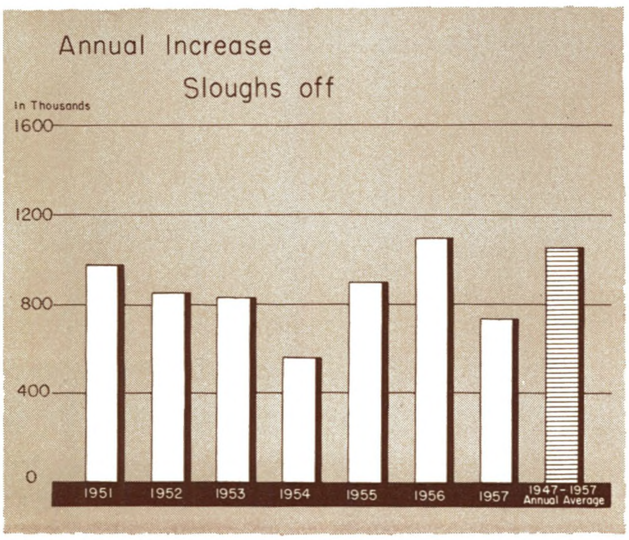
Changes In Trend of Household F



One of the less audible explosions since World War II, but with an economic chain reaction second to none, has been the upsurge in the growth of population. One of the more significant components of this growth meriting careful attention is the increase in households. Since 1947 the latter has increased 27% ; total population has increased "only" 19%. The boom in household formation stemmed mainly from the sharp increases in marriages and from the undoubling of families that had been living together. Obviously, the sharply increasing number of households after World War II was a dominant factor in the demand for housing and consumer durable goods.



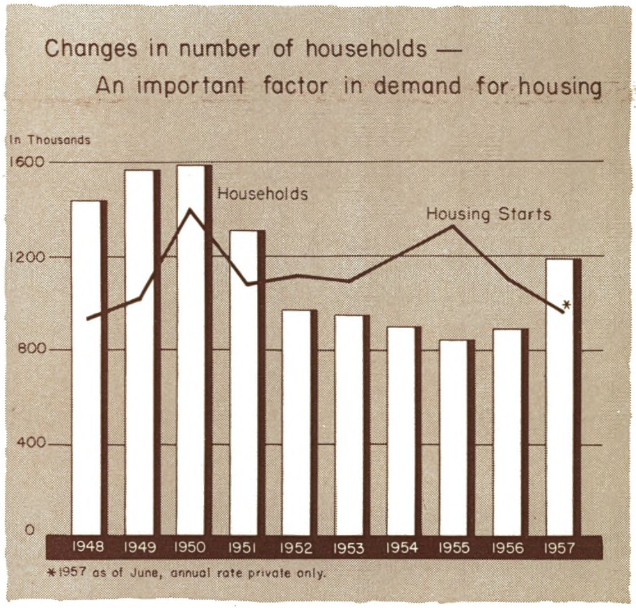
Within the period 1947-57 there were sharply divergent trends. Up to 1950 the influence of the principal factors affecting household formation was very strong. The number of doubled-up families was at its postwar peak in 1947 at 2.9 million. Married couples not maintaining their own households accounted for 8.7% of all married couples in that year. This represented a much greater potential for new household formation than does, for example, the 3.3% of March of the present year. Similarly, although the number of marriages each year declined considerably from the peak reached in 1946 when there was an unprecedented rush from a state of war to a state of matrimony, it was still at a very high level in 1950. Thus, the growth in household formation was at its greatest strength in the early postwar years.



After 1950, household formation weakened considerably. From 1947 to 1950 the average annual increase in the number of households in this country was 1,525,000. In the next three years, however, the rate of growth slumped to 902,000 and then fell off still more to 840,000 from 1953 to 1956. As shown in the opposite graph, with one exception each of the annual increases since 1950 was less than the average for the entire postwar period 1947-57. The series hit bottom in 1954 with an increase of 559,000 households, only one-third of the gain realized in 1949. There was a pickup in 1955 and 1956 but a sharp drop in the year ending April 1957. Thus, household formation has not been the dynamic force in the economy in recent years that it was in the earlier years of the postwar boom.

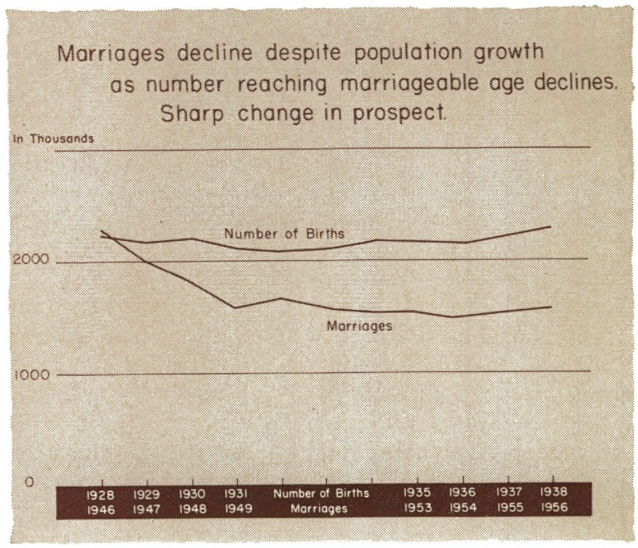
ation—Important Economic Force

Obviously, changes in the rate at which new households are formed are important factors in the residential construction picture. That is not the same, by any means, as saying that the demand for housing can be calculated solely from the ups and downs in the number of households. The availability of funds at rates satisfactory to both lender and borrower can, of course, dominate the situation. Also, the relation between changes in households and the number of housing starts is affected by demolitions, conversions of structures, and changes in the vacancy rate. Nevertheless, knowledge of the marked drop in household formation is helpful to an understanding of the decline in housing starts from the peak in 1950.



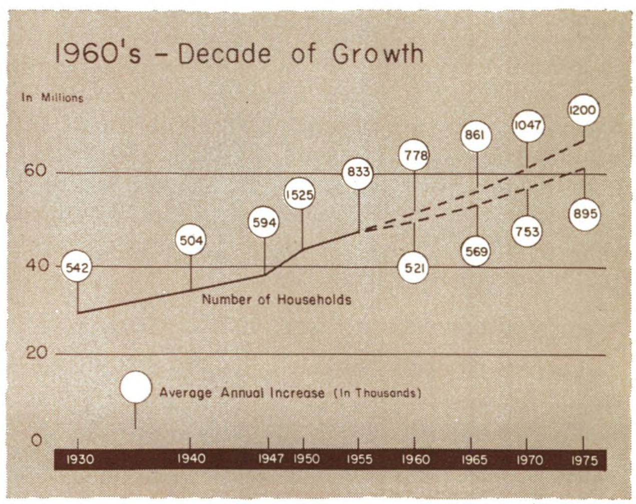
Changes in number of households — An important factor in demand for housing

Market analysts and others charged with keeping tabs on consumer demand for durable goods are particularly interested in future trends of household formation. The slump in the rate of growth of households after 1950 was due to declines in marriages and in the rate of undoubling. Not much stimulus to accelerated household formation will come from further undoubling, but a big boost from a sharp increase in marriages appears likely in the 1960's. The declining number of marriages after 1950 goes back to the low birth rates of the 1930's, and it is likely that the influence of small numbers of births through World War II will be felt for some years to come. When the flood of postwar babies reaches marriageable age, however, household formation and the demand for housing and household items should surge strongly.



Marriages decline despite population growth as number reaching marriageable age declines. Sharp change in prospect.

The first large increase in marriages should appear between 1965 and 1970, reflecting the big gain in births between 1945 and 1950. The Census Bureau has four series of projections (not predictions) of possible levels of household formation during the next 20 years. The high and low series are shown in the opposite chart. The high projection shows an average annual increase from 1955 to 1960 of 778,000, as compared with 833,000 during 1950-55. In the first half of the next decade, however, the indicated increase is 861,000. The rate of growth then doubles, and the estimated average annual increase from 1965 to 1970 is an imposing 1,047,000. The current relatively lean years of household formation will be followed by a renewed advance that will provide the economy with a powerful expansionary force in the Sixties.



1960's - Decade of Growth

Treasury Financing—
Fiscal 1957 and Fiscal 1958 To Date

(Continued from page 5)

certificates in four operations. The results of the refundings during fiscal 1957 were as follows:

Maturing Securities Amount	Description	Redeemed for cash	Exchanged	New Securities Offered
July 1956 Refunding:				
12,388	2% Notes due 8/15/56	860	11,528	2¾% Notes due 8/1/57
550	1½% Notes due 10/1/56	22	528	
12,938		882	12,056	
December 1956 Refunding:				
9,083	2⅝% C/I due 12/1/56	500	1,312	3¼% C/I due 6/24/57
			7,271	3½% C/I due 10/1/57
			8,583	
February 1957 Refunding:				
7,219	2⅝% C/I due 2/15/57	282	6,394	3⅜% C/I due 2/14/58
			543	3½% Notes due 5/15/60
2,997	2⅞% Notes due 3/15/57	578	1,498	3⅜% C/I
			920	3½% Notes
531	1½% Notes due 4/1/57	9	522	3⅜% Certificates
10,747		870	9,878	8,414 of 3⅜% C/I 1,464 of 3½% Notes
May Refunding:				
4,155	1⅝% Notes	1,156	2,351	3½% C/I due 4/15/58
			647	3⅝% Notes due 2/15/62
			2,999	

The net result of debt operations during fiscal 1957 was the reduction of the national debt subject to statutory limitation to $270.2 billion on June 30, 1957, compared with $272.4 billion at the end of fiscal 1956. Short maturities were characteristic of most of the offerings in debt operations, reflecting the strong competition for funds by private borrowers. Consequently, the average maturity of the marketable debt was 4 years and 9 months at the end of fiscal 1957, compared to 5 years and 5 months at the end of fiscal 1956. Despite reliance upon short-term issues, the Treasury was forced to accept progressively higher interest rates during the fiscal year. Although the movement was somewhat obscured in the case of relatively low rates established on securities for which payment through a credit to Tax and Loan Accounts was permitted, a comparison of the first and last refunding issues shows a sizable increase from the 2¾ per cent rate on the 12½ month note issued July 16, 1956, and the 3½ per cent on the 11½ month certificate issued May 1, 1957.

Treasury Financing in Fiscal 1958 to Date

If current efforts to cut $1 billion from 1958 spending, which was estimated at $71.8 billion in the January budget message, are successful, and if receipts reach their estimated $73.6 billion level, the administrative budget surplus for the current fiscal year will be $2.8 billion rather than the $1.8 billion projected in January. The receipts estimate rests on an assumption of high and moderately rising levels of income and corporate profits and continuation of present tax rates. In the fiscal 1958 cash budget, receipts are estimated at $85.9 billion and expenditures at $83.0 billion, which would yield a $2.9 billion cash surplus, slightly above that of this year.

At the beginning of fiscal 1958, the Treasury faced the prospect of refunding $47.6 billion of maturing securities, exclusive of Treasury bills, and $5.7 billion of callable bonds, as indicated in the chart. Of the $24 billion of maturities coming due in the first half of fiscal 1958, 39% were publicly held; 73% of the $23.7 billion of maturities due and 93% of the $5.7 billion of bonds callable during the second half of the fiscal year are publicly held.

In July 1957, the Treasury completed the first refunding of the current fiscal year. This refunding included all maturities due in the first half of fiscal 1958, as indicated in the chart. However, the four-month certificate offered as an optional exchange in this refunding will mature in December. The results of the refunding were as follows:

Maturing Securities Amount	Description	Redeemed for cash	Exchanged	New Securities Offered
July 1957 Refunding:				
12,056	2¾% Notes due 8/1/57	337	8,893	3⅝% C/I due 12/1/57
			1,790	4% C/I due 8/1/58
			1,036	4% Notes due 8/1/61
3,792	2% Notes due 8/15/57	373	978	3⅝% C/I
			1,328	4% C/I
			1,113	4% Notes
7,271	3¼% C/I due 10/1/57	325	—	3⅝% C/I
			6,638	4% C/I
			308	4% Notes
824	1½% Notes due 10/1/57	49	—	3⅝% C/I
			743	4% C/I
			32	4% Notes
23,943		1,085	22,859	9,871 of 3⅝% C/I 10,499 of 4% C/I 2,489 of 4% Notes

The Treasury carried out its first cash borrowing of fiscal 1958 through the auction of $3.0 billion of 264-day Tax Anticipation Bills, dated July 3. The issue, unprecedented in size for an auction, was sold at a price to yield 3.485 per cent on the average. In the second cash borrowing of fiscal 1958, $1.75 billion special bills, dated August 21, 1957, and due April 15, 1958, were sold at a price to yield 4.173% on the average.

Since the debt subject to statutory limitation stood at $270.2 billion at the end of fiscal 1957, when the limit reverted from the temporary $278 billion ceiling to the permanent $275 billion level, either expenditures must be reduced sharply, another temporary increase in the debt limit must be permitted by Congress, or the Treasury must resort to a number of bookkeeping devices to avoid exceeding the ceiling.

Business Conditions and Prospects

Gains and losses between June and July nearly washed out in Fifth District business activity this year, whereas it is normal for July to show more of a drop from June. The main areas of strength continued to be the construction industry and trade. Mining showed mild deterioration in the period, and manufacturing overall continued soft.

The employment level in July eased fractionally, which was considerably less than last year when several sectors of employment were affected by the steel strike. The June-July decline this year is a little bit less than normal. The employment level, with respect to a year ago, shows a loss in the Carolinas but moderately good gains in Maryland, Virginia, and West Virginia. Bank debits recovered a good part of their May-June loss, and except for the May adjusted level, the July figure stands at an all-time high record. Business failures have lessened and sales of life insurance eased further during the month. Bank loans, which don't usually show much expansion between June and July, rose somewhat less this year than in the past two years. Total deposits increased this year compared with a drop last year. Insured unemployment declined seasonally in the four weeks to August 10, but increases in the District from a year ago are about twice as large as nationally.

Cash income from farm marketings rose in June, but despite higher prices in most of the District states, the level failed to equal a year ago by 5%.

Trade

Department store sales (seasonally adjusted) rose 6% from June to July to a level 3% ahead of a year ago. The trend in department store sales since August 1956 has been in a range of 136 to 146 (1947-49=100), and the July figure was within that range. Stores reporting departmentally show a 1% increase in sales over a year ago with July this year having one more business day than last year. Of the major departments, only women's and misses' dresses; radios, phonographs, televisions, and records showed increases over last year, which means that the 1% increase in store sales was attained in many of the smaller departments.

Retail furniture store sales (adjusted) recovered about half of the May-June loss but were unchanged from July last year. Sales of furniture stores, though showing a somewhat different pattern than those of department stores, are also showing a flat trend and have been for the past two years. Accounts receivable have been in a flat trend for more than a year and collections have shown the same performance.

Television shipments to dealers in this District have been doing poorly this year, considerably poorer than in the nation. During June the shipments were 9% smaller than a year ago compared with a drop of 2% for the nation. In the first half-year District shipments were down 17% and national shipments down 10%. Radio shipments to dealers, on the other hand, have been doing quite well this year, better in the District than in the nation. In June 9% more radios were shipped to dealers in the Fifth District than last year; nationally there was a drop of 4%. In the first six months of the year shipments to District dealers were up 15% compared with a 5% increase nationally.

Registrations of new passenger automobiles in all District states during June were down 12% from May and 11% under a year ago, bringing the first half-year down 8% from last year. This is a poorer performance than shown in the United States, where June sales were down 7% from May, 4% under a year ago, with the half-year down 1%. Contrary to seasonal tendency, figures from North Carolina, Washington, D. C., and Richmond, Virginia, indicate a rise from June to July of 8% to a level 7% under a year ago.

New commercial car registrations for all District states in June were 15% under May, 6% under a year ago, with the half-year down 10%. For July, an increase of 10% was shown over June, leaving the month even with a year ago and bringing the seven months' total down to 9% below last year.

Manufacturing

Divergencies occurred in the trend of activity in manufacturing industries as represented by man-hours, but the over-all total was down 0.6% during the month and only fractionally below the level of a year ago when that month reflected the influence of the steel strike. Man-hours in the durable goods industries (excluding Maryland) were down 1.3% between June and July, occasioned by declines in lumber and wood products, 1.0%; furniture and fixtures, 1.6%; stone, clay, and glass, 4.5%; primary metals, 1.0%; and transportation equipment, 5.2%, in part offset by a rise of 2.6% in fabricated metals, 1.5% in electrical machinery, no change in other machinery.

Man-hours in the nondurable goods industries of these states declined 0.4% from June to July to a level 0.7% under a year ago. Accompanying the over-all decline during the month was a drop of 1.6% in textile mill products and a drop of 1.4% in chemicals and related products. In part offsetting these was a rise of 0.9% in food, 7.4% in tobacco, 2.4% in apparel, and 0.1% in paper industries.

The curtailment in the cotton textile industry, which had been discussed in the trade since April and which had failed to materialize, finally took effect in July when cotton consumption on an average daily (seasonally adjusted) basis dropped 7% from June to a level 8% under a year ago. This brought the seven months' total 5% under a year ago. As to whether this drop in July is the effect of a greater number of shutdowns is not known, but in spite of this decline, there has been little forward buying of goods and yarns; and prices, as shown in the chart on Fifth District trends, have continued to weaken. Over-all apparel sales in the nation, furthermore, are showing negligible changes from a year ago; and manufacturers' inventories are high enough to create no interest in forward purchase. As a consequence, the industry is essentially on a hand-to-mouth basis, and price concessions can be had when a producer is anxious to make a sale.

A somewhat better situation is indicated in the rayon and acetate industry, mainly in staple and tow. In the filament textile yarns rayon deliveries in July were unchanged from June, 3% under a year ago, with the first seven months down 13%. Acetate filament yarns, on the other hand, were up 4% from June to July, 35% ahead of a year ago, with the seven months up 5%. Staple and tow shipments in July were 17% higher in July than June, 20% ahead of a year ago, with the first seven months up 5%. Rayon staple and tow shipments rose 14% from June to a level 24% ahead of a year ago, bringing the seven months' total up 8% from last year. Acetate shipments of staple and tow rose 30% from June to July to a level 4% ahead of a year ago; the seven months' total, however, was 8% smaller than a year ago.

Man-hours of knitting mills were down 1.4% from June to July and 4.3% under a year ago. Full-fashioned mills showed a drop of 2.2% during the month and 13.0% during the year. Seamless hosiery, on the other hand, dropped 1.9% during the month but was 2.4% higher than a year ago.

Cigarette production in the District during June dropped 6% from May (after seasonal correction) but was 9% higher than in June 1956 and the first six months was up 6%. The Richmond Chamber of Commerce says July cigarette output in Virginia was down 4.1% from June but 4% higher than a year ago.

Employment

Total nonagricultural employment in the Virginias and the Carolinas in July was 0.4% smaller than in June but 1.5% higher than in July 1956. Percentage change in employment between June and July shows manufacturing down 0.8% and nonmanufacturing down 0.2%. Durable goods industries employment in manufacturing industries dropped 1.2% and nondurable goods industries employment dropped 0.6%. The drop in nonmanufacturing employment between June and July was due mainly to a drop of 1.9% in Government employment, a drop of 0.7% in mining employment, and a drop of 0.2% in transportation, communication, and public utility employment. These were in part offset by a 2.1% increase in construction employment; an increase of 0.2% in trade; 0.7% in finance, insurance, and real estate; and 0.1% in service and miscellaneous employment.

Banking

Total deposits of all member banks in the Fifth District rose $25 million between June and July; last year there was a drop of $38 million in this period and the year before, an increase of $11 million. Normally July is a month of little gain in time deposits, as vacations cause either the lack of depositing or a withdrawal of deposits. This year time deposits rose $21 million during July compared with an increase of $16 million last year and only $1 million the year before. Demand deposits increased $4 million this year; last year they dropped $54 million, and the year before that they rose $10 million.

Total loans and investments during July increased $18 million compared with a drop of $16 million last year and an increase of $23 million in 1955. Loans and discounts increased $4 million this year, $6 million last year, and $5 million in 1955. Security holdings rose $14 million this year compared with a drop of $23 million last year and an increase of $18 million in 1955.

Consumer instalment credit at commercial banks in the Fifth District rose 2.0% between May and June to a level 4.0% higher than in June 1956. Changes from May to June show automobile paper up 2.3%, other consumer goods up 1.1%, repair and modernization loans up 1.1%, and personal loans up 2.0%. Relative to a year ago automobile paper was up 4.9%, other consumer goods paper was down 3.6%, repair and modernization loans up 8.0%, and personal loans up 5.4%.

Bituminous Coal

Average daily bituminous coal production in the Fifth District dropped 25% from June to July to a level 6% ahead of a year ago. The drop from June to July was somewhat greater than last year and the year-to-year increase somewhat smaller than in June.

In four weeks of July foreign cargo shipments through Hampton Roads and Baltimore ports were 10% smaller than a month earlier, due mainly to the miners' holiday. The July figure was 17% higher than a year ago, but this is only about half the January 1-July 27 increase of 34%. In the two weeks ended August 10 the increase over a year ago had dropped to 9%, which begins to show some indication that the export market may not be as strong as was thought earlier. The sharp drop in charter shipping rates to European ports also signifies less willingness to purchase coal on the part of foreign importers. Wholesale prices of bituminous coal rose fractionally between June and July and were nearly 10% higher than a year ago.

FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES*

(Based on Dollar Value)

STATES	Percentage change with corresponding period a year ago: July 1957	7 Mos. 1957
Maryland	—10	— 5
Dist. of Columbia	— 4	— 6
Virginia	+ 7	— 6
West Virginia	+32	+ 2
North Carolina	— 4	— 2
South Carolina	+ 4	— 3
District	0	— 4
INDIVIDUAL CITIES		
Baltimore, Md.	—10	— 5
Washington, D. C.	— 4	— 6
Richmond, Va.	+ 9	— 4
Charleston, W. Va.	+44	+ 8
Charlotte, N. C.	+ 7	+ 2
Greenville, S. C.	— 5	— 6

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

WHOLESALE TRADE

LINES	Sales in July 1957 compared with July 1956	June 1957	Stocks on July 31, 1957 compared with July 31, 1956	June 30, 1957
Auto supplies	0	— 5	— 8	— 3
Electrical, electronic and appliance goods	— 3	+ 1	+58	+ 4
Hardware, plumbing, and heating goods	— 4	+12	+ 7	— 1
Machinery equipment supplies	— 3	—12	+ 2	+ 1
Drugs, chemicals, allied products	+ 5	+ 6	+ 7	— 1
Dry goods	NA	NA	NA	NA
Grocery, confectionery, meats	+15	+ 5	— 2	+ 7
Paper and its products	—20	— 1	NA	NA
Tobacco products	— 1	0	+12	+ 8
Miscellaneous	0	+ 1	+ 2	— 9
District total	0	+ 2	+15	0

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

BUILDING PERMIT FIGURES

(37 Cities)

	July 1957	July 1956	7 Months 1957	7 Months 1956
Maryland				
Baltimore	$ 4,408,226	$ 4,378,855	$ 42,436,225	$ 31,492,438
Cumberland	55,550	108,595	705,116	1,037,100
Frederick	146,955	449,850	1,094,985	3,801,760
Hagerstown	1,632,232	61,685	5,516,496	806,510
Salisbury	92,765	68,487	823,832	1,282,005
Virginia				
Danville	309,698	461,328	4,120,708	5,169,919
Hampton	432,714	421,491	10,217,607	4,969,222
Hopewell	104,491	134,999	2,023,938	1,504,657
Lynchburg	818,505	799,620	5,779,499	6,675,555
Newport News	87,766	97,229	1,625,502	1,304,495
Norfolk	1,186,980	2,741,193	5,877,931	17,426,893
Petersburg	459,322	582,000	1,794,964	2,022,050
Portsmouth	190,695	315,155	1,844,874	3,507,084
Richmond	7,644,635	2,209,306	24,175,292	17,772,859
Roanoke	808,515	1,117,772	7,802,102	13,842,587
Staunton	116,700	328,750	1,226,011	1,785,339
Warwick	1,534,445	622,435	5,727,245	4,749,795
Winchester*	448,694	NA	1,106,326	NA
West Virginia				
Charleston	1,749,569	1,068,833	5,625,183	5,477,204
Clarksburg	123,445	148,481	1,046,489	1,339,173
Huntington	473,150	353,590	2,749,021	2,909,365
North Carolina				
Asheville	210,665	1,335,284	2,087,816	4,693,105
Charlotte	4,214,294	2,208,166	11,546,706	19,618,705
Durham	752,282	1,135,928	5,831,405	5,661,788
Gastonia	739,800	544,300	4,121,275	3,917,200
Greensboro	688,907	1,414,567	8,322,271	10,258,592
High Point	657,122	530,480	3,176,017	3,643,089
Raleigh	913,926	1,453,432	8,849,576	7,906,600
Rocky Mount	1,678,675	190,108	4,661,767	2,136,522
Salisbury	168,200	95,150	1,398,878	1,440,100
Wilson	142,300	385,200	1,272,760	3,178,653
Winston-Salem	934,407	779,267	10,952,656	9,192,258
South Carolina				
Charleston	178,181	228,264	1,436,069	2,313,488
Columbia	2,484,116	582,559	9,188,486	6,634,139
Greenville	1,671,850	407,480	3,310,397	4,144,441
Spartanburg	280,403	209,777	2,672,899	3,229,965
Dist. of Columbia				
Washington	9,218,483	6,457,732	45,858,624	33,259,389
District Totals	$47,309,969	$34,427,348	$256,900,622	$250,104,044

* Not included in District totals.
NA Not available.

DEPARTMENT STORE OPERATIONS

(Figures show percentage changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals
Sales, July '57 vs July '56	0	+11	+ 5	+ 7	+ 7
Sales, 7 Mos. ending July 31, '57 vs 7 Mos. ending July 31, '56	— 2	+ 9	+ 4	+ 3	+ 4
Stocks, July 31, '57 vs '56	— 4	+10	+ 9	0	+ 6
Outstanding Orders, July 31, '57 vs '56	+ 1	0	—12	— 1	— 5
Open account receivables, July 1, collected in July '57	33.0	48.5	41.5	37.6	40.8
Instalment receivables, July 1, collected in July '57	10.6	13.6	12.3	21.7	13.5

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, July '57 vs July '56	+ 9	+ 5	+ 2	+18	+ 4	+10

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	July 1957	June 1957	July 1956	% Chg.—Latest Mo. Prev. Mo.	Yr. Ago
New passenger car registrations*	......	149	159	—12	—11
Bank debits	204	193	191	+ 6	+ 7
Bituminous coal production*	86	112	81r	—23	+ 6
Business failures—number	......	255	333	— 4	— 9
Cigarette production	......	108	105r	— 6	+ 9
Cotton spindle hours	120	119	126	+ 1	— 5
Department store sales	144	136	140	+ 6	+ 3
Manufacturing employment*	......	112	109r	0	— 1
Furniture store sales	125	121	125	+ 3	0
Life insurance sales	274	280	223	— 2	+23

* Not seasonally adjusted.
r Revised.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	July 1957	July 1956	7 Months 1957	7 Months 1956
Dist. of Columbia				
Washington	$1,598,421	$1,496,286	$10,951,717	$10,485,530
Maryland				
Baltimore	1,985,728	1,739,077	13,224,890	12,166,883
Cumberland	33,411	32,457	209,443	194,471
Frederick	28,808	25,186	194,398	181,408
Hagerstown	44,028	43,500r	327,502	313,636r
Salisbury	40,537	38,392	267,447	254,136
Total 5 Cities	2,132,512	1,878,612r	14,223,680	13,110,534r
North Carolina				
Asheville	93,786	74,546	548,869	509,776
Charlotte	453,459	425,368	3,147,168	3,088,146
Durham	93,375	88,408	644,977	603,415
Greensboro	193,462	168,895	1,268,462	1,131,804
High Point	57,587	51,155	403,230	385,287
Kinston	23,823	22,354	168,323	155,706
Raleigh	240,374	233,533	1,783,886	1,639,858
Wilmington	57,432	54,307	383,130	374,352
Wilson	25,487	20,319	153,947	146,631
Winston-Salem	197,584	178,386	1,358,917	1,330,509
Total 10 Cities	1,436,369	1,317,271	9,860,909	9,365,484
South Carolina				
Charleston	104,276	92,575	717,553	645,843
Columbia	213,976	187,060	1,474,102	1,366,825
Greenville	162,565	132,415	1,041,710	998,000
Spartanburg	71,836	68,932	494,100	489,616
Total 4 Cities	552,653	480,982	3,727,465	3,500,284
Virginia				
Charlottesville	45,410	38,259	303,394	269,546
Danville	40,770	39,321	319,711	295,556
Lynchburg	63,948	59,116	435,097	429,705
Newport News	68,292	62,416	448,551	439,792
Norfolk	353,204	323,340	2,337,549	2,179,665
Petersburg	27,916	26,022	190,916	201,585
Portsmouth	42,010	37,897	277,342	264,388
Richmond	815,624	731,492	5,356,834	4,875,363
Roanoke	175,979	158,757	1,139,748	1,078,899
Total 9 Cities	1,633,153	1,476,620	10,809,142	10,034,499
West Virginia				
Bluefield	55,703	53,488	433,703	395,543
Charleston	195,520	170,190	1,364,688	1,262,586
Clarksburg	44,552	39,199	299,504	283,794
Huntington	95,162	83,659	646,679	599,461
Parkersburg	40,903	35,994	273,099	256,462
Total 5 Cities	431,840	382,530	3,017,673	2,797,846
District Totals	$7,784,948	$7,032,301r	$52,590,586	$49,294,177r

* Interbank and U. S. Government accounts excluded.
r Revised.

WEEKLY REPORTING MEMBER BANKS

(000 omitted)

ITEMS	Aug. 14, 1957	Change in Amount from July 17, 1957	Change in Amount from Aug. 15, 1956
Total Loans	$1,916,230**	+ 18,751	+ 75,910
Bus. & Agric.	894,098	+ 5,064	+ 52,029
Real Estate Loans	340,503	+ 2,822	+ 6,602
All Other Loans	713,835	+ 10,922	+ 23,215
Total Security Holdings	1,547,096	— 45,623	— 90,972
U. S. Treasury Bills	59,639	— 32,914	+ 15,683
U. S. Treasury Certificates	113,803	+ 23,047	+ 59,602
U. S. Treasury Notes	152,528	— 36,120	—154,458
U. S. Treasury Bonds	958,156	+ 825	— 8,890
Other Bonds, Stocks & Secur.	262,970	— 461	— 2,909
Cash Items in Process of Col.	381,052	+ 5,854	+ 4,849
Due from Banks	182,379*	— 1,266	+ 11,672
Currency and Coin	83,204	+ 809	+ 8,714
Reserve with F. R. Banks	523,945	— 6,079	+ 8,057
Other Assets	79,412	+ 1,919	+ 7,028
Total Assets	$4,713,318	— 25,635	+ 25,258
Total Demand Deposits	$3,459,603	— 38,829	— 49,011
Deposits of Individuals	2,615,757	— 17,738	— 2,518
Deposits of U. S. Government	67,145	— 35,527	— 64,133
Deposits of State & Local Gov.	207,194	+ 8,493	— 224
Deposits of Banks	510,805*	+ 14,521	+ 20,928
Certified & Officers' Checks	58,702	— 8,578	— 3,064
Total Time Deposits	796,384	+ 4,169	+ 30,184
Deposits of Individuals	748,072	+ 4,344	+ 58,267
Other Time Deposits	48,312	— 175	— 28,083
Liabilities for Borrowed Money	43,358	+ 3,333	+ 19,708
All Other Liabilities	61,797	+ 2,915	+ 10,069
Capital Accounts	352,176	+ 2,777	+ 14,308
Total Liabilities	$4,713,318	— 25,635	+ 25,258

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