FEDERAL RESERVE BANK OF RICHMOND

Monthly Review

THE FIFTH FEDERAL RESERVE DISTRICT

December 1957

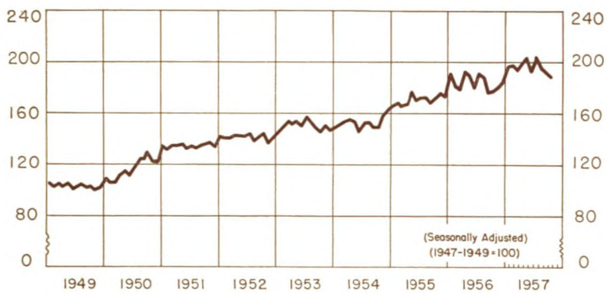
WHAT'S AHEAD FOR FARMERS?

Farmers are faced with a host of questions and decisions to make as they plan for the year ahead. Some help may be provided by the commodity outlook as seen by Department of Agriculture analysts and presented on page 3.

Also In This Issue - - -

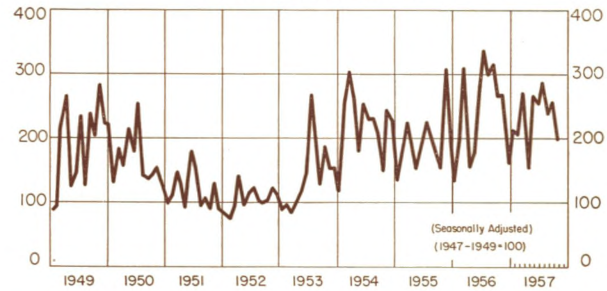
FIFTH DISTRICT TRENDS

BANK DEBITS



For the third month in a row seasonally adjusted bank debits declined; the October level was 2% under September, but it remained 7% ahead of a year ago; and the ten months' total was up 7%.

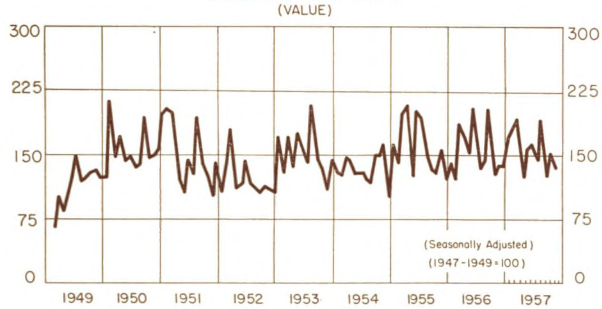
BUSINESS FAILURES



Business operation in the District has become more seasoned, for the level of failures has been reduced. The October level (adjusted) was 22% under September and 25% less than last year with the ten months' total down 3%.

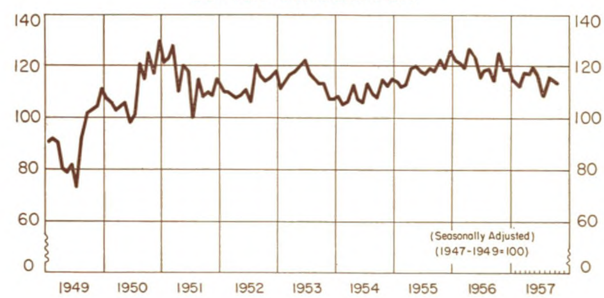
BUILDING PERMITS

(VALUE)



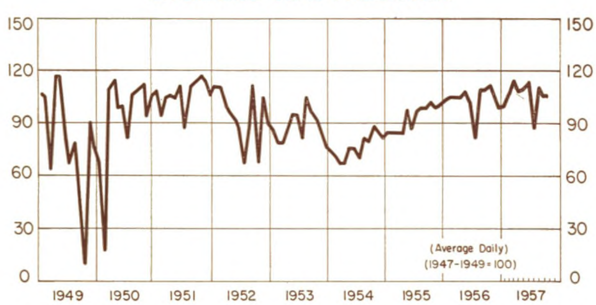
The value of October building permits in the District dropped 12% from those in September and stood at a level 2% under last year. In the first ten months of the year permits were 2% smaller than a year earlier.

COTTON CONSUMPTION



Further easing took place in the amount of cotton consumed in Fifth District mills during October. That month was 1% smaller than in September (after seasonal correction) and 7% smaller than a year ago. The ten months' total was 4% smaller than last year.

BITUMINOUS COAL PRODUCTION



Lower domestic consumption and some easing in exports of bituminous coal caused Fifth District output in October to drop 2% on an average daily basis from September to a level 3% under a year ago. Output in the first ten months was 4% higher than a year ago.

RETAIL FURNITURE STORES NET SALES

Following a substantial drop between August and September, sales of retail furniture stores rebounded 5% (after seasonal correction) in October. The October level, however, was 6% under a year ago and the ten months' total was down 4%.

Commodity Highlights—What Farmers May Expect In '58

EACH Fall the top agricultural economists of the U. S. Department of Agriculture peer into their crystal balls in an attempt to determine farm prospects for the coming year. This outlook information provides one of the most comprehensive guideposts available to farmers as they plan for the year to come. What USDA's analysts saw this Fall for major Fifth District commodities in 1958 shapes up about like this:

Tobacco

The substantially reduced production of most types of tobacco in 1957 made some headway toward reducing surpluses. Carry-overs from previous crops of most tobaccos remain large, however, and supplies for 1957-58 will be only moderately below those of the past year.

The 1956-57 consumption levels of most tobaccos—especially flue-cured and burley—were not encouraging, and no appreciable increase is in prospect for the year ahead. Total tobacco exports this year were around 12% below the unusually high level of 1955-56, and some further decline may occur during the 1957-58 marketing season. Tobacco exports during the past two years have been aided significantly by Public Law 480 programs, however, and prospects are that these programs, which provide for foreign currency sales, will again boost the amount of tobacco sold abroad in the coming year.

Most types of tobacco will be grown under marketing quotas and acreage allotments again in 1958. Flue-cured quotas and allotments for 1958 will be essentially the same as in 1957; for other kinds, quotas will be announced by February 1. New legislation provides that, beginning in 1958, separate marketing quotas will be determined for Virginia fire-cured and Kentucky-Tennessee fire-cured. Shortly after the quota proclamation, fire-cured and dark air-cured growers will vote to determine whether or not they favor quotas on their 1958, 1959, and 1960 crops.

Prices of 1958-crop flue-cured, burley, and Maryland tobaccos will be supported at 90% of parity as in the past. Price supports for fire-cured have been set at 75%, and Virginia sun-cured and dark air-cured at 66⅔%, of the burley support level for a good many years. However, beginning in 1958, the level of support for these types cannot exceed those of the 1957 crop unless 90% of parity for these tobaccos rises above their 1957 support levels.

Eligible growers will again be permitted to place tobacco acreage in the Soil Bank. Payment rates are the same as in 1957.

Poultry and Eggs

Owners of commercial laying flocks are likely to find their 1958 business more profitable than 1957's. Prices of eggs will be higher, costs of feed lower, and with a probable increase in production per bird partly offsetting the decline in the number of layers, total egg output for the year may be only slightly below the record volume of 1956 and 1957.

Prospects for broiler and turkey producers are not as favorable. Production of broilers is again expected to trend upward in 1958; however, broiler prices seem likely to average close to the 1957 price of 19 cents per pound. Turkey prices early in 1958, dominated by large storage stocks of turkeys, will be below those in 1957. Should the low 1957 price level influence growers to reduce production as is expected, prices of turkeys during the latter part of 1958 will probably be higher than comparable 1957 prices. On the more favorable side, lower prices for feed—poultrymen's biggest expense item—will reduce producers' expenses in the year ahead.

Meat Animals

Hog producers can look for prices of hogs to hold up well—near 1957 levels—through the middle of 1958. Lower prices are likely during the second half—in fact, Fall prices may be considerably lower than in the Fall of 1957. Production of hogs has already turned upward, and the record feed supplies and lower feed prices add further impetus to expanded production in the year ahead. The size of the 1958 Spring pig crop will largely determine the extent to which hog prices decline during the second half of the year. A very large increase would bring danger of a severe drop in prices.

Cattle farmers can expect 1958 prices for cattle to average as high or higher than in 1957. Feeder cattle cost more this Fall, but with lower priced feed and probably strengthened fed cattle prices, farmers can expect feeding profits to be at least average in 1958.

Dairy Products

Prices for milk and butterfat in the year ahead will again be influenced by the level of price supports. Little change in per capita consumption of dairy products is expected, supplies will again be larger than demand, and prices will most likely hold near support levels.

In recent years milk production per cow has trended upward, and farmers have sold an increasing proportion of total milk production. Should these trends continue in 1958 as expected and should prices remain relatively the same as in 1957, then cash receipts from dairying will likely increase. However, this year's drought-reduced crops of hay and other feeds throughout much of this five-state area will increase 1958 production expenses of District dairymen considerably.

(Continued on page 12)

Individual Savings—Its Nature And Recent Behavior

How do people get rich?

By saving!

The answer *is* as simple as that. Most accumulations of wealth had their origins in saving—in someone deciding not to consume, but to invest instead. Yes, the answer is simple, but how wealthy would you be right now if all your past plans for saving had been maintained without interruption? Chances are, you are not as wealthy now as you would have been! Savings plans seem to possess an innate and universal tendency to give way before all too frequent "emergencies."

Because of the seemingly insuperable difficulties obstructing the path to riches through saving for the average man, it may be mystifying, at first blush, to be faced with stupendous savings figures such as:

52 billion $ of savings and time deposits at commercial banks

31 billion $ of savings deposits at mutual savings banks

40 billion $ of savings shares at savings and loan associations

3 billion $ of savings shares at credit unions

1½ billion $ of savings deposits in the Postal Savings System

49 billion $ of Savings Bonds of the U. S. Government

19 billion $ of savings in other U. S. Government securities

These were the amounts of savings which had accumulated in each of these forms by the end of June 1957. And there are very important omissions which cannot be included because of inadequate data; namely, billions of dollars' worth of corporate stocks and bonds, of mortgages, and of state and local Government securities held by individuals—at least as much again as the total of those listed above! In spite of the obstacles to saving faced by many people, a lot of other people are saving, and they are saving a lot of money. Furthermore, although many savings plans do not fully materialize, they do result in some savings being accumulated by millions of the nation's citizens.

The Way People Save

Economists generally think of saving as "not consuming." This enables them to think either of dollars not spent for consumption during a given period or of goods not used up in the period. And some very complicated thinking has been done, too. For purposes of this discussion, let us think only of the "dollars-not-spent-for-consumption" aspect of saving.

Having decided not to consume our total income, what can be done with the dollars left over?

First, people who have such dollars may voluntarily decide to place them in one of the conventional savings forms mentioned above—in deposits at banks, in share accounts at savings and loan associations or credit unions, in Government or other securities. Or they may decide to simply hold such dollars idle in their pockets or purses, or even under their mattresses. One of the most significant aspects, for the economy as a whole, of savings in these forms is the fact that they are voluntary and consequently may be subject to very sharp variation from time to time. Such variation affects not only the level of consumer spending but also the availability of saved funds to business and other borrowers.

Second, income earners may have contracted to make periodic payments for the purpose of accumulating funds for old age or to provide for their families in the event of disaster. For example, many workers are covered by compulsory pension plans which require periodic contributions, and many people have committed themselves to pay life and other insurance premiums periodically to build a retirement fund or to provide death and other benefits. Contrary to the first type of savings, this kind tends to be relatively stable in its growth because of the contractual or compulsory nature of the arrangements.

Third, people may not spend for consumption because they are committed to repay loans which, in some past period, provided funds for consumption use or for the acquisition of goods which give services for many future years; such as, houses, automobiles, home appliances, and furniture. Money used to make loan payments is not, of course, available for spending on additional consumer goods and services and is, accordingly, classed as saving. In the earlier days of the republic, our forefathers found it necessary to save month by month to acquire the money needed for the purchase of, say, furniture for the house. Today, we acquire the furniture first and then save to pay for it. This is nothing more than a difference in the form of the same kind of saving—and it cannot reasonably be claimed that this proves our forefathers to have been more frugal than we are today. As a matter of fact, the assertion may be directed in exactly the opposite direction: The ultimate aim of saving in this case is the acquisition of the furniture. Today's young couples commit themselves to a legal contract to make this acquisition; whereas, as was mentioned in the opening paragraphs, planned saving for future spending tends to give way so easily before the stress of "emergency." It is surprising how frequently "emergencies" occur—and we do not mean the kind of emergency which would result in loan delinquency!

We haven't come to the end of the rope yet—there is one other use for dollars not spent on consumption. *Fourth,* the people who have such dollars may invest them directly in durable goods which will provide services in the future; such as, automobiles, washing machines, furniture, power mowers, houses, and the host of other long-lasting things. "Why call this saving?" you may ask. "If you've spent it, you've spent it!" True enough, but you have not spent these dollars for consumption. You "consume" the laundry services provided by your washing machine; that is, the income provided by your investment, over a period of several years, not just in the year in which it was purchased. Furthermore, after the washing machine is paid for, it has a monetary value which you have acquired as an asset—which you have saved. You could realize this value simply by selling the washing machine. Since it is an apparent contradiction to speak of "spending" as being a process of "saving," it is useful to make a further distinction. We may say that the purchase of a washing machine is investment which is financed from saving. In dollar terms, you have saved because these dollars did not provide you with immediate consumption. In physical terms, you have invested because you have acquired an asset which will provide services for consumption in the future.

There is one other aspect of this form of saving that has to be mentioned, even though it may make for dull reading. Suppose you withdrew money from your savings account in order to pay for the washing machine. You have reduced your past savings in liquid form to increase your savings in real terms. Therefore, looking at liquid assets only, saving has decreased. Looking at the washing machine side of it, saving in physical terms has increased. Since both amounts are equal in these cases, there has been no change in over-all saving —but there have been very important changes in types of savings; and different types exert different kinds of influences on the economy.

To summarize, then, dollars not spent by people for current consumption may be saved in the following ways:

1. They may be deposited in savings institutions, used to purchase stocks, bonds, or mortgages, or held idle.
2. They may be used to make contractual or compulsory saving; such as, payments to insurance or pension funds.
3. They may be used to repay loans.
4. They may be invested in durable service-providing goods.

Some Saving Developments

In this statistic-minded and statistic-ridden country, it may seem something less than truthful to say that not sufficient data are available to describe recent developments in each of the four types of saving given above. Nevertheless, such is the case. But there are some useful and revealing fragments which we may examine briefly.

The Department of Commerce computes personal saving by subtracting its estimate of personal consumption expenditures (which includes consumer durable goods other than houses) from its estimate of personal income after taxes. This saving figure includes the first three types of saving listed above and net investment in housing. In addition, it also includes the effect on net saving of borrowing and the cashing in of past saving.

According to the Commerce Department's saving data, very wide fluctuations have occurred in personal saving over the past 30 years—since just before the Great Depression. As may be expected, the widest variations came during times of great stress: During the depression of the early 1930's, personal saving became negative; that is, the people as a whole spent more for consumption than the national personal income could support. The American people had to draw on their past saving or borrow money to maintain their reduced level of consumption spending. The next period of great stress for the nation brought just the opposite reaction. During World War II, personal saving reached an unbelievable one-fourth of personal income after taxes. This resulted from the war-generated patriotic appeal and the scarcity of many consumer goods working together to hold back consumer spending. In the years just after the war, consumers called on their war-time savings and on borrowing, in addition to their steadily increasing current incomes, to make up for the deprivations of war; and personal saving dropped as low as 2.4% of income after taxes in 1947. The Korean War added its stimulus to personal saving, but not with the same intensity as had World War II. In 1951, the year in which the economic effects of the war were most strongly felt, saving jumped to 7.8% of personal income after taxes.

In the third quarter of 1957, according to this Department of Commerce concept, personal saving, at an annual rate of $19.8 billion, was 6.5% of personal income after taxes. This is a somewhat smaller proportion than the 7% of income accounted for by saving in 1956, but well above the 5.8% in 1955.

This over-all approach paints such a broad picture that it conceals many important shifts in different forms of saving, each with its own significant implications. For example, some analysts of saving data believe that the significance of personal saving for economic developments in early 1957 lies in a shift away from saving in physical things to saving in financial form, the former indicating an easing of demand for consumer durables and the latter an increased flow of funds to the capital markets to meet the unprecedented demand for money there.

Some further insight into the nature of saving is provided by data compiled by the Securities and Exchange Commission. These data go beyond those listed at the beginning of this article in that they include changes in individuals' holdings of currency, demand deposits, corporate stocks and bonds, and state and local bonds; changes in private and governmental insurance and pension reserves; and changes in net debt of individuals. It may be said that these data reflect changes in the financial status of individuals.

These financial data published by SEC support the contention of the analysts with regard to an increase in saving in financial form in the first quarter of 1957. Individuals' net financial claims increased by $5.9 billion during this first quarter of the year, the largest quarterly increase in recent years. In the second quarter of the year, because of a relatively sharp increase in individuals' indebtedness—for both houses and consumer goods—net financial claims increased by only $3.9 billion. This $3.9 billion, however, is small only in comparison with the preceding quarter's $5.9 billion—in better perspective, it is one of the largest quarterly increases in the past four years.

Financial Savings In More Detail

Not only have over-all savings patterns experienced sharp shifts over the past three decades, but also the forms in which savings are accumulated varied widely. Taking refuge behind our "insufficient statistics" claim, attention is directed to financial savings only and within this group only to those forms listed at the beginning of the discussion; namely, time deposits in commercial and mutual savings banks and in the Postal Savings System, savings shares in savings and loan associations and credit unions, and individuals' holdings of U. S. Government Savings and other bonds. As indicated above, these forms of savings by no means cover the total of voluntary financial savings by individuals, but the data available for these components do provide considerable insight into the behavior of this portion of liquid assets held by individuals.

Prior to the advent of volume sales of U. S. Savings Bonds during World War II, time deposits at commercial banks contained by far the largest proportion of liquid savings of individuals, accounting for 36.2% of the total at the end of 1940. During the perturbed years of World War II, purchases of U. S. Savings Bonds far outpaced the growth of savings in other liquid forms, including that in time deposits at commercial banks. At the end of 1945, $42.9 billion of Savings Bonds dwarfed the next largest component of liquid savings—$29.9 billion in savings accounts in commercial banks—and accounted for 35.7% of our total liquid savings figure.

The years of unprecedented prosperity since the end of World War II witnessed a revitalization of the growth of savings in private institutions, particularly in what has become a prime contender in this field—savings and loan associations. Shares in savings and loan associations at the end of 1945 totaled $7.4 billion and accounted for only 6% of savings in the forms being discussed. At mid-1957, savings and loan shares had reached $39.9 billion and accounted for a little over one-fifth of all savings in these forms.

Mutual savings banks have maintained a quite respectable growth in their savings accounts in the post-World War II years—from $15.3 billion to $30.8 billion—and have managed to nudge their percentage of total liquid savings from 13% to 16%. Commercial banks experienced a somewhat similar pattern of growth. During World War II, the commercial banks' role as holder of the largest share of individuals' liquid savings was stolen by the newcomer to the field—the Savings Bond. The Savings Bond maintained the starring role to which it had rocketed during the war for eleven full years, but the competing contenders gradually nipped away at this pre-eminence. The intensification of this competition, sparked by the growing tightness of credit in 1956 and early 1957, saw the commercial banks of the nation again break into the lead with $51.8 billion of savings accounts—26½% of the total.

Although the big guns in the savings competition have amassed the really telling sums, the most spectacular growth has been achieved by one of the minor players. Credit unions, with only $400 million in savings shares at the end of 1945, showed an eightfold increase to $3.2 billion by mid-1957—from 0.3% of the total to 1.6%. Its companion bit player, the Postal Savings System, is the only savings contender which has experienced a decline throughout most of the postwar period. The momentum of war-time savings carried Postal Savings deposits to their peak in 1947; since then they have declined steadily and now stand at only $1.6 billion—0.8% of the total.

Saving—A Moderating Influence

The rate of saving reflects changing conditions in the economy. But it is more important than a mere reflector of conditions; it exerts a positive influence toward correcting extremes. In a period of recession, consumer goods markets are strengthened to the extent that personal saving is reduced. In a period of boom, consumer demand is dampened and investment demands of businesses are more adequately met to the extent that saving is expanded. The evidence for the current period in our economic life suggests that the factors contributing to excessive demands in the capital markets and in the markets for commodities and labor, demands which exerted considerable upward pressure on nearly all prices, at the same time contributed to an increased rate of financial saving by the people. This increase in financial saving provided some moderating influence on the price pressures in the economy by increasing the supply of funds to the capital markets and, at the same time, withdrawing funds from the markets for consumer goods.

For Consumers of Statistics

Revised Department Store Indexes

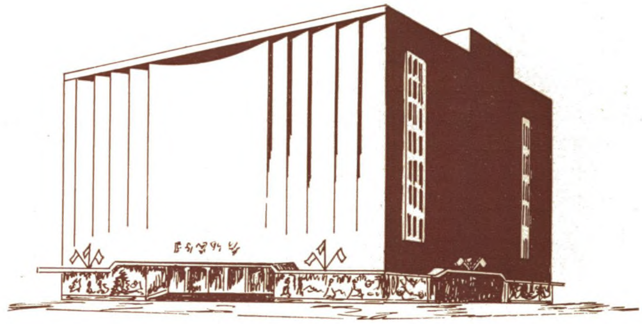
A widely used indicator of business conditions in the Fifth Federal Reserve District is the monthly percentage change in department store sales. This series, based on reports from a number of leading department stores which cooperate in the program, gives a percentage comparison between total dollar sales in the current month and in the same month in the preceding year. For example, October 1957 showed a 1% decline compared with October 1956.

The reporting stores—the "sample" in statistical jargon—are only a part of the total number of department stores in the District. This is true for many reasons, a primary one being cost. Sales figures of the reporting stores account for about three-fourths of the total, however, and the experience of this sample is used as a measure of what is happening to total sales in the District.

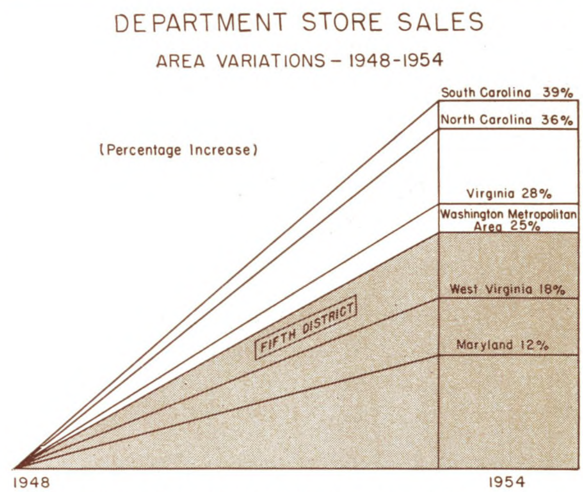
A more refined department store sales series is the monthly sales index, which is adjusted for new stores, nonreporting stores, and differences in the number of trading days in different calendar months. This permits comparison not only with the same month of last year but also with any other series on the same base period. Further, it provides a basis for historical perspective not available in a percentage change series. Besides the District index, sales indexes are available for each state within the District and for the Washington Metropolitan Area.

Adjustment to Census Data

These indexes are widely used not only by the reporting stores and the Federal Reserve System, but also by trade associations, private economic analysts, and the public in general. Because of this it is important that they be as accurate as possible. Fortunately measures of the correctness of the estimates are



available. The United States Bureau of the Census periodically obtains actual sales figures from every department store. When these Census data are made available, the indexes are reviewed and revised to adjust their accumulated change to that of the Census figures. This adjustment was previously made with data from the Census of Business of 1939 and 1948. The latest such revision has just been completed and adjusts the indexes to changes shown between the Census of Business of 1948 and that of 1954.



North and South Carolina had the largest growth in sales from 1948 to 1954. The percentage increase for the Fifth District coincided with that of the Washington Metropolitan Area.

In spite of the good coverage of the department store sample, the indexes for the District by 1954 were understating the actual growth of sales from 1948 by approximately 8%. The revised index corrects for this 8% error by introducing a gradual upward adjustment of the index ranging from zero at the end of 1948 to 8% in 1954. Since the District index is computed by combining the six area indexes according to each one's share of estimated total sales in the 1947-49 base period, these adjustments were actually made in the area indexes.

One result of the benchmark adjustment was that the annual index for 1949 in North Carolina was raised so

DEPARTMENT STORES ARE retail stores carrying a general line of apparel, such as suits, coats, dresses, furnishings; home furnishings, such as furniture, floor coverings, curtains, draperies, linens, major household appliances, and housewares such as table and kitchen appliances, dishes, and utensils. These and other merchandise lines are normally arranged in separate sections or departments with the accounting on a departmentalized basis. The departments and functions are integrated under a single management. Establishments included in this industry normally employ 25 or more persons.

—*Standard Industrial Classification Manual* much that the base period (1947-49) averaged more than 100. This meant that the indexes in the entire series, from 1923 forward, had to be adjusted to this new base period average. Again, because the District index is obtained by combining the area indexes, the District index had to be revised for this same period. Along with this benchmark adjustment, several stores which had been classified as department stores during the 1954 Census of Business were added to the sample and any stores in the sample which were department stores in a previous census but had since been classified as another type of store were deleted.

Seasonal Factor Revision

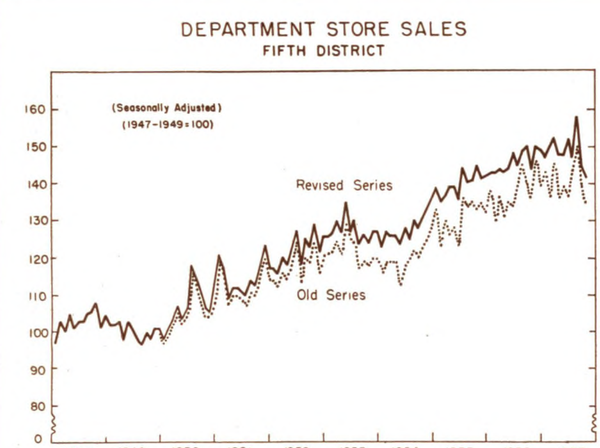
Incorporated with the Census benchmark adjustment was a revision of seasonal factors used to obtain the seasonally adjusted sales index. The seasonally adjusted index is computed to give the businessman or economist a clearer picture of what is happening in department store sales outside of usual seasonal influences. Seasonal patterns in sales are very pronounced due to weather conditions, holidays and store promotions coming at about the same time each year. Regularly sales are much higher at Christmas time than in July or January.

When the seasonal factors are correctly removed, any month may be more reasonably compared with another. Some conditions which would then cause the index to go up or down would be changes in income, increase or decrease in population, unseasonal weather conditions, labor strikes, special sales promotions, development of natural resources or opening new industries in an area.

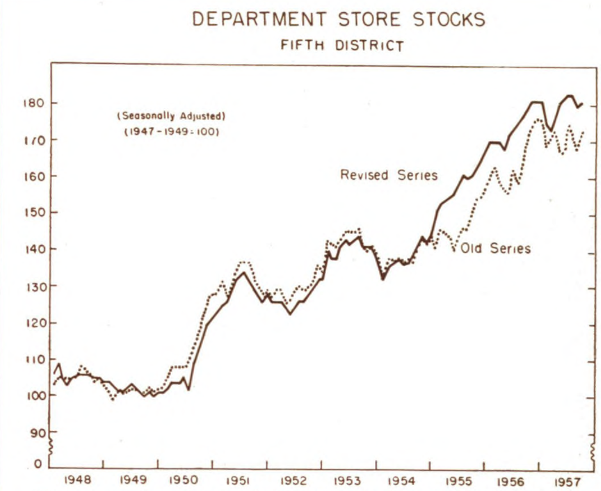
Importance of Department Store Indexes

Department store indexes are important to the timely analysis of current economic developments. They are oftentimes used as indicators of trends in retail trade. Anyone doing this, however, should realize that there are many other types of stores besides department stores which make up total retail trade. Department stores do not sell some kinds of merchandise—for example: autos, building supplies, food other than specialties—and they account for a variable proportion of total trade. In fact, while department stores made up about 9 per cent of retail trade in 1939, they had dropped off to about 6 per cent in 1956. Department stores seem to have held their own in 1956, however, as they went ahead a little more than total retail trade when compared with 1955.

Many users consider department store statistics in a more modest role as a meaningful indicator of an important segment of retail trade. Department stores cover a wide range of soft goods and some consumer durables; their sales figures are available more promptly than those for any other type of retailing. Keeping in mind what this series does measure, the data can be used in combination with other statistical series in arriving at significant indications of changes in trade.



In both the old and revised series, the seasonally adjusted sales index hit an all-time high for the District in August 1957 and then dropped off.



The seasonally adjusted index of end-of-month stocks rose to a record high of 184 (1947-1949=100) in June and July of 1957 but dropped off to 180 in August and 181 in September.

Stocks Indexes Adjusted

The above comments have related to the department store sales indexes. The index of department store stocks has also been adjusted to Census benchmark figures but by a slightly different method than the sales indexes because suitable stocks data were not available in the 1954 Census of Business.

Stock-sales ratios from an enlarged constant sample of stores were applied to estimate total sales of all department stores to arrive at estimated end-of-month stocks for 1954. This process assumes that the movement of inventories for all stores is the same as that of the sample of stores reporting stocks and sales. The stocks indexes were then adjusted to the level indicated by this estimated end-of-month stocks figure for 1954, and seasonal factors revised.

Business Conditions and Prospects

BUSINESS activity in the Fifth District weakened somewhat during October. The trade level showed mixed trends. Manufacturing industries, with some exceptions, showed decreases in operations or failed to increase seasonally as much as last year. The construction industry, as represented by building permits, weakened. Output of mines was also lower. Hours of labor in manufacturing industries were mixed, with declines in some states and increases in others.

October's total employment declined this year about as much as it rose last year. Unemployment rose further, but in the week of November 9 the increase in the District's insured jobless, compared with the same week in 1956, was but 1% greater than the national increase. The District's over-the-year percentage increase had been running considerably higher than that for the nation. Bank loans of member banks decreased slightly between September and October and little change was shown in deposits. The farm income situation in September began to reflect the poorer outlook for the remainder of the year.

Trade

Department store sales declined between September and October (after seasonal correction) while furniture store sales rose and household appliance store sales (unadjusted) rose substantially above a year ago. Incomplete information indicates new passenger automobile sales were down from September but possibly ahead of a year ago.

Sales of department stores were off 2% from September to October on an average daily, seasonally adjusted basis and were 1% under a year ago. This brought the ten months' total in 1957 to 2% above a year ago. Concurrent with the decline in sales, department store inventories slipped 4% (adjusted) to a level 5% under a year ago—indicating the sails are being trimmed to the weather. Radios, phonographs, television, records, and sheet music, as well as silverware and jewelry did well by comparison with other departments. Weakness in October came principally in women's and misses' dresses, furniture and bedding, domestic floor coverings, and major household appliances.

Sales of retail furniture stores rebounded 5% on a seasonally adjusted basis from September following the sharp drop that occurred in the earlier month. October sales were 6% under a year ago and the accumulated total for ten months was down 4%. The rise in total sales was due to an increase in credit sales which were up 8% (adjusted) from September to October. Cash sales dropped 2% during the month and were substantially below a year ago.

Household appliance store sales (without seasonal correction) rose a sharp 12% between September and October, compared with 8% in the same period last year and 9% in 1955. Sales of these stores were 1% below October last year; the ten months' total was up 2%. This performance is contrary to that of the major appliance departments in department stores.

Registrations of new passenger automobiles in October for North Carolina, the District of Columbia, and Richmond, Virginia, were off 1% from September but were up 2% over a year ago. These registrations were heavily weighted with 1957 models; little indication has thus far been given of consumers' response to 1958 models. They give no reliable clue as to inventory clean-up, but suggest a somewhat stronger demand than had existed earlier in the year.

Bituminous Coal

Average daily production of bituminous coal in the Fifth District during October was down 2% from September and 3% below October last year. The ten months' accumulation was 4% higher. District output is still doing better than the national total, largely because the bulk of exports have come from this District and these have done considerably better this year than the domestic market. Although figures are not available, the domestic market for coal in October must have been reduced because of the continued reduction in steel operations, a slack in cement production, and general industrial consumption which have not been offset by expanded consumption in public utilities. The export market, furthermore, was somewhat easier in October than in September. Holding of production at the September level probably indicates some inventory accumulation.

Manufacturing

Manufacturing operations, as measured by man-hours during October, receded fractionally from September, due entirely to declines at the durable goods level. In the nondurable goods industries there was no change in man-hours; last year there was a rise of 1.1% in the period. Several nondurable goods industries showed increases between September and October, but in the main these were smaller than occurred in this period last year. The food industry was an exception: this year man-hours rose 3.3%; last year they declined 1.8%. Gains were shown in textile mill products this year of 1.8%; last year the gain was 3.2%. Broad woven fabrics mills showed a rise of 2.3% this year; last year the gain was 3.4%. Knitting mills rose 3.1% this year compared with a rise of 3.3% last year. The difference here came mainly in a shift between full-fashioned and seamless hosiery. Man-hours in the full-fashioned hosiery industry rose 5.9% compared with 3.6% last year; in seamless, the rise this year was 1.4% compared with 5.3% last year. Apparel industries showed a fractional increase of 0.3% this year compared with 1.5% last year.

September-October weakness in the nondurable goods industries occurred in tobacco, cigarettes, paper, and yarn and thread mills. The only nondurable goods industries to show man-hours higher this year than last year were paper, apparel, and seamless hosiery.

In the durable goods industries, lumber, furniture, fabricated metals, and transportation equipment showed rises between September and October. These, however, were insufficient to offset declines in stone, clay, glass; primary metals; machinery; and other durable goods industries. Durable goods industries with man-hours larger than in October last year include: furniture, fabricated metals, electrical machinery, and transportation equipment.

Curtailment was reflected in the October figures of cotton consumption in Fifth District mills. October consumption (seasonally adjusted) slipped 1% from September to a level 7% under a year ago. Further curtailment will be effected in November and December with a number of large mills closing down on Thanksgiving Day and the remainder of the week and again for the full Christmas week.

Cigarette production figures are no longer available for the Fifth District, but national totals for September were down 7% from August and 12% ahead of a year ago; the accumulated nine months' total was up 6%. Richmond, Virginia, October cigarette production was 7% above September but 5% below a year ago.

The reduction in manufacturing operations in October compared with a year ago has come largely in the reduction in the workweek for employment in manufacturing industries is only fractionally below a year ago, whereas the man-hours are down 2.1%.

Employment

Total nonagricultural employment in the Fifth District eased by 0.3% from September to October, yet October was 0.4% ahead of a year ago. Last year total employment rose 0.3%. The bulk of the decline occurred in manufacturing industries, but some also occurred in nonmanufacturing industries contrary to the normal seasonal movement. This year nonmanufacturing employment eased just 2,900 or 0.1% from September to October; last year it increased 0.3%. Industries showing declines this year include: mining, down 0.4% compared with a rise of 0.2% last year; contract construction, down 2.4% compared with 1.0% last year; transportation, communication, and public utilities, down 0.6% this year, no change last year; service and miscellaneous, down 0.7% this year and 0.8% last year.

Increases in employment between September and October include: trade, up 0.3% this year compared with a gain of 1.1% last year; government, up 0.8% this year, a smaller rise than the 1.2% recorded last year. Finance, insurance, and real estate employed the same number of people in October as in September; last year there was a decline of 0.1% in this period. Nonmanufacturing industries showing higher employment in October than a year ago include: trade, up 1.0%; finance, insurance, and real estate, up 3.0%; service and miscellaneous, up 2.5%; government, up 1.5%. Declines were shown in mining, down 2.8%; construction, down 0.6%; transportation, communication, and public utilities, down 0.2%.

Banking

Deposits of Fifth District member banks showed very little change between September and October—up $8 million. Time deposits, however, rose $16 million and demand deposits were off $8 million. Last year total deposits rose $44 million, with time deposits up $13 million and gross demand deposits up $31 million.

Loans and discounts between September and October eased $10 million this year whereas last year they were off $15 million. In 1955 there was a gain of $19 million.

Security holdings rose $74 million in the period, about equally divided between government and other securities. Last year these rose $54 million and the year before, $57 million. Total loans and investments rose $64 million between September and October this year which was a greater rise than the $39 million last year but somewhat less than the $76 million in 1955.

Borrowings from the Federal Reserve banks and others increased $27 million this year compared with last year's decline of $20 million, and 1955's increase of $18 million. Seasonally adjusted bank debits declined 2% from September to October which represents a continuous downward movement since July. October debits, however, were 7% ahead of a year ago and the ten months' total was up 7%.

Agriculture

Worsening prospects for agricultural income found reflection in the September figures which Districtwise were off 25% from a year ago for crops. September crop income from farm marketings by states found Maryland down 16% from a year ago, North Carolina down 16%, and South Carolina down 56%. Virginia showed an increase of 26% and West Virginia an increase of 3%. Because of the earliness of the tobacco marketing season, and because this year's production of most crops was greatly reduced, crop income for the rest of the year could compare even less favorably with that of last year than in September. Income from livestock and products in September was 3% higher than a year ago with small changes shown, except in South Carolina which was up 9%.

October farm prices improved moderately in Maryland, Virginia, and West Virginia but deteriorated in North Carolina, and South Carolina. In all states prices were higher in October than a year ago, ranging from 0.4% to 6.2%, variations among states being due to product composition.

FIFTH DISTRICT STATISTICAL DATA

FURNITURE SALES*

(Based on Dollar Value)

STATES	Percentage change with corresponding period a year ago: Oct. 1957	10 Mos. 1957
Maryland	− 5	− 4
Dist. of Columbia	−10	− 7
Virginia	− 4	− 5
West Virginia	+ 2	+ 3
North Carolina	− 4	− 3
South Carolina	−13	− 6
District	− 6	− 4
INDIVIDUAL CITIES		
Baltimore, Md.	− 5	− 4
Washington, D. C.	−10	− 7
Richmond, Va.	− 4	− 3
Charleston, W. Va.	+ 4	+13
Charlotte, N. C.	+ 9	+ 2
Greenville, S. C.	−12	− 7

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

WHOLESALE TRADE

LINES	Sales in Oct. 1957 compared with Oct. 1956	Sept. 1957	Stocks on Oct. 31, 1957 compared with Oct. 31, 1956	Sept. 30, 1957
Auto supplies	−22	+ 9	0	− 7
Electrical, electronic and appliance goods	−24	+11	−16	+22
Hardware, plumbing, and heating goods	0	+11	+ 1	− 4
Machinery equipment supplies	+ 2	+ 9	+ 1	0
Drugs, chemicals, allied products	+10	+13	+13	− 2
Dry goods	+ 6	−10	+10	− 2
Grocery, confectionery, meats	+ 9	+ 9	− 5	+ 2
Paper and its products	− 6	+14	+ 1	− 2
Tobacco products	+ 1	− 3	+13	+ 1
Miscellaneous	0	+ 9	− 7	+24
District total	0	+ 8	+ 2	+ 3

Source: Bureau of the Census, Department of Commerce.

DEPARTMENT STORE OPERATIONS

(Figures Show Percentage Changes)

	Rich.	Balt.	Wash.	Other Cities	Dist. Totals
Sales, Oct. '57 vs Oct. '56	− 9	+ 1	0	0	− 1
Sales, 10 Mos. ending Oct. 31, '57 vs 10 Mos. ending Oct. 31, '56	− 3	+ 8	+ 3	+ 2	+ 3
Stocks, Oct. 31, '57 vs '56	+ 1	− 6	− 3	− 5	− 4
Outstanding Orders, Oct. 31, '57 vs '56	−18	+ 6	−23	−13	−14
Open account receivables, Oct. 1, collected in Oct. '57	31.3	51.1	41.4	37.9	40.8
Instalment receivables, Oct. 1, collected in Oct. '57	11.2	14.2	12.6	19.4	13.7

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Oct. '57 vs Oct. '56	+ 1	0	− 3	+ 7	− 8	− 4

THIS DISTRICT'S STATISTICS

The statistical tables presented on this page and on Page 12 will be discontinued in future issues of the *Monthly Review*. The individual statistical series are available in releases from the Research Department, Federal Reserve Bank of Richmond, Richmond 13, Virginia.

BUILDING PERMIT FIGURES

(37 Cities)

	Oct. 1957	Oct. 1956	10 Months 1957	10 Months 1956
Maryland				
Baltimore	$ 2,748,285	$ 3,525,702	$ 51,347,585	$ 57,315,419
Cumberland	52,436	117,140	970,802	1,339,056
Frederick	139,050	398,900	1,856,035	4,465,945
Hagerstown	77,374	69,905	5,879,973	2,084,645
Salisbury	37,296	67,884	1,189,626	1,494,981
Virginia				
Danville	262,730	305,536	4,866,049	6,458,985
Hampton	549,012	862,301	11,654,140	6,823,185
Hopewell	193,764	120,162	2,431,454	1,800,729
Lynchburg	360,600	325,802	7,096,812	8,014,287
Newport News	573,117	771,892	2,530,925	2,405,753
Norfolk	732,617	1,189,185	8,775,908	21,853,603
Petersburg	185,500	192,500	2,677,764	2,898,650
Portsmouth	645,469	289,035	3,780,570	4,782,580
Richmond	1,388,277	2,295,569	29,421,167	22,823,189
Roanoke	1,046,955	957,481	10,663,629	18,084,437
Staunton	225,400	429,600	2,851,194	2,592,710
Warwick	1,083,751	436,201	9,162,831	6,240,159
Winchester*	95,688	NA	1,498,446	NA
West Virginia				
Charleston	675,872	1,272,201	7,188,548	8,282,128
Clarksburg	93,700	85,665	1,553,762	1,669,508
Huntington	461,900	559,675	4,096,671	4,457,936
North Carolina				
Asheville	171,558	272,086	2,745,571	5,836,134
Charlotte	1,275,609	1,768,456	16,944,561	23,977,276
Durham	379,058	1,649,231	7,042,076	8,197,170
Gastonia	420,550	1,318,525	5,699,100	6,173,300
Greensboro	642,877	562,273	11,484,617	12,509,916
High Point	328,165	824,380	4,254,976	6,277,363
Raleigh	701,740	558,096	11,577,506	12,752,156
Rocky Mount	174,303	566,235	5,284,029	3,200,809
Salisbury	122,600	136,250	2,132,708	2,269,025
Wilson	164,550	162,825	1,890,460	3,613,028
Winston-Salem	999,160	1,238,021	15,321,561	13,963,984
South Carolina				
Charleston	275,980	154,191	2,167,416	2,792,990
Columbia	527,187	2,037,126	11,533,494	9,945,544
Greenville	521,424	458,418	4,656,066	5,249,218
Spartanburg	612,291	560,077	3,850,603	4,607,394
Dist. of Columbia				
Washington	12,436,879	5,405,394	76,577,101	53,196,774
District totals	$31,287,036	$31,943,920	$353,157,290	$360,449,966

* Not included in District totals.

NA Not available.

Note: Charleston, S. C. figures totaled $173,942 in August 1957 and $281,425 in September 1957. These figures were not available until this month.

FIFTH DISTRICT INDEXES

Seasonally Adjusted: 1947-1949=100

	Oct. 1957	Sept. 1957	Oct. 1956	% Chg.—Latest Mo. Prev. Mo.	Yr. Ago
New passenger car registration*	......	151	133	− 2	+20
Bank debits	189	192	177	− 2	+ 7
Bituminous coal production*	108	110r	111r	− 2	− 3
Business failures—number	198	254	264	−22	−25
Cotton spindle hours	112	114	119	− 2	− 6
Department store sales	134	139	135r	− 4	− 1
Manufacturing employment*	......	115	115r	+ 1	0
Furniture store sales	105	100	112r	+ 5	− 6
Life insurance sales	298	295	250	+ 1	+19

* Not seasonally adjusted.

r Revised.

Commodity Highlights—What Farmers May Expect In '58

(Continued from page 3)

Cotton

Real progress was made toward reducing year-end stocks of cotton during the past year, and prospects are that still further progress will be made in this direction during the current marketing year. The 1957-58 supply of cotton is estimated at about 23 million bales. Anticipated domestic mill consumption of 8.6 million bales—the same as last year—and exports at about 5.5 million will reduce the cotton carry-over next August 1 to around 9 million bales. This would be the smallest carry-over since 1953.

Announced 1958 acreage allotments for the Fifth District are 1% above 1957 allotments. Cotton farmers this year put slightly more than one-fourth of their allotted acreage in the Soil Bank, and eligible producers will be permitted to put cotton acreage in the Soil Bank again in 1958. Per-acre payment rates are somewhat higher than in 1957.

District Farmers and the Outlook

Many District farmers find themselves in a somewhat less favorable financial situation than a year ago. This condition no doubt leaves them confronted with more than the usual number of decisions as they make plans for the year ahead.

Decisions regarding what, and how much, to plant or how many livestock to raise are routine, of course. Many, however, must decide whether or not they will participate in the Soil Bank. Still others will want to give serious consideration to either full- or part-time work off the farm. To buy or not to buy labor-saving machinery will be a major decision for some, while for many the purchasing or renting of additional land will be the chief consideration. Whatever their course of action, farmers generally will be striving for a better income situation and a higher standard of living in 1958 and subsequent years.

FIFTH DISTRICT BANKING STATISTICS

DEBITS TO DEMAND DEPOSIT ACCOUNTS*

(000 omitted)

	Oct. 1957	Oct. 1956	10 Months 1957	10 Months 1956
Dist. of Columbia				
Washington	$1,645,171	$1,447,262	$15,712,215	$14,749,068
Maryland				
Baltimore	1,963,503	1,612,936	18,722,894	17,126,838
Cumberland	31,857	30,603	300,168	281,277
Frederick	27,969	27,931	274,665	260,755
Hagerstown	47,367	43,867r	462,132	441,674r
Salisbury	39,171	38,352	384,802	365,100
Total 5 Cities	2,109,867	1,753,689r	20,144,661	18,475,644r
North Carolina				
Asheville	92,110	76,400	833,491	736,966
Charlotte	494,650	494,836	4,551,063	4,461,968
Durham	111,917	138,318	957,347	952,361
Greensboro	194,392	186,008	1,825,752	1,647,018
High Point	63,949	58,045	580,733	552,864
Kinston	41,720	51,012	303,728	296,317
Raleigh	281,770	359,253	2,586,509	2,506,646
Wilmington	61,591	59,452	562,123	548,531
Wilson	60,332	74,245	326,730	320,052
Winston-Salem	225,805	222,946	1,990,281	2,008,475
Total 10 Cities	1,628,236	1,720,515	14,517,757	14,031,198
South Carolina				
Charleston	104,917	99,258	1,027,566	928,044
Columbia	221,351	205,006	2,101,060	1,956,003
Greenville	161,989	156,091	1,507,864	1,444,098
Spartanburg	76,269	82,613	717,637	721,601
Total 4 Cities	564,526	542,968	5,354,127	5,049,746
Virginia				
Charlottesville	44,920	41,509	439,627	392,200
Danville	81,461	84,862	512,861	480,663
Lynchburg	65,316	65,213	619,148	615,808
Newport News	66,656	64,049	642,773	620,821
Norfolk	323,686	330,256	3,307,398	3,116,382
Petersburg	30,630	30,557	279,433	282,791
Portsmouth	41,383	39,153	393,161	375,494
Richmond	855,728	849,385	7,890,813	7,252,395
Roanoke	178,538	165,728	1,665,599	1,551,680
Total 9 Cities	1,688,318	1,670,712	15,750,813	14,688,234
West Virginia				
Bluefield	58,740	61,156	610,088	575,474
Charleston	214,500	182,421	1,971,131	1,800,925
Clarksburg	46,695	41,930	432,677	404,635
Huntington	101,554	89,163	930,584	852,223
Parkersburg	41,509	37,391	396,409	369,459
Total 5 Cities	462,998	412,061	4,340,889	4,002,716
District Totals	$8,099,116	$7,547,207r	$75,820,462	$70,996,606r

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

WEEKLY REPORTING MEMBER BANKS

(000 omitted)

Items	Nov. 13, 1957	Change in Amount from Oct. 16, 1957	Change in Amount from Nov. 14, 1956
Total Loans	$1,949,603**	— 14,657	+ 83,514
Bus. & Agric.	912,397	— 8,383	+ 50,636
Real Estate Loans	347,358	+ 623	+ 11,145
All Other Loans	722,380	— 6,817	+ 27,563
Total Security Holdings	1,540,701	— 25,160	— 72,329
U. S. Treasury Bills	36,258	— 10,772	— 32,543
U. S. Treasury Certificates	101,536	— 15,451	+ 60,231
U. S. Treasury Notes	171,548	— 10,649	—110,923
U. S. Treasury Bonds	954,647	— 2,476	— 159
Other Bonds, Stocks & Secur.	276,712	+ 14,188	+ 11,065
Cash Items in Process of Col.	414,368	+ 1,441	+ 17,018
Due from Banks	198,145*	+ 22,874	+ 5,063
Currency and Coin	87,711	+ 6,254	+ 3,371
Reserve with F. R. Banks	523,588	— 25,739	— 15,319
Other Assets	86,303	+ 4,425	+ 5,542
Total Assets	$4,800,419	— 30,562	+ 26,860
Total Demand Deposits	$3,531,828	— 45,076	— 72,365
Deposits of Individuals	2,680,611	+ 14,410	— 32,196
Deposits of U. S. Government	57,436	— 35,357	— 20,501
Deposits of State & Local Gov.	197,655	— 13,482	— 18,640
Deposits of Banks	538,030*	— 7,993	— 4,169
Certified & Officers' Checks	58,096	— 2,654	+ 3,141
Total Time Deposits	805,068	— 5,969	+ 57,551
Deposits of Individuals	755,833	— 7,846	+ 72,877
Other Time Deposits	49,235	+ 1,877	— 15,326
Liabilities for Borrowed Money	38,008	+ 15,558	+ 17,208
All Other Liabilities	66,737	+ 3,051	+ 7,432
Capital Accounts	358,778	+ 1,874	+ 17,034
Total Liabilities	$4,800,419	— 30,562	+ 26,860

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

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For The Year 1957

FEDERAL RESERVE BANK OF RICHMOND

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