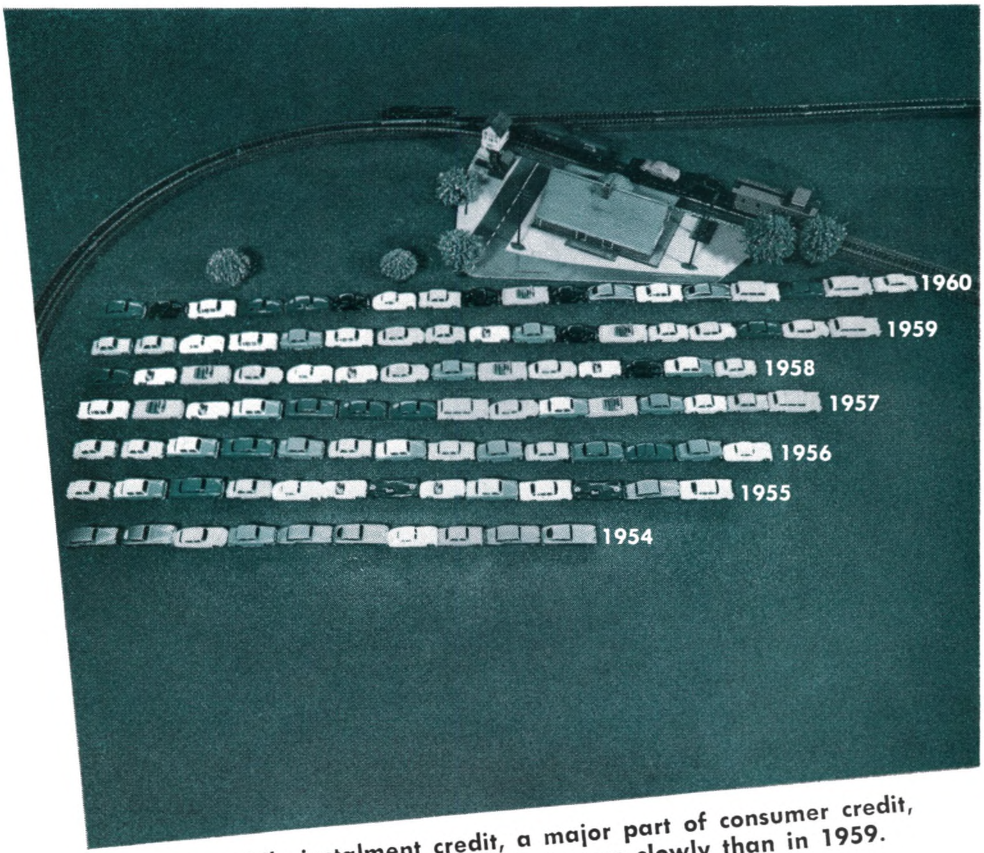
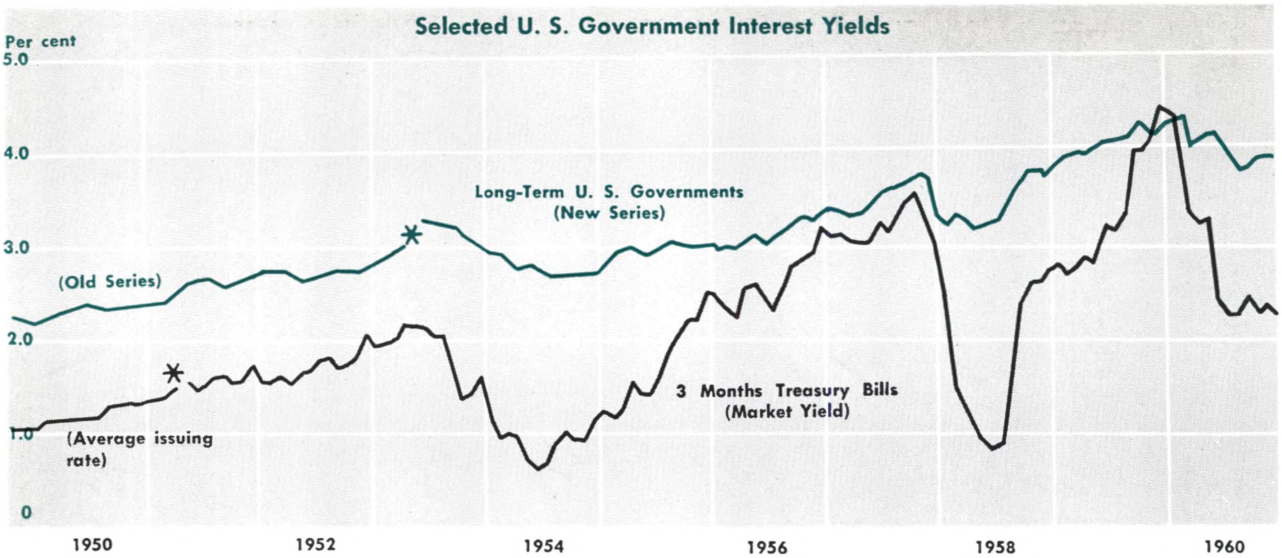
MONTHLY REVIEW



Automobile instalment credit, a major part of consumer credit, continued to grow in 1960 but more slowly than in 1959.

FEDERAL RESERVE BANK OF RICHMOND MARCH 1961



Credit Developments In 1960

Total credit volume grew less in 1960 than in 1959, and interest rates fell as a result of the smaller demand for funds. The decline in yields began early in January, while prognosticators were still confidently expecting a pickup in business activity. Some market observers explained the decrease in yields as the market's forecast and advance discounting of the recession which began around midyear. Interest rates continued to decline through mid-August, reversed themselves temporarily in the fall in anticipation of a quick business upturn, but shortly resumed their downward movement. At the end of 1960 most rates were near their lows for the year.

HOW FAR INTEREST RATES FELL By December 1960 the three-month Treasury bill rate was around 2¼% —half its level of a year before. Long-term rates, as usual, fell less than short-term yields. This is illustrated by the above chart of Treasury bill and long-term bond yields and by the table on the opposite page, which shows decreases in representative interest rates from their previous peaks to their lows of 1960, and similar declines in previous recessions. During 1960, the absolute declines in the rates, shown in Part I of the table, were about average when compared to the declines in the two previous recessions. As is evident from the chart, however, interest rates have climbed to a higher level in each succeeding business cycle, and reached a 30-year peak at the beginning of 1960. Thus, while the absolute declines were about equal to those in previous recessions, the proportional declines were less, as Part II of the table clearly shows.

In these circumstances, it is not surprising that different market observers held conflicting views on the significance of the 1960 interest rate decreases. Some pointed to the absolute reductions (upper half of table opposite) and argued that they were quite substantial, especially in view of the mildness of the recession. Others noted that the percentage decreases were smaller than declines in previous recessions and wondered, in reams of print, why interest rates had not fallen further.

Obviously, when drops in interest rates start from different levels, there will be differences between measures of their absolute and relative declines. Thus, 1960 reductions of the same absolute magnitude as in previous recessions showed up as smaller relative declines, since they started from higher levels. Both the absolute and the relative comparisons are significant, but it is difficult to say which is the more important.

Other factors also should be kept in mind in comparing the 1960 declines with those of earlier recessions. First, there is no assurance that the fall

DECLINES IN SELECTED INTEREST YIELDS FROM PEAKS TO LOWS DURING SELECTED PERIODS

Part I: Absolute Declines from Peak Levels

(in percentage points)

3-Month Treasury Bills		Long-term U. S. Bonds		Moody's Corporate Aaa Bonds		Moody's State and Local Aaa Bonds	
Dec. 1959-Dec. 1960	2.24	Jan. 1960-Dec. 1960	.49	Jan. 1960-Sept. 1960	.36	Sept. 1959-Sept. 1960	.51
Oct. 1957-June 1958	2.75	Oct. 1957-Apr. 1958	.61	Sept. 1957-June 1958	.55	Sept. 1957-May 1958	.74
Apr. 1953-June 1954	1.55	June 1953-Aug. 1954	.69	June 1953-Apr. 1954	.55	June 1953-Aug. 1954	.54

Part II: Percentage Declines from Peak Levels

3-Month Treasury Bills		Long-term U. S. Bonds		Moody's Corporate Aaa Bonds		Moody's State and Local Aaa Bonds	
Dec. 1959-Dec. 1960	49.9	Jan. 1960-Dec. 1960	11.2	Jan. 1960-Sept. 1960	7.8	Sept. 1959-Sept. 1960	14.2
Oct. 1957-June 1958	76.8	Oct. 1957-Apr. 1958	16.4	Sept. 1957-June 1958	13.4	Sept. 1957-May 1958	21.6
Apr. 1953-June 1954	70.8	June 1953-Aug. 1954	21.0	June 1953-Apr. 1954	16.2	June 1953-Aug. 1954	28.0

Note: Based on monthly averages of daily figures, except in the case of state and local government obligation yields, which are based on monthly averages of Thursday figures.

in interest rates had run its course by December 1960. Second, different interest rates started to decline at different times in relation to the downturn of business activity and the timing of these declines in 1960 was not the same as in previous recessions. In 1960 most interest rates began to decline before business activity turned down. The same was true in 1953-54, but the time interval was shorter. On the other hand, in 1957 interest rates did not begin to fall until after business had started to decline.

Interest rates are influenced by many factors besides bank reserve positions, so there are dangers in comparing the volume of free reserves with the levels of interest rates. Nevertheless, some market observers have contended that interest rates at the end of 1960 were high in relation to prevailing levels of free reserves. In December, when the bill rate was around 2¼%, free reserves were running at about $650 million. When comparable free reserves prevailed in the fall in 1954, the bill rate was in the neighborhood of 1%. Previous occasions when the bill rate was near 2¼% were usually characterized by lower free reserves or even net borrowed reserves.

In partial explanation for the relatively high rates in relation to free reserves, one might consider the fact that the System had to take account of international developments in determining its policies. Interest rates abroad rose during the first half of the year and remained high in relation to rates in this country. In response to this interest rate differential and to widespread uncertainties in international financial markets, both foreign and demestic short-term capital tended to move out of the United States. This meant that as the year passed the System increasingly had to consider the effect which progressive easing of credit policy in response to slackening business activity might have upon the nation's balance of payments position.

SYSTEM ACTIONS During the early months of 1960 the System eased bank reserve positions through open market operations by absorbing only part of the reserves released by the inflow of currency and the seasonal decline in required reserves. In early summer, by which time banks had a small net free reserve position, System credit policy became more aggressively easy. At year end free reserves averaged just under $700 million contrasted with net borrowed reserves of about $300 million in January.

The System not only increased the supply of reserves available to banks, but it reduced the cost of borrowing reserves as well. The discount rate was lowered twice during 1960, from 4% to 3½% in June and then to 3% in August and September.

It appeared desirable, however, to accomplish the easing of reserve positions without seriously widening the differential between domestic and foreign short-term rates, which would probably have led to somewhat greater gold outflow. Thus in the fall the System extended its purchases of U. S. Government securities to short-term obligations other than bills for the first time since 1958, and from time to time made extensive use of repurchase agreements. Both of these practices made it possible to supply additional reserves with less downward pressure upon bill yields than would have resulted from the outright purchase of bills. Their use probably prevented the development of a larger differential between U. S. and foreign interest rates.

In late summer and again in November the System was able to supply a large amount of reserves, about $1.9 billion, without entering the market as a purchaser of short-term Governments. These reserves were released by two reductions in reserve requirements for central reserve city banks and by completion, in two steps, of the move started in the previous fall to permit member banks to count all vault cash as legal reserves.

COMMERCIAL BANK CREDIT Commercial banks used the increased supply of reserves available to them to reduce their borrowings from Federal Reserve Banks by about $800 million over the year and to expand their loans and investments. The increase in loans and investments at all commercial banks in 1960 amounted to $10 billion, nearly double the increase during 1959. During the first half of 1960, however, bank credit declined more than seasonally. The sharp expansion which followed in the third quarter largely took the form of investments in U. S. Government securities, which contributed to the downward pressure upon interest rates. For the year as a whole investments accounted for just over a fourth of the increase in total loans and investments. This was in sharp contrast to the experience in 1959, when commercial banks liquidated security holdings in large amounts to meet increases in loan demand.

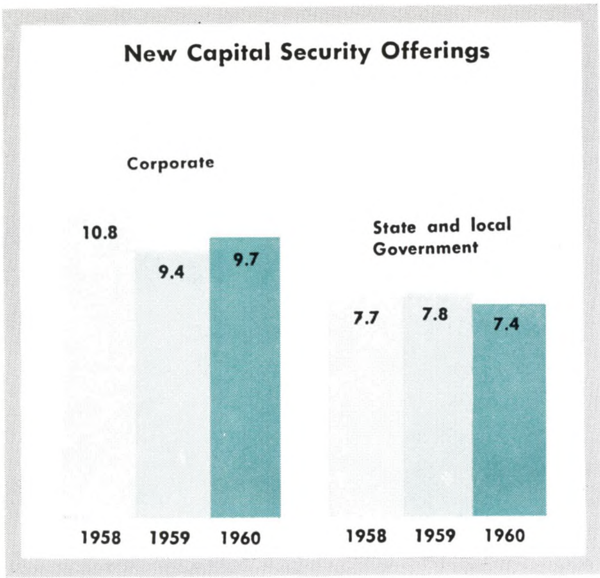
Commercial bank credit expansion last year led to an increase in time deposits rather than in demand deposits. Time deposits rose by about $5.4 billion, or 8%, with most of the increase occurring during the second half of the year. Demand deposits actually declined. Gross demand deposits fell by 1.3% and demand deposits adjusted—demand deposits less uncollected items and interbank and Government deposits—by 0.9%. The increased attractiveness of time deposits to individuals, state and local governments, businesses, and, in the second half of the year, to foreign banks, reflected in part the declining yields available on Treasury bills, an alternative form of short-term investment.

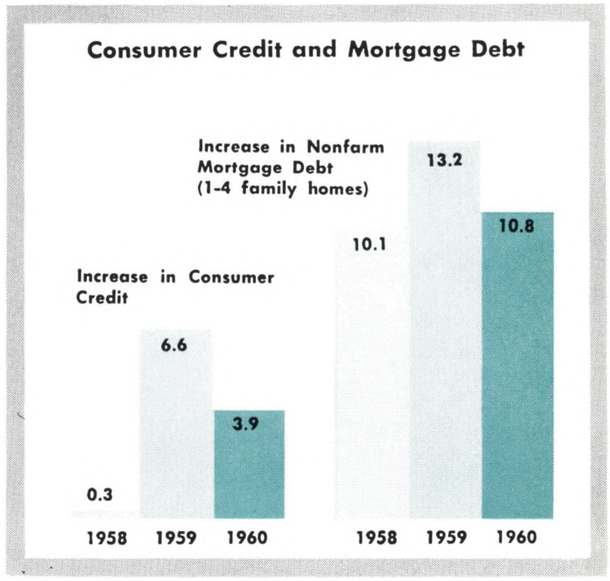
With demand deposits lower in 1960, the seasonally adjusted money supply decreased by $1 billion from the last half of December 1959 to the last half of December 1960. An increase during the last six months was insufficient to offset a decrease early in the year.

SAVINGS INSTITUTIONS Savings institutions supplied a somewhat greater volume of funds to the credit markets in 1960 than in the previous year. Mutual savings bank deposits grew at a sharply accelerated rate and the net savings inflow to insured savings and loan associations set an all-time high. Through late fall the increase in life insurance company assets, however, was only slightly larger than during the comparable period of the year before. As in previous years, mutual savings banks and savings and loan associations put most of their increased funds into mortgages. Life insurance companies continued to buy corporate stocks and bonds as well as mortgages.

U. S. TREASURY DEBT OPERATIONS The U. S. Treasury shifted from net cash borrowings of $7.9 billion in 1959 to net debt redemption of $3.1 billion in 1960. This was a major factor in the easing of interest rates and in the reduction of pressures upon credit markets. During 1960 the Treasury did borrow new cash on five different occasions (exclusive of refundings through cash offerings), raising a total of $11.7 billion, but its repayments of debt were even greater. During the January-June period, the time of heaviest tax receipts, the Treasury repaid $10.9 billion of debt, and in the July-December period, $3.9 billion, making a total of $14.8 billion, or $3.1 billion more than total new cash borrowings.

OTHER BORROWERS IN SECURITY MARKETS Corporate security issues for new capital were slightly larger in 1960 than in 1959, but new capital financing by state and local governments was smaller. Through the first half of 1960 corporate new security offerings and placements ran below 1959 levels. During the last half of the year, however, after interest rates had fallen considerably, financing rose suffi-





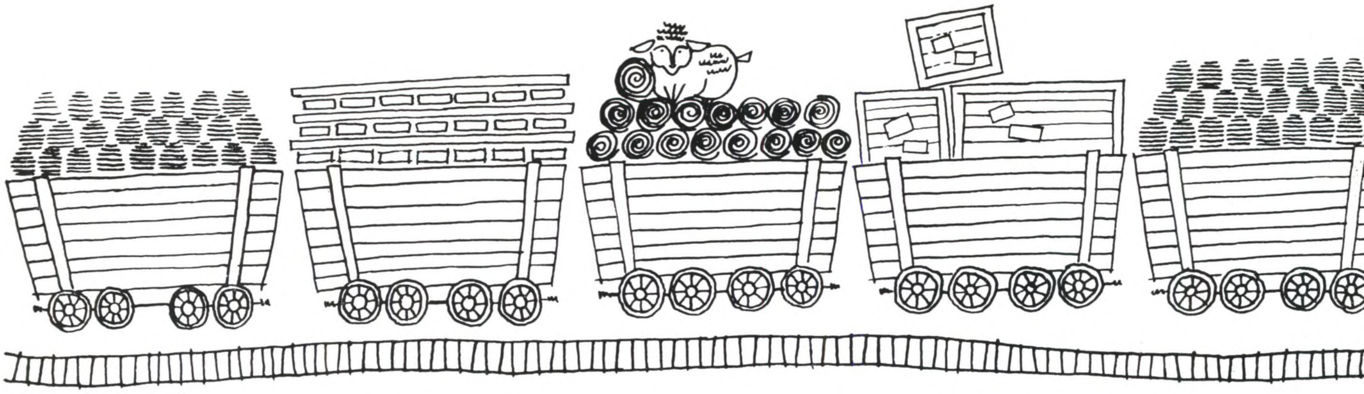
ciently to bring total new capital offerings and placements to $9.7 billion, about $300 million more than in 1959. The increase in security offerings after midyear may have reflected in part the fears of some corporate borrowers that the recent decrease in corporate bond yields might be reversed in the near future. From time to time late in the year congestion developed in the corporate bond market and tended to push long-term interest rates up.

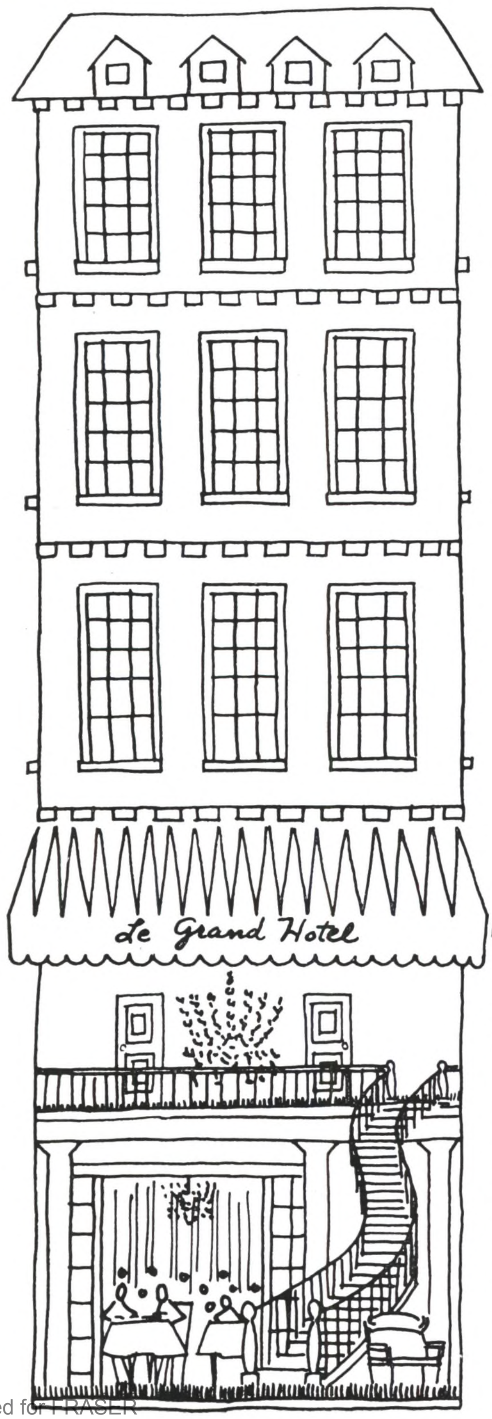
State and local governments' new capital offerings and placements amounted to $7.4 billion in 1960, compared with $7.8 billion in 1959. When interest rates began to rise in the fall, some state and local units postponed financing in the expectation that interest rates might decline again soon. However, the backlog of state and local bonds authorized but not yet sold rose to a record level following approval of nearly all of the bond proposals submitted in the November general election.

MORTGAGES Mortgage loans outstanding grew about a fifth less during the first three quarters of 1960 than during the comparable period of 1959. This slower rate of growth accompanied the decline in construction activity, which had been under way since the last half of 1959. The smaller increase in mortgages compared with 1959 was the result both of a smaller amount of new borrowing and of a higher rate of repayment.

CONSUMER CREDIT Total consumer credit outstanding rose $3.9 billion in 1960, compared with an increase of $6.7 billion during 1959. Total instalment credit, which accounts for the largest part of total consumer credit, grew only about 60% as much in 1960 as in the year before. This in turn reflected a slowdown in the rate of growth of automobile loans, the major component of instalment credit. Other consumer goods and repair and modernization loans increased about 50% as much as they did the year before, but personal loans rose nearly 80% as much as in 1959. The volume of personal loans thus behaved as it had in past recessions, during which it also held up better than did the other components of instalment credit.

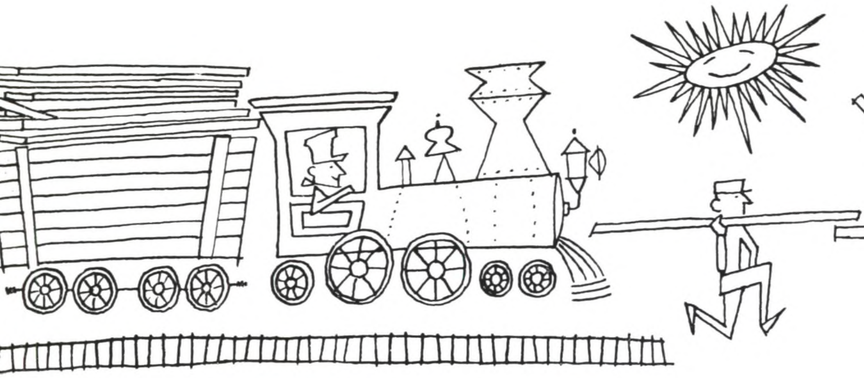
During 1960 seasonally adjusted monthly repayments on consumer instalment credit continued to rise through midyear and in the third quarter reached a level of 13.3% of disposable personal income, somewhat above the ratio for the first quarter. The relatively high level of this ratio probably was one factor in the failure of instalment credit to grow more rapidly. Monthly extensions of consumer instalment credit rose to a peak of about $4.5 billion in the spring and subsequently declined to $4 billion in December. Extensions continued to exceed repayments, however, in contrast to the pattern prevailing during the latter part of the 1957-58 recession when consumer instalment credit outstanding fell as repayments rose above extensions.

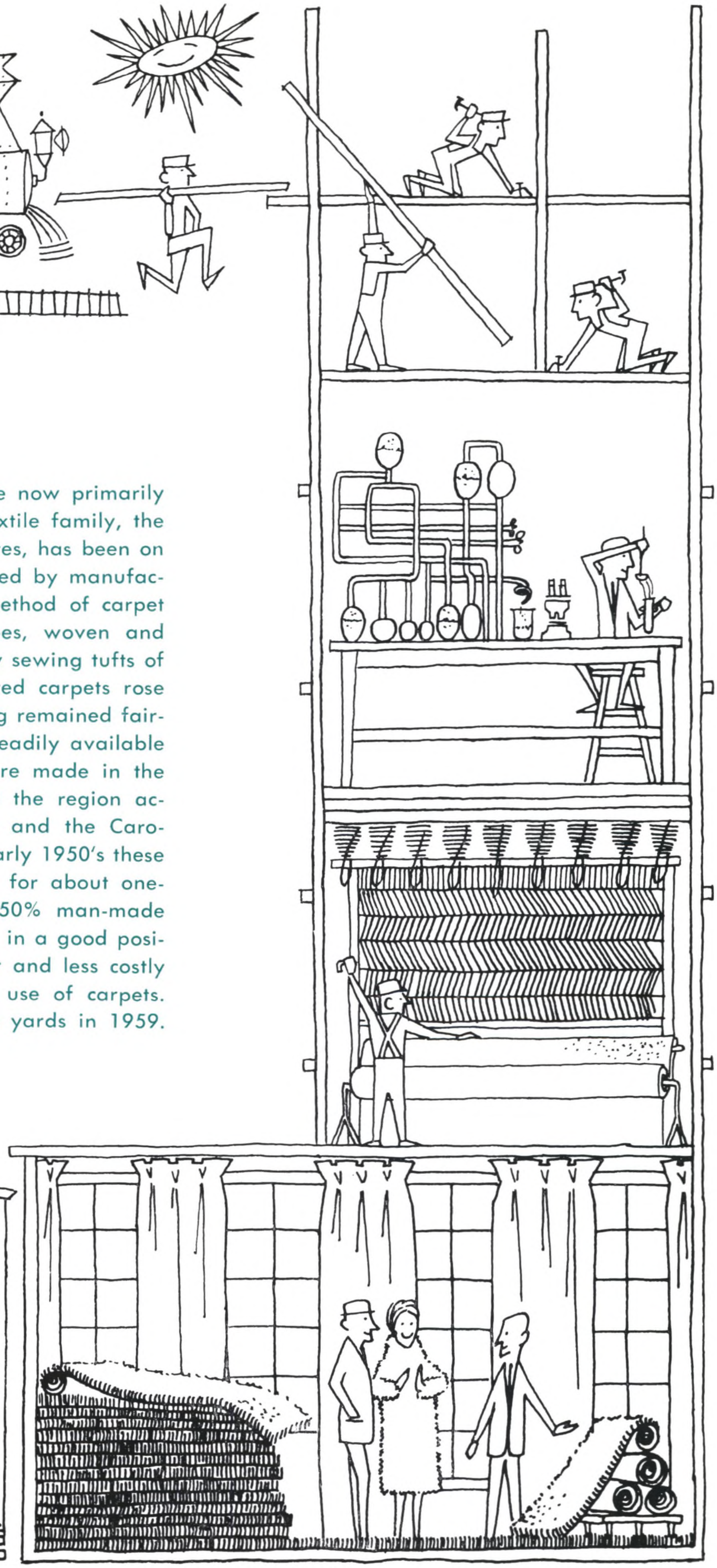




CARPET MAKING: New in th

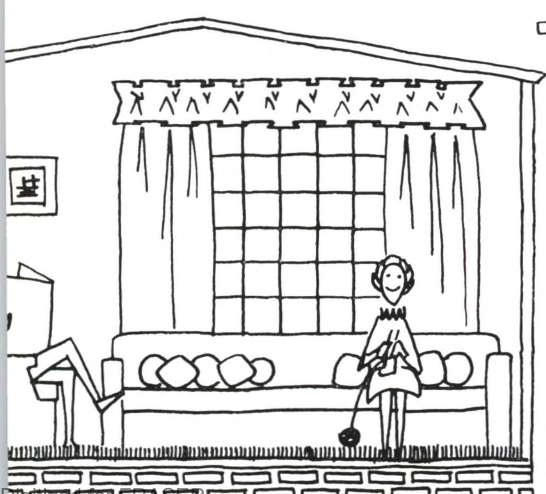
spinners of yarns, weavers of fabrics, and knitters of hosiery,
carpet mills. Since 1950 carpet making, traditionally locat
the rise in the South. By 1958 southern states accounted f
ture in the carpet industry. An important factor in this
manufacture—tufting, which made remarkable gains in the
tufted. Traditionally carpets were woven on a loom, but tu
yarn into a fabric backing, using a large number of needles
from six million square yards in 1951 to 96 million square ya
ly stable during that time. Southern carpet mills, built to t
supplies of raw materials, have expanded with the growth
South, mainly in northern Georgia. Southern manufacture
counted for 40% of the country's output in this field with mo
linas. Another factor in the changing carpet picture is
fibers made up only a very small percentage of all fibers u
third of the total. Part of this growth was associated with
fibers, compared to 15% in woven carpets. As a major p
tion to supply these fibers to its carpet mills. These ch
carpets to supply new and widening markets. Hotels, mo
Residential sales are also growing, increasing from 1.5 squ

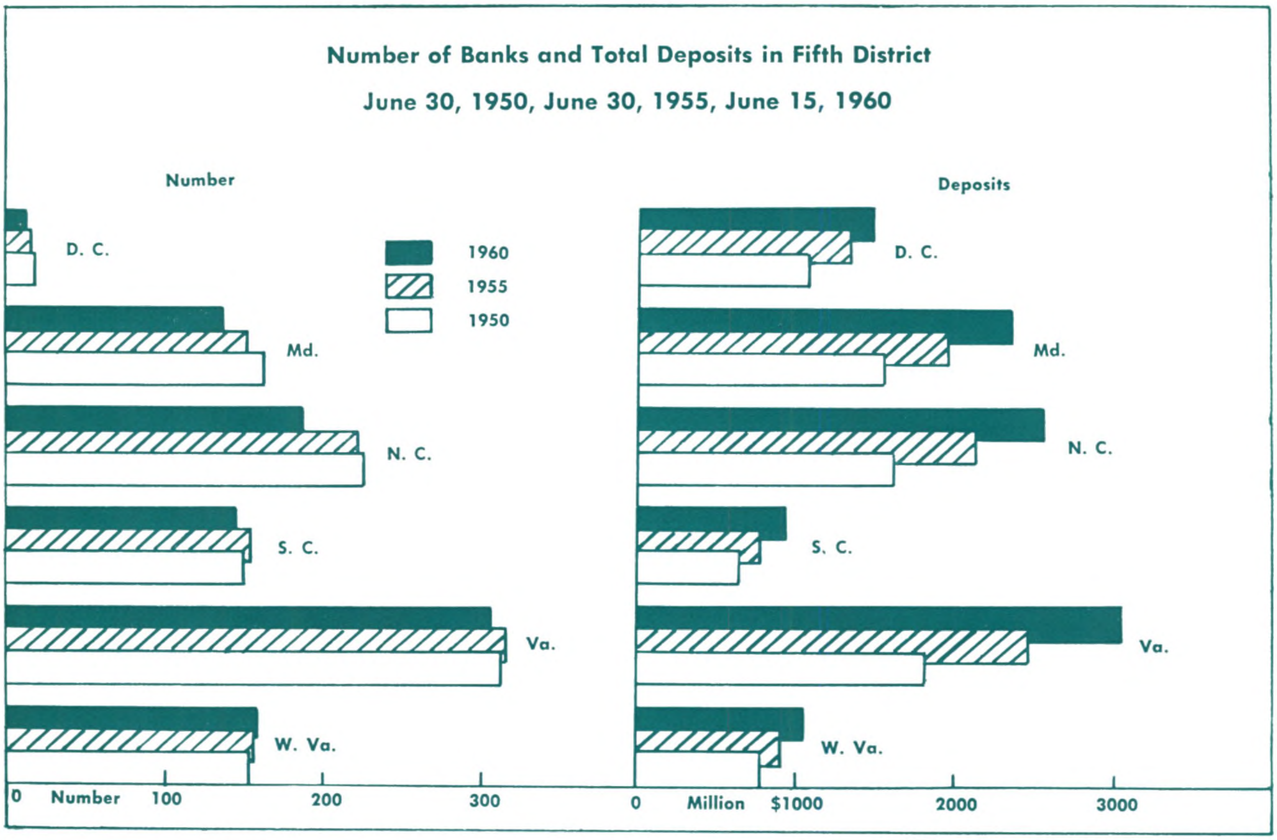




South

Southern textile mills, which are now primarily
being joined by another member of the textile family, the
n New England and the Middle Atlantic states, has been on
55% of the mills and 60% of the value added by manufac-
wth has been the introduction of a new method of carpet
0's. Carpets now come in two basic types, woven and
carpets, the new development, are made by sewing tufts of
h move simultaneously. Shipments of tufted carpets rose
in 1959, while shipments of woven carpeting remained fair-
advantage of lower production costs and readily available
ufted carpets; 85% of the tufted carpets are made in the
woven carpets is increasing also. In 1958 the region ac-
of these southern mills located in Virginia and the Caro-
growing use of man-made fibers. In the early 1950's these
in carpeting, but by 1959 they accounted for about one-
rise in tufted carpets, which use about 50% man-made
cer of man-made fibers, the South has been in a good posi-
es in carpet making have resulted in better and less costly
offices, and theaters are expanding their use of carpets.
yards per household in 1951 to 2.8 square yards in 1959.





Fifth District Banking in the Fifties

Number of banks down 8%, number of branches up 126%, deposits up 53%—these figures indicate some of the trends in Fifth District banking during the last ten years. The scene continues to change each month. During January, for example, there were four mergers, six new branches were created, and four banks were added to the par list. Over the past decade, these events have added up to some significant changes in the structure of the District's banking system.

To measure the extent of these changes, this article presents data which cover all commercial banks in the Fifth Federal Reserve District. Data for West Virginia banks thus exclude banks in the six counties in the northern panhandle of the state which are in the Fourth District. Wherever possible, the period studied is from June 1950 to June 1960. For some statistics, however, the ten-year period covered starts in December 1949 or December 1950.

NUMBER OF BANKS Over the past decade the number of banks in both the nation and the District declined, largely as the result of mergers. In June 1950 there were 14,187 banks in the nation and 1,029 in the District. Ten years later the totals were 13,503 and 950. The percentage drop in the District was 8%, somewhat greater than the 5% decrease in the nation. The declines did not take place evenly over the ten years; in the first half of the decade the number of banks in the Fifth District decreased by only 1% while the U. S. total fell by 3%. In the second five years the relative declines were 7% in the District and 2% in the nation.

Within the Fifth District, as the accompanying chart shows, Virginia had the largest number of banks in 1960 with 307. The other four states followed with totals ranging from 138 to 188, and 12 banks were located in the District of Columbia. During the decade the number of banks in West Virginia increased by 3%, but bank numbers decreased in all the other states. The declines were: District of Columbia, 37%; North Carolina, 17%; Maryland, 16%; South Carolina, 3%; and Virginia, 2%. In the first half of the decade, bank numbers increased in South Carolina, Virginia, and West Virginia, but in the second half numbers fell in all states except West Virginia.

Nearly all of the reduction in the number of banks was caused by mergers of existing banks, since there were only two dissolutions not followed by merger. The above District figures include 43 new banks established during the decade, exclusive of mergers and changes of names. Nearly two-thirds of these banks were located in South Carolina and Virginia.

TOTAL DEPOSITS Total deposits of all commercial banks in the District increased by more than a half during the decade, rising from $7.5 billion in 1950 to $11.5 billion in 1960. The rate of increase was slightly greater than in the nation as a whole and consequently the District's share of the nation's deposits rose from 5.2% to 5.4%.

The growth of deposits was not even from year to year. In fact, the greatest and the smallest increases were recorded in consecutive years. Compared with an average annual increase of $397 million, the largest increase was $861 million in 1951-52 and the smallest was $117 million in 1952-53. The growth rate of 28% in the first half of the decade was considerably greater than the 19% rate of the second half.

Virginia not only had the largest number of banks in the District in 1960, but also the largest amount of deposits and the highest rate of deposit growth during the past decade. In 1960 Virginia banks held $3.1 billion of deposits, or 27% of the District total. The figures for the other areas were: North Carolina, $2.6 billion and 22%; Maryland, $2.4 billion and 21%; District of Columbia, $1.5 billion and 13%; West Virginia, $1.1 billion and 9%; and South Carolina, $0.9 billion and 8%.

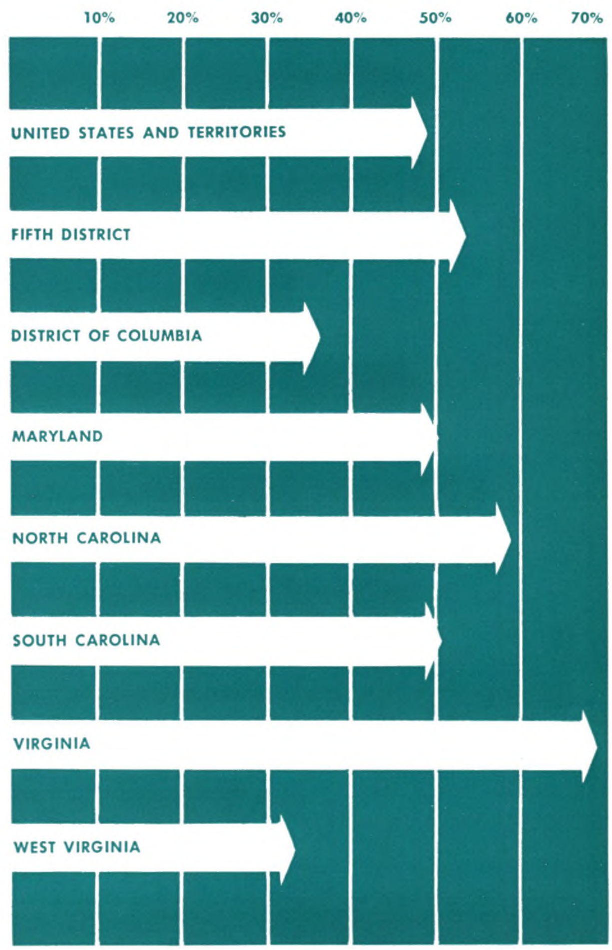
Deposits in Virginia banks rose by 69% during the past ten years. In Maryland, North Carolina, and South Carolina deposits increased by over 50%, while those of District of Columbia and West Virginia banks grew by 36% and 33%, respectively.

DEPOSITS PER BANK Changes in the average volume of deposits per bank reflected a combination of the upward growth of deposits and the downward trend in the number of banks. During the decade the United States average grew by more than half, from $10,193,000 to $15,880,000. For the District the rate of growth was even greater; the average moved from $7,294,000 to $12,079,000, an increase of nearly two-thirds. Within the District, average deposits in all areas except South Carolina and West Virginia grew faster than in the nation. Banks in the District of Columbia led with a 115% rise in average deposits per bank.

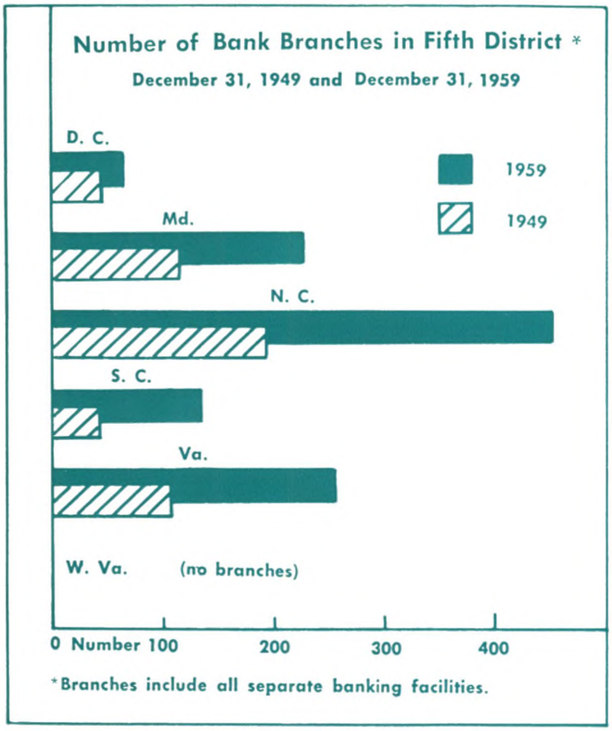
DEPOSIT SHARE OF LARGER BANKS During the decade there was a significant increase in the concentration of deposits in the larger banks. In 1959 there were 51 banks with deposits of $25 million or more and they held slightly over one-half of all deposits in the District. It so happened that these 51 banks constituted the top 5% of all banks in the District. In 1960 there were 61 banks in the $25 million class and they held three-fifths of all deposits. In that year, the top 5% numbered 48 banks, the smallest with deposits of $34 million, and they held approximately 57% of all deposits. On either basis of measurement the larger banks increased their proportion of total deposits. This trend was present in all areas except West Virginia and was most pronounced in the Carolinas.

BRANCHES While the number of banks declined slowly the number of branches increased quite rapidly. This was true of both the United States and of the District and was caused in large part by the movement of population to the suburbs and the rapid

GROWTH OF TOTAL DEPOSITS
1950 - 1960*



*June 30, 1950 to June 15, 1960



growth of community shopping centers. At the end of 1949 one-sixth of the banks in the Fifth District operated 500 branches; ten years later nearly a third of the banks were operating 1,131 branches. This increase of 126% was somewhat greater than the 110% increase in the whole United States. Within the District, South Carolina had the greatest relative increase in branches with 227% while North Carolina had the greatest absolute increase with 258 branches.

State law is perhaps the most important factor controlling the number of branch banks. The West Virginia law strictly forbids branches, so there are no branches in that state. Virginia permits branch banking, but limits the operations of branch offices to areas near the head office. The other states of the District permit statewide branch banking.

Despite the restrictions imposed by law, Virginia had the second largest number of branches in the District with 255 at the end of 1959. North Carolina was first with 452, while Maryland had 226, South Carolina 134, and the District of Columbia 64.

BANKING, POPULATION, AND INCOME One method of measuring the adequacy of banking facilities is to relate the number of banks and banking offices to population. In 1950 the District had one bank for every 14,040 persons and one banking *office* for every 9,450 persons. By 1960 the average number of persons served by each bank had increased to 16,990, but the average number served by each banking office had declined to 7,790. There were 3,480 more persons per bank in the District than in the nation, but the number of persons per banking office was about the same. At the extremes among District states, there was a low of 6,920 persons for each banking office in Virginia and a high of 10,340 persons in West Virginia.

Another measure of banking facilities relates the number of banking offices to personal income. At the end of 1949 the District had one banking office for each $10.3 million of personal income; ten years later this ratio had increased to $13.9 million. Nationally, income per banking office was a little higher in both years, and also grew at a somewhat faster rate during the decade.

FEDERAL RESERVE MEMBERSHIP At mid-June last year 46% of all commercial banks in the United States were members of the Federal Reserve System, and they held 84% of total bank deposits in the country. Here in the District about the same proportion—47%—of the banks were members but they held only 72% of the deposits in the District. In all areas except the District of Columbia the ratio of deposits held by member banks was below the national average. In Maryland and the two Carolinas the ratios of both deposits and banks were below the national averages.

Over the decade there was little change in the above two ratios, either in the country as a whole or in the District. Within the District, there was no significant change in either ratio except in Maryland, where the percentage of total deposits held by member banks fell from 73% to 64%.

PAR BANKS In keeping with the national trend, the District's ratio of par banks to all banks increased significantly; it rose from 80% to 85%. Except in the two Carolinas, where less than 60% of all banks are on the par list, all District banks except one now clear at par. Non-par banks held only 6% of District deposits in 1960.

INSURED AND NONINSURED COMMERCIAL BANKS Most Fifth District banks are insured by the F.D.I.C. The District was more fully insured than the nation as a whole; in 1960, 99% of the District banks were covered as against 97% for the country as a whole. Six of the nine District banks which were not insured were located in South Carolina.

THE FIFTH DISTRICT

Analysts watching for a change in the business climate are like bird dogs approaching as yet unseen quarry. Keen senses seek out every clue. Muscles are tense and quivering, ready to freeze into a point as soon as the elusive prey is discovered.

Caution born of experience underlies this eagerness, however. It would be bad enough to find the bird by stumbling over it, but worse to point a crow while hunting pheasant. Despite such hazards, the bird dog's job is relatively simple. He picks out sitting birds a few at a time. The business analyst, on the other hand, must take many birds into account simultaneously, and all of them are on the wing.

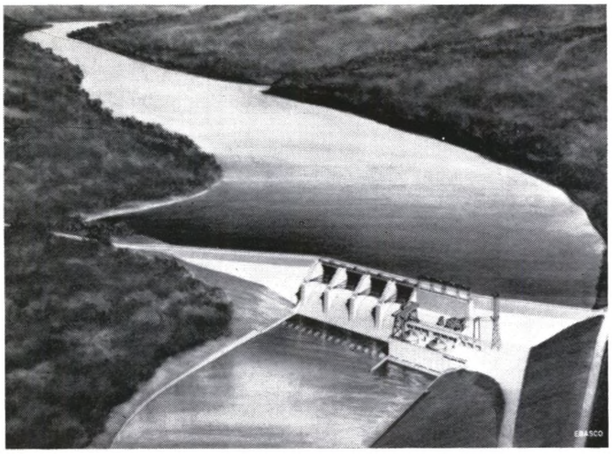
Two of the "biggest birds" in the Fifth District business picture, nonfarm employment and total manufacturing man-hours, went into a glide in the second quarter of last year. Others, such as contract awards and retail trade, either remained in fairly level flight, or soared upward from time to time. The employment "bird" lost altitude quite gradually, thanks to "thermal updrafts" in such areas as financial and service enterprises, and stability in trade and government. Factory man-hours dropped more sharply as makers of textiles and durables cut production. By December, nonagricultural employment and factory man-hours, both seasonally adjusted, were, respectively, 1% and 8% below their second quarter peaks.

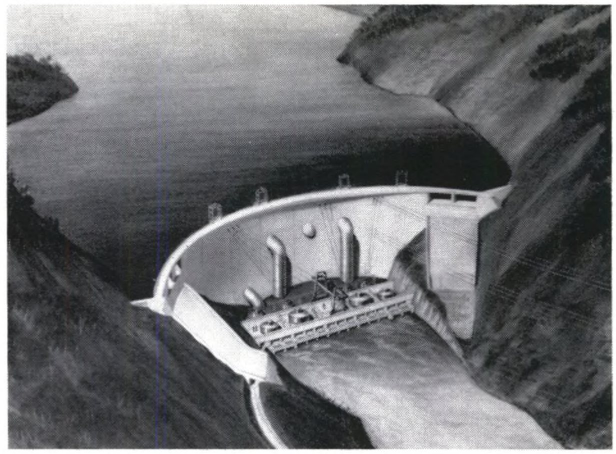
MORE STABILITY IN MANUFACTURING Although business was clearly pointing downward at the end of 1960, some January reports were favorable enough to give an analytical bird dog pause. Total nonagricultural employment edged up very slightly from December, mainly as a result of further gains in the nonmanufacturing sector. Employment dropped in durable goods factories, but increased in nondurables. Seasonally adjusted man-hours rose in both, however, gaining more than 1% between December and January. The pickup in manufacturing activity occurred in all states of the District except North Carolina and was most pronounced in chemicals, paper, and all durables except furniture.

INDUSTRIAL MARKETS STILL UNSTEADY Fluctuating market conditions continue to confront the District's major manufacturing industries. In textile markets, for instance, spurts of new orders have become somewhat more frequent and have been stabilizing or mildly increasing backlogs in a wider variety of product lines. However, these orders were placed to cover minimum needs in a continuing policy of tight buying and low inventories and were not necessarily votes of confidence on the part of textile fabricators. According to inventory estimates, the recent increase in the support price of cotton may, in a few months, add three cents per pound or more to the prices being paid by mills. This new element of uncertainty has created new concern for the industry's already weak price structure. Many mills have firm commitments to deliver a good part of their output for the next six months at the reduced prices which prevailed during most of the past year. The possibility of further increases in foreign competition limits such optimism as does exist to the fairly near future. Under these circumstances, the textile industry's oft-expressed hopes for improvement around midyear depend on an early upturn in national business conditions.

Rather mixed conditions also exist in typical primary markets for the District's durable goods. Furniture manufacturers report firm prices, but spotty and sporadic buying. Both new orders and backlogs are on the low side of manufacturers' expectations based on the experience of recent years. The picture in general, however, is considered fairly normal in the sense that the furniture business has usually started each new year slowly, last year being an exception. According to some industry spokesmen, a more favorable volume of new orders has been developing and if it continues, reaching a crest in the second half, 1961 will be about a typical year.

CONSUMERS' BUYING VARIES The up-and-down course of 1960 department store sales carried over into the first two months of 1961. Early January reports were good, but later in the month bad weather arrived and sales slipped rapidly. Then February sales rebounded sharply. The January index was 146% of the 1947-1949 base period, 5% below the December level. Only two months of 1960, March





Two dams being built on the same river—these and other projects will enable District power companies to meet growing demand.

and May, were lower. The preliminary estimate for February places the index at 159, up 9% from January, and exceeded in only two months during 1960—April and October.

New car sales in the District continued to lag through January, but with some exceptions in certain makes and market areas. Here also weather conditions produced adverse effects. Dealers complained of little response to stepped-up promotional efforts. Used car sales were reported to have improved in January, but demand was still rated below normal.

INSURED UNEMPLOYMENT The number of persons receiving unemployment insurance benefits in the District continued to climb in January and early February, reaching a new all-time high of 265,000 in the week ended February 11. The February high of previous years was 226,000, reached in 1958 during the last recession. Insured unemployment statistics have considerable usefulness as current indicators, but must be properly interpreted. Because of exhaustions of benefit eligibility after long idleness, and ineligibility on the part of those newly entering the labor force, actual unemployment always exceeds the insured portion. The difference varies considerably at different times and in different areas. Estimates of the composition of the civilian labor force, regularly available in the District only for Maryland and Virginia, suggest that total unemployment may range from half again to two or three times as large as insured unemployment.

ELECTRIC POWER AS AN INDICATOR District statistics of electric energy distribution, which will eventually provide an important new guide in the analysis of business conditions, are still in a relatively early stage of development. Post-World War II data now available reflect both rapid growth in power use and shifts in the structure of Fifth District business.

Generating capacity increased at an average annual rate of nearly 12% per year just after the war, but settled down after 1955 to a rate of about 7%. New facilities under construction or scheduled to be started in the near future will increase the level of capacity from 15.7 million kilowatts to 18.7 million by the end of 1963, an average annual growth rate of 6%.

MORE POWER IN PRODUCTION Industry consumed 49% of District power output in 1959. The steady rise in productivity due to power-consuming machinery is evident in the following growth rates which typify District trends over the last decade: Manufacturing employment and man-hours have increased on average less than 1% per year, while value added by manufacturing has expanded at an annual rate of more than 5%. Much of the difference is related to sales of electric power for industrial use, which have moved upward at a clip in excess of 7% per year. These growth rates give further support to the view that recently rising levels of unemployment among District factory workers are due in some degree to long-run technological, as well as short-run cyclical, causes.

PHOTO CREDITS

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