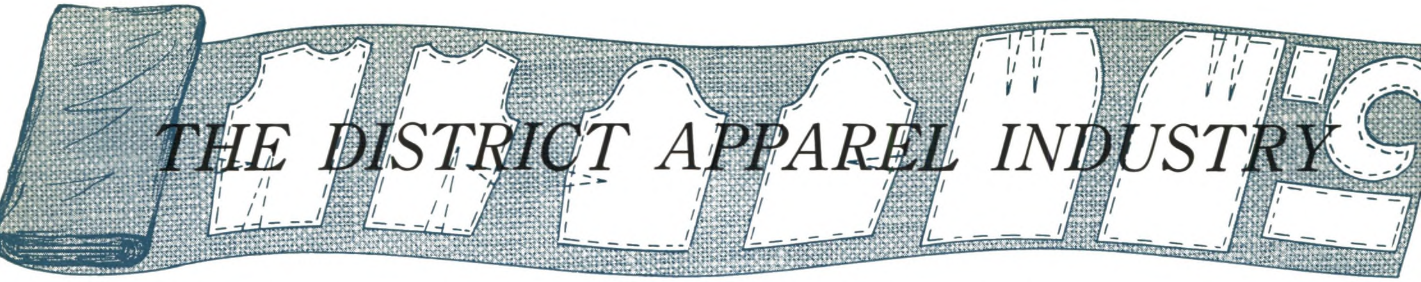
MONTHLY REVIEW

The apparel industry comprises a rapidly growing sector of District business.

FEDERAL RESERVE BANK OF RICHMOND DECEMBER 1963



THE DISTRICT APPAREL INDUSTRY

Fifth District firms are sewing up a growing share of the nation's $10 billion-a-year apparel business. District producers are also increasing their output of other cut and stitched fabric products, valued nationally at $3 billion a year. The business environment here has proved particularly conducive to this type of activity. The region's favorable factors include a vigorous and extensive textile industry, a suitable labor supply, and proximity to large market areas. Over the past decade and a half, apparel and related products have contributed importantly to the expansion of District manufacturing, adding nearly 80,000 new jobs. District firms now employ some 10% of the country's apparel industry production workers against only 5% in 1947, and if recent trends endure, this industry will continue to grow as a source of District employment and income.

Industry Classification In the Commerce Department's industrial classification code, apparel and related products fall chiefly in "Group 23." The distinctive operations that characterize firms in this group are best described by the terms "cut" and "sew." Materials usually consist of purchased textile fabrics, leather, plastic, or fur. Group 23 includes three types of firms. First, the so-called "regular" plants are equipped to perform all operations from designing garments and purchasing materials through cutting, sewing, finishing, and selling. Second, "contract" plants, as the name implies, produce under contract using patterns and materials supplied and owned by others, thus avoiding the risks involved in designing, purchasing, and product distribution. The third group consists of "apparel jobbers" who buy the materials, design the product, farm out the cutting and sewing to contract plants, and sell the finished apparel. Custom tailors are not included. They are classified as retailers unless they specialize in repairs and alterations, which are considered personal services.

Classification Problems Because of close connections between apparel and textile products, it is not always possible to draw a sharp line between the two. Classifications based on production organization may not be pertinent to distributive activities. For example, some items of knitted apparel are included officially in "Group 22," textile mill products. Such items include outerwear and underwear shipped from knitting mills. These, however, are included in the $10-billion estimate of annual value. On the other hand, some items of knitted apparel, such as hosiery, caps, and gloves, are excluded from the Commerce Department's apparel industry report, source of the $10-billion figure.

Thus, the purpose of the statistics and to some extent the degree of industrial integration determine whether the product of a particular firm will be counted as apparel proper (Group 23) or as textile mill products (Group 22). In the regular monthly estimates of manufacturers' sales, inventories, and orders, the textile and apparel categories are combined outright. For the purpose of measuring production, employment, hours, and payrolls, data for textiles and apparel are maintained separately. Because of these complexities, the data must be interpreted with caution, especially in making comparisons. Unless a notation to the contrary appears, the statistics presented in this article refer to Group 23, the apparel industry proper.

Employment Trends Growth since 1947 has been impressive in the District's apparel industry. Employment has risen from 62,000 to 137,000, a gain of 120%. The number of workers increased every year except 1954 and 1958, advancing by 5,000 or more in 1950, 1952, 1955, 1956, 1960, and 1961, and by twice that amount in 1953, 1959, and 1962. During this 15-year period, total nonfarm employment in the District has increased one-third, and factory employment has risen one-fifth, while the number of jobs in textiles has remained practically unchanged.

The state patterns which produced this strong District trend have varied considerably. In Maryland, makers of apparel and related products are largely concentrated in and around Baltimore. Maryland employment was stable at 25,000 for several years after World War II, rose to a peak of 26,000 in 1953, then declined gradually to a postwar low of 22,000 in 1958. Recovery in the past two years has now raised the figure to a little over 24,000. The nation's Capital, unlike most large cities, which are big apparel markets, has but a small share of the apparel industry. Growth in Virginia's apparel industry has roughly paralleled that of the District as a whole. Employment has doubled since 1947, rising from 13,000 to 27,000. In West Virginia, where manufacturers concentrate on metals and chemicals, only 4,300 are employed in the production of apparel. Interestingly enough, the 300 represent all the growth that has occurred since 1947.

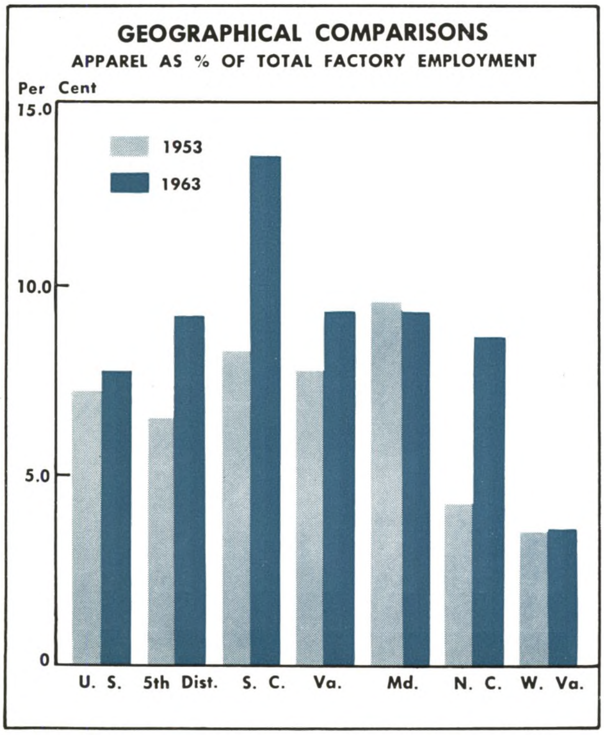
Apparel production has grown most rapidly in the Carolinas. In 1947, the apparel industry was considerably larger in Virginia than in either of its neighbors to the south, and was one-fourth larger in Maryland than in North and South Carolina combined. In a decade and a half this activity has grown in the Carolinas to one and a half times the combined apparel industries of the other three District states. The industry in both states experienced substantial growth in every year of this period. During these 15 years, apparel employment actually quadrupled, rising from 11,000 to 45,000 in North Carolina and from 9,000 to 36,000 in South Carolina.

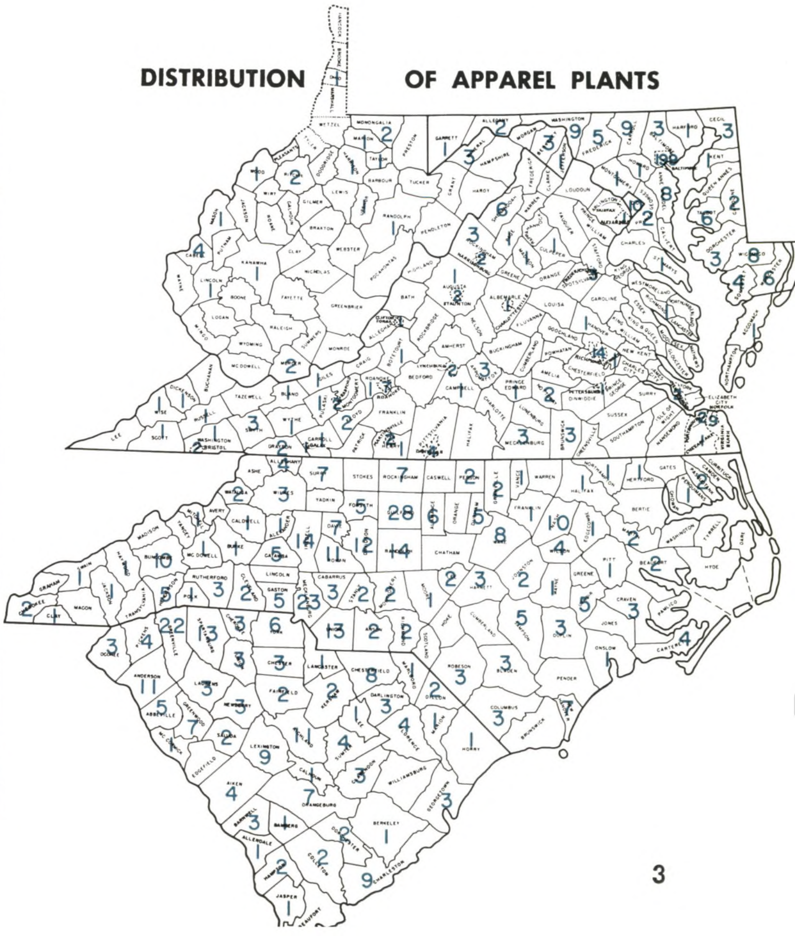
The results of these trends over the past ten years are shown in the bar chart at the foot of page 3. This chart emphasizes growth in the relative importance of apparel manufacturing as a source of employment. It shows that in all Fifth District states except West Virginia, the apparel industry now accounts for a share of total factory employment greater than the national average.

Plant Location and Size According to current directories of manufacturing establishments, there are 900 apparel plants in the Fifth District. As the map shows, these plants are fairly well scattered. Maryland has 275 plants located in the city of Baltimore and in 20 out of 24 counties. There are 10 plants in the District of Columbia. Virginia lists 109 plants located in 19 independent cities and 32 counties. Twenty-seven plants are operating in 17 West Virginia counties. North Carolina tops all District states with 300 plants in 69 counties, and 180 plants in 43 counties are listed for South Carolina. There are about twice as many apparel plants in the Carolinas as there were 15 years ago.

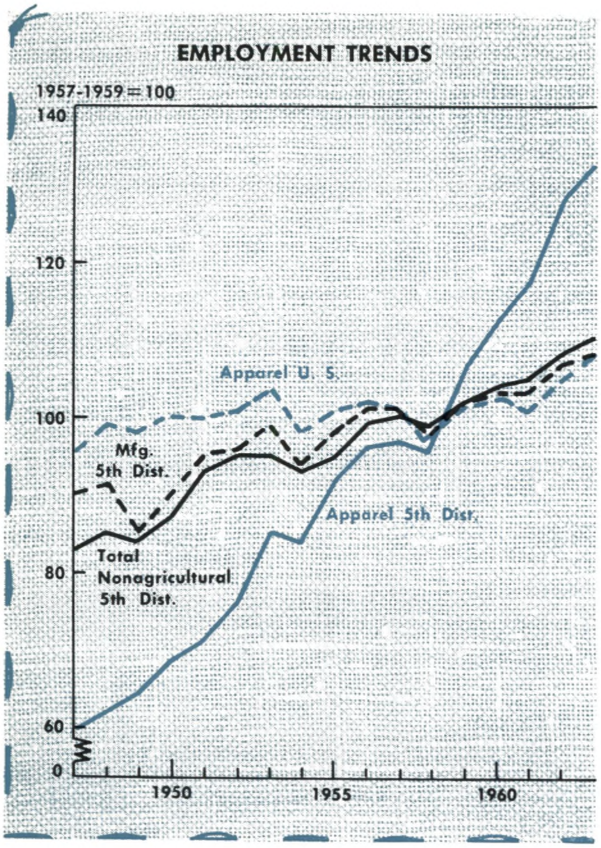
Considered together, employment statistics and the number of establishments reveal significant geographical differences in plant size. Maryland's 275 plants are comparatively small, averaging 88 employees per plant. The typical Virginia factory employs 250, nearly three times the Maryland figure. The average West Virginia plant falls in between with 160 workers. The comparable figures are 151 for North Carolina and 198 for South Carolina.

National Comparisons and Prospects In the national apparel industry, the number of jobs rose only one-eighth between 1947 and the present, and





DISTRIBUTION OF APPAREL PLANTS



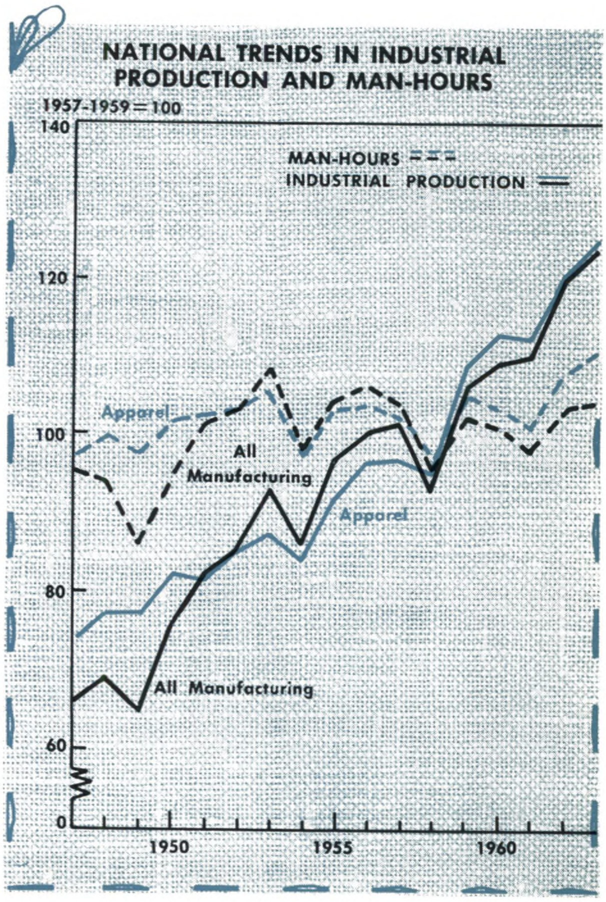
most of this increase occurred after 1961. The contrast in this respect, between the Fifth District and the nation shows up clearly in the chart of employment trends on page 4. For comparison, over the past 15 years total nonfarm employment increased about one-third in both the District and in the nation as a whole. Factory jobs rose one-fifth locally compared to one-tenth nationally, with smaller gains in nondurables than in manufacturing generally.

The trends and relationships reflected in these data are subject to complex influences. As population increases, as more purchasing power is generated, and as needs and desires change with respect to clothing, the size and composition of the clothing market responds accordingly. Recent trends are toward greater specialization in clothing. Items of apparel are being designed increasingly to meet the needs of particular activities and occasions. Thus, there is a trend toward larger as well as more numerous wardrobes suggesting a further rise in employment.

On the other hand, automation and the possibility of accelerating the substitution of machine-hours for man-hours are subjects of lively discussion these days. Automation, however, depends on the nature of the product and on the kind of operations required to produce it.

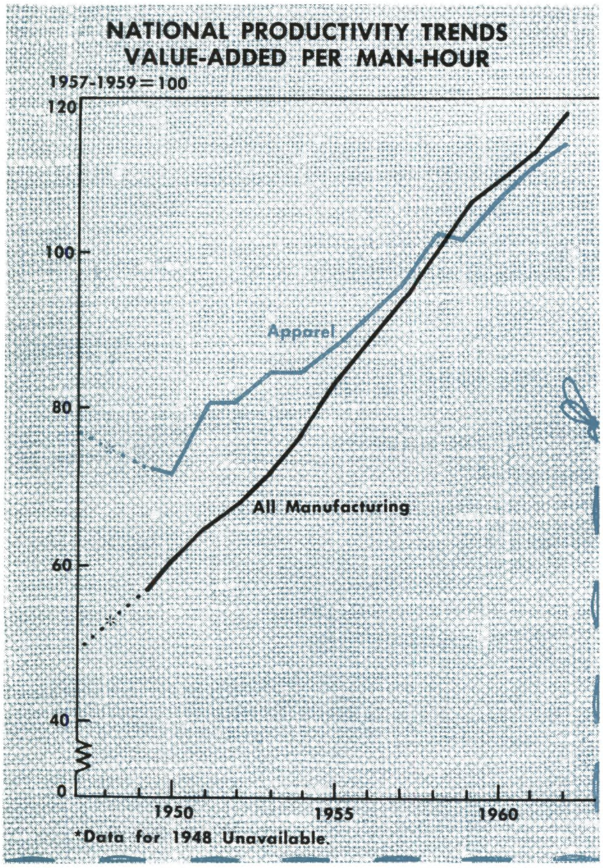
Trends in Productivity Apparel factory man-hours have risen 13%, one percentage point more than employment, since 1947. Over the same period the apparel component of the industrial production index rose 68%. A gain in output five times the size of the additional labor input shows a sizable improvement in productivity, but one well below the average for all manufacturing industries. For total manufacturing, the rise in man-hours since 1947 amounted to only 10% against an 88% increase in production, an increment in output nearly nine times the increase in labor input.

There are a number of reasons for the apparel industry's slower growth in productivity with respect to labor. Apparel is mass-produced, but opportunities to produce more efficiently through longer runs of identical items using highly automated equipment are quite limited. Style is such an important factor that patterns and fabrics must be changed frequently. Cutting is a highly skilled operation and material costs are sharply influenced by the cutter's acquired ability to lay his patterns in a way that minimizes waste. Much has been done to improve machines, to



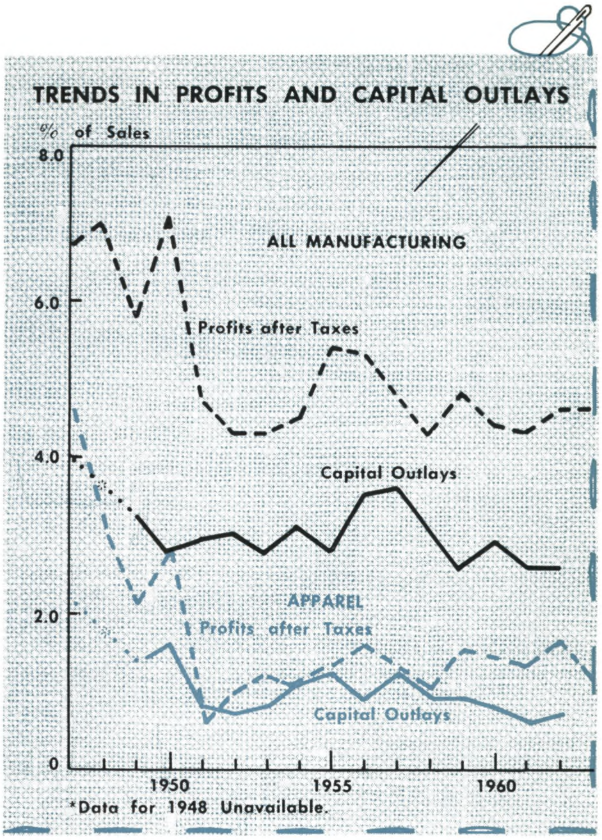
specialize and simplify operations, and to move goods in process more efficiently through the plant. Nevertheless, further improvements in productivity rest largely on the ability of individual workers to enhance acquired skills. The panels of each new pattern must be matched to the cloth and cut. The parts of each garment must be aligned and stitched.

Value Added Data on value added by manufacture considered in conjunction with man-hours



provide some added information on trends in productivity. Value added represents a statistical measure of value bestowed on a processed good by an industrial operation as distinct from value already present in its purchased components.

Since 1947 value added in the manufacture of apparel has risen 58%. Since man-hours also rose, the gain in value added per man-hour was smaller, amounting to 35%. Here the contrast with manufacturing in general is sharp indeed. Total value added by all manufacturing activity has risen a sharp 142% since 1947. Since factory man-hours remained virtually unchanged and prices rose only moderately, most of the 142% resulted from increased prod-



uctivity. Man-hours and value added, shown in the chart opposite, indicate that while productivity has advanced notably in apparel, the increase has been only about one-fourth that for all manufacturing.

Profits and New Investment Profit rates in the apparel industry in the early postwar years ranged from one-half to two-thirds of profit rates in other manufacturing industries. When manufacturing profits relative to sales began to decline in the early 1950's, apparel profits fell more than proportionately and have remained between 1.0% and 1.6% of sales throughout the past decade. As the chart above shows, profits rates earned in apparel production have remained relatively low.

Apparel producers have also lagged somewhat behind other manufacturers with respect to capital outlays. Whereas capital outlays by manufacturing industries as a whole have varied over the past decade between 2.6% and 3.6% of sales, apparel outlays have moved between 0.6% and 1.2%.

Apparel, like textiles, is a highly competitive industry with a narrow margin of profit. Although apparel manufacturers lack the conditions that foster rapid automation, they will probably continue to thrive just by saving an inch of cloth here and a second of production time there.

fifth district ski resorts

Youngsters using barrel staves for skis have no doubt been swooping down snowy slopes in mountainous regions of this area for many a year, but skiing as an organized sport is a relative newcomer to Fifth District states, dating only from the winter of 1952. Now, only 11 years later, new and improved facilities for this and a variety of other winter sports are accessible near Oakland in Maryland, at Hot Springs and near Winchester and Washington, Virginia, and at Blowing Rock and Waynesville in North Carolina. Skiing enthusiasts have a choice of several winter resort spots in the ideal mountain terrain of West Virginia. Four of the West Virginia resorts—at Davis and Helvetia and near Morgantown and Beckley—fall within the Fifth District.

A trestle railway ski lift, with 66 one-passenger cars, gives skiers rides up the 3,000-foot-long main slope at Hot Springs.

Right—Skiers' bright togs add notes of color to the stark beauty of a black and white winter scene in Maryland's Allegheny Mountains.

Since District residents no longer have to take distant trips, or even spend more than a week end away from home, to visit resorts equipped for skiing, enthusiasm for the sport is mounting rapidly and ski business is fast becoming big business. Motels at Blowing Rock and Waynesville which used to hang out "Closed for the winter" signs now stay open all year. The development of the $1,000,000 ski area at Hot Springs has brought new wintertime prosperity to Bath County, Virginia. At Davis, West Virginia, overnight tourist accommodations have increased from one hotel and one motel in 1957, when ski facilities were opened, to 2 hotels, 3 motels, and 25 housekeeping cabins which accommodate from 1,200 to 1,500 people. Winter trade is also brisker at retail stores and other service establishments in resort areas and adjacent communities, in particular at restaurants, grocery and sporting goods stores, and gasoline service stations.

During the 1962-63 season, an estimated 130,000 people visited District resorts equipped with ski facilities. With two additional areas open this year, and the number of cold weather sports fans increasing each season, the tally of ski resort guests for the 1963-64 winter months may well top that for last year. According to one estimate, the average tourist spends about $50 for food and lodging, ski equipment rentals, ground fees, and retail purchases during a two-day week end. The promotion of winter sports—still a relatively new venture for resorts south of the Mason-Dixon Line—has thus already developed into a multimillion dollar business in the Fifth District.

Technique classes for skiers of all ages, offered at several resorts, make inexperience no bar to enjoying a skiing holiday.

Skiing is full of spills as well as thrills, but rescue units are on hand to give aid to skiers having trouble on the trails.

After hours in frosty out-of-doors air, winter guests at Blowing Rock welcome a chance to relax in a comfortable ski lodge.

FOREIGN DEPOSITS AND BANK RESERVES

The build-up of foreign deposits in American banks affects domestic money and credit in various ways. As frequently noted in the press, such deposits are closely linked with the nation's gold stock and can be the medium through which gold flows out of the country. Gold losses, in turn, affect bank reserves and, unless offset by Federal Reserve action, can have important restrictive effects on bank credit and the money supply. Apart from their potential effects on the gold stock, foreign deposits also can influence both the distribution and volume of bank reserves. Accordingly, they present a problem, albeit a relatively minor one, for monetary policy.

Origin of Foreign Deposits Foreigners hold deposits with banks in this country chiefly to facilitate their international transactions. Changes in the volume of foreign deposits depend on the net balance of transactions between foreigners and Americans. If, for example, foreigners receive more dollars from Americans than they spend here, their deposits increase. If the reverse is true, they decline. Thus foreign deposits are linked with the nation's balance of payments. The build-up of these deposits since 1950 has been largely a by-product of the sizable deficits in our balance of payments over this period.

Reserve Availability and Distribution When there is a net transfer of deposits from Americans to foreigners, the total of bank reserves is not necessarily affected. Normally, foreigners hold their new deposits, at least temporarily, with commercial banks and the total of bank reserves remains unchanged. The transfer, however, may involve a shift of deposits and reserves between groups of banks that use reserves with varying intensity. Hence excess reserves and the volume of bank credit and money may be affected.

Foreigners acquiring new dollars do not usually hold all of such funds in demand deposit balances. A part may be invested in time deposits or in a variety of United States securities or in private obligations. Many choose such alternatives in order to earn interest while at the same time remaining liquid. The rate of return on alternative investments in relation to the degree of liquidity they provide is the determining factor in choosing among appropriate forms in which to hold dollar credits. If short-term rates are relatively high foreigners are likely to hold less in the form of demand deposits than otherwise. On the other hand, if banks in this country are offering relatively high rates on time deposits, larger amounts are likely to be held in that form.

Shifts between alternative forms of investments may cause complications for member bank reserves. For example, a shift from demand to time deposits reduces required reserves and—unless offset—enables the banks affected to expand loans or investments. Similarly, a shift of deposits between banks subject to different reserve requirements increases or decreases required reserves and with them the volume of bank credit. Such effects can easily be offset, however, by day-to-day open market operations and present no problem for monetary authorities.

Official Foreign Holders In addition to their choices among investments in the United States, foreign holders of dollar credits have yet another alternative. They may convert their dollars into their own or any other national currency by "selling" their dollar deposits, often to their central banks. Such sales involve a transfer of deposits at United States banks from foreign private holders to foreign central banks. Since central banks frequently hold a part of their dollar deposits at the Federal Reserve rather than at commercial banks, this may result in a shift of deposits and reserves from the commercial banking system to the Federal Reserve. In the process, commercial banks experience a net reduction in total reserves. Conversely, a purchase of United States dollars by private holders from their central banks usually results in a transfer of deposits from the Federal Reserve to commercial banks and an increase in commercial bank reserves. Such shifts are among the mechanisms through which foreign deposits exert an immediate impact on bank reserves.

Foreign central banks and other official institutions —like private individuals—often use some of their deposits to purchase United States investments. When they do so, reserve losses resulting from the shift of deposits from foreign private holders to foreign official holders are offset since such purchases shift deposits and reserves back to commercial banks. This is not the case, however, when foreign official institutions buy gold, an option not open to private foreign holders. Gold purchases involve a transfer of deposit credit at the Federal

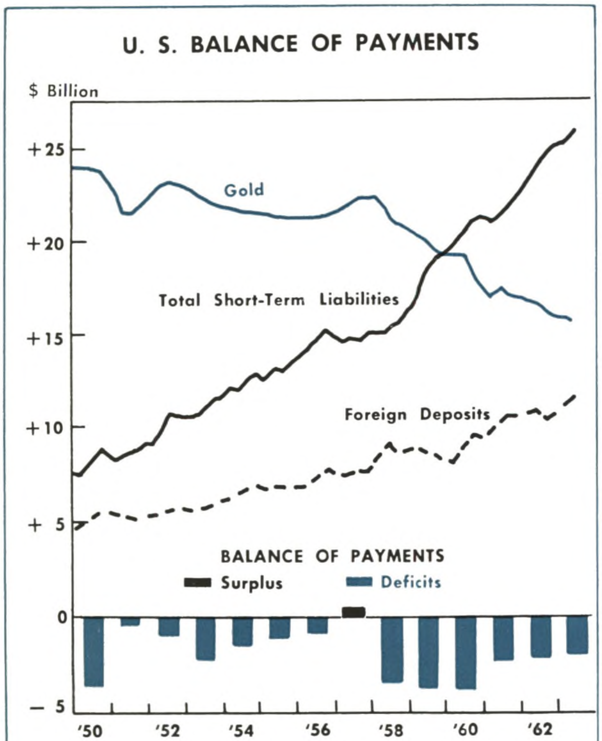
Reserve from foreign holders to the U. S. Treasury and bank reserves are not restored.

The net effects of foreign deposit shifts to and from foreign central banks may be reflected in the volume of deposits held by these banks with the Federal Reserve System. An increase in these deposits usually implies a reduction in bank reserves and vice versa. It is for this reason that "Foreign Deposits at the Federal Reserve" are watched by the money managers as one of several factors affecting reserves.

Some Illustrations The manner in which foreign deposit shifts affect bank reserves can be explained more clearly with the use of the hypothetical balance sheet entries on page 10. Suppose, for example, as illustrated in panel I, that a foreign individual sells dollar deposits held at a member bank to his central bank, which in turn deposits the funds with a Federal Reserve Bank. The individual draws a check payable to the foreign central bank. The foreign central bank then deposits the check in a Federal Reserve Bank, increasing foreign deposits there (a). When the check clears, member bank reserves at the Federal Reserve decline by a like amount (b), and member bank reserves (c) and foreign demand deposits (d) decline on the books of the member bank. Thus a shift of foreign deposits from commercial banks to the Federal Reserve, taken by itself, will reduce the level of bank reserves.

Suppose, as shown in panel II, a foreign central bank buys Treasury gold with funds transferred to the Federal Reserve from a commercial bank. Foreign demand deposits (a) and reserves (b) decrease on the books of the member bank; and foreign deposits (c) increase while member bank reserves (d) decline at the Federal Reserve. When the foreign central bank draws down its balance at the Federal Reserve to pay the Treasury for the gold, foreign deposits (e) then decline and Treasury deposits (f) rise. The Treasury then draws down its account at the Federal Reserve (g) to retire gold certificates (h) from the Federal Reserve. The net effect is a decline in Federal Reserve gold certificate holdings and a reduction in member bank reserves.

Finally, the purchase or sale of government securities in the open market by foreign official holders can affect the level of member bank reserves. Suppose, for example, as in panel III, that a foreign central bank purchases a U. S. Treasury bill from a government security dealer by drawing down its deposit at the Federal Reserve. The dealer deposits the check in his demand deposit at a member bank (a), and when the check clears this bank's reserves increase, (b) and (c), while foreign deposits at the Federal Reserve (d) fall.



Source: U. S. Department of Commerce
U. S. Treasury, Federal Reserve System
Note: Balance of Payment figures for 1963 cover the first six months.

Foreign Deposit Build-up Accompanying the $27 billion deficit in the United States balance of payments since 1950 has been an $18.5 billion build-up in short-term liabilities to foreigners and net sales of gold of $8.5 billion. Foreign owned deposits at American banks alone have more than doubled since 1950, rising from $5 billion at the beginning of 1950 to $11.5 billion at mid-1963. About $7 billion of the total represented demand deposits, and about $4.5 billion time deposits.

Most of the $11.5 billion of foreign deposits is owned by foreign commercial banks, central banks, governments, and international organizations. At mid-year they held $9.3 billion of the total, while the remainder was held by other foreign interests.

Although there is no readily available breakdown between demand and time deposits owned by foreigners prior to May 1963, it is probable that in recent months the time deposit component has grown more rapidly than the demand deposit component. Increases in time deposit interest rates since January 1962 provide foreigners with greater incentive than form-

I

Federal Reserve

Assets		Liabilities	
		(b) Member bank reserves	—100
		(a) Foreign deposits	+100

Member Bank

Assets		Liabilities	
(c) Reserves	—100	(d) Foreign demand deposits	—100

II

Federal Reserve

Assets		Liabilities	
(h) Gold Certificates	—100	(c) Foreign deposits	+100
		(d) Member bank reserves	—100
		(e) Foreign deposits	—100
		(f) Treasury deposits	+100
		(g) Treasury deposits	—100

Member Bank

Assets		Liabilities	
(b) Reserves	—100	(a) Foreign demand deposits	—100

III

Federal Reserve

Assets		Liabilities	
		(d) Foreign deposits	—100
		(c) Member bank reserves	+100

Member Bank

Assets		Liabilities	
(b) Reserves	+100	(a) Domestic demand deposits	+100

erly to hold dollar credits in the form of time deposits. The increases in interest rates have also reduced the incentive for foreign governments to purchase gold with their dollar credits.

The chart on page 9 points up the relationship between the balance of payments deficit, the growth of foreign deposits and other forms of short-term liabilities, and sales of gold by the U. S. Treasury. Between 1950 and 1957 the country's balance of payments deficits were relatively small, averaging about $1.3 billion a year. During this period total short-term liabilities to foreigners doubled while foreign deposits increased about 50%. At the same time gold outflows totaled less than $2 billion. In this period the so-called "dollar shortage" was being eliminated as foreigners built up stocks of dollars.

Since 1957 the deficits have increased, averaging more than $3 billion a year. Foreigners have continued to build up their deposits and other short-term dollar holdings but the rate of accumulation has slackened. Total short-term liabilities to foreigners increased about two-thirds between 1958 and 1962, while the deposit component rose less than 50%. In the same period, sales of gold by the Treasury to foreign governments increased substantially, amounting to $6.8 billion. Foreigners by this time had built up their reserves of short-term dollar assets to a comfortable level and felt freer to convert a larger proportion of dollar accruals into their own currencies. This shifted large amounts of dollars to foreign central banks, which, in turn, began converting some to gold after accumulating needed dollar reserves.

Other Factors Affecting Reserves Foreign deposits are only one of several factors affecting bank reserves in this country. Others include currency in circulation, Federal Reserve float—the credit given to member banks at the Federal Reserve for checks not yet collected—member bank vault cash holdings, Treasury balances at the Federal Reserve, the gold stock, and miscellaneous other factors. In addition, member bank reserves are deliberately influenced by the Federal Reserve through its policy actions. Generally speaking, the Federal Reserve keeps abreast of the effects on reserves of the various factors which are beyond its control and tailors its reserve-creating or reserve-destroying activities accordingly.

When foreign deposits are considered in the broad context of all the various factors affecting reserves, it can be seen that they are of relatively minor importance. Nevertheless, they must be considered along with other factors in day-to-day open market operations in order to achieve desired policy objectives.

THE FIFTH DISTRICT

Figures currently emerging from various statistical assembly lines clearly show continued progress in most sectors of Fifth District business. More recent evidence—the far less comprehensive "seasonally unadjusted" kind gleaned from business news, statements of industry spokesmen, and various other sources—suggests that the uptrend is still in force as November ends and December begins.

There is strength in the District's major manufacturing industries, in construction, service enterprises, trade, mining, and most other activities. Unemployment remains low compared to the rest of the nation and to District levels in previous years. Comprehensive indicators reflect continued growth as bank debits remain close to the peak while nonfarm jobs and factory man-hours stand at all-time highs.

The one clear exception is agriculture, where receipts from flue-cured tobacco sales continue to run some 9% lower than a year ago. A few other developments—lower average levels of contract awards and automobile registrations, and unevenness in retail trade, for instance—temper the general aura of strength. While it is premature to assess the significance of these developments, it may be noted that similar spotty evidences of weakness have, on earlier occasions, disappeared.

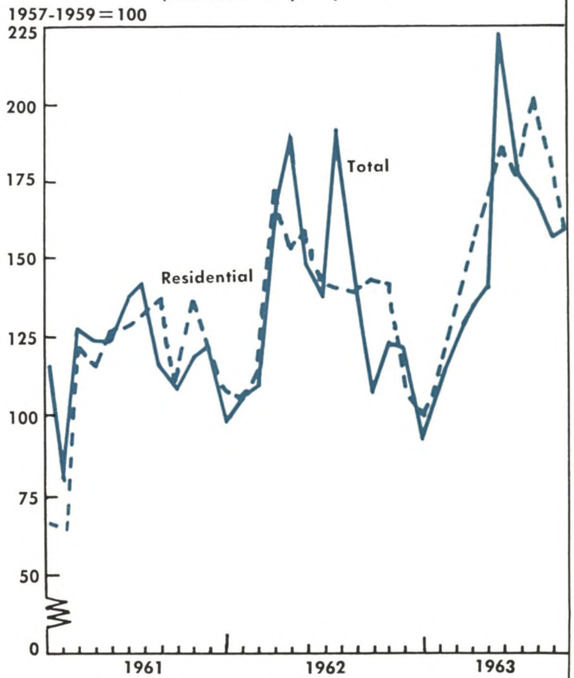
Jobs and Man-Hours Set Records In October, seasonally adjusted nonfarm employment rose 0.3% to a new high. Jobs increased in both durable and nondurable goods factories and in all nonmanufacturing sectors except services where a slight decline occurred. October employment figures set records in durable goods manufacturing, in contract construction, in trade, in finance, insurance, and real estate establishments, and in government. The sharpest gains, however, occurred in construction, mining, and the production of nondurables.

With employment rising, unemployment has remained relatively low. Weekly rates of insured unemployment in October averaged 2.3% in Maryland, 1.4% in the District of Columbia, 1.0% in Virginia, 3.7% in West Virginia, 2.5% in North Carolina, and 2.7% in South Carolina, compared to 3.1% for the nation. Labor force estimates of total unemployment, available for all District states since January 1962, also show local rates consistently below the national except in West Virginia. In September, the latest month for which these data are available, unemployment equalled 7.5% of the West Virginia labor force and ranged from 2.5% to 4.0% in other District states compared to 4.8% for the nation as a whole.

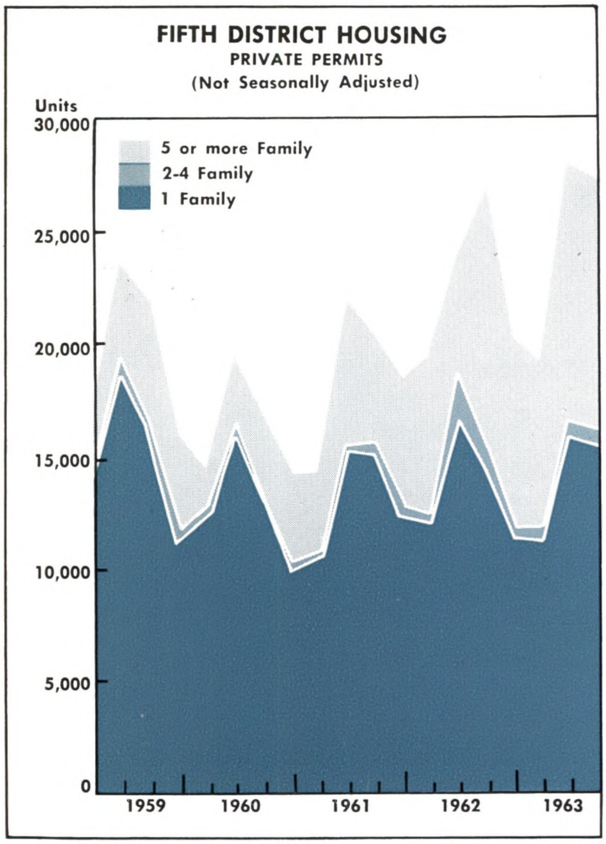
Seasonally adjusted factory man-hours, by virtue of the strongest gain since May, also reached a new high in October. Progress was not universal, however, as somewhat mixed conditions resulted in a small decline in durable goods man-hours partially offsetting a healthy rise in nondurables. Industries reporting man-hour reductions included nonelectrical machinery, lumber, cigarettes, and to a lesser extent, fabricated metals, food, and printing. Advances were most vigorous in textiles, apparel, transportation equipment, and primary metals. Business is particularly rosy for District furniture makers, preparing to wind up a second record-shattering year, and al-

FIFTH DISTRICT CONTRACT AWARDS

(Not Seasonally Adjusted)



Source: F. W. Dodge Corporation.



though textiles face a web of uncertainties, demand is strong, prices firm, and production high.

Strong But Variable Bank debits reached the same record level in July and September, then settled back slightly in October. On a ten-month basis, this year's debits exceed last year's by 7.6%.

District business failures increased in September although the trend over the year has been generally downward and failures in the first nine months were 10% lower this year than last. The trend in current liabilities of business failures has also been downward this year, but the total for the first nine months was 3.9% higher than in 1962. New business incorporations were weaker than usual in August and September, but earlier strength produced a 1.2% nine-month gain over last year.

Following five record months, new passenger car registrations declined more than seasonally in August and September. With three quarters of the year accounted for, 1963 is running 15% ahead of 1962 and 40% ahead of 1961.

Construction Construction, one of the District's most enduring sources of strength, has recently developed a few uncertainties. Nevertheless, most measures of District building activity continue to show improvement, as the charts indicate. For example, the total value of contracts rose steadily during the early part of the year and were, after nine months, 7% higher this year than last.

These totals hide some conflicting trends. In the category of public works and utilities, where contracts are likely to have prolonged impact on the general economy, award values rose 40% in 1962, but on the basis of nine months' data, dropped 17% this year. Reassuringly after two rather slow months, these awards rose again in September. In view of the earlier weakness, however, the District economy will receive less support from this source a year or so hence unless these awards continue to rise.

Nonresidential awards, largely new industrial and commercial buildings and expansions which include a good number of sizable projects, followed a somewhat different course. Here award values declined 4% in 1962 then achieved year-to-year gains averaging 18% over the first nine months of 1963. As with public works and utilities, May and June were the busiest months so far this year, and September showed a good rise after two months of decline.

The trend in residential awards has continued upward over the past three years but, as the chart of residential building permits shows, the strength lies in multifamily dwellings not in single family houses. On the basis of nine months' data, total residential awards are running 15% ahead of last year. Single family dwellings have increased only slightly since 1960 and are still well below 1959 levels. Although some fears have been expressed lest construction of apartment houses exceed potential demand, there is little evidence that this is a significant danger as yet.

Agriculture Gross returns from District flue-cured tobacco sales are running about $70 million (9%) below last year. Despite this, markets in the Eastern North Carolina Belt recently closed with gross sales 2% higher than in 1962 due to 4% more volume with prices 2% lower. Total cash receipts of District farmers for nine months of 1963 were 5% below 1962 compared to a 1% decline nationally. With 1964 acreage allotments on flue-cured tobacco cut 10%, prospects for a return to farm income levels of recent years remain uncertain.

PHOTO CREDITS

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