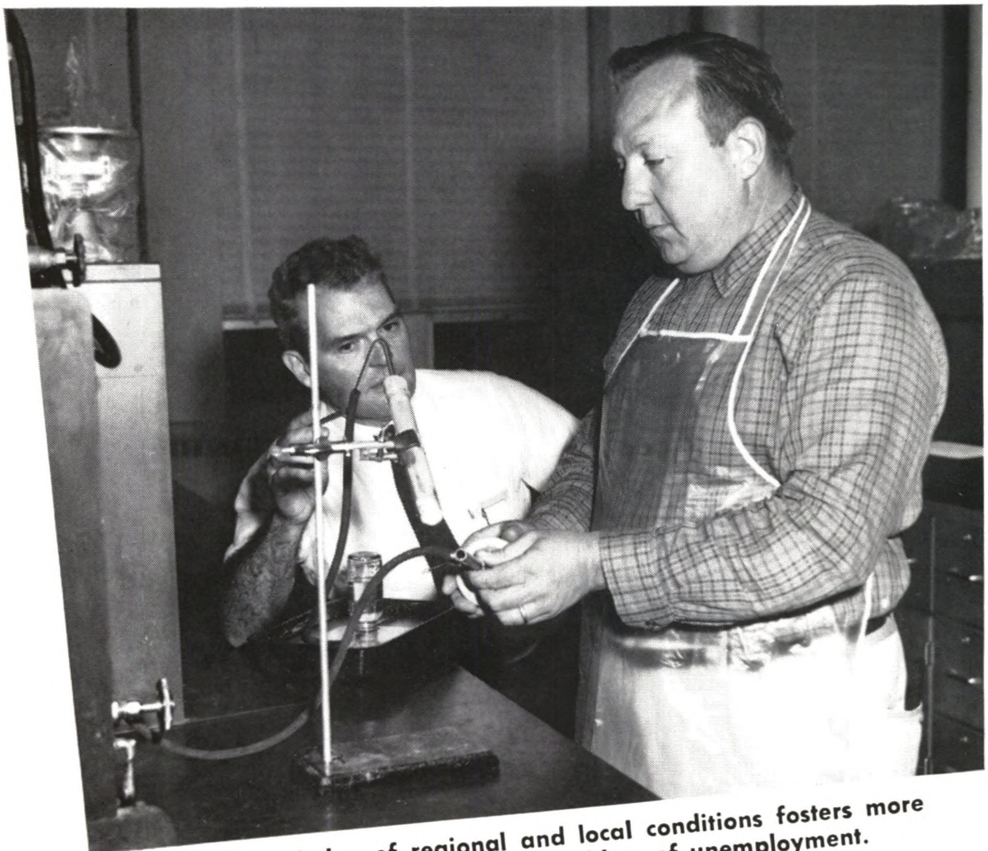
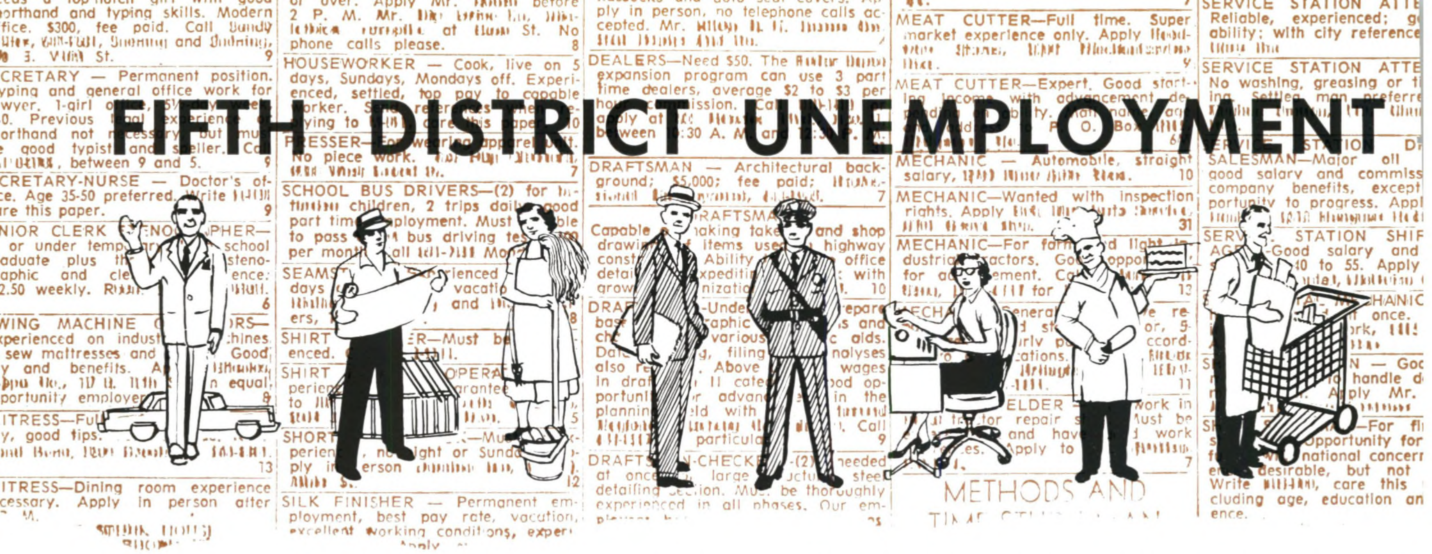
MONTHLY REVIEW



Better knowledge of regional and local conditions fosters more effective action against the problem of unemployment.

FEDERAL RESERVE BANK OF RICHMOND OCTOBER 1964

FIFTH DISTRICT UNEMPLOYMENT



In June of this year, some 310,000 persons in a Fifth District labor force estimated at 6¾ million were classified as unemployed. Thus, without allowing for normal seasonal changes in labor force patterns, the District's unemployment rate was 4.6%. This was well below the national rate which, without seasonal adjustment, stood at 6.1%. The paragraphs that follow examine some of the characteristics of unemployment in Fifth District states and, where appropriate, offer some comparisons between the District and the nation. As a necessary preliminary, the initial sections consider briefly how existing techniques for measuring unemployment affect interpretation of the resulting statistics.

Identifying the Unemployed Unemployment is estimated from sample surveys of households taken one week in each month. A person is counted as unemployed if during the survey week, by his own testimony or that of another spokesman for the household, he did no work for pay and was seeking work. If he did not actively seek work, he would nevertheless be considered unemployed if he: (1) was awaiting the results of job applications or inquiries made during the previous 60 days; (2) was waiting to be called back to a job after a layoff; (3) had arranged to start a new job within the next 30 days and was not in school; (4) was prevented from seeking a job by illness or by a belief that suitable work was not available in his community.

Unemployment is popularly thought of as involving loss of jobs by established workers with financial responsibilities, thus threatening the welfare of dependents and weakening consumer demand. Many less dramatic causes, however, can raise unemployment rates without these serious consequences. These may include housewives entering the labor force or teenagers seeking summer jobs. Even termination of employment involves considerably less hardship in some cases than in others.

Statistics on total unemployment have become available for all District states only since January 1960 and experience with these data is too limited to permit reliable estimates of seasonal variation. Moreover, they are not available in breakdowns which permit analysis of the composition of unemployment. Consequently, a detailed study of unemployment by states must rely on state unemployment insurance statistics, which are the best available information on the subject. Unemployment insurance data cover only a limited group of the unemployed, but they include most permanent workers, whose joblessness is of particular economic significance.

Total Versus Insured Unemployment The charts at the bottom of page 3 reveal a close relationship between insured and total unemployment rates. The insured rate represents the number of benefit recipients expressed as a percentage of the estimated number of covered workers. The total unemployment rate measures the fraction of the labor force without jobs each month during the survey week.

The specific relationship between these two rates varies from state to state, depending on the industrial structure within each state and on the provisions of the various state unemployment compensation laws. Important legal differences exist between state programs, especially with respect to kinds of employment and sizes of establishments covered by insurance, the experience in covered employment required to become eligible for benefits, and the manner of determining the duration of benefits. These differences affect the comparability of the data and should be taken into account in comparisons between individual District states and between the District and the rest of the country.

The left-hand panel on page 4 shows the percentage of total employment covered by state unemployment insurance programs for the nation as a whole and for each Fifth District state. These programs do not include Federal employees and ex-service personnel, who are provided for in separate Federal programs. For this reason a smaller fraction of the work force is covered in areas of relatively high Federal employment. The tendency to extend coverage to more industries and to smaller firms is reflected in generally larger fractions of insured employment in 1963 than in 1960.

Duration of Unemployment The right-hand chart on page 4 compares District and national unemployment by duration. It shows the percentage distribution of unemployment insurance beneficiaries by number of weeks for which benefits were received. These data do not include new entrants into the labor force or the insured unemployed who have exhausted their benefit rights. On the other hand, unemployment compensation programs provide benefits up to 26 weeks and the chart probably reflects quite accurately the duration of unemployment among established workers whose joblessness ended in 14 weeks or less.

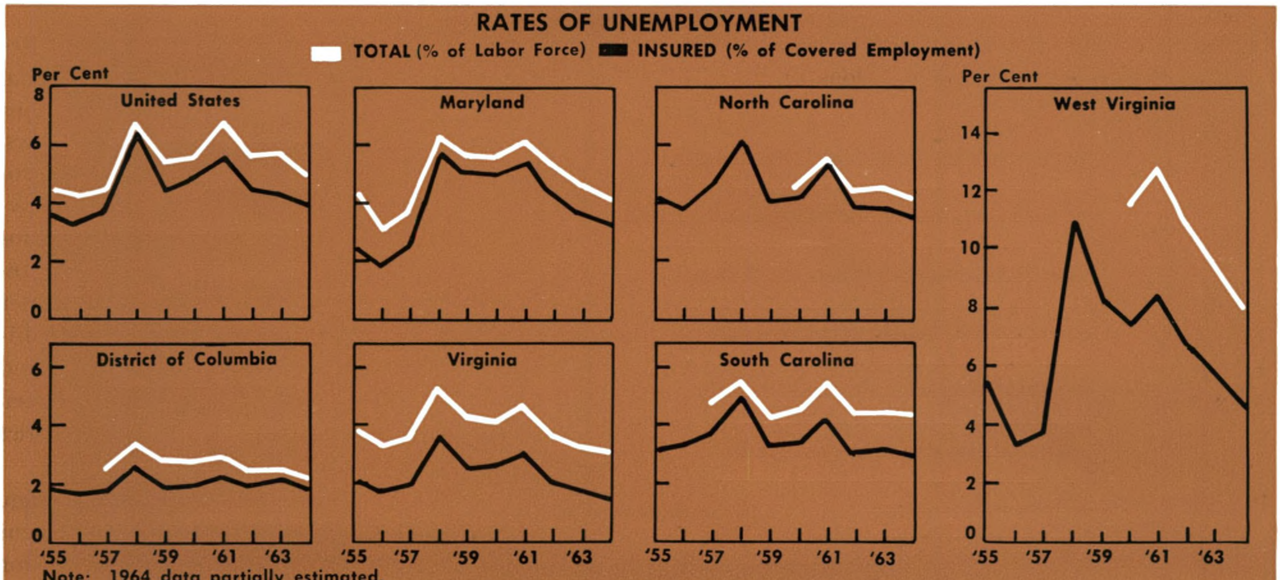
The chart shows Fifth District patterns closely resembling those for the United States. For both the District and the nation the concentration was heaviest in the longer-duration categories. For the years shown, about one fifth of the insured jobless remained idle for 15 weeks or more, and around two fifths from five to 14 weeks. The other two fifths typically found reemployment within a month following layoff.

Interestingly, the data suggest that the improvement in business between 1960 and 1963 had a somewhat greater impact in the District than in the nation. During that period, the one-to-two-week category increased in the District and the five-to-fourteen-week group declined, while other classes remained about the same. The comparable groups for the nation as a whole showed little change.

Industrial Affiliation The industrial affiliation of the insured unemployed in 1963 is shown in the left-hand chart on page 5. This chart also shows a close similarity between the national and the District patterns. Typically about half of the insured unemployed were associated with manufacturing, about one sixth with contract construction, and about one eighth with trade.

Developments between 1960 and 1963 affected the industrial distribution of insured unemployment much the same in the District as in the nation. The fraction associated with manufacturing declined for the nation as a whole but remained substantially unchanged for the District. Apart from this, differences were minor. Manufacturing, construction, trade, and services accounted for 86% of all District insured unemployment in 1960 and 89% in 1963. The remainder originated in agriculture, transportation and public utilities, and finance, insurance, and real estate.

Sex and Age Characteristics The distribution of insured unemployment by sex and age groups is charted for 1963 in the right-hand panel on page 5. For unemployed men, the fractions were much the same in the District as in the nation, although the representation of older men was somewhat larger nationally. Among unemployed women, however, those under 45 represented a larger fraction in the District while the over-45 group was relatively more numerous nationally.



Note: 1964 data partially estimated.
Source: U. S. Department of Labor and State Employment Security Agencies.

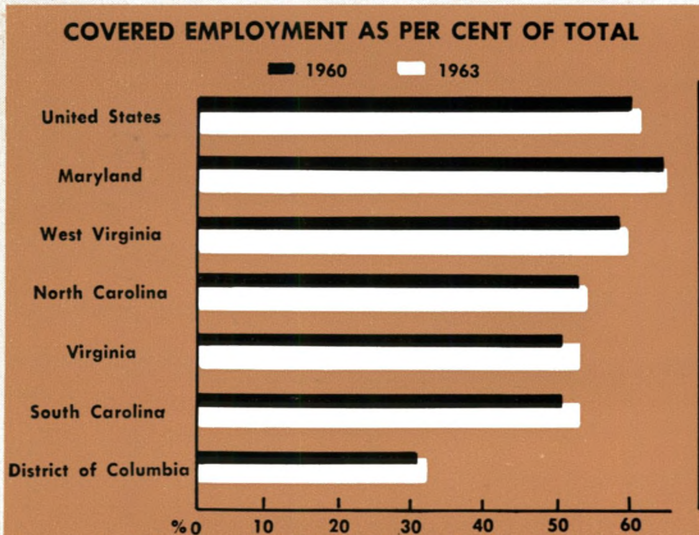
District Experience, by States Unemployment patterns in various parts of the District compare favorably with those for the nation. Rates of total unemployment in June, without seasonal adjustment, were well below the national average in every part of the District except West Virginia. There, however, the 7.1% rate represented a considerably greater decline from June 1963 than occurred either nationally or in other District states. Elsewhere in the District, June rates were 2.7% in the Washington Metropolitan Area, 5.3% in North Carolina, 4.3% in Maryland, 3.6% in Virginia, and 4.1% in South Carolina.

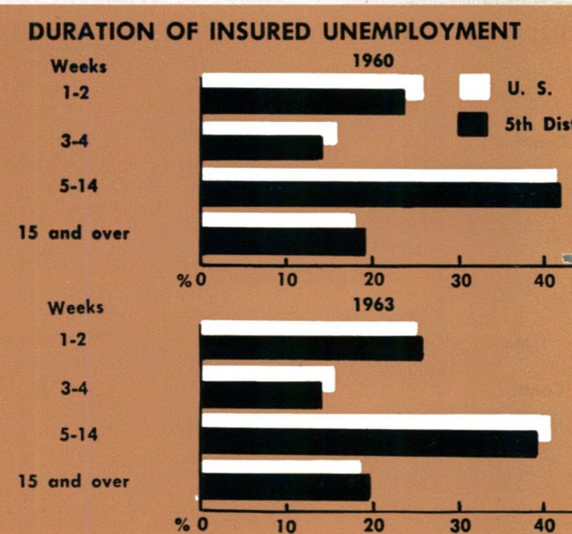
In June, North Carolina's labor force exceeded two million for the first time. Virginia's labor force numbered 1.6 million and Maryland's totaled 1.2 million, with over 750,000 in the Baltimore Metropolitan Area. The comparable figure for South Carolina was one million and for West Virginia 600,000. The last two figures were slightly below year-earlier levels, while all the others were higher. The labor force in the Washington Metropolitan Area passed the one million mark for the first time in June. About two thirds of these, however, are in suburban areas and are also enumerated in the Maryland and Virginia labor force figures.

Maryland and Virginia Recent trends in Maryland have closely paralleled those in the nation. For the year ending with June, the state experienced gains of about 2% in both the labor force and employment and a decline of more than 3% in the number unemployed. The close of the school year added nearly 25,000 to the Maryland labor force between May and June, but most of these were able to find work and only 9,600 were added to the unemployed. Total unemployment in June rose in line with previous years, but joblessness declined among experienced workers and insured unemployment fell. New jobs in construction, trade, services, state and local government, manufacturing, and agriculture were responsible for this decline. In the 12 months ending with June, Maryland's manufacturing industries reduced employment some 6,000, but nonfactory jobs rose 25,000, of which 2,000 were on farms.

In Virginia, labor force and employment gains were in the neighborhood of 3%, but total unemployment was 13% higher than in the previous June. The state has experienced a large increase in its high school and college age population and, as a result, this year's June increase in jobseekers more than doubled last year's figure: 15,300 compared with 7,550. Unemployment due to actual job losses was down, however, as shown by the smaller number drawing unemployment compensation. Virginia's insured unemployment in June totaled 8,800, down 11% from a year earlier. Workers entering the Virginia labor force in the first half of 1964 found a variety of job openings in durable goods manufacturing; construction; transportation, communications, and public utilities; trade; finance, insurance, and real estate; services; and government. Jobs were more numerous than a year earlier in all major lines except mining.

The Carolinas In North Carolina, both the labor force and employment rose 1% between June 1963 and June 1964, while unemployment declined by the same proportion. Entrants into the labor force this June raised the unemployment figure by nearly 28,000 compared to 18,000 a year ago. Nevertheless, both the number and the rate of unemployment were below





Source: U. S. Department of Labor and State Employment Security Agencies.

year-earlier levels, as new jobs became available in all major categories of employment, particularly in manufacturing, construction, and services. Weekly rates of insured unemployment during June ranged from 2.8% to 3.1% this year, significantly lower than in June 1963.

Contrary to the typical pattern, both the labor force and employment in South Carolina were slightly lower in June than a year earlier. The state's labor force remained above year-earlier levels through April but slipped below the 1963 pace in May and failed to recover the loss in June. The declines were largely in agriculture. Nonfarm employment rose steadily in the first half of 1964 and by June exceeded year-ago levels in all major lines except construction. Weekly rates of insured unemployment averaged a low 2.3% in June, compared to 2.7% a year earlier.

West Virginia Continuing improvement in West Virginia's economic fortunes is reflected in that state's unemployment data for the 12 months ending with June. Unemployment in the state rose to 42,700 in June, about in line with seasonal expectations. The total unemployment rate was a comparatively high 7.1% but was substantially lower than the 8.3% rate last June, when 50,100 were jobless. Employment in construction rose nearly 10,000 during the first half of this year and moderate gains were registered in other nonfarm lines. Even mining, long a declining source of jobs, made a small contribution to the improvement. The rate of insured unemployment dropped from 4.5% in June 1963 to 3.4% a year later.

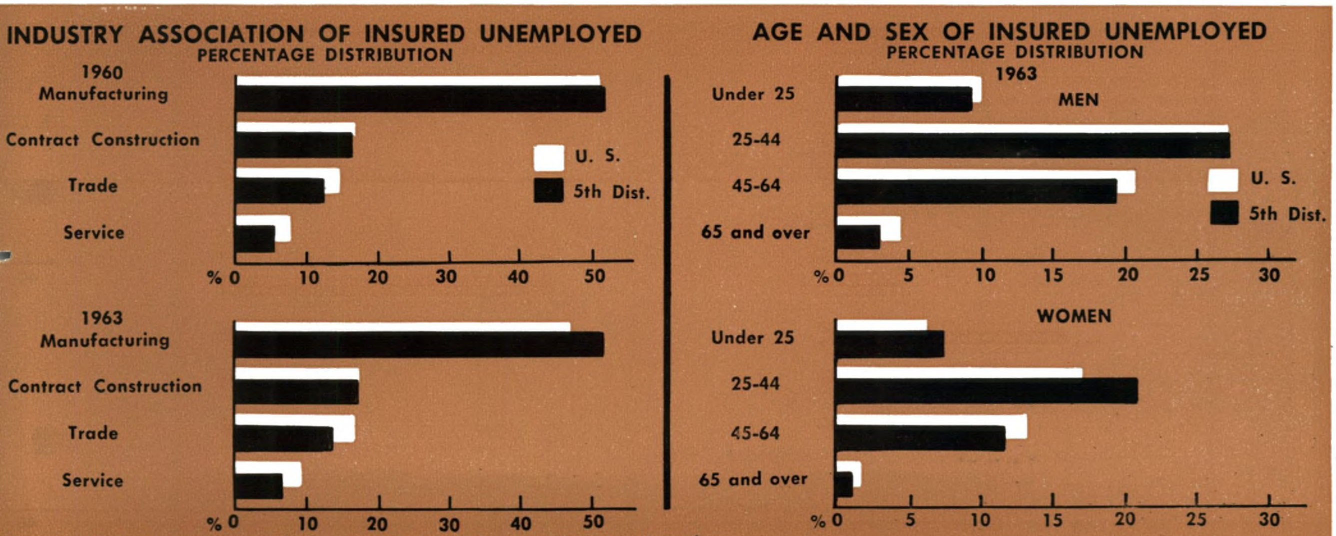
Favorable Trends Continue Late reports from around the District suggest a continuation of favorable developments. Numbers and rates of total unemployment declined further in July everywhere except in West Virginia, where employment decreases in the government and agricultural sectors were only partially offset by gains in construction.

Maryland's total unemployment rate dropped to 3.9% in July and its insured rate to 2.4%. These were the state's lowest summertime levels since 1957. The labor force was below the June level, but employment gains lifted the state's job count to a new high.

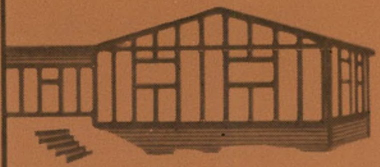
The labor force, employment, and unemployment all declined in Virginia during July. Employment declines were seasonal and more people had jobs than in any previous July. The total unemployment rate was 3.2%, only a shade higher than last year when the lowest July figure since 1957 was recorded. Insured unemployment was up slightly, but the 1.2% rate was one of the lowest in the nation.

Unemployment declined in North Carolina in July, while both the labor force and employment increased. The unemployment rate was 4.5%, down sharply from June. Of the state's 92,000 jobless, over one third were newcomers to the labor force, and slightly fewer than one third were experienced workers drawing unemployment compensation.

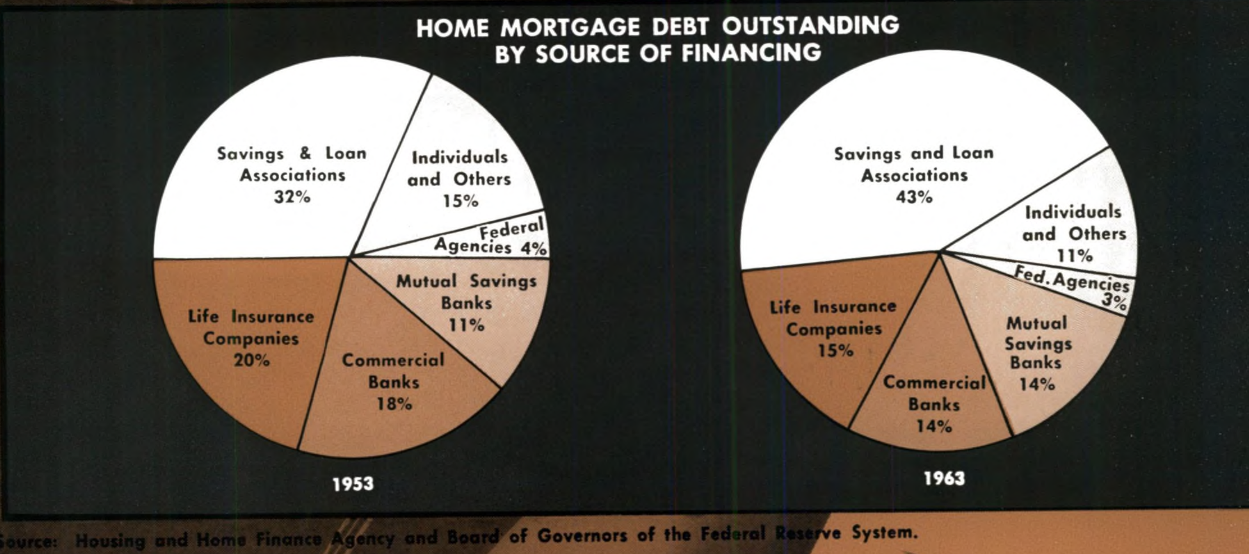
In South Carolina, the labor force, employment, and unemployment rose in July, but the unemployment rate declined to 4.1%. Employment increased in agriculture and construction but remained stable elsewhere. As students return to classes, and fall activity quickens in agriculture and in many nonfarm sectors, unemployment will in all probability drop to even lower levels.



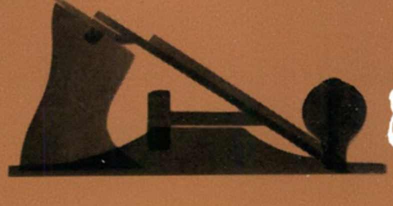
Source: U. S. Department of Labor and State Employment Security Agencies.



SOURCES OF HOME



Source: Housing and Home Finance Agency and Board of Governors of the Federal Reserve System.



IORTGAGE FINANCING

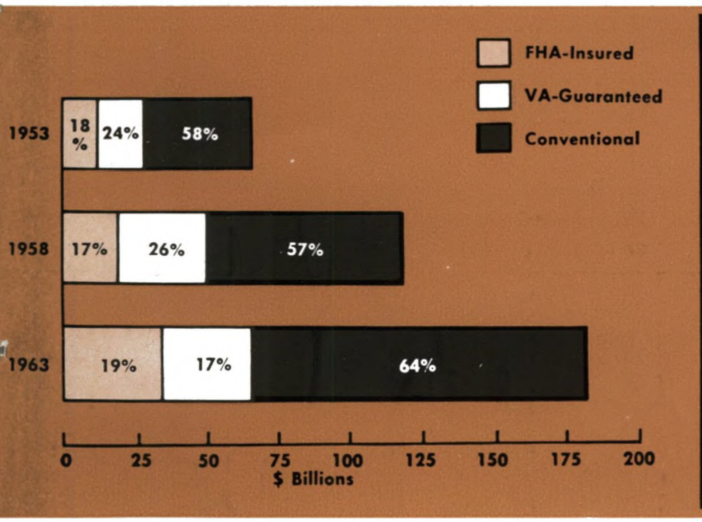
According to estimates of the Housing and Home Finance Agency, the outstanding volume of all mortgage indebtedness on one- to four-family nonfarm dwellings at the end of last year amounted to $182 billion. This was $116 billion, or 176%, greater than at the end of 1953.

The bulk of this residential mortgage indebtedness is held by major types of financial institutions. Savings and loan associations, life insurance companies, commercial banks, and mutual savings banks held about 85% of the total in both 1953 and 1963. Federal agencies and "individuals and others," including mortgage companies and pension funds, held the remainder.

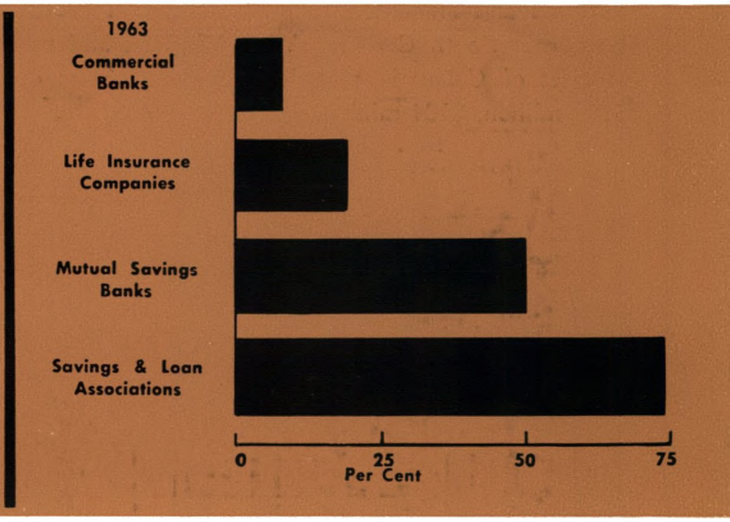
Savings and loan associations, in particular, have steadily expanded their share of the total over the past decade. At the end of last year these institutions held as much as life insurance companies, commercial banks, and mutual savings banks combined. At that time home mortgages made up 74% of the assets of savings and loan associations and 50% of mutual savings bank assets. They occupied a considerably less significant position in the investment portfolios of life insurance companies and commercial banks.

Over the past five years, the conventional mortgage has become steadily more important in residential financing, and at the end of last year conventionals accounted for 64% of the total. FHA-insured loans also grew slightly in relative significance, but VA-guaranteed mortgages as a fraction of the total fell sharply.

HOME MORTGAGE DEBT OUTSTANDING BY TYPE OF FINANCING



HOME MORTGAGES AS PER CENT OF ASSETS OF MAJOR FINANCIAL INSTITUTIONS



5TH DISTRICT PERSONAL INCOME 1963

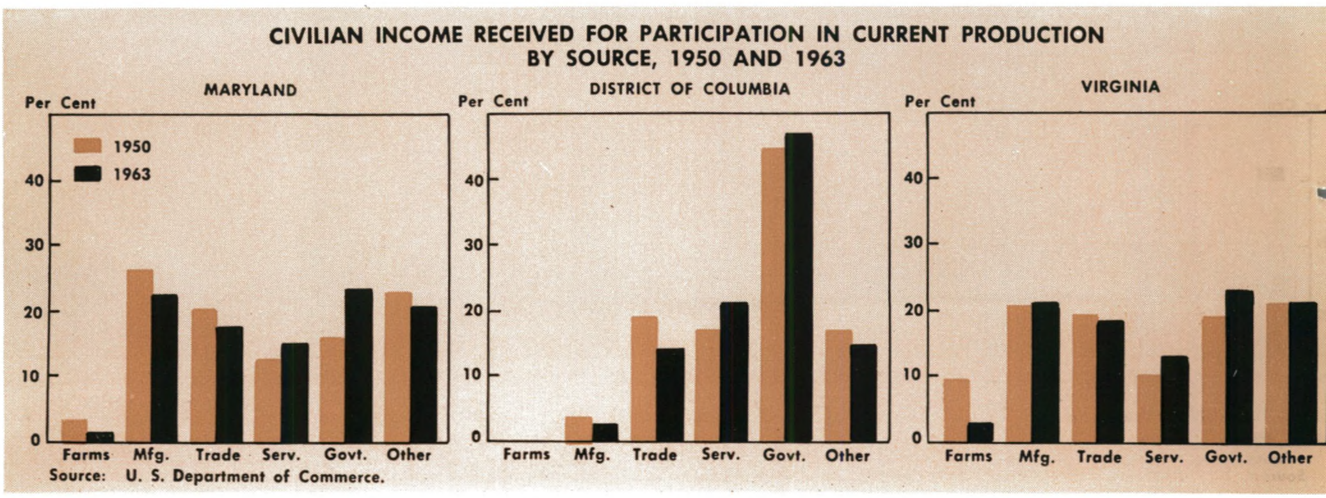
	TOTAL $MILLION	PER CAPITA DOLLARS
MARYLAND	9,163	2,786
DISTRICT OF COLUMBIA	2,645	3,315
VIRGINIA	8,907	2,057
WEST VIRGINIA	3,348	1,883
NORTH CAROLINA	8,601	1,807
SOUTH CAROLINA	3,944	1,588
FIFTH DISTRICT	**36,608**	**2,099**

The nation's personal income rose $21.6 billion, or nearly 5%, last year, reaching a record $461.6 billion. Data released recently by the Department of Commerce show that the District of Columbia and 47 states, including all five in the Fifth Federal Reserve District, shared in last year's gain. Total personal income declined only in North and South Dakota and Montana. Per capita income also rose to a new high for the nation as a whole and in all states except the Dakotas, Montana, and Idaho.

Income in the District Last year's aggregate income gains in Fifth District states, including the District of Columbia, amounted to nearly $2 billion, bringing the total figure to a record $36.6 billion. The increase over 1962 was slightly better than 5%. Gains in individual District states compared favorably with those in the rest of the country. Absolute increases exceeded $500 million in both Maryland and Virginia and amounted to $424 million in North Carolina. South Carolina, West Virginia, and the District of Columbia recorded respective gains of $199 million, $124 million, and $108 million.

Relative gains in total personal income ranged from 3.8% in West Virginia to 7.1% in Maryland. For other parts of the District, increases came to a little better than 4% for the District of Columbia, just over 5% for each of the Carolinas, and 6% for Virginia. The figures for Maryland, Virginia, and the Carolinas topped the percentage gain in total personal income for the United States as a whole. Maryland's percentage increase was equaled or exceeded by only seven other states.

Per capita income also recorded sizable growth, reaching new highs in all parts of the Fifth District. Income per person in 1963 amounted to $3,315 in the District of Columbia, $2,786 in Maryland, $2,057 in Virginia, $1,883 in West Virginia, $1,807 in North Carolina, and $1,588 in South Carolina. In absolute terms, per capita gains were above the national average in Maryland, West Virginia, and the District of Columbia and only $1 short of the national average in Virginia. On a percentage basis, the growth in per capita income was larger than the nation's 3.4% in all five District states, with increases ranging from 3.8% in West Virginia to 5.3% in Maryland. Per



capita income in Maryland and the District of Columbia exceeded the national average of $2,449 by 14% and 35%, respectively. In other District states, the per capita figures ranged from 64.8% of the national level in South Carolina to 84% in Virginia.

Major Changes in '63 High-level economic activity in 1963, coupled with higher wage rates, brought a $1.6 billion increase in wage and salary payments in the District. Gains in this important income component were especially large in manufacturing, wholesale and retail trade, services, and in the government sector of the District's economy. Construction also made a substantial contribution. In addition, property income, made up of rents, dividends, and interest, rose sharply, recording a larger proportional gain than any income component except that arising from government employment. Other labor income and transfer payments, such as social security pensions, unemployment insurance, and veterans' benefits, made smaller, but significant, contributions to the increase in District personal income.

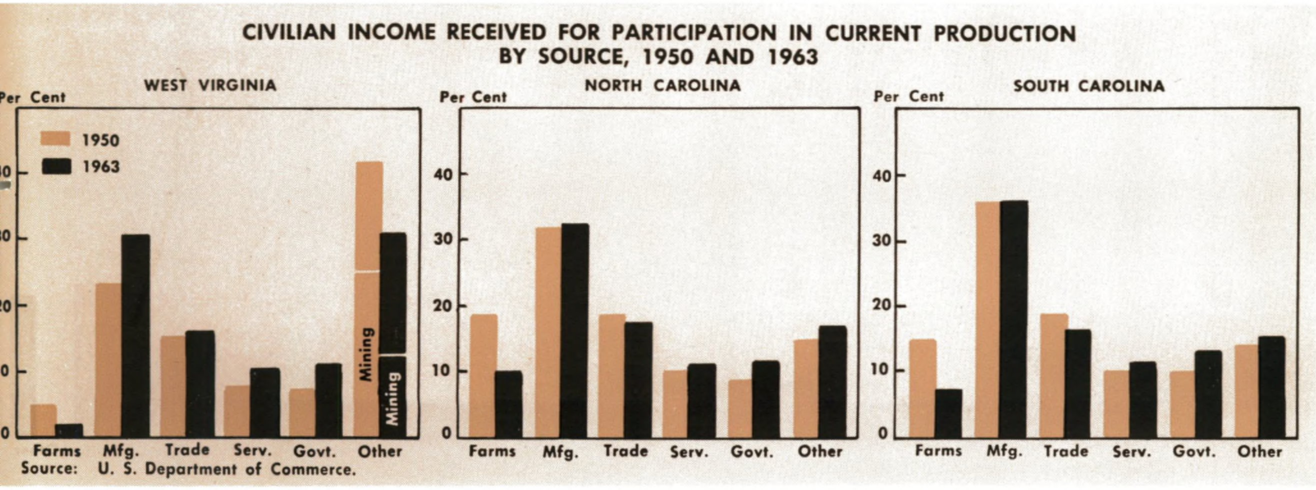
Proprietors' income, or earnings of self-employed people and owners of unincorporated enterprises, declined slightly in 1963. This was due entirely to a $141 million drop in farm proprietors' income which more than offset gains of proprietors in nonfarm activities. Declines in farm proprietors' income occurred in all District states except South Carolina and were especially pronounced in Virginia and North Carolina, both of which suffered severe drought damage in the summer of 1963.

Industrial Sources of Income Close to seven tenths of the District's 1963 total personal income originated in the private nonfarm sector of the economy. Federal, State, and local governmental activity generated a little more than one fourth, with agriculture accounting for the remainder.

Nearly four fifths of the Fifth District's total personal income in 1963 represented civilian income received for participation in current production. This refined income measure is arrived at by subtracting from total personal income those portions accounted for by pensions and other transfer payments and by military payments. A breakdown of the refined statistic by broad industrial sources provides a convenient bird's-eye view of the District's productive structure.

For the District as a whole, manufacturing was the chief source of civilian income earned in current production in 1963, accounting for one fourth of the total. Other commodity-producing industries, such as farming, mining, and contract construction, contributed 13%. Approximately 24% originated in distributive industries, of which wholesale and retail trade are the most important. The civilian portion of the government sector generated 20% and service industries accounted for the remaining 18%.

The charts on pages 8 and 9 compare the various parts of the Fifth District with respect to broad industrial sources of civilian income earned in current production. In the District of Columbia, where the Federal Government is the preeminent employer, close to one half of the 1963 total came from governmental sources. The rest was provided principally by services and trade, each of which is of major importance in the economy of this highly urbanized area. On the whole, commodity production plays only a minor role in the economy of the nation's capital, although private construction activity and a modicum of manufacturing contribute to civilian income. In West Virginia, on the other hand, output of commodities, mainly manufactured items and mineral products, accounted for nearly one half of



CIVILIAN INCOME RECEIVED FOR PARTICIPATION IN CURRENT PRODUCTION BY SOURCE, 1950 AND 1963

Source: U. S. Department of Commerce.

1963 civilian income from current production. Federal, State, and local governments and service industries contributed smaller proportions of income in West Virginia than in any other Fifth District area. Trade was also relatively less important than in other District states. In 1963, government activity accounted for only 11.4% of West Virginia's civilian income from current production while trade and the service industries provided 13.3% and 15.7%, respectively.

From the standpoint of income sources, Maryland and Virginia are strikingly alike. Both derive more of their income from governmental sources than the other Fifth District states, partly because large numbers of the residents of each hold Federal Government jobs in the Washington Metropolitan Area. In 1963, government's contribution to current civilian production income came to about 23% in both Maryland and Virginia. Moreover, manufacturing was of roughly equal importance in the two states, accounting for 22.5% of civilian production income in Maryland and 21.1% in Virginia. Service industries were relatively more important in the two states than in other Fifth District states, with 1963 proportions amounting to 19.8% for Maryland and 18.1% for Virginia. Trade's share was roughly the same as that of services' in Virginia but was somewhat lower in Maryland, where it came to 17.7% of the total. Construction contributed 7% of current production income in each state, more than in any other area of the Fifth District.

The data also reveal a comparably close resemblance between the economies of the two Carolinas. Manufacturing, the chief income producer in both states, accounted in 1963 for nearly one third of North Carolina's civilian production income and more than a third of South Carolina's. The figure for South Carolina is the highest in the District. Trade ranked next to manufacturing as an income source in both states, providing 17.8% of civilian income from current production in North Carolina and 16.3% in South Carolina. Only in these two states is farming a relatively important source of income. In 1963, income from farming contributed 10% of current civilian production income in North Carolina and 7% in South Carolina, compared with less than 2% in Maryland and West Virginia and about 2.5% in Virginia. Both the government sector and the service industries played a smaller role in the Carolinas than in any other District state except West Virginia.

A Shift of Emphasis The charts on pages 8 and 9 show that important changes have taken place in the Fifth District's sources of income over the past 13 years. Although the data for 1950 and 1963 are not strictly comparable due to use of different benchmarks, the differences are not sufficiently great to affect the picture presented. For the most part, this is a picture of long-range and pervasive changes in the basic economic structure of the Fifth District.

The data show a sharply declining share of income originating in agriculture and growing proportions generated in nonfarm activities, particularly manufacturing, services, and government. Farming's contribution to income in the two Carolinas was only about half as large in 1963 as in 1950, while in other District states the reduction has been even sharper. Manufacturing's share has, on the other hand, risen steadily in each Fifth District area except the District of Columbia. Its growth has been most significant, perhaps, in West Virginia where, since 1950, it has displaced mining as the chief income producer.

Income from services has become a larger part of total income throughout the District over the past 13 years. Trade, however, is generating relatively less income than in 1950 throughout the District except in West Virginia, where its share has risen fractionally.

While these trends are the product of complex social as well as economic forces, they are closely related to basic changes in the spending habits of Fifth District residents. The average resident of this area is apparently spending more of his income for medical care, education, financial and legal counseling, and other types of personal and business services and less for food, clothing, and other commodities than was the case 13 years ago. The proportion of income stemming from governmental activities has risen appreciably, in part because of the necessity to provide schools, highways, personal protection, and other facilities demanded by a larger and more highly urbanized population.

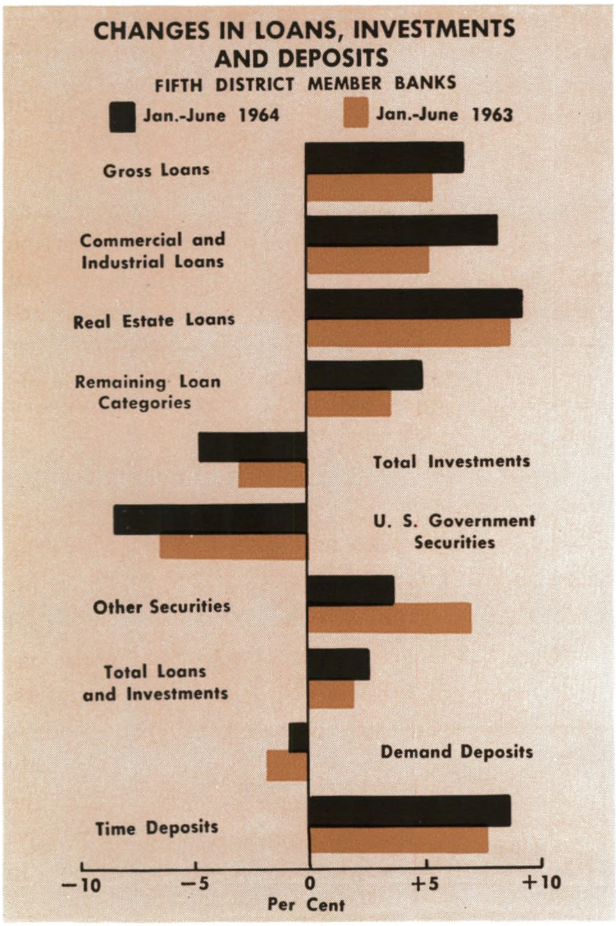
These shifts in relative importance of major types of economic activities have generally followed national trends. In some sectors the pace of change has been more rapid in the Fifth District than in the nation as a whole; in others it has been slower. Income from manufacturing and services increased proportionately more in the District than in the nation, while income from trade declined relatively less. As a result, District residents' share of the nation's income from each of these three sources was slightly larger in 1963 than in 1950. On the other hand, the District's share of the nation's income from governmental sources and from farming was less in 1963 than in 1950.

THE FIFTH DISTRICT

BANKING DEVELOPMENTS

The banking community has played an active role in the expansion of the Fifth District's economy so far this year. Banking statistics reveal a significant growth in overall credit extended by the District's member banks, with increases in all loan categories. Individual banks have also shown substantial expansion in total resources, some of it resulting from a continuation of recent consolidation and merger trends. Moreover, a number of new banks have been established.

Loan Expansion Midyear call report data indicate that District member banks expanded their loans in the first half of this year at a pace substantially in advance of that in the same period last year. The chart on this page compares the two periods. On June 30 gross loans of all District member banks stood at $6.7 billion, 16% higher than a year earlier. The increase for the first six months of 1964 amounted to nearly 7%.



Strong demand for commercial and industrial loans, reflecting strength in the District's business community, was a major factor in this expansion. Business loans rose 8.2% in the first half, reaching a level of $2 billion, and on June 30 were nearly 15% above a year earlier. Classified business loan data indicate that expansion was most rapid in loans to wholesalers other than commodity dealers and in construction loans.

Real estate loans also moved up rapidly in the first half, outstripping their robust performance in the same period of 1963. The overall increase for the first half of this year came to over 9%, but most of this took place in the first quarter. Expansion was at a substantially reduced pace in the second quarter. The remaining categories, taken together, rose 5% in the first half, somewhat more than in the same period last year.

Call report data indicate a slightly smaller percentage increase in consumer loans in the first half of this year as compared with the like period of 1963, 8.7% against 9.1%. But this year's pace may have been affected adversely by the June truckers' strike, which prevented delivery of many new cars. Loans to farmers, which have shown a high degree of volatility over the past two years, increased nearly 24% in this year's first half. Periodic sharp rises in these loans in 1963 and 1964 may be associated in some measure with the drought suffered by large sections of the District in these two years.

Data on loan behavior since the end of June are confined to gross loan totals for all member banks and to detailed breakdowns of the loan portfolios of the weekly reporting banks only. These data indicate that loan expansion continued in the third quarter, as total loans of all District members rose an additional 1.7% between June 24 and September 9. Figures for the weekly reporting banks suggest that

CHANGES IN NUMBER OF BANKS AND BRANCHES
FIFTH DISTRICT*
December 31, 1963 to August 31, 1964

Commercial Banks	
Number of banks, beginning of period	888
New banks organized	15
Mergers and absorptions	19
Number of banks, end of period	884
Net change	− 4
Branches	
Number of branches, beginning of period	1,681
New branches established	87
Banks converted into branches	19
Branches discontinued	5
Number of branches, end of period	1,782
Net change	+ 101
Net Change in Banking Offices	+ 97

*Including six West Virginia counties which fall outside the Fifth District.

the growth over the more recent period was also distributed over all important loan categories. Business loans at these 19 banks gained 0.3% between the end of June and September 9, and the "all other" category rose 1.7%. Real estate loans apparently regained some of their first quarter vigor, rising more than 4% in the same period, while agricultural loans advanced an impressive 41%.

Sources of Funds Demand deposits of District member banks declined 0.8% in the first half, compared with a considerably larger reduction in the same period last year. Time and savings deposits, on the other hand, rose nearly 9%, outstripping the rapid increase of a year earlier. Growth of the latter deposits was an important factor not only in supplying banks with loan funds but also in determining the kinds of loans bankers made. Total deposits increased 2.4% over the period.

Despite the increase in deposits, the sizable expansion in loans was accompanied by a curtailment in bank investment activities. Total investments of District member banks fell 4.7% in the first half, as District banks reduced their holdings of U. S. Government securities by $212 million, or more than 8%. Holdings of municipals, however, continued to rise, although at a slower pace than last year. The gain in municipals in the first half of this year was $80 million, or about 9%. The decline in Governments was concentrated heavily in short-terms, with under one-year maturities falling almost 24%. Securities other than Governments and municipals, including a few unguaranteed bonds of Federal agencies, fell 20%.

More recent data indicate some change in these first half trends in the third quarter, with respect both to deposits and investment portfolios. Between June 24 and September 9, for example, gross demand deposits at all District member banks increased 4.3% while total deposits rose 3.7%. Time and savings deposits moved up at a pace somewhat below that of the first half, gaining 2.7%. Moreover, District banks increased their investments in this period. Total investments rose 1.5%, with gains in holdings of both Governments and other securities. Figures for the 19 weekly reporting member banks, which also show investment increases, indicate that additions to Governments portfolios were entirely in the under one-year and five-year or over maturity classes.

Banking Structure Mergers, consolidations, and the establishment of new banks are continuing to change the structure of Fifth District banking. In the first eight months of 1964, 15 new banks were organized, while 19 were eliminated through mergers and absorptions for a net decrease of four banks. At the beginning of the year, the 888 District banks had 1,681 branches. By August 31, they had added 87 new branches, converted 19 absorbed banks into branches, and discontinued five branches for a net increase of 101. These developments resulted in a net increase of 97 banking offices.

The greatest changes took place in Virginia, largely as a result of a 1962 statutory revision which permits banks to acquire branches through merger on a statewide basis. Ten of the 15 new banks organized in the District in 1964 are in Virginia, which also had the greatest number of new branches, with 28. Virginia also accounted for 11 of the 19 banks converted into branches.

Maryland was the next most active state in structure changes with four new banks, one eliminated through merger, and a net increase of 20 additional branches. West Virginia was the only state in the Fifth District in which the banking structure remained unchanged.

PHOTO CREDIT

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