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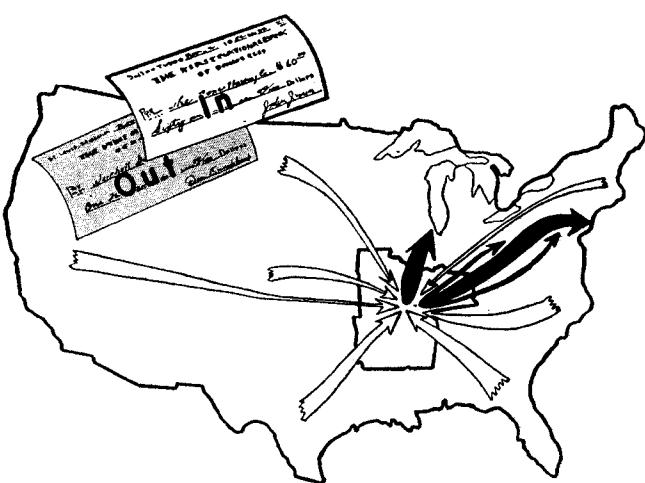
Number 11

Bank Reserves and the Flow of Funds

District member bank reserves can be studied by reclassifying changes in the balance sheet items of the Reserve Bank. Major factors at work on district bank reserves (as on the combined reserves of all member banks) are currency in circulation, Treasury operations, Federal Reserve "float," and borrowing. System open market operations and movement of gold, major factors nationally, are not listed separately in district analysis as their influence is brought to bear, districtwise, through the interdistrict flow of funds.

The influence of these factors on district member bank reserves in the first three quarters of 1952 shows that banks were under pressure for reserves primarily as a result of an outflow of funds from the district. The drain was occasioned by net outflows from banks in the Memphis and Little Rock areas, partially offset by net inflows to banks in the Louisville and St. Louis regions.

Largest net outflow went to the financial centers of Chicago and New York while, on balance, funds flowed into the Eighth District from other areas.



District member bank reserves . . .

THE LEVEL of reserves is important to each bank manager as the availability and cost of reserves determines in large part the volume of his bank's earning assets.¹ The level of reserves is also of prime importance in adjusting the nation's money and credit supply to an amount appropriate to the volume of production and employment and the trend of prices.

The myriad of forces playing on the level of reserves can be grouped and studied. For many years the Federal Reserve System has published figures on the sources and uses of reserve funds for all member banks. In these data the forces are usually grouped into a few significant categories: routine money market factors, including gold inflow or outflow, currency movements, and Treasury operations; plus System operations in both securities and loans, and so on. The System developed the statistics primarily to help determine Federal Reserve policy and to gauge its effectiveness.

Likewise the forces affecting reserves of member banks in the Eighth District can be grouped and measured. Separate determination of the district reserve situation is warranted and helpful. Despite the high degree of liquidity of funds in the United States, reserve positions of banks in one area may differ sharply from the average or over-all position of all banks. In the first place, credit forces originating in the money market center (System open market operations, for example) require a certain amount of time to work down through the financial system to each individual bank throughout the nation. Secondly, a group of banks can lose funds to, or can gain funds from, other banks. On a national scale the flow of funds from one district to another produces gains and losses which tend to cancel out and leave total member bank reserves unaffected.

Districtwise the flow of funds is of primary importance in the reserve picture of member banks. This flow of funds is great in size and complexity. It is the payments side of the sales of goods, services, and property rights making up the bulk of our economic activity. Not all of the payments, of course, cross Reserve district lines. Nevertheless, a large volume of payments does move between districts and becomes one of the major factors affecting district member bank reserves. Thus, a study of the district reserve factors, in addition to providing an insight into district banking, should throw light

¹ Reserves, as used here, are deposits of member banks in the Reserve Banks, including those that are required by law to be carried there and additional deposits called "excess reserves."

on nonbanking economic relationships of this district with other areas.

In this article, the method of obtaining the factors is discussed briefly, the major factors are analyzed, and an analysis of the effect of the major factors on district member bank reserves for the first three quarters of 1952 is presented.

. . . can be studied by reclassifying changes in the balance sheet items of the Reserve Bank.

As provided in the Federal Reserve Act, each member bank maintains its legal reserves with the Federal Reserve Bank of its district. Therefore, these reserves of Eighth District member banks are shown on the balance sheet of the Federal Reserve Bank of St. Louis as a liability item. Basically, the statement of factors affecting reserves over a period is a reclassification of the changes in the other balance sheet items of the Federal Reserve Bank of St. Louis as either factors of gain or loss to member bank reserve balances.²

However, some transactions by individual Reserve Banks may be reflected in other balance sheet items without directly and immediately changing member bank reserves. Examples of such transactions are: changes in an individual Reserve Bank's participation in the System open market account and foreign deposit accounts, return of Federal Reserve notes by one Reserve Bank to the issuing Reserve Bank, transactions directly between a Reserve Bank and the United States Treasury, and changes in Federal Reserve Bank gold certificate holdings.

As a result, to obtain the factors affecting member bank reserves some transactions must be reconstructed and eliminated. This is done largely by analyzing the interdistrict flow of funds, excluding those transactions that do not have a direct effect on member bank reserves, and preserving those that do have an effect.

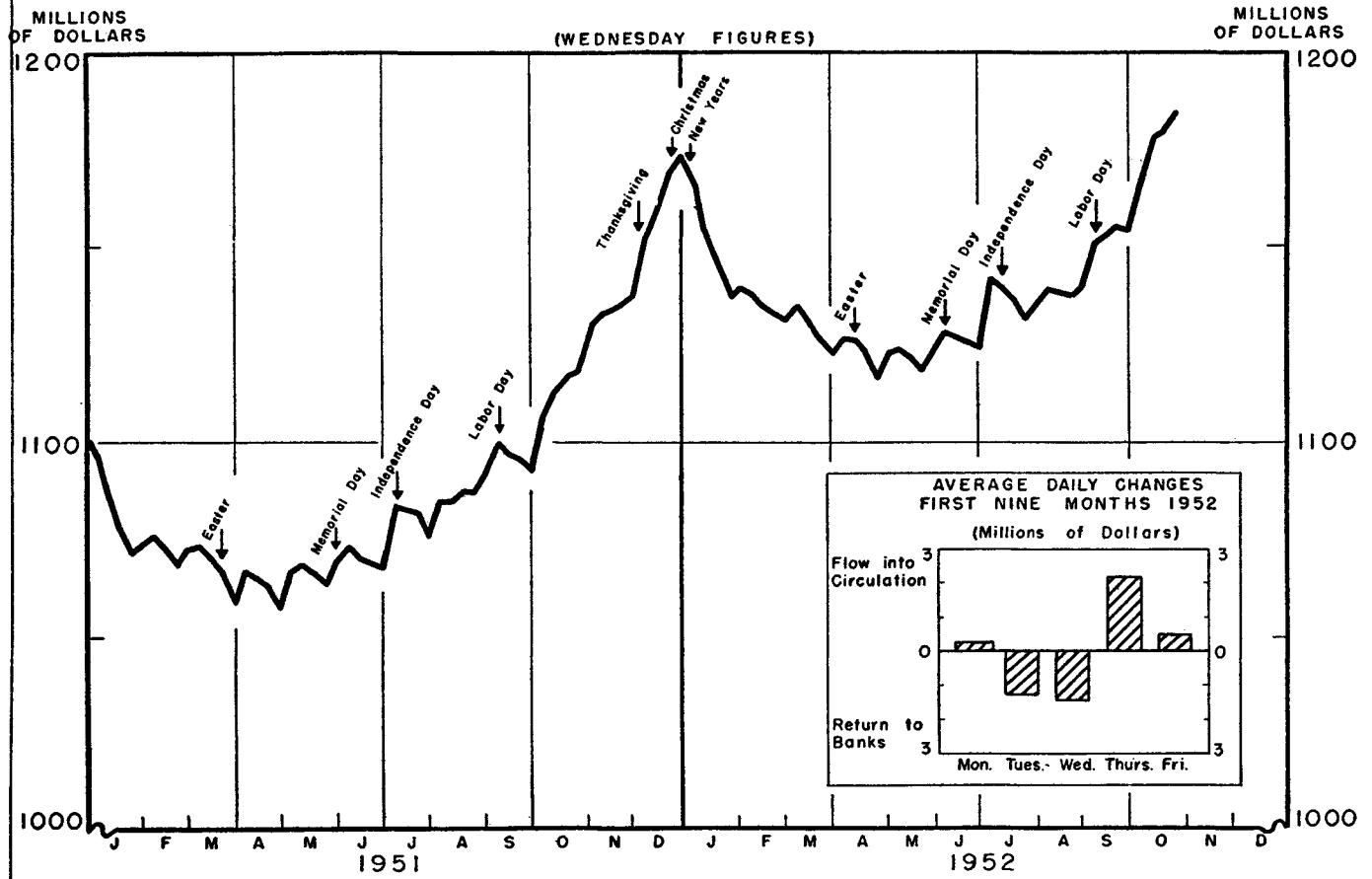
² For example, if a member bank desires currency, its reserve account on the books of the Federal Reserve Bank is decreased and the account "Federal Reserve Notes Outstanding (Net)" is increased. Since this transaction, or its reverse, is the typical transaction with regard to the item "Federal Reserve Notes Outstanding (Net)," it is reasonable (subject to later qualifications) to assume that a net increase in currency outstanding is a factor tending to lower member bank reserve accounts.

On the other hand, when a member bank borrows funds from the Reserve Bank, the member's reserve account is credited (increased). Therefore, the net increase in total "Discounts and Advances" on the books of the Federal Reserve over the period can generally be considered a factor adding to reserves of district member banks.

From the above examples, it can be seen that in the reclassification of changes in Federal Reserve Bank balance sheet items as either gains or losses to member bank reserves the following general rules may be developed: 1) an increase in an asset item is treated as a factor increasing member bank reserves; 2) a decrease in an asset item lowers member bank reserves; 3) an increase in another liability account lowers member bank reserves; and conversely 4) a drop in another liability account adds to member bank reserves. And since we start with a balance sheet, the sum of all other balance sheet item changes added algebraically must equal the change in member bank reserves.

NOTES OUTSTANDING

FEDERAL RESERVE BANK OF ST. LOUIS



Major factors at work on district bank reserves (as on the combined reserves of all member banks) are currency in circulation, . . .

After analyzing the balance sheet and making the aforementioned adjustments, the following stand out as the major factors directly affecting district member bank reserves: interdistrict flows of funds, currency in circulation, Treasury operations, Federal Reserve "float," and borrowings from the Federal Reserve Bank. In addition, several minor factors affecting district member bank reserve balances may be noted. Examples of these are a shift of funds between member and nonmember banks and certain expenditure transactions of the Federal Reserve Banks. The following paragraphs will discuss briefly the major factors affecting reserves starting with currency in circulation.

A flow of currency into circulation drains banks of reserves; a return flow into banks adds to bank reserves.³ Currency in circulation includes money in vaults of banks (other than the Reserve Bank) as well as in the hands of the general public. Since

vault cash does not earn a return and does not count as reserves for member banks, banks usually keep only enough cash in their vaults to insure that an adequate supply is on hand to meet the needs of their customers. Thus, changes in the amount of money in circulation are ultimately determined by the demands of the public.

Day-to-day demand for currency is irregular; at the same time the demand takes wide seasonal swings. For a week or more before each of the principal holidays, the amount of money in circulation increases substantially. In addition there are yearly, monthly and weekly patterns in the amount of money outstanding. The chart plotting outstanding notes of the Federal Reserve Bank of St. Louis shows the several patterns.

³ Determination of the impact of the currency movement factor on district member bank reserves from Federal Reserve Bank balance sheet changes gives an opportunity to show how balance sheet changes must be reconstructed before they will properly measure their effect on district member bank reserves. Changes in currency in circulation which affect district member bank reserves are the net result of changes in three items:

1. Federal Reserve notes of St. Louis outstanding. This figure is obtained from changes in the balance sheet liability item "Federal Reserve Notes (Net)" with adjustment made for the amount of these

(Continued on next page)

Also, there is a long-run growth trend in the demand for currency upon which the patterns are superimposed. During 1951, money in circulation in the district rose an estimated \$75 million. It should be noted, however, that the long-run expansion in demand for currency is neither uniform nor continuous.

. . . *Treasury operations*, . . .

Treasury operations are the second major factor affecting district member bank reserves. With the growth of the Federal budget and debt, transactions of the United States Treasury, both in district and nation, have become one of the dominant factors affecting member bank reserves. Treasury receipts (those which come to the Reserve Bank or the Treasury) drain banks of reserves. Conversely, Treasury expenditures add to bank reserves.⁴

Timing of some Governmental receipts (such as income taxes or sales of securities) periodically causes temporary drains on bank reserves. Some Federal expenditures, on the other hand, such as interest payments on the debt, add considerable sums to bank reserves at certain times.

The bulk of Treasury spending in a district is reflected in changes in the Treasury's general account on the Reserve Bank's books in that district. This is true because all Treasury checks, regardless of how or where drawn, that are presented to a Federal Reserve Bank reduce the Treasury's account in that bank.

. . . *Federal Reserve "float,"* . . .

Federal Reserve "float," another major influence on district member bank reserves, arises through transit items that are credited to the reserve accounts of depositing banks prior to the actual collection by the Federal Reserve Bank.⁵ Total float outstanding arises because the collection of some items takes longer than the time allowed in the official deferred availability schedule. Recently float has been averaging about \$35 million in the district.

(Footnote 3—continued)

notes returned to the St. Louis Federal Reserve Bank or sent to the Treasury for destruction by other Federal Reserve Banks. For example, if the account "Federal Reserve Notes" outstanding rose \$4 million in a week and other Reserve Banks returned \$3 million of these notes (either to the Federal Reserve Bank of St. Louis or the Treasury) in the same week, it would mean district banks drew out \$7 million of these notes in the period.

2. Other Federal Reserve notes. This figure is obtained from changes in the balance sheet asset item "Federal Reserve Notes of Other Banks" with adjustment made for the amount of notes returned by the Federal Reserve Bank of St. Louis to other Reserve Banks for re-issue or to the Treasury for destruction. For example, if the account shows an increase of \$7 million during a week in which \$5 million notes of other Reserve Banks were returned, it would mean district banks deposited \$12 million of these notes in the Reserve Bank. (At present the amounts returned by the branch banks are not included in this adjustment.)

3. Treasury currency and coin. This figure is obtained from changes in the balance sheet asset item "Other Cash." (At present this item is not corrected for additions resulting from acquisitions of new currency or coin from the Treasury or subtractions from the items resulting

Changes in Federal Reserve Bank float produce short-term fluctuations in member bank reserves of substantial proportions, frequently expanding or contracting more than \$30 million in a single week. Over longer periods, changes in float are of less importance as they tend to cancel out. Exceptions are when deferred availability schedules are revised or when there are major changes in check-handling procedures, rapidity of transportation, business activity or bill-paying patterns.

Since float arises in part from lags in the clearing of deferred availability items, fluctuations in the amount of float reflect changes in the number and average amount of checks written. Transportation delays due to such factors as weather and strikes, or other check-clearing delays, increase float sharply. Although there are numerous random movements in float, regular intra-weekly and intra-monthly movements may be observed. Levels of float tend to be higher towards the end of each week and towards the middle of each month (see chart). The sharpest expansion of float generally takes place at mid-December as check volumes reach their peak.

. . . *and borrowing*.

Individual banks have virtually no control over the foregoing factors—currency movements, Treasury operations, and float. By contrast district member banks have a large measure of control over their borrowings from the Reserve Bank, another major factor in the level of reserves. Banks borrow to adjust their reserve positions. Borrowings by member banks add to their reserves; repayments lower their reserves.

Borrowing was of prime importance during the 'twenties, but during the 'thirties and 'forties it played a minor role as a factor of adjustment in bank reserves. During the past year and a half there has been some revival in borrowing by member banks, although the level is still considerably below that of the 'twenties. Today, it is not unusual to find borrowings larger than total excess reserves; at times borrowings are more than double excess reserves.

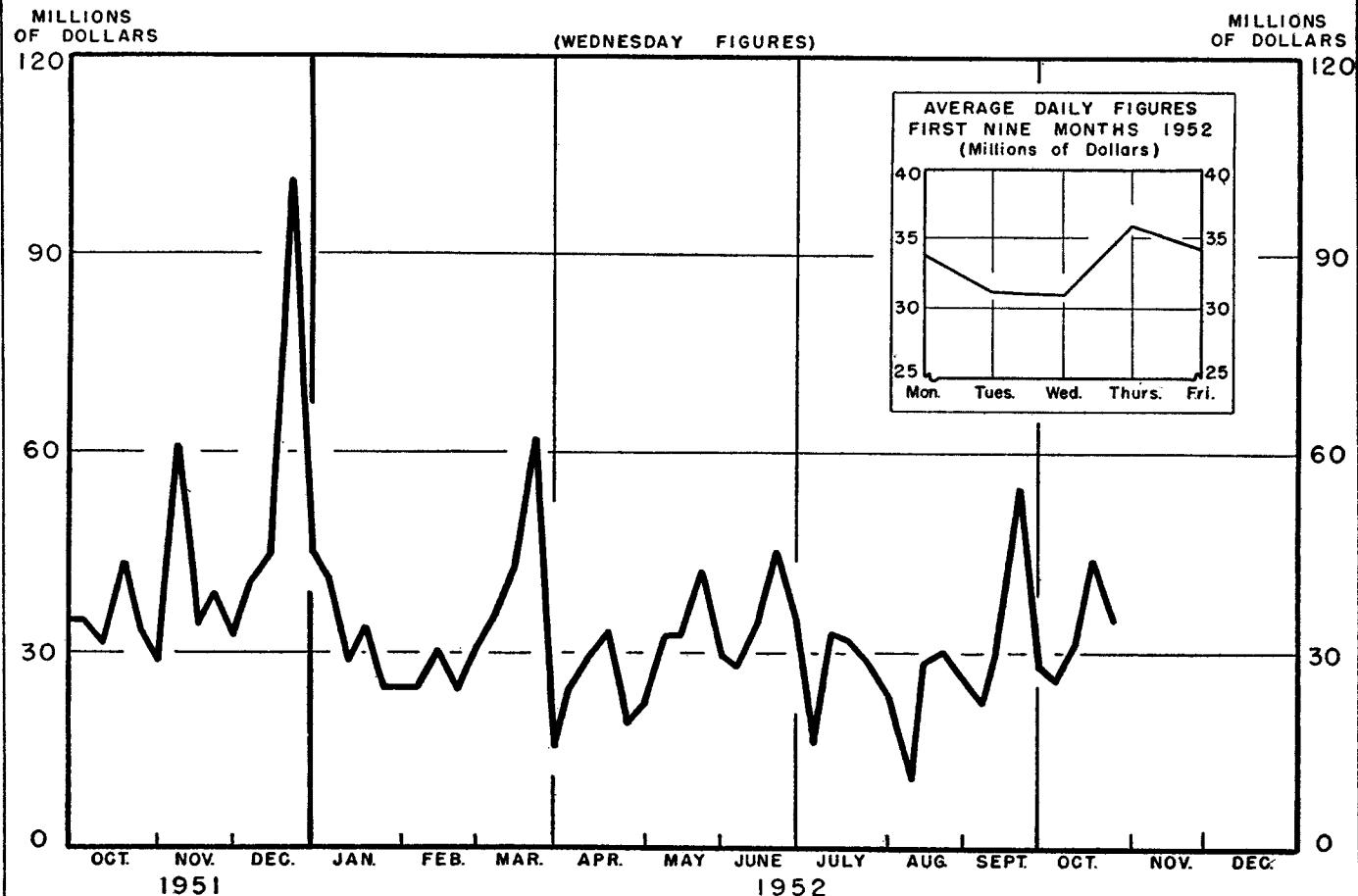
from return of unfit currency to the Treasury, both of which cases are balanced with opposite entries in the Treasury's account rather than in member banks' accounts.)

⁴ It might be pointed out that the Treasury operations figure (adjusted to exclude purely inter-Reserve Bank transfers made by the Treasury) shows only the net direct effect on district bank reserves due to Treasury operations. It does not attempt to show the relation between total Government expenditures on district goods and services and total tax receipts in the district. Other factors are included in the net Treasury operations figure such as sales and redemptions of Government securities.

⁵ Federal Reserve float does not appear as such in the statements of condition of the Federal Reserve Banks. It is a computed item used mainly in analyzing changes in member banks' reserves. Federal Reserve float is the difference between "Uncollected Items" on the asset side of the Federal Reserve Bank statement and "Deferred Availability Items" on the liabilities side.

FLOAT

EIGHTH FEDERAL RESERVE DISTRICT



System open market operations and movement of gold, major factors nationally, are not listed separately in district analysis . . .

It should be pointed out that there are two categories used in the national analysis of factors affecting member bank reserves that do not appear in the district factors: System open market operations and gold movements together with related changes in foreign deposits at the Federal Reserve Banks.

There are virtually no movements of monetary gold into or out of the Eighth District and no direct deposits of foreign banks with the Federal Reserve Bank of St. Louis. Further, Federal Reserve System open market operations do not directly affect Eighth District member bank reserves. These transactions are not carried on in this district. However, through their effect on the interdistrict flow of funds, these operations have an important, but indirect, effect on district member bank re-

serves. When the System sells securities in the New York market, funds are absorbed in payment for the securities. As a result, reserve positions of money market banks generally become tighter. With the tighter reserve positions the normal flow of funds in and out of the New York area tends to be disrupted. More funds tend to move into New York on balance and the tightness of reserve positions of banks in the money market center caused by System open market operations is transmitted to and influences the reserve positions of most banks in the country.

. . . as their influence is brought to bear, districtwise, through the interdistrict flow of funds.

The most important factor affecting bank reserves is the flow of funds into and out of the district. This flow is in very large volume. Over the year it amounts to many times the total resources of all member banks in the Eighth Federal Reserve District. To the extent that incoming and

outgoing funds match both in volume and in timing there is no effect on bank reserves. But such is seldom the case, although the difference between the two is small in view of the magnitude of the flows.

A brief description of the check-clearing mechanism might be helpful in understanding the inter-district flow of funds. Nearly all payments, in terms of amount, are made by transfer of demand deposits. A clearing mechanism to facilitate the collection of checks (and other transit items) is, therefore, indispensable to our banking system.

The Federal Reserve Bank of each district clears checks for banks within its district which have deposited funds with the Reserve Bank. In clearing the checks the Reserve Bank increases the reserve account of the commercial bank presenting the check for payment and decreases the reserve account of the bank against which the check is drawn or its correspondent.⁶ Thus check clearance is completed through the reserves of the commercial banks. A lack of balance between incoming and outgoing checks, in other words between receipts and payments, means some reallocation of reserves. When the transaction is between two banks in the same district, total reserves of all banks in the district remain at the same level.

To meet the problem of clearing checks which cross district borders, that is between commercial banks that carry their reserve accounts with different Reserve Banks, the Interdistrict Settlement Fund was established. The Fund is composed of a portion of each Reserve Bank's gold certificate holdings.

For a check drawn on a bank outside the district, the commercial bank presenting the check receives credit in its reserve account; the Reserve Bank in the other district decreases the reserve account of the commercial bank against which the check was drawn or its correspondent. The transaction is complete so far as the commercial banks are concerned but the first Reserve Bank now has a claim against the second. The settlement of inter-Reserve Bank claims is accomplished by the transfer of the ownership of gold certificates in the

⁶ This statement is an over-simplification. Actually clearing balances of nonmember (par) banks may also be reduced by check collection.

It should also be noted that only about one-third of the member banks in this district customarily deposit their clearing items with the Federal Reserve Bank or its branches. Instead, collection of their checks is effected through correspondent banks (for the most part members of the System) which credit the depositing bank and then proceed to collect the funds represented by the check either directly from the drawee bank, through another correspondent bank representing the drawee bank, or through its Federal Reserve Bank.

Further, only about one-half of the member banks in this district characteristically use their balances with the Federal Reserve Bank to pay for checks drawn on them.

Interdistrict Settlement Fund from one Reserve Bank to the other.

Most of the claims of Reserve Banks in the Interdistrict Settlement Fund arise from checks or wires they present (as the collecting agency for their district banks) drawn on commercial banks in other districts. However, not all transactions in the Fund are of this nature. Some are purely inter-Reserve Bank transactions that must be reconstructed and eliminated in order to get the net effect of interdistrict check and wire transfers on member bank reserves.

Since there are twelve Federal Reserve districts and twenty-four branches in the country all participating in the Interdistrict Settlement Fund, it is possible, for purposes of studying interdistrict money flows and their effect on reserves, to divide the country into 36 areas and study the flows from each of them to all the others. The Eighth District has four of these areas, divided between the Federal Reserve Bank of St. Louis and the branch banks at Little Rock, Louisville, and Memphis. The map shows the 36 areas into which the country is divided.

Interdistrict Settlement Fund transactions do not include all interdistrict payments. Some interdistrict payments are made by cash; some checks (including all checks drawn on non-par banks) are cleared directly or through correspondent banks without passing through the Fund. However, the volume of checks and other items cleared through the Fund is substantial. Normally this district presents over \$2 billion of these items drawn on the rest of the country every month. At the same time, the rest of the country normally clears a roughly similar amount of checks against the district.

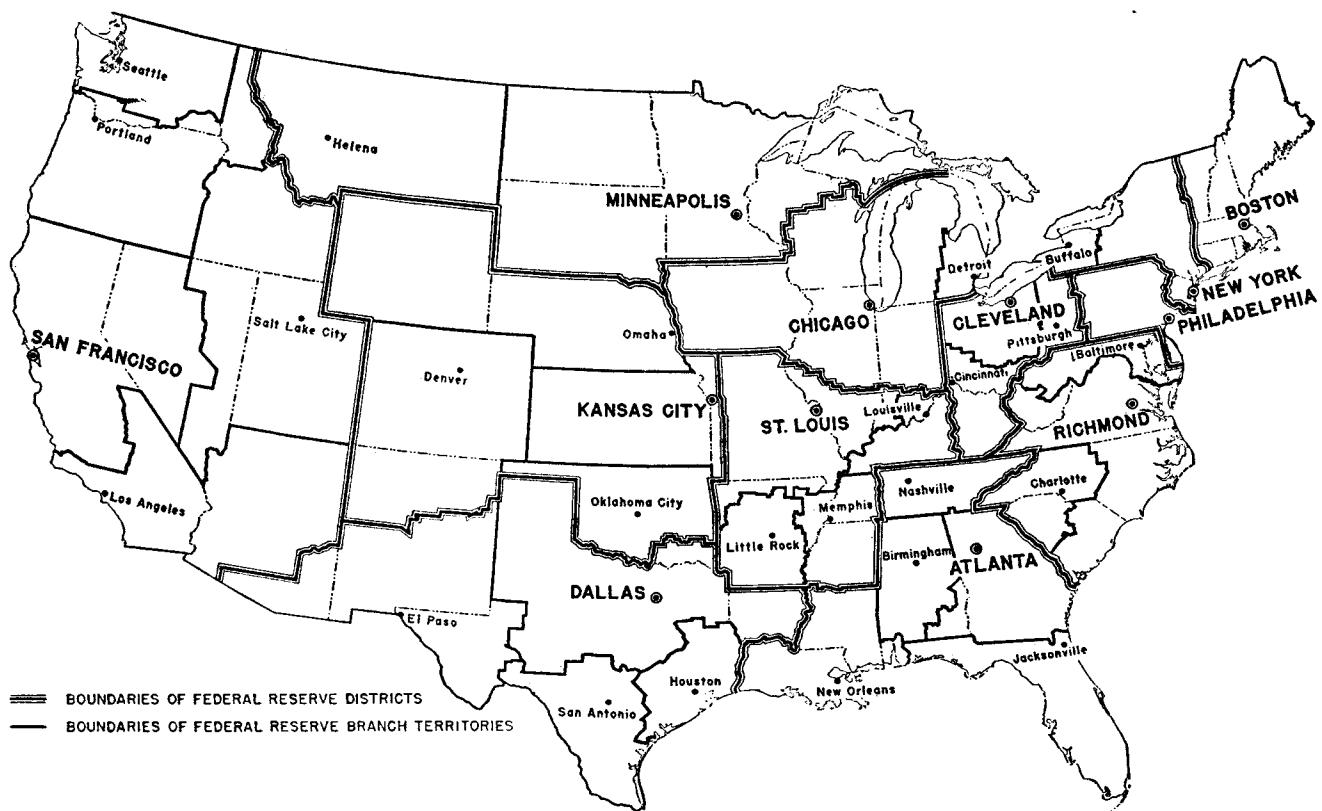
Since some interdistrict payments do not pass through the Interdistrict Settlement Fund, the foregoing data do not show gross movement of funds. However, the difference between the inflow into and the outflow from the Eighth District in the Fund measures fairly closely the total *net* flow of all funds into and out of the district.

Currency and check movements not recorded in the Fund probably take place only within narrowly defined limits set by practice or custom. A substantial deviation from these limits would probably result in transactions that would show up in the Interdistrict Settlement Fund.

Reductions of excessive Federal Reserve note accumulations by return of notes to the issuing bank and adjustment by wire or check transfer of abnormal levels of correspondent bank balances outside the district are two such transactions.

DISTRICT AND BRANCH REGIONS

FEDERAL RESERVE SYSTEM



To facilitate the bookkeeping work involved in the Interdistrict Settlement Fund, the Board of Governors of the Federal Reserve System began, last February, to put Fund transactions on punch cards. These cards, totaled by weeks, give the payments and receipts of every Federal Reserve Bank and branch to and from every other Reserve Bank and branch. These data are of considerable help in analyzing interrelationships (both financial and nonfinancial) of the various regions.

The influence of these factors on district member bank reserves in the first three quarters of 1952 shows that banks were under pressure for reserves . . .

The influence of these five major factors on the reserve positions of Eighth District member banks can be demonstrated with actual data for the first three quarters of 1952. Over most of the period from the end of December, 1951, to the end of September, 1952, district member bank reserves were tight. Excess reserves were below "normal" for nearly two-thirds of the nine-month period.

At one point, total reserves of all district member banks were lower than total required reserves. Reflecting the tightness, banks generally maintained their borrowings at a high level. Frequently borrowings were more than double excess reserves.

Although district bank reserve positions were generally tight in the period, they did ease significantly several times. For instance, banks experienced some improvement in their reserve positions during January. The gain of funds centered in a \$41 million seasonal return flow of currency into banks.

Reserve positions of district banks, after being under pressure during February, eased again in March. This easiness reflected primarily a sizable (\$95 million) gain of funds due to Treasury operations. Gain of funds from Treasury operations is unusual during March. However, Treasury handling of payments and receipts made reserves available rather than absorbing them over the March 15 income tax date. Delays in processing tax returns and the establishment of "X" balance ac-

counts tended to minimize the initial impact of tax collections on reserves.⁷ Meanwhile Treasury expenditures and net redemptions of securities rose.

From the first week of April through the first week of September district bank reserve positions were almost continuously tight. In the last three weeks of September district bank reserves eased. Easiness in this period reflected a sharp (\$90 million) net inflow of funds from other districts.

. . . primarily as a result of an outflow of funds from the district.

Tightness in reserve positions over most of the first nine months of 1951 reflected a sharp net outflow of funds to other areas. For the entire nine months this net outflow amounted to \$83 million, despite the aforementioned \$90 million net inflow in the final three weeks of the period.

An outflow of funds from the district can be caused by several types of transactions, for instance: 1) excess of commodity imports over commodity exports; 2) movement of funds to other districts by banks or other institutions; 3) net investment outside the district; 4) net use of services from other districts such as transportation, recreation, education, insurance, and capital; and 5) net gifts.

The sharp inflow of funds in the last three weeks of September probably reflected both financial transactions and marketing of district crops. The Eighth District, being a predominantly agricultural region, normally gains funds from the end of August through December as produce moves out of the district. On the other hand, the district gen-

⁷ "X" balances arise from income tax receipts left temporarily on deposit at commercial banks by the Treasury, rather than transferred immediately to the account of the Treasury at the Reserve Bank.

erally loses funds on balance over the first two-thirds of the year.

In addition to the drain on bank reserves due to a net outflow of funds, banks were also drained of a sizable amount of funds due to a contraction in float which centered in the first quarter. Flows of money into circulation in the weeks before important holidays likewise absorbed bank reserves.

Some relief from the loss of reserves over the first half of 1952 was provided by a decline of \$35 million in required reserves.⁸ The decline in required reserves reflected primarily a net outflow of deposits from the district and a reduction in district deposits as borrowers repaid bank loans. Reversing their trend, required reserves rose somewhat in the third quarter of 1952. The table shows the net change in factors directly affecting Eighth District member bank reserves over the first three quarters of 1952 (December 26, 1951, to September 24, 1952).

The drain was occasioned by net outflows from banks in the Memphis and Little Rock areas, . . .

Data on flows of funds from each of the 36 areas of the country to each of the others have only been available since February 20. From February 20 through September 24 the total net drain on district member banks from adverse clearings amounted to \$47 million. However, the loss was neither uniform nor distributed equally throughout the district. In thirteen of the thirty-one weeks, district banks had net inflows of funds. Over the period as a whole, banks in both the Memphis and Little Rock territories experienced a fairly sharp loss of funds through the Interdistrict Settlement Fund.

⁸ The decline in required reserves volume during the period was not occasioned by a reduction in reserve requirement percentages. Legal reserve requirements remained at 20 per cent of net demand deposits for reserve city banks, 14 per cent of net demand deposits at country banks, and 6 per cent of all time deposits.

FACTORS AFFECTING EIGHTH DISTRICT MEMBER BANK RESERVES (NET)

December 26, 1951, through September 24, 1952

(Millions of Dollars)	First Quarter		Second Quarter		Third Quarter		Total	
	Added to Reserves	Reduced Reserves						
Flow of currency into banks	\$ 54.0							
Flow of currency into circulation			\$ 1.5				\$ 24.3	
Treasury operations	80.3			22.4	\$ 18.4			76.3
Flow of funds into the district.....					47.8			
Flow of funds out of the district.....		\$ 96.6		33.9				\$ 82.7
Expansion of Federal Reserve float.....			\$ 19.8					
Contraction of Federal Reserve float.....		30.2				7.1		17.5
Increased borrowings				8.2		6.1		
Reduced borrowings		23.8						9.5
Miscellaneous factors		1.1		3.3		3.3		
Total	\$134.3	\$151.7	\$ 31.3	\$ 57.8	\$ 75.6	\$ 35.3	\$106.1	\$109.7
Change in total reserves.....		\$ —17.4		\$ —26.5		\$ +40.3		\$ — 3.6
Change in required reserves.....		—26.6		—8.2		+17.5		—17.3
Change in excess reserves.....		\$ + 9.2		\$ —18.3		\$ +22.8		\$ +13.7

Member banks in the Memphis region were drained of the largest amount of funds, \$187 million on balance. Memphis region banks had net outflows of funds to the rest of the Eighth District and to eight of the other eleven Reserve districts. And the net outflow from the Memphis area was fairly uniform over the period. These banks lost funds on balance in twenty-eight of the thirty-one weeks. However, as the period ended there was a net inflow of funds to banks in the Memphis section, probably as a result of the marketing of cotton.

Little Rock territory banks were drained of \$46 million by adverse clearings in the period from February 20 to September 24. However, Little Rock region banks had a net inflow of funds in nine of the thirty-one weeks and for the entire period they had net inflows from six Federal Reserve districts.

. . . partially offset by net inflows to banks in the Louisville and St. Louis regions.

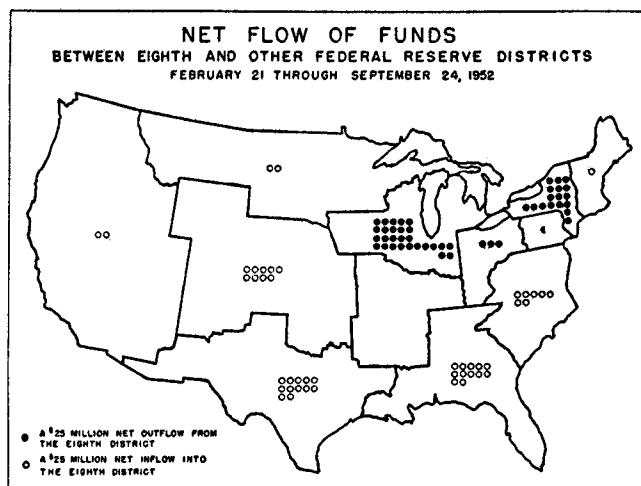
Districtwise, the inflow of funds into the St. Louis and the Louisville territories partly offset the drains on the other two Eighth District regions. Member banks in the Louisville region received a sizable amount of funds net (\$140 million) from interregional transactions in the period from February 20 through September 24. The gain of funds was occasioned by heavy inflows from the New York and Atlanta districts. Banks in Louisville and surrounding territory received a large amount of funds from other sections to finance the relatively large volume of new construction in that area, particularly in and around Paducah, Kentucky.

St. Louis region banks also gained funds through interregional clearings during the period. Substantial net outflows to the New York and Chicago areas were more than offset by net inflows of funds from most of the remaining areas of the country. As a result, member banks in the St. Louis section had a \$47 million "favorable" balance of transactions.

With reference to flows between the four Eighth District regions, funds moved on balance to the St. Louis region from the other three sections. The flow totaled \$282 million for the thirty-one week period. Net loss to the Louisville territory was the greatest. This net flow, which was evident in each of the three quarters, partially reflected the fact that St. Louis acts as a financial center for the district. Between the three branch territories there were virtually no net movement of funds.

Largest net outflow went to the financial centers of Chicago and New York . . .

The pattern of flows of funds between the Eighth District and the rest of the nation was similar in each of the three quarters of the year. The district continually lost substantial amounts of funds to banks in the New York and Chicago areas but gained funds from most of the rest of the country.



Net loss of funds to the Chicago area was the greatest, \$562 million. For each of the thirty-one weeks the Eighth District had a sizable dollar deficit with the Chicago portion of the Seventh District. Over half of this net outflow to Chicago came from the St. Louis region but the remaining three district sections had net outflows to Chicago also.

District member banks also lost a substantial amount of funds to banks in the New York area. In the aggregate the net loss to New York was \$445 million. The drain was occasioned by a \$763 million net outflow from the St. Louis region offset in part by sizable net inflows of funds to the Louisville and Memphis territory banks.

Flows of funds between the Eighth District and the Chicago and New York areas resulted, in part, from financial transactions.

In addition to the net losses of bank reserves to Chicago and New York area banks, the district lost funds on balance to several other areas in the country. The largest of these adverse clearings was a \$108 million net outflow to the Detroit area. Net drain of funds to Detroit occurred in twenty-nine of the thirty-one weeks and was shared in by each of the four Eighth District sections. The loss of funds to Detroit probably reflected the purchases of new automobiles.

Eighth District member banks also were drained of \$73 million as a result of a net outflow of funds

Flow of Funds In and Out of the Eighth District¹

February 21 Through September 24, 1952
(Millions of Dollars)

(+) Sign Indicates Net Inflow to Area at Top of Column
(--) Sign Indicates Net Outflow From Area at Top of Column

FEDERAL RESERVE DISTRICTS and Branch Regions	Eighth District and Branch Regions				
	District Total	Little Rock	Louisville	Memphis	St. Louis
BOSTON.....	+ 25	— 1	+ 17	+ 15	— 6
NEW YORK.....	—433	— 35	+239	+119	—755
New York.....	—445	— 36	+234	+120	—763
Buffalo.....	+ 12	*	+ 5	— 1	+ 8
PHILADELPHIA.....	— 7	+ 7	+ 23	— 13	— 23
CLEVELAND.....	— 73	+ 30	— 99	— 29	+ 26
Cleveland.....	— 5	— 1	— 11	— 17	+ 24
Cincinnati.....	— 67	— 4	— 80	— 17	+ 33
Pittsburgh.....	— 2	+ 34	— 8	+ 4	— 32
RICHMOND.....	+174	+ 8	+ 46	+ 54	+ 66
Richmond.....	+ 51	+ 10	+ 24	— 12	+ 29
Baltimore.....	+ 17	— 2	+ 8	— 2	+ 13
Charlotte.....	+107	— 1	+ 15	+ 68	+ 24
ATLANTA.....	+304	+ 11	+164	— 43	+171
Atlanta.....	+ 30	— 3	+ 31	— 19	+ 21
Birmingham.....	+ 96	*	+ 29	+ 25	+ 42
Jacksonville.....	+ 96	+ 1	+ 58	+ 10	+ 27
Nashville.....	+103	+ 1	+ 37	+ 25	+ 39
New Orleans.....	— 20	+ 12	+ 9	— 84	+ 43
CHICAGO.....	—670	— 28	—188	— 84	—369
Chicago.....	—562	— 24	—130	— 52	—356
Detroit.....	—108	— 4	— 58	— 32	— 13
MINNEAPOLIS.....	+ 47	+ 2	+ 5	— 3	+ 43
Minneapolis.....	+ 39	+ 2	+ 4	— 3	+ 36
Helena.....	+ 7	*	+ 1	*	+ 7
KANSAS CITY.....	+231	— 19	+ 12	— 28	+266
Kansas City.....	+ 18	— 18	— 3	— 16	+ 56
Denver.....	+ 38	*	+ 3	*	+ 34
Oklahoma City.....	+132	— 1	+ 11	— 15	+136
Omaha.....	+ 43	*	*	+ 2	+ 41
DALLAS.....	+306	+ 28	+ 40	— 48	+286
Dallas.....	+224	+ 14	+ 24	— 22	+208
El Paso.....	+ 23	+ 2	+ 2	— 1	+ 20
Houston.....	+ 56	+ 11	+ 10	+ 5	+ 31
San Antonio.....	+ 3	+ 2	+ 4	— 30	+ 27
SAN FRANCISCO.....	+ 50	— 9	+ 29	— 31	+ 61
San Francisco.....	— 25	— 11	+ 9	— 7	— 15
Los Angeles.....	+ 59	+ 7	+ 19	— 21	+ 54
Portland.....	— 6	— 4	— 1	— 2	+ 1
Salt Lake City.....	+ 7	*	+ 1	*	+ 6
Seattle.....	+ 16	*	+ 1	— 1	+ 16
Subtotal.....	— 47	— 8	+288	— 91	—235
Intra-Regional Flows Between Eighth District Regions					
St. Louis.....	— 36	—146	—100	—	
Little Rock.....	—	+ 1	+ 1	+ 36	
Louisville.....	— 1	—	+ 3	+146	
Memphis.....	— 1	— 3	—	+100	
Total.....	— 47	— 46	+140	—187	+ 47

¹ Figures do not necessarily add due to rounding.

* Less than \$500,000.

to the Cleveland district. This net movement of funds was occasioned by a net flow of funds from the Louisville region to the Cincinnati area. Smaller net outflows of funds from the Eighth District went to the Philadelphia district (\$7 million); New Orleans area (\$20 million); San Francisco region (\$25 million); and the Portland territory (\$6 million).

. . . while on balance funds flowed into the Eighth District from other areas.

On the other hand, the Eighth District member banks gained funds, on balance, from the remaining twenty-two areas of the country from February 20 through September 24. The largest net inflow of funds came from the Dallas (\$306 million) and Atlanta (\$304 million) districts. Other sizable net inflows came from the Kansas City and the Richmond districts.

Data on interregional flows of funds throw light on two aspects of the district economy: the markets for our products together with the sources of our imports and the nature of commercial bank operations in the district. With reference to the first aspect, these data raise an interesting question. How is it possible to have a persistent net flow in one direction? Take, for example, the outflow to Chicago.

Mechanically, of course, a persistent outflow to Chicago must be balanced with an inflow from some other area. In other words, the flow of transactions is three-cornered or multi-cornered. The funds that move to Chicago must continue on to another region or regions and then return to the Eighth District. In part the net flows to Chicago (and to New York) are financial transactions. There are several types of financial transactions (a term used here to identify a transfer of funds in exchange for other financial claims rather than in exchange for goods and services).

For example, some individuals and businesses in the Eighth District deposit funds in banks in financial centers. Building up of deposits in these banks frequently causes drains on Eighth District bank reserves. On the other hand, withdrawals from these deposits do not always return to the Eighth District. Some checks are drawn to pay bills in other areas.

In a similar manner, many banks in the district maintain balances with correspondent banks in financial centers. In building up these accounts, funds are often moved out of the district. However, these balances in financial centers are used

frequently by district banks to make payments outside the district.

Also there are many businesses with head offices outside the district that operate branches within the Eighth District. In some cases funds are moved from the branch to the head office, draining the district of funds. All of these funds do not come back to the district. Some are used to purchase materials in other areas; some are used to pay interest on debt or to give a return to the suppliers of capital. Financial transactions such as these help account for the continuous net outflow of funds from the Eighth District to Chicago and New York.

The other important contribution of interdistrict flow data is the light thrown on commercial bank

operations. Bank reserves and the *flow* of money payments are at the very heart of the commercial banking process. A false concept of this dynamic banking process may be gained if only a static picture is considered. To put it another way, the commercial banking process cannot be seen in a single snapshot; it can only be viewed on motion pictures.

The picture of the flow of funds between this district and other sections of the country is not complete. As the pattern emerges and more comprehensive data become available, additional insight will be afforded into the complex forces at work on district member bank reserves and into the relationship of the district economy to that of the nation.

NORMAN N. BOWSHER

Survey of Current Conditions

THE TEMPO of business activity continued to quicken in the Eighth District during September and early October. Defense activity expanded and further improvement resulted in some other lines from the increased availability of steel items. Employment increased throughout September and unemployment reached a postwar low in many areas of the district. Construction and industrial production remained at high levels although, as might be expected in a period without the stimulus of inflationary price pressure, not all components of production moved in the same direction. Retail sales, likewise, generally showed improvement in September and early October as compared with August but with considerable variation between lines. Business loans expanded about as usual over the six-week period.

District production of major crops for 1952, except corn and tobacco, was estimated at more than in 1951, despite the drouth. But pasture conditions in many parts of the district worsened.

Economic activity in the nation during September also was at a brisker pace than earlier. Industrial production, as measured by the Federal Reserve Board index, increased from 215 per cent of the 1935-39 average for August to 225 per cent for September, and exceeded the previous postwar high reached in April, 1951. Industries which had previously reduced output in order to adjust their inventory positions increased output during September. Durable goods production rose 7 per cent

from August to September. Steel production averaged 101.6 per cent of capacity, compared with 92 per cent in August. Automobile output also increased rapidly in September with 559,000 passenger cars and trucks assembled, the largest monthly output since June, 1951. Production of television and major household appliances also increased in September, reflecting increased consumer buying and moderate rebuilding of inventories.

Nondurable manufactures increased from 191 per cent in August to 194 per cent for September. As in other industries some of the increased production resulted from the rebuilding of depleted inventories at the various levels of distribution as well as at the manufacturers' plants.

Coal and crude oil production during September was at a higher rate than in August and the same period a year ago. Total mineral output increased 11 per cent from August to September.

Early in September 62.3 million persons were employed, leaving only 2.3 per cent of the civilian labor force unemployed.

The general level of wholesale commodity prices declined one per cent during September and the first two weeks in October. The major decreases were in farm products and processed foods, especially meats, reflecting the larger supplies being marketed and in prospect. The average of raw industrial commodity prices in the spot primary markets showed little change in September. The

average level of retail food prices dropped 1.8 per cent in the five weeks ended September 30.

The increase in total economic activity in August and September roughly offset the decline in July when effects from the steel strike were sharpest. As a result, total economic activity in the nation during the third quarter was at about the level of the previous quarter. National security expenditures did not rise. Small increases in personal consumption and gross private domestic investment were partially offset by a slight decline in net foreign investment.

Employment

The labor market became somewhat tighter during September. In part, this tightening resulted from the withdrawal of students from the labor market, on the supply side, and from seasonal expansions and other quickening in many lines of activity on the demand side.

Nonfarm employment in the nation rose by 520,000 to a total of 47.6 million persons in September, a record high for that month, and 600,000 above a year earlier. Continued expansion of manufacturing employment and seasonal gains in retail trade and public school employment were primarily responsible for the increase from August.

Unemployment in the nation in early September was estimated at 1.4 million, probably the lowest level in the postwar period. And the decline in unemployment which has occurred since the settlement of the steel strike continued throughout September. Claims for unemployment insurance in the nation for the week ended September 27 totaled

657,000, compared with 869,000 four weeks earlier, a decline of 24 per cent. In the seven district states claims for state unemployment insurance also declined during September. For the week ended September 27, 118,000 claims were filed, compared with 158,000 in the week ended August 30, a decline of 25 per cent. Insured unemployment was also less than in September, 1951, in both the nation and the district states. In this district, the decrease centered in Illinois, Indiana, Missouri and Tennessee, while the other district states, Arkansas, Kentucky and Mississippi, reported higher insured unemployment than in September, 1951.

Over the past year wage rates have continued to rise in many industries. In this district hourly earnings in manufacturing industries have increased without much change in the differentials between areas, as indicated in the following table.

AVERAGE HOURS AND EARNINGS IN MANUFACTURING INDUSTRIES

Area	August, 1952		August, 1951	
	Hours	Hourly Earnings	Hours	Hourly Earnings
St. Louis	40.3	\$1.66	39.8	\$1.58
Memphis	42.5	1.43	42.3	1.37
Little Rock	41.5	1.12	41.3	1.09
United States.....	40.6	1.67	40.3	1.60

Source: Compiled from reports by state Employment Security Divisions and the United States Bureau of Labor Statistics.

In Louisville total employment continued to increase from August to September and reached a level 2 per cent higher than in September, 1951. The increase from August was primarily at plants producing tobacco, lumber products and furniture, ordnance, primary and fabricated metal products. Seasonal influences were largely responsible for the increased activity at the first two industries mentioned above. While metal-working plants had already expanded employment in August when the supply of steel improved, some further increase also was made in September. Employment in construction activity continued to increase from August to September and was 17 per cent greater than a year earlier. The greatest increase in employment since September, 1951, was in ordnance and powder manufacturing plants.

Industry

The over-all level of district industrial activity was high in September, although some lines were below their year-ago rate. There was continuing improvement in textile and shoe production. Coal mining increased sharply. Transportation equipment and fabricated metals production gained. And steel ingot production reached 109 per cent of theoretical capacity in early October. Some lines,

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1947-49=100)	September, 1952 compared with				
	Sept., '52	Aug., '52	Sept., '51	Aug., '52	Sept., '51
All Commodities....	111.7	112.2	113.4	- 1%	- 2%
Farm Products...	106.4	109.9	109.9	- 3	- 3
Foods.....	110.5	110.5	110.9	- 0 -	- 0 -
Other.....	113.1	113.0	114.8	- 0 -	- 2

CONSUMER PRICE INDEX *

Bureau of Labor Statistics (1935-39=100)	Sept. 15, 1952 compared with				
	Sept. 15, 1952	June 15, 1952	Sept. 15, 1951	June 15, '52	Sept. 15, '51
United States.....	190.8	189.6	186.6	+ 1%	+ 2%
St. Louis.....	192.7	192.7	186.2	- 0 -	+ 3
Memphis.....	192.9	191.2	189.9	+ 1	+ 2

RETAIL FOOD *

Bureau of Labor Statistics (1935-39=100)	Sept. 15, 1952 compared with				
	Sept. 15, 1952	Aug. 15, 1952	Sept. 15, 1951	Aug. 15, '52	Sept. 15, '51
U. S. (51 cities)....	233.2	235.5	227.3	- 1%	+ 3%
St. Louis.....	244.3	249.0	238.8	- 2	+ 2
Little Rock.....	231.6	233.6	223.0	- 1	+ 4
Louisville.....	221.1	224.4	215.6	- 2	+ 3
Memphis.....	240.8	243.7	237.4	- 1	+ 1

* New series.

such as lumber, oil and whiskey showed no significant changes, however, and there was a drop in output in a number of other industries, as noted below. Since the declines were largely in industries with fewer employees per unit of output, while gains were in industries with a high worker-to-output ratio, industrial employment was favorable, as noted earlier. In addition, defense output, not fully reflected in the year-to-year statistics, was expanding.

Manufacturing—Manufacture of transportation equipment, textiles and shoes, which had been weak earlier in the year, showed strength in September. Fabricated metals production was about 8 per cent above a month and a year ago, according to the sample of electric power used. But non-electrical machinery, stone-clay-glass, and rubber production dropped substantially from a year ago, and manufacture of chemicals and petroleum products and paper and paper products were reduced in some areas. As a result, although daily average use of power at selected industrial firms in six district cities rose 2 per cent from August, it was 10 per cent below that of September, 1951. Plants at Evansville, however, showed a net gain in daily average use of power compared with 1951 largely due to increased manufacture of nonelectrical machinery and transportation equipment and defense production in those plants.

Steel ingot production was particularly strong. Furnaces in the St. Louis area for the first three weeks of October poured out ingot at 109 per cent of capacity rate. They had been run during September at 96 per cent of capacity.

Mining—September coal production, reflecting anticipation of a coal strike and seasonal demand, jumped 45 per cent over August and 20 per cent over September, 1951, in district states, according to preliminary figures.

Construction

Construction activity in the nation during September continued at about the same level as in August. Total expenditures for new construction during September of \$3.1 billion raised the third-quarter total to a record level. During the third quarter private residential building, public utilities construction and all major types of new public construction (except housing) were greater than in the same quarter last year.

The number of dwellings started in September totaled 98,000 units, compared with 99,000 in the previous month and 96,400 in September, 1951. So

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	Daily Average *			September, 1952 compared with Sept., '51	
	Sept., 1952 K.W.H.	Aug., 1952 K.W.H.	Sept., 1951 K.W.H.	Aug., '52	Sept., '51
Evansville.....	853	886	793	- 4%	+ 7%
Little Rock.....	169 R	133 R	179 R	+ 27	- 6
Louisville.....	3,860	3,806	4,344	+ 1	- 11
Memphis.....	1,346	1,251	1,626	+ 8	- 17
Pine Bluff.....	280	345	532	- 19	- 47
St. Louis.....	4,974	4,790	5,292	+ 4	- 6
Totals.....	11,482	11,211	13,766	+ 2%	- 10%

* Selected manufacturing firms.
R-Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

First Nine Days						
Sept., '52	Aug., '52	Sept., '51	Oct., '52	Oct., '51	9 mos. '52	9 mos. '51
112,994	114,211	112,312	35,363	35,322	986,053	1,049,631

Source: Terminal Railroad Association of St. Louis.

COAL PRODUCTION INDEX

Sept., '52 197.8 P	Unadjusted			Adjusted		
	Aug., '52 112.4 P	Sept., '51 161.2	Sept., '52 188.4 P	Aug., '52 113.5 P	Sept., '51 153.5	

CRUDE OIL PRODUCTION

(In thousands of bbls.)	Daily Average			September, 1952	
	Sept., 1952	Aug., 1952	Sept., 1951	Aug., '52	Sept., '51
Arkansas.....	75.0	76.1	76.6	- 2%	- 2%
Illinois.....	166.9	166.5	167.0	- 0	- 0
Indiana.....	33.7	33.3	31.2	+ 1	+ 8
Kentucky.....	32.2	32.8	31.8	- 2	+ 1
Total.....	307.8	308.8	306.6	- 0-%	- 0-%

SHOE PRODUCTION INDEX

Aug., '52 165.4 P	Unadjusted			Adjusted		
	July, '52 121.3	Aug., '51 121.5	Aug., '52 170.5 P	July, '52 126.4	Aug., '51 125.3	
P—Preliminary.						

BUILDING PERMITS

(Cost in thousands)	Month of September, 1952				Repairs, etc.	
	New Construction		Cost			
	Number 1952	1951	Cost 1952	1951		
Evansville.....	127	100	\$ 231	\$ 322	115 114 \$ 68 \$ 305	
Little Rock.....	50	61	457	596	258 211 165 112	
Louisville.....	208	152	1,381	1,557	105 88 486 124	
Memphis.....	2,260	2,542	2,894	5,483	234 192 185 183	
St. Louis.....	328	373	6,029	4,991	321 262 714 766	
Sept. Totals.....	2,973	3,228	\$10,992	\$12,949	1,033 867 \$1,618 \$1,490	
Aug. Totals.....	3,023	2,923	\$10,114	\$ 7,812	878 868 \$1,084 \$1,212	

WHOLESALE TRADE

Line of Commodities	Net Sales			Stocks
	Sept., 1952		compared with	
	Sept., 1952	Aug., '52	Sept., '51	
Data furnished by Bureau of Census, U. S. Dept. of Commerce*				Sept. 30, 1952 compared with Sept. 30, 1951
Automotive Supplies.....	+12%		+16%	- 1%
Drugs and Chemicals.....	+17		+13	
Dry Goods.....	+ 1		+27	-12
Groceries.....	+ 3		+10	+ 5
Hardware.....	+16		+14	-14
Tobacco and its Products.....	+ 3		+15	+ 8
Miscellaneous.....	+ 4		+ 9	- 6
**Total All Lines.....	+ 9%		+16%	-12%

*Preliminary.

**Includes certain items not listed above.

far this year a total of 866,800 new dwelling units have been started, practically the same number as last year. However, the number of starts in the third quarter were 9 per cent greater than in the third quarter last year.

In the Eighth District, total construction contracts awarded during September totaled \$518

DEPARTMENT STORES

	Net Sales		Stocks on Hand	Stock Turnover	
	Sept., 1952	9 mos.'52		Sept. 30,'52	Jan. 1 to
	compared with Aug., '52	Sept., '51		to same period '51	Sept. 30, 1952
8th F. R. District....	+ 8%	+ 4%	+ 2%	— 2%	2.72 2.42
Ft. Smith, Ark. ¹	+ 19	+ 1	+ 1	— 8	2.58 2.41
Little Rock, Ark....	+ 11	+ 6	+ 4	— 5	2.71 2.32
Quincy, Ill.	+ 2	— 5	— 6	— 7	2.72 2.45
Evansville, Ind.	- 11	+ 7	+ 5	Na	Na Na
Louisville, Ky.	+ 13	+ 7	+ 4	+ 10	2.83 2.75
Paducah, Ky.	+ 10	+ 17	+ 28
St. Louis Area ¹	+ 7	+ 3	+ 2	— 6	2.70 2.32
Springfield, Mo.	+ 4	— 3	+ 3	+ 2	2.42 2.14
Memphis, Tenn.	+ 12	+ 5	+ 3	+ 2	2.87 2.71
All Other Cities ²	+ 2	+ 2	+ 5	+ 4	2.33 2.23

¹ In order to permit publication of figures for this city (or area), a special sample has been constructed which is not confined exclusively to department stores. Figures for any such nondepartment stores, however, are not used in computing the district percentage changes or in computing department store indexes.

² Includes St. Louis, Clayton, Maplewood, Missouri; Alton and Belleville, Illinois.

* Fayetteville, Pine Bluff, Arkansas; Harrisburg, Mt. Vernon, Illinois; Vincennes, Indiana; Danville, Hopkinsville, Mayfield, Kentucky; Chiacochee, Missouri; Greenville, Mississippi; and Jackson, Tennessee.

OUTSTANDING ORDERS of reporting stores at the end of September, 1952, were 42 per cent larger than on the corresponding date a year ago.

PERCENTAGE OF ACCOUNTS AND NOTES RECEIVABLE

Outstanding September 1, 1952, collected during September, by cities

Instalment Accounts	Excl. Instal. Accounts	Instalment Accounts		Excl. Instal. Accounts	
		Sept., 1952	Aug., 1952	Sept., 1952	Sept., 1951
Fort Smith....	45%	Quincy	20%	65%	
Little Rock....	16	St. Louis	20	51	
Louisville	20	Other Cities ..	13	48	
Memphis	23	8th F.R. Dist.	19	47	

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Sept., 1952	Aug., 1952	July, 1952	Sept., 1951
Sales (daily average), unadjusted ³	110	98	81	111
Sales (daily average), seasonally adjusted ⁴	104	110	99	105
Stocks, unadjusted ⁴	140	125	112	134
Stock, seasonally adjusted ⁴	132	129	120	127

³ Daily average 1947-49 = 100.

⁴ End of Month Average 1947-49 = 100.

SPECIALTY STORES

	Net Sales		Stocks on Hand	Stock Turnover	
	Sept., 1952	9 mos.'52		Sept. 30,'52	Jan. 1 to
	compared with Aug., '52	Sept., '51		to same period '51	Sept. 30, 1952
Men's Furnishings + 8%	— 5%	— 1%	— 11%	1.56	1.36
Boots and Shoes....	+ 24	+ 4	+ 2	+ 7	3.08 2.95

PERCENTAGE OF ACCOUNTS AND NOTES RECEIVABLE

Outstanding Sept. 1, 1952, collected during September

Men's Furnishings..... 42% Boots and Shoes..... 38%

Trading days: Sept., 1952—25; Aug., 1952—26; Sept., 1951—24.

RETAIL FURNITURE STORES

	Net Sales		Inventories	Ratio of Collections	
	September, 1952	September, 1952		compared with	Sept., '52
	compared with Aug., '52	Sept., '51		Aug., '52	Sept., '51
8th Dist. Total.....	— 2%	+ 5%	+ 3%	+ 2%	23% 25%
St. Louis Area ²	— 0	+ 4	— 0	+ 1	57 57
St. Louis.....	— 0	+ 4	— 0	+ 1	60 60
Louisville Area ³	— 12	— 5	+ 7	+ 4	12 14
Louisville.....	— 13	— 6	+ 7	+ 6	11 13
Memphis.....	— 17	+ 10	— 0	— 16	13 14
Little Rock.....	— 4	+ 15	+ 6	+ 8	19 21
Springfield.....	+ 19	— 0	— 1	— 0	16 14
Fort Smith.....	+ 2	+ 20	*	*	*

* Not shown separately due to insufficient coverage, but included in Eighth District totals.

¹ In addition to following cities, includes stores in Blytheville, Pine Bluff, Arkansas; Hopkinsville, Owensboro, Kentucky; Greenwood, Mississippi; Hannibal, Missouri; and Evansville, Indiana.

² Includes St. Louis, Missouri; and Alton, Illinois.

³ Includes Louisville, Kentucky; and New Albany, Indiana.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Sept., '52	Aug., '52	Sept., '51
Cash Sales	16%	15%	14%
Credit Sales	84	85	86
Total Sales.....	100%	100%	100%

million, and included the \$459 million contract for the expansion of the Paducah Atomic Energy Commission plant. For the first nine months, work contracted for totaled \$1,318 million, compared with \$1,111 million in the corresponding period of 1951. Contracts awarded for public works, manufacturing buildings, and public buildings in the first nine months this year were about double the amount contracted in the same period last year. But hospital and institutional building was off 42 per cent. While residential construction contracts have been awarded at about the same rate as last year, those for apartment buildings and dormitories have been substantially less. The increase in one family dwellings for sale or rent has more than offset these declines. Construction of residences for owner occupancy remained at about the same rate as last year.

Trade

Retail sales generally showed improvement in September over August, but there was much variation. Apparel and department store sales were up from August, but the gain was less than usual in the latter. In contrast, furniture store sales declined. In comparison with a year ago, sales at both department and furniture stores were higher, but at apparel stores were lower. Thus, the rather spotty pattern that has developed over the summer was continued into early fall.

Sales at auto dealers in September increased as deliveries improved during the month. However, the pattern of sales was not uniform. Used car dealers reported that new car dealers were selling a larger share of trade-ins themselves. Sales of appliances were relatively slow in the month, this being attributed to a reaction from the above-normal buying during the preceding hot months.

The effect of seasonal promotions at district department and apparel stores during the month was somewhat limited as weather conditions continued mild and dry in many portions of the district. As a result, sales in these stores gained less than seasonally from August. Department store sales, while 8 per cent greater than in August, declined on a seasonally adjusted basis from 110 per cent of the 1947-49 base period in August to 104 per cent in September. In September, 1951, they were 105 per cent of the base period. Preliminary reports through mid-October indicate that the 3 per cent cumulative 1952 rate of increase over 1951 will be maintained in the month.

At furniture stores throughout the district September sales volume dropped slightly below that

in August but was 5 per cent over that in September, 1951. Indications were that much of the strength in sales over a year ago was in furniture lines with appliance sales lagging.

Inventories held on September 30 by reporting department stores, furniture stores and apparel stores were somewhat larger than a month earlier. On September 30 the retail value of inventories at furniture stores was greater than a year earlier. Apparel store and department store inventories were somewhat below those a year ago.

The volume of outstanding orders at district department stores on September 30 was 2 per cent below that at the end of August and was 42 per cent larger than a year ago.

Banking and Finance

Business loans expanded about the seasonal amount at district banks in the six weeks to mid-October. These loans were up less than usual during early October in contrast to a sharp growth in September. Both real estate and consumer loans continued to climb. Volume of checks written during September rose substantially, reflecting an increased use of both business and Government accounts.

District Banking—For district bank lending officers, autumn is a time of brisk activity. Both volume of new business loans and amounts of business loans outstanding increase in the period. The seasonal pattern reflects in large measure the demand for funds to harvest, market and process

farm produce. In addition, some funds are normally needed in the fall to stock up for the Christmas season.

The autumn growth in business loans, however, is somewhat different each year. Both size and time of harvesting of crops vary from year to year. Market prices fluctuate. Retailers and wholesalers build up inventories at different times and to varying extents. As a result, gauging the size of each autumnal growth in business loans is as difficult as it is important.

During August, September and early October, businesses in the district expanded their borrowings as usual at this time. However, the growth was uneven. Over August and September the increase in business loans was sharp—much more than normal. By contrast, in early October the growth was less than usual. As a result, over the entire two-and-a-half months, business loans at district banks showed their "normal" growth.

The sharp increase in loans (seasonally adjusted basis) during August and September was the net result of several factors. The gain in August and the first half of September primarily reflected an increase in outstanding loans to sales finance companies, manufacturers of textile, apparel and leather goods and contractors. This gain was partially offset by the behavior of loans to food manufacturers and commodity dealers. In the last two weeks of September the pattern of growth was different. Here it centered in a sharp increase in borrowings by commodity dealers, largely on cotton at Memphis. In early October there were net repayments

EIGHTH DISTRICT MEMBER BANK ASSETS AND LIABILITIES BY SELECTED GROUPS

(In Millions of Dollars)	All Member			Large City Banks ¹			Smaller Banks ²					
	Assets	Sept.,'52	Sept.,'52	Change from: Aug.,'52 to Sept.,'51 to Sept.,'52	Liabilities	Sept.,'52	Sept.,'52	Change from: Aug.,'52 to Sept.,'51 to Sept.,'52	Liabilities	Sept.,'52	Sept.,'52	Change from: Aug.,'52 to Sept.,'51 to Sept.,'52
1. Loans and Investments.....	\$4,359	\$+ 54	\$+284		\$2,533	\$+ 27	\$+171		\$1,826	\$+ 27	\$+113	
a. Loans	2,004	+ 66	+151		1,325	+ 55	+103		679	+ 11	+ 48	
b. U.S. Government Obligations.....	1,954	— 7	+101		1,013	— 19	+ 47		941	+ 12	+ 54	
c. Other Securities	401	— 5	+ 32		195	— 9	+ 21		206	+ 4	+ 11	
2. Reserves and Other Cash Balances.....	1,467	+ 98	+ 72		930	+ 88	+ 54		537	+ 10	+ 18	
a. Reserves with the F.R. Bank.....	744	+ 30	+ 60		493	+ 28	+ 50		251	+ 2	+ 10	
b. Other Cash Balances ³	723	+ 68	+ 12		437	+ 60	+ 4		286	+ 8	+ 8	
3. Other Assets.....	52	— 1	+ 4		32	— 1	+ 3		20	— 0	+ 1	
4. Total Assets	\$5,878	\$+151	\$+360		\$3,495	\$+114	\$+228		\$2,383	\$+ 37	\$+132	
Liabilities and Capital												
5. Gross Demand Deposits.....	\$4,341	\$+157	\$+221		\$2,670	\$+130	\$+136		\$1,671	\$+ 27	\$+ 85	
a. Deposits of Banks.....	722	+ 87	+ 65		679	+ 81	+ 61		43	+ 6	+ 4	
b. Other Demand Deposits.....	3,619	+ 70	+156		1,991	+ 49	+ 75		1,628	+ 21	+ 81	
6. Time Deposits	1,041	+ 4	+ 59		502	+ 2	+ 21		539	+ 2	+ 38	
7. Borrowings and Other Liabilities.....	112	— 18	+ 61		102	— 20	+ 59		10	+ 2	+ 2	
8. Total Capital Accounts	384	+ 8	+ 19		221	+ 2	+ 12		163	+ 6	+ 7	
9. Total Liabilities and Capital Accounts....	\$5,878	\$+151	\$+360		\$3,495	\$+114	\$+228		\$2,383	\$+ 37	\$+132	

¹ Includes 13 St. Louis, 6 Louisville, 3 Memphis, 3 Evansville, 4 Little Rock, and 4 East St. Louis-National Stock Yards, Illinois, banks.

² Includes all other Eighth District member banks. Some of these banks are located in smaller urban centers, but the majority are rural area banks.

³ Includes vault cash, balances with other banks in the United States, and cash items reported in process of collection.

by sales finance companies and textile, apparel and leather manufacturers.

Both real estate and consumer loans continued to expand at district banks from mid-September to mid-October. Banks at all weekly reporting centers shared in the gains.

Agriculture

District agricultural reports were both encouraging and discouraging for September and early October. The outturn of 1952 crops generally, with the exception of corn, was more favorable than earlier reports had indicated. However, drouth again had dried up pastures in Missouri and Arkansas and to a lesser extent had cut pasture production in district states east of the Mississippi River. Late hay production was reduced and water for stock was scarce in some areas. Even more serious was the fact that top soil was too dry for fall-sown pasture seeds and fall-sown wheat to make any growth or in some instances to germinate.

Cotton—The extremely dry weather was nearly perfect for maturing and harvesting 1952 crops. Estimated district cotton production on October 1 is 250,000 bales higher than the September estimate, an 8 per cent increase for the month and a 7 per cent increase over the 1951 crop. The crop in Missouri deteriorated slightly during the month, but this decline was more than offset by improved crop prospects in other district states. The October estimate for the nation is 524,000 bales more than that of September, but falls short of 1951 production by 731,000 bales, or 5 per cent.

ESTIMATED PRODUCTION FOR MAJOR CROPS, EIGHTH DISTRICT, OCTOBER 1, 1952

	Estimated Production Oct. 1, 1952 (In thousands)	Per Cent Change From 1951	Per Cent Change From Previous Month
Corn (bu.)	325,878	-11%	-8%
Oats (bu.)	43,018	+3	-0-
Soybeans (bu.)	88,209	+7	+3
Rice (bags)	10,458	+8	+2
Cotton (bales)	3,594	+7	+8
Burley tobacco (lbs.)	197,038	-1	-0-

Source: Adapted from CROP PRODUCTION, U. S. D. A., October, 1952.

Corn—Prospects for district corn production declined 8 per cent during September in contrast to a 2 per cent increase nationally. Slight improvement of the corn crop in Indiana and Illinois during the month was more than offset by a decline in Missouri and further deterioration of the already poor crops in Kentucky and Mississippi. Compared with 1951, the 1952 district crop is 11 per cent smaller. Nationally, however, the crop is 11 per cent larger and is also of much better quality than the 1951 crop.

Farm Real Estate—Farm real estate prices rose 1 per cent both nationally and in the Eighth District from March to July, 1952. Not since the outbreak of the Korean War has the rise in any three-month period been so small. No rise was indicated for Mississippi and Tennessee, and farm land prices declined 2 per cent in Missouri. The 5 per cent increase for the year ending July 1, 1952, compares with a 17 per cent increase for the year ending July 1, 1951.

FARM REAL ESTATE PRICES

	Per cent change March to July, 1952	Per cent change July, 1951, to July, 1952
Arkansas.....	+ 1%	+14%
Illinois.....	+ 3	+ 9
Indiana.....	+ 1	+ 8
Kentucky.....	+ 3	+ 8
Mississippi.....	- 0-	+ 5
Missouri.....	- 2	+ 5
Tennessee.....	- 0-	+ 3
Eighth District.....	+ 1	+ 6
United States.....	+ 1	+ 5

Source: THE FARM REAL ESTATE MARKET, B.A.E., September, 1952.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Sept., 1952	Aug., 1952	Sept., 1951	Sept., 1952 compared with Aug., '52 Sept., '51
El Dorado, Ark.....	\$ 26,778	\$ 25,937	\$ 26,950	+ 3% - 1%
Fort Smith, Ark.....	48,171	45,112	44,877	+ 7 + 7
Helena, Ark.....	11,206	6,189	9,119	+ 81 + 23
Littie Rock, Ark.....	167,761	130,664	135,219	+ 28 + 24
Pine Bluff, Ark.....	49,513	35,648	34,028	+ 39 + 46
Texarkana, Ark.*.....	20,316	17,984	15,465	+ 13 + 31
Alton, Ill.....	32,137	31,021	27,839	+ 4 + 15
E.S.L.-Nat.S.Y., Ill.....	138,397	118,865	132,722	+ 16 + 4
Quincy, Ill.....	34,838	33,437	32,116	+ 4 + 8
Evansville, Ind.....	149,126	130,072	125,318	+ 15 + 19
Louisville, Ky.....	682,040	659,788	602,547	+ 3 + 13
Owensboro, Ky.....	42,831	37,328	43,824	+ 15 - 2
Paducah, Ky.....	44,106	42,113	26,724	+ 5 + 65
Greenville, Miss.....	29,585	18,393	23,298	+ 61 + 27
Cape Girardeau, Mo.....	12,904	12,068	12,746	+ 7 + 1
Hannibal, Mo.....	9,404	9,199	10,030	+ 2 - 6
Jefferson City, Mo.....	57,392	52,115	52,816	+ 10 + 9
St. Louis, Mo.....	1,970,669	1,654,776	1,702,651	+ 19 + 16
Sedalia, Mo.....	11,861	11,008	11,018	+ 8 + 8
Springfield, Mo.....	68,436	61,455	74,583	+ 11 - 8
Jackson, Tenn.....	23,149	19,870	21,353	+ 17 + 8
Memphis, Tenn.....	742,876	483,157	571,366	+ 54 + 30
Totals.....	\$ 4,373,496	\$ 3,636,199	\$ 3,736,609	+ 20% + 17%

* These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to \$41,780.

CASH FARM INCOME

(In thousands of dollars)	August, 1952 compared with			1952		
	Aug., 1952	July, 1952	Aug., 1951	1952	1951	1950
Arkansas.....	\$ 23,828	-11%	-11%	\$ 240,443	+10%	+37%
Illinois.....	145,869	+ 7	- 7	1,219,469	- 3	+ 12
Indiana.....	95,001	+27	- 7	677,069	- 3	+ 16
Kentucky.....	39,229	+21	+ 8	321,333	- 2	+ 8
Mississippi.....	32,464	+40	+ 9	189,734	- 1	+43
Missouri.....	86,901	+16	-17	623,009	-13	+ 7
Tennessee.....	32,530	- 4	- 5	254,160	- 0 -	+19
Totals.....	\$ 455,822	+13%	- 7%	\$ 3,525,217	- 3%	+15%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Sept., 1952	September, '52 compared with Aug., '52	Sept., '51	Sept., 1952	September, '52 compared with Aug., '52	Sept., '51
Cattle and calves....	169,743	+31%	+18%	72,951	+13%	-11%
Hogs.....	218,189	+21	- 7	31,947	-47	-53
Sheep.....	78,866	+ 9	+ 60	40,437	-15	+39
Totals.....	466,798	+22%	+ 9%	145,335	-16%	-18%