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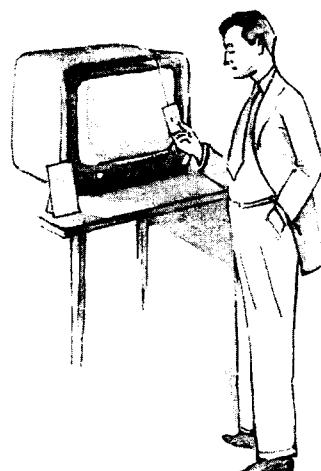


Retail Trade Trends in the Eighth District

RETAIL SALES in the district rose at a slower rate than in the nation from 1948 to 1954. Variations within the district in the rate of growth primarily reflected changes in income and population. Per capita retail sales rose faster in the district than in the nation, but varied widely.

The district pattern of sales by kinds of business closely paralleled the nation but the relative importance of some lines varied within the district. The growth in sales for the various kinds of stores reflected shifts in consumer preference, changes in merchandising and prices.

Competition reduced the number of stores in operation, and retailers increased their efficiency.



**Federal Reserve Bank
of St. Louis**



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Retail Trade Trends in the Eighth District

THE ULTIMATE GOAL of economic activity is the satisfaction of human needs and wants. In achieving this end the distribution of merchandise to the final consumer is channeled largely through retail stores, whose sales are thus a prime measure of a large segment of total economic activity.

Estimates of retail sales for the nation and for some smaller areas have been greatly improved over the years, and monthly data on sales of stores are available soon after the close of the month. Sales for each city and county in the nation, however, are not so readily available. To determine the amount and type of retail sales and related facts for all parts of the nation, Censuses of Business have been taken by the Bureau of the Census of the United States Department of Commerce at irregular intervals since 1929. Recently published results of the 1954 Census provide basic data for the analysis of retail sales in states, counties and cities and changes since 1948, the year of the previous Census. This article describes some of the major trends which developed from 1948 to 1954 in district retail trade.

Retail sales in the district rose at a slower rate than in the nation from 1948 to 1954.

Retail sales in the Eighth Federal Reserve District in 1954 totaled \$9.1 billion compared with \$7.1 billion in 1948, an increase of 28 per cent.¹ In the same

¹ The sales figures in the Census of Retail Trade represent total receipts from customers during 1954, after deduction of refunds or allowances for merchandise returned, of establishments primarily engaged in selling goods directly to personal, household or farm users. Receipts of these businesses from other than retail sales, such as service receipts, sales to industrial users or other retailers, and so on, are thus included. The data do not include retail sales made by manufacturing, wholesale and service establishments, and other businesses whose primary activity is other than retail trade.

Interpretation and comparability of the 1948 and 1954 Censuses are affected by changes in the method of enumeration and concepts. The most important of these for interpretation of total sales are: (1) Sales and excise taxes levied directly on the consumer were included in sales and receipts in the 1954 Census, but not in 1948. (2) Sales of establishments not in business at the end of the year were included in the 1954 Census, whereas in 1948 coverage was substantially limited to places still in business at the end of the year. (3) Retail stores with no paid employment and sales of less than \$2,500 in 1954 were excluded from the Census. While data for 1948 have been revised to the same dollar cutoff, no allowance was made for the increase in retail prices in the period.

period retail sales in the nation rose from \$128.8 billion to \$170.0 billion for an increase of 32 per cent.

Some of the increase in retail sales from 1948 to 1954 can be attributed to higher prices. Average retail prices, as measured by the United States Department of Commerce, rose 8 per cent in the period. Allowance for higher prices and for taxes included in 1954 sales but not in 1948 indicates that the physical volume of retail trade in the nation increased by about one-fifth between 1948 and 1954.² For the district the increase in the physical volume of retail trade was somewhat less than in the nation.

In both district and nation the long-term growth trend in retail trade volume is understated somewhat by the comparison of 1948 with 1954. In 1948 business was operating at the peak of the postwar boom, while in 1954 activity had receded slightly from the 1953 high.

A 35 per cent increase in disposable personal income nationally from 1948 to 1954 was the primary factor in the 32 per cent increase in retail sales in the same period.³ Part of the smaller increase in retail sales than in disposable income was accounted for by an increased rate of saving and a faster rise in outlays on personal services between the two years. The rise in total personal income was greater than the increase in population, and per capital income gained

² A rough allowance of about 3 per cent is made here for sales and excise taxes included in retail sales for 1954 but not for 1948. Most states had sales taxes of two or three per cent on the items covered. The Federal excise taxes on retail sales, while a higher percentage, were limited to selected items.

³ Since merchandise sold by retail stores, for the most part, goes to individuals for their personal consumption, the total disposable personal income in any given area is one of the main elements determining the volume of retail sales there. Of course, there are many other factors which are also important influences on personal consumption, such as attitudes toward prices, amount of saving, availability of consumer credit, distribution of income, family formation, and births, to mention only a few. In addition, some goods sold at retail stores are for business or farm use, and not for personal consumption; for example, farm equipment and supplies and lumber and building materials for construction purposes. Consequently, retail sales are also determined, in part, by other factors, such as the levels of business and farm income and investment in construction.

25 per cent. The smaller than national increase in district retail sales can be explained in large part in terms of a slower rate of district population growth which more than offset a somewhat greater rate of increase in per capita income. Population in the district gained about 3 per cent from 1948 to 1954 compared with a 10 per cent gain nationally.⁴ On the other hand, per capita income in the district rose 27 per cent, while the United States average advanced 25 per cent. Total personal income in the district advanced 29 per cent from 1948 to 1954, while nationally it gained 38 per cent.

An important factor in the rise of lumber and building materials sales was the increase in construction. Here, too, the ratio of district to national activity declined some from 1948 to 1954. While construction contracts awarded nearly doubled in the district, rising from \$623 million in 1948 to \$1,173 million in 1954, nationally they more than doubled.

Retail sales of farm equipment and supplies are determined by numerous factors, primary among which are farm income and expectations, debt and equity positions, and crop restrictions. In the nation farmers' equities increased from 1948 to 1954, but realized net income (including adjustment for inventory change) fell from \$17.7 billion to \$12.5 billion. In the district cash farm receipts declined slightly in the period. In small areas farm income can vary sharply from year to year as a result of vagaries of weather. Drought conditions were especially severe and reduced crop yields substantially in some parts of the district in 1954.

As a result of the slower rate of growth of retail sales in the district than in the nation, the proportion of district retail sales to the nation declined slightly to 5.4 per cent in 1954. The ratio of district to the nation for personal income and construction contracts awarded also declined slightly from 1948 to 1954; the ratio of district cash farm receipts to the nation remained almost steady.

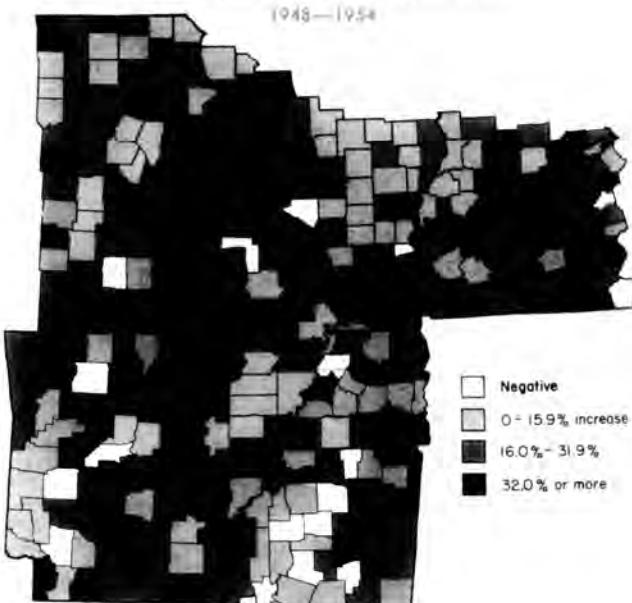
DISTRICT PERCENTAGE OF UNITED STATES

	Sales Retail	Income	Construction Contracts Awarded ¹	Cash Farm Receipts
1948	5.6	5.3	6.6	9.7
1954	5.4	5.0	5.9	9.6

¹ U. S. data covers 37 easternmost states.

⁴ For an analysis of recent population changes, see the June 1956 *Monthly Review*.

PERCENTAGE INCREASE IN RETAIL SALES
1948—1954



Variations within the district in the rate of growth primarily reflected changes in income and population.

There was considerable diversity throughout the district in the change in retail sales from 1948 to 1954. In 18 of the 363 counties composing the district, sales actually declined in the period according to Census reports. Sales in 98 counties increased less than 16 per cent, while 122 counties had increases between 16 per cent and 32 per cent, the average gain for the nation. Larger than national rates of increase occurred in 125 counties. The largest percentage gain occurred in Gallatin County, Kentucky, with a 123 per cent advance in sales; the largest dollar increase was registered in St. Louis County, Missouri, where sales jumped \$203 million to a total of \$456 million.

By major geographic areas within the Eighth District, retail sales increased most (38 per cent) in the district portion of Kentucky, while sales in the district part of Mississippi increased least (20 per cent). In fact, all portions of state areas within the district recorded below national average gains except Kentucky. The slow rate of growth in the southern parts of the district reflects primarily the decline in population, 1948 to 1954, in Arkansas and Mississippi and the relatively slow rate of population growth in Tennessee.

Retail sales in nonmetropolitan areas of the district generally increased at a slower rate than did the sales in the metropolitan areas of the same state. Here, too, the difference reflects the rise in popula-

tion of the metropolitan areas as compared to a general decline in the population of nonmetropolitan areas of the district.

The importance of expansion of activities in military establishments on retail sales can be readily seen from the large increases registered in areas where they are located. For example, retail sales in Phelps and Pulaski Counties, Missouri, where Fort Leonard Wood is located, jumped 62 and 100 per cent, respectively, from 1948 to 1954. Retail sales spurted 87 per cent in Hardin County, Kentucky, where Fort Knox is situated, and 102 and 116 per cent, respectively, in adjoining Bullitt and Meade Counties. These large increases can be attributed, in part, to increased military personnel and civilian employment, and the related influx and growth of families. To some extent, the rise in retail sales may reflect the reduced role in 1954 compared with 1948 of post exchanges, not covered in either the 1948 or 1954 Censuses.

The economic development of the Paducah, Kentucky area was given a big boost by the location nearby of an Atomic Energy Commission plant, related electric generating facilities, and a complex of chemical plants at Calvert City. As a result of the sharp rise in income and population, retail sales in

**RETAIL SALES IN EIGHTH DISTRICT
1948 AND 1954
(Dollar figures in millions)**

<u>Eighth District Counties</u>	<u>1948</u>	<u>1954</u>	<u>Per Cent Change</u>
ARKANSAS.....	\$1,079	\$1,334	+24
Metropolitan Areas			
Little Rock (Pulaski).....	174	224	+28
Fort Smith (Sebastian).....	67	86	+29
Nonmetropolitan Areas.....	838	1,024	+22
ILLINOIS.....	997	1,244	+25
Metropolitan Areas			
St. Louis (Madison, St. Clair).....	300	409	+36
Nonmetropolitan Areas.....	697	834	+20
INDIANA.....	511	645	+26
Metropolitan Areas			
Evansville (Vanderburgh).....	149	184	+23
Louisville (Clark, Floyd).....	59	90	+52
Nonmetropolitan Areas.....	302	372	+23
KENTUCKY.....	998	1,387	+39
Metropolitan Areas			
Evansville (Henderson).....	21	31	+51
Louisville (Jefferson).....	451	632	+40
Nonmetropolitan Areas.....	527	724	+38
MISSISSIPPI.....	429	513	+20
MISSOURI.....	2,367	3,076	+30
Metropolitan Areas			
St. Louis (St. Louis City, St. Louis, St. Charles).....	1,239	1,653	+33
Springfield (Greene).....	100	118	+18
Nonmetropolitan Areas.....	1,028	1,305	+27
TENNESSEE.....	726	901	+24
Metropolitan Areas			
Memphis (Shelby).....	482	611	+27
Nonmetropolitan Areas.....	245	290	+19
TOTAL EIGHTH DISTRICT.....	7,107	9,099	+28
UNITED STATES.....	128,849	169,968	+32

Source: Final reports of 1954 Census of Business—Retail Trade.

McCracken and Marshall Counties, Kentucky, and adjoining Massac and Pope Counties, Illinois, rose 122, 59, 110 and 78 per cent, respectively.

In southern Illinois generally, growth rates were low. Retail sales advanced only 20 per cent from 1948 to 1954 in the nonmetropolitan counties in the district portion of the state. Here, too, there was substantial out-migration. Much of the land is unsuitable for agriculture and the demand for coal, for years the area's major mineral resource, declined. Industrial development has been slow and insufficient to offset these factors. The worst showing in southern Illinois was in Hardin County where fluorspar mines have closed, and retail sales dropped 14 per cent in the period covered.

Turning to the metropolitan areas, retail sales in Louisville led all other metropolitan areas in the district, rising 42 per cent. In the St. Louis area a gain of 34 per cent was still a slightly greater increase than for the nation as a whole. Gains at the other metropolitan areas of the district failed to keep pace with the national average.

Shifts in population have generally been accompanied by related movements in the location of retail outlets. One of the major movements of population in the Eighth District in recent times has been the migration from farm to city. Reflecting this shift, retail sales in cities of 2,500 inhabitants or more in the nonmetropolitan areas of the district grew at a faster pace than did sales in the smaller towns and rural areas from 1948 to 1954. This trend was most evident in the southern parts of the district where out-migration from the farms has been the greatest. In Tennessee, however, the relative importance of city sales remained unchanged. As indicated in the table below, in the nonmetropolitan areas of the district sales in cities of 2,500 persons or more rose from 60 per cent of the total in 1948 to 62 per cent in 1954.

In metropolitan areas population has grown faster in the suburbs than in the central cities. New shop-

**TOTAL RETAIL SALES IN CITIES OF 2500 INHABITANTS
OR MORE IN NONMETROPOLITAN AREAS,
1948 AND 1954***

<u>Eighth District</u>	<u>Per Cent of Total</u>	
	<u>1948</u>	<u>1954</u>
Eighth District Portion of		
Arkansas.....	67	70
Illinois.....	65	66
Indiana.....	62	63
Kentucky.....	59	59
Mississippi.....	57	61
Missouri.....	54	55
Tennessee.....	59	59

* Tabulation is based upon identical cities in both years.

ping centers have been developed and activity in old centers has increased in the outlying parts of the larger metropolitan areas. As a result a greater share of the total retail dollar was spent outside the central city in 1954 than in 1948 in the St. Louis, Louisville, and Memphis metropolitan areas. In the other district metropolitan areas, which are smaller in size (Evansville, Fort Smith, Little Rock and Springfield), however, retail sales advanced faster within the central city than for the entire area.

St. Louis is a good example of the decentralization of trade in the larger metropolitan areas. Retail sales in St. Louis County increased 80 per cent compared with a 20 per cent gain for the City of St. Louis. Another result of the shifting location of retail sales is the decline in the relative importance of the central business district within the city. New branch stores and continued growth of sales of stores already located in outlying sections reduced the proportion of department store sales in the central business district from about 90 per cent of the total in 1946 to about 50 per cent in the first half of 1956. Department store sales in the central business district declined absolutely as well as in relative terms. The physical volume of department store sales in the downtown section has fallen about one-fourth in the past ten years.⁵

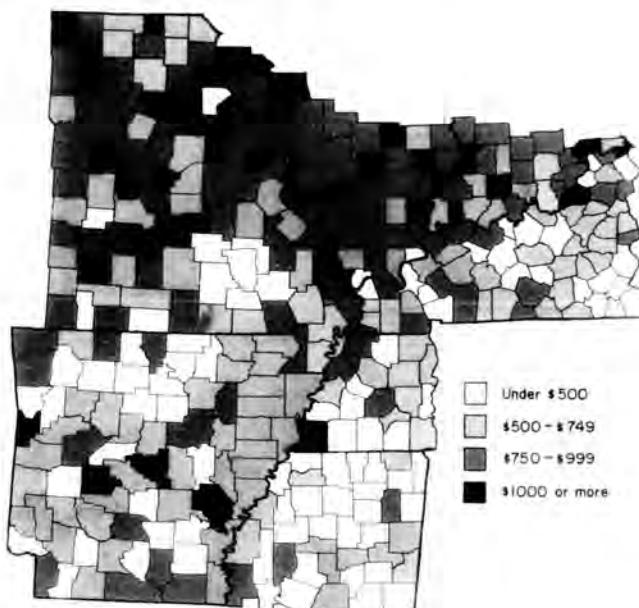
Per capita retail sales rose faster in the district than in the nation.

To abstract from the influence of population movement, analysis of retail sales on a per capita basis is helpful. While total retail sales gained at a slower rate from 1948 to 1954 in the district than in the nation, on a per capita basis they rose faster in the district. Sales in the district rose from \$682 per person in 1948 to \$851 in 1954, an increase of 25 per cent. At the same time, the national level rose from \$883 to \$1,053 for a gain of 19 per cent.

On a per capita basis retail sales increased faster in nonmetropolitan areas of the district than in metropolitan areas with an average increase of 28 per cent for the former compared with 16 per cent for metropolitan areas. The increase was most rapid in Arkansas and the Kentucky portion of the district. Among metropolitan areas, the fastest rise was at Fort Smith, where per capita sales increased 25 per cent. The Louisville and St. Louis areas followed closely with gains of 21 and 18 per cent, respectively.

⁵ Estimated by adjusting sales for the increase in prices, as measured by the United States Bureau of Labor Statistics index of department store inventory prices.

RETAIL SALES PER RESIDENT, 1954



Map revised slightly.

The average value of goods consumed per person can be approximated by relating retail sales to the number of residents of an area. Of course, purchases of some kinds of merchandise such as high fashion goods and furniture are often made in the larger cities by persons living some distance away. But the greater part of most family budgets is spent close to home.

As has already been indicated, district per capita retail sales were \$851 in 1954, 19 per cent less than the national average. The lower than national average reflects in large part the lower level of per capita income in the district, which averaged 24 per cent below that for the United States in 1954. The lower district per capita income also undoubtedly reflects the larger relative importance in the district of rural population, which still provides some of its own food needs. Another factor moderating the amount of spending in the district is the older average age of population.

The lowest level of retail sales per person occurred in the southern parts of the district, where per capita income is lowest. As indicated in the accompanying chart, considerable variation existed within the district. Per capita sales were lowest (less than \$100) in Newton County, Arkansas, where residents are either nearly self-sufficient or buy their supplies largely in other counties. The highest per capita sales in the district were in the metropolitan areas. Fort Smith led the list with an average of \$1,303.

The district pattern of sales by kinds of business closely paralleled the nation . . .

In addition to information on total sales, Census reports provide interesting data on sales by kind of business. Retail sales in the Eighth District in 1954 were distributed among the various kinds of stores in about the same proportions as in the nation, as indicated in the table below.⁶ Differences were minor and could be explained largely by the dissimilarity in economic structure, income and geography. Eating and drinking places in the district were relatively less important than in the nation, reflecting the relatively larger proportion of the district population living on farms or in small towns than in the nation. Sales of apparel and accessory stores, and furniture, home furnishings, and appliance dealers were also relatively less in the district than in the nation. Correspondingly, sales in other categories accounted for larger shares. For example, stores in the automotive group and gasoline service stations in the district obtained a greater proportion of retail sales than in the nation. Lumber, building materials, hardware and farm equipment dealers were also more important in the district than in the nation, reflecting the proportion of farm population. With only one large mail order establishment in the district, sales by non-store retailers were relatively less important in the district than in the nation.

Food stores obtained 23 per cent of all retail sales and outranked all other kinds of business. The automotive group was second in size with 19 per cent of the total. General merchandise stores ranked third with 11 per cent of all retail sales.

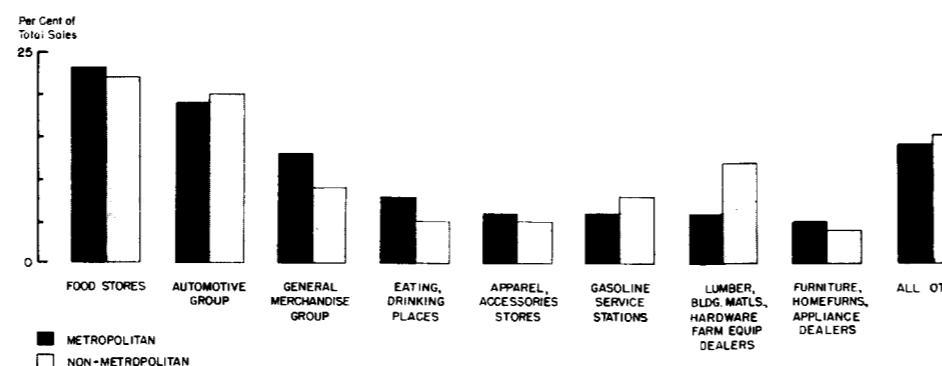
PERCENTAGE DISTRIBUTION OF RETAIL SALES BY KIND OF BUSINESS, 1954

	Eighth District	United States
Total	100.0	100.0
Food stores	22.8	23.4
Eating, drinking places	6.3	7.7
General merchandise group	10.9	10.5
Apparel, accessories stores	5.3	6.5
Furniture, home furnishings, appliance dealers	4.5	5.1
Automotive group	19.5	17.6
Gasoline service stations	7.1	6.3
Lumber, building materials, hardware, farm equipment dealers	9.1	7.7
Drug stores, proprietary stores	3.0	3.1
Other retail stores	8.6	9.4
Nonstore retailers	1.7	2.7
Unclassified	1.2	—

The growth in sales for the various kinds of stores reflected shifts in consumer preference, changes in merchandising and prices.

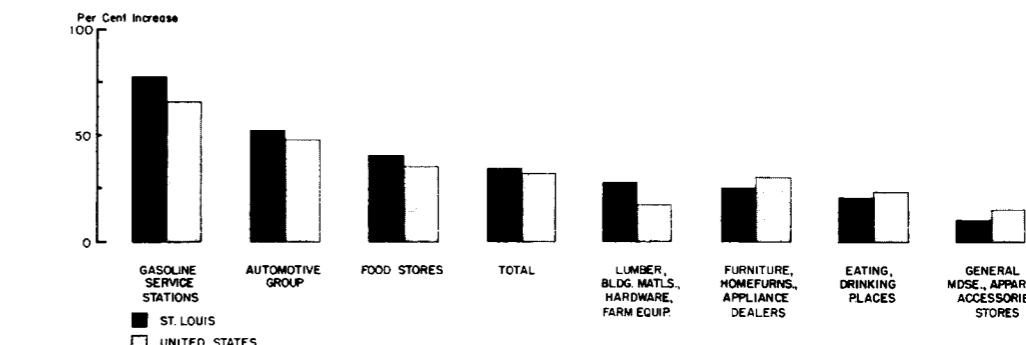
Sales of food stores gained 36 per cent in the nation and in the seven metropolitan areas of the district showed increases ranging from 40 per cent in the Evansville and Springfield areas to 60 per cent in the Fort Smith area. These increases reflect the growth in population and personal income in these areas. In the nation, personal consumption expenditures on food and alcoholic beverages increased 28 per cent from 1948 to 1954. The greater increase

PERCENTAGE DISTRIBUTION OF RETAIL SALES IN EIGHTH DISTRICT, 1954



⁶ Retail stores have been classified according to the major kind of business. As is well known, stores which specialize in one line of business often handle other types of commodities. For example, food stores sell commodities other than food while food is often sold in other kinds of stores. General merchandise stores include those commonly known as department, variety, dry goods, and general stores.

PERCENTAGE INCREASE IN RETAIL SALES, ST. LOUIS COMPARED WITH THE UNITED STATES, 1948-1954



in sales at food stores than in personal consumer outlays on food can be partially explained by the expansion in sales of non-food items in these stores. As shoppers well know, supermarkets and other food stores have added many lines in recent years. Sales of non-food items have become a relatively important part of total sales in some stores. For example, a recent study of five supermarkets in Cleveland, Ohio, indicated that sales of non-food items amounted to 5.8 per cent of total sales.⁷ Supermarkets have become increasingly important as an outlet for hosiery. In Philadelphia, hosiery sales in supermarkets increased from 3 per cent of all hosiery sales in 1952 to 11 per cent in 1955. At the same time, the relative share of total hosiery sales made at department stores and women's specialty stores declined sharply⁸.

Another factor in the rapid increase in sales at food stores was the rise in food prices. The food

component of the consumer price index rose 8 per cent from 1948 to 1954. But this does not reflect the shift toward higher priced goods or the greater amount of food sales in packaged, frozen, or canned state. The packaged and partially processed foods are generally more expensive than bulk foods, and the shift to these items helped augment sales.

Sales of the automotive group also increased substantially from 1948 to 1954 in the metropolitan areas of the district. Gains ranged from 17 per cent in the Springfield metropolitan area to 56 per cent in the Louisville area. Personal consumption expenditures on automobiles and parts rose 73 per cent from 1948 to 1954. Car ownership has become more widespread. In early 1956, 70 per cent of all spending units owned an automobile compared with 56 per cent in 1949, and 9 per cent of the families now own two or more cars. New car registrations rose from

RETAIL SALES IN METROPOLITAN AREAS, 1954 WITH PERCENTAGE CHANGE FROM 1948
(Dollar figures in millions)

Kind of Business	St. Louis		Louisville		Memphis		Evansville*		Little Rock		Springfield		Fort Smith	
	1954 Sales	Per Cent Change	1954 Sales	Per Cent Change	1954 Sales	Per Cent Change	1954 Sales	Per Cent Change	1954 Sales	Per Cent Change	1954 Sales	Per Cent Change	1954 Sales	Per Cent Change
Total kinds of business	\$2,063	+ 34	\$721	+ 42	\$611	+ 27	\$215	+ 26	\$224	+ 28	\$118	+ 18	\$86	+ 29
Food stores	500	+ 41	164	+ 45	132	+ 54	50	n.a.	47	+ 44	24	+ 40	17	+ 60
Eating, drinking places	177	+ 21	63	+ 37	30	+ 11	18	n.a.	15	+ 54	7	+ 27	6	+ 59
General merchandise group	281	+ 18	84	+ 31	77	n.a.	23	n.a.	36	+ 7	15	+ 15	10	+ 1
Apparel, accessories stores	117	+ 4	51	- 3	40	+ 3	21	n.a.	12	+ 17	8	- 13	6	+ 17
Furniture, home furnishings, appliance dealers	109	+ 26	33	+ 30	26	+ 26	12	n.a.	10	+ 34	7	+ 21	4	+ 38
Automotive group	365	+ 53	141	+ 56	121	+ 37	33	n.a.	48	+ 36	23	+ 17	20	+ 21
Gasoline service stations	127	+ 77	42	+ 94	34	+ 95	16	n.a.	14	+ 43	9	+ 74	5	+ 50
Lumber, building materials, hardware, farm equipment dealers	123	+ 28	45	+ 83	30	+ 31	14	n.a.	13	+ 23	10	+ 17	8	+ 25
Drug stores, proprietary stores	70	+ 31	29	+ 28	17	+ 18	8	n.a.	7	+ 23	5	+ 38	2	+ 33
Other retail stores	148	+ 30	56	+ 32	50	+ 24	15	n.a.	17	+ 1	9	- 22	6	n.a.
Nonstore retailers	46	+ 156	13	+ 101	53	n.a.	4	n.a.	4	+ 147	1	+ 174	1	n.a.

* Vanderburgh County, Indiana and Henderson County, Kentucky.

⁷ Progressive Grocer, January 1955.

⁸ Supermarket Merchandising, November 1955, p. 33.

3.5 million in 1948 to 5.5 million in 1954, an increase of nearly 60 per cent. Prices of automotive products generally have moved up faster than prices in other fields, causing sales to advance even faster than the number of cars sold. In addition, as personal incomes rose, consumers shifted their purchases to larger and more expensive cars and stepped up their purchases of accessories.

Closely related to the rise in automobile ownership is the gain in sales of gasoline and oil. Service stations in the nation sold 66 per cent more in 1954 than in 1948 and in the district metropolitan areas gains in sales ranged from 43 per cent in the Little Rock area to 104 per cent in the Evansville area. In addition to a greater number of cars, the sharp gains in sales of gasoline service stations also reflect the more intensive use of automobiles for transportation to work, for recreation and vacation travel. Gasoline sales have been augmented by the trends toward larger cars, which usually use more fuel per mile, and more horsepower, which has brought higher octane gasoline. Gasoline prices, exclusive of taxes, rose only 10 per cent from 1948 to 1954, but taxes, which represent a sizable portion of the total price to the user, jumped 80 per cent.⁹ Sales by service stations were increased also by the greater volume of repair and service and the addition of minor food items, soft drinks, cigarettes, and automobile accessories.

Personal consumption expenditures on clothing and shoes were virtually unchanged from 1948 to 1954, despite the growth in population. This stability was reflected in the comparatively poor showing of apparel, accessories, and general merchandise stores in both the nation and the district.¹⁰ Sales of such stores rose only 13 per cent in the nation and gains ranged from 4 per cent in Springfield to 16 per cent in Louisville, among district metropolitan centers. Apparel sales in these stores were not inflated by higher prices as the average was virtually unchanged in the two years.

Sales by farm equipment dealers in Arkansas, Missouri, Indiana, Tennessee, and Mississippi increased 25 per cent from 1948 to 1954. This gain probably reflects primarily the higher prices of agricultural machinery, which rose 21 per cent in the period.

⁹ Taxes on gasoline and oil were included in sales in the 1948 and 1954 Censuses.

¹⁰ General merchandise stores are combined with apparel and accessories stores for comparison of 1954 sales with 1948, since shifts in classification could have resulted from differences in procedures of the two Censuses.

Furniture and appliance store sales advanced 31 per cent in the nation from 1948 to 1954. Gains in the district metropolitan areas ranged from 21 per cent in Springfield to 38 per cent in Fort Smith. This was greater than the increase in personal consumption outlays for furniture and household equipment, which rose 12 per cent in the period.

Competition reduced the number of stores in operation, . . .

Despite the rise in retail sales in both dollar and real terms, the number of establishments in operation in 1954 was less than in 1948. In the Eighth Federal Reserve District, the number of establishments declined 3 per cent from 113,107 in 1948 to 110,205 in 1954.¹¹ Most of the decline occurred in the nonmetropolitan areas of the district as, among metropolitan areas, only Evansville experienced a drop in the number of stores. In the other metropolitan areas of the district, increases in the number of establishments ranged from 2 per cent in the St. Louis and Little Rock areas to 12 per cent in the Memphis area.

Food stores accounted for most of the decline in the number of establishments from 1948 to 1954, reflecting the trend toward larger supermarkets. The number of food stores in operation declined in all of the metropolitan areas of the district, with decreases ranging from 9 per cent in the Memphis area to 31 per cent in the Fort Smith area. The number of eating and drinking places also declined during the six-year period, both nationally and in most of the district metropolitan areas.

The number of establishments in the automotive group remained essentially unchanged in the nation. In the metropolitan areas of the district the number of automotive establishments declined in Fort Smith, but elsewhere gains occurred ranging from 1 per cent in the Evansville area to 30 per cent in the Springfield area.

The average sales per establishment increased in both the district and nation. Nationally, average sales per establishment rose from \$77,200 in 1948 to \$98,700 in 1954. In the district, the average increased from \$62,800 in 1948 to \$82,600 in 1954, an increase of 32 per cent. The fastest increases in sales per establish-

¹¹ Due to a change in the manner of enumeration, the 1954 statistics on establishments are somewhat larger than the actual number of stores. Leased departments in stores were treated as separate establishments in the 1954 Census, but not in 1948.

RETAIL SALES PER ESTABLISHMENT
(Dollar figures in thousands)

	1948	1954	Per Cent Change
United States.....	\$ 77.2	\$ 98.7	+28
Eighth District:....	62.8	82.6	+32
District Portions of			
Arkansas.....	54.1	71.0	+31
Illinois.....	61.3	74.3	+21
Indiana.....	63.8	86.8	+36
Kentucky.....	68.8	92.7	+35
Mississippi.....	47.1	68.0	+44
Missouri.....	65.6	87.3	+33
Tennessee.....	79.2	94.8	+20
Metropolitan Areas:			
St. Louis.....	81.6	107.8	+32
Little Rock.....	82.3	108.8	+26
Memphis.....	121.4	137.0	+13
Louisville.....	93.4	128.8	+38
Evansville*.....	88.1	114.4	+30
Springfield.....	75.7	87.0	+15
Fort Smith.....	76.6	94.7	+24

* Includes Henderson County, Kentucky and Vanderburgh County, Indiana.

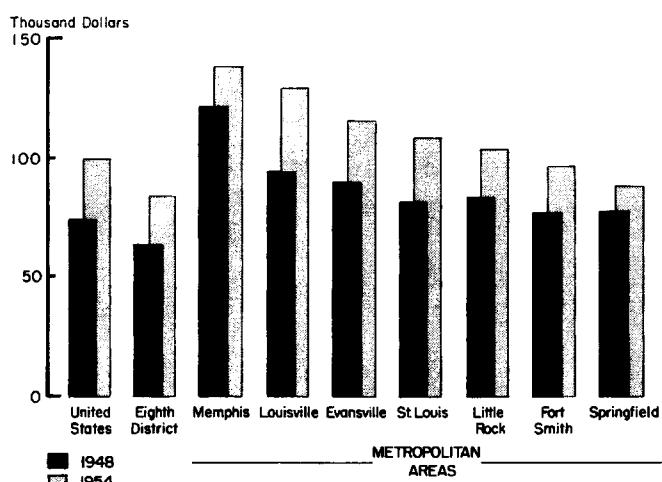
ment were in the district portion of Mississippi, where a greater than average drop in number of outlets occurred. In the metropolitan areas of the district Louisville showed the sharpest increase in average sales.

While the average sale per establishment in the district increased faster than in the nation, the district average remained below the national. Within the district, sales per establishment were lowest in the southern parts of the district and highest in the metropolitan areas. Memphis led the list of metropolitan areas with an average sale of \$137,000 in 1954, partly as a result of the location of a large mail order establishment there.

... and retailers increased their efficiency.

One of the ways the rising American standard of living has been achieved has been by increasing the productivity of workers. Over a long period of years, the economy has increased its productivity by about 2 per cent a year. These gains, however, have not been evenly generated in all sectors of the economy. According to one recent study, man hour productivity increased from 1909 to 1949 at an average annual rate

RETAIL SALES PER ESTABLISHMENT



of 3.0 per cent a year in the physical production of commodities compared with a 0.9 per cent yearly rise in their distribution.¹²

Productivity in retail trade apparently continued to rise from 1948 to 1954. The estimated physical volume of retail sales increased at a faster rate than did the labor input in retailing. While the physical volume of sales increased about one-fifth, the number of full time paid employees and active proprietors in retail trade in the nation rose from 7.3 million in 1948 to 7.5 million in 1954, an increase of only 4 per cent. This rising productivity has been achieved by more intensive utilization of the physical plant devoted to retailing, increased mechanization in the handling of merchandise and paper work, and the trend toward self-service, which has been especially predominant in food stores. Thus, retailers have continued to contribute their part to a rising American standard of living.

WILLIAM H. KESTER

¹² Harold Barger, *Distribution's Place in the American Economy since 1869*, National Bureau of Economic Research, 1955, p. 39.



Survey

OF CURRENT CONDITIONS

Released for publication September 2

PRICE INCREASES made the biggest business headlines during August. The settlement of the steel strike in late July was followed quickly by a jump in steel prices averaging about 7 per cent. Mark-ups in a number of other industrial and consumer goods prices were also announced. Wholesale prices of industrial commodities rose nearly one per cent from mid-July to August 21. Consumer prices gained more than seasonally from April to July, rising at an annual rate of 7 per cent, and a further increase in August was in prospect. The recent increases had been preceded by persistent advances in previous months. In the first half of 1956 consumer prices averaged one per cent higher than a year earlier and wholesale prices advanced 3 per cent.

Financial developments were also in the forefront in August. The demand for funds to finance business expansion continued to press against the available supply of long-term money. As a result borrowing costs rose sharply and some firms postponed flotations, withdrew from the capital markets or diverted their demands to banks. Yields on corporate, municipal and long-term Government securities advanced during the period. The most pronounced increase in interest rates was in Treasury bills. The average rate on accepted bids for bills dated August 30 was 2.83 per cent compared with 2.30 per cent five weeks earlier. Commercial and finance paper rates increased $\frac{1}{4}$ of 1 per cent. Intermediate-term Government bonds also rose by about the same amount, reflecting the pressure on secondary bank reserves.

Bank credit expanded about seasonally in August and with available funds in tight supply banks raised their lending rates. The prime rate of interest was advanced from $3\frac{3}{4}$ to 4 per cent by large city banks. In face of the exceptionally heavy demands for bank credit, part of which was spilling over from the tight capital markets, and the upward pressure on prices, ten Federal Reserve Banks in late August increased their discount rates to 3 per cent, the rate already in effect at the other two banks.

Nationally industrial production rebounded in August from the setback of the steel strike, but some major industries operated below year earlier rates. Scheduled steel output increased to 96.5 per cent of capacity in the week ended September 1, but August's production was less than a year ago. Two other major indicators of production, paperboard output and freight loadings, also increased but remained below year earlier levels. Automobile assembly slowed to less than the 1954 or 1955 pace as factories closed for model changeovers. However, electric power, bituminous coal and crude oil output were higher than a year ago.

While output in July and August was below peak and year earlier levels, prospects for future activity brightened. Automobile output was expected to rise sharply in the fourth quarter. New orders turned upward according to the August report of the National Association of Purchasing Agents. Furthermore, only an insignificant number of firms reportedly changed their planned capital expenditures.

Business activity in the Eighth Federal Reserve District continued close to previous levels in August. The steel ingot rate at St. Louis rose from 91 per cent of rated capacity in July to 98 per cent in August. Both Southern pine and hardwood lumber production showed an upturn during the first three weeks of August, a fairly common pattern which reflects anticipation of an increase in autumn demand. Livestock slaughter continued relatively heavy in August.

Crude oil output in district states during August stayed at about the same high level as in July. Coal production in the first two weeks of the month was about one-fifth above the like 1955 weeks. Automobile assembly and farm equipment production, however, slowed further during August.

With a record amount of contracts awarded in the first seven months of the year, outlays for new construction in the nation rose further in July and probably in August. Construction expenditures in July were at a record seasonally adjusted annual rate of

\$44.4 billion, about 3 per cent greater than a year earlier. The increase, however, was entirely due to higher construction costs, which in June (the latest official date available) were running 5 per cent above a year earlier. Thus, the physical volume of new construction put in place, as measured by value in constant prices, declined 3 per cent in the first five months of 1956 from the corresponding period of 1955. Furthermore, the gap increased as the year progressed, as indicated by a 5 per cent decrease for May. The greatest part of the decline was caused by the reduction in residential building; in May the physical residential volume put in place was 16 per cent below a year earlier.

Not only has the physical volume declined, but the seasonally adjusted rate of value of construction contracts awarded has also eased from the exceptionally high rate which prevailed early this year. The number of nonfarm housing starts, another measure of future activity, in July was 10 per cent below those in January on a seasonally adjusted basis. For the first seven months the number started fell 17 per cent from the same period in 1955.

The district picture of construction roughly paralleled that in the nation. The value of construction contracts awarded in the first seven months rose 10 per cent from the same period last year, compared with an 8 per cent gain in the 37 eastern states. But, as in the nation, the seasonally adjusted rate declined after reaching a peak in February. The number of dwelling units included in residential building awards declined 14 per cent in the first half year from the same period in 1955.

Labor market developments in the district were somewhat less favorable than in the same period last year. In August insured unemployment in the four largest metropolitan areas of the district either rose more or declined less in the four weeks ended August 18 than in the comparable weeks last year.

In St. Louis employment rose 0.7 per cent from May to July compared with a 1.7 per cent gain last year. Elsewhere in the district, employment declined from May to July this year by greater relative amounts or in contrast to increases last year.

However, in July employment in nonagricultural establishments in four of the district's areas (St. Louis, Louisville, Memphis and Little Rock) was higher than a year earlier. In Evansville, on the other hand, employment continued to lag.

With personal incomes at record levels consumers continued to purchase goods in large volume in July and early August. Department store sales in the dis-

trict during the first four weeks of August continued close to the seasonally adjusted rate for the first seven months of the year. In comparison with a year ago, however, the shift of consumer spending away from durable goods was maintained. Automobile sales continued below year earlier levels in July and early August. Sales of home furnishings at reporting district department stores in July were only 2 per cent larger than a year earlier compared with a 14 per cent gain for all other sales, and district furniture stores sold less. Sales of air conditioning equipment were reported to be substantially less, reflecting the relatively cooler weather prevailing this year than last. In the first four weeks of August, sales of major appliances and furniture at a small sample of department stores in the district continued to fall short of year earlier levels.

Total loans (except interbank) at district weekly reporting banks were virtually unchanged during the five weeks ended August 22. Outstanding loans to commercial and industrial firms at banks reporting detailed information showed a growth of roughly \$1 million, largely as a result of net additions by commodity dealers (at banks in Memphis) and heavier-than-usual net increases by manufacturers of petroleum, coal, chemicals, and rubber. On the other hand, public utilities, trade concerns, and manufacturers of metals and metal products made sizable net repayments in the period. The reduction by public utilities probably indicates some shifting of financing to sources outside the district and also some borrowing in the capital market. In the aggregate "other," largely consumer, loans were almost unchanged in contrast to an average increase of about 1½ per cent during the comparable weeks of 1950-1955. Loans to finance real estate were up moderately, but loans on securities declined somewhat in the period.

On balance, district banks increased their holdings of Government securities, primarily Treasury bills and certificates of indebtedness. The increase in certificates of indebtedness occurred in mid-August as a result of purchases of the new 2¾ per cent tax anticipation certificates.

Conditions in the farm sector of the economy improved further during August and were better than a year earlier. Cash farm receipts in the district for the first half year were 5 per cent ahead of the same period last year. Crop production prospects continued generally favorable, and the average of major district farm product prices moved up in August.

The District Record

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	July 1956	July, 1956* compared with June 1956	July, 1956* compared with July 1955
Industrial Use of Electric Power (thousands of KWH per working day, selected industrial firms in 6 district cities)	N.A.	N.A.	N.A.
Steel Ingot Rate, St. Louis area (operating rate, per cent of capacity)	91	-4	-5
Coal Production Index—8th Dist. (Seasonally adjusted, 1947-49=100)	86 p	-11	-0 p
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	384.0	+1	+1
Freight Interchanges at RRs—St. Louis, (Thousands of cars—25 railroads—Terminal R. R. Assn.)	96.9	-6	-9
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average)	98.8	-4	+29
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	197.9	-8	-2
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)	92	-2	+10

* Percentage change is shown in each case. Figures for the steel ingot rate, Southern hardwood rate, and the coal production index, show the relative percentage change in production, and the drop in index points or in percents of capacity.

p Preliminary. N.A. Not available.

Banking

BANK DEBITS¹

	July 1956 (In millions)	July 1956 compared with June 1956	July 1956 compared with July 1955
Six Largest Centers:			
East St. Louis—National Stock Yards, Ill.	\$ 138.2	-4%	+22%
Evansville, Ind.	194.2	+11	+10
Little Rock, Ark.	198.8	+5	+21
Louisville, Ky.	871.6	-0	+13
Memphis, Tenn.	715.8	-7	+11
St. Louis, Mo.	2,117.6	-1	+10
Total—Six Largest Centers	\$4,103.2	-1	+12
Other Reporting Centers			
Alton, Ill.	8 37.3	-18	-2
Cape Girardeau, Mo.	17.4	+4	+16
El Dorado, Ark.	30.0	+8	-5
Fort Smith, Ark.	57.4	+1	-3
Greenville, Miss.	25.8	-1	-0
Haunibal, Mo.	10.8	-1	-6
Helena, Ark.	7.8	-8	-12
Jackson, Tenn.	27.7	-6	-30
Jefferson City, Mo.	89.8	+51	-24
Owensboro, Ky.	46.2	-8	-9
Paducah, Ky.	26.0	-10	-1
Pine Bluff, Ark.	53.9	-0	+10
Quincy, Ill.	39.6	-2	-5
Sedalia, Mo.	15.8	-7	-2
Springfield, Mo.	96.3	+7	+19
Texarkana, Ark.	21.5	-7	+5
Total—Other Centers	\$ 583.6	+1%	+10%
Total—22 Centers	\$5,019.8	+1%	+11%

INDEX OF BANK DEBITS—22 Centers

Seasonally Adjusted (1947-1949=100)

	1956	1955
	July	June
	169.4	162.7
	151.9	

1 Debits to demand deposit accounts of individuals, partnerships and corporations and states and political subdivisions.

DEPARTMENT STORES

Net Sales July, 1956 compared with June, '56	Stocks on Hand July, '56 to same period '55	Stocks-Sales Ratio	Percentage of Accounts Outstanding July 1, '56, collected during July.		
			Excl. Instal. Accounts	Instal. Accounts	Excl. Instal. Accounts
			15	47	39
8th F.R. District Total	-15%	+1%	+ 6%		
Fort Smith Area, Ark. ¹	-7	+2	+ 2		
Little Rock Area, Ark.	-4	+2	+ 6		
Quincy, Ill.	-17	-10	- 7		
Evansville Area, Ind.	-17	-12	+ 2		
Louisville Area, Ky., Ind.	-14	+2	+ 6		
Paducah, Ky.	-18	-2	+ 3		
St. Louis Area, Mo., Ill.	-20	-0	+ 7		
Springfield Area, Mo.	-8	+3	+ 4		
Memphis Area, Tenn.	-1	+5	+ 5		
All Other Cities ²	-14	+3	+10		

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

Outstanding orders of reporting stores at the end of July, 1956, were 5 per cent larger than on the corresponding date a year ago.

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	July 1956	June 1956	May 1956	July 1955
Sales (daily average), unadjusted ³	104	116	129	102
Sales (daily average), seasonally adjusted ³	135	119	129	132
Stocks, unadjusted ⁴	N.A.	127	155	116
Stocks, seasonally adjusted ⁴	N.A.	138	135	126

³ Daily average 1947-49=100

⁴ End of Month average 1947-49=100

N. A. Not available.

Agriculture

CASH FARM INCOME

(In thousands of dollars)	Percentage Change		
	June 1956	from June '55	compared with 1955
Arkansas	\$ 25,949	+14%	+32% +20%
Illinois	117,037	-6	+8 -5
Indiana	59,930	-16	-9 -14
Kentucky	25,383	-2	-20 -24
Mississippi	21,219	+15	+32 +17
Missouri	77,416	-6	-9 -15
Tennessee	24,765	+10	+10 -6
7 States	351,699	-4	+ 2 -7
8th District	158,139	-1	+ 5 -5

Sources: State data from USDA preliminary estimates unless otherwise indicated.

R—January-May 1956 Revised.

Construction

INDEX OF CONSTRUCTION CONTRACTS AWARDED EIGHTH FEDERAL RESERVE DISTRICT*

	(1947-1949=100)		
	June 1956	May 1956	June 1955
Unadjusted			
Total	268.0 p	278.4	217.6
Residential	295.4 p	318.2	298.0
All Other	255.3 p	259.8	180.3
Seasonally adjusted			
Total	225.4 p	246.3	183.4
Residential	252.5 p	281.6	254.7
All Other	212.8 p	229.9	150.3

* Based on three-month moving average (centered on mid-month) of value of awards, as reported by F. W. Dodge Corporation.

p Preliminary

ASSETS AND LIABILITIES EIGHTH DISTRICT MEMBER BANKS

(In Millions of Dollars)

Assets	Aug. 22, 1956	Weekly Reporting Banks		All Member Banks	
		Change from July 18, 1956	July 25, 1956	Change from June 27, 1956	June 27, 1956
Loans ¹	\$1,622	\$ - 1	\$2,575	\$ + 9	
Business and Agricultural Security	833	-3			
Real Estate	55	-0			
Other (largely consumer)	282	+ 1			
U. S. Government Securities	475	-0			
Other Securities	887	+28	1,804	+15	
Loans to Banks	223	-4	488	+2	
Cash Assets	19	+10	1,406	+15	
Other Assets	833	-82	70	+1	
Total Assets	83,630	\$ - 49	\$6,343	\$ + 42	
Liabilities and Capital					
Demand Deposits of Banks	\$ 650	\$ - 45	\$ 694	\$ + 18	
Other Demand Deposits	2,037	-16	3,816	-22	
Time Deposits	575	-1	1,251	+8	
Borrowings and Other Liabilities	92	+11	102	+37	
Total Capital Accounts	278	+2	480	+1	
Total Liabilities and Capital	\$8,630	\$ - 49	\$6,343	\$ + 42	

1 For weekly reporting banks, loans are adjusted to exclude loans to banks; the total is reported net; breakdowns are reported gross. For all member banks loans are reported net and include loans to banks; breakdown of these loans is not available.

RETAIL FURNITURE STORES

Net Sales

July, 1956
compared with
June, '56

Inventories

July, 1956
compared with
June, '56

8th Dist. Total¹

St. Louis Area

Louisville Area

Memphis Area

Little Rock Area

Springfield Area

-12% -7% -3% + 2%

-15 -7 -5 -3

-15 -12 +2 +7 *

-7 -21 +29 -0-

-13 -11 +1 +11

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

1 In addition to the cities shown separately in the table, the total includes stores in Blytheville, Fort Smith, Pine Bluff, Arkansas; Owensboro, Kentucky; Greenwood, Mississippi; Evansville, Indiana; and Cape Girardeau, Missouri.

Note: Figures shown are preliminary and subject to revision.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	July, '56	June, '56	July, '55
Cash Sales	14%	14%	14%
Credit Sales	86	86	86
Total Sales	100%	100%	100%