Monthly Review

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Eighth District Industrial Development and the Defense Mobilization Program

Expansion of the district's basic industrial capacity since Korea has been aided by rapid tax amortization on investment totaling nearly $1 billion.

A large part of the expansion has been for primary metals production, oil refining, chemicals, aircraft facilities, and transportation equipment. Privately financed and unaided industrial development has been large. Geographically, investment aided by rapid tax amortization has thus far been concentrated in the St. Louis area and in Arkansas.

To keep pace with industrial development, utilities serving the district plan a 50 per cent increase in generating capacity in 1952-53.

Atomic Energy Commission plants will be an important addition to the industrial structure of the district. Further, the Defense Mobilization Program has resulted in reactivation and expansion of other Government-owned facilities in the district, particularly ordnance production. Military depots have been expanded and military camps have been reactivated and enlarged.

The more immediate impact of these developments has been to increase job opportunities and to support the high level of district economic activity prevailing today.

Over the longer run, increased military goods production introduces an element of instability into the district economy, but growth in basic industrial capacity will tend to increase related industrial growth and hold down out-migration, thus building a stronger economy.

LOCAL INDUSTRIAL DEVELOPMENT is of particular importance to the people of the Eighth Federal Reserve District because such development is a lever by which the economy can raise its relatively low per-capita income. While progress has been made, especially during the 1940's, much remains to be done if hoped-for levels are to be reached.

More recently, expansion of the industrial structure of the Eighth District has been accelerated by the Defense Mobilization Program. One of the primary objectives of the program has been to establish additional capacity for military production and to expand the nation's basic industrial resources, in order to meet both the increasing civilian demand for goods and a potentially large military demand. To achieve this objective it has been necessary to expand business expenditures on plant and equipment well beyond the amount required for peacetime needs alone. In some instances new plant capacities originally planned for peacetime production have been switched to meet defense goals. In others, expansions have been encouraged by Government assistance. Standby Government plants have been reactivated and in some cases enlarged. On the other hand, some industrial expansions less essential to these goals have been slowed or stopped during the time materials supplies were insufficient to meet all proposed programs. On balance, industrial expansion, both nationally and in the district, was at an all-time high last year and appears to be headed for another large year—perhaps even larger than the preceding one—in 1952.

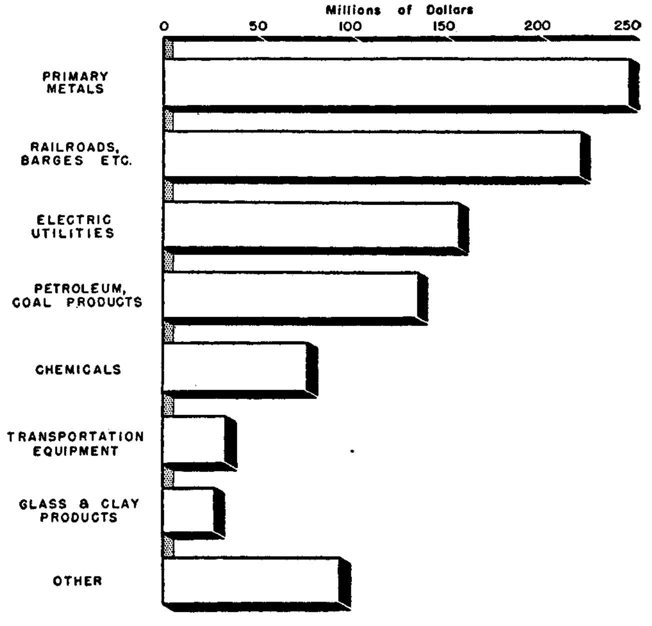
Expansion of the district's basic industrial capacity since Korea has been aided by rapid tax amortization on investment totaling nearly $1 billion.

Expansion of basic industrial capacity in the Eighth District is being implemented by Government aids, primarily by authorizing rapid amortization of all or part of the cost of the new facilities for tax purposes. The percentage of total cost that may be written off in a five-year period, instead of the much longer normal period, varies according to the type of facility, the post-emergency usefulness of the plant to the owner, and the degree of financial aid necessary to encourage the expansion. Through May 29, 1952, certificates of necessity had been approved for privately owned facilities in the Eighth District in which the proposed investment totaled close to $1 billion.

There is no precise yardstick by which to measure whether the district is obtaining its "fair" share of the national expansion in the defense mobilization program. As of March 15, 1952, the latest date on which comparable data were available, some 4.8 per cent of the proposed tax-aided investment in production and mining facilities in the nation was to be located in this district. By comparison, factory employment in this district amounts to about 4.5 per cent of the national total. It should be pointed out that the cost of new facilities under this program may be more or less than the proposed investment indicated when the certificate of necessity is granted. Costs or company plans (or both) may change between the application for a certificate and actual construction of the facility. Further, the approval of an application is no indication as to the time of construction: in some cases the proposed facility may be well underway when approval is granted, in others it may not yet be started, and in still other cases (relatively few) it may never be constructed. Subject to these qualifications, a study of the certificates approved indicates the areas in which the expansion of basic industry in the district is taking place.

District Industries Expand

Certificates of necessity totalling $980 million have been issued for Eighth Federal Reserve District facilities through May 29, 1952



A large part of the expansion has been for primary metals production, . . .

Roughly a quarter of tax-aided investment ($249 million) has been channeled into the primary metals industry. About half of this expansion, so far, has been in the St. Louis metropolitan area, where approximately $135 million is to be invested in plant and equipment for producing or rolling steel, magnesium, and zinc. In Arkansas, nearly $100 million will be invested in facilities for bauxite mining, the production of alumina (the intermediate product in the conversion of bauxite to aluminum) and aluminum producing facilities. And at Batesville, Arkansas, a $4.5 million manganese ore beneficiation plant is being built. A $1.3 million ferro-chrome ore reduction plant is going up in Memphis. Other important nonferrous producing facilities—lead and zinc mining and refining—located in Missouri will also be expanded under this program. In addition, a steel mill with an annual ingot capacity of 198,000 tons will be erected at Owensboro, Kentucky, at a cost of about $12 million.

. . . oil refining, . . .

Expansion of oil refineries and coal products facilities costing about $137 million has been approved under this program. Again, the largest part of the expansion is in the St. Louis metropolitan area, where approximately $90 million is being invested in the expansion of oil refining and coking facilities. Other large expansions are located in Memphis, Tennessee; El Dorado, Arkansas; Robinson, Illinois; and Louisville and Brandenburg, Kentucky.

. . . chemicals, . . .

The third largest tax-aided investment when classified by manufacturing industries is in chemical plants. Most of the chemical expansion is located in the nonmetropolitan areas of the district portion of Kentucky, where a large increase in this industry is taking place. In Calvert City five large chemical plants are being or have recently been constructed. Chemical industry facilities located in the St. Louis metropolitan area are also undergoing a large expansion. Two new chemical plants and the expansion of duPont's synthetic rubber plant account for almost all of the $13 million chemical industry expansion under the rapid amortization program in Louisville.

. . . aircraft facilities, . . .

The expansion and purchase of aircraft manufacturing plants under the rapid amortization program will cost about $32 million.*

Much of the increased production of aircraft and aircraft equipment has been achieved by fuller utilization of existing plant capacity; development of new facilities has been confined to a few large plants. McDonnell Aircraft Corporation, the only airplane manufacturer in this district in peacetime, has started a plant expansion in the St. Louis area. And in Evansville, Servel, Inc., has completed a plant addition to manufacture aircraft wings under a subcontract.

Most other aircraft or parts producers in this district have converted existing plant facilities from their normal peacetime output. These subcontractors have been producing refrigerators, automobiles or railroad passenger cars, all of which have been restricted in output.

This district has only limited capacity for aircraft production. (This is evidenced by the licensing of another firm to produce part of the total Navy requirement of McDonnell airplanes in a plant outside the Eighth District.)

Further, while factors important in determining the location of aircraft plants appear to be as favorable for cities in this district as most others, no major increase in the district's aircraft production capacity has occurred or appears likely to take place. The small increase in aircraft production capacity in this district indicates lagging development relative to the rest of the nation in a growing industry.

. . . and transportation equipment.

Transportation firms, primarily railroads but some barge and truck lines, with headquarters in the Eighth District have received certificates of necessity for equipment and facilities totaling $222 million as of May 29, 1952. Since the use of this equipment is not necessarily confined to the Eighth District, the additional transportation facilities obtained under this program cannot all be considered as applying to this district. The extent to which these additional transportation facilities should be allocated outside the district is, of course, partly balanced off by the use in the district of tax-aided transportation facilities owned by concerns with headquarters elsewhere.

Privately financed and unaided developments have been large.

The expansion of the basic industrial capacity under the stimulus of the rapid amortization program has been a substantial part of total industrial investment in this district since Korea. Partly this is due to the fact that many projects planned prior

*The above cost does not include a $15 million certificate of necessity granted to the General Electric Company for facilities for producing jet engine parts at Louisville, but which will not be used due to cancellation of the contract.

to Korea to meet the growing civilian demands have now been declared necessary for the realization of the defense mobilization goals. Another reason that most of the recent expansion has been in the Federal-aided category is that nonessential expansion has been restricted by construction controls imposed. And the decline in demand for certain consumer goods has provided these industries with little incentive to expand even within the allowed limits.

A substantial portion of this unaided investment has been in industries less essential to the defense goals. The following examples may be cited. The largest unaided plant expansion in the district is the appliance manufacturing center being established by General Electric Company at Louisville. Plans call for eventual employment of about 16,000 workers when all units are completed. Philip Morris Company recently completed a $10 million expansion of its cigarette and tobacco manufacturing capacity, also in Louisville. In St. Louis two new detergent plants will be added by Lever Brothers and Purex Corporation. In Springfield, Missouri, Lily-Tulip Company recently completed a paper cup manufacturing plant. In Greenville, Mississippi, the Alexander Smith Carpet Company has an $8 million plant under construction. In Memphis the duPont Company is erecting a $7 million chemical plant.

Geographically, investment aided by rapid tax amortization has thus far been concentrated in the St. Louis area and in Arkansas.

Facilities being expanded under the rapid amortization program are primarily located in metropolitan areas, especially in St. Louis. Proposed investment on industrial facilities costing $302 million are being constructed in the St. Louis area, while only $19 million is being invested in the Louisville area and lesser amounts in Memphis, Evansville and Little Rock.

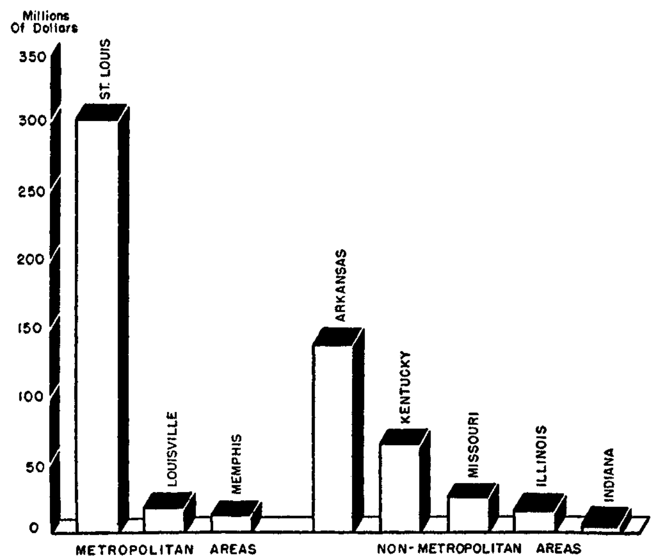
Notwithstanding the concentration of investment in the metropolitan areas, the nonmetropolitan sections of the district have come in for roughly $250 million worth of tax-aided investment. The size of the nonmetropolitan share, relative to previously existing capacity, reflects the trend toward decentralization of industry. The increasing location of industrial plants in the smaller communities is allied to the trend toward decentralization of industrial development within the metropolitan areas, where an increasing proportion of the new plants are now being placed in the suburbs. Nationally, of 900 plants receiving certificates of necessity valued at over $1 million and considered "dispersible," only 12 per cent were located inside the central city of a metropolitan area, 42 per cent in surburban sections and 46 per cent outside the industrial metropolitan areas.

To keep pace with industrial development, utilities serving the district plan a 50 per cent increase in generating capacity in 1952-53.

Utilities serving the Eighth District (and, in some cases, bordering areas) had a dependable capacity of about 8.9 million kilowatts as of December 31, 1951. Scheduled additions to this installed capacity will add 5.0 million kilowatts by the end of 1953. The increase will meet the growing demands of the defense program and maintain, at the same time, an adequate supply of power for enlarging civilian uses. About half of this expansion is in the Tennessee Valley Authority system, with about one-seventh of its total kilowatt sales going to consumers in the Eighth District. Excluding the TVA, utilities serving the Eighth District will add 2.5 million kilowatts generating capacity by the end of 1953, an increase of 46 per cent in dependable capacity as of December 31, 1951. The generating capabilities of utilities serving this district are being expanded at a faster rate than in the nation. By the end of 1953, major utilities of the nation will have 20 million kilowatts additional capacity, an increase of 27 per cent in the capacity as of December 31, 1951.

St. Louis and Arkansas Gain Most

Certificates of necessity for industrial facilities* in the Eighth Federal Reserve District through May 29, 1952.



*Excludes transportation, storage and public utilities.
Areas not shown: Metropolitan - Evansville $1.9, Little Rock $0.5;
Non-Metropolitan - Mississippi $1.7, Tennessee $0.1

Atomic Energy Commission plants will be an important addition to the industrial structure of the district.

The atomic energy program is a relatively new and important defense activity requiring huge outlays of Government funds which will result in significant additions to the industrial structure of the district. The Atomic Energy Commission has two facilities in this district. The first, established in 1942 at the Mallinckrodt Chemical Works in St. Louis, has been considerably expanded since 1945. At Paducah, Kentucky, a $500 million uranium separation plant under construction will employ approximately 1,000 persons when in operation. Currently, over 22,000 persons are working on the construction of this plant which is scheduled to be completed in 1953.

In addition, a proposed AEC plant may be located in this district—sites in the Ohio River valley and southern Illinois have been under consideration.

Further, the Defense Mobilization Program has resulted in reactivation and expansion of other Government-owned facilities in the district, particularly in ordnance production.

Another major impact of the Defense Mobilization Program on the district economy has come through increased production of certain military goods and services requiring expansion or reactivation of existing Government-owned facilities.

Ordnance production has been an important factor. In St. Louis five Government defense plants have been reactivated. Scullin Steel Company has reopened the tank armor casting plant and employs about 1,200 workers in that operation; Chevrolet Shell Division of General Motors Corporation has reactivated the same plant operated during World War II and employment is close to the announced peak of 2,800 workers; McQuay-Norris Company has reopened two plants—one for proximity fuse output and the other for production of bullet cores; the U. S. Defense Corporation, a subsidiary of Olin Industries, is reactivating part of the small arms plant and will employ about 5,000 workers in that operation. (The only privately owned ordnance plant in the district, Olin Industries, Inc., is also undergoing expansion in the St. Louis area.)

In the Louisville metropolitan area four Government-owned plants have been reactivated—two synthetic rubber plants and two munitions plants. The synthetic rubber plants were reactivated early in 1951 to offset the high price and the possibility of being cut off from the source of supply of natural rubber. One of the rubber plants is being converted to a more efficient process at a cost of $1.3 million. The other uses a high-cost process and is to be put on a standby basis again effective July 1. The Navy Ordnance Plant is undergoing a $3.5 million expansion and will employ about 1,000 workers manufacturing cartridge cases. Across the Ohio River in Charlestown, the Indiana Arsenal plant is being expanded and reconditioned at a cost of $21 million for production and loading of gunpowder. Employment may rise to about 7,500 workers.

Other Government-owned ordnance plants in this district are located in nonmetropolitan areas. Employment will be increased to between 3,000 and 4,000 persons at the Naval Ammunition Depot near Camden, Arkansas. About $33 million will be spent for enlarging and completion of production lines which were unfinished at the close of World War II. The plant is capable of a production rate which would require 10,000 employees. About $18 million will be spent providing additional plant and equipment for producing incendiary bombs at the Pine Bluff (Arkansas) Arsenal. At the Milan (Tennessee) Arsenal, in partial operation prior to Korea, expansion of the shell-loading plant cost about $2.8 million and will require about 7,500 employees. Production facilities for three-inch gun ammunition costing about $5 million will be installed at the Naval Ammunition Depot, at Crane, Indiana, which currently employs about 5,000 persons.

Military depots have been expanded, . . .

Military depots located in this district are also undergoing considerable expansion and consequent increase in employment. Four such centers in the St. Louis metropolitan area are being expanded at a cost of $33.8 million: Granite City Army Engineering Depot, St. Louis Medical Depot, and the Army Record and Publication Centers, which will be moved to quarters not yet constructed in order to make way for reactivation of the Small Arms Plant. In addition, the Air Force Aeronautical Chart Plant in St. Louis is moving to larger quarters. In the Louisville area the Quartermaster Depot and Jefferson Proving Grounds are both undergoing enlargement at a total cost of about $2 million. Storage facilities and utilities at the Memphis General Depot will be expanded at a cost of $10 million.

. . . and military camps have been reactivated and enlarged.

Still another aspect of the defense program of importance in adding to the payrolls of the Eighth District is the reactivation and expansion of military camps. In the eleven major military installations of this district, about $136 million has been or will be spent reactivating, improving, and enlarging facilities. Installations already reopened or scheduled for use are Camp Chaffee, and Camp Robinson, in Arkansas; Fort Leonard Wood, and Sedalia Air Force Base, in Missouri; and Camp Breckinridge, Kentucky. In addition, Congressional authorization has been requested by the Defense Department for an Air Force jet bomber base costing $31 million to be located near Jacksonville, Arkansas. Other military facilities of permanent nature have also been authorized by Congress: Fort Knox is to be enlarged at a cost of about $38 million; Camp Campbell and the adjoining air base are also being expanded, with expenditures in the near future authorized to reach about $35 million. Additions costing $24 million will be or have been recently put up at Scott Air Force Base near St. Louis. Planned construction at the Memphis Naval Air Station in fiscal 1952 amounted to $16 million, roughly one-fourth of the long-range program of enlargement and erection of permanent structures there.

The more immediate impact of these developments has been to increase job opportunities, . . .

The expansion of private industrial capacity and Government-owned facilities will, of course, aid in meeting the national goals established by the Defense Mobilization Program. Further, in immediate terms, these developments have had and will have an impact on the market demand for workers. These job opportunities come first in constructing the new facilities or renovating those reactivated; then in manning the additional industrial capacity or military facility. The new jobs usually pay better-than-average wages and tend to lift the level of income of workers in the area.

In addition to the growth in job opportunities created directly by new industrial and Government facilities, there is an increase in jobs in fields related to the expanded industry and in the service fields dealing with household needs. As an example of the increased opportunities in related industries, the scheduled additions to electric power production capacity of utilities serving the Eighth District during 1952 and 1953 will consume approximately 10 million tons of coal per year, equal to 10 per cent of the district's 1951 coal output. It is generally true that as the immediate impact fans out in terms of local purchases and wages paid, new installations or expansions tend to produce sizable increases in local area incomes.

. . . and to support the high level of district economic activity prevailing today.

The rapid expansion of plant and equipment by many business and agricultural enterprises, particularly the industrial concerns, has contributed to the high level of employment and income prevailing in the district (as well as in the nation) during the past two years. Currently the defense mobilization build-up is only about one-half completed and private business investment in plant and equipment plus substantial Government expenditures on military facilities are scheduled in sizable volume during the months ahead, continuing their support of the present level of district economic activity.

Over the longer run, increased military goods production may introduce an element of instability into the district economy . . .

In addition to the short-run influences, bolstering employment and maintaining over-all economic activity, certain long-run influences of the district's industrial development should be noted. First of all, an unfavorable consequence might be indicated. The increased reliance on military goods production and Government defense expenditures in military camps may introduce a measure of instability into the Eighth District economy. Any activity connected with defense will be subject to large and often sudden variations, greater in all probability than the variations experienced in operations producing civilian goods. Technical changes in weapons required for modern warfare, together with the continuing pressure to keep ahead of others in design and performance lie at the root of the instability of existing military production. Thus, the location of munitions plants and military camps in this district, while beneficial in the short-run, might from a longer-run point of view introduce a less desirable element of instability into the district's production and employment. Instances of the instability of defense production have already occurred. In Louisville, for example, the defense contract with the General Electric Company was canceled and one of the synthetic rubber plants was put on standby basis.

. . . but additional basic industrial capacity will tend to increase related industrial growth . . .

Certain other long-run effects of the increased industrial capacity (both Governmental and private) are definite plus factors. Growth of basic industries in the district widens the foundation upon which further industrial expansion can be made. For example, primary metals industries are helpful because of the likelihood of other metal-using industries locating close to the primary metal source. An instance of this is the location of an aluminum castings plant by General Motors Corporation adjacent to the aluminum reduction mill at Jones Mill, Arkansas. The plant will use hot metal from the reduction mill, gaining an additional saving in cost.

Further, the expansions have centered, as noted, in the industries which have large potentials for growth: metals (especially light metals), chemicals and chemical processes such as petroleum refining. At the same time, these are the industries which have a high value-added per worker. A manufacturing process which adds a relatively high value to the raw materials and purchased goods used is more attractive than a process which adds relatively little value. The wider the margin, the greater the possibility for increased wages and profit. Chemical, petroleum and coal products industries, which bulk large in the plant expansion of this district, have a high value-added by their manufacturing processes.

. . . and hold down out-migration, thus building a stronger economy.

The new and enlarged facilities will offer many new jobs for residents of the district and increase the income level. While the amount of expansion is substantial, it probably is not yet sufficient to utilize all of the increasing nonagricultural labor force resulting from the district's population growth and technological developments on the farms. But the out-migration (indicated by a population growth of less than the rate of natural increase) will be slowed. Income levels will be enhanced as the work force is shifted to higher-paying industrial jobs. The long-run development toward maximum productive use of our resources has been given impetus by the present emergency. It also makes this district's contribution to the defense program more effective. Further improvements in the use of our resources are still possible and the recent developments provide a better base for that progress.

William H. Kester

Survey of Current Conditions

With the exception of strike-imposed curtailments, business activity in the Eighth District during May and early June appeared to improve from April. Employment increased seasonally and unemployment declined during May. Retail sales during May were firmer than in previous months, with durable goods sales improving noticeably after the suspension of Regulation W. Construction activity was higher than in April. But industrial output was again restricted primarily by strikes, and also by lagging demand for some civilian products.

Nationally, the volume of industrial production in May, as measured by the Federal Reserve Board, dropped to 214 per cent of the 1935-39 average, compared with 216 per cent for April and 221 per cent for the first three months of the year. Strikes were important influences in reduced output of both durable and nondurable goods. Defense output, however, continued to expand. As in the district, department store sales improved more than seasonally in May, with an even greater improvement in most durable goods sales. Average prices of wholesale commodities strengthened slightly in May, but moved lower again in early June. Consumer prices also increased slightly, largely due to higher food prices.

While industrial output was reduced during the second quarter of the year, final demand remained strong and showed some signs of increasing in May and June. With production off and purchases up some, the net impact has been in the direction of drawing down inventories. The action has not

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1947-49=100)	May,'52	April,'52	May,'51	May, 1952 compared with April,'52	May, 1952 compared with May,'51
All Commodities	111.6	111.8	115.9	–0–%	— 4%
Farm Products	108.1	108.7	115.7	— 1	— 7
Foods	108.6	108.0	112.3	+ 1	— 3
Other	113.0	113.3	116.8	–0–	— 3

CONSUMER PRICE INDEX*

Bureau of Labor Statistics (1935-39=100)	May 15, 1952	April 15, 1952	May 15, 1951	May 15, 1952 compared with Apr. 15,'52	May 15, 1952 compared with May 15,'51
United States	189.0	188.7	185.4	–0–%	+ 2%

*New series.

RETAIL FOOD*

Bureau of Labor Statistics (1935-39=100)	May 15, 1952	April 15, 1952	May 15, 1951	May 15, 1952 compared with Apr. 15,'52	May 15, 1952 compared with May 15,'51
U.S. (51 cities)	230.8	230.0	227.4	–0–%	+ 1%
St. Louis	243.6	240.5	238.4	+ 1	+ 2
Little Rock	226.5	226.1	225.1	–0–	+ 1
Louisville	216.4	214.5	213.7	+ 1	+ 1
Memphis	231.7	231.4	234.6	–0–	— 1

*New series.

been general, however, with the most pronounced reduction in ferrous metal items and related materials. There has been little reduction in stocks of those items generally in oversupply; for example, textiles and whiskey.

Preliminary evidence suggests that the level of spending by the three principal sectors of the economy (private investment, governmental outlays, and personal consumption of goods and services) remained firm during the second quarter. Private residential construction during April and May was somewhat below the seasonally adjusted peak reached in March but slightly above the first-quarter rate. Business plant and equipment expenditures planned for the second quarter, according to a recent Department of Commerce survey, will total $6.4 billion, slightly above the first-quarter rate. National defense expenditures in April and May were $4 billion above the first quarter at annual rates. Consumers, responding to easier credit terms, lower prices of some items, and high level of personal savings, stepped up their purchases in May and early June, especially of durable goods. As a result, total retail sales were probably slightly above the first-quarter rate.

Factors of strength during the past few months are also evident in the current outlook: scheduled increase in defense outlays; extent of planned investment on plant and equipment in the third quarter; growing volume of residential construction, given some impetus by the easing of credit terms; and consumers' ability and apparent willingness to spend.

EMPLOYMENT

Employment in the United States continued to climb seasonally with 61.2 million persons estimated to be employed at mid-May. Spring planting and cultivation demands pushed farm employment up 500,000 from April levels. Non-farm employment was unchanged from mid-April to mid-May, in contrast to an increase of over 200,000 in the same period last year. Strikes in construction, oil refineries and lumber camps dampened the usual spring employment gains in these industries. In addition, expansion of defense-related industries was virtually halted.

Unemployment remained unchanged between April and May at 1.6 million, equal to last year's minimum.

Unemployment compensation claimed in the seven district states decreased during May after rising somewhat in April. In the week ended May 24, unemployment compensation claims totaled 177,000 as compared with 195,000 four weeks earlier. Seasonal improvements in outdoor activity and the return to work of employees in clothing, shoe, and glass products industries contributed to the decrease. However, unemployment resulted from temporary lay-offs in coal mining and in refrigerator production.

In Louisville over-all employment remained steady between April and May, despite marked fluctuations in some industries.

Employment in St. Louis was up somewhat from April to May, largely as a result of expanding defense work and construction activity. Seasonal decreases in employment in apparel and shoe plants limited the over-all increase. In addition, employment in fabricated metals plants was reduced sharply in May.

INDUSTRY

The slightly lower industrial production of April continued through May and into early June in the district as work stoppages became even more pronounced. Steel ingot production in June was at a rate less than one-half that of the first quarter. Crude oil production in May was cut due to accumulated stocks at closed refineries. Among other district industries, lumber was off somewhat, whiskey output was even lower, and coal, also affected by the steel strike, showed more-than-seasonal weakness. Shoe production was down seasonally (but the year's record so far was good).

Manufacturing—Manufacturing activity at six major cities in the district in May, according to use of electric power at selected industrial firms, failed to recover all of the 5 per cent loss shown in April (on a daily average basis), and registered only a nominal gain over May a year ago. A reduction in industrial power consumption at Pine Bluff due to a cut in chemical production was the largest single contributor to the lower figure. Among industries in the other cities, the nonelectrical machinery, primary metals, food, and printing groups were the only ones (in the sample) that showed much strength in terms of improvement over a month earlier, or May in 1951.

WHOLESALING

Line of Commodities	Net Sales		Stocks
Data furnished by Bureau of Census, U.S. Dept. of Commerce*	May, 1952, compared with Apr.,'52	May,'51	May 31, 1952, compared with May 31, 1951
Automotive Supplies	+11%	+11%	+ 5%
Drugs and Chemicals	— 7	-0-	+13
Dry Goods	— 4	—11	—34
Groceries	+ 5	— 1	— 9
Hardware	+ 4	—18	-0-
Tobacco and its Products	+ 2	+10	— 9
Miscellaneous	— 3	— 3	—13
**Total All Lines	— 1%	— 7%	—18%

*Preliminary.
**Includes certain items not listed above.

The lower production activity was reflected most sharply in the steel ingot rate in June. Only about 41 per cent of steel ingot capacity in the St. Louis area was in use during the first three weeks after the June 2 work stoppage. The rate was 78 per cent of capacity during May.

Work stoppages were not direct factors as far as lumber and whiskey production were concerned. Rather, there was continued weakness on the part of demand. There was little change in lumber production from April to May and the first weeks in June, and operations for both southern pine and hardwoods continued under those of a year ago. In May, even less whiskey was distilled in Kentucky than in earlier months this year. At month's end only 21 distilleries were operating compared with 42 for May last year and 28 at the end of April 1952.

With the June vacation period, monthly figures of shoe production were expected to decline. Through May, the record was good. Nationally, the Tanners' Council estimated production for the first five months of the year at only 1.5 per cent less than the same period a year ago. Civilian output was even higher than a year ago.

Mining—Coal production in district states was more-than-seasonally low in May, and early June figures show an even greater decline. Captive mines in Kentucky reduced output sharply due to the steel strike. And domestic demand slackened even though dealers offered customers price cuts and time payment plans.

In May, crude oil production dropped from the level of previous months due to a nationwide strike at refineries which resulted in the accumulation of excessive stocks.

CONSTRUCTION

Total expenditures for new construction in the nation rose to $2.75 billion for May, setting a new record for the month. During the first five months of 1952 new construction outlays totaled $11.9 billion, 3 per cent more than the total for the comparable period last year reflecting in part increased construction costs. Residential construction activity was about the same as in May 1951. New housing starts in the United States totaled 107,000 units in May, making a total of 455,000 for the year to date, compared with 457,500 in the same period last year. The cumulative volume of factory building was still substantially above last year despite recent declines. However, most other types of private non-residential building activity were below year-ago levels. Public construction continued to increase during May, bringing the total for the first five months to $3.8 billion, 25 per cent more than during the comparable period of 1951.

Because of the steel strike, building restrictions on home construction and on building of amusement and recreation facilities, scheduled for relaxation on July 1, will be continued.

In the Eighth District construction contracts awarded during May as reported by the F. W. Dodge Corporation, totaled $112 million, a decrease of 31 per cent from April. In the St. Louis territory of the F. W. Dodge Corporation, residential construction contracts for the first five months were 6.5 per cent larger than in the same period last year. In the 37 states east of the Rockies they were up only 0.5 per cent in the same period.

Large expansions of industrial and commercial facilities announced during May in this district include an $8 million shopping center in the surburban St. Louis area, a $21 million expansion of the In-

INDUSTRY

CONSUMPTION OF ELECTRICITY—DAILY AVERAGE*

(K.W.H. in thous.)	May, 1952 K.W.H.	April, 1952 K.W.H.	May, 1951 K.W.H.	May, 1952 compared with April, 1952	May, 1952 compared with May, 1951
Evansville	846	826	729	+ 2%	+16%
Little Rock	559	553	568	+ 1	— 2
Louisville	4,079	3,825	3,761	+ 7	+ 8
Memphis	1,428	1,407	1,293	+ 1	+10
Pine Bluff	329	487	413	—33	—20
St. Louis	4,864	4,704	4,718	+ 3	+ 3
Totals	12,101	11,802	11,482	+ 3%	+ 5%

*Selected manufacturing firms.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

May,'52	April,'52	May,'51	First Nine Days June,'52	First Nine Days June,'51	5 mos. '52	5 mos. '51
108,597	110,501	118,122	28,872	33,735	551,620	585,167

Source: Terminal Railroad Association of St. Louis.

COAL PRODUCTION INDEX
1935-39=100

Unadjusted May,'52	Unadjusted April,'52	Unadjusted May,'51	Adjusted May,'52	Adjusted April,'52	Adjusted May,'51
108.0 P	130.3	131.2	104.9 P	200.4	127.4

P—Preliminary.

SHOE PRODUCTION INDEX
1935-39=100

Unadjusted Apr.,'52	Unadjusted Mar.,'52	Unadjusted Apr.,'51	Adjusted Apr.,'52	Adjusted Mar.,'52	Adjusted Apr.,'51
145.4	154.0	137.0	143.0	151.0	134.3

The Crude Oil Production table is omitted this month since complete data are not available owing to conditions brought about by the strike in the oil industry.

CONSTRUCTION

BUILDING PERMITS
Month of May

(Cost in thousands)	New Construction Number 1952	Number 1951	Cost 1952	Cost 1951	Repairs, etc. Number 1952	Number 1951	Cost 1952	Cost 1951
Evansville	63	81	$ 135	$ 248	122	107	$ 65	$ 182
Little Rock	44	46	477	606	211	307	165	148
Louisville	173	235	1,230	7,910*	99	83	99	132
Memphis	2,508	1,715	7,166*	5,211	231	258	174	381
St. Louis	355	337	4,062	3,468	348	301	722	850
May Totals	3,143	2,414	$13,070	$17,443	1,011	1,056	$1,225	$1,693
April Totals	2,634	2,469	$ 6,875	$ 6,042	897	831	$1,326	$2,014

*Includes Housing Projects.

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	May, 1952 compared with		5 mos.'52 to same period '51	May 31,'52 comp. with May 31,'51	Jan. 1 to May 31,	
	Apr.,'52	May,'51			1952	1951
8th F.R. District	+ 7%	+ 8%	-0-%	—12%	1.50	1.35
Ft. Smith, Ark.[1]	+11	+10	+ 2	— 7	1.42	1.34
Little Rock, Ark	+ 6	+ 7	+ 1	—11	1.50	1.29
Quincy, Ill	+ 1	-0-	— 9	—18	1.49	1.37
Evansville, Ind	+22	+20	+ 2	—19	1.31	1.21
Louisville, Ky	— 1	+ 9	+ 1	— 3	1.59	1.53
Paducah, Ky	+ 9	+40	+34	....	......	......
St. Louis Area[1, 2]	+ 5	+ 6	-0-	—15	1.48	1.31
Springfield, Mo	+17	+17	+ 7	— 9	1.29	1.13
Memphis, Tenn	+12	+ 7	+ 1	— 4	1.59	1.53
All Other Cities*	+15	+14	+ 3	— 3	1.25	1.21

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

[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.

Outstanding orders of reporting stores at the end of May, 1952, were 4 per cent smaller than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding May 1, 1952, collected during May, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	....%	50%	Quincy	20%	76%
Little Rock	21	47	St. Louis	20	52
Louisville	21	45	Other Cities	22	51
Memphis	22	38	8th F.R. Dist.	20	48

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	May, 1952	Apr., 1952	May, 1952	May, 1951
Sales (daily average), unadjusted[3]	106	101	89	102
Sales (daily average), seasonally adjusted[3]	102	98	99	98
Stocks, unadjusted[4]	124	122	118	140
Stocks, seasonally adjusted[4]	124	114	111	140

[3] Daily Average 1947-49=100.

[4] End of Month Average 1947-49=100.

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	May, 1952 compared with		5 mos.'52 to same period '51	May 31,'52 comp. with May 31,'51	Jan. 1 to May 31,	
	Apr.,'52	May,'51			1952	1951
Men's Furnishings	+ 7%	— 4%	— 2%	—21%	.88	.81
Boots and Shoes	—12	+ 5	+ 4	— 5	1.74	1.62

Percentage of accounts and notes receivable outstanding May 1, 1952, collected during May:

Men's Furnishings................ 45% Boots and Shoes.................... 43%

Trading days: May, 1952—26; April, 1952—26; May, 1951—26.

RETAIL FURNITURE STORES

	Net Sales May, 1952 compared with		Inventories May, 1952 compared with		Ratio of Collections	
	Apr.,'52	May,'51	Apr.,'52	May,'51	May,'52	May,'51
8th Dist. Total[1]	+20%	+19%	— 5%	—22%	17%	17%
St. Louis Area[2]	+14	+ 3	— 7	—23	17	18
St. Louis	+16	+ 4	— 7	—23	16	17
Louisville Area[3]	+16	+24	— 2	—15	14	14
Louisville	+15	+23	— 2	—15	13	13
Memphis	+35	+34	+ 1	—27	16	13
Little Rock	+15	+34	+ 5	—39	19	19
Springfield	+27	+21	— 2	— 8	21	17
Fort Smith	+23	+42	*	*	*	*

*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

	May,'52	April,'52	May,'51
Cash Sales	15%	17%	21%
Credit Sales	85	83	79
Total Sales	100%	100%	100%

diana Arsenal in the Louisville metropolitan area, and a large iso-octyl alcohol plant at a Wood River, Illinois, refinery. The Defense Department has requested authorization by Congress of a $31 million air base to be located at Jacksonville, Arkansas.

TRADE

Retail sales during May were firmer than in previous months although results of reporting district retail lines were varied. Thus, in comparison with sales during April, women's specialty stores experienced a drop in volume, while department stores gained more-than-seasonally. In comparison with May 1951, sales were generally better this year, men's wear stores being the only reporting line to experience a decline in sales volume. The largest reported gain from both the previous month and the comparable month of 1951 was registered by furniture stores.

The success of seasonal promotions and the suspension of instalment credit regulations contributed, along with other favorable factors, to the somewhat better picture of retail sales activity. There were a few indications of increased consumer buying at nondurable goods stores early in the month. And after mid-May durable goods sales improved noticeably.

At automobile dealers in both new and used cars, sales activity quickened as more liberal credit terms became available and as a result of seasonal trends. Appliance dealers also indicated that sales during May had improved over those earlier in the year and a year ago. And in St. Louis department stores, the only sizable decline in the major durable goods divisions was registered in domestic floor coverings.

The immediate effect of suspension of credit regulations on credit sales volume of reporting district retailers was most noticeable at furniture stores. At department stores the ratio of credit sales to total sales stood at 55 per cent, fractionally above both that a year ago, and in May 1950. At reporting furniture stores credit sales accounted for 85 per cent of total sales in May in comparison with 83 per cent a month earlier and 79 per cent a year ago.

The retail value of inventories held by reporting district retailers on May 31 declined generally from the level a month earlier. In comparison with those held on May 31, 1951, women's specialty stores reported higher inventories. In other reporting lines inventories dropped below last year's high levels. Furniture stores reported inventories valued at about one-fifth less than a year ago, men's wear stocks dropped about one-fifth and department store stocks were down around one-eighth.

BANKING AND FINANCE

During the first three weeks of June, as well as in May, total loans at district member banks were virtually unchanged. Business loans, seasonally adjusted, however, were up slightly in June. Nationally, total loans increased somewhat in the first three weeks of June following a moderate rise in May.

The money market continued fairly tight during May and early June. During May, banks, both districtwise and nationally, reduced excess reserves and increased borrowings. Starting the month without much cushion, member banks in general were drained of funds by a flow of currency into circulation and, in the case of district banks, by a loss of funds to other areas.

District Banking Developments

Earning assets of Eighth District member banks rose slightly during May. The increase centered in net purchases of securities at larger banks. Loans showed little change in the month as a moderate contraction at larger banks was nearly matched by an expansion at smaller banks, especially those banks in centers under 15,000 population. The loan contraction at the city banks was occasioned by a seasonal decline in loans to businesses offset, in large part, by an increase in most other types of loans. Net repayments of business loans came largely from manufacturers, trade concerns, commodity dealers, and public utilities. On the other hand, sales finance companies and construction firms increased their borrowings.

Deposits at district member banks were drawn down $18 million in May, largely as a result of net withdrawals by correspondent banks and the Federal Government. An offsetting factor was an increase in time deposits and demand deposits of individuals and businesses.

District banks commenced the month with a limited amount of free funds. In addition, over the month there was a flow of currency into circulation and a net outflow of funds from the district. The largest net outflow went to New York

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	May, 1952	Apr., 1952	May, 1951	May, 1952 compared with Apr.,'52	May, 1952 compared with May,'51
El Dorado, Ark.	$ 32,233	$ 27,628	$ 26,450	+ 17%	+ 22%
Fort Smith, Ark.	46,166	43,379	44,382	+ 6	+ 4
Helena, Ark.	6,999	7,463	7,346	— 6	— 5
Little Rock, Ark.	153,688	148,216	138,676	+ 4	+ 11
Pine Bluff, Ark.	35,586	36,552	27,681	— 3	+ 29
Texarkana, Ark.*	18,959	18,381	12,043	+ 3	+ 57
Alton, Ill.	30,998	28,613	28,291	+ 8	+ 10
E.St.L.-Nat.S.Y., Ill.	122,120	126,046	131,407	— 3	— 7
Quincy, Ill.	36,417	33,405	35,274	+ 9	+ 3
Evansville, Ill.	140,633	139,439	138,141	+ 1	+ 2
Louisville, Ky.	666,642	631,430	617,398	+ 6	+ 8
Owensboro, Ky.	37,488	39,864	41,028	— 6	— 9
Paducah, Ky.	43,621	42,912	22,705	+ 2	+ 92
Greenville, Miss.	21,066	19,393	23,217	+ 9	— 9
Cape Girardeau, Mo.	12,963	12,451	13,037	+ 4	— 1
Hannibal, Mo.	10,015	9,240	9,141	+ 8	+ 10
Jefferson City, Mo.	52,282	56,482	49,785	— 8	+ 5
St. Louis, Mo.	1,807,501	1,846,494	1,800,110	— 2	-0-
Sedalia, Mo.	11,473	11,376	10,596	+ 1	+ 8
Springfield, Mo.	67,965	68,202	68,877	-0-	— 1
Jackson, Tenn.	20,025	20,361	20,876	— 2	— 4
Memphis, Tenn.	547,285	554,759	609,163	— 1	— 10
Totals	$3,922,125	$3,922,086	$3,875,624	-0-%	+ 1%

*These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $39,580.

EIGHTH DISTRICT MEMBER BANK ASSETS AND LIABILITIES BY SELECTED GROUPS

(In Millions of Dollars)	All Member			Large City Banks[1]			Smaller Banks[2]		
		Change from:			Change from:			Change from:	
Assets	May, 1952	April, 1952 to May, 1952	May, 1951 to May, 1952	May, 1952	April, 1952 to May, 1952	May, 1951 to May, 1952	May, 1952	April, 1952 to May, 1952	May, 1951 to May, 1952
1. Loans and Investments	4,192	+ 29	+225	2,422	+ 22	+119	1,770	+ 7	+106
a. Loans	1,888	— 2	+ 67	1,232	— 11	+ 28	656	+ 9	+ 39
b. U.S. Government Obligations	1,906	+ 26	+112	993	+ 23	+ 60	913	+ 3	+ 52
c. Other Securities	398	+ 5	+ 46	197	+ 10	+ 31	201	— 5	+ 15
2. Reserves and Other Cash Balances	1,332	— 21	+ 29	836	— 5	+ 10	496	— 16	+ 19
a. Reserves with the F.R. bank	678	— 15	+ 15	440	— 7	+ 3	238	— 8	+ 12
b. Other Cash Balances[3]	654	— 6	+ 14	396	+ 2	+ 7	258	— 8	+ 7
3. Other Assets	50	— 1	— 8	33	-0-	+ 2	17	— 1	— 10
4. Total Assets	5,574	+ 7	+246	3,291	+ 17	+131	2,283	— 10	+115
Liabilities and Capital									
5. Gross Demand Deposits	4,104	— 22	+138	2,506	— 10	+ 67	1,598	— 12	+ 71
a. Deposits of Banks	622	— 14	+ 30	587	— 13	+ 27	35	— 1	+ 3
b. Other Demand Deposits	3,482	— 8	+108	1,919	+ 3	+ 40	1,563	— 11	+ 68
6. Time Deposits	1,020	+ 4	+ 54	497	+ 3	+ 20	523	+ 1	+ 34
7. Borrowings and Other Liabilities	78	+ 26	+ 24	71	+ 25	+ 26	7	+ 1	— 2
8. Total Capital Accounts	372	— 1	+ 30	217	— 1	+ 18	155	-0-	+ 12
9. Total Liabilities and Capital Accounts	5,574	+ 7	+246	3,291	+ 17	+131	2,283	— 10	+115

[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.

City, with lesser outflows to Chicago, Detroit and Cincinnati areas. On the other hand, trade was more "favorable" with the other areas of the country, providing some offset to these drains. Other partial offsets to the outflow of district bank funds came from Treasury operations and an increase in Federal Reserve float. To meet the net drain of funds bankers took two main actions. 1) They drew on their balances at the Federal Reserve Bank. As a result, excess reserves fell below normal working levels. 2) They increased their borrowings from both the Federal Reserve Bank and others. At the end of the month discounts and advances by the Federal Reserve Bank exceeded total excess reserves of district member banks.

In the first three weeks of June, the flow of funds reversed itself and total deposits rose rather sharply. With the funds, the district's weekly reporting member banks purchased a sizable amount of short-term Government securities, built up reserves at the Federal Reserve Bank, and reduced borrowings.

Banking Developments Nationally

Total loans at all commercial banks increased somewhat in May. Commercial loans continued to decline, but at a less-than-seasonal rate. Largest net repayments came from commodity dealers and food manufacturers. Real estate, consumer and security loans continued to rise.

The private money supply increased roughly $600 million in May due largely to the bank credit expansion. By comparison, in May of 1951 the money supply of individuals and businesses increased only about two-thirds this amount .

Treasury Financing

The Treasury in the fiscal year through May (eleven months) collected a record $58.1 billion in cash operating receipts and spent nearly $61.0 billion. As a result, a cash deficit of $2.9 billion was incurred. During June this deficit was probably whittled down by quarterly tax payments. Thus, the large cash surplus obtained last year disappeared and was replaced by a small deficit in the current fiscal year. In fiscal 1953, it is anticipated that the deficit will be substantially larger than in fiscal 1952.

AGRICULTURE

Prospects for 1952 crops in the Eighth District generally continued to be favorable through mid-June. The June 1 estimate of district winter wheat production was eleven million bushels higher, or 11 per cent, than a month earlier and 34 per cent more than 1951 production. Spring sown crops developed rapidly during early June aided by above average temperatures. Crop growth, for the most part, is more advanced than last year or the average of recent years. Rains were needed in some localities, particularly in southern Missouri and Arkansas.

The cotton crop was up to a good stand in early June after more than normal replantings. Chopping was well advanced. Tobacco transplanting progressed rapidly late in May and early June, and by mid-June 95 per cent of the acreage was planted, thus getting the crop off to an early start. The district corn crop was planted in good time and early progress of the crop was satisfactory.

Farm Debt—Farm mortgage debt for the United States increased 8 per cent in 1951, reaching $6.3 billion on January 1, 1952. This was one of the largest percentage increases since 1920, and marks the sixth year in which the debt has increased. Farm mortgage debt now is about the same as in 1942 but is considerably smaller than the peak recorded January, 1923. However, the ratio of debt to value is much lower now since current values of property are considerably higher than in 1942 or 1923.

In the district states of Illinois, Indiana and Missouri, the percentage increase in farm mortgage debt was slightly smaller than the national average. The rate of increase in Arkansas and Tennessee exceeded the national increase.

Total short-term or non-real estate farm debt reached a new high ($7.3 billion) January 1, 1952, an increase of 18 per cent during the year. The increase of this type debt in 1951 for commercial banks was 24 per cent.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Apr., 1952	April, 1952 compared with Mar., 1952	Apr., 1951	4 month total Jan. to Apr., 1952	compared with 1951	1950
Arkansas	$ 30,110	+ 3%	+19%	$ 132,627	+16%	+58%
Illinois	142,903	— 8	— 9	588,301	— 2	+14
Indiana	78,701	— 6	—11	325,966	— 1	+22
Kentucky	24,900	+ 4	—12	182,981	+ 1	+ 6
Mississippi	18,501	—22	+24	94,369	—11	+39
Missouri	67,296	— 3	—19	748,627	—10	+19
Tennessee	22,103	—15	—14	125,216	— 2	+20
Totals	$384,514	— 6%	— 9%	$2,198,087	— 2%	+19%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts May,'52	May, 1952 compared with Apr.,'52	May,'51	Shipments May,'52	May,'52 compared with Apr.,'52	May,'51
Cattle and calves	82,461	+ 4%	— 2%	41,790	+20%	+68%
Hogs	264,066	—10	—21	97,398	+10	— 7
Sheep	64,292	+16	+14	45,224	+10	— 4
Totals	410,819	— 4%	—13%	184,412	+12%	+ 4%