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Bank Financing of Sixth District Retail Trade

THE retailing business requires large amounts of working capital to assure its customers an unending line of goods and to carry their charge and instalment accounts. Its heavy- and light-sales periods are seasonal, in other words frequent but of short duration. Usually, therefore, it needs a great deal of the short-term, self-liquidating type of credit. This is the type that the commercial banks, in particular, have traditionally sought. As a consequence the retailers generally turn to them for supplementary working capital. Even in the past few years the retailers, though they have had to borrow less frequently to make their record sales than they did before, have ranked among the most important bank borrowers. With the characteristics of retailing as they are these businessmen will no doubt return to their prewar scale of borrowing from the banks.

A survey made of commercial and industrial loans by this bank in November 1946 reveals that the 17,184 signatures on notes of retailers at the Sixth District member banks outnumbered those on notes of any other type of businessman and amounted to 38 percent of the total number of member-bank loans. Although they were less important in amount than loans made to manufacturers or to wholesalers, retailers' total loans of 88 million dollars made up 23 percent of the amount lent to all businesses.

This large total, however, gives no hint of the amount of indirect financing the retailer receives from the commercial banks. Part of the 132 million dollars worth of loans to wholesalers that was outstanding on November 20 was undoubtedly made for the purpose of carrying retailers' accounts. Moreover, a great part of the loans made to consumers is for the purchase of goods. By the end of 1946 member banks in the Atlanta Federal Reserve District held retail instalment paper amounting to about 38 million dollars. Additional consumer loans in the form of repair-and-modernization loans, instalment cash loans, and single-payment loans amounted to 162 million dollars.

The greater part of the borrowing by retailers was made for relatively short periods. In fact 86 percent of the number of loans outstanding in November covered a year or a shorter period. The need for short-term financing has traditionally been associated with the seasonal character of retailing. Since the peak periods of cash receipts do not necessarily coincide with the periods of largest inventories and highest amounts of credit granted to customers, retailers often require the help of bank credit.

In a sense retailers act as the purchasing agents for their communities. They must act, however, without direct orders. Their customers expect them to accumulate a wide selection of goods which they can buy on the spot. But the consumers choose to buy more goods in some months than they do in others, and the retailers must build up inventories in advance of the peak selling months.

In anticipation of heavy Easter and Christmas sales department stores during the first nine months of each year, except possibly for the month in which Easter falls, customarily purchase merchandise having a retail value greater than the value of the goods they sell in that period. During a period when sales are declining, as they are in the second quarter of the year, the first chart shows, inventories are rising toward their peak in October, two months before the sales peak. The experience of furniture stores during the past five years indicates that they have a slightly different seasonal pattern in sales and inventories. Their inventory peak also, however, precedes their sales peak.

In the same way that the retailer is a purchasing agent for the average consumer he is to a great extent his financial agent. The occasions when an ordinary consumer seeks credit directly from a financial institution are relatively infrequent. Generally his short-term credit needs are met with charge accounts at the department store, the grocery store, the clothing store, the light company, and the gas company with which he does his day-to-day business. Occasionally he needs long-term credit to buy a home or to finance a special emergency expenditure, but only occasionally. Sometimes also he needs long-term credit to buy an automobile or a major household appliance. More often than not in such a case he makes credit arrangements through the retailer from whom he buys the goods. Of the total amount of consumer credit outstanding in the nation during the first quarter of 1947, instalment-sale credit, charge accounts, and service credit together amounted to 53 percent. The number of times consumers secure credit through retailers makes up an even higher percentage of the total number of their credit transactions.

The seasonal character of retail buying also affects the amounts of consumer credit outstanding. Naturally the peak in the amount of accounts receivable coincides with the peak in the dollar value of sales, but the delay in payment causes a lag in the decline of outstanding accounts. During the past several years sales in the average Sixth District department store have declined from more than 150 percent of the monthly average in December to 80 percent in the next month. At the end of January accounts receivable, although declining from the December level, have still been 97 percent of the monthly average. Because they were outstanding for an average of 60 days the low point was delayed until February. A large part of the merchandise purchased by retailers in October or previous months, therefore, is not sold until December and is not paid for by the consumer until February.

A less pronounced seasonal variation occurs in credit outstanding at furniture stores, where 77 percent of the sales in 1946 were made on the instalment plan. Because the period of repayment is longer, the low point in credit outstanding is not reached for several months after the sales peak.

During recent years the total Sixth District department-store inventories and accounts receivable combined have had their highest peak of the year in October, following a lower peak in March. In contrast monthly cash receipts, which consist of receipts for cash sales and of collections for previous months' sales, did not reach their peaks until December and May. At the end of October, receivables and inventories were 67 percent greater than they were in the month of their lowest point for the year, but cash receipts were only 20 percent greater.

Retailers' Requirements

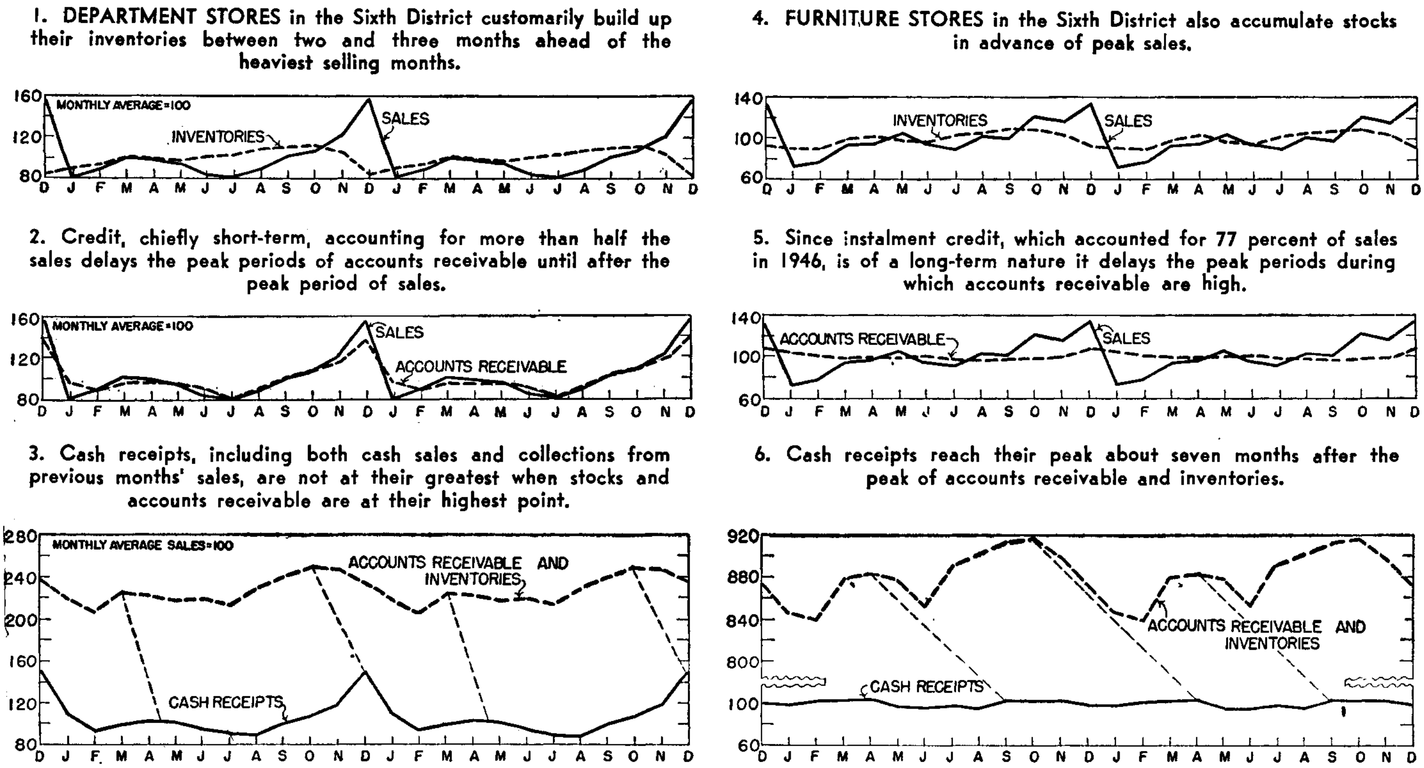
It is to help the retailers over the peak periods of inventories and accounts receivable that the banks have customarily made loans to them. Possibly, of course, the retailer himself has sufficient capital to carry his accounts receivable and inventories. But because the additional funds are needed during only a part of the year, it is probably more efficient for him to place them in a longer-time investment, which he can do if he gets temporary bank credit to take care of his extra needs during these peak seasons.

The working capital represented by inventories and accounts receivable thus constitutes a very important part of current assets in retailing. According to reports received from nine different types of retailers, those items on December 31, 1946, made up 63 percent of total current assets. The credit extended to customers about equaled the value of inventories, although a year earlier it had been about a quarter larger. For the reporting stores as a group these two types of current assets together amounted at the end of the year to 2.7 times the average monthly sales in that year and had amounted in 1945 to 2.2. The ratio was much higher in 1941.

Some retailers require amounts of working capital to carry their inventories and accounts receivable much greater, however, than the amount indicated by the ratio for all the stores combined. If a businessman who contemplated opening a jewelry store based his estimates of the working capital required to finance these two items on the average experience of the Sixth District retailers in that business who reported for the 1946 retail-credit survey, he would find that he would need an amount 5.2 times his average monthly sales. For a

Chart I

SEASONAL VARIATIONS IN WORKING CAPITAL NEEDS OF SIXTH DISTRICT RETAILERS



1. **DEPARTMENT STORES** in the Sixth District customarily build up their inventories between two and three months ahead of the heaviest selling months.

2. Credit, chiefly short-term, accounting for more than half the sales delays the peak periods of accounts receivable until after the peak period of sales.

3. Cash receipts, including both cash sales and collections from previous months' sales, are not at their greatest when stocks and accounts receivable are at their highest point.

4. **FURNITURE STORES** in the Sixth District also accumulate stocks in advance of peak sales.

5. Since instalment credit, which accounted for 77 percent of sales in 1946, is of a long-term nature it delays the peak periods during which accounts receivable are high.

6. Cash receipts reach their peak about seven months after the peak of accounts receivable and inventories.

These estimates are based upon data submitted monthly by Sixth District reporting stores. They have been adjusted to eliminate the effect of any but seasonal variations. The relation between inventories and accounts receivable on one hand and cash receipts on the other represents the average experience of all the stores and of course varies from the actual experience of many individual stores.

man who planned to go into the furniture business the ratio would be 5.0. The man planning on opening a department store, however, would find his ratio to be only 1.8.

Table 1
Sales, Accounts Receivable, and Inventories of Sixth District Retailers

Type of Business	Percent of Total Sales				Yearly Stock Turnover		Ratio of Accounts Rec. and Inventories to Average Monthly Sales*	
	Instalment		Open Credit					
	1942	1946	1942	1946	1942	1946	1942	1946
Furniture	83	77	3	5	2.3	4.8	8.5	5.0
Household appliances	41**	20	26	39	2.7	6.3	5.8	3.0
Jewelry	26	19	29	29	1.9	2.3	5.5	5.2
Automobile	31***	10	40	28	3.4	14.4	3.5	1.5
Auto tire and accessories	14	7	49	..	5.7	8.1	2.5	2.2
Hardware	9	2	53	55	2.9	5.1	4.6	2.9
Department	7	4	42	39	4.8	7.1	2.8	1.8
Women's apparel	2	..	52	54	7.0	7.9	2.5	2.6
Men's clothing	..	4	55	36	2.5	9.1	5.4	2.3

* Inventories and accounts receivable at end of year
** 54 percent in 1941
***84 percent in 1941

Primarily it is the type of goods sold that governs both the value of inventories and the amount of credit outstanding in relation to sales. There are some goods, particularly consumer durables such as automobiles, major household appliances, furniture, and jewelry, for which the unit cost is high. For most buyers the purchase of these goods is not a common occurrence and is often a major financial transaction compared with the ordinary consumer purchases. To make such a purchase the buyer is likely to need assistance in the form of long-term credit. At the same time the value of an inventory that is composed almost entirely of these high-unit-cost goods is ordinarily greater in relation to sales than is the value of the usual inventory; in other words, its rate of turnover is low.

Because some types of consumer durable goods were scarce during the war and immediate postwar years the 1946 experience was perhaps not typical, but, unfortunately for an analysis, data on balance-sheet items were not collected from Sixth District firms before 1942. Even on the basis of the 1946 experience, however, the inventories and accounts receivable of retailers of such goods as furniture, household appliances, and jewelry were much higher in relation to sales than were those of retailers of nondurable goods. Furniture stores, for example, sold 77 percent of their goods on the instalment plan. Their rate of stock turnover was 4.8 times a year. At jewelry stores the rate was 2.3 and 19 percent of the sales were on an instalment basis.

For the most part the average consumer's purchases of nondurable goods, such as clothing and household supplies, are relatively frequent. The unit cost for each item is comparatively low. Primarily the great majority of consumers use credit in purchasing such goods simply because of its convenience. If they use it to finance the purchase of an article with a relatively high unit cost, such as a new spring or winter suit, they generally pay it off in a relatively short period. Also, because the retailer sells these articles frequently and buys them at comparatively low unit costs, he is constantly replacing them in his stock. Thus he can offer a wide variety of merchandise for his customers' selection at any time even though the value of his merchandise inventory is low in relation to his sales.

At women's apparel stores in 1946 although Sixth District customers bought 57 percent of their goods on credit, it was charge-account credit, not instalment credit, that they used. The rate of stock turnover, 7.9, was almost twice as great as it was at furniture stores. As a consequence, total inventories and accounts receivable were just a little more than half the ratio for furniture stores, only 2.6 times the average monthly sales.

For some retailers of consumer durable goods the high unit cost of the articles they sell and the large amount of long-term credit they must furnish means that they must have greater working capital than they themselves can ordinarily provide. Under such circumstances it may be desirable for them to shift the financing of the consumer to financial institutions and concentrate their efforts on selling. This practice is in fact common among Sixth District automobile dealers and household-appliance retailers. Nine out of every 10 of those reporting in the retail-credit survey for 1942 sold some instalment paper. Down payments together with the instalment paper sold in 1946 amounted to 83 percent of the total value of instalment sales made by the reporting automobile dealers. By that time, however, there were fewer household-appliance stores selling instalment paper than there were before the war. This change probably came about because of the relatively large proportion of cash sales that have provided the dealers with the necessary working capital and, for that reason, may be temporary. The sale of instalment paper in other lines of retailing, however, is negligible.

Some of the paper is sold to sales-finance companies and some directly to the banks. Sales-finance companies, however, are important bank borrowers. Their loans accounted for about 4 percent, or 24.5 million dollars, of total business loans on the books of Sixth District member banks in November 1946. More and more Sixth District member banks have been entering the field of direct lending to dealers. Their automotive instalment paper on December 31 amounted to 2 percent of their total loans. Because retailers have shifted consumer-credit extension to financial institutions the ratio of accounts receivable and inventories to sales at stores selling instalment paper may be comparatively low, even though a great part of their sales is made on a long-term-credit basis.

Bank Financing

The need sellers of consumer durable goods have for working capital in amounts larger than those other retailers need is illustrated, in the survey, by the apparent importance of member-bank loans to that group of retailers selling furniture, home furnishings, appliances, building materials, hardware, and farm implements. Loans made to them, not including the instalment paper purchased from them, accounted for 32 percent of all loans to retailers in November 1946. Of second importance were loans to the group of food, liquor, tobacco, and drug retailers, which amounted to 24 percent. Loans to apparel, dry-goods, and department stores amounted to 19 percent of the total, and to automobile dealers, filling stations, and auto tire and accessory stores to 14 percent.

No estimates of total retail sales made by type of business are available for the District. On a national basis, which probably is very similar, the first group of stores selling mostly durable goods accounted for only 12.5 percent of the sales at all retail stores in 1946 and the second for only 10.9 percent. Consequently the importance of their borrowing was disproportionately large when measured by their sales.

That retailers have seasonal needs for short-term financing and some of them have need for large loans to supplement their working capital explains their customary use of bank credit but not the year-to-year expansion or contraction of loans. This explanation lies in changing economic conditions, or with so-called cyclical changes.

A period of good business conditions, when there are more-than-seasonal sales increases, usually brings with it a need for both greater inventories and greater amounts of credit to customers. Their needs must be met in advance of the expected rise in cash receipts from sales and collections.

Whether he wants to or not the retailer must do some economic forecasting if he is to correctly anticipate the needs of his customers. If in his judgment an expansion of sales is approaching, it would be wise for him to accumulate inventories to meet the expected demand. If in his judgment prices are going to rise and he is correct, it will improve his profit position to build up inventories. If his forecasts of expanded sales prove to be correct, there will be increased the likelihood of his borrowing from a bank in order to finance his accounts receivable.

Difficulties arise, of course, when his forecasts are too optimistic—with sales volumes falling short of anticipations or prices declining rapidly. Retailers found themselves in just such a situation in 1920. The value of department-store sales in the Sixth District adjusted for seasonal variations had risen almost every month during 1919, a total of 30 percent for the year. Stocks, however, had risen only 16 percent. Holiday buying was the heaviest on record, and there was a general feeling of optimism. Afterward department-store stocks expanded at a greater rate, a total of 21 percent for the first nine months of 1920, than sales increased. For the year they averaged 31 percent above the preceding year's level. Sales, however, had reached their peak in August and averaged only a 20 percent increase for the year. Retail prices, as measured by the National Industrial Conference Board's index of the living costs during 1919, had risen 10 percent and reached their peak in July 1921, when they were 26 percent higher than they were at the end of the war. It is not known just how much of the 32-percent increase in Sixth District member-bank loans during 1919 and the 12-percent increase during 1920 was owing to retail borrowing, but in the District states in November 1920 loans to both wholesale and retail merchants, which constituted about one third of total National bank loans, undoubtedly contributed a large part of the total expansion. Difficulties the retailers had in liquidating their inventories may partly explain the relatively slow decline in member-bank loans of 12 percent during 1921.

A somewhat similar occurrence took place in 1936 and 1937. On a seasonally adjusted basis department-store sales expanded 17 percent during 1936 and inventories only 9 percent. During 1937, however, stocks climbed to a peak of 17 percent in September while sales increased but 6 percent. Total Sixth District member-bank loans increased 17 percent in the first of these years and 15 percent in the second.

1946 Credit and Inventory Expansion

By historical analogy 1946 should have been a period of greatly expanded bank borrowing on the part of retailers. Sales in the latter part of 1945 had increased sharply. The value of sales for most types of retailers reached record levels in 1946 and increased 31 percent for all nine types of retailers reporting in the Sixth District. This expansion in sales brought a growth of 51 percent in accounts receivable. Between 1945 and the end of 1946 reported inventories in all nine types of retailing increased at rates greater than the sales-increase rate. For the group the rate was 83 percent. Retail prices rose rapidly in 1946, the U. S. Department of Commerce's index for all commodities increasing 21 percent from 1945 to the end of 1946.

But 1946 proved not to be analagous to past years of extraordinary sales increases. Expanded operations were evidently carried out with little resort to increased bank borrowing. As a group the Sixth District firms reporting in the retail-credit survey had, at the close of the year, a total of notes payable to banks that was smaller than their total at the end of 1945. Individually, four of the nine different types of businesses conformed to this pattern. The great rate of increase in bank loans apparent at the other stores, chiefly those selling consumer durable goods, is accounted for by the low volume of notes payable that were among their liabilities at the end of 1945. In comparison with those of 1942, borrowings for the greatest part were low. Though bank-borrowing changes in lines of retailing not covered in the survey may have conformed to a different pattern, it is doubtful that their experience, if it was known, would seriously alter the general conclusion.

Self-financing and financing through the use of trade credit kept widespread bank borrowing from materializing as it did in the two previous periods, when retailers had accumulated less reserves. There was an expansion of 45 percent in trade payables from 1945 to 1946 for all reporting businesses. Moreover, the credit secured from wholesalers and other suppliers of goods rather than that from banks was the most important source of credit for Sixth District retailers. In all the different lines of businesses reporting in the 1946 retail-credit survey except household-appliance stores, trade payables exceeded notes payable to banks. For all stores as a group, trade payables at the end of 1945 were more than three times as great as notes payable, and at the end of 1946 they were more than twice as great.

Trade Credit and Self-financing

Even in 1942 the majority of reporting retailers were able to finance their operations entirely through the use of their own funds and trade credit. In no single line of business did more than a third of the stores report any notes payable to banks, although a somewhat larger proportion might have been borrowing from banks at the end of 1941. Developments during the war years, moreover, either increased the amount of funds that retailers had for working capital or eliminated some of their need for it. Retailers, therefore, became less and less dependent upon bank financing.

For many retailers the war years meant an increase in sales, not a decline. Since 1941 sales at department stores, for example, have been increasing each year, and by 1946 they equaled 2.4 times the 1941 sales. According to previous experience more working capital in the form of inventories and accounts receivable would have been needed. But, to the contrary, the stores had the unique experience of expanding sales without a proportionate increase in credit sales. Besides making more of their purchases for cash, consumers paid their accounts more promptly, and as a result inventories declined in relation to sales. At the end of each year from 1943 through 1945 total receivables were less than they were at the end of the preceding year. Inventories at the close of 1942, of 1943, and of 1944 were approximately at the 1941 level. The final result was a liquidation of inventories and accounts by indirectly converting them into cash and Government securities. Profits from the expanded sales gave rise to bank deposits and cash, as illustrated in chart 2.

The expansion in cash and bank deposits, however, was not confined to department stores. Although jewelry-store sales, for example, expanded at a lower rate than department-store sales did, by the end of 1946 they were 1.9 times what they were in 1941. Jewelers' balance sheets showed somewhat the same changes that department-store balance sheets showed. A store with current liabilities of $100,000 in 1942, for instance, would have owned United States securities and cash amounting to approximately $140,000 at that time. By the end of 1945, however, these cash assets would have grown to $380,000. Accounts receivable would have decreased from $146,000 to $109,000, and inventories would have gone slightly lower.

Some of the other merchants were less fortunate. Auto tire and accessory stores sold less in 1942 than they did in 1941. Furthermore their increase in sales from that time on was less than that of other stores. There was a decline in 1942 of about 20 percent from the 1941 sales of furniture stores, and it was not until 1945 that the total value of their sales exceeded the 1941 amount. Perhaps the most unfortunate of all were the automobile dealers. Even by 1946 their sales had not regained the 1941 level.

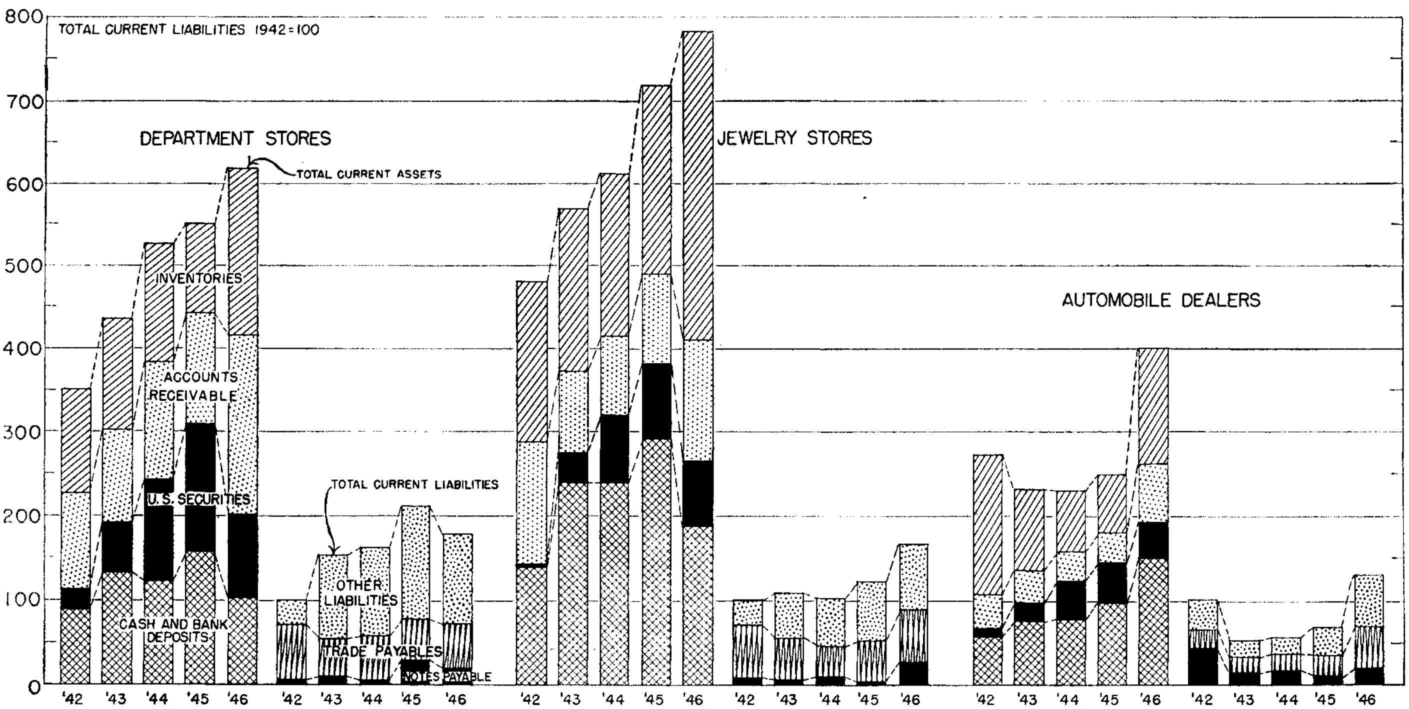
Table 2
Notes Payable, Inventories, and Accounts Receivable
Sixth District Retailers
Percent Change 1945-46

Type of Store	Sales	Inventories*	Accounts Receivable	Notes Payable to Banks	
	1945-1946	1945-1946	1945-1946	1945-46	1942-46**
Department	+ 24	+ 89	+ 60	— 36	— 66
Women's apparel	+ 8	+ 40	+ 23	— 63	— 36
Men's clothing	+ 37	+106	+ 61	— 48	— 99
Furniture	+ 43	+ 75	+ 34	— 10	— 42
Household appliance	+ 53	+135	+ 57	+177	— 86
Jewelry	+ 17	+ 28	+ 34	+670	+146
Hardware	+ 39	+ 33	+ 33	+399	— 70
Automobile	+150	+101	+ 99***	+101	— 78
Auto tire and accessory	+ 32	+ 42	+ 40***	****	****
All Types	+ 31	+ 83	+ 51	— 13	****

* At cost
** Estimated on basis of year-to-year changes of varying samples
*** Excluding instalment paper sold
****Not available
Source: Retail Credit Surveys

The firms that had wartime difficulties could not, of course, accumulate the large volumes of liquid assets in the form of cash, bank deposits, and Government securities that the others could. Partly because of the consumer-credit control, partly because of changes in the character of goods they were selling, and partly because of the higher incomes customers had been receiving, however, the proportion of credit sales made at these stores was smaller during the

Chart 2
SIXTH DISTRICT RETAILERS' CURRENT ASSET AND LIABILITY CHANGES, 1942-46



If all the District department stores, jewelry stores, and automobile dealers that had total current liabilities in equal amounts at the end of 1942 had had the average Sixth District experience, these changes would have taken place in their current asset-and-liability items. The estimates are based upon the reports of retailers participating in the annual retail-credit surveys. The comparative level of current assets and liabilities is determined by average current ratios.

war years than it had been and the rate of inventory turnover was greater. As a consequence there was some accumulation of cash and securities and some decrease in inventories and accounts receivable.

Table 3
Percent of Stores
Reporting Notes Payable to Banks
1942-46

Type of Retailer	1942	1943	1944	1945	1946			
					Small*	Medium*	Large*	Total
Department	28	15	14	13	20	25	67	25
Men's clothing	23	10	15	3	7	9	..	7
Women's apparel	35	17	13	13	24	..	50	26
Furniture	24	12	17	21	27	21	14	27
Household appliance	29	10	17	12	21	20	..	24
Jewelry	15	15	10	14	7	20	50	17
Hardware	33	26	10	7	0	17	0	15
Automobile	33	30	20	20	30	20	35	30
Auto tire and accessory	8	5	9	9	..	27	10	17

*The size classification, based on total sales, varies from one type of business to another.
Source: Retail Credit Surveys

Table 4
Changes in Current Assets
Sixth District Retailers

Type of Retailer	Percent Increase			
	Cash and Bank Deposits		Government Securities	
	1942-45*	1945-46	1942-45*	1945-46
Department	+121	—35	+360	—35
Men's clothing	+456	—16	+915	+22
Women's apparel	+144	+6	+272	+37
Furniture	+103	+20	+354	—27
Household appliance	+27	+61	+275	—33
Jewelry	+149	—36	+2453	—14
Hardware	+135	—11	+55	+2
Automobile	+77	+55	+838	—11
Auto tire & accessory	+51	—12	+270	—1

*Estimated on basis of changing samples of the firms reporting in retail-credit surveys.

Varied Borrowing in Different Lines

Apparently most of the expansion in bank loans to retailers occurred at those stores which, because of wartime restrictions, could not obtain the consumer durable goods usually composing their stock and consequently accumulated no large reserves of cash, bank deposits, or Government securities. Yet there were individual merchants even in those types of business in which total borrowings declined who increased their bank borrowings in 1946. About 10 percent of the furniture stores and about 17 percent of the department stores, for instance, reported greater amounts in notes payable at the end of 1946 than they did at the end of the preceding year. Generalizations about the reasons for these increases are difficult with the data available. It seems clear from merely the 1945 and 1946 sales experiences of those businesses whose bank borrowings increased and those whose borrowings declined or remained constant, however, that the former showed the greatest business growth. In each sized group of both department stores and furniture stores the rate of sales increase was greater for stores that were increasing their bank borrowings than it was for those who were not.

Accompanying the gains in sales were greater increases in the credit granted to customers and in some cases greater increases in inventories. Among the small department stores, for example, between 1945 and the end of 1946 those with greater bank borrowings increased their accounts receivable 27 percent and their inventories 72 percent. At the other stores the corresponding increases were 22 and 52 percent. The medium-sized furniture stores that had greater borrowings increased their accounts receivable 51 percent, and the other stores increased theirs 23 percent. Inventories, however, increased at a lower rate.

Borrowing Terms

A loan contract, of course, represents an agreement on the amount of the loan, its maturity, interest, security, and method of repayment.

The vast majority of these borrowers, it was found in the survey of commercial and industrial loans at Sixth District member banks made in November 1946, is composed of small-business men simply because a great majority of retail establishments are small. More than 12,000 of the 17,000 loans the banks had outstanding with retailers were with business firms whose assets amounted to less than $50,000 each. Their large numbers, rather than any special tendency toward greater borrowing, account for this. If there is any tendency for the frequency of bank borrowing to vary according to the size of the business, it is the larger firms that are more often the bank borrowers. In all lines of business the smaller retailers appear to have more current assets in relation to current liabilities than do the larger ones, and presumably they rely more frequently upon their own resources for working capital.

Probably because the majority of loans are made to small retailers and thus can be provided by the smaller banks, retail-trade financing is a more important part of a small bank's lending activity than it is of a large bank's. At those banks with deposits of less than two million dollars such loans constituted 32 percent of the total business lending. Their importance declined as the banks increased in size, and the yamounted to only 10 percent at banks with deposits of more than 100 million dollars.

The retailer arranging for a loan is much more likely to represent a comparatively new firm than is a borrower in another type of business. About $20 out of every $100 lent to retailers by the banks went to businesses that began after 1942, against only $12 to other businesses. More than a third of the bank credit extended to firms with assets of less than $50,000 was made to those new businesses, the proportion declining to 15 percent for businesses having total assets of less than $50,000-$250,000 and to 10 per cent for businesses with assets of more than $250,000.

About half the stores operating in 1939, according to a Department of Commerce study, had been in business less than nine years. Of the stores that had been in existence 10 years before only 51 percent were still in operation. Department stores had the best survival rate, one of 75 percent. Other rates were 57 percent for household-appliance dealers, 47 for jewelry, 44 for furniture, 43 for men's clothing, 42 for women's ready-to-wear, 40 for automobile, and from 31 for auto tire and accessories all the way down to 15 percent for heating and plumbing dealers.

The high mortality rate for stores selling consumer durable goods naturally means that a larger proportion of them was composed of new businesses. In addition a more-than-normal number of such retailers have started business since the war's end. Therefore, it is reasonable that there is in the group composed of automobile, tire-and-accessory, and filling-station dealers, for example, a larger proportion of borrowers made up of new businesses than there is in the department-store and apparel-store group. The contrast

Table 5

SIXTH DISTRICT MEMBER BANK LOANS TO RETAILERS

November 20, 1946—(Based on Summary oi Sixth District Member-bank Commercial and Industrial Loans)

	AMOUNT OF LOANS (Percent Distribution)						INTEREST RATES							
		Businesses with Total Assets, in Thousands, of:					Percent of Loans Made at Annual Percentage Rate							
Type of Retailer	All Retail Business	Less Than $50	$50 to $250	$250 to $750	$750 to $5,000	More Than $5,000	Below 2	2-3	3-4	4-5	5-7	6-7	7 and Over	Total
Food, liq., tob., drugs	23.9	29.8	20.9	9.9	33.0	...	3.6	9.6	14.3	31.2	15.6	23.4	2.3	100
Apparel, dry goods, dept., mail order	18.5	16.8	18.2	28.6	9.7	99.9	4.0	4.3	19.3	34.0	21.5	15.9	1.0	100
Home fshings. and appli., bldg. materials, hdw., farm tools, plumbing and heating	32.2	25.2	34.7	40.7	43.7	.1	10.2	1.6	13.6	35.7	23.3	13.5	2.1	100
Autos and accessories, filling stations	14.2	17.1	17.4	10.9	...	...	1.3	.4	9.2	49.6	20.8	15.9	2.8	100
All other	11.2	11.1	8.8	9.9	13.6		.2	1.4	22.1	33.7	18.7	21.1	2.8	100
All retail	100.0	100.0	100.0	100.0	100.0	100.0	5.1	3.8	15.1	36.1	20.3	17.5	2.1	100
Other than retail	....	...	...	...	...	...	19.4	14.0	21.0	27.7	11.2	6.0	.7	100

MATURITY
(Percent Distribution of Dollar Amount)

REPAYMENT METHODS
(Percent Distribution of Dollar Volume)

							Less Than One Year					More Than One Year				
Type of Retailer	One Year or Less	1-2 Years	2-5 Years	5-10 Years	Over 10 Years	Total	Single Payment	Serial Notes	Instalment	Other	Total	Single Payment	Serial Notes	Instalment	Other	Total
Food, liq., tob., restau., drugs	85.3	4.9	6.2	3.3	.3	100	83.6	.5	15.5	.4	100	2.0	10.7	85.9	1.4	100
Apparel, dry goods, dept., mail order	95.7	1.9	1.5	.9	..	100	95.5	.5	3.6	.4	100	11.9	8.6	79.5	...	100
Home fshings. and appli., bldg.mtrls., hdw	90.4	3.4	4.9	1.3	..	100	84.2	.7	10.4	4.7	100	5.3	2.5	57.0	35.2	100
Autos and acces., filling stations	85.5	1.9	3.2	4.3	5.1	100	75.0	2.9	15.3	6.8	100	3.8	21.9	74.3	...	100
All other	90.1	1.1	4.7	4.1	..	100	81.7	1.2	14.2	2.9	100	.3	18.1	81.6	...	100
All retail	89.4	3.1	4.3	2.4	.8	100	84.9	1.0	11.4	2.7	100	3.8	11.1	74.3	10.8	100
Other than retail	85.4	2.0	5.2	6.5	.9	100	79.0	3.1	15.3	2.6	100	16.7	11.0	67.1	5.2	100

SECURITY OF LOANS

	Retailers	Other Than Retailers
Unsecured	35.5	34
Endorsement or comaker	15.9	8
Liens on inventories	6.7	14
Liens on equipment	4.4	7
Liens on real estate	14.0	13
Liens on liquid assets (Securities, accts. rec., etc.)	18.9	18
Government guarantees	.5	2

is greater in groups of businesses with total assets of more than $50,000 than it is in groups of smaller firms. Loans to new businesses carry greater risks, but security requirements and the short-term nature of the credit granted lessen the risk.

Since the retail borrower is more likely than other borrowers to be the operator of a newly formed business, and hence a small-business man, his financial needs are likely to be smaller than theirs. The average size of all retail loans at Sixth District member banks in November 1946 was $5,107 against an average of $16,815 for other types of loans. Of course, the average size of the retail loan increases with the size of the business—from $2,415 for firms with assets of less than $50,000 to $111,700 for firms with assets of more than five million dollars. On an average the notes of retailers were a third to a half smaller, however, than those of other business firms of the same size.

Most frequently, of course, the note signed by the retailer provided for repayment within a year or a shorter period. The loan officers of the banks, however, did make loans for longer periods, up to more than 10 years. In November the volume of loans of more than a year's maturity totaled about 10 percent of all loans to retailers. The proprietors of food, liquor, tobacco, and drug stores and restaurants, automobile accessory stores, and filling stations were more likely than other merchants to contract for such term loans. On the whole, their term borrowings amounted to 15 percent of their total borrowings. As far as the reports indicate, proceeds from such loans were used for equipment installation and other capital improvements. Only 4 percent of the loans to apparel, dry-goods, department, and general stores were for more than a year. A term loan to any type of retailer was more likely to be for a period of from two to five years than for either a shorter or a longer period.

Repayment agreements on loans made for a year or less usually provided for only a single payment, and such a provision was more likely to occur in those made with retailers than in those with other business borrowers. When the loan was a term loan, however, about three fourths of its amount was covered by arrangements for instalment payments.

Retailers provide just about the same type of security as other businessmen do, but perhaps with more emphasis on personal security. Inventories secure only about 7 percent of the amount of their loans.

Possibly because of the lower amount of the average loan, the smaller size of the business, or the greater risk involved, loan agreements between banks and retailers provide for slightly higher rates of interest than do the average agreements with other types of businesses. Although 60 percent of the dollar amount of loans to retailers was made at a rate lower than 5 percent, 82 percent of the amount of loans to other businesses was made below that figure. Nevertheless, only 2 percent of the amount of retailers' loans was made at rates exceeding 7 percent and about 25 percent of it was made at rates lower even than 4 percent. In general more of the loans at the higher rates of interest were made to the automobile and miscellaneous groups of retailers than to the others. The lower rates of interest were paid by the apparel, department, and general merchandise group of stores.

Prospects

The element "conditions", according to one observer, has joined the three "C's"—character, capacity, and capital—that have customarily been cited as the basis for appraising a credit risk. Certainly economic conditions will play an increasingly important role in the future financing of retail trade by banks.

With a continuation of present conditions there would be little immediate need for additional financing. This general conclusion is supported by a survey of a limited number of retailers in the District's large cities made by this bank in the first quarter of 1947, but, exceptions may, of course, occur among individual firms and particular types of business.

Any economic change that reduces the level of cash assets in relation to liabilities in the area will, naturally, increase the likelihood of greater bank borrowing by retailers. The lower the level of cash assets, the greater is the influence of seasonal factors on credit needs. Further conversion of cash assets either into inventories or into accounts receivable will also hasten such a change.

Despite the expansion of inventories during 1946, stocks in most lines of retailing failed to reach their prewar relation to sales. If they conformed to historical analogy by resuming that relationship now, they would be so large that their financing by means of cash, bank deposits, and Government securities would be impossible. The operations of 1947, however, give no evidence that retailers intend to attempt a return to the prewar sales-stock ratio.

At the reporting department stores in the Sixth District inventories grew only negligibly during the first quarter, with a marked decline in outstanding orders, and at the furniture stores, though higher this year than they were in the corresponding months last year, they stood at approximately the December level on the last day of April. If the inventories of furniture stores had conformed to their pattern of the previous five years, they would have increased about 10 percent in the first four months of the year. In many lines retailers whose inventories of certain goods appear excessive have recently been attempting to dispose of stocks and otherwise adjust their inventory position.

That inventories will never return to their prewar relation to sales is a possibility discussed to some extent. It is maintained in these discussions that the quicker air freight and motor transport deliveries make a hand-to-mouth-buying policy even easier than it was before the war. Working against such a possibility, however, is the tendency competition has to force retailers into providing a wider selection for their customers. In any event, the increasing availability of consumers' durable goods will no doubt bring about some increase in inventories.

A drastic falling off in sales would of course automatically increase the ratio of stocks to sales, in an unwelcome manner. If these inventories had been built up chiefly through the use of bank or trade credit, a sales decline would mean that prices would have to be cut severely in order to liquidate them. The result might be a failure to liquidate bank loans and even an attempt to increase them. Fortunately, however, because the recent expansion in inventories has not been based primarily on credit there would probably be a more orderly adjustment.

As a group the retailers reporting could, at the time of the credit survey, have paid all their obligations to banks and their trade creditors without exhausting their cash and bank deposits.

More probable than an expansion in inventories is an expansion in the credit retailers extend to their customers. The application of historical analogy may be misleading in this case also. Perhaps both consumers and businessmen will continue to maintain a higher cash position than they had before the war and will never return to their prewar credit-buying habits. But if 1947 is to end as a year of heavier buying in consumer durable goods, there will have to be an increased use of instalment credit.

Reports received from department, jewelry, furniture and household-appliance stores in this District show a month-to-month increase in the proportion of goods sold on instalment credit so far this year. It is probable that further increases in the proportion of credit sales will occur. Instalment accounts outstanding have increased as a result not only of greater instalment sales but of longer repayment periods.

Recent retail-price increases also point to an expanded use of such credit by consumers in the future. They have reduced the purchasing power of savings for the buying of consumer durable items. In addition price increases in nondurable goods reduce the margin of income available for the cash purchase of high-unit-cost goods. An increase in the prices of durable goods themselves further reduces their purchase for cash.

During a scarcity of durable goods, credit terms have little bearing on the consumer's choice of a retailer. As immediate delivery becomes possible for more and more durable goods, the consumer's selection of a retailer depends increasingly on the credit terms offered. Thus competition may result in both an increase in the amount of credit granted and a lengthening of the repayment period. Easy credit terms are again becoming a prominent feature in newspaper advertisements.

These factors probably combine to bring about an increase in the use of bank credit by the retailer gradually rather than suddenly. The retailers of consumer durable goods and those individual retailers whose wartime operations were insufficient to build up their cash positions may find it necessary to borrow from banks sooner than the others.

A precise appraisal by Sixth District bankers of retailers' credit needs will depend more and more upon careful attention to economic conditions in the region. Mistakes of both retailers and bankers that would cause trouble during ordinary times do not show up during periods of rapidly increasing sales, expanding incomes, and rising prices. Even though the results of these mistakes are not automatically corrected in less expansionary periods and more vigilance is necessary, the banks must meet legitimate credit needs. By meeting them the banks provide one of the elements essential to sustain economic activity.

CHARLES T. TAYLOR.

Bank Announcements

The First National Bank of East Point, Georgia, on June 2 converted from state-bank status to National-bank status and thus became a member of the System. This bank has a capital of $100,000 and a surplus of $25,000. William R. Bowdoin is president, and Charles E. Wells vice president and cashier.

Another new member bank is the Alabama Exchange Bank of Tuskegee, located in the Birmingham branch zone, which joined the System on June 16. The officers are J. W. Rushing, president; J. A. Parker, vice president and cashier; F. J. Eich, assistant cashier; and H. N. Watson, assistant cashier. Capital stock of this bank is $50,000, surplus $25,000, undivided profits are $44,000, and deposits are $1,425,000.

Five new banks have been added to the par list recently. The Union Bank, Jamestown, Tennessee, located in territory served by the Nashville branch, began remitting at par on May 26. Arthur Gernt is president, Kirby Johnson and Joe Young are vice presidents, Helen Ross is cashier, and O. E. Hull assistant cashier. The bank has capital stock of $75,000, surplus and undivided profits of $90,000, and deposits of $2,114,000.

The second addition to the par list is The Riverside Bank of Jacksonville, Florida. This newly organized bank began remitting at par on May 29. J. E. Graves, Jr., is chairman of the board, Julian E. Fant president, E. E. Patterson executive vice president, F. W. Brundick, Jr., vice president, and A. G. Frampton cashier. The capital stock is $100,000, and the surplus and undivided profits are $20,000.

Another addition to the par list is The Peoples Bank of Auburndale, Florida, which is in the Jacksonville branch territory. It began remitting at par on June 1. The bank has capital stock of $25,000, surplus of $90,000, undivided profits of $10,136, and deposits of $1,839,539. The officers are C. F. Smith, chairman of the board; C. V. McClurg, president; Jennie Smith Hart, C. W. Palmore and F. U. Nelson, vice presidents; H. C. McCollum, cashier; and W. C. Driver, assistant cashier.

The Bank of Fulton County, East Point, Georgia, began remitting at par on June 17. George F. Longino is president, F. W. Cooper is executive vice president and cashier, C. E. Flowers and George F. Longino, Jr., are vice presidents, and Mrs. Margaret Richardson is assistant cashier. The bank has $100,000 in capital stock, $61,000 in surplus and undivided profits, and $5,060,000 in deposits.

The last of the five additions to the par list is The City Bank of Tuskegee, Alabama. It began remitting at par on June 19. The officers of the bank are E. C. Laslie, president; Floyd F. Foreman, vice president; George T. Bryant, vice president and cashier; and Evelyn C. Page, assistant cashier. The bank's capital stock is $50,000, its surplus and undivided profits are $49,000, and deposits $1,910,000.

The First Trust Company, the American National Bank of Miami, and The First National Bank of Miami—all of Miami, Florida—consolidated at the close of business June 14 under the charter and title of The First National Bank of Miami.

Sixth District Statistics

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES
(In Thousands of Dollars)

Item	June 18 1947	May 21 1947	June 19 1946	Percent Change June 18, 1947, from May 21 1947	Percent Change June 18, 1947, from June 19 1946
Loans and investments—Total	1,892,131	1,905,810	2,144,785	— 1	— 12
Loans—total	572,749	572,718	504,761	+ 0	+ 13
Commercial, industrial, and agricultural loans	328,721	331,061	244,564	— 1	+ 34
Loans to brokers and dealers in securities	6,007	5,115	13,668	+ 17	— 56
Other loans for purchasing and carrying securities	71,125	72,272	116,711	— 2	— 39
Real estate loans	46,481	46,422	30,752	+ 0	+ 51
Loans to banks	3,735	3,514	3,571	+ 6	+ 5
Other loans	116,680	114,334	95,495	+ 2	+ 22
Investments—total	1,319,382	1,333,092	1,640,024	— 1	— 20
U. S. direct obligations	360,093	372,929	671,085	— 3	— 46
Obligations guaranteed by U. S.	798,494	800,880	808,291	— 0	— 1
Other securities	160,795	159,283	160,648	+ 1	+ 0
Reserve with F. R. Bank	357,592	363,470	362,737	— 2	— 1
Cash in vault	31,827	31,209	30,413	+ 2	+ 5
Balances with domestic banks	148,289	142,654	139,194	+ 4	+ 7
Demand deposits adjusted	1,409,210	1,403,291	1,377,620	+ 0	+ 2
Time deposits	462,046	462,190	445,915	— 0	+ 4
U. S. Gov't deposits	13,279	34,006	250,453	— 61	— 95
Deposits of domestic banks	411,627	414,799	477,716	— 1	— 14
Borrowings	4,000	1,000	3,000	+300	+ 33

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	No. of Banks Reporting	May 1947	April 1947	May 1946	Percent Change May 1947 from April 1947	Percent Change May 1947 from May 1946
ALABAMA						
Anniston	3	19,824	19,383	17,967	+ 2	+ 10
Birmingham	6	278,657	274,089	232,949	+ 2	+ 20
Dothan	2	9,769	9,201	8,255	+ 6	+ 18
Gadsden	3	17,557	15,746	13,334	+ 12	+ 32
Mobile	4	126,476	111,130	99,520	+ 14	+ 27
Montgomery	3	65,010	63,144	54,142	+ 3	+ 20
FLORIDA						
Jacksonville	3	232,211	233,998	208,626	— 1	+ 11
Miami	8	198,508	212,923	187,208	— 7	+ 6
Greater Miami*	13	281,993	306,309	274,177	— 8	+ 3
Orlando	2	43,459	42,893	48,610	+ 1	— 11
Pensacola	3	31,585	30,609	29,895	+ 3	+ 6
St. Petersburg	3	48,840	52,628	44,501	— 7	+ 10
Tampa	3	98,746	102,357	97,551	— 4	+ 1
GEORGIA						
Albany	2	13,637	13,564	11,290	+ 1	+ 21
Atlanta	4	729,671	696,947	595,321	+ 5	+ 23
Augusta	3	49,268	53,542	43,165	— 8	+ 14
Brunswick	2	8,529	8,379	8,291	+ 2	+ 3
Columbus	4	57,302	54,244	43,500	+ 6	+ 32
Elberton	2	3,821	3,415	2,946	+ 12	+ 30
Gainesville*	3	12,662	11,267	11,151	+ 12	+ 14
Griffin*	2	10,393	10,072	8,149	+ 3	+ 28
Macon	3	56,396	51,503	46,411	+ 10	+ 22
Newnan	2	6,658	6,362	6,283	+ 5	+ 6
Rome*	3	18,438	18,422	16,498	+ 0	+ 12
Savannah	4	80,454	76,503	74,063	+ 5	+ 9
Valdosta	2	10,178	11,401	9,618	— 11	+ 6
LOUISIANA						
Baton Rouge	3	74,528	67,507	60,959	+ 10	+ 22
Lake Charles	3	24,045	24,420	20,716	— 2	+ 16
New Orleans	7	535,873	566,402	507,946	— 5	+ 5
MISSISSIPPI						
Hattiesburg	2	15,730	15,038	14,488	+ 5	+ 9
Jackson	4	101,224	97,471	77,035	+ 4	+ 31
Meridian	3	23,770	24,771	22,884	— 4	+ 4
Vicksburg	2	20,727	20,571	20,678	+ 1	+ 0
TENNESSEE						
Chattanooga	4	121,819	118,689	106,253	+ 3	+ 15
Knoxville	4	101,042	100,150	93,925	+ 1	+ 8
Nashville	6	249,017	261,432	224,518	— 5	+ 11
SIXTH DISTRICT 32 Cities	109	3,454,331	3,440,412	3,032,848	+ 0	+ 14
UNITED STATES 334 Cities		87,833,000	87,766,000	85,908,000	+ 0	+ 2

* Not included in Sixth District total

District Business Conditions

Trade

SALES during the first half of 1947 at Sixth District department stores probably surpassed those during the first half of 1946 in dollar volume by 7 percent. On the basis of an estimate of 252 million dollars worth of goods already sold at all Sixth District department stores during 1947, the 1947 total will be equal to the 1946 record dollar volume even if sales during the rest of the year fall slightly below the level for the last half of 1946.

Although consumers probably spent more during the first half of 1947 than they did in the same period of 1946, they received less goods for their money and they bought different types of merchandise. Prices of all commodities sold in retail stores, according to the U. S. Department of Commerce's index, were about a quarter higher on an average during the first half of this year than they were during the first half of 1946.

Food prices, of course, have led the general advance in retail prices, the price of the foods purchased by moderate-income families advancing 33 percent in the nation as a whole between April 1946 and April 1947. These families' clothing, however, cost them 19 percent more and their house furnishings 20 percent more. Altogether, the national consumers' price index advanced 19 per cent.

The Sixth District consumers, according to the District index of consumer prices, fared slightly worse, for the prices of the goods they bought increased 20 percent. Although in the District the rate of increase in the price of home furnishings was less than the national rate, the rates of increase in the prices of food and clothing were well above those for the nation. During recent months, however, this advance has been altered. The Sixth District consumer-price index for all commodities was 162 for April (1935-39 = 100), against 163 for March and 159 for January and February.

The direction consumer spending has taken during 1947 is shown by the sales of the Sixth District department stores that report their sales by departments. Customers at these stores spent less during the first four months of 1947 than they did during the first four months of 1946 for luxury and textile items such as jewelry, luggage, linens and bedding, and women's and misses' dresses, coats, and hosiery. They spent very little more—an increase up to only 5 percent—for such items as draperies, handkerchiefs, millinery, and men's furnishings. They spent very much more—from two to three times as much—for such durable goods as radios, refrigerators, and other household appliances.

These changes typify the nation-wide buying shift from nondurable consumer goods to durable goods. Changes in consumer demands will be reflected eventually, if not immediately, in manufacturing operations. In the Sixth District, where the manufacturing output is chiefly in nondurables, these shifts in demands may challenge the managerial ability of the area more than they will that of other regions.

Assured of a market for practically all of their production during the sellers' market of the immediate postwar months, most of the new firms established in small towns of the District did not have marketing as their chief problem. A recent Department of Commerce study lists the supply and labor shortages, rather than the lack of markets, as the chief cause of the few failures of manufacturing firms that did occur in the second quarter of 1946.

Now, however, observers are reporting that some retailers are removing from their supply lists the small firms, many of them new, which were eagerly sought out when goods were scarce and that the small firms which are being retained as suppliers are those that either produce particularly high-quality goods or offer extraordinarily low prices.

Some new firms have already reported that marketing difficulties have curtailed or shut down their operations. This condition is not necessarily a sign of decreasing general business activity but may merely be one of a return to the rigors of the free-enterprise system in which rewards go to the firms that can meet high efficiency standards. In any case, it adds one more problem to the multitude of difficulties involved in establishing new manufacturing businesses in small Southern communities.

Finance

For the first time in 17 years the U. S. Government has ended its fiscal year without a deficit. On June 10, only 20 days before the end of the 1947 fiscal year, the Treasury reported that the total budgetary surplus amounted to 393 million dollars, contrasted with a deficit of 20 billion dollars on the same date in 1946. Receipts during the rest of June were expected to increase the budgetary surplus to one and a quarter billion dollars.

The last fiscal year during which the Government's receipts exceeded expenditures was 1930, when the surplus amounted to approximately 700 million dollars. Then both the receipts and expenditures were only about a tenth of what they were in 1947. During the 17-year period first the depression and then the war brought deficits, the heaviest deficit, 54 billion dollars, coming in 1945 as a result of the tremendous war-finance costs. For the fiscal year 1946 the net budgetary deficit fell to 21 billion dollars, chiefly because of a decline in war expenditures.

Though the net budgetary receipts declined slightly—600 million dollars by June 10—during the fiscal year 1947, the expenditures decreased more than 21 billion. General expenditures, according to the Treasury Department's classification, rather than the war expenditures were the heavier during 1947. National-defense and related activities, however, accounted for 16 billion dollars of the total, and much of those expenditures classified as general were direct legacies of the war, including the 6.2 billion dollars for the Veteran's Administration, the 3.6-billion-dollar interest on the public debt, the two-billion-dollar credit to the United Kingdom, the 1.4-billion-dollar payments under the Breton-Woods Agreement, and part of the 2.4-billion-dollar expenditure by the Agricultural Department.

The 17 years of deficit Government finance have, of course, had a very great effect on banking in the Sixth District as well as on that throughout the nation. In mid-1930 the Sixth District member banks owned 17 million dollars worth of U. S. Government obligations. By the end of 1945 their holdings had grown to 3.3 billion dollars. Whereas in 1930 their holdings of Government obligations amounted to 11 percent of their total loans and investments, at the end of

1945 they comprised 71 percent. The expansion of bank-held debt was the chief factor accounting for the increase in District member-bank deposits from 1.1 billion dollars in 1930 to 6.2 billion at the end of 1945.

Just as the Treasury's budgetary deficits, which, in turn, expanded in bank-held Government debt, worked to increase member-bank security holdings and to expand deposits, the elimination of this deficit has had the opposite effect during recent months. During the period from the end of June 1946 to the end of May 1947, when the public debt declined by more than 13 billion dollars, Sixth District member banks reduced their holdings of Government securities 525 million dollars, or 17 percent. Their total deposits were down 397 million dollars, or also 17 percent. C. T. T.

Electric-Power Use in the Sixth District

District electric utilities during the first half of 1947 supplied the heaviest power demand on record. Daily average power production in February rose 7 percent above the war peak, and even during the late spring, the slack season for the power industry, electricity consumption was still higher than it was at any time during the war.

The major increases in the volume use of power have come from the industrial growth during the war, especially in those industries which are heavy users of power, such as the chemical and metallurgical industries. Moreover, fuller wartime fabrication of District products required more power-using machinery. Industrial-power use, which accounts for about two thirds of the total power output, as a result almost doubled in the Six States during the war.

Although less important in volume, the use of domestic power by Sixth District families also has risen. The extension of lines to new customers, particularly in rural areas, was one reason for this increase. In the Six States during 1940 only 181,531 farms were served by electric power, whereas in 1945, 318,594 farm houses had central-station electrical connections—an increase of 76 per cent in the number of farm customers.

Rising incomes have also caused increased power consumption in the District states. When families in the low-income groups receive increases in their incomes, many of them add to their comfort by installing electrical appliances. Since few appliances were available during the war, many of the war bonds and savings accounts of U. S. families were destined for use in buying postwar electric appliances. According to a recent survey, during 1946 13 million U. S. customers bought consumer durables such as refrigerators, radios, and washing machines—all powered by electricity.

There is little reason to believe that the growth in power use in the District has reached its peak. The Federal Power Commission estimates that the average District family's consumption of power by 1970 will be more than double the 1940 figure and that the total power requirements of District-state industries in 1970 will be almost two and a half times the amount used in 1940. T. R. A.

Agriculture

Demands for agricultural products continue strong with farm prices generally at the high levels prevailing at the beginning of the year. Meat-animal prices, particularly, are higher than usual in relation to such factors as consumer incomes, meat production, and meat exports.

Sixth District Indexes

DEPARTMENT STORE SALES*

	Adjusted**			Unadjusted		
	May 1947	Apr. 1947	May 1946	May 1947	Apr. 1947	May 1946
DISTRICT	367	353	329	348	350	313
Atlanta	405	409	371	385	366	352
Baton Rouge	390	390	335	386	383	332
Birmingham	364	343	315	346	322	299
Chattanooga	375	348	326	375	344	326
Jackson	328	333	319	308	324	300
Jacksonville	425	455	378	404	434	359
Knoxville	370	330	335	351	312	319
Macon	329	314	309	319	310	300
Miami	350	362	322	308	369	283
Montgomery	367	352	321	345	332	302
Nashville	470	400	398	461	406	390
New Orleans	323	318	288	303	319	271
Tampa	428	469	414	428	482	414

DEPARTMENT STORE STOCKS

	Adjusted**			Unadjusted		
	May 1947	Apr. 1947	May 1946	May 1947	Apr. 1947	May 1946
DISTRICT	309	320	239	300	317	232
Atlanta	370	371	356	376	395	361
Birmingham	219	237	168	224	246	173
Montgomery	316	322	266	321	347	270
Nashville	415	423	368	421	469	373
New Orleans	295	299	151	304	319	156

LUMBER PRODUCTION*

	Adjusted**			Unadjusted		
	Apr. 1947	Mar. 1947	Apr. 1946	Apr. 1947	Mar. 1947	Apr. 1946
SIX STATES	109	117	112	113	115	117
Alabama	107	124	142	110	124	146
Florida	86	70	43	91	73	46
Georgia	142	136	140	136	140	134
Louisiana	90	100	77	90	94	77
Mississippi	108	134	111	105	126	107
Tennessee	178	138	217	185	124	226

	COTTON CONSUMPTION*			COAL CONSUMPTION***		
	May 1947	Apr. 1947	May 1946	May 1947	Apr. 1947	May 1946
TOTAL	162	169	163	n.a.	117	52
Alabama	191	181	173	n.a.	124	62
Georgia	152	167	161	n.a.	...	..
Tennessee	121	133	133	n.a.	101	30

	MANUFACTURING EMPLOYMENT***			GASOLINE TAX COLLECTIONS		
	Apr. 1947	Mar. 1947	Apr. 1946	May 1947	Apr. 1947	May 1946
SIX STATES	142	144	134	168	170	152
Alabama	154	154	138	174	175	161
Florida	118	127	116	171	187	151
Georgia	133	133	128	162	159	146
Louisiana	135	134r	134	149	152	142
Mississippi	153	157	141	160	160	159
Tennessee	153	154r	142	186	180	158

CONSUMERS' PRICE INDEX

	Apr. 1947	Mar. 1947	Apr. 1946
ALL ITEMS	162	163	135
Food	200	202	146
Clothing	181	180	151
Rent	n.a.	n.a.	115
Fuel, elec. and ice	122	121	111
Home furnishings	176	177	150
Misc.	143	141	132
Purchasing power of dollar	.62	.61	.74

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	May 1947	Apr. 1947	May 1946
Unadjusted	241	238	218
Adjusted**	245	234	221

ELECTRIC POWER PRODUCTION*

	Apr. 1947	Mar. 1947	Apr. 1946
SIX STATES	303	307	251
Hydro-generated	296	325	301
Fuel-generated	312	284	185

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	May 1947	Apr. 1947	May 1946
Unadjusted	17.3	18.4	15.1
Adjusted**	18.6	18.7	16.2
Index**	71.9	72.3	62.8

*Daily average basis
**Adjusted for seasonal variation
***1939 monthly average=100; other indexes, 1935-39=100
r Revised
n.a. Not available

To those of the District farmers who are expanding their livestock production the long-run trends in food consumption probably will be more important than the short-run demand changes. These trends indicate long-time shifts from grains and potatoes to more concentrated foods such as meat and dairy products. Since 1935 there has been an unmistakable upward trend in meat consumption.

CIVILIAN CONSUMPTION OF MEAT PER PERSON IN THE UNITED STATES (Pounds)

Commodity	Average 1935-39	1943	1944	1945	1946	1947 (Est.)
Total meat (dressed weight)	125.6	138.4	152.7	143.8	152.8	153
Beef	54.8	49.6	53.6	58.9	60.5	69
Veal	8.0	8.1	12.3	11.8	9.9	11
Lamb and mutton	6.7	6.3	6.7	7.2	6.7	5
Pork (excluding lard)	56.1	74.4	80.1	65.9	75.7	68

Despite favorable prices in the past few years, the nation's farmers have been reducing the number of all kinds of livestock. Sheep numbers have declined steadily since 1941 in all sections of the country. Hogs declined from a peak of 83.7 million head in 1944 to 57 million head in 1947. Cattle numbers have declined moderately since 1945, apparently in a continuation of the downward phase of the numbers cycle. If the downward phase follows the usual course, cattle numbers will decline during the next four to seven years. Cattle numbers on Sixth District farms, however, have declined very little since the 1945 peak in numbers was reached. In January of this year farmers in Florida, Georgia, and Tennessee actually had more cattle than they had in January of last year. If total cattle numbers continue to decline, beef production will be large during the next few years but the nation's capacity to produce beef will be reduced.

High consumer demand for meats, long-run changes in eating habits, and a prospective decline in beef-production capacity appear to offer substantial possibilities for expansion of the District's livestock industry. Farmers can realize these possibilities, however, only if they can increase feed production.

Several developments suggest a brighter future for feed production. The change from animal power to mechanical power on farms is releasing additional crop acres which can be used for growing livestock feed. Hybrid seed corn promises to increase output of the high-carbohydrate feeds necessary to the production of high-quality livestock. New fertilizer practices, such as the use of boron in growing alfalfa, may make possible increased acreage of the high-yielding legume forage crops. Adaptation of pasture-grass mixtures that will greatly increase both the length of the pasture season and carrying capacity offers opportunities for the production of more feed in pastures.

B. R. R.

RETAIL JEWELRY STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change May 1947 from April 1947	Percent Change May 1947 from May 1946
Total sales	21	+ 27	— 1
Cash sales	20	+ 34	— 18
Credit sales	20	+ 25	+ 15
Accounts receivable, end of month	21	+ 6	+ 49
Collections during month	21	+ 9	+ 23

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	Number Reporting	Volume: Percent Change May 1947 from April 1947	Volume: May 1946	Outstandings: Percent Change May 1947 from April 1947	Outstandings: May 1946
Federal credit unions	44	+ 11	+ 54	+ 6	+ 59
State credit unions	25	+ 14	+ 55	+ 8	+ 54
Industrial banking companies	11	+ 1	— 4	+ 1	+ 35
Industrial loan companies	24	— 14	+ 38	+ 1	+ 35
Small loan companies	54	+ 0	+ 16	+ 0	+ 18
Commercial banks	34	+ 2	+ 63	+ 6	+ 89

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change May 1947 from April 1947	Percent Change May 1947 from May 1946
Total sales	96	+ 16	+ 23
Cash sales	88	+ 12	— 10
Instalment and other credit sales	88	+ 17	+ 30
Accounts receivable, end of month	95	+ 6	+ 39
Collections during month	95	+ 5	+ 24
Inventories, end of month	74	— 7	+ 24

WHOLESALE SALES AND INVENTORIES*

Items	Sales: No. of Firms Reporting	Sales: Percent Change May 1947 from Apr. 1947	Sales: May 1946	Inventories: No. of Firms Reporting	Inventories: Percent Change May 31, 1947, from Apr. 30 1947	Inventories: May 31 1946
Automotive supplies	9	+ 5	— 5	7	+ 0	+ 55
Clothing and shoes	6	+ 5	— 4	..	.....	.....
Drugs and sundries	10	— 9	— 2	3	— 1	+ 11
Dry goods	10	— 0	— 26	5	— 1	+ 33
Farm supplies	3	— 8	+ 71	..	.....	.....
Confectionery	3	+ 15	+ 35			
Groceries				..	.....	.....
Full lines	30	— 1	+ 6	16	— 4	+ 52
Specialty lines	8	+ 5	+ 20	3	— 8	+ 46
Beer	3	— 14	— 60	3	— 10	+ 11
General hardware	7	+ 2	+ 44	3	— 5	+ 97
Industrial supplies	4	+ 11	+ 52	..	.....	.....
Lumber and building materials	4	— 1	+100	..	.....	.....
Machinery, eqp., and supplies	4	— 9	+ 31	..	.....	.....
Tobacco products	7	— 9	— 8	3	0	+ 29
Miscellaneous	13	+ 5	+ 43	14	— 4	+ 75
Total	121	+ 0	+ 13	57	— 3	+ 53

* Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND STOCKS

Place	Sales: No. of Stores Reporting	Sales: Percent Change May 1947 from Apr. 1947	Sales: May 1946	Inventories: No. of Stores Reporting	Inventories: Percent Change May 31, 1947, from Apr. 30 1947	Inventories: May 31 1946
ALABAMA						
Birmingham	5	+ 12	+ 13	4	— 9	+ 30
Mobile	5	+ 14	+ 17	..	.....	.....
Montgomery	3	+ 8	+ 14	3	— 8	+ 19
FLORIDA						
Jacksonville	4	— 4	+ 13	3	— 6	— 7
Miami	4	— 13	+ 9	3	+ 2	+ 28
Orlando	3	— 11	+ 1	..	.....	.....
Tampa	5	— 8	+ 2	3	— 2	+ 14
GEORGIA						
Atlanta	6	+ 9	+ 9	5	— 5	+ 4
Augusta	4	+ 2	+ 15	3	— 2	+ 14
Columbus	3	+ 3	+ 16	..	.....	.....
Macon	4	+ 7	+ 6	4	— 7	+ 27
LOUISIANA						
Baton Rouge	4	+ 5	+ 16	4	— 7	+ 54
New Orleans	5	— 1	+ 11	4	— 5	+ 95
MISSISSIPPI						
Jackson	4	— 1	+ 7	4	— 7	+ 35
TENNESSEE						
Bristol	3	+ 12	+ 26	3	— 9	+ 94
Chattanooga	4	+ 13	+ 14	3	— 12	+ 65
Knoxville	4	+ 17	+ 10	..	.....	.....
Nashville	6	+ 18	+ 18	5	— 10	+ 13
OTHER CITIES*	18	— 3	+ 8	22	— 2	+ 32
DISTRICT	94	+ 4	+ 11	73	— 5	+ 29

* When fewer than 3 stores report in a given city, the sales or stocks are grouped together under "other cities."