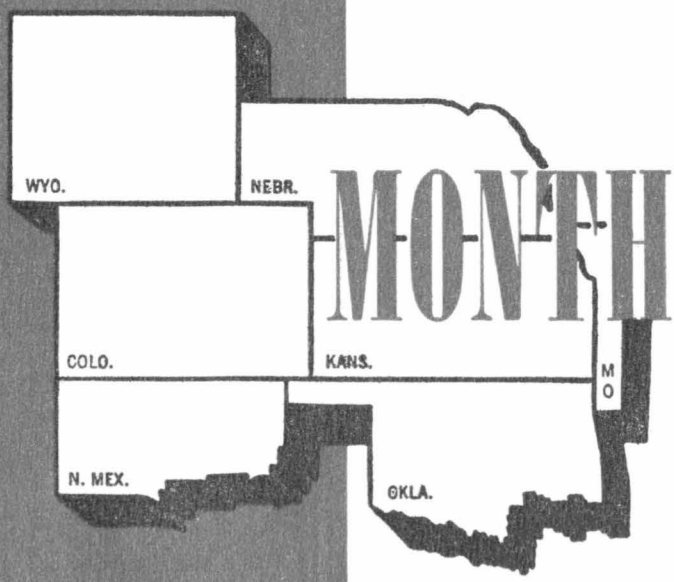
June 1958



MONTHLY REVIEW

In This Issue

FEDERAL RESERVE BANK
OF KANSAS CITY

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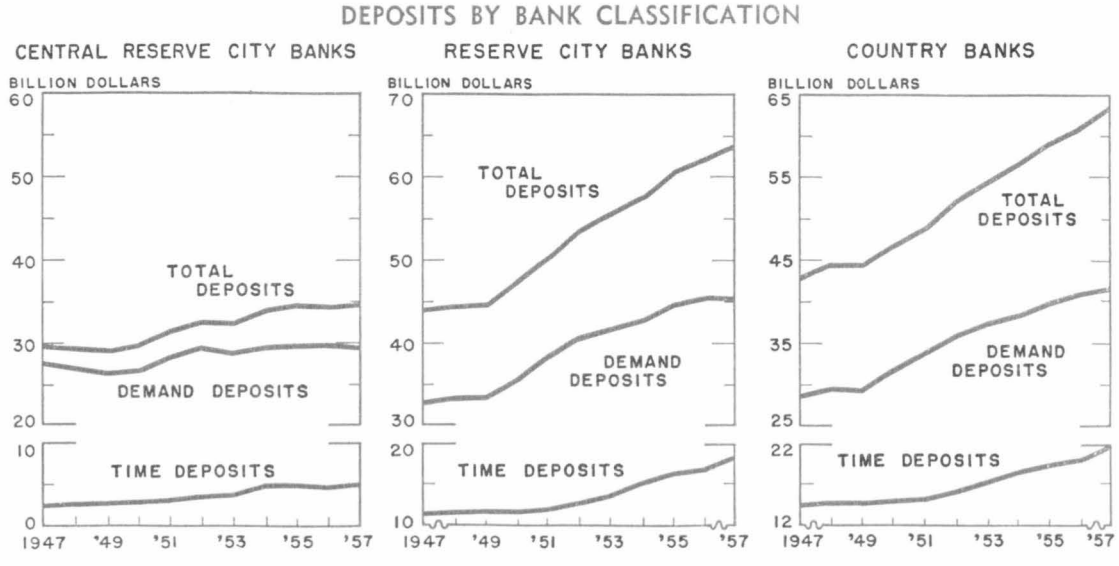
Long - Run and Short - Run Influences on Deposit Distribution

UNDER THE RESTRICTIVE monetary policy that was applied from early in 1955 until the last quarter of 1957, the credit- and money-creating capacity of the financial system was held in check as credit demands soared in company with sharply rising economic activity. A number of forces were set in motion as the economy sought to stretch its available financial resources to meet the pressure of demands for credit. Rising interest rates attracted idle balances to the capital markets or to financial institutions, such as mutual savings banks and savings and loan associations. Corporate treasurers managed their cash positions more closely, transacting a larger volume of business without a proportionate increase of balances, and even investing funds for short periods so as to contribute to earnings. Some potential borrowers found it impossible to fill their requirements for funds and others curtailed their demands in the face of higher interest costs.

This accelerated use of the available money supply was thought to have led to a redistribution of deposits among banks, on the assumption that balances would tend to gravitate to banks whose depositors were less aggressive in the management of their cash positions. This process, in turn, was considered a possible avenue through which the over-all restriction on credit was moderated for some borrowers and intensified for others, depending upon whether their banks gained or lost reserves through the movement of funds. Larger banks particularly were supposed to have been hampered by these flows of deposits because they held large accounts on which potential gains from efficient cash management were greatest. These effects have been thought by some analysts to have been re-enforced by the movement of population to suburbs and the related shift of funds to smaller banks.

A variety of approaches have been applied to these questions in seeking a line of analysis which, as a minimum, would outline the complicated processes at work and possibly supply a clear-cut basis upon which the numerous forces operating could be evaluated. One possible attack is through an examination of the redistribution of deposits among banks over a longer period than the past 3 years to determine whether recent changes represented an extension of existing trends or whether a departure from these trends recently occurred. Such a procedure may afford a basis for evaluating the significance of some forces thought to be producing the deposit redistribution.

In examining the redistribution of deposits, it is convenient to use the readily available data for the classification of banks into central



reserve city, reserve city, and country banks. The principles upon which these classifications are based lead to a grouping that is reasonably appropriate in the case of questions relating to the effects of suburbanization, and there is an approximate correspondence between these groupings and others based upon size of bank or average size of deposit. For certain questions, a more refined grouping of banks based on average deposit size would be somewhat more pertinent.

It may be noted that the composition of the reserve city and country member bank groups is not permanent over a period of time. The extension of branch banking systems in some states causes deposits located in smaller communities to be reported by the parent and for deposits arbitrarily to be moved from one class to the other. On the other hand, the reserve classification of a number of cities and of banks within cities has been changed from reserve city to country bank status during the postwar period, and this has had the opposite effect upon the volume of deposits in the two classes. Other minor changes occur as new members join the Federal Reserve System or as others relinquish membership. Rough examination of the magnitudes of the net changes resulting from these factors indicates that they are not significant for the range of observation contemplated in the following analysis.

Postwar Trends in Deposits

The accompanying charts on "Deposits by Bank Classification" show the movements of gross demand and time deposits of the three classes of banks in the years 1947-57. Reserve city and country banks had almost identical increases in total deposits and in each of the deposit types. From 1947 to 1951, the volume of time deposits was about stable for each class of bank, but in 1952 an upward trend began which carried through the remainder of the period. From 1951 to 1954, the growth of time deposits for the two groups combined was $6,421 million and for the years 1954-57, it was $6,227 million. The rate of growth slowed perceptibly in 1955 and 1956 and almost half the gain in the 3 years was concentrated in 1957. In fact, the rise of time deposits in that year was coupled with a re-

duced volume of demand deposits of reserve city banks and a dampened rate of increase among country banks. It seems proper to view the behavior of the time deposits of these banks first as having been limited in their growth by the rise in interest rates on alternative investments, and then as having re-established their former upward trend when their rates of interest were brought into line with other rates.

The trends of deposits of central reserve city banks are particularly striking, especially since 1952. Over the past 5 years, there was practically no growth of gross demand deposits among these banks and the expansion of total deposits was largely dependent upon the growth of time deposits. Apparently, foreign deposits were an important element in the sharp increase that occurred from 1953 to 1954 and in the contraction from 1955 to 1956.

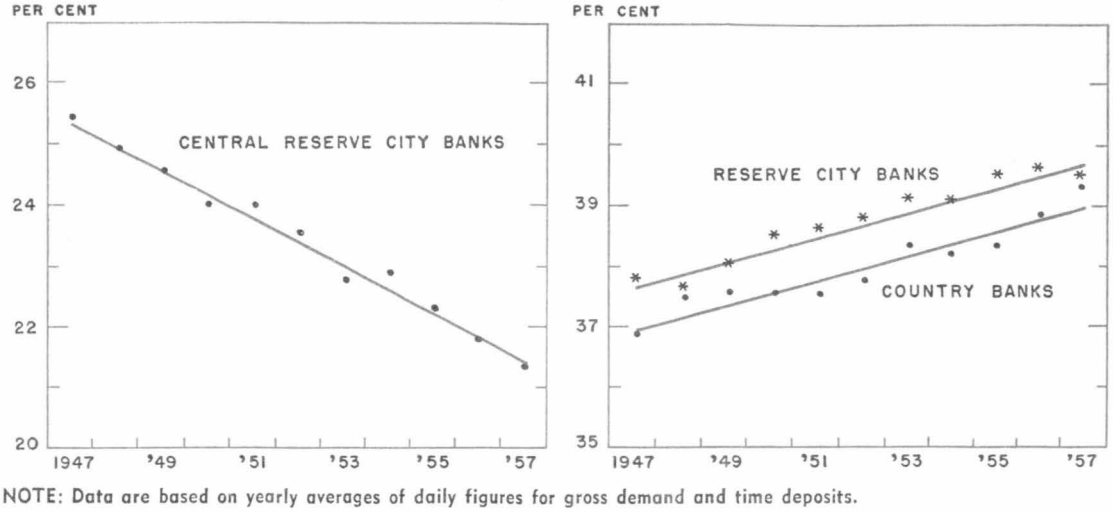
These deposit trends are brought into sharper focus for examining the changing relative positions of banks by expressing the average daily total deposits of each of the bank classes as percentages of total member bank deposits. Total deposits are used rather than demand deposits alone to allow for the tendency of increases in time deposits to be accompanied by a curtailment of demand deposits. The second set of charts presents the results of the computations and the points shown were used to compute a trend line for each bank class.

These charts clearly indicate that the most important forces that are affecting the distribution of deposits are of a long-run character. This observation is based upon the fact that the trends over the 11-year period are much more important in establishing the comparative positions of each bank class than are the year-to-year deviations from trends. Since the upward trends in the relative deposit positions of the reserve city and country banks are approximately the same, they shared about equally in the loss of position by the central reserve city banks. Also, the trends shown in the three charts were clearly defined before 1952 when monetary policy began to exercise a closer control over the growth of bank deposits.

The trends for the reserve city and country bank proportions of total deposits are so close-

PERCENTAGE DISTRIBUTION OF TOTAL MEMBER BANK DEPOSITS

By Bank Class



NOTE: Data are based on yearly averages of daily figures for gross demand and time deposits.

ly parallel as to suggest that there was no basic difference in the forces that were affecting their positions. Over the 11-year period, the country bank proportion increased 0.201 percentage points per year and that of the reserve city banks by 0.197 percentage points. Since the movement of population to the suburbs has been occurring throughout this period, at first glance it does not seem to have exerted any influence on the relative positions of these two classes of banks with respect to each other.

It is possible, however, that close similarity of the trends is the result of crosscurrents that have been mutually offsetting. For example, the reduction of farm population could have reduced the deposits of some rural banks, but this change might have been compensated by the growth of suburban banks, many of which are classified as country banks. It is also possible that the growth of deposits of reserve city banks has been sustained by the expansion of citywide branch systems that are permitted in some of the more populous states, and therefore the growth of suburbs has not adversely affected the reserve city bank group as a whole.

One hypothesis that reconciles the behavior of the reserve city bank trends with those of country banks in relation to the influence of suburbanization is that business deposits do not necessarily move in step with population. These accounts represent almost 60 per cent of the total demand deposits of individuals and firms. Larger firms, even those located in suburban areas, maintain their accounts with banks that are sufficiently large to be able to offer a line of credit consistent with the credit status of the firm and to provide the large volume of services called for by the account. National and local chain stores, operating numerous units within a single metropolitan area, might be expected to concentrate their balance rather than to scatter it among banks in each of the suburban areas in which they operate. The accounts which migrate to the suburbs, therefore, would be primarily those of the smaller trade and service establishments and some of the professions that have no reason for maintaining a connection with the larger banks.

The credit line also has merit as an explanation of the behavior of central reserve city bank deposits. Through internal growth and mergers, the largest corporations have grown more rapidly than their banks and an increasing number of companies have reached a size at which the largest loan available from one bank, or even a few banks, is less than their credit status warrants. For example, from the end of 1951 to the end of 1957, manufacturing corporations with assets of $100 million or more showed a gain in stockholders' equity of 78 per cent and a gain in total assets of 75 per cent. In the same period, the capital stock and surplus of central reserve city banks increased 34 per cent. In order to obtain as much bank credit as needed, larger firms may have found it necessary to establish banking connections in a number of cities and to maintain balances with these banks as a part of the arrangement. The requirement of a compensating balance against a credit line and a loan, increasingly enforced by many banks, would have aided this process. Although this development might be thought to work in favor of as well as against the central reserve city banks, with companies outside of New York and Chicago having to establish deposits there, the historic position of these cities as the location of corporate headquarters would cause the over-all effect to be adverse to these cities. Migration of industry from the Northeast to the South, Southwest, and West undoubtedly played an important part in this process.

The plausibility of these varied elements in the redistribution of bank deposits affords little support for explanations that rely upon a single trend, such as suburbanization, to ac-

count for observed deposit behavior. They are particularly vulnerable when used to account for short-run changes, such as those between 1954 and 1957, since there is little evidence that the pace of population movement accelerated significantly.

While it can be observed that trends have been more important in the redistribution of deposits than have the shorter-run forces, the latter include one of the elements commonly assumed to have been important in 1956-57. This force is the willingness of holders of idle balances to shift from deposits to short-term earning assets when interest rates rise enough to encourage more aggressive management of cash positions. Larger businesses and wealthier individuals are supposed to have changed their estimates of the need for balances as a result of the rise of interest rates, but there have been specific cases reported involving smaller deposits. The greatest effect, however, would have been concentrated upon the larger banks, and these institutions were most clearly cognizant of this force at the time.

This influence on the distribution of deposits, insofar as it is effective, would cause the share of total deposits held at the larger banks to fall below its trend in periods of high interest rates and to rise above it when rates were low. Contrarily, the share of deposits held at smaller banks would rise above its trend when rates were high and fall below when rates were low. This is on the assumption that there is a greater incentive for the large compared with the small depositor to economize in the use of cash when interest rates are high and for deposits, therefore, to gravitate to smaller banks when rates are high. Unfortunately, any influence upon the distribution of deposits that originated from business cycle forces would be timed to coincide with those produced by interest rate movements, and thus the two forces cannot be separated. Nevertheless, it is of interest to examine the patterns of the deviations from trend for the three classes of banks.

The deviations in the years before 1952 must be ignored because in this period the credit policy of the Federal Reserve System was dominated by support of the Treasury security market and little margin was left for action in relation to business cycle forces. In recent years, credit policy has been conducted with a view toward reducing the growth of credit in periods of high activity and giving it freer rein when demand weakened. Yet the record of the central reserve city banks gives only slight evidence of any response, either to these actions or the accompanying cyclical forces. The position of these banks declined from 1952 to 1953 and improved between 1953 and 1954. This improvement was attributable to a marked rise in time deposits, mainly foreign accounts. From 1954 to 1957, the relative deposit standing of these banks again fell, but even by the latter year the deviation below trend was nominal.

The comparative standing of reserve city and country banks improved in the period of monetary restraint and worsened in the succeeding period of ease in 1954. In the ensuing 2 years, both groups gained in relation to total deposits, but in 1957 a disparity developed. The position of country banks continued to rise while that of reserve city banks fell. In 1957, a part of the deviation of each of these groups from their trend can be attributed to a reclassification of the banks in two small cities from reserve city to country bank status. After this shift is taken into account, there was somewhat less change in the positions of the two bank classes. In general, therefore, there is little evidence in these data that any effect upon the three bank classes was produced by the shift of larger depositors from deposits to other short-term assets.

Two other types of evidence support this conclusion. One of these is the change in the turnover of bank deposits. If the shift from bank deposits to other assets was of distinctly

greater importance among larger banks, it is to be expected that the velocity of their deposits would increase more than velocity at smaller banks. This conclusion follows from the fact that the conservation of cash means that a greater volume of business is being transacted with a smaller balance. The available measures of velocity are for selected banks in New York, in 6 other major cities, and for 337 smaller centers. Between 1955 and 1957, velocity in New York increased 15.9 per cent, in the 6 cities by 11.3 per cent, and in the 337 other centers by 12.7 per cent. In 1957, when interest rates were at their highest levels, the increases in velocity were 8.1 per cent, 5.6 per cent, and 5.5 per cent for the three groups, respectively. There was no material difference, therefore, between the rise in velocity in the 6 cities and the 337 other centers. The importance of financial transactions in the activity of New York banks, reflecting security transfers throughout the country, probably explains the greater rise in velocity of deposits at those banks.

A second type of evidence is derived from the estimates by the Securities and Exchange Commission of the working capital of United States corporations. These figures show that there was a modest reduction of cash balances of these firms between 1955 and 1956, but that cash balances in 1957 averaged somewhat higher than in 1955. The data do not segregate firms by size class, but data on manufacturing corporations by size of firm show that cash balances of the largest firms increased significantly from 1954 to 1957.

Since it is known that some individuals and businesses shifted from deposits to short-term assets over recent years, it appears that the arguments presented must be interpreted as showing that the action was neither so massive nor so concentrated among either bank classes or corporations as to be evident in the pertinent data. Specific banks within any given class may have been especially affected while others were not, or were benefited by the resulting movement of deposits.

Concluding Comments

Viewed in the light of the postwar decade as a whole, the redistribution of deposits in the recent period of monetary restraint is found largely to be an extension of trends that were clearly established before the period began. The redistribution that occurred was relative only, the growth of deposits among central reserve city banks being slower than that of the other two classes. As deposit redistribution has been examined above, it pertains only to the three bank classes and not to regional changes or those within the reserve city and country bank classes.

It is possible to account for these trends in such terms as the changing financial practices of businesses, modifications in the systems of distribution of goods, growth in the size of business units, industrial relocations, and the expansion of branch units, along with the migration of population that has received much attention. However, these conditions, as well as others that could be listed, may be logically subordinated to the fact that the central reserve city banks with their limited locations could hardly be expected to grow as rapidly as the rest of the country unless it could be assumed that a stable proportion of all transactions would funnel through them. The proportion of deposits held by these banks has declined since the 1920's, except for the prolonged period of easy money in the depression, and it would be surprising if the growth of the economy were as rapid in the areas of greatest density as in other less congested places.

Growth of

Farm Debt Held By Commercial Banks

SINCE 1944, ADVANCES in agricultural technology have caused farmers' needs for short-term production and marketing loans to increase, and much of this financing has been done by commercial banks. Of the farm debt held by principal lenders, excluding Commodity Credit Corporation loans, commercial banks held approximately 41 per cent of the dollar volume of nonreal-estate farm debt and 14 per cent of the dollar volume of farm real-estate debt as of January 1, 1957. On the same date, they held about 26 per cent of the dollar volume of total farm debt.

The dollar volume of nonreal-estate farm debt held by commercial banks on January 1, 1957, was about three times the level held on January 1, 1945. This expansion of farm debt at commercial banks has been dependent upon growth in loans for financing farm production, marketings of farm commodities, and current living expenses of farm families. Data on loans for current living expenses cannot be separated from data on loans for financing farm production, so these loans are treated in this discussion as one category of farm financing.

Farm production loans held by commercial banks are of interest because they are related to the decision-making function of farmers. Weather and price variations create uncertainties in production and cause nonreal-estate farm loans to be more risky in relation to loans for many other purposes. However, a relatively low level of risk is associated with CCC and farm real-estate loans. Because of the varying risks associated with the different kinds of farm loans, a change in their relative rate of growth may influence the current financial position of agriculture.

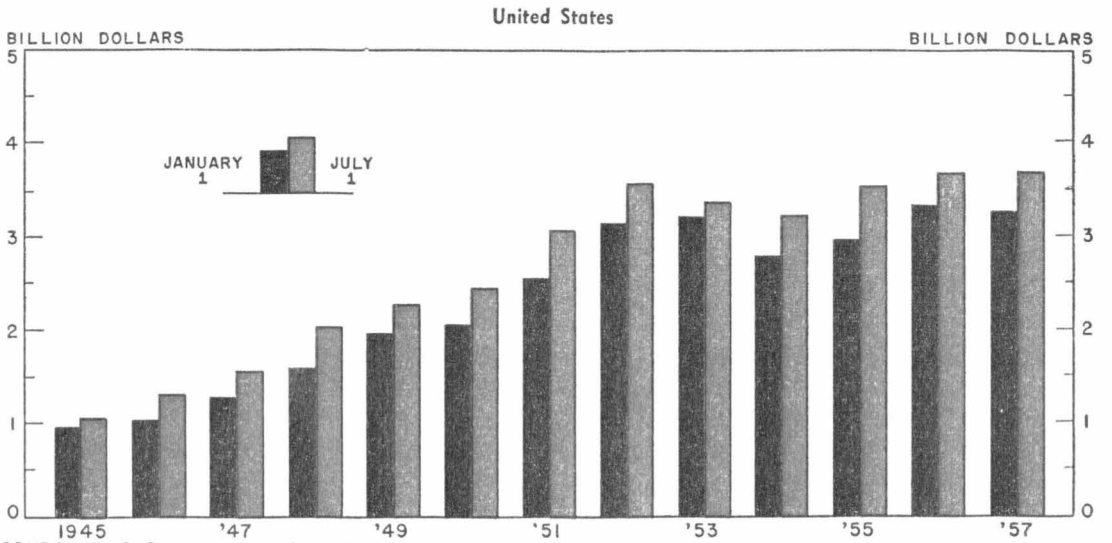
A common measure of the financial position of agriculture is the ratio of total debt to the value of assets of farm proprietors. Changes that have taken place in this relationship since 1944 may be an indication that risk has increased with the growth of farm debt. Much of the change has been due to fluctuations in the price of assets, although the debt-asset ratio also is influenced by the level of farm debt and the physical quantity of assets.

Financing Farm Production

Farm nonreal-estate loans, excluding CCC loans, increased from nearly $1 billion to slightly more than $3.1 billion at the beginning of 1952. The total amount outstanding remained near the 1952 level on January 1, 1953, but declined to $2.8 billion on January 1, 1954. Expansion in the amount outstanding of nonreal-estate farm loans held by commercial banks from January 1, 1954, to January 1, 1957, offset the decline that occurred in 1953. Thus, over the entire period from 1952 to 1957, very little growth occurred in this category of farm debt.

A decline in nonreal-estate loans in the last half of 1952 and through 1953 can be ex-

NONREAL-ESTATE LOANS TO FARMERS AT COMMERCIAL BANKS, EXCLUDING CCC LOANS, 1945-57



SOURCE: U. S. Department of Agriculture.

plained by some crucial conditions that existed in the agricultural economy. Drought occurred in some areas of the Nation, and prices received by farmers and net realized farm income declined sharply. Although most of these conditions continued, forces causing the decline in farm loans were less intense after 1953, and production loans to farmers expanded slightly in 1954. Pressures for adopting new techniques to meet rising costs and expanding farm size to increase income probably added to an early recovery in the dollar volume of nonreal-estate loans, excluding CCC loans, to farmers at commercial banks.

Not only is the general expansion of nonreal-estate loans to farmers held by commercial banks of significance, but the manner in which this type of farm debt has expanded is also of interest. The dollar amount of nonreal-estate loans outstanding at all commercial banks on July 1 of each year generally exceeds that on January 1, as loans for production purposes are made after the first of the year and repaid before the beginning of the next year. Data for these two dates do not indicate the entire seasonal nature of nonreal-estate loans, but these loans usually expand during the first half of the year and decline again toward the end of the year. Thus, short-term debt of farmers since 1944 did not increase continuously. During the first part of each year, farm debt generally reached a new high, but declined at the end of the production season. When debt was increasing, the level at the beginning of the new year generally exceeded the level of a year earlier, even though it had declined from the seasonal high established sometime during the year. The seasonal change in the level of farm debt followed the same general pattern when the volume of nonreal-estate debt at commercial banks was declining in 1952 and 1953.

Seasonal variations in the use of nonreal-estate debt raise a question in regard to the methods employed by country banks in meeting the needs for production loans. Just how the demand for agricultural loans fits into the

pattern of demand for all loans at commercial banks is beyond the scope of this discussion, but it might be argued that demand for funds to finance the seasonal production activities in agriculture might place some pressure upon the funds of country banks to meet the periodic expansion. Demand for other loans may offset the variation in agriculture's demand for funds, or banks may have to shift funds between short-term securities and loans to meet the fluctuation in agricultural production loans. Deposit fluctuations at country banks would not seem to offset the need for funds to increase production loans in the first half of the year. In a highly agricultural community, it would seem logical that this could be a period when farmers and merchants actually draw down their deposits to meet current expenditures, to carry open accounts, or to carry large inventory stocks.

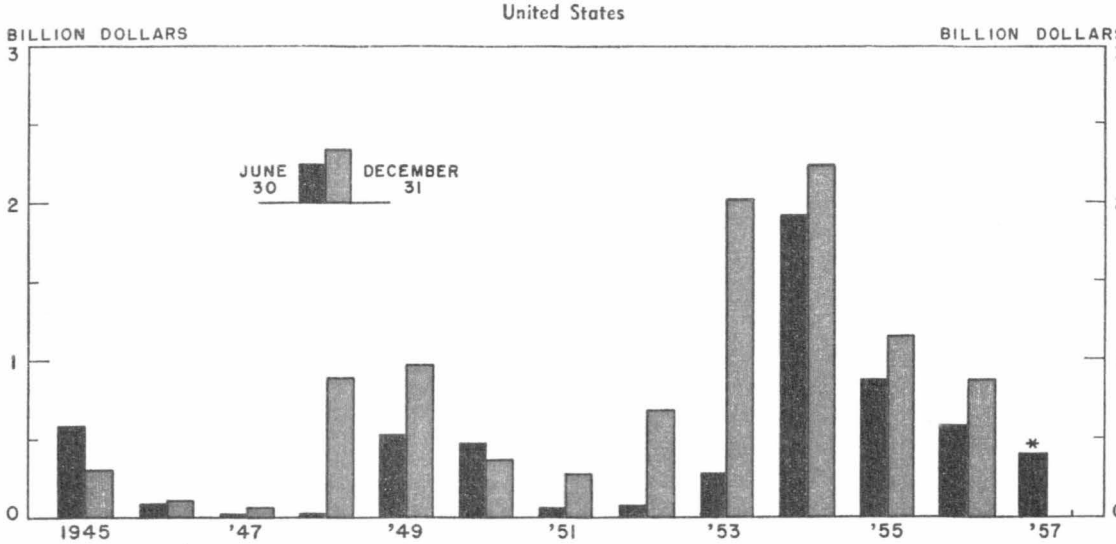
Data on loans to farmers made by commercial banks reveal that the demand for funds to meet production credit needs is only one part of the over-all demand for agricultural credit. Loans required to market agricultural products provide some opportunity to employ bank funds on a year-round basis.

Financing Farm Marketings

Loans made by commercial banks to enhance the marketing of agricultural commodities are primarily loans guaranteed by the Commodity Credit Corporation. These loans are distinct from production loans in that they are secured by a commodity which has met specific requirements as to grade or moisture content. Credit is needed to store the crop and delay the movement of the commodity into the market. Only the risks of storage are encountered by the lending agency, as the amount of the loan on the commodity is guaranteed by the CCC. Naturally, for a loan with such small risk, the rate earned by the lender is low in relation to many other farm loans, but generally in line with other short-term investments.

LOANS GUARANTEED BY COMMODITY CREDIT CORPORATION
HELD BY INSURED COMMERCIAL BANKS, 1945-57

United States



*Data reported on June 6, 1957, instead of June 30.
SOURCE: Federal Deposit Insurance Corporation.

To study the volume and seasonal nature of CCC loans held by commercial banks, a slightly different source of data is employed. Data on total farm debt at all banks are available in the *Annual Reports* of the Comptroller of the Currency. Semiannual data on loans outstanding at all insured commercial banks are published in the *Annual Reports* of the Federal Deposit Insurance Corporation. The two sets of data reflect similar characteristics of the volume of agricultural loans, as most commercial banks are insured by FDIC. Thus, the remainder of this discussion will use data on loans at insured banks, as these data are more current.

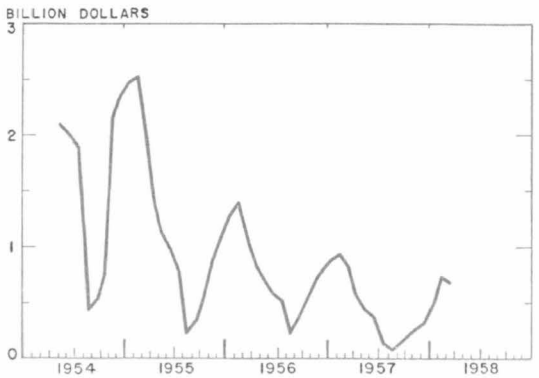
According to the semiannual data on insured banks, the dollar volume of CCC loans did not exceed $595 million between June 30, 1945, and June 30, 1948. At the end of 1948 and 1949, CCC loans held by insured commercial banks totaled $886 million and $976 million, respectively. CCC loans held by insured commercial banks declined at the end of 1950 and 1951. On December 31, 1952, these loans reached $684 million and exceeded the $2 billion level at the end of 1953 and 1954. In 1955 and 1956, the levels were $1,147 million and $864 million, respectively.

Since the end of World War II, CCC loans have increased substantially during two periods—just prior to the outbreak of the Korean War, and following the end of the Korean War when farm commodities accumulated rapidly. The rise in CCC loans in 1948 and 1949 was of short duration, but it is interesting to note that the rise in CCC loan activity after 1952 parallels the leveling off in the expansion of nonreal-estate loans to farmers held by commercial banks. If the two types of loans are added together, loans to agriculture made by commercial banks continued to grow through 1955.

The fluctuation in the volume of CCC loans held by commercial banks is significant in analyzing growth in farm debt. FDIC data

COMMODITY CREDIT CORPORATION LOANS HELD BY LENDING AGENCIES

United States



SOURCE: Commodity Credit Corporation.

indicate that dollar volume of CCC loans held on December 31 exceeds the volume held on June 30. This is to be expected because a larger volume of crops is in storage at the end of the year. The significant point is that this variation is just the opposite of the variation in other nonreal-estate loans to farmers. On this basis, it may be argued that banks shift funds to CCC loans during the last half of the year at a time when agricultural production loans are being repaid.

Data from the FDIC reflect the change in dollar volume of loans guaranteed by the CCC from midyear to the end of the year, but the semiannual reports do not indicate whether these dates are the high and low points in the total volume of CCC loans during the year. A clearer indication of the monthly variation in the total volume of CCC loans held by lending agencies is given by monthly operation statements of the CCC. These statements since May 1954 indicate that the total dollar volume of loans guaranteed by CCC is at a maximum in February and at a minimum in August. Thus, the variation of total volume of CCC loans outstanding is greater than that indicated by an examination of semiannual bank data on loans held by insured commer-

cial banks. When the two sources are compared by corresponding months for which data are available, it appears that commercial banks do hold most of the outstanding loans reported in the CCC statements. The discrepancies between the two series are small and can be explained by the slight variation in the reporting dates of the two agencies.

The degree to which loans for production and loans for marketing of agricultural products supplement each other in employing loanable funds of commercial banks can be examined roughly by comparing the magnitude of the semiannual variations of the two loan categories. Again, using the FDIC data, the increases and decreases in the corresponding periods give some indication as to whether the demand for production loans could be met by the seasonal reduction in CCC loans or the demand for CCC loans could be met by the seasonal reduction in nonreal-estate loans.

From 1944 through the first half of 1957, the decline in CCC loans held by commercial banks would have more than met the increase in nonreal-estate loans from January through June of all years except 1946, 1947, 1948, 1951, and 1952. The extent to which the expansion in CCC loans could be met by the decrease in nonreal-estate loans during the last half of the year is a distinct contrast. From 1944 through 1956, the increase in CCC loans held by commercial banks could have been met by the decrease in nonreal-estate loans in only 2 years of the postwar period—1944 and 1956.

NET INCREASE IN CCC LOANS AND NON-REAL-ESTATE LOANS AT INSURED COMMERCIAL BANKS, 1944-57

United States
(millions of dollars)

Year	January-June	July-Dec.
1944	—	—
1945	—	274.6
1946	51.5	2.1
1947	190.8	61.6
1948	366.5	798.6
1949	—	229.4
1950	—	5.0
1951	319.3	278.5
1952	239.1	154.6
1953	—	1,274.1
1954	—	1,452.8
1955	—	72.9
1956	—	—
1957	—	*

* Not available.
SOURCE: *Annual Reports* of the Federal Deposit Insurance Corporation.

Some preliminary inference might be drawn from the above discussion as to the characteristics of the growth of farm debt at commercial banks. If we assume that a large portion of the nonreal-estate loans to agriculture and the CCC loans held by commercial banks are located in the country banks, the growth in nonreal-estate debt has been enhanced by the holding of a large volume of CCC loans at the time of the year when nonreal-estate loans expand. It would also appear that the need for market financing in agriculture generates a demand for new loanable funds in excess of the net reduction in other loans to farmers. On the other hand, if deposit growth at country banks is observed, one sees that the growth in deposits of country banks is largely concentrated in the last half of the year. Thus, deposit growth may be a source of funds for the year-end expansion in CCC loans.

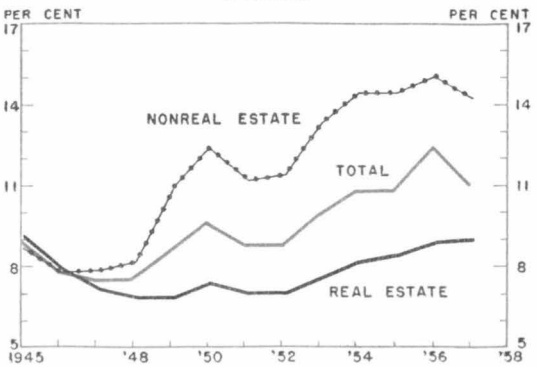
Implications of the Debt-Asset Ratio

The ratio of farm debt to total farm assets has followed an upward trend through the postwar period. Farm debt represented about 8.9 per cent of farm assets on January 1, 1945. The ratio declined to 7.5 on January 1, 1947, and reached 12.4 by January 1, 1955. On January 1, 1957, farm debt was 11 per cent of total farm assets. These changes may not be significant in the farm debt picture, but the trend might indicate that the substantial growth in farm debt in the postwar period has had some influence on the degree of risk incurred by farm lenders. However, farm borrowers also may be more capable of carrying a larger debt load than in the past.

When the ratio of debt to assets is divided into two components—namely, the ratio of mortgage debt to value of real-estate assets and the ratio of nonreal-estate debt to nonreal-estate assets—there is evidence that the trend in the total debt-asset ratio has been primarily the result of a rise in the nonreal-estate portion of farm debt. The ratio of mortgage debt to the value of farm real estate declined from 1945 to 1949, increased in 1950, and declined again in 1951. Since 1952, the debt-asset ratio for real estate has increased each year, but in 1957, was still below the 1945 level.

Since 1945, the ratio of nonreal-estate debt to nonreal-estate assets has increased substantially. The ratio declined in 1951 and 1956 and was unchanged from 1953 to 1954. Thus, in all but 4 of the postwar years, nonreal-estate debt has increased relative to the value of nonreal-estate assets. The ratio increased from 8.7 per cent on January 1, 1945, to 14.2 on January 1, 1957. The substantial rise in the ratio of nonreal-estate debt to the value of all farm assets, other than farm land, caused the debt-asset ratio in agriculture on January 1, 1957, to be above that at the beginning of the postwar period. In order for the debt-asset ratio to have maintained the same relative position at the end of the period as at the beginning, with no change in the mortgage debt situation, the value of nonreal-estate assets would have had to rise more rapidly, or nonreal-estate debt would have had to rise less rapidly. The average level of farm prices declined sharply from January 1948 to January 1950 and from January 1951 to January 1956, and the value of farm assets declined in these periods, which substantially added to the rise in the debt-asset ratio. If the average level of farm prices continues to recover and the level of nonreal-estate debt to farmers levels off, the decline in the ratio which began in 1956 might continue. However, modern developments in agriculture may require a higher debt-asset ratio than previously existed.

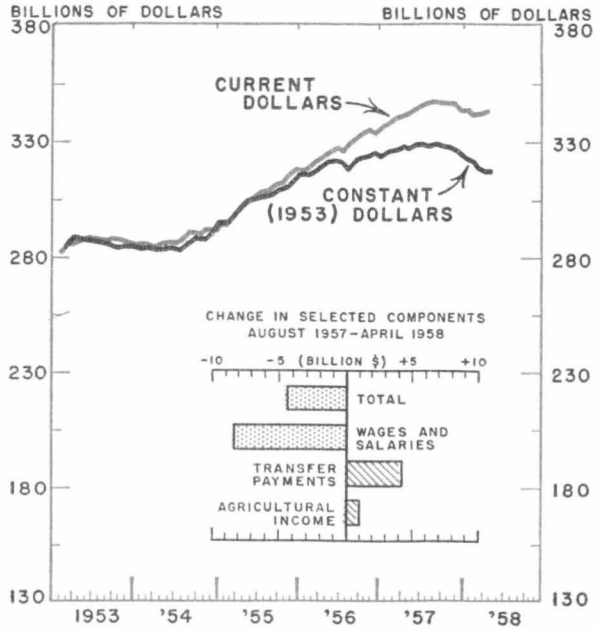
FARM DEBT AS A PER CENT OF CORRESPONDING TYPE OF FARM ASSETS, JANUARY 1
United States
1945-1957



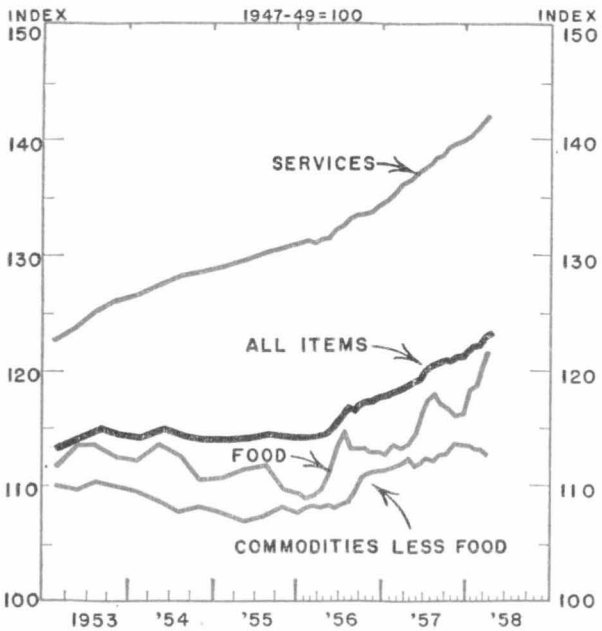
SOURCE: U. S. Department of Agriculture.

U. S. PERSONAL INCOME

Seasonally Adjusted Annual Rates



U. S. CONSUMER PRICES



BANKING IN THE TENTH DISTRICT

District and States	Loans				Deposits			
	Reserve City Member Banks		Country Member Banks		Reserve City Member Banks		Country Member Banks	
	April 1958 Percentage Change From							
	Mar. 1958	Apr. 1957	Mar. 1958	Apr. 1957	Mar. 1958	Apr. 1957	Mar. 1958	Apr. 1957
Tenth F. R. Dist.	†	+5	†	+11	+3	+2	+1	+4
Colorado	+2	+3	+3	+13	+1	+4	+1	+6
Kansas	+1	+8	−4	+13	+4	+2	+1	+2
Missouri*	+1	+5	+1	+3	+7	+5	+4	+4
Nebraska	+3	+2	−1	+15	+3	+4	+2	+2
New Mexico*	**	**	+6	+14	**	**	†	+7
Oklahoma*	−6	+6	−1	+6	+1	−2	†	+4
Wyoming	**	**	+3	+11	**	**	+1	+4

*Tenth District portion only. **No reserve cities in this state.
†Less than 0.5 per cent.

PRICE INDEXES, UNITED STATES

Index	Apr. 1958	Mar. 1958	Apr. 1957
Consumer Price Index (1947-49=100)	123.5	123.3	119.3
Wholesale Price Index (1947-49=100)	119.4	119.7	117.2
Prices Rec'd by Farmers (1910-14=100)	266	263	242
Prices Paid by Farmers (1910-14=100)	306	304	296

TENTH DISTRICT BUSINESS INDICATORS

District and Principal Metropolitan Areas	Value of Check Payments		Value of Department Store Sales		*Value of Residential Building Permits	
	Percentage change—1958 from 1957					
	Apr.	Year to date	Apr.	Year to date	Apr.	Year to date
Tenth F.R. Dist.	+1	+2	−3	−1	+12	+22
Denver	+8	+8	0	0	−34	−12
Wichita	+6	+5	−3	−4	−18	−11
Kansas City	0	+1	−6	−3	+95†	+66†
Omaha	+6	+7	−2	+2	+42	+33
Okla. City	−7	−3	−8	−4	+44	+32
Tulsa	−12	−5	+4	+4	+88	+86

*City only. †Kansas City, Mo., and Kans.


FEDERAL RESERVE BANK OF KANSAS CITY
10-J
INCORPORATED MAY 18, 1914