



Monthly Review

F E D E R A L R E S E R V E B A N K O F S T . L O U I S

FEBRUARY 1, 1946

1945 in Review

For the Eighth District, 1945 was a year of continued high business activity. Income for the year as a whole was about as large as in 1944. During the first part of the year, activity ran at an all-time high level, but the sudden end of war brought a sharp drop in industrial output. Even in the latter part of 1945, however, income ran more than twice as high as in prewar years. As the year ended, the district economy was well into the transition period between war and peace and had excellent prospects for the future.

So far the transition period has been relatively smooth with nothing like the severe dislocations that were forecast. For the most part, district plant needed little physical reconversion to permit peacetime output, and most of what was needed was completed by year end. Such transition period problems as remain have to do largely with factors other than retooling production lines.

Some of the problems, notably those in connection with obtaining materials, scheduling production, increasing efficiency and re-establishing distributive organizations, should be resolved quickly by the ingenuity of management. Others involve such questions as general wage increases and cost-price relationships and require national policy decisions before they can be solved.

Assuming that the problems of the transition period will be settled with reasonable promptness and that they will not operate to hold back production and reduce income for more than a short period, the Eighth District's major problem in the coming years is how to hold and consolidate its war-time income gains. Income in this district during the

war years rose substantially more percentage-wise than did that for the nation as a whole. Since relatively more of the district income increase was due to war activity, however, the district now is faced with the problem of providing other income to balance the probable loss of some of that engendered by the war. Military payrolls alone accounted for a substantial share of district income increases, particularly in the southern portions of the region where even relatively low pay for military service plus dependency benefits was better than average income received from civilian activity. Rising farm income also was responsible for a large part of the district income increase over the war years.

The long-run outlook for the district is favorable. Surveys of future prospects have indicated that employment will be substantially higher after full reconversion than before the war, perhaps as much as 25 per cent more. Areas formerly dominated completely by agriculture are seeking to expand projects to balance such activity with industry and thus add to income. The movement to decentralize plant, actually retarded by the war, is expected to quicken and the district should be a net gainer in this process.

EMPLOYMENT

For the remainder of the transition period the employment situation, while not as favorable as in the long-run outlook, appears brighter than in prewar years. In 1946 all industry is expected to employ more workers than in the immediate prewar period, although employment in Government work and manufacturing will be lower than at the war-

time peak. The largest gains over current employment are anticipated in construction, trade, and service, with some rise from present lows in industrial lines. Unemployment, however, is also expected to rise, at least until midyear when the number of new jobs available should exceed the number of new entrants into the labor market.

The fact that present official estimates of unemployment are much lower than was anticipated reflects mainly three factors: more rapid absorption of displaced war workers by other industry than was believed possible; heavy withdrawals from the labor market, many of them probably temporary for vacation or migration back to former residence; and the slowness of the mass of veterans in entering the civilian labor market. Unemployment might be even lower if present difficulties in matching workers and jobs did not exist. There are shortages in some clerical and skilled occupations but most job openings are for relatively unskilled workers and here comparatively low wage rates are the chief deterrent to placement.

During most of 1945 the labor market was in a state of constant flux with much heavier than normal movements into and out of it. This was particularly true after V-J Day when large-scale war plant shutdowns plus equally large military discharges caused the employment picture to change radically.

The low point in postwar employment was reached in September, 1945, when war production

layoffs were practically completed but reconversion and the shift to nonmanufacturing lines had only begun. Even at that time, in the five major cities in this district total employment was 13 per cent and manufacturing employment 30 per cent higher than in 1940. At the lowest post-V-J Day level, employment in Memphis and St. Louis was 14 per cent higher, in Louisville and Little Rock 11 per cent higher, and in Evansville 6 per cent higher than in 1940. During the war years Evansville had the largest proportionate increase in employment. When full postwar employment is reached, total employment in these cities is expected to be one-third and manufacturing employment one-half higher than in 1940.

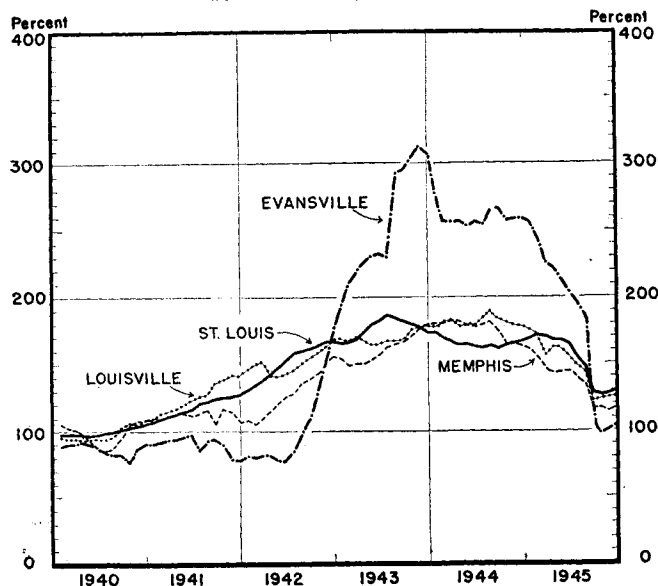
INDUSTRY

Any meaningful review of district industrial activity in 1945 necessarily involves a backward glance at the entire war period and the immediate prewar era. The year 1945 was one in which sharply divergent trends were evident from its beginning to its close. In one sense the first eight months were merely a continuation of the war period in which the economy was dominated by military requirements. Even in this period, however, certain lines of war output increased sharply while others declined from peaks reached much earlier in the war program. Some production of civilian durable goods was coming from district factories and there was a very high level of civilian nondurable goods production.

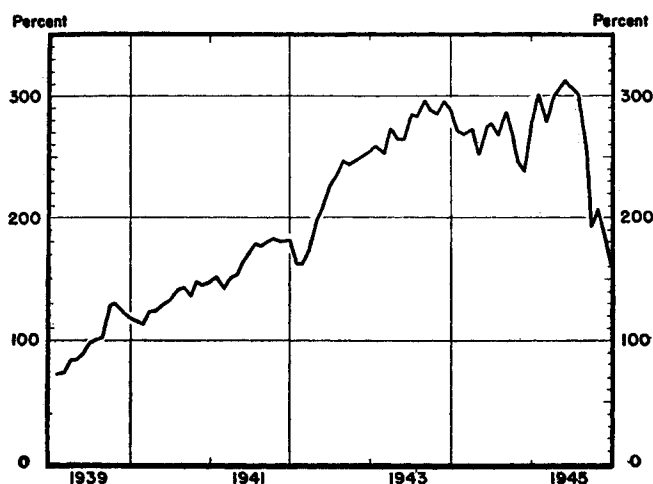
The last four months of the year were characterized by even more sharply divergent trends. By and large war production stopped. Civilian production of nondurables continued at a high level, but output of durables did not increase to any marked degree due partly to reconversion difficulties but mostly to lack of materials and labor problems, the latter involving both difficulties in securing workers and strikes. Industrial output in the district in the last four months was sharply lower than in the first eight months, although by the close of the year the production curve had turned upward from its transition period low. For 1946 production should be higher than in the latter part of 1945 but off appreciably from the peak reached prior to V-E Day.

Manufacturing — Production of manufactured goods in the Eighth District during 1945 was less than in 1944. Value of output is estimated at \$6.7 billion in contrast to \$7.7 billion in 1944 and \$7.1 billion in 1943. With these two exceptions, however, value of production in 1945 was higher than in any other previous year. In 1939, the last

MANUFACTURING EMPLOYMENT IN METROPOLITAN AREAS
IN THE EIGHTH DISTRICT, 1940 TO 1945
MONTHLY INDEX, 1937=100



INDUSTRIAL POWER CONSUMPTION, EIGHTH DISTRICT
INDEX, 1939 MONTHLY AVERAGE = 100



peacetime year, output was valued at \$2.4 billion.

In terms of physical output, adjusted for price changes, the volume of manufactured goods turned out in this district in 1945 was about 15 per cent less than in 1944, but well over twice that of 1939. Manufacturing activity in the district during the first half of the year was higher than in 1944 reaching a peak in May, but the pronounced decline that took place after the German surrender caused the level for the year as a whole to be lower than in 1944. At peak the rate of physical volume of production in district factories was more than three times as large as in 1939. By the close of the year, output was at a rate slightly less than double that of 1939 and about 35 per cent less than in 1944.

War Facilities—Relatively little in the form of new industrial facilities was added to Eighth District war plant in 1945. Most of the war construction program in this district was completed by mid-1943. There was, however, some new war plant building in the early part of 1945, most of it earmarked for production of rocket ammunition.

One problem that faces the district in the coming year concerns disposal of war plant. During the entire war program the district received new facility awards of all types totaling about \$2.2 billion in cost. About 90 per cent of this amount was received by the close of 1944. Slightly more than \$1.6 billion in cost was for new industrial facilities. The balance, about \$550 million, was for new military facilities.

Expenditures on the new industrial plant were divided about equally on structure and equipment. About 58 per cent of the total was for munitions

plant; another 25 per cent for other durables' production, mostly metal working industry; and the balance for nondurables factories, mostly the war-supporting lines of chemicals, petroleum and rubber products. Government ownership of district war plant is heavy, practically all munitions establishments, more than three-fourths of the metal working plants and three-fifths of the chemical, petroleum and rubber factories being so owned.

Apparently not much of the facilities born during the war years will be useful for peacetime production. For the most part, district munitions plants that are up for disposal are attracting no bidders. Some are being kept in standby condition and some have been converted to other Government use, the most notable example being the huge St. Louis Ordnance plant which is being turned into an army records center. Much of the metal working plant is in similar case, although the large alumina-aluminum plants in Arkansas were leased at year end and presumably will be put to peacetime use in the near future.

Munitions Production—Output of munitions in the district in 1945 was much smaller than in 1944 since most war production stopped after V-J Day. Actually output of war goods reached its peak in this district late in 1943, and while production spurted again in the first part of 1945, it never approached the peak level. Some munitions production is still going on, particularly in rockets and some aircraft, but it is only a fraction of the volume produced at peak.

During the war years the district received some \$6.2 billion in prime war contracts (those of more than \$50,000 each, excluding food processing). In addition, district manufacturers obtained a substantial volume of subcontracts both from district prime contractors and those outside the district. While some district prime contractors placed subcontracts with firms outside the district, the flow of work into the region far surpassed the flow outside so that the district was a net gainer in subcontract work.

About 75 or 80 per cent of all war orders received were completed and district war output for the period June, 1940, to V-J Day is estimated at slightly more than \$7 billion. Probably an equal amount of other production, a substantial volume of which was food products, should also be classed as war orders. This means that about 45 per cent of district production went for direct or indirect war purposes. This proportion, of course, was much larger in the latter stages of the war program than in the earlier years.

Other Production—In addition to the decline in munitions output, most of the important district manufacturing industries in 1945 operated somewhat below the level of 1944. Virtually all of the decrease was concentrated in the last part of the year. In steel, the production rate at the close of 1945 was about 15 per cent below that of the beginning of the year. The operating rate of ingot-producing furnaces in this district averaged 73 per cent of capacity in 1945 as against 79 per cent in 1944 and 99 per cent in 1943. From January through May, 1945, the operating rate averaged almost 80 per cent, but from August through December was about 67 per cent of capacity.

Total production of steel in 1945 in this district was substantially in excess of that in 1939 and 1940. The capacity for steel production in this district, both for ingots and castings, was increased considerably during the war years. While current demand for steel is very high and orders are backlogged far into 1946, the increased productive capacity is not being used primarily because of two factors: steel plants are still experiencing continuation of the wartime difficulty of securing sufficient workers, and most steel producers feel that present cost-price relationships are too unsatisfactory to utilize all capacity, much of which is high cost.

The important whiskey-producing industry, most of which in this district is located in Kentucky, operated in 1945 at a rate far below that of the previous war years. In October, 1942, distilleries ceased making whiskey and thereafter, with the exception of three month-long holidays, produced industrial alcohol or high wines which were further processed into industrial alcohol. With the end of the war, distilleries resumed whiskey production but their operations during the latter part of 1945 were sharply curtailed because of difficulties in securing grain for distillation. Current production is substantially less than in the war years. It is, however, approximating the 1941 rate and is higher than in the prewar years of 1939 and 1940. For the coming year, if adequate supplies of raw materials can be obtained, whiskey distilleries are expected to operate at close to capacity in view of the very short supply of whiskey and the high level of demand.

Production of shoes in Eighth District factories in 1945 totaled about 84 million pairs, approximately the same amount as was produced in 1944 and more than was produced in any other previous year with the exception of 1941 when output totaled slightly more than 85 million pairs. In 1939, the district shoe industry produced less than 70 million

pairs. The basic difficulties which confronted the shoe industry during the war period, labor and material shortages, have been appreciably eased since the war ended. In view of the exceptionally strong demand, 1946 output is expected to be higher than in 1945 and perhaps larger than in 1941. The district shoe industry is currently in process of further decentralization with new shoe factories under construction or projected in various smaller towns and cities throughout the district.

Activity in meat packing plants in 1945 was sharply lower in terms of animal units slaughtered than in 1944. This reflects primarily the substantial decrease in the pig crop. For example, Federally inspected slaughter of pigs at St. Louis in 1945 totaled 2.6 million head as compared with 4.8 million head in 1944. Meat packing activity last year, however, was considerably greater than in the prewar years and should at least hold its own for the coming year.

Among other important district industries, 1945 output of machinery, both electrical and non-electrical, was in much greater volume than in the prewar period, although the latter type especially was off substantially from the war peak. Chemicals production apparently remained about the same as in 1944. Apparel output, while large, fell far below the quantity necessary to meet demand. Lumber production generally ran below 1944 with the decline most marked after V-J Day. Output of both southern hardwood and pine in 1945 is estimated as smaller than in any year since 1939. Lumber remains in critically short supply in view of the large demand for new construction.

Mining—Production of coal at Eighth District mines in 1945 was somewhat below that of 1944, but was greater than in any other year since war began. Output in 1945 totaled 183 million tons in contrast to 186 million tons in 1944 and 125 million tons in 1939. Production was curtailed somewhat by labor unrest, particularly in the last part of 1945.

Other mining activity in the district in 1945 was below both 1944 and 1943. With the easing of the metal supply situation, output of both lead and zinc decreased somewhat while production of bauxite fell off very sharply from the wartime peak level. Fluorspar and manganese production also ran behind the previous year. Production of all these metals, however, was substantially higher than in the prewar period.

For most of 1945, production of petroleum at

Eighth District oil fields was less than in 1944 with the decline from the comparable period of a year earlier somewhat sharper after V-J Day than before. Crude petroleum output in this district has decreased every year since 1940, reflecting mostly controlled operations under the quota system. Exploratory activity in 1945 was considerably below 1944, much of the decline being attributable to unfavorable weather for new drilling operations. The number of new wells drilled in 1945 in all district fields totaled 2,770, as compared with 3,200 in 1944. Most of the decline reflects decreased activity in Kentucky and Illinois fields.

Construction—Building activity in the Eighth District in 1945 was considerably higher than in 1944, although far below the wartime construction peak. F. W. Dodge reports indicates \$330 million in new construction contracts of all types let in the district in 1945. Contracts let in 1944 totaled \$140 million and in 1942 were \$742 million. It should be stressed that the Dodge figures represent merely contracts let and not work put in place. In 1945, in particular, the difference between work contracted for and that put in place was substantial. Many of the projects started were expected to take some time to complete. Also a large share of the new contracts were placed at the close of the year with actual work to be performed mostly in 1946.

During 1946 construction activity in the district is expected to increase considerably. Construction work here picked up after V-J Day, although the gain was somewhat less than anticipated due to a

continuation of materials scarcity and lack of sufficient labor. Abandonment of controls in the fall of 1945 resulted in most materials and labor going into nonresidential construction. Recent moves attempt to insure that at least half of the available materials will be utilized for new dwelling accommodations.

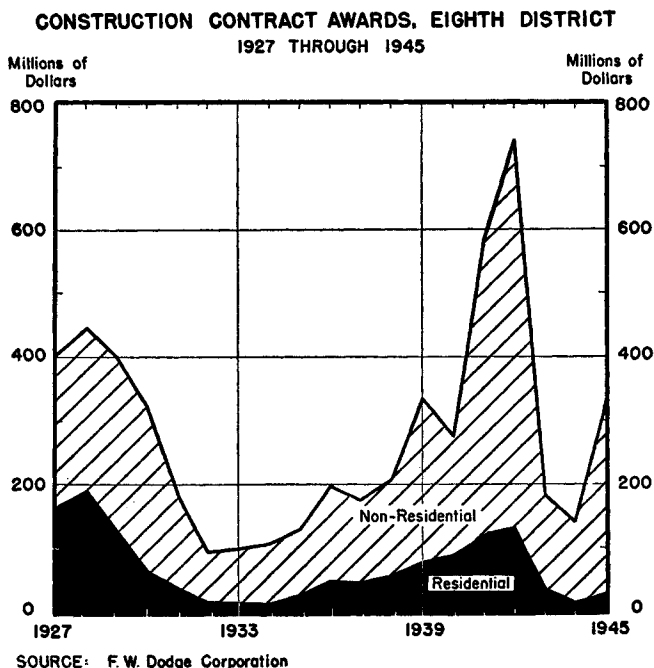
Most of the new construction in 1945 was non-residential, only \$29 million or 9 per cent of the total contracts let going for new dwelling accommodations. Residential construction has been small in this district for the past three years, being especially low in 1944 with less than \$11 million in new residential contracts let.

This district, in common with the rest of the country, is currently suffering from an extremely **severe housing shortage**. Practically every good-sized city in the United States has a very low vacancy rate at the present time, but the major district cities seem to be in worse shape than most other urban centers. During the last 25 years, residential building in the major district cities was generally smaller relative to population than the national average. In St. Louis, for example, during the 1920's the average amount of dwelling units built per 10,000 families was almost one-fifth less than the average for all urban areas in its size class. In the 1930's and during the defense period, building in St. Louis approximated the national average rate, but in the last three years it has run well below it.

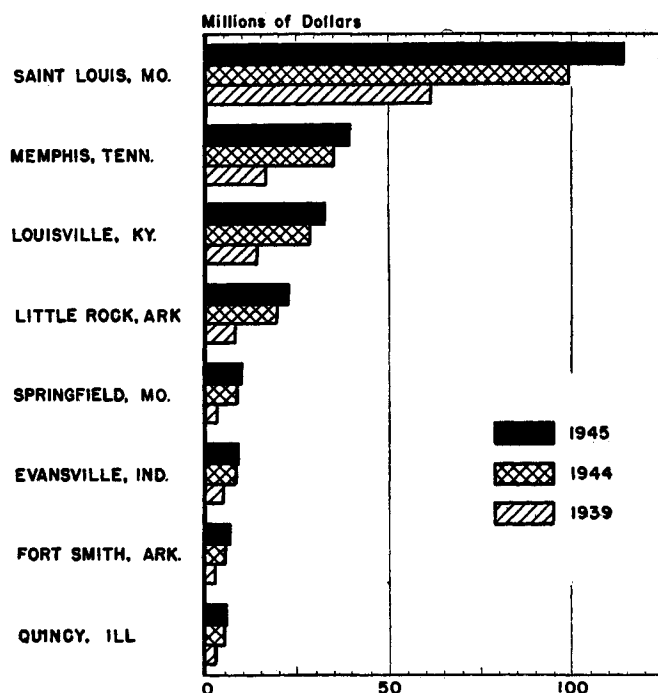
TRADE

Despite decreased income and employment during the latter part of the year, consumer expenditures reached new high levels in 1945. Much of the increase in dollar volume of retail sales was due to price advances. While direct price increases in 1945 were smaller than in 1944, they alone were responsible for about half of the total dollar increase in sales. Actual consumer preference for more expensive goods and the relatively small amount of lower-priced products in the market resulted in indirect price rises which also accounted for a substantial share of the dollar sales gain.

Increases in consumer expenditures generally follow closely increases in income and thus retail sales curves tend to parallel income curves. During the war years this has not been true and retail sales, influenced by price controls, short supplies, and rationing, have risen relatively less than income. At the same time regional and area income gains which were larger than average have usually



DEPARTMENT STORE SALES IN SELECTED CITIES
TOTAL ANNUAL SALES - 1945, 1944 AND 1939



been reflected in better than average sales increases even though the latter were not as large as might have been expected under more normal conditions.

As the war period advanced in time, regional differences in income tended to lessen. This condition reflected the gradual diffusion throughout the economy of wartime income gains, originally concentrated in war production centers, areas with large military or other Government payrolls, and agricultural sections. As income flow became more widely diffused, cumulative gains in retail sales of different regions tended to cluster more closely around the average.

The accompanying chart illustrates this situation in the Eighth District. Comparison of 1944 sales volume with 1939 gives a sharper picture of area differences than comparison of 1945 with the pre-war year. At the same time, however, it is apparent that some differences still exist among the cities shown and in general the larger the sales increase (percentagewise) the larger was the wartime income increase. In this district Evansville is the only important exception to this generalization.

At department stores in the Eighth District the volume of trade in 1945 was about \$310 million, 13 per cent more than in 1944 and slightly more than double that of 1939. Increases over comparable months of 1944 were especially large in the first and last quarters of the year. There were, however,

no pronounced buying waves during 1945 such as characterized most other war years, despite an increasing supply of goods and release of some items from ration lists.

While purchasing of all types of goods at department stores was heavy in 1945, sales of women's and men's clothing and housefurnishings registered larger increases than those of other items. Late in the year the holiday shopping season brought great increases in sales of luxury goods—furs, silverware, jewelry, and the like. In the same period some durables began to make their appearance and their sales gains over the wartime lows of the previous year were substantial. For the year as a whole, however, such items accounted for not much more than their usual share of sales.

The return of men from military service strongly increased demand for men's clothing and furnishings in 1945. Since separations from service were particularly heavy after V-J Day, sales of men's wear in the last quarter were proportionately larger than in other quarters of 1945. The very large increases in sales of men's apparel would probably have been even more striking had supply of goods been more adequate. Sales gains over 1944 at men's apparel stores generally ran below those of men's departments at department stores.

In contrast to this situation, women's apparel stores showed relatively larger sales increases over 1944 than did comparable sections at department stores. The gains at both types of store reflect the same factors, however; price rises, scarcity of lower-priced lines, and lack of sufficient supplies of piece goods for home dressmaking. Taking price increases into account, it is doubtful whether unit volume of goods sold in 1945 was appreciably larger than in 1944.

Sales of housefurnishings at department stores boomed in 1945 with larger supplies of goods available. At regular furniture stores sales gains were somewhat smaller than at department stores. Furniture stores during the war years added varied lines of goods in an effort to maintain sales volume in the face of shrinking furniture supplies. They are now much more comparable to housefurnishings departments of department stores than in prewar years.

The erratic movement of inventories under present peacetime conditions is not much different from that of the war period. Manufacturers have yet to attain sufficient production to enable retailers to build adequate inventories. Volume of outstanding orders is currently about one-fourth more

than a year ago, with most stores taking deliveries when they can get them.

Generally speaking, the experience of retail lines reporting to this bank reflects the strain of continued heavy sales volume on inventories. Department store and furniture store stocks at the close of 1945 were slightly larger in dollar volume than a year earlier. Men's apparel stores evidently have had greater difficulty in maintaining stocks than the men's wear departments in department stores. Year-end stocks at men's apparel stores were 48 per cent less than in December, 1944, in contrast to a drop of only 37 per cent at men's wear sections in department stores. Conversely, less difficulty has been encountered by women's apparel stores than women's wear divisions of department stores. The specialty store stocks at the end of 1945 were about equal in dollar volume to a year earlier, while women's apparel divisions in department stores were somewhat less.

The ratio of cash sales to credit sales changed but little during 1945 with continued consumer credit regulation and consumer preference for cash buying. At department stores in 1945 about two-thirds of charge account and one-third of instalment account receivables were collected in the month following purchase.

BANKING AND FINANCE

In the field of banking, developments throughout 1945 represent merely a continuation of the war-time situation. In contrast to many other activities, the end of war last August brought no change in Treasury financing policy. This factor was the dominant influence on banking throughout the war years. The Victory Loan came at the close of the year, some three months after actual cessation of hostilities.

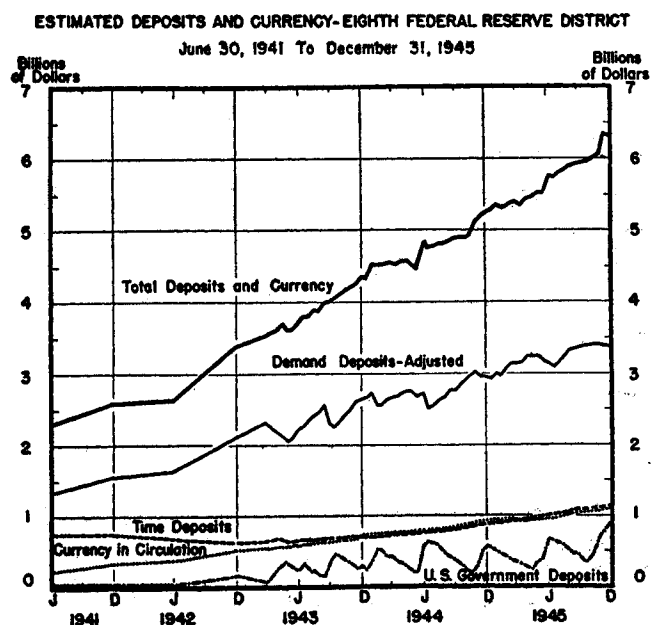
In view of the tremendous response to the Victory Loan, it seems unlikely that new Treasury requirements for 1946 will be particularly heavy even though refunding operations will be. These, however, unless they result in substantial shifts of holdings from nonbank investors to banks will have relatively little effect on the banking system from the standpoint of deposit growth and investment and loan policy. Consequently, 1945 may be taken as the probable end of the second era of war finance in the United States in this century.

During the past year, as in the other war years, taxation did not yield enough revenue to meet Federal expenditures and it was necessary for the Treasury to continue to borrow large sums. As

in previous years, every effort was made to borrow as much as possible from nonbank sources, but despite this effort commercial banks added about \$10 billion to their Government security holdings. As a result, deposits continued to rise in 1945.

Between December, 1941 and 1945, deposits of the commercial banking system increased from \$71 billion to \$144 billion. Increases were strikingly different among the various Federal Reserve districts and in different size groups of banks. A major part of the increase in national income during the war period was due to war manufacturing and to increases in agricultural income, Federal civilian payrolls and military payments. Since Federal expenditures for these items in relation to Treasury receipts from taxation and borrowing varied considerably among the different districts, deposit changes varied also. Very large deposit increases occurred in the Dallas, Atlanta, San Francisco, Kansas City and Minneapolis districts. Gains in the Richmond, Chicago and St. Louis districts were somewhat smaller but above average also. The New York, Boston, Philadelphia and Cleveland districts had relatively small increases in deposits. Both demand and time deposits have increased more in rural banks than in urban institutions. The greater increase in the country banks reflects largely the great rise in agricultural income accompanied by relatively smaller expenditures (plus tax payments and Government security purchases) by farmers than by urban residents.

In the Eighth District, total deposits of reporting member banks rose \$342 million or about 15



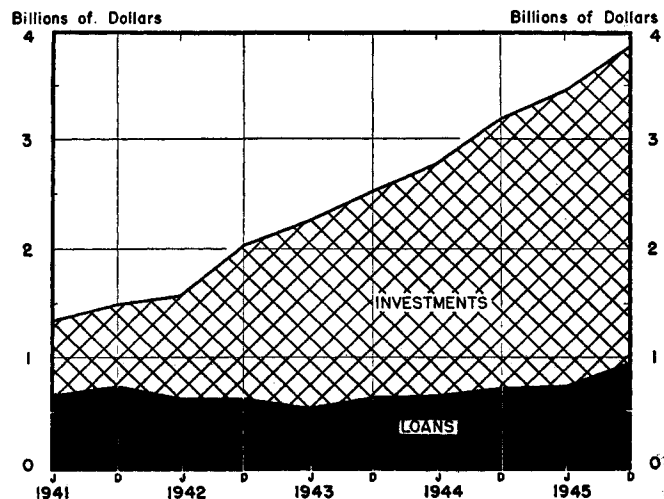
per cent in 1945. As compared with December, 1941, total deposits of these banks at the close of 1945 were up 82 per cent.

Continuing wartime experience, the smaller banks—those in rural sections and small cities—experienced greater deposit growth than did the larger urban institutions. In towns of less than 15,000 population demand deposits increased 31 per cent in contrast to the rise of only 15 per cent in the major cities. Among the latter areas, banks in St. Louis, Louisville, and Memphis registered gains about equal to the five-city average, Little Rock demand deposits rose 19 per cent, and those in Evansville dropped 7 per cent. The latter city has been affected much more adversely by reconversion problems than other metropolitan areas in this district.

Time deposit growth in the smaller towns in 1945 was about 30 per cent as compared with a 24 per cent gain in the large cities. Here again Evansville ran behind the urban area average with an increase of only 17 per cent, while Memphis, Louisville, and Little Rock banks showed better than average gains.

The reporting member banks added \$187 million to their holdings of Government securities in 1945, an increase of approximately 15 per cent. The composition of the portfolios changed appreciably. Treasury certificates decreased 16 per cent and bonds increased nearly 43 per cent as banks shifted from low yielding short-term issues to the higher rate long-term issues. This shift to bonds apparently reflects general belief in the stability of the

LOANS AND INVESTMENTS AT EIGHTH DISTRICT MEMBER BANKS



long-term interest rate and in the bond market.

Loans at reporting member banks rose \$130 million or 28 per cent in the past year. An important part of this increase was in loans on Government securities which were unusually large at the year end due to the Victory Loan drive. Commercial, industrial, and agricultural loans increased \$76 million during the year, some rise occurring in each of the major cities. Much of the gain, however, was concentrated in Memphis where loans rose \$37 million and in St. Louis where they gained \$27 million. Real estate loans rose very slightly in 1945 indicating that bank credit was not being used in this district to finance a real estate boom such as occurred after World War I. Consumer

AGRICULTURE

CASH FARM INCOME

thousands dollars)	November		Cumulative for 11 months		
	1945	1944	1945	1944	1943
ansas	\$ 53,999	\$ 59,434	\$ 287,787	\$ 305,361	\$ 257,519
ois	119,471	112,892	1,071,523	1,078,335	1,049,710
iana	68,640	59,530	623,633	623,999	603,299
tucky	17,369	20,559	340,787	296,875	267,598
issippi	57,827	70,571	302,139	318,479	279,088
souri	70,446	77,401	634,079	656,659	594,434
nessee	33,370	34,624	280,669	284,796	251,650
Totals	421,122	435,011	3,540,617	3,564,504	3,303,298

CEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Dec., 1945	Nov., 1945	Dec., 1944	Dec., 1945	Nov., 1945	Dec., 1944
tle and Calves	111,116	181,093	134,972	57,577	90,067	57,318
s	228,553	213,788	259,802	80,199	72,791	79,780
ses and Mules	3,123	3,423	1,704	3,363	3,263	1,698
ep	67,645	74,880	49,976	15,206	12,650	4,617
otals	410,437	473,184	446,454	156,345	178,771	143,413

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Dec., 1945	Nov., 1945	Dec., 1944	Dec., '45 comp. with Nov., '45	Dec., '44
All Commodities	107.1	106.8	104.7	+ 0.3%	+ 2.3%
Farm Products	131.5	131.1	125.5	+ 0.3	+ 4.8
Foods	108.6	107.9	105.5	+ 0.6	+ 2.9
Other	100.5	100.2	98.9	+ 0.3	+ 1.6

COST OF LIVING

Bureau of Labor Statistics (1935-39=100)	Nov. 15, 1945	Oct. 15, 1945	Sept. 15, 1942	Nov. 15, '45 comp. with Oct. 15, '45	comp. with Sept. 15, '42
United States	129.2	128.9	117.8	+0.2%	+ 9.7%
St. Louis	126.7	126.9	116.6	-0.2	+ 8.7
Memphis	*	*	119.3	....	....
*Not available.					

COST OF FOOD

Bureau of Labor Statistics (1935-39=100)	Nov. 15, 1945	Oct. 15, 1945	Sept. 15, 1942	Nov. 15, '45 comp. with Oct. 15, '45	comp. with Sept. 15, '42
U. S. (51 cities)	140.1	139.3	126.6	+0.6%	+10.7%
St. Louis	141.4	141.4	126.7	- 0 -	+11.6
Little Rock	138.8	138.3*	129.2	+0.4	+ 7.4
Louisville	134.2	133.5*	124.2	+0.5	+ 8.1
Memphis	148.8	148.6	129.7	+0.1	+14.7
*Revised.					

loans of 22 reporting banks in the district were up about \$4 million, or about 44 per cent, continuing the increase which began after the wartime low was reached in the early part of 1944.

The outlook for 1946 is for relatively little change in the general pattern of banking in this district. As noted earlier the volume of new Treasury financing probably will be much smaller than in the war years which means that, unless nonbank investors shift some of their holdings to banks, bank investments in Governments will show small increase. There is also little indication that bank loans will rise appreciably. Security loans should decline if Treasury financing is on a smaller scale. Business and agricultural loans may increase somewhat, but many businesses and farmers have large liquid asset holdings and may prefer to use these funds rather than borrow. The outlook for consumer credit is more favorable but depends largely upon the volume of durable goods produced this year, and upon whether purchasers of such goods prefer to buy them out of anticipated income or with savings.

Deposit changes for the nation as a whole should be relatively small. Deposit growth during the war period was based largely on bank purchases of Government securities. The major factor retarding deposit growth was the outflow of money in circulation, supplemented to some extent by a decline in the gold stock. While these factors are expected to operate less strongly in 1946 and perhaps even to become neutral, prospects are slight

for them to reverse sharply enough to lead to appreciable deposit growth.

Even with the national deposit level relatively stable there are possibilities of shifts between regions, but in 1946 these should be at a minimum. As far as this district is concerned there seems to be little likelihood of major deposit shifts either within the district or from it to other regions.

AGRICULTURE

Total farm production in the Eighth District in 1945 was at near record levels despite obstacles of unfavorable weather and short supplies of labor, fertilizer, new machinery and replacement parts. Pasture and hay production were at record levels this year. The district wheat and rice crops somewhat exceeded those of 1944. Tobacco production was only slightly under the bumper output of the previous year. The district corn crop, while slightly less than the 1942-44 crops, exceeded the prewar average production. Cotton suffered more than any crop in the district, with the 1945 harvest being approximately one-third less than 1944 production in physical volume and in many areas the quality of the crop being low.

The spring season was unusually wet. Severe floods covered much of the rich bottomlands of the district's major river systems. Long and heavy rains retarded planting in the upland areas. Some breaks in the wet weather during the late spring and early summer, however, enabled district farmers to plant crops, which they did with amazing rapidity.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Custom-ers*	Dec., 1945	Nov., 1945	Dec., 1944	Dec., 1945 compared with Nov., '45	Dec., '44
		K.W.H.	K.W.H.	K.W.H.		
Evansville	40	5,248	4,693	8,199	+12%	-36%
Little Rock.....	34	3,383	3,590	2,848	- 6	+19
Louisville	82	15,634	14,971	16,726	+ 4	- 7
Memphis	31	5,489	5,492	6,973	- 0	-21
Pine Bluff.....	19	1,393	2,008	7,831	-31	-82
St. Louis.....	127	47,711	57,514	71,592	-17	-33
Totals	333	78,858	88,268	114,169	-11	-31

*Selected industrial customers.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Dec., '45	Nov., '45	Dec., '44	First nine days Jan., '46	Jan., '45	12 mos. '45	12 mos. '44
109,245	117,257	154,325	31,739	41,780	1,711,510	1,903,880*

Source: Terminal Railroad Association of St. Louis.

*Revised.

COAL PRODUCTION

(In thousands of tons)	Dec., '45	Nov., '45	Dec., '44	Dec., '45 comp. with Nov., '45	Dec., '44
Illinois	6,056	6,024	6,127	+ 1%	- 1%
Indiana	2,229	2,200	2,430	+ 1	- 8
Kentucky	5,711	5,909	5,247	- 3	+ 9
Other Dist. States..	1,509	1,618	1,633	- 7	- 8
Totals	15,505	15,751	15,437	- 2	- 0

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Dec., 1945	Nov., 1945	Dec., 1944	Dec., '45 comp. with Nov., '45	Dec., '44
El Dorado, Ark.....\$	13,168	\$ 11,415	\$ 12,150	+15%	+ 8%
Fort Smith, Ark.....	41,806	33,448	25,761	+25	+62
Helena, Ark.....	7,265	7,941	5,692	- 9	+28
Little Rock, Ark.....	93,194	92,587	89,631	+ 1	+ 4
Pine Bluff, Ark.....	24,126	30,315	21,777	-20	+11
Texarkana, Ark.-Tex.	9,662	9,110	14,514	+ 6	-33
Alton, Ill.	18,792	15,134	16,409	+24	+15
E. St. L.-Nat. S.Y., Ill.	74,604	83,483	83,513	-11	-11
Quincy, Ill.	20,515	21,433	18,554	- 4	+11
Evansville, Ind.	78,122	71,860	115,229	+ 9	-32
Louisville, Ky.	443,941	358,501	435,042	+24	+ 2
Owensboro, Ky.	23,778	21,878	23,313	+ 9	+ 2
Paducah, Ky.	10,860	9,648	9,407	+13	+15
Greenville, Miss.	12,991	14,492	12,864	-10	+ 1
Cape Girardeau, Mo.	7,004	6,337	6,210	+11	+13
Hannibal, Mo.	5,859	5,395	5,547	+ 9	+ 6
Jefferson City, Mo.	25,968	23,882	18,543	+ 9	+40
St. Louis, Mo.....	1,285,971	1,077,348	1,133,853	+19	+13
Sedalia, Mo.	7,573	7,172	6,325	+ 6	+20
Springfield, Mo.....	36,765	38,578	32,915	- 5	+12
Jackson, Tenn.	13,993	14,763	11,095	- 5	+26
Memphis, Tenn.....	376,699	376,817	331,621	- 0	+14
Totals	2,632,656	2,331,537	2,429,965	+13	+ 8

RETAIL TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover
	Dec., '45 compared with Nov. '45 Dec., '44		12 mos. '45 to same period '44	Dec. 31, '45 comp. with Dec. 31, '44	Jan. 1, to Dec. 31, 1945 1944
St. Smith, Ark.	+35%	+ 6%	+12%	- 8%	5.38 5.04
Little Rock Ark.	+35	+ 7	+13	- 5	6.22 5.51
Quincy, Ill.	+30	+14	+14	+16	6.44 5.79
Evansville, Ind.	+23	- 1	+ 1		
Louisville, Ky.	+32	+13	+12	+ 4	6.59 5.78
St. Louis Area ¹	+15	+10	+14	+ 7	5.26 4.97
St. Louis, Mo.	+14	+10	+14	+ 7	5.26 4.97
St. Louis, Ill.	+24	+ 1	+ 5		
Springfield, Mo.	+38	+19	+19	-29	5.95 4.79
Memphis, Tenn.	+30	+ 8	+12	- 6	5.92 5.47
All other cities	+31	+13	+11	-0-	5.38 5.06
8th F. R. District	+23	+10	+13	+ 2	5.60 5.20

* El Dorado, Fayetteville, Pine Bluff, Ark.; Alton, Harrisburg, Jacksonville, Mt. Vernon, Ill.; New Albany, Vincennes, Ind.; Danville, Hopkinsville, Mayfield, Paducah, Ky.; Chillicothe, Mo.; and Jackson, Tenn.

¹ Includes St. Louis, Mo., East St. Louis and Belleville, Ill.
Trading days: Dec., 1945—25; Nov., 1945—25; Dec., 1944—25.
Outstanding orders of reporting stores at the end of December, 1945, were 25 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding December 1, 1945, collected during December, by cities:

	Instalment Accounts			Instalment Accounts	
	Excl. Instal. Accounts			Excl. Instal. Accounts	
St. Smith	.....%	67%	Quincy	49%	78%
Little Rock	35	64	St. Louis	45	71
Louisville	34	59	Other cities	52	67
Memphis	67	63	8th F.R. Dist.	46	67

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Dec., 1945	Nov., 1945	Oct., 1945	Dec., 1944
Sales (daily average), Unadjusted ¹	365	303	255	333
Sales (daily average), Seasonally adjusted ¹	227	266	248	207
Stocks, Unadjusted ²	85	116	121	83
Stocks, Seasonally adjusted ²	92	103	108	90

Daily Average 1935-39=100.
Monthly Average 1923-25=100.

SPECIALTY STORES

	Net Sales		Stocks on Hand	Stock Turnover
	Dec., '45 compared with Nov., '45	12 mos. '45 to same period '44	Dec. 31, '45 comp. with Dec. 31, '44	Jan. 1, to Dec. 31 1945 1944
Men's Furnishings	+10%	- 2%	+16%	-48%
Coats and Shoes	+15	+10	+17	-28
Percentage of accounts and notes receivable outstanding				4.94 3.42 11.37 8.53 December 1,

Percentage of accounts and notes receivable outstanding December 1, 1945, collected during December:
Men's Furnishings.....65% Boots and Shoes.....55%
Trading days: December, 1945—25; November, 1945—25; December, 1944—25.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	December, 1945 compared with Nov., '45 Dec., '44		December 31, 1945 compared with Nov. 30, '45 Dec. 31, '44		Dec., '45 Dec., '44	
St. Louis Area ¹	+17%	+23%	-13%	+ 2%	42%	34%
St. Louis	+16	+26	-13	+ 2	41	33
Louisville Area ²	+17	+17	- 6	+10	39	33
Louisville	+20	+15	-10	+ 6	37	33
Memphis	- 4	+20	*	*	31	32
Little Rock	+ 5	+18	- 9	+13	31	29
St. Smith	+10	+48	*	*	*	*
8th Dist. Total ³	+14	+22	- 9	+ 8	39	34

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

¹Includes St. Louis, Missouri; East St. Louis and Alton, Illinois.
²Includes Louisville, Kentucky; and New Albany, Indiana.

³In addition to above cities, includes stores in Blytheville, Pine Bluff, Arkansas; Henderson, Hopkinsville, Owensboro, Kentucky; Greenwood, Mississippi; Hannibal and Springfield, Missouri.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Dec., '45	Nov., '45	Dec., '44
Cash Sales	29%	27%	28%
Credit Sales	71	73	72
Total Sales	100	100	100

Most of the intended crops were put in, although some bottom areas, particularly regions in eastern and central Arkansas, remained idle throughout the year. During most of the remainder of 1945, weather was favorable, although drouth conditions developed in the summer in several rather small areas. This, however, caused no serious damage. Harvesting was completed in a fairly orderly manner. Some of the early hay crops were damaged by excessive moisture, however, and considerable difficulty was experienced in picking the cotton crop. Also in some areas of Illinois, the soybean harvest was slow.

During the war period total crop production in the United States increased by about one-fourth and total food output by about one-third. Agricultural production gains in this district generally were not as large as those for the country as a whole, primarily because of adverse weather. Embracing as it does parts of the mightiest river system of the nation, the Eighth District is particularly vulnerable to floods and they have visited the district in every war year with more or less severe repercussions on crop output. Drouth has also played its part in curtailing agricultural production here in the past few years. When weather conditions are considered, it is amazing that district production in the early 1940's has been as large as it was.

The chart shows annual output of the five basic crops, corn, cotton, rice, tobacco and wheat, in the Eighth District during the past ten years. In the aggregate, district production of these crops in the period 1941-45 averaged 7 per cent above that for the years 1935-40. The nationwide gain was 18 per cent.

The district's biggest cash crop, cotton, was not particularly larger in volume in the 1941-45 period than in the prewar years. In fact, 1937 production of cotton was 25 per cent more than the wartime record of 1942 and 71 per cent more than last year's poor crop. The important tobacco crops, particularly those of 1944 and 1945, however, were considerably larger than prewar output. Tobacco accounts for a sizable share of district cash farm income. Tobacco production is confined to small acreages on most farms and at best uses a relatively small percentage of the farm land, even in the major producing states of Kentucky and Tennessee. It does, however, require considerable labor. The unusually high prices of the war years were primarily responsible for the tremendous output.

Of the two cereal food crops, district wheat production in the war period averaged less than in pre-war years while the wartime district rice crops were

considerably larger than those of the 1930's. Both of these developments were merely continuations of longer-term trends, partially arrested in the case of wheat, and somewhat accentuated in the case of rice. The gain in rice production, while striking, has not been of major importance as a contribution to district farm income, since production is not large relative to other cash crops and is confined to a relatively small area of the district.

Corn production in the district during the war years increased considerably, but the gain was less than that of the nation as a whole. The 1945 district corn crop was 14 per cent larger than that of the period 1935-40, in contrast to an increase of 29 per cent for the total United States crop.

There were substantial increases in some other district crops in the past few years. Soybean acreage expanded tremendously, for example, as did hay and pasture production. Peanuts and hemp were produced in sufficient volume to be noted. Truck crops, fruits, berries and vegetables all showed large gains in output with sweet potatoes in particular rising in importance as a district crop.

Cash farm income soared to record heights during the war period. This has been true in the district as well as in the nation. Total cash farm income in Eighth District states in the prewar years, 1935-39, averaged about \$1.5 billion. During the last three years of war it was only slightly under \$4 billion. This tremendous increase in income partly reflects the increased production, but to a far greater extent reflects the tremendous rise in farm prices. Farm product prices rose at a more rapid rate during the war period than the cost of goods bought by farmers. Thus net income of farmers was unusually high. They have improved their financial position throughout the period. At the present time, however, the trend apparently is toward a continued rise in costs and a leveling off of gross income, which is likely to result in some reduction in net farm income in the months and years immediately ahead.

The outlook for production in coming years in this district and in the United States is for a slight decline from the heavy output of the war years. In general, for the country as a whole, good farm weather has existed since 1937 and there has not been a serious national crop disaster due to unfavorable weather conditions. As was noted earlier, the district experienced much less favorable weather than did the nation and as a result, district crop production did not increase as sharply as that for the country as a whole. It seems unlikely that weather will be so consistently favorable in the

WHOLESALE

Lines of Commodities	Net Sales		Stocks Dec. 31, 1945 comp. with Dec. 31, 1944
	December, 1945 compared with Nov., '45	Dec., '44	
Data furnished by Bureau of Census, U. S. Dept. of Commerce.*			
Drugs and Chemicals.....	6%	+ 15%%
Dry Goods.....	10	+ 10	+12
Electrical Supplies.....	31	+ 12	+20
Groceries.....	19	+ 6	+ 1
Hardware.....	1	+ 33	+33
Plumbing Supplies.....	15	+ 23	.....
Tobacco and its Products.....	4	+ 18	.....
Miscellaneous.....	6	+ 14	-0-
Total all lines**	6	+ 15	+15
*Preliminary.			
**Includes certain lines not listed above.			

CONSTRUCTION

		BUILDING PERMITS							
		New Construction				Repairs, etc.			
(Cost in thousands)		Number		Cost		Number		Cost	
		1945	1944	1945	1944	1945	1944	1945	1944
Evansville.....	32	12	\$ 661	\$ 23	67	37	\$ 183	\$ 17	
Little Rock.....	62	18	476	43	116	81	87	26	
Louisville.....	63	29	1,466	432	28	17	39	7	
Memphis.....	474	233	3,889	311	126	110	192	103	
St. Louis.....	136	68	1,189	362	139	137	202	183	
Dec. Totals.....	767	360	7,681	1,171	476	382	703	336	
Nov. Totals.....	773	454	5,484	828	771	789	783	682	

BANKING

CHANGES IN PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS			
Change from			
(In thousands of dollars)	Jan. 16, 1946	Dec. 19, 1945	Jan. 17, 1945
Industrial advances under Sec. 13b.....	\$.....	.....	.....
Other advances and rediscounts.....	4,123	- 12,737	- 26,777
U. S. securities.....	1,082,817	+ 18,257	+276,811
Total earning assets.....	1,086,940	+ 5,520	+250,034
Total reserves.....	624,636	- 15,078	- 45,945
Total deposits.....	664,224	- 17,681	+ 73,752
F. R. notes in circulation.....	1,053,056	- 9,815	+126,016
Industrial commitments under Sec. 13b.....	.....	.....	-55
PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS			
Change from			
(In thousands of dollars)	Jan. 16, 1946	Dec. 19, 1945	Jan. 17, 1945
Total loans and investments.....	\$2,238,752	+29,358	+347,197
Commercial, industrial, and agricultural loans*	344,137	+ 5,638	+ 76,300
Loans to brokers and dealers in securities	10,652	- 1,931	+ 2,459
Other loans to purchase and carry securities	82,738	+ 6	+ 45,673
Real estate loans.....	69,693	+ 1,497	+ 4,558
Loans to banks.....	2,477	+ 1,214	+ 459
Other loans.....	95,736	- 5,906	+ 10,997
Total loans.....	605,433	+ 518	+140,446
Treasury bills.....	68,391	+20,347	+ 22,571
Certificates of indebtedness.....	293,219	+34,971	- 20,579
Treasury notes.....	326,410	-33,905	- 12,364
U. S. bonds.....	806,422	+10,739	+217,649
Obligations guaranteed by U. S. Government	1,852	+ 1,490	- 24,136
Other securities.....	137,025	- 4,802	+ 23,610
Total investments.....	1,633,319	+28,840	+206,751
Balances with domestic banks.....	119,413	- 4,058	- 823
Demand deposits—adjusted**.....	1,079,199	+16,840	+ 58,808
Time deposits.....	341,970	+ 6,500	+ 65,293
U. S. Government deposits.....	487,180	+ 1,093	+197,952
Interbank deposits.....	704,074	+21,654	+ 74,762
Borrowings.....	2,485	-12,765	- 29,915
* Includes open market paper.			
** Other than interbank and Government deposits, less cash items on hand or in process of collection.			
Above figures are for selected member banks in St. Louis, Louisville, Memphis, Little Rock and Evansville.			

years ahead as the past record indicates that good and bad crop weather tends to move in cycles. Consequently, total crop production may well recede slightly from the wartime peak.

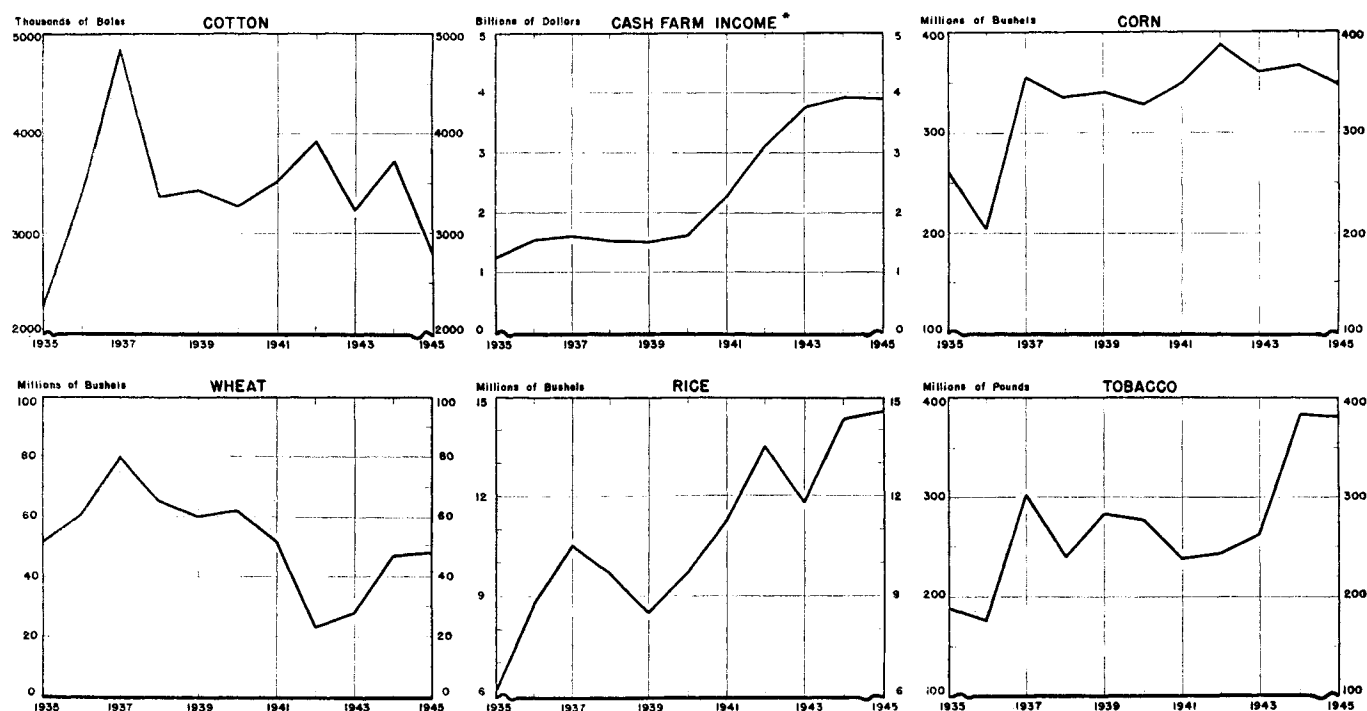
Furthermore, much of the increase in total food output during the war period reflects substantial expansion in production of livestock and livestock products. This has resulted partly because of increased crop production, but partly because of consumption of the large stocks of feed crops built up prior to the outbreak of war. Output of livestock and livestock products may need to be adjusted downward to stay in line with feed crop production. The critical feed situation which has faced the livestock farmer for the past two years and continues to be a factor in livestock production today is evidence pointing toward this development.

Finally, productivity of the soil has been strained tremendously during the war period, and soil depletion apparently has advanced at an increasingly rapid rate. A general shift toward fewer acres in row crop production and more acres in hay and pasture seems indicated. Along with this an increased use of soil treatment will be necessary if part of the soil deficiency accumulated during the war years is to be replaced.

Despite the probable decrease in total agricultural output from record wartime levels, it appears likely that farm production in the coming years will be in much greater total volume than in the prewar period. Population has increased, and if total national income can be maintained at a high level, domestic demand for farm products should be much stronger than in prewar years. There is also hope for a larger export market than existed prior to World War II.

Even with these developments, however, agriculture will probably be required to shift its production pattern somewhat, and demand for certain crops may well be depressed even in the midst of generally favorable agricultural conditions. One crop which may find itself in this position is burley tobacco, which is one of the major crops in this district. Burley prices in the present marketing season have been reduced sharply from last year's level. The crop is still selling at relatively favorable prices but its current experience is evidence of what can happen when supply outruns demand even though the latter is at a very high level. It should serve as a warning of probable developments in other crops where production during the war was expanded beyond a peacetime level of demand.

PRODUCTION OF BASIC FARM CROPS AND CASH FARM INCOME* IN THE EIGHTH DISTRICT



* TOTAL FOR EIGHTH DISTRICT STATES (EXCLUDING GOVERNMENT PAYMENTS)