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The Source and Use of Bank Funds

Commercial banks play an important role in community, regional, national and even international economic development. Of the many functions performed, one of the most significant is the pooling of surplus and temporarily idle funds of the community and, through loans and investments, the allocating of them to borrowers engaged in a wide range of economic activity. In fulfilling this function bankers exercise considerable influence over both the extent and direction of economic development.

From the end of 1939 to the end of 1945, Eighth District member bank assets increased from \$1.9 billion to \$5.2 billion, a gain of 174 per cent. If all commercial banks in the Eighth District are included, total assets increased from \$2.6 billion at the end of 1939 to \$7.2 billion at the end of 1945. Since this gain was somewhat above the national average, the district's share of total commercial bank resources increased from 4 to 4.5 per cent.

The growth of banking resources during World War II stemmed primarily from bank purchases of Government securities in connection with war financing. The above-average increase in this district was largely due to: (1) an excess of Treasury expenditures for defense activities and other pur-

poses over Treasury receipts; (2) an above-average increase in agricultural income which drew funds into this and other agricultural areas; and (3) limited expenditures for many goods manufactured outside of the district, the production of which was restricted during the war.

Banking resources dropped slightly during 1946 as the cash redemption of Treasury securities held by the banks exceeded loan expansion. This same process may continue to result in some further reduction of bank assets but the amount is likely to be small because most of the additional cash redemptions of Government securities will have to be made from an excess of Treasury receipts over Treasury expenditures. In view of the current emphasis on lower taxes the amount of this surplus is not likely to be large. A shift of Government securities from bank to nonbank investors also could result in deposit shrinkage, but at present there seems to be no reason to expect any important shift of this kind. A decrease in the prices of raw materials and agricultural products and increased expenditures for manufactured goods made outside may cause this district to lose funds to other areas. If a shift does occur, however, it is not likely to be large.

Source of Funds

There are two major sources of commercial bank funds—capital supplied by stockholders and funds deposited by customers. In 1939, about 9 per cent of the banking system's funds in this area came from stockholders and 91 per cent from depositors.

However, the rate of deposit growth during the war was much greater than the rate of capital increase, and despite a \$76 million rise in capital accounts, stockholders had but a 5 per cent interest in district member bank assets at the end of 1945.

Substantial shifts occurred also within the composition of deposits. Demand deposit growth was greater than that of time deposits and as a result the former represented 83 per cent of total deposits at the end of 1945 as compared to 75 per cent at the end of 1939. Demand deposits of individuals, partnerships and corporations increased at about the same rate as total demand deposits and constituted a larger proportion of total deposits at the end of 1945 than in 1939.

Ownership of Demand Deposits—The latest Federal Reserve survey of the ownership of demand deposits was conducted as of February 26, 1947. It revealed that the demand deposits of individuals and business firms are still increasing, the total of \$4,014 million on February 26 being nearly \$200 million or 5 per cent above that of July 31, 1946. The increase since July 31, 1945, which approximately coincides with the end of the war, amounted to \$700 million or 21 per cent.

**DEMAND DEPOSITS—ALL EIGHTH DISTRICT BANKS
BY GEOGRAPHICAL AREA**
(Dollar Amounts in Millions)

Area	2-26-47	Per Cent Change From:	
		7-31-46	7-31-45
St. Louis	\$1,012	+ 4%	+11%
Louisville	292	+ 3	+12
Memphis	226	+ 8	+31
Little Rock	76	— 3	+10
Evansville	75	— 3	—12
Total Metropolitan Areas.....	\$1,681	+ 4	+12
St. Louis Outlying.....	\$ 408	+ 7	+28
Louisville Outlying.....	118	+12	+36
North Missouri.....	323	+ 6	+32
Ozark	238	— 4	+22
South Arkansas	239	+ 2	+23
Delta	393	+22	+44
East Mississippi-Tennessee	159	- 0 -	+28
Kentucky-Indiana	455	+ 3	+21
Total Rural Areas.....	\$2,333	+ 6	+29
Total District.....	\$4,014	+ 5	+21

Demand deposits of banks located in the metropolitan centers increased approximately \$60 million or 4 per cent from July 31, 1946 to February 26, 1947. In general these changes were a continuation of the trends which have prevailed in the postwar period. Evansville is the only one of the metropolitan centers experiencing a decline since the end of July, 1945, the decrease amounting to \$10 million or 12 per cent. Banks located in the rural areas experienced a greater increase in demand deposits than those in the metropolitan centers, the gain amounting to \$136 million or 6 per cent.

The slightly larger increase of demand deposits at banks in the rural areas than at banks in the metropolitan centers during the last seven months was partly seasonal, since the larger part of the annual income from farm marketings is concentrated in the July 31 to February 26 period. Another factor was the sharp increase in farm product

prices during the last few months which together with good crops resulted in a record level of farm income. Finally, the accumulation of inventories by business concerns has tended to retard the growth of business deposits which are especially important to banks located in metropolitan centers.

**OWNERSHIP OF DEMAND DEPOSITS
ALL EIGHTH DISTRICT BANKS, FEBRUARY 26, 1947**

	(Dollar Amounts in Millions)		Change From:	
	2-26-47	7-31-46	7-31-46	7-31-45
	Amount	Per Cent of Total		
Nonfinancial business.....	\$1,543	38.4	— 2%	+ 9%
Manufacturing and mining.....	498	12.4	+ 2	— 9
Transportation and public utilities	175	4.4	+11	+11
Retail and wholesale trade.....	692	17.2	— 4	+24
Other nonfinancial business.....	178	4.4	—13	+16
Financial business.....	231	5.8	— 3	+27
Personal (including farmers).....	2,097	52.2	+12	+29
Nonprofit associations	143	3.6	+ 4	+54
Total	\$4,014	100.0	+ 5	+21

There were relatively few significant changes in the ownership pattern of demand deposits during the last seven months. Personal deposits, after a slight decrease from January to July, 1946, resumed the upward trend which was characteristic of the war and early postwar periods. Deposit balances of individuals increased \$227 million or by 12 per cent as compared to a gain of 5 per cent for all demand deposits. This above-average increase is largely seasonal, reflecting primarily the same factors mentioned previously as responsible for the increase in demand deposits in rural areas.

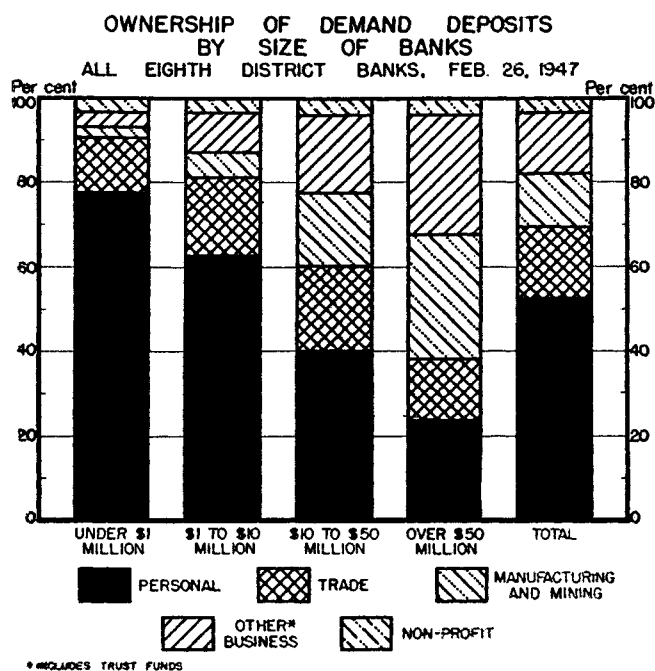
The increase in manufacturing and mining deposits and in transportation and public utilities probably reflects the building up of balances which were drawn down rather sharply in meeting reconversion and other expenditures shortly after the end of the war. Retail and wholesale trading establishments drew down their balances as they accumulated inventories rather rapidly during the last several months.

It is interesting to note that all types of deposit holders, except those in manufacturing and mining, held larger balances at the end of February, 1947 than at the end of July, 1945. Manufacturing and mining companies held balances of \$498 million as compared to \$549 million at the end of July, 1945, a loss of 9 per cent. The average gain for all classes of owners during this period was 21 per cent. Above-average increases were registered by personal holders, financial businesses and firms engaged in retail and wholesale trade, the gains being 29, 27 and 24 per cent, respectively.

The small banks, with deposits under \$1 million, registered the largest increase in demand deposits, the gain amounting to \$30 million or 8 per cent as compared to a 5 per cent increase for all banks.

Banks with total deposits of \$1 to \$10 million held the major part of district demand deposits, this group having a total of \$2,145 million on February 26, which represented a gain of \$110 million during the last seven months. The next largest amount was held by banks with total deposits in excess of \$50 million, the aggregate for this group being \$911 million as compared to \$860 million on July 31, 1946. The smallest gain was registered by banks with deposits of \$10 to \$50 million, an increase of \$6 million bringing their total to \$548 million.

There were only relatively minor changes in the ownership pattern at the different size classes of banks. Deposits of nonfinancial businesses which registered a decrease of 2 per cent at all banks decreased 8 per cent in the smallest banks and increased 4 per cent in the largest banks—a major part of the increase in the latter group being accounted for by balances of transportation and public utility concerns. The decrease in non-financial business deposits in the small banks was due mostly to a sharp drop in the deposits of service establishments and building and construction companies. Deposit balances of retail and wholesale trading establishments decreased in all size groups of banks with the exception of those banks with deposits of more than \$50 million, which showed a gain of 3 per cent. It is probable that the increase at these large banks reflected a more cautious current inventory policy on the part of large retail and wholesale trading firms. Deposits of financial businesses decreased in all size groups except the largest banks which showed practically no change. The increase in personal deposits was fairly evenly



distributed at all size groups, the average for all banks being 12 per cent and the range being from a high of 15 per cent in the largest size group to a low of 11 per cent in banks with deposits of \$10 to \$50 million. Personal deposits were up 14 per cent in banks with total deposits of less than \$1 million.

Total corporate deposits were off \$23 million to a total of \$1,043 million due primarily to a decrease of \$43 million in retail and wholesale trade corporate balances. Inventory accumulation was undoubtedly a major reason for this decrease. Minor gains were registered by manufacturing, public utility and financial corporations.

Use of Bank Funds

The Eighth District normally has been a capital deficit area. It has been a capital deficit area in the sense that substantial amounts of capital funds have been imported from outside and, more significantly, sufficient capital in the form of machinery, equipment, plant, livestock, and supplies has been lacking. This capital shortage emphasizes the need for the most efficient use of bank funds and increases interest in an analysis of how these funds are being used today.

The portion of bank funds allocated to borrowers was drastically reduced during World War II, the major part of the additional resources being held in Government securities. Loans dropped from 29 per cent of bank assets in 1939 to 17 per cent

at the end of 1945 in contrast to an increase in Government security holdings from 21 per cent to 53 per cent of the total. The postwar rise in loans and the cash redemption of Government securities reversed the wartime trend and raised loans to 23 per cent of total resources at the end of 1946. During the last eighteen months substantial increases have occurred in commercial and industrial, real estate and consumer loans, security loans being the only category to show a marked decline.

The business loan survey conducted by the Federal Reserve banks near the close of last year provided additional information on the use being made of member bank funds for business loans.

An over-all summary of the results of the survey was given in the March issue of the Monthly Review. It revealed that district member banks held about 29,000 loans, totaling \$547 million, to commercial and industrial concerns. Of this total, approximately 26,000 loans, or 90 per cent, were made to small business. There were 6,550 term loans maturing in more than one year.†

TERM LOANS

Investment in fixed assets required for efficient operations is increasing and frequently the cost can be amortized only out of earnings over a period of years. For this purpose the traditional short-term commercial loan is not suitable. In an effort to meet the longer-term credit needs of their borrowers, banks began granting term loans, generally defined as a loan maturing in more than one year. Formerly these loans were employed almost entirely by the large banks in financing large business firms. This is no longer true, however, the recent loan survey revealing that many of the smaller banks also are using term loans to meet the longer-term credit needs of their small business borrowers.

It is estimated that member banks in this district had outstanding about 6,500 term loans aggregating \$135 million. That this method of bank financing is becoming widespread is indicated by the fact that term loans were granted by banks in all size groups, in every major geographical area, and to borrowers representing both large and small firms engaged in practically every type of business.

TERM LOANS BY SIZE OF BANK EIGHTH DISTRICT MEMBER BANKS, NOVEMBER 20, 1946

Banks with Deposits of:	Number of Loans	Dollar Amount (In Millions)	Percentage Distribution	
			Number	Amount
Under \$2 million.....	340	\$ 1	5%	1%
\$2 to \$10 million.....	2,770	17	42	12
\$10 to \$100 million.....	1,790	20	28	15
\$100 to \$500 million.....	1,650	97	25	72
Total	6,550	\$135	100	100

Large banks, which finance the large businesses, supplied nearly three-fourths of the total amount, although they granted only one-fourth the number of term loans. Loans made by banks with deposits of \$100 to \$500 million averaged nearly \$60,000 per loan, reflecting the greater credit needs of large companies engaged principally in the heavy goods industries in the metropolitan centers. About 2,800 or 42 per cent of all term loans were made by banks with deposits of \$2 to \$10 million. However, these loans were for relatively small amounts and aggregated only 12 per cent of the total dollar

† The data given on business loans in this and other paragraphs and in the following tables are estimates based on reports received in the business loan survey.

volume. Banks with deposits under \$2 million made a relatively small number of term loans and the amount averaged only \$2,900 per loan.

The majority of term loans were extended to small businesses—those with total assets under \$250,000. One reason for their predominance is that business in this district is typically small-scale. Another is that frequently credit is needed in starting new businesses and most of those established since the end of the war have been small.

TERM LOANS BY SIZE AND BUSINESS OF BORROWER EIGHTH DISTRICT MEMBER BANKS, NOVEMBER 20, 1946

Total Assets of Borrowers:	Number of Loans	Dollar Amount (In Millions)	Percentage Distribution	
			Number	Amount
Under \$50,000	4,620	\$ 21	71%	16%
\$50,000-\$250,000	1,270	23	19	17
\$250,000-\$750,000	340	20	5	15
\$750,000-\$5,000,000	190	26	3	19
\$5,000,000 and over.....	120	44	2	33
Total*	6,540	\$134	100	100

Business of Borrower:	Number of Loans	Dollar Amount (In Millions)	Percentage Distribution	
			Number	Amount
Manufacturing and Mining.....	1,070	\$ 56.5	16%	42%
Wholesale Trade	440	9.5	7	7
Retail Trade	2,540	17.0	39	13
Other	2,450	51.0	38	38
Total*	6,500	\$134.0	100	100

* Does not include small number of unclassified loans.

Food, liquor, home furnishings and electrical appliance stores, restaurants, automobile dealers, filling stations, truckers and service establishments were the most important borrowers in terms of numbers. Borrowers engaged in these lines of business accounted for over 4,000 loans or 62 per cent of the total. The major part of the loan volume, 70 per cent, went to borrowers engaged in manufacturing, transportation and other public utilities. Firms engaged in transportation and other public utilities accounted for the largest sum—\$37 million or 28 per cent of the total. Food, liquor and tobacco manufacturers obtained loans aggregating \$19 million. Iron and steel, nonferrous metals, electrical machinery, automobiles and other transportation equipment manufacturers, all of which are important industries in this district, accounted for \$16 million or 12 per cent of the total dollar amount.

The maturity of term loans is clustered in the one to two, the four to five and the five to ten year groups.

MATURITY DISTRIBUTION OF TERM LOANS EIGHTH DISTRICT MEMBER BANKS, NOVEMBER 20, 1946

Maturity	Number of Loans	Dollar Amount (In Millions)	Percentage Distribution	
			Number	Amount
1 to 2 years.....	2,200	\$ 17	34%	13%
2 to 3 years.....	970	9	15	7
3 to 4 years.....	600	21	9	16
4 to 5 years.....	1,010	29	15	21
5 to 10 years.....	1,570	52	24	38
Over 10 years.....	200	7	3	5
Total	6,550	\$135	100	100

Maturity is closely related to size and type of business. Loans maturing in one to three years were mostly for small amounts and to borrowers in small retail stores, service establishments and restaurants. Term loans maturing in four to five and five to ten years were made primarily to business firms engaged in the heavy goods industries which require a large investment in fixed assets. Both the heavy expenditures for fixed assets, which can be liquidated only out of earnings over a period of years, and the better credit standing of the large company explain the longer maturity which is typical for the large borrower.

The typical loan for more than one year was repayable in instalments and was secured by a pledge of equipment or real estate. Four-fifths were repayable in instalments, 10 per cent by serial notes and only 8 per cent were single payment. Instalment loans also accounted for a major part of the total dollar volume, indicating that both large and small loans were made on an instalment basis. The annual interest rate on most loans was 4 per cent or less, the exceptions being those loans maturing in one to two years. Sixty per cent of the term loans in this maturity range were made at annual interest rates ranging from 5 to 6 per cent, reflecting both the small size of the loan and the greater risk involved in advances to small businesses. The interest rate for large loans, which accounted for most of the volume, clustered around 2 and 4 per cent.

Only one term loan in twenty was unsecured, but such loans accounted for 37 per cent of the dollar amount. Thus it was the large business which was able to borrow without security. In contrast, business generally was required to pledge security, 40 per cent of the loans being covered by mortgages on real estate and 30 per cent by chattel mortgages on equipment.

FINANCING OF SMALL BUSINESS

Bank loans to small business firms are of particular interest, both because business in this district is typically small scale and because of the interest manifest in recent years in whether adequate credit facilities are available to the small concern. The loan survey provides considerable information on the characteristics of the borrowers and the terms on which they are able to secure bank loans.

The smaller banks granted most of the loans to small business, especially those with assets under \$50,000. Banks with deposits of \$2 to \$10

million made nearly one-half of the number of loans for about one-fourth of the total dollar amount. The major part of business loan volume, however, was supplied by banks with deposits over \$10 million. The larger banks, although making fewer loans, usually finance the larger businesses engaged in manufacturing and public utilities which require large sums for plant and equipment.

LOANS TO SMALL BUSINESS*
EIGHTH DISTRICT MEMBER BANKS, NOVEMBER 20, 1946

Deposit Size of Bank	Number of Loans	Dollar Amount (In Millions)	Percentage Distribution	
			Number	Amount
Under \$2 million.....	2,000	\$ 3.8	8%	2%
\$2-\$10 million	12,040	47.2	47	24
\$10-\$100 million	8,320	70.1	32	37
\$100-\$500 million	3,400	70.9	13	37
Total	25,760	\$192.0	100	100

* Those with total assets under \$250,000.

The business loan portfolio of the smaller banks was concentrated in the retail trades, trucking and service establishments with total assets of less than \$50,000. Borrowers in these types of business accounted for approximately three-fourths of the number of loans to small business by member banks with deposits under \$10 million. Furthermore, most of the loan volume in retail trade was concentrated in a few lines. In contrast, the larger banks, with deposits over \$10 million, had a much better balanced small business loan portfolio. The major part of the volume was to businesses with assets from \$50,000 to \$250,000 but for both size groups the dollar amount was much more equally distributed among manufacturing, wholesale and retail trade and other types of business.

Characteristics of Borrowers—The typical small business borrower in the Eighth District is located in a small town, is operating an unincorporated business and has acquired his business within the past five years.

The greatest number of small business borrowers were located outside the larger cities. Forty-two per cent of the loans to small establishments were made by banks in towns with more than 2,500 but less than 25,000 population, and 14 per cent by banks in towns with population under 2,500. Banks in cities with 100,000 population and over accounted for only 27 per cent of the number, but a large share (58 per cent) of the dollar amount.

Retail trade had by far the largest number of borrowers. Of the 25,700 loans to small business, 11,000 were to operators of retail stores and nearly 9,000 had less than \$50,000 of assets. The miscellaneous classification, which includes transportation and other public utilities, services and building

and construction, was next, accounting for close to 30 per cent of the borrowers in both size groups. The same two groups accounted for most of the loan volume to businesses with assets of less than \$50,000, but manufacturing and wholesale trade accounted for most of the aggregate amount of loans to borrowers with assets of \$50,000 to \$250,000.

LOANS TO SMALL BUSINESS BY BUSINESS OF BORROWER
EIGHTH DISTRICT MEMBER BANKS, NOVEMBER 20, 1946
(Dollar Amounts in Millions)

Business of Borrower	Borrowers with Assets of			
	Under \$50,000		\$50,000-\$250,000	
	No.	Amount	No.	Amount
Manufacturing and Mining.....	2,370	10	1,510	41
Wholesale Trade.....	1,630	11	1,300	38
Retail Trade.....	8,780	24	2,240	16
Other	5,780	19	2,040	31
Total *	18,560	64	7,090	126

Percentage Distribution			
	No.	Amount	
Manufacturing and Mining.....	13%	16%	21%
Wholesale Trade	9	17	18
Retail Trade.....	47	37	32
Other	31	30	29
Total	100	100	100

* Does not include small number of unclassified loans.

The majority of the borrowers in retail trade were merchandising food, liquor, tobacco, home furnishings, appliances, automobiles and accessories or were operating filling stations and restaurants. These borrowers accounted for over 80 per cent of the loans to retail firms with assets under \$50,000. In the miscellaneous classification practically all of the loans were granted to truckers, operators of service establishments and those engaged in building and construction.

Terms of Loan Agreement—Length of maturity, method of repayment, the interest rate and security required, if any, are terms of the loan agreement negotiated between borrower and lender.

PERCENTAGE DISTRIBUTION OF LOANS TO SMALL BUSINESS BY MATURITY
EIGHTH DISTRICT MEMBER BANKS, NOVEMBER 20, 1946

Maturity	Business with Total Assets			
	Under \$50,000		\$50,000-\$250,000	
	No. of Loans	Amount	No. of Loans	Amount
Demand	12%	18%	28%	20%
6 months and under.....	47	39	47	57
6 months to 1 year.....	16	10	8	5
1 to 3 years.....	14	11	5	5
3 to 5 years.....	6	12	5	4
Over 5 years.....	5	10	7	9
Total	100	100	100	100

The short-term loan is still typical of bank advances to small business. Three-fourths of the loans to business with assets under \$50,000, aggregating 67 per cent of the dollar amount, matured within one year. Over 50 per cent of the number and dollar volume matured within 6 months. The short-term loan was even more predominant in businesses with total assets of \$50,000 to \$250,000.

Twenty-eight per cent of the loans to these firms were on demand and approximately 83 per cent of the number and dollar amount matured within one year. Three-fourths of these loans were either callable on demand or matured within six months.

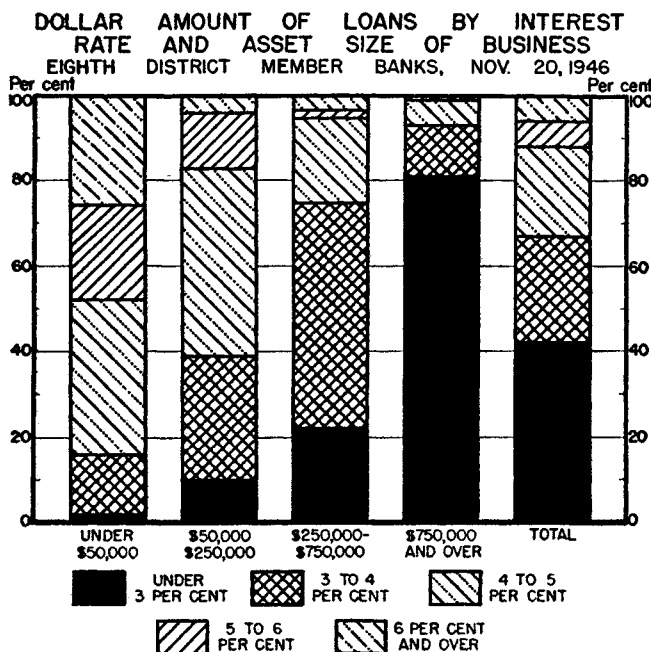
Single payment is also a typical provision. Sixty-two per cent of the loans to borrowers with assets of less than \$50,000 and 75 per cent of those to borrowers with assets of \$50,000 to \$250,000 used this method of repayment, which is suitable for the short-term loan. The instalment method of repayment was used more largely in loans to small concerns, constituting 36 per cent of the total to businesses with assets under \$50,000 as compared to 19 per cent in the next larger size group. The larger proportion of instalment loans to the very small firms is due mainly to the greater credit risk incurred and to more new businesses in this size class, which require larger amounts of long-term credit. Practically all of the multiple payment loans were repayable in equal instalments.

PERCENTAGE DISTRIBUTION OF LOANS TO SMALL BUSINESS BY TYPE OF SECURITY
EIGHTH DISTRICT MEMBER BANKS, NOVEMBER 20, 1946

Type of Security	Asset Size of Borrower			
	Under \$50,000		\$50,000-\$250,000	
	No.	Amount	No.	Amount
Unsecured	29	19	35	25
Endorsed or co-maker.....	13	11	10	7
Chattel mortgage	25	21	6	5
Real estate.....	13	21	17	15
Miscellaneous	20	28	32	48
Total	100	100	100	100

The security required seems to be related to size of business. Some type of security was required for 71 per cent of the loans to businesses with assets under \$50,000 as compared to 65 per cent for those with assets of \$50,000 to \$250,000 and 68 per cent for business as a whole. Mortgages on personal and real property were the most common type of security especially for the small firms. Warehouse receipts secured only 4 per cent of the loans to business firms with assets of \$50,000 to \$250,000 but these loans were large, accounting for 17 per cent of the dollar amount of loans to these concerns. The wide variety of security reported indicates banks in general are willing to accept most anything of value the borrower has to offer.

Small firms with assets under \$50,000 obtained only 2 per cent of the amount of their loans from member banks at rates under 3 per cent. In contrast, the larger firms with total assets of \$5 million and over obtained 96 per cent of their loan volume at these low rates. Again, the small size group paid 6 per cent and above for over one-fourth of



their bank credit, but the group with assets of \$750,000 to \$5 million paid similar rates for only 2 per cent of their loan volume. Those with assets of \$5 million and over obtained practically all of their bank credit for less than 4 per cent.

Guarantee of Business Loans

There is general recognition of the longer-term credit needs of business, especially for capital purposes. Modern machinery and equipment and new techniques have made efficient business operation increasingly dependent upon the acquisition of the appropriate amount and quality of fixed assets. However, the cost is frequently so great that it can be amortized only out of earnings over a period of years.

The change in the character of business assets has increased the need for longer-term credit. In an effort to meet this need, banks have developed the term loan—a loan maturing in more than one year and frequently repayable in instalments. This is an important step forward in the evolution of bank lending and has enabled the banks to meet more fully the credit needs of business. However, the individual bank is still handicapped at times in meeting the long-term credit needs of its customers. In some cases legal limitations on loans to a single borrower prevent the bank from granting sufficient credit. Furthermore, the note of a business borrower has limited marketability and, therefore, the banker cannot afford to tie up too much of his bank's resources in long-term loans. Finally, the individual bank often is unable to get

There are several reasons for the higher rate the small business usually must pay for borrowed funds. The interest rate is made up of several components, important ones being cost of servicing a loan, payment for risk and payment for the use of funds for a given length of time (pure interest). Cost of servicing is nearly as much for a small as for a large loan and, therefore, the percentage charge necessary to cover servicing costs decreases as the size of loan increases. However, correlation between size of loan and interest rate is far from perfect. For example, the average size of loans to borrowers with assets under \$50,000 made at 1 and 2 per cent interest was \$4,200 as compared to an average of \$5,800 for loans at 4 per cent. Moreover, there was little difference in the average size of loans to this same size group made at 7, 8, 9 and 10 per cent interest. Risk is generally greater on a loan for a given amount to a small than to a large business, especially new businesses. A higher rate is usually required, therefore, to cover the risk incurred on a loan to a small business. Other factors involved in the rate differences are location of borrower as to area and size of town and access to alternative sources of funds.

a good business loan diversification because of the industrial structure of the local community. For a safe and fuller utilization of bank funds, facilities often are needed for a wider distribution of risk and greater liquidity for longer-term loans.

The small businessman particularly is handicapped in obtaining adequate intermediate and long-term funds. First, some of the sources of equity capital available to small businesses are diminishing. Well-to-do individuals who formerly invested mainly in local enterprise have tended to shift their funds to other uses as alternative investment opportunities have become available and as their knowledge of marketable securities has increased. Also higher taxes, required by the heavy war expenditures, diminished the amount of earnings which could be retained in a business for expansion and growth. Second, the majority of small businesses are unincorporated and, therefore, can neither issue stocks to obtain equity capital nor bonds to secure borrowed funds. A third limitation is that the small businessman usually has only a local credit standing and, therefore, must rely on the bank or banks in his community for borrowed funds. The size of the local bank, the attitude of its management toward term loans,

and the amount of acceptable assets which may be put up as security are all factors which have an important bearing on the credit line which he can obtain.

There are also several factors which limit the amount of credit which the small banks especially can safely extend. Data given above show that the business loan portfolios of the smaller banks usually are not well diversified. Their business loans are made to very small concerns and are heavily concentrated in retail food, liquor, and tobacco stores, restaurants and service establishments. It is frequently impossible, therefore, for the officials of small banks to obtain the desired distribution of their loan risks in financing local business. A second difficulty is that the loan risk of the small bank is concentrated in the local community. Hazards, such as weather and business and population shifts, which largely are beyond the control and foresight of the banker, may inflict heavy losses on a single locality. Finally, the lack of marketability of the notes of small business borrowers limits the amount of the bank's resources which safely can be placed in such loans.

These handicaps encountered by the small businessman in obtaining credit are the primary reason for Senate Bill 408 generally referred to as the Tobey Bill. This bill would repeal Section 13b of the Federal Reserve Act, which gives the Federal Reserve banks the authority to make direct loans to industry. In its place the Federal Reserve banks would be given authority to guarantee loans made by financing institutions to business enterprises. The guarantee of loans would be under rules and regulations prescribed by the Board of Governors and subject to the following qualifications:

1. No loan could be guaranteed which has a maturity of more than ten years.
2. The Federal Reserve banks could guarantee or make a commitment to purchase up to but not to exceed 90 per cent of the unpaid balance of any loan.
3. The aggregate amount of all guarantees could not exceed the combined surplus of the twelve Federal Reserve banks.

4. To insure that a substantial portion of the guarantee power would be reserved for loans to small business the aggregate amount of guarantees of loans in excess of \$100,000 each could not exceed 50 per cent of the combined surplus of the Reserve banks.

5. The Federal Reserve banks would use their own funds in carrying out the guarantees and no expenditure on the part of Government would be involved.

It should be noted that this bill does not place the Federal Reserve banks in competition with the private banking system. Neither does it encroach upon the rights of private management. Loans guaranteed would continue to originate with local banks dealing with local people whom they know and with whose character, capability and capacity they would be familiar. A Federal Reserve bank would not guarantee any loan unless requested by the local bank but if such a guarantee were desired it would be promptly available upon the approval of the Reserve bank.

The Federal Reserve System is well equipped to administer a business loan guarantee program. The twelve Federal Reserve banks and their twenty-four branches provide a regional organization to which local financing institutions in all parts of the country have convenient access. The Federal Reserve banks have had ample and successful experience in guaranteeing business loans. Under Section 13b, 3,542 applications for commitments and advances were approved for a total of \$566 million. Under the V-Loan program for guaranteeing war production loans, the Federal Reserve banks processed 8,771 guarantees aggregating nearly \$10.5 billion. Through these programs their personnel gained valuable knowledge and experience.

S. 408 is geared to the handicaps which frequently prevent the small businessman from obtaining an adequate supply of credit. It is not designed to make bad loans good. Instead, it proposes to make good loans better by increasing their liquidity and by providing an opportunity for the individual bank to obtain a wider distribution of the risk incurred in making them.

Clay J. Anderson.

Survey of Current Conditions

The current business outlook is clouded by a growing concern with the present and future level of prices. Agreement is fairly widespread in business, labor, Government and among consumers

that prices generally are "too high". Unfortunately for the economic health of the nation, however, the over-all diagnosis of the case meets with more unanimity of opinion than the prescription of

specific cures. In part this reflects a lack of accord concerning the major sources of the difficulty. In too many individual instances, however, the disease is thought to be serious only with respect to goods or services one must buy, and only mild as far as goods or services that one must sell are concerned.

The situation appears to call for a serious examination not only of the price structure but of all the price-determining factors. Except in isolated instances, commodity prices seldom are established on an arbitrary basis but instead represent the interplay of numerous forces including production cost factors, the supply of and demand for raw materials and finished products, consumer purchasing power, fiscal and other public policy, competitive pressures, profit margins, and the like.

During recent months, as a result of the interrelationship of these and other forces, prices of many commodities and groups of commodities have risen sharply, and disproportionately in terms of other commodities. Building materials, farm and food products, and hides and leather products, for example, have moved far out of line with other commodity prices. Thus, not only is the price level high, but there is distortion and lack of balance within the price structure. Readjustments at some future date seem inevitable. The economic shock resulting from such readjustments can be cushioned, but only to the extent that action is taken to bring about a better balance among prices of commodities and between prices, wages and profits. Such action will require the exercise of economic statesmanship at all levels.

EMPLOYMENT

Spring farm work, more favorable weather for construction, and a slight increase in trade and manufacturing activity combined to increase employment during March over the preceding month. Nonagricultural employment was almost 10 per cent higher than a year ago, but agricultural employment showed a less than seasonal gain, mainly on account of unfavorable weather, and was somewhat lower than in March, 1946. Practically all of the rise noted in total employment reflected increased employment of men; the number of women employed remained constant.

Little increase in employment in this district is expected in the immediate future with the exception of seasonal increases in construction, agriculture, and service. Demand for labor probably will continue to exceed supply in certain fields, although the influx of school graduates and part-time workers

into the labor market after May should ease shortages in all but the skilled occupations.

INDUSTRY

The general level of Eighth District industrial activity continued to move upward in March but gains were scattered and in some industries were largely a reflection of the longer work month as compared with February. While operations in March averaged only slightly higher than in February, this increase maintained the upward trend which has prevailed for more than fifteen months. During the first quarter of 1947, over-all industrial activity in the district averaged from 15 to 20 per cent higher than in the first three months of 1946 and 5 to 10 per cent above the final quarter of 1946.

Total consumption of electric power in the district's industrial centers in March was 11 per cent larger than in February and 18 per cent above March, 1946. Although gains over February occurred only in St. Louis, Louisville, and Evansville, all reporting cities, except Pine Bluff, participated in the year-to-year advance. In the first quarter, industrial power consumption was 18 per cent larger than in the first three months of 1946.

Manufacturing—Manufacturing activity increased in March and was at a substantially higher level than a year earlier. Gains were indicated in the chemical, nonferrous metals, stone, clay and glass, and iron and steel products industries. The basic steel industry in the St. Louis area operated at 77 per cent of capacity as compared with 74 per

INDUSTRY

CONSUMPTION OF ELECTRICITY							
(K.W.H. in thou.)	No. of Customers*	Mar., 1947	Feb., 1947	Mar., 1946	Mar., 1947 compared with		Mar., 1946
		K.W.H.	K.W.H.	K.W.H.	Feb., '47	Mar., '46	
Evansville	40	7,999	7,404	5,294 R	+ 8.0%	+51.1%	
Little Rock..	35	3,071	3,380	2,998	+ 9.1	+ 2.4	
Louisville ...	80	63,052	53,522	50,719 R	+17.8	+24.3	
Memphis	31	5,291	5,730	4,629	+ 7.7	+14.3	
Pine Bluff....	19	1,076	1,248	1,328	+13.8	+19.0	
St. Louis.....	99	62,588	57,252	55,827 R	+ 9.3	+12.1	
Totals	304	143,077	128,536	120,795 R	+11.3	+18.4	
*Selected industrial customers. R—Revised.							
LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS							
Mar., '47	Feb., '47	Mar., '46	First Nine Days		3 mos., '47	3 mos., '46	
			Apr., '47	Apr., '46			
142,714	123,879	123,986	39,966	33,849	389,983	357,196	
Source: Terminal Railroad Association of St. Louis.							
COAL PRODUCTION							
(In thousands of tons)	Mar., '47	Feb., '47	Mar., '46	Mar., '47 comp.		Mar., '46	
				Feb., '47			
Illinois	6,134	5,739	6,912R	+ 6.9%		+11.3%	
Indiana	2,552	2,378	2,421R	+ 7.3		+ 5.4	
Kentucky	7,204	6,221	7,164R	+15.8		+ 0.6	
Other District States..	1,510	1,529	1,774R	+ 1.2		+14.9	
Totals	17,400	15,867	18,271R	+ 9.7		+ 4.8	
R — Revised.							

TRADE

DEPARTMENT STORES

	Net Sales		Stocks on Hand		Stock Turnover	
	Mar., 1947 compared with Feb., '47		3 mos. 1947 to same comp. with Mar. 31, '46		Jan. 1, to Mar. 31 1947	
	Mar., '47	Mar., '46	Mar. 31, '47	Mar. 31, '46	1947	1946
Ft. Smith, Ark.....	+17%	-14%	-11%	+31%	.94	1.50
Little Rock, Ark.....	+13	-1	+3	+44	1.08	1.60
Quincy, Ill.....	+40	+8	+10	+53	.97	1.40
Evansville, Ind.....	+34	+6	+14	+40	.77	1.08
Louisville, Ky.....	+37	+13	+11	+60	1.06	1.65
St. Louis Area ¹	+32	+13	+13	+51	.91	1.43
St. Louis, Mo.....	+31	+12	+12	+51	.91	1.43
E. St. Louis, Ill.....	+93	+78	+81	....	....	....
Springfield, Mo.....	+30	+1	+3	+75	.83	1.43
Memphis, Tenn.....	+26	+5	+6	+48	1.01	1.59
*All other cities.....	+29	-4	-1	+62	.84	1.39
8th F. R. District.....	+30	+9	+10	+52	.95	1.48

*El Dorado, Fayetteville, Pine Bluff, Ark.; Alton, Harrisburg, 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: March, 1947—26; February, 1947—24; March, 1946—26.

Outstanding orders of reporting stores at the end of March, 1947, were 54 per cent less than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding March 1, 1947, collected during March, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith.....	....%	55%	Quincy	38%	71%
Little Rock.....	31	61	St. Louis.....	39	67
Louisville	39	54	Other cities....	32	63
Memphis	45	51	8th F. R. Dist.	39	61

INDEXES OF DEPARTMENT STORE SALES AND STOCKS 8th Federal Reserve District

	Mar., 1947	Feb., 1947	Jan., 1947	Mar., 1946
Sales (daily average), Unadjusted ²	288	244	228	264
Sales (daily average), Seasonally adjusted ²	294	290	278	286
Stocks, Unadjusted ³	279	266	250	180
Stocks, Seasonally adjusted ³	288	296	291	185

² Daily Average 1935-39=100.

³ End of Month Average 1935-39=100.

SPECIALTY STORES

	Net Sales		Stocks on Hand		Stock Turnover	
	Mar., '47 compared with Feb., '47		3 mos. 1947 to same comp. with Mar. 31, '46		Jan. 1, to Mar. 31 1947	
	Mar., '47	Mar., '46	Mar. 31, '47	Mar. 31, '46	1947	1946
Men's Furnishings....	+55%	+9%	+8%	+133%	.84	1.96
Boots and Shoes.....	+61	+19	+12	+90	.97	2.01

Percentage of accounts and notes receivable outstanding March 1, 1947, collected during March:

Men's Furnishings61% Boots and Shoes.....49%

Trading days: March, 1947—26; February, 1947—24; March, 1946—26.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	Mar., 1947 compared with Feb., '47		Mar. 31, 1947 compared with Feb. 28, '47		Mar. '47 Mar. '46	
	Mar., '47	Mar., '46	Mar. 31, '47	Mar. 31, '46	Mar. '47	Mar. '46
St. Louis Area ¹	+18%	+5%	+6%	+60%	57%	65%
St. Louis	+19	+7	+6	+60	60	66
Louisville Area ²	+26	+2	+4	+75	28	40
Louisville	+23	+2	+4	+75	27	40
Memphis	+31	+26	*	*	27	29
Little Rock.....	+13	+8	-3	+69	31	35
Springfield	-0	-7	*	*	*	*
Fort Smith.....	+7	-14	*	*	*	*
8th Dist. Total ³	+17	+2	+3	+75	41	49

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

¹ Includes St. Louis, Missouri; East St. Louis and Alton, Illinois.

² Includes Louisville, Kentucky; and New Albany, Indiana.

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

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Mar., '47	Feb., '47	Mar., '46
Cash Sales	22%	23%	29%
Credit Sales	78	77	71
Total Sales	100	100	100

cent in February and 38 per cent in March, 1946. In the first quarter, operations averaged 70 per cent of capacity or almost double the rate in the corresponding quarter of last year, and compared with 60 per cent of capacity operations in the fourth quarter of 1946.

Lumber production increased seasonally in March, according to preliminary estimates, but the rate of gain over a year ago was less than in recent months due to the fact that in March, 1946 production had recovered to a relatively high level from the postwar low at the end of 1945. In January, 1947, latest month for which accurate production figures are available, lumber output in district states totalled 387 million board feet or 40 per cent more than in January, 1946. Lumber stocks on hand at mills and concentration yards at the end of January were about 5 per cent smaller than a month earlier, but were almost 40 per cent larger than at the close of January, 1946.

Whiskey production in Kentucky in the first two months of 1947 amounted to 23.9 million gallons or 11 per cent more than in the entire first quarter of 1946 and one-third more than was produced in the fourth quarter of last year. Output declined in February but the decrease in Kentucky was less, percentagewise, than in the nation as a whole, amounting to 10 per cent as compared with a 13 per cent reduction nationally. Trade reports indicate further curtailment in output is expected. Current production is well in excess of anticipated consumption and production costs are high, particularly grain costs. Since current production for bonded whiskey will not be marketed as such for four years, some distilleries reportedly are reducing output to minimize possible inventory losses on whiskey manufactured under present cost conditions. At the end of March, 58 of the 63 distilleries in Kentucky were operating, as compared with 60 at the end of February and 46 at the close of March, 1946.

NEW MEMBER BANK

The Citizens Bank, Savannah, Tennessee, became a member of the Federal Reserve System on March 31, 1947. This brings the total membership of the Federal Reserve Bank of St. Louis to 498.

The Citizens Bank was organized in 1904 and has a capital of \$50,000, surplus of \$25,000 and total resources of \$1,936,500. The officers are: Leck Guinn, President; J. H. DeBerry, Vice-President; D. A. Welch, Cashier; and J. H. Broyles and Elizabeth Stull, Assistant Cashiers.

Meat packing operations in the St. Louis area increased slightly during March. The number of animals slaughtered under Federal inspection totalled 347,000 as compared with 342,000 in February and 312,000 in March, 1946. Slaughter of cattle and calves increased during the month while that of hogs and sheep declined.

Construction—Building permits valued at \$5.6 million were awarded in the major district cities in March, bringing the total for the first quarter to \$13.6 million. The March volume was at the highest level since last August but was only one-third as large as the value of permits awarded in March, 1946 when the rush for nonresidential permits raised the total to an all-time peak of \$16.5 million. New construction awards, valued at \$4.9 million, accounted for 87 per cent of total value of permits issued in March. New residential authorizations amounted to \$2.5 million as compared with \$1.6 million in February and \$3.2 million in March, 1946.

AGRICULTURE

Continued wet and cold weather throughout the Eighth District in March and the first half of April retarded farm operations which are one to three weeks behind normal scheduling and nearly four weeks later than last year. Farmers have planted a small acreage of oats so far but it is unlikely that their March 1 intentions will be achieved. They have also prepared for planting some cotton and corn land in the southern part of the district, but very little field work has been possible in the Corn Belt.

Winter wheat is greening although growth has been retarded by cold, wet weather. Condition of the crop, however, is considered excellent and a record crop is forecast. Slow pasture growth has forced continued supplemental feeding, which in many instances has exhausted hay stocks. Feed grains, however, are generally in ample supply.

PROSPECTIVE PLANTINGS, 1947

	Indicated Acreage		1947 Indicated Acreage compared with 1946	
	United States	8th Dist. States	United States	8th Dist. States
	(thousands of acres)		(per cent change)	
Corn	87,599	26,288	- 3%	- 2%
Oats	46,620	9,280	- 1	+ 4
Soybeans	12,213	7,017	+ 6	+ 6
Tobacco	1,908	496	- 1	- 9
Sorghums	13,109	467	-11	+ 5
Barley	11,714	299	+ 1	- 7
Potatoes	2,310	188	-12	-10
Cowpeas	1,116	267	- 8	-10
Hay	74,337	13,887	- 0 -	- 0 -

Source: Crop Production, B.A.E. March 20, 1947.

Farmers as of March 1 intended to plant a larger total crop acreage for 1947 than they planted in the past two years. Indicated acreages in dis-

WHOLESALE

Lines of Commodities	Net Sales		Stocks
	Data furnished by Bureau of Census, U. S. Dept. of Commerce*	Mar., 1947 compared with Feb., '47	Mar. 31, 1947 compared with Mar. 31, 1946
Automotive Supplies.....	2%	- 5%%
Dry Goods.....	- 0 -	+ 6	.....
Furniture	19	+ 36	.....
Groceries	4	+ 13	+ 32
Hardware	8	+ 43	+ 79
Plumbing Supplies	20	+ 13	.....
Tobacco and its Products.....	5	- 9	.....
Miscellaneous	6	+ 23	+ 60
Total all lines**.....	2	+ 16	+ 59

*Preliminary.

**Includes certain lines not listed above.

CONSTRUCTION

BUILDING PERMITS (Month of March)

(Cost in thousands)	New Construction				Repairs, etc.			
	Number	Cost	Number	Cost	Number	Cost	Number	Cost
	1947	1946	1947	1946	1947	1946	1947	1946
Evansville	82	122	\$ 285	\$ 519	110	256	\$ 77	\$ 202
Little Rock	105	98	530	738	128	200	64	215
Louisville	145	281	987	4,826	61	148	44	195
Memphis	668	1,043	1,628	3,408	184	269	165	189
St. Louis	266	357	1,444	4,814	225	386	372	1,360
Mar. Totals	1,266	1,901	4,874	14,305	708	1,259	722	2,161
Feb. Totals	1,031	1,282	2,720	5,001	585	787	688	941

BANKING

CHANGES IN PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Change from		
	Apr. 16, 1947	Mar. 19, 1947	Apr. 17, 1946
Industrial advances under Sec. 13b.....	\$ 4,453	- 13,310	- 14,107
Other advances and rediscounts.....	1,124,540	+ 25,932	+ 74,311
U. S. securities.....	1,128,993	+ 12,622	+ 60,204
Total earning assets.....	620,643	- 18,616	+ 13,396
Total reserves.....	663,563	+ 3,937	+ 29,713
Total deposits.....	1,081,867	- 8,254	+ 37,840
F. R. notes in circulation.....	283	- 3,917	+ 283
Industrial commitments under Sec. 13b			

PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS

(In thousands of dollars)	Change from		
	Apr. 16, 1947	Mar. 19, 1947	Apr. 17, 1946
Total loans and investments.....	\$1,834,475	- 33,949	-304,330
Commercial, industrial, and agricultural loans*	407,769	- 22,696	+ 72,100
Loans to brokers and dealers in securities	8,617	+ 2,152	- 1,191
Other loans to purchase and carry securities	37,866	- 770	- 38,538
Real estate loans.....	108,681	+ 3,175	+ 34,839
Loans to banks.....	613	- 1,283	- 1,186
Other loans	140,627	+ 886	+ 31,691
Total loans	704,173	-18,536	+ 97,715
Treasury bills	32,195	+ 9,700	+ 4,799
Certificates of indebtedness.....	89,472	- 7,638	-185,724
Treasury notes	125,048	+ 152	-136,170
U. S. Bonds, guaranteed obligations.....	751,517	-15,082	-81,587
Other securities.....	132,070	- 2,545	- 3,363
Total investments.....	1,130,302	-15,413	-402,045
Balances with domestic banks	104,180	- 4,060	- 5,928
Demand deposits—adjusted**	1,161,430	+ 16,494	+ 76,342
Time deposits	382,453	+ 2,640	+ 27,381
U. S. Government deposits	65,140	- 4,724	-350,525
Interbank deposits	558,829	-24,471	-43,650
Borrowings	2,500	- 9,500	- 13,500

*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.

strict states are 1.2 per cent above 1946 as compared with a 0.7 per cent increase for the nation. Unseasonable weather may prevent farmers from achieving these intentions and may cause some shifting to other crops.

A general downward trend in farm commodity prices has occurred since March 15, after reaching an all-time high during the first part of March. Hog prices on the St. Louis market dropped from \$28.00 per cwt. on March 15 to \$24.25 on April 16. Kansas City wheat dropped from \$2.86 per bushel to \$2.72. Cotton increased slightly from 35.17c per pound on March 15 and held somewhat above that level during the remainder of March, but declined during the first half of April, the April 16 price being 34.59c. Corn prices, however, showed a net increase during this period, from \$1.77 per bushel to \$1.85, reaching a high of \$1.90 on March 27.

In the month ending March 15, prices received by farmers were 7 per cent higher than for a month earlier and 3 per cent higher than the previous peak of last October. Prices paid rose 4 per cent during the month. The parity ratio widened from 119 to 122 for the month although it was considerably below the high of 132 reached last October. The parity ratio probably declined during the month ending April 15. Prices received have declined and prices paid probably have risen.

TRADE

During March, 1947 the volume of sales at Eighth District retail stores was substantially greater than in February and was above the level of March, 1946. The shorter Easter shopping period coupled with unseasonable weather held sales volume somewhat below the generally anticipated level.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Mar., 1947	Feb., 1947	Mar., 1946	Mar., '47 comp. with Feb., '47	Mar., '46
El Dorado, Ark.....	\$ 17,862	\$ 15,335	\$ 13,879	+16%	+29%
Fort Smith, Ark.....	34,945	32,289	32,490	+ 8	+ 8
Helena, Ark.....	7,076	7,146	6,457	- 1	+10
Little Rock, Ark.....	111,513	92,107	100,564	+21	+11
Pine Bluff, Ark.....	22,778	20,940	21,774	+ 9	+ 5
Texarkana, Ark.-Tex.	8,932	7,975	9,542	+12	- 6
Alton, Ill.....	21,085	19,449	17,547	+ 8	+20
E.St.L.-Nat.S.Y.,Ill.	102,100	87,187	69,561	+17	+47
Quincy, Ill.....	26,844	23,178	24,856	+16	+ 8
Evansville, Ind.....	88,379	77,555	74,423	+14	+19
Louisville, Ky.....	441,854	414,617	385,482	+ 7	+15
Owensboro, Ky.....	26,870	26,202	23,607	+ 3	+14
Paducah, Ky.....	13,595	12,251	11,473	+11	+18
Greenville, Miss.....	17,951	16,926	13,421	+ 6	+34
Cape Girardeau, Mo.	9,514	8,402	7,749	+13	+23
Hannibal, Mo.....	7,500	6,108	6,440	+23	+16
Jefferson City, Mo..	34,858	33,114	38,125	+ 5	- 9
St. Louis, Mo.....	1,336,105	1,191,652	1,152,634	+12	+16
Sedalia, Mo.....	9,329	8,870	8,234	+ 5	+13
Springfield, Mo.....	50,077	44,767	41,442	+12	+21
Jackson, Tenn.....	15,370	13,901	12,301	+11	+25
Memphis, Tenn.....	473,511	434,167	350,790	+ 9	+35
Totals	\$2,878,048	\$2,594,138	\$2,422,791	+11	+19

Consumer resistance to rising prices has become increasingly evident especially in those lines where shortages no longer exist. Rising prices have forced some low-income consumers out of the market and have caused others with adequate purchasing power to postpone their purchases.

At reporting department stores, March sales volume was 30 per cent more than in February and was 9 per cent over March, 1946. Preliminary reports indicate the first quarter gain of 10 per cent, in comparison with the first quarter of 1946, may be maintained during the month. On a seasonally adjusted basis daily average dollar sales were but slightly below the peak attained in December, 1946. Sales of "hard" goods continue to account for the major portion of increased sales volume. In some lines of soft goods, sales dropped off slightly from the level of a year ago.

In terms of dollar value, inventories held by reporting department stores at the end of March showed little change from the end of the previous month but were 52 per cent greater than on March 31, 1946. Inventories have increased in many lines of goods in comparison with a year ago. The greatest percentage gains have been in "hard" goods—furniture, major appliances, etc. Women's wear divisions held approximately half again as much in inventories (in terms of dollars) as a year earlier. Men's wear divisions also registered substantial inventory gains over last year. Basement store inventories were about one-third greater than on March 31, 1946. While the over-all picture of inventories (in terms of value) at department stores shows material improvement over last year, rather serious unbalance still exists between the various lines of merchandise.

AGRICULTURE

CASH FARM INCOME						
(In thousands of dollars)	Feb., '47 comp. with			12 mo. total, Mar. to Feb		
	Feb., 1947	Jan., 1947	Feb., 1946	'46-'47	'45-'46	'44-'45
Arkansas	\$ 19,062	-61.4%	-18.4%	\$ 488,542	+68.2%	+38.1%
Illinois	122,963	-14.5	+44.2	1,489,056	+28.9	+27.7
Indiana	65,483	+ 3.0	+46.1	815,393	+20.8	+21.2
Kentucky	46,808	-56.6	+31.6	449,466	+14.5	+ 8.4
Mississippi	11,371	-34.8	-35.3	337,421	+15.8	- 4.5
Missouri	71,748	-10.9	+51.9	892,741	+28.1	+24.2
Tennessee	31,411	-44.3	+28.5	434,474	+35.8	+28.4
Totals	\$368,846	-28.9	+32.5	\$4,907,093	+28.4	+22.2

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS						
(In thousands of dollars)	Receipts			Shipments		
	Mar., '47 comp. with			Mar., '47 comp. with		
	Mar., '47	Feb., '47	Mar., '46	Mar., '47	Feb., '47	Mar., '46
Cattle and Calves.....	137,248	+25%	+32%	68,817	+48%	- 13%
Hogs	177,739	+ 4	+14	48,544	-17	- 27
Horses and Mules.....	3,404	- 2	-63	3,404	- 2	- 63
Sheep	31,845	-17	- 0 -	13,610	+ 4	+126
Totals	350,236	+ 8	+17	134,375	+10	- 17