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Encouragement of Regional Development

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This issue of the Review is devoted primarily to a general survey of economic conditions in the Eighth Federal Reserve District, presenting a picture of the developments in the district economy during the past year. It, therefore, seems appropriate to review also at this time the work of this bank in its efforts to encourage a sound growth in the economy of the region.

Throughout the year 1947 the research work of the Federal Reserve Bank of St. Louis was concerned with the first steps in a program of balanced regional growth. A number of studies were undertaken looking toward this end and some cooperative arrangements were made with universities and other institutions in the interest of forwarding related research activities.

The study of ways of increasing agricultural income through more effective soil conservation, pasture improvement, and related practices, facilitated by more effective use of bank credit, which has been under way for some time, was carried forward. During the year, two special articles appeared in the Monthly Review dealing with aspects of this problem—in June, "Farm Income in the Eighth Federal Reserve District" and in October, an analysis of "Bank Loans to Farmers".

Supplementing this research, programs of special agricultural meetings jointly sponsored by the state bankers' associations, the state universities, and the Federal Reserve Bank of St. Louis were continued in several of the district states. Soil conservation meetings were conducted in Kentucky in September, following up for the third straight year a key factor in a balanced farming program. In

1945, the meetings were concerned with an over-all land use program projected on an individual farm basis. In 1946, the meetings were held at the University of Kentucky experiment stations to observe how practices discussed in the previous series were developed experimentally. In 1947, the program consisted of taking bankers and others to actual farms where improvement practices had been applied and where depleted farms had been rebuilt to a high state of cultivation through proper land use and farming practices.

In states where the initial program of meetings dealing with soil conservation had been completed, a second series of extension meetings presenting the means of dealing with the problem of pasture improvement was scheduled. Meetings of this type were held in Mississippi, Arkansas, and Tennessee. Much of the area included in these three states has been geared to a one-crop system of farming but the present trend is toward diversification more nearly in line with the natural capability of the soil. The current trend in the southern area, as well as sound land use, dictates the development of the livestock industry, and a sound livestock program naturally involves the use of pasture. Actually, pasture development should precede any large-scale livestock operations. Thus the 1947 programs in the southern portions of the district were a logical next step in agricultural development there.

In addition to the extension meetings, the bank has encouraged follow-up work by the state bankers' associations in the field of agricultural development and has worked closely with state universities

and many other groups. A review of this type of follow-up work in the agricultural field reveals that in 1947 there has been a heavy demand for Federal Reserve bank representatives to meet with civic clubs, chambers of commerce, college groups, etc., to discuss various phases of soil conservation and improvement, and rural community development. Many nonfarm groups are showing an increasing interest in a better understanding of the rural areas which surround them and we hope they may continue to help in the proper development of our agricultural resources.

In September, 1947, an effort was made to determine the extent to which individual banks in this district have moved into the field of active promotion of sound agricultural practices along the lines of the program outlined above. The results of that survey are most encouraging. A number of banks in the district have well-organized rural development programs headed up by trained agricultural technicians of the county agent type. These programs vary somewhat in the way they operate but generally speaking their ultimate objective is the sound development and utilization of agricultural resources in an endeavor to protect and build the soil and to raise farm income to the maximum level consistent with good soil management.

While most banks do not have fully-organized programs, it is apparent that there are very few country banks that are not carrying out some sort of program for the betterment of their communities. These programs cover a wide range of activities including such things as working with rural youth, pasture development, development of various types of livestock which appear to be adapted to the area, etc. Many other banks are facilitating the long-range development of the areas they serve through contributions to the support of technicians employed in or by the communities.

The agricultural program just reviewed is illustrative of the several stages through which this bank's research activities may be expected to move in encouraging the effective use of the several major resources of the district.

Paralleling the work in the field of agriculture, 1947 saw the inauguration of studies of the district's forest resources and their potentials in the growth of the economy of the region. In addition to the accumulation of a considerable amount of background information in cooperation with the various agencies and groups concerned with the problems of forest management and the use of forest products, an initial study dealing

with forest resources in the district was published in the December issue of the Monthly Review. Other articles appraising our forest resources as a source of industrial growth in the district are scheduled for publication early in 1948.

Contacts have been established with various cooperating groups looking toward the initiation of a series of extension meetings dealing with the problem of improving forestry practices and the study of community methods of stimulating industrial activities based on forest resources.

A third type of study with long-run implications was initiated during the year. Recognizing the need for more adequate measures of income in the district, some research was begun looking toward the acquisition of data which would provide small area equivalents of national and state income series. The initial work on this project has resulted in tentative county income estimates for Missouri for 1939, 1944, and 1945. These estimates have been tested against other economic data and seem to be fairly well conceived. During the coming year efforts will be made to improve the techniques used in the pilot study on Missouri, apply them to data on other district states, and secure estimates over a longer period of time.

This type of study, if successfully completed, should produce information useful for a variety of purposes. It will give much more precise measurements of income for small areas than have been available in the past. These data should be useful in marketing analyses and they will be helpful in showing regional variations in income level and thus highlighting the size of the problem of increasing income in relatively poor areas. They will provide a time series to measure more exactly the progress made in the economic growth of a region.

In addition to these long-range studies which are in various stages of development, a number of special analyses of aspects of the district economy were undertaken during the year. The April 1 Monthly Review contained a discussion of employment conditions in the district; in July a study of developments in the construction industry was presented; the retail trade outlook was reviewed in August, and in November a special study of the disposal of surplus war plants in the district was completed and published. This latter project was paralleled by similar studies of surplus war plant disposal in the Federal Reserve Districts of Atlanta, Richmond, and Dallas. All four of these Reserve banks cooperated with the National Planning Association's Committee of the South in thus completing

a comprehensive survey of the disposal of surplus war plants in the thirteen southern states.

In the coming year, plans call for shifting the emphasis in the long-range studies and the program of extension meetings from the agricultural program to the related field of forestry and forest products. It is expected that the follow-up activities in the field of agricultural development will be considerable, and a good deal of attention will be given to meeting the requests of bankers' groups and others for assistance in carrying forward their own programs for promoting sound agricultural practices designed to increase income in that sector of the economy. The shift in emphasis to the forest products program is motivated by the desire to build on the foundation of the agricultural pro-

gram and gradually move over into encouragement of wider industrial activity closely tied in to the basic resources of the district.

One of the most encouraging features of the work during the past year has been the splendid cooperation offered by the many agencies and institutions interested in the same objectives. As indicated above, not only the state universities and the state bankers' associations, but many other state and federal agencies have made definite efforts to coordinate their activities with this program. We hope to be able to take steps during the coming year to promote an even closer coordination of the regional aspects of economic research now being carried forward under the auspices of the universities and other agencies in the district.

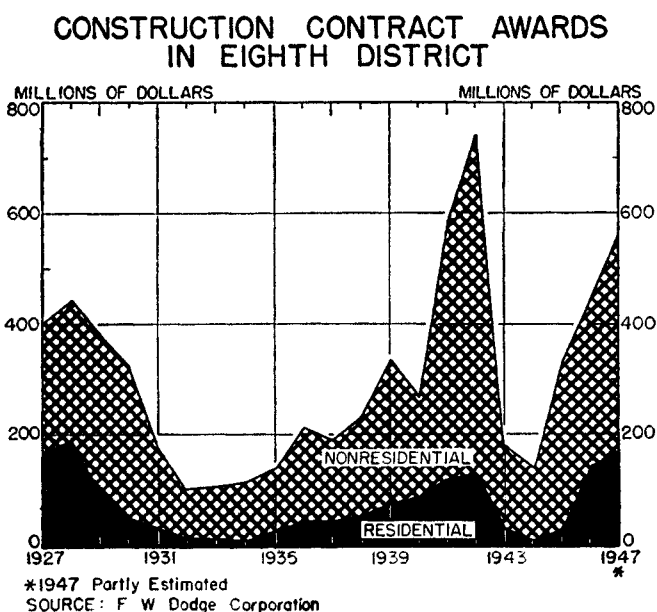
THE EIGHTH DISTRICT MOVES AHEAD

A Review of 1947

In the Eighth District, 1947 was a year of peak peacetime business activity. Production records established in previous years were surpassed early in 1947 and during the remainder of the year output held at a high level. Nonagricultural employment and income increased and farm income was approximately one-fourth larger than in 1946. With income totaling higher than in any previous year, demand for goods was strong and district consumers spent more dollars in retail establishments than ever before. Manufacturing industries generally operated at a higher level than in 1946. Coal production was larger than in 1946 and only slightly less than at the peak of World War II activity, but crude oil output declined from the previous year. The dollar volume of construction was larger than in 1946 although below the 1941-42 level. In general, 1947 might be characterized as a year in which more people were at work, producing more civilian goods and earning more income than in any year on record.

Some additions to the district's industrial plant capacity came into production during 1947. In part this represented the further conversion of war-built plants to peacetime use. Many established companies completed modernization programs involving the installation of new equipment and machines. In addition, a large number of companies, new to this district, began operations of

plants constructed since the war. In Arkansas, for example, 249 new manufacturing or processing plants were established in 1947, according to the Arkansas Resources and Development Commission. In Memphis, 78 new firms, which will provide a total of 4,000 new job opportunities, were reported by the Chamber of Commerce. In Louisville, 28 new manufacturing plants were established and



99 expansions reported by the Louisville Industrial Foundation, Incorporated. New and expanded plants located in St. Louis totaled 114, with an aggregate capital investment of \$76 million, according to the St. Louis Chamber of Commerce.

If 1947 was a year of large production and income, it also was a year of high prices. The average district consumer spent more dollars than in 1946 but for each dollar spent he received fewer units of goods in return due to increases in prices. Not only were average prices higher in 1947 than in the previous year, but they were higher at the end of 1947 than they were in January. In Memphis, for example, consumers' prices in September averaged 8 per cent higher than at the close of 1946, while in St. Louis the increase amounted to more than 9 per cent. In each of these cities, housewives in November paid \$1.09 for the same quantity of food that cost \$1.00 a year earlier. In Little Rock they paid \$1.08 and in Louisville \$1.06. Only in the latter city were average retail food prices in November less than twice as high as in 1935-39; in Memphis they were more than two-and-one-quarter times as high as in those prewar years.

EMPLOYMENT

Total employment (monthly average) in this district reached a new peak in 1947. Nonagricultural employment increased in all the major industrial areas, with most of the gains occurring in manu-

facturing industries. Wages generally were higher than in 1946, industrial disputes and labor turnover declined during the year, and the number of persons unemployed averaged considerably less than in 1946.

Civilian population in the Eighth District increased approximately 180,000 between July, 1946 and July, 1947. This net increase was due to the fact that the number of returning servicemen and the excess of births over deaths exceeded the amount of net out-migration. About 75,000 people left this district in the year ending July, 1947—a continuation of the trend of the past several decades. Historically, workers have migrated from the district principally because of the lack of job opportunities here. It is significant that this trend has continued even during the present period of high employment.

In the five major district labor market areas combined, the rate of increase in nonagricultural and manufacturing employment between November, 1946 and November, 1947 was the same as in the nation as a whole. These gains amounted to 3 per cent in nonagricultural employment and 5 per cent in manufacturing employment. Steady increases in the latter part of the year more than offset slight declines which occurred during the spring and early summer of 1947. Since 1940, total employment in the five largest district cities has increased 32 per cent and manufacturing employment has increased 50 per cent. The manufacturing employment increase since 1940 was greater than the national average, but the total employment increase was smaller.

In St. Louis and Evansville, total employment rose substantially during 1947, while lesser gains occurred in Louisville and Little Rock, and in Memphis a decline took place. Manufacturing employment increased considerably in all cities except Memphis, where it held at about the same level as a year ago.

Manufacturing employment in the seven states either partly or wholly contained in this district rose 5 per cent during 1947 and 49 per cent between 1940 and 1947. During the past year, Arkansas and Mississippi had the greatest proportionate gains, while Kentucky and Tennessee had the smallest. Mississippi is the only district state whose current manufacturing employment is greater than at the wartime peak.

Few specific data are available for this district on wages, hours, industrial disputes and labor turnover, but generally the district seems to follow the national pattern in these fields. Nationally, both weekly and hourly earnings in nonmanufacturing as

WHOLESALE

| Lines of Commodities | Net Sales | | Stocks | |
|-------------------------------|--|------------|---|--------|
| | Data furnished by Bureau of Census, U. S. Dept. of Commerce* | | Dec. 31, 1947 compared with Dec. 31, 1946 | |
| | Nov., 1947 | Dec., 1946 | | |
| Automotive Supplies..... | — 5% | — 9% | |% |
| Drugs and Chemicals..... | + 4 | + 9 | | |
| Groceries | — 7 | — 1 | | + 1 |
| Hardware | - 0 - | +10 | | +54 |
| Tobacco and its Products..... | +13 | + 9 | | + 6 |
| Miscellaneous | — 5 | +14 | | + 1 |
| **Total all lines..... | — 1% | + 9% | | +24% |

*Preliminary.

**Includes certain items not listed above.

CONSTRUCTION

| BUILDING PERMITS (Month of December) | | | | | | | | |
|---|------------------|-------|---------|---------|---------------|------|-------|-------|
| (Cost in thousands) | New Construction | | | | Repairs, etc. | | | |
| | Number | | Cost | | Number | | Cost | |
| | 1947 | 1946 | 1947 | 1946 | 1947 | 1946 | 1947 | 1946 |
| Evansville | 88 | 30 | \$ 495 | \$ 85 | 23 | 32 | \$171 | \$ 20 |
| Little Rock..... | 82 | 52 | 514 | 276 | 127 | 84 | 88 | 77 |
| Louisville | 196 | 79 | 1,577 | 719 | 29 | 26 | 24 | 17 |
| Memphis | 753 | 269 | 2,086 | 622 | 104 | 126 | 79 | 86 |
| St. Louis..... | 220 | 228 | 2,897 | 432 | 157 | 152 | 412 | 307 |
| Dec. Totals..... | 1,339 | 658 | \$7,569 | \$2,134 | 440 | 420 | \$774 | \$507 |
| Nov. Totals..... | 1,183 | 1,032 | \$7,251 | \$3,780 | 631 | 526 | \$983 | \$544 |

well as manufacturing industries averaged much higher in 1947 than in 1946. When adjustments are made for increases in the cost of living, however, real wages in 1947 were lower than in 1946. The average weekly hours worked in nonagricultural industries decreased slightly from 43.0 in 1946 to 42.3 in 1947. In manufacturing the decrease was smaller—from 40.4 hours per week in 1946 to 40.2 in 1947.

Industrial disputes were not as widespread or as prolonged in 1947 as in the previous year. Only half as many workers were involved and a third as many man-days were lost in labor disputes in 1947. Furthermore, a more stabilized labor force is indicated by the fact that there was less labor turnover in 1947 and the quit rate, the most significant turnover figure, was 16 per cent lower.

INDUSTRY

Industrial production was maintained at a high level throughout 1947. Operations were considerably more stable than in the previous year, with the range of month-to-month fluctuations being held to a practical minimum in most industries. The improvement in this respect reflected not only the large and sustained demand for goods but also resulted from the fact that labor disputes and materials shortages were less disturbing in 1947. Consequently, most manufacturing plants operated at or near their effective capacity during most of the year. Production of durable goods in particular reflected the greater stability of operations.

The increase in manufacturing activity led to a 12 per cent gain in electric power consumption by industrial customers in the reporting district cities. Consumption exceeded the 1946 rate in each of the areas, with Evansville and Pine Bluff making the largest gains.

Steel—The basic steel industry in the St. Louis area operated at a considerably higher level in 1947 than in the previous year. For the year, the industry operated at approximately 66 per cent of theoretical capacity as compared with 41 per cent in 1946. The increase in actual tonnage of output was even larger than is indicated by the above, since total capacity estimates include several high-cost furnaces that are operated only as standby facilities. The industry reached its peak of activity in December when production was scheduled at 81 per cent of capacity or almost twice the May level when work stoppages plus maintenance requirements dropped production to the lowest point of the year.

Lumber—Although estimated lumber production declined seasonally in December, output in the

fourth quarter was about the same as in the corresponding period of 1946. Operations of reporting southern hardwood mills in 1947 were about 10 per cent higher than in 1946, while production of southern pine was more than 20 per cent larger than in the previous year. In every month except December, average production of southern pine was above that in the previous year. Hardwood mill operations in 1947 were higher than in 1946 in all quarters except the last.

Meat Packing—Meat packing operations in 1947 in the St. Louis area, measured in terms of total number of animals slaughtered under Federal inspection, increased about 27 per cent over 1946 but was still somewhat below average production in the war years. A total of 5.6 million animals were slaughtered, including 3.3 million hogs, 870,000 cattle, 755,000 sheep, and 650,000 calves. Meat slaughter was at a comparatively high level in each quarter, reaching a peak of 1.7 million animals in the fourth quarter. Total slaughter of sheep was about the same as in the previous year, while the slaughter of cattle and calves was 87 per cent larger than in the previous year. Hog slaughter in 1947 was about 18 per cent above the 1946 total.

Shoe Manufacturing—Although total United States shoe production was somewhat smaller than in 1946, output in the Eighth District in 1947 climbed to the highest level on record. An estimated 96 million pairs were manufactured in this district, a gain of 7 million over 1946 output. Supplies of hide and leather increased during the

INDUSTRY

CONSUMPTION OF ELECTRICITY

| (K.W.H. in thous.) | No. of Customers* | Dec., 1947 K.W.H. | Nov., 1947 K.W.H. | Dec., 1946 K.W.H. | Dec., 1947 Compared with Nov., '47 | Dec., 1947 Compared with Dec., '46 |
|--------------------|-------------------|-------------------|-------------------|-------------------|------------------------------------|------------------------------------|
| Evansville | 40 | 9,081 | 7,726 | 7,024 R | +18% | +29% |
| Little Rock..... | 35 | 4,781 | 4,557 | 3,625 R | +5 | +32 |
| Louisville | 80 | 63,102 | 54,131 | 59,107 R | +17 | +7 |
| Memphis | 31 | 5,296 | 5,504 | 5,253 | —4 | +1 |
| Pine Bluff | 24 | 6,953 | 7,180 | 1,554 | —3 | +347 |
| St. Louis | 99 | 69,901 | 64,381 | 65,250 R | +9 | +7 |
| Totals | 309 | 159,114 | 143,479 | 141,813 R | +11% | +12% |

* Selected industrial customers.

R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

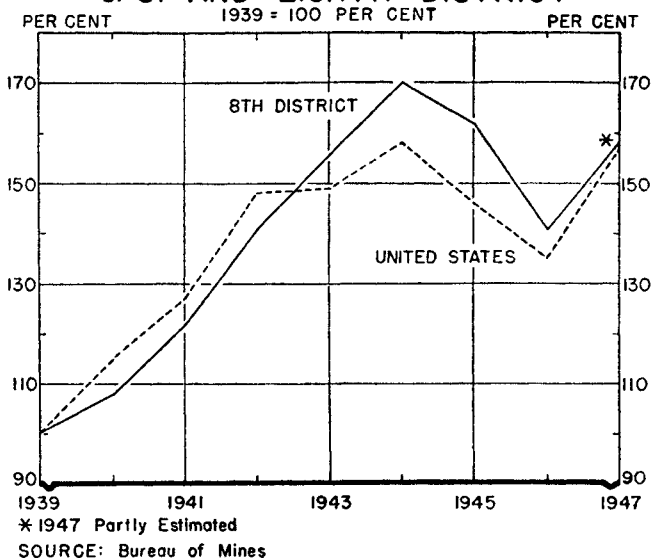
| Dec., '47 | Nov., '47 | Dec., '46 | Jan., '48 | Jan., '47 | 12 mos.'47 | 12 mos.'46 |
|-----------|-----------|-----------|-----------|-----------|------------|------------|
| 121,381 | 120,474 | 124,085 | 32,485 | 30,495 | 1,491,306 | 1,483,070 |

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION

| (In thousands of bbls.) | Dec., '47 | Nov., '47 | Dec., '46 | Dec., '47 compared with Nov., '47 | Dec., '47 compared with Dec., '46 |
|-------------------------|-----------|-----------|-----------|-----------------------------------|-----------------------------------|
| Arkansas | 85.9 | 84.5 | 79.9 | +2% | +8% |
| Illinois | 176.7 | 177.5 | 201.2 | —1 | —12 |
| Indiana | 18.3 | 17.9 | 18.9 | +2 | —3 |
| Kentucky | 27.7 | 26.4 | 30.1 | +5 | —8 |
| Total | 308.6 | 306.3 | 330.1 | +1% | —7% |

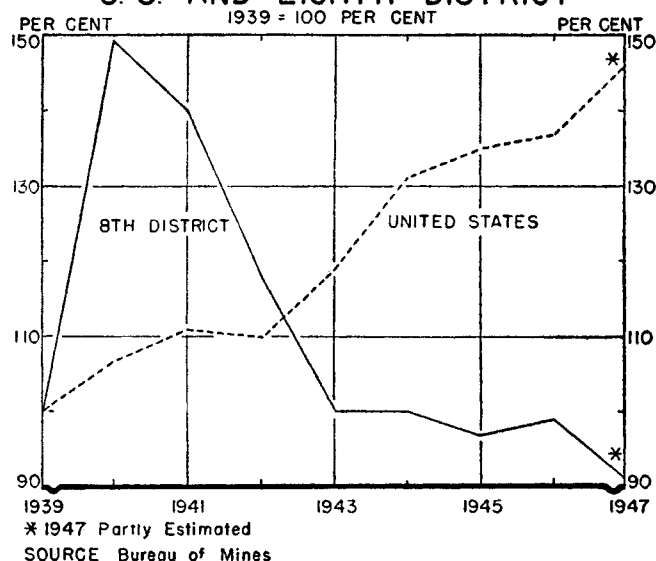
BITUMINOUS COAL PRODUCTION IN U. S. AND EIGHTH DISTRICT



year, and labor efficiency is reported to have improved considerably over 1946. While raw materials were more available during 1947, prices of hides and leather rose sharply, particularly in the last half of the year. Increasing costs have put substantial pressure on manufacturers' prices for shoes, despite the fact that reports of consumer resistance to high priced shoes are recurrent. Production during 1947 totalled in excess of 7 million pairs each month and reached a peak of more than 9 million pairs in October.

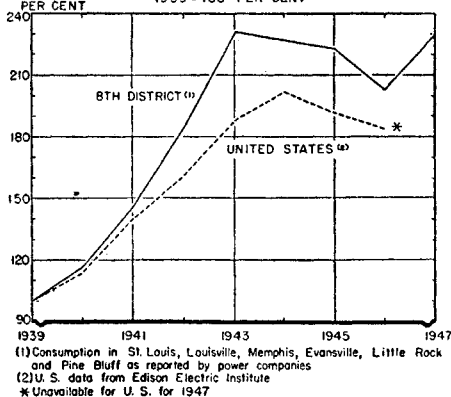
Whiskey—Although operations during November and December were nearly completely curtailed, whiskey production in Kentucky in 1947 exceeded that in 1946. In the first ten months of 1947, production amounted to 79 million tax gallons or 20 million gallons more than were produced in all of 1946. In the first quarter, production totaled 35 million tax gallons, nearly double that of the first quarter, 1946. Operations in the second and third quarter declined seasonally but remained at a higher level than in 1946. Production in the early fall increased, but was cut short when the use of grain in whiskey was curtailed for a 60-day period beginning the first of November.

CRUDE OIL PRODUCTION IN U. S. AND EIGHTH DISTRICT

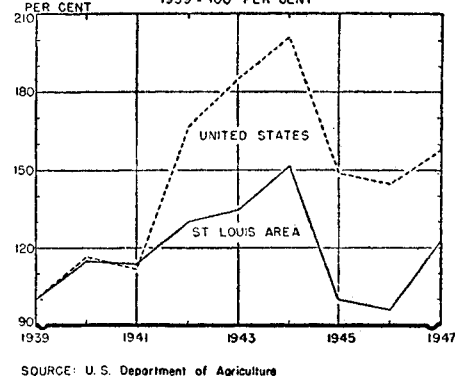


Mining and Oil—Crude oil production declined in the district in 1947, although nationally output was considerably larger than in the previous year. In the district states, total production is estimated at 109 million barrels as compared with 121 million barrels in 1946. Production was held at a steady rate throughout the year; in no quarter did the daily average rate vary more than 3 per cent from the average of 309,000 barrels per day for the year as a whole. Arkansas was the only district state in which output was larger than in 1946,

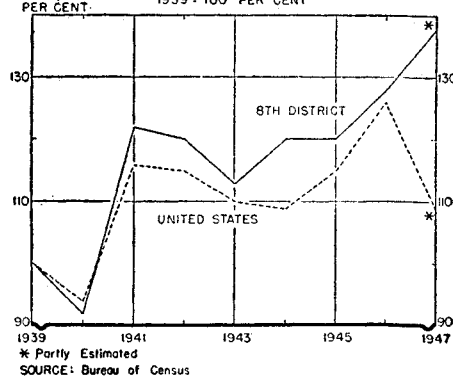
INDUSTRIAL POWER CONSUMPTION IN U. S. AND EIGHTH DISTRICT



LIVESTOCK SLAUGHTERED UNDER FEDERAL INSPECTION IN U. S. AND ST. LOUIS AREA



SHOE PRODUCTION IN U. S. AND EIGHTH DISTRICT



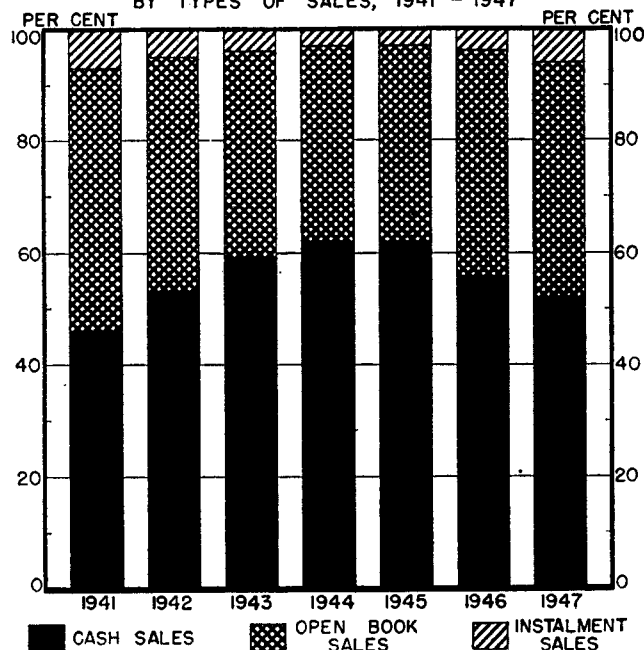
but the gain was more than offset by declines in Kentucky, Illinois and Indiana.

Production of bituminous coal increased 13 per cent over 1946, totaling 121.5 million tons as compared with 108 million tons in 1946. Output was only 7 per cent less than in 1944 when operations were at their wartime peak. In the district states, largest gains over 1946 occurred in western Kentucky and Indiana where production increased 29 per cent and 21 per cent, respectively. About 54 per cent of the coal produced in this district was mined in Illinois. Approximately 22 per cent was produced in Indiana and 18 per cent in western Kentucky.

Construction—In the district, as in the nation as a whole, construction activity expanded considerably in 1947. Measured in terms of the value of construction contracts awarded, activity was at a level exceeded only in the peak war years of 1941-42. Contracts for new construction in the district totalled \$553 million during the year, according to preliminary estimates, an increase of 25 per cent over 1946. Nonresidential construction increased 29 per cent, the total amounting to \$389 million, while residential contracts were valued at \$164 million or 14 per cent more than in 1946.

Some progress was made during the year toward increasing the supply of housing relative to demand. However, despite the increase in new residential building, the pressure of demand for houses at the year-end was intense. The number of family dwelling units provided by 1947 construction is indicated by the number of single-family dwelling units for which building permits were issued in the five major district cities. In 1947, approximately 5,550 such permits were awarded. In the previous year they totaled 4,700. The largest increase was in Evansville where nearly 700 residential permits were issued as compared with less than 300 in 1946. In direct contrast is St. Louis (city proper), where the total number of dwelling units provided for by permits actually declined from 1,231 in 1946 to 802 in 1947, with no allowance made in either year for the loss of dwelling units through wrecking, which in 1947 totaled 285 units. In Memphis, single-family dwellings totaled 1,922 and, when duplexes and apartments authorized are included the total amounted to more than 3,400 dwelling units.

DISTRIBUTION OF ANNUAL DEPARTMENT STORE SALES
BY TYPES OF SALES, 1941 - 1947



TRADE

Retail establishments in the Eighth District sold more goods (measured in terms of dollar volume) in 1947 than in any year on record. Among the reporting lines of trade, the increase over the previous peak, reached in 1946, was largest in furniture stores with lesser gains reported by men's apparel and department stores. Sales at women's apparel stores ran behind 1946 during most of the year, but late in 1947 increased buying, stimulated largely by the "new look" fashions, lifted sales volume for the entire year to a level slightly above that in 1946. Consumers made increasing use of credit during 1947 and the ratio of credit sales volume to cash sales continued to shift toward the relationship that prevailed during the prewar years. At the year-end, inventories generally were larger, on a dollar basis, than at the close of 1946.

A substantial part of the increase in retail sales volume as compared with 1946 reflects higher prices paid by consumers. In many retail lines, price increases in 1947 were larger than the increase in dollar sales volume; thus, unit sales in those lines apparently were not as large as in 1946.

Despite steadily advancing prices, which occasioned widespread talk early in the year about "consumer resistance", buying was heavy throughout the year. The so-called "consumer resistance" actually reflected what might more properly be termed "consumer reluctance to buy when quality was unrelated to price." Even this attitude on the

part of consumers was not strong after midyear.

In substantial part due to the fear that price increases were beginning to outrun gains in consumer income and that consumers were expecting price drops and were deferring their purchases in that anticipation, early in the year many retailers adopted a cautious policy with respect to inventories and advance commitments. Sales estimates for the last half of the year were figured on a fairly conservative basis. By midsummer, outstanding orders of department stores were reduced to a level where they were equivalent to little more than one month's sales as compared with more than three months' sales for the same period in 1946.

By midyear, however, it became evident that prices were in no immediate prospect of decline. Consumer income continued to rise, as did consumer credit, and consumer attitude changed so that little indication remained of serious intentions to curtail buying. Retailers thus resumed rebuilding their inventories. However, many buyers found, upon re-entering the wholesale market for additional merchandise, that prices had advanced considerably and that goods were difficult to obtain. As a result, many retailers entered the year-end holiday season with stocks of some lines substantially lower than would have been the case had goods been plentiful.

At reporting department stores, dollar sales during 1947 were 8 per cent higher than in 1946, totaling approximately \$415 million. In the St. Louis, Louisville and Evansville areas, where there are heavier concentrations of industry than in other district cities, sales gains were larger than the average for the district. In Little Rock and Memphis and in other reporting cities in the district, sales volume registered little change in 1947 as

compared with the previous year. Fort Smith, Arkansas, was the only reporting city in the district in which department store volume was less than in 1946; sales declined 8 per cent in 1947.

In department stores throughout the district, credit sales increased markedly in relation to total sales volume. This increase in credit sales was the result of several factors. Perhaps of greatest importance is the fact that consumers were under substantial pressure due to price increases. In addition, credit sales gains reflected greater availability of consumers' durable goods items that normally are paid for in instalments. Finally, credit sales increased sharply as a result of the relaxation of controls, near the end of 1946, over consumers' items other than major durable goods such as automobiles, refrigerators and similar items. Controls over the major items were not removed until November, 1947. With controls gone and a holiday buying season under way, instalment sales jumped appreciably late in 1947.

As shown in the chart, cash sales during the war years accounted for as much as 62 per cent of all department stores sales, representing a sharp increase, relative to total sales, from prewar. In 1941, cash sales amounted to about 46 per cent of total sales. Since the war peak, however, the distribution of total sales has shifted back toward the prewar relationship. Thus in 1946 cash sales were 56 per cent of total sales and in 1947 they accounted for about 52 per cent of the total department store volume.

In the first four months of 1947, inventories showed considerable gains over the previous year. In May and June, sharp declines occurred, reflecting the cautious attitude of department stores' buyers which was rooted in fear of a business recession late in 1947. At mid-1947, inventories were only slightly larger than in the comparable period in 1946, and outstanding orders were at the lowest level in more than three years. In the late summer months, department store buying was renewed—partly to obtain merchandise for the holiday trade. The value of inventories at reporting department stores at the end of 1947 was 2 per cent higher than a year earlier.

On the whole, inventories in department stores were maintained in better balance in 1947 than in 1946. In those stores reporting by departments, the largest inventory gains occurred in home-

PRICES

*WHOLESALE PRICES IN THE UNITED STATES

| Bureau of Labor Statistics (1926=100) | Dec., '47 | Nov., '47 | Dec., '46 | Dec., '47 Nov., '47 | comp. with Dec., '46 |
|---|-----------|-----------|-----------|------------------------|-------------------------|
| All Commodities..... | 162.0 | 159.5 | 140.9 | + 1.6% | +15.0% |
| Farm Products..... | 195.9 | 187.9 | 168.1 | + 4.3 | +16.5 |
| Foods | 178.6 | 178.0 | 160.1 | + 0.3 | +11.6 |
| Other | 144.5 | 142.1 | 124.7 | + 1.7 | +15.9 |

* Preliminary Figures.

RETAIL FOOD PRICES

| Bureau of Labor Statistics (1935-39=100) | Nov. 15, 1947 | Oct. 15, 1947 | Nov. 15, 1946 | Nov. 15, '47 compared with Oct. 15, '47 | Nov. 15, '46 |
|--|------------------|------------------|------------------|--|--------------|
| U.S. (51 cities).... | 202.7 | 201.6 | 187.7 | + 1% | + 8% |
| St. Louis | 209.9 | 209.4 | 191.8 | - 0 - | + 9 |
| Little Rock | 200.4 | 200.4 | 186.3 | - 0 - | + 8 |
| Louisville | 195.8 | 196.2 | 184.9 | - 0 - | + 6 |
| Memphis | 226.2 | 223.6 | 207.3 | + 1 | + 9 |

furnishings and men's and boys' clothing. Medium-priced lines were still scarce in some types of goods, but quality merchandise was available in considerably larger volume than in 1946.

Sales volume in women's apparel stores in the district held at about the same level as in 1946. During most months of the year, however, volume totaled less than in the previous year. In November and December, sharp gains occurred which were sufficient to bring the total for the year to a level about 2 per cent higher than in 1946. According to trade reports, the radical change in basic fashions and design of women's apparel was responsible for the maintenance of sales volume at the 1946 level. At the end of 1947, inventories were somewhat larger than a year earlier but, while most lines were readily available, dealers reported considerable difficulty in obtaining certain merchandise, particularly in the medium-priced lines.

Sales volume in men's wear stores totaled slightly higher than in 1946. During the year, the so-called "desperate" buying that characterized this field in late 1945 and throughout 1946 was reduced considerably, and demand in 1947 held steady all year. Supplies increased and sales were not influenced by major style changes. Inventories at the close of the year were slightly higher than at the end of 1946.

Furniture stores' sales volume throughout the year was higher, on a dollar value basis, than in 1946, and the margin in the late months was larger than early in 1947. Dealers' volume was held below the probable level that would have resulted had sufficient supplies of furniture been available. Major appliances were shipped to retailers in greater volume during the year and in some lines (for example, radios), supply showed signs of out-running demand. Other major durables, such as refrigerators and stoves (particularly "name brands"), still are not readily available and according to reports will continue in relatively short supply during most of 1948. Furniture prices rose substantially in 1947, but apparently the increase did not constitute a serious deterrent to consumers. Accompanying the increase in furniture prices was a marked improvement in the quality of such items. Inventories at the close of 1947 were 17 per cent larger than at the end of 1946.

TRADE

DEPARTMENT STORES

| | Net Sales | | Stocks on Hand | | Stock Turnover | |
|-----------------------------------|-----------|-----------|----------------|--------------|-------------------------|------|
| | Dec., '47 | | Dec. 31, '47 | | Jan. 1 to Dec. 31, 1947 | |
| | Nov., '47 | Dec., '46 | Nov., '47 | Dec. 31, '46 | 1947 | 1946 |
| Ft. Smith, Ark..... | +43% | +6% | -8% | -4% | 4.48 | 4.90 |
| Little Rock, Ark..... | +28 | +15 | +2 | -16 | 5.22 | 5.71 |
| Quincy, Ill. | +33 | +8 | +1 | +6 | 4.91 | 5.41 |
| Evansville, Ind. | +25 | +22 | +18 | +9 | 4.16 | 4.19 |
| Louisville, Ky. | +31 | +17 | +11 | +5 | 5.25 | 6.15 |
| St. Louis Area ¹ | +27 | +17 | +10 | -2 | 4.37 | 5.06 |
| St. Louis, Mo..... | +27 | +16 | +8 | -2 | 4.37 | 5.06 |
| E. St. Louis, Ill.... | +25 | +72 | +84 | ... | ... | ... |
| Springfield, Mo. | +32 | +9 | +3 | +16 | 4.30 | 5.60 |
| Memphis, Tenn. | +34 | +12 | +3 | +15 | 4.64 | 5.61 |
| *All other cities..... | +40 | +21 | +8 | +21 | 4.24 | 5.26 |
| 8th F. R. District | +29 | +16 | +8 | +2 | 4.57 | 5.32 |

*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: December, 1947—26; November, 1947—24; December, 1946—25.

Outstanding orders of reporting stores at the end of December, 1947, were 1 per cent greater than on the corresponding date a year ago.

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

| | Excluding | | Excluding | |
|------------------|---------------------|---------------------|----------------------|---------------------|
| | Instalment Accounts | Instalment Accounts | Instalment Accounts | Instalment Accounts |
| Fort Smith | 31 | 54% | Quincy | 32% |
| Little Rock | 30 | 59 | St. Louis | 36 |
| Louisville | 30 | 53 | Other cities | 29 |
| Memphis | 39 | 49 | 8th F. R. Dist. | 35 |

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

| | Dec., 1947 | Nov., 1947 | Oct., 1947 | Dec., 1946 |
|--|------------|------------|------------|------------|
| Sales (daily average), Unadjusted ¹ | 516 | 428 | 330 | 463 |
| Sales (daily average), Seasonally adjusted ² .. | 337 | 339 | 308 | 303 |
| Stocks, Unadjusted ³ | 250 | 310 | 307 | 246 |
| Stocks, Seasonally adjusted ³ | 297 | 290 | 274 | 292 |

¹ Daily Average 1935-39=100

² End of Month Average 1935-39=100

SPECIALTY STORES

| | Net Sales | | Stocks on Hand | | Stock Turnover | |
|---------------------|---------------|-----------|----------------|--------------|-------------------------|------|
| | December, '47 | | Dec. 31, '47 | | Jan. 1 to Dec. 31, 1947 | |
| | Nov., '47 | Dec., '46 | Nov., '47 | Dec. 31, '46 | 1947 | 1946 |
| Men's Furnishings.. | +28% | +15% | +4% | +9% | 3.94 | 5.93 |
| Boots and Shoes.... | +35 | +13 | +7 | -4 | 4.87 | 6.93 |

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

Men's Furnishings 52% Boots and Shoes..... 47%
Trading days: December, 1947—26; November, 1947—24; December, 1946—25.

RETAIL FURNITURE STORES

| | Net Sales | | Inventories | | Ratio of Collections | |
|------------------------------------|------------|-----------|-------------|-----------|----------------------|-----------|
| | Dec., 1947 | | Dec., 1947 | | Dec., '47 | |
| | Nov., '47 | Dec., '46 | Nov., '47 | Dec., '46 | Dec., '47 | Dec., '46 |
| St. Louis Area ¹ | +14% | +26% | -7% | +35% | 60% | 54% |
| St. Louis..... | +13 | +27 | -7 | +35 | 65 | 55 |
| Louisville Area ² | +21 | +23 | +10 | +15 | 28 | 39 |
| Louisville | +23 | +23 | +12 | +11 | 25 | 36 |
| Memphis | +18 | +23 | -8 | +10 | 31 | 28 |
| Little Rock..... | +45 | +49 | -4 | -10 | 28 | 35 |
| 8th District Total ³ .. | +24 | +30 | -3 | +17 | 44 | 44 |

*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, Fort Smith and Pine Bluff, Arkansas; Owensboro, Kentucky; Greenville, Greenwood, Mississippi; Springfield, Missouri; and Evansville, Indiana.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

| | Dec., '47 | Nov., '47 | Dec., '46 |
|--------------------|-----------|-----------|-----------|
| Cash Sales | 20% | 17% | 26% |
| Credit Sales | 80 | 83 | 74 |
| Total Sales | 100% | 100% | 100% |

BANKING AND FINANCE

In 1947, bank earning assets expanded net in contrast to the net decline which took place in the previous year. The expansion of bank credit in 1947 resulted from the fact that private borrowing increased more than Government borrowing declined. In 1946, bank loans rose less than security holdings decreased. In both years, however, privately held deposits increased (most of the reduction in Government securities in 1946 came through use of War Loan balances built up in the Victory Loan) and added to inflationary pressures.

Also reflecting the rise in private credit, corporate security offerings for new money (mostly bond flotations) totaled above \$4 billion in 1947, in contrast to \$3.5 billion in 1946. Total consumer credit outstanding rose about \$3 billion. Insurance company loans also increased appreciably. Because of the strong demand for private credit, and in response to Treasury and Federal Reserve action, interest rates strengthened, although this was reflected more in an increase in yields on securities than in a rise in rates charged those borrowing directly from banks and other financial institutions.

The expansion in bank earning assets, as noted above, resulted from an increase in private credit which more than offset the decrease in public credit. At the end of 1947, loans of all commercial banks in the United States totaled about \$39 billion, up \$8 billion or 25 per cent from the end of 1946. The rise in bank loans was made up of increases of about \$5 billion in commercial, industrial and agricultural loans, about \$2.5 billion in

real estate loans, and something less than \$2 billion in "other" loans, with most of the gain in the latter category reflecting expanding consumer credit. Loans for the purpose of purchasing or carrying securities declined more than \$1 billion in the year.

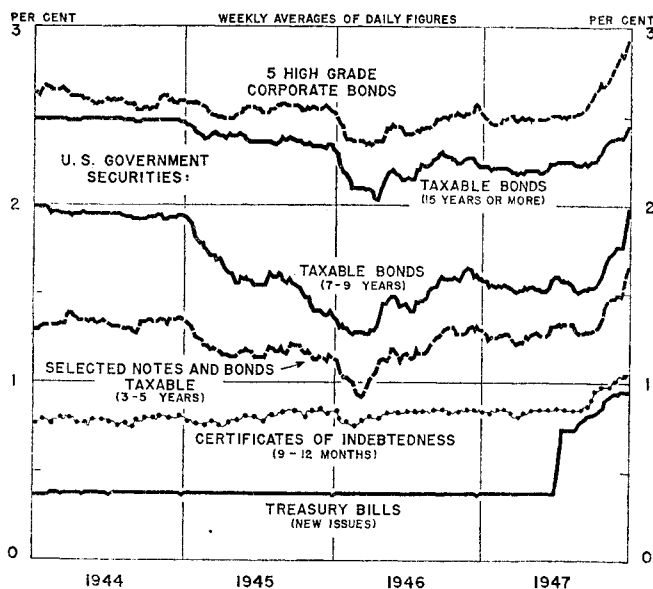
At weekly reporting banks in the Eighth District, the rise in total loans between December, 1946 and December, 1947 was \$166 million or 20 per cent. Just before the close of the year, total loans at the district banks topped \$1 billion. The relative gain at district banks paralleled that for weekly reporting banks in the nation as a whole. It may be noted that the percentage increase at reporting banks (20 per cent) was appreciably smaller than that (25 per cent) at all banks in the United States, indicating that the major urban institutions registered smaller net increases in loans than banks of lesser size located outside the larger cities. This reflects partly the fact that security loans—the only category to register a decline during 1947—are held mostly in the city banks.

Eighth District weekly reporting banks showed appreciably different performance in the various loan categories than did the weekly reporting banks for the entire nation. Commercial, industrial and agricultural loans at the district banks rose 33 per cent in contrast to a national average gain of 29 per cent. The dollar increase at the urban banks in the district was \$150 million as compared with \$90 million during 1946 and \$85 million in 1945. Percentagewise, the increases at the district banks were approximately the same in each of the past three years.

Both real estate and consumer loans at district reporting banks increased substantially less percentagewise than those at all reporting banks in the nation. At the district banks the rise in real estate loans was 28 per cent, and in "other" loans was 14 per cent. Comparable percentages on a national scale were 40 and 29. Security loans, relatively unimportant in Eighth District banks, showed a 43 per cent drop here as against a 40 per cent decrease nationally.

The increase in private credit demand and in the amount of private credit outstanding stemmed from the desires of business to expand fixed capital investment and from the necessity for larger amounts of working capital resulting from strongly rising prices. At the same time the increase in credit influenced the rise in prices in that the larger money supply permitted potential buyers to bid up prices.

YIELDS ON TREASURY AND CORPORATE SECURITIES



Similarly, the rise in real estate loans reflected the high level of construction activity plus transfers of existing property at extremely high prices, and partially caused these high prices. The gain in consumer loans reflected increased supplies of durable consumer goods and, toward the close of the year, elimination of controls over consumer credit.

While private credit was expanding, public credit contracted. The Treasury continued to pay off portions of the Government debt as it matured, endeavoring for the most part to retire debt held by the commercial banking system and the Federal Reserve banks. During the year, total investments of all banks in the United States declined about \$5 billion, Government security portfolios decreased about \$6 billion, while investments in non-Government securities rose by about \$1 billion. The decline in the volume of Government securities held by the commercial banks of this nation reflected partly the Treasury policy of paying down the debt and partly commercial bank action in selling securities to meet the heavy demand for private loans.

At district reporting banks, total investments declined \$133 million in 1947, all of the decline occurring in holdings of Government securities. Holdings of non-Government securities showed no net change. As a result, investments as a proportion of earning assets at weekly reporting banks in this district declined from 61 per cent at the end of 1946 to 54 per cent at the end of 1947.

In the year, almost \$11 billion of the public marketable debt was paid off. The gross public debt declined by only \$3 billion, however, since a large share of the funds used to retire marketable issues came from sales of nonmarketable and special issues. The Treasury retired about \$1.8 billion in bills, almost \$6 billion in certificates, about \$2.3 billion in notes, and about \$800 million in bonds. The great bulk of the redemptions took place in the first part of the year. In the first quarter, approximately equal amounts of certificates and notes were redeemed, the total being about \$4 billion. In the second quarter, \$2.5 billion in certificates were redeemed and \$1.2 billion in bills. Since the latter are held mostly by the Federal Reserve banks, repayment exerts direct pressure upon member bank reserves.

In the third quarter, retirements were much smaller and represented the difference between the amount of maturing securities exchanged for new issues and the amount which holders preferred to exchange for cash. (Except for Treasury bills, all

maturing marketable issues in 1947 which were re-funded were handled through straight or allotment exchanges. In other words, only holders of maturing issues were eligible for refunding issues.) In the fourth quarter, some \$600 million maturing Treasury bills were retired along with \$800 million bonds and \$800 million certificates. The certificate redemptions in this period represented mainly repayment of those held in the Federal Reserve portfolio on the maturity date.

As noted above, most of the funds used to retire marketable debt came from sales of nonmarketable Government securities and special issues. During 1947, sales of savings bonds continued to be pushed strongly. Late in the year, an issue of 2½ per cent nonmarketable bonds designed for nonbank investment needs was sold in the amount of \$1 billion. Proceeds from these sales plus those from special issues to meet Government trust funds' investment needs provided the funds to retire ma-

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

| (In thousands of dollars) | Jan. 21, 1948 | Change from | |
|---|--------------------|-------------------|-------------------|
| | | Dec. 17, 1947 | Jan. 22, 1947 |
| Industrial advances under Sec. 13b..... | \$..... | \$..... | \$..... |
| Other advances and rediscounts..... | 13,939 | 984 | 1,547 |
| U. S. securities..... | 1,175,801 | + 11,498 | + 50,313 |
| Total earning assets..... | \$1,189,740 | + \$10,514 | + \$48,766 |
| Total reserves..... | \$ 679,525 | + \$22,970 | + \$35,496 |
| Total deposits..... | 753,745 | + 50,928 | + 61,947 |
| F. R. notes in circulation..... | 1,123,141 | + 21,923 | + 22,873 |
| Industrial commitments under Sec. 13b.. | \$ 580 | - 0 - | - \$ 3,645 |

PRINCIPAL ASSETS AND LIABILITIES WEEKLY REPORTING MEMBER BANKS

| (In thousands of dollars) | Jan. 21, 1948 | Change from | |
|--|--------------------|--------------------|--------------------|
| | | Dec. 24, 1947 | Jan. 22, 1947 |
| Assets | | | |
| Total loans and investments..... | \$2,195,045 | + \$ 8,881 | + \$ 62,910 |
| (Commercial, industrial, and agricultural loans, open market paper)..... | 609,958 | - 14,430 | + 132,393 |
| Loans to brokers and dealers in securities..... | 6,641 | - 1,380 | - 443 |
| Other loans to purchase and carry securities..... | 34,781 | - 10,297 | - 36,968 |
| Real estate loans..... | 145,299 | + 3,119 | + 29,823 |
| Loans to banks..... | 2,948 | + 878 | + 1,935 |
| Other loans..... | 186,195 | + 4,421 | + 38,918 |
| Total loans..... | 985,822 | + 17,689 | + 165,658 |
| Treasury bills..... | 59,933 | + 47,251 | + 44,782 |
| Certificates of indebtedness..... | 97,843 | + 16,391 | + 38,241 |
| Treasury notes..... | 98,000 | - 14,777 | - 64,849 |
| U. S. bonds including guaranteed obligations..... | 807,021 | - 22,808 | - 45,312 |
| Other securities..... | 146,426 | + 513 | + 872 |
| Total investments..... | 1,209,223 | + 26,570 | + 102,748 |
| Cash assets..... | 793,698 | + 34,894 | + 58,575 |
| Other assets..... | 23,704 | - 714 | - 803 |
| Total assets..... | \$3,012,447 | - \$ 26,727 | + \$120,682 |
| Liabilities | | | |
| Demand deposits—total..... | \$2,347,478 | - \$ 18,911 | + \$ 95,979 |
| Individuals, partnerships, and corporations..... | 1,486,996 | - 30,427 | + 124,711 |
| Interbank demand deposits..... | 718,129 | + 9,636 | + 4,074 |
| U. S. Government deposits..... | 14,486 | + 6,159 | + 44,832 |
| Other demand deposits..... | 127,867 | + 8,039 | + 12,026 |
| Demand deposits—adjusted*..... | 1,371,909 | + 6,676 | + 95,588 |
| Time deposits..... | 472,770 | + 2,578 | + 17,375 |
| Borrowings..... | 8,750 | + 9,430 | + 750 |
| Other liabilities..... | 15,185 | + 99 | + 668 |
| Total capital accounts..... | 168,264 | - 1,063 | + 7,410 |
| Total liabilities and capital accounts..... | \$3,012,447 | - \$ 26,727 | + \$120,682 |

* Other than interbank and Government deposits, less cash items on hand or in process of collection.

turing issues held largely by commercial and Reserve banks.

While much has been written on the contribution of fiscal policy to fighting inflation, it may be useful to review briefly what is being done along this line. The root cause of the current inflation lies in the fact that a large share of Government war expenditures had to be financed through borrowing from the banks. Bank purchases of Government securities create deposits—that is, add to the money supply. The supply of money (currency and deposits) is now supporting a volume of demand for goods and services which is too large relative to availability, and reduction of the supply of money tends to be anti-inflationary. To the extent that the public debt can be shifted from the banks to nonbank investors, bank deposits can be reduced.

Sales of savings bonds shift funds from private balances to Treasury accounts and reduce accordingly the volume of privately held deposits. These funds may either be held idle by the Treasury or extinguished by using them to retire securities held by banks. Sales of savings bonds thus serve as an anti-inflationary device and, assuming that such nonbank investments hold, the effect on the money supply is the same as that coming from a surplus of Government operating receipts.

Treasury refunding action, furthering Reserve System policy, led to increased rates on short-term Government securities, and to rising yields on longer issues. The purpose was to encourage banks to curtail sales of such issues to the Reserve banks to build up their reserves for private loans thereby increasing total bank credit. With the August 1 certificate refunding, the Treasury offered an 11-month certificate in exchange for the maturing

12-month certificates, both issues being at $\frac{7}{8}$ per cent. In subsequent movements, the certificate rate was raised until the January 1, 1948 exchange issue was at $1\frac{1}{8}$ per cent for a 12-month certificate. On July 2, the Federal Reserve System abandoned the pegged Treasury bill rate and with the conclusion of the 13-week cycle beginning on that date, eliminated the repurchase option provision. Treasury bill rates, which, on an annual basis, had been .375 per cent, moved up steadily until at the end of the year the average rate of return on Treasury bills was almost 1 per cent.

As rates on Treasury bills and certificates moved up, they exerted influence on other money market rates, which also rose. Reserve System action was aimed at increasing the cost and decreasing the automatic availability of bank reserves, thereby influencing the volume of bank credit and the money supply. Almost coincident with these monetary moves, the investment situation changed from an excess of investment funds to an excess of capital demand and longer term rates began to move upward. The long end of the Government security market came under appreciable pressure in October, and at the year-end Federal Reserve support levels for Treasury bonds were moved down close to par, while yields moved up close to coupon rates.

The full effects of fiscal and monetary policy developments in 1947 remain to be seen in 1948. At the close of the year there was evidence that credit was becoming more stringent and that banker caution was growing. If, by such actions and by publicizing the dangers of further credit expansion, the growth in the money supply is halted, the inflationary problem will be easier to deal with.

DEBITS TO DEPOSIT ACCOUNTS

| (In thousands of dollars) | Dec., 1947 | Nov., 1947 | Dec., 1946 | Dec., '47 comp. with Nov., '47 | Dec., '46 |
|---------------------------|-------------|-------------|-------------|--------------------------------|-----------|
| El Dorado, Ark..... | \$ 22,191 | \$ 17,379 | \$ 18,930 | +28% | +17% |
| Fort Smith, Ark..... | 40,861 | 36,347 | 35,323 | +12 | +16 |
| Helena, Ark. | 9,035 | 10,917 | 10,498 | -17 | -14 |
| Little Rock, Ark..... | 120,522 | 116,743 | 113,208 | +3 | +6 |
| Pine Bluff, Ark..... | 28,804 | 27,231 | 29,348 | +6 | -2 |
| Texarkana, Ark.-Tex. | 11,107 | 10,927 | 10,156 | +2 | +9 |
| Alton, Ill. | 25,431 | 21,994 | 21,808 | +16 | +17 |
| E.St.L.-Nat.S.Y., Ill. | 134,043 | 117,745 | 103,386 | +14 | +30 |
| Quincy, Ill. | 32,169 | 28,174 | 26,521 | +14 | +21 |
| Evansville, Ind. | 114,453 | 99,311 | 93,966 | +15 | +22 |
| Louisville, Ky. | 581,217 | 466,843 | 480,300 | +24 | +21 |
| Owensboro, Ky. | 37,206 | 33,941 | 28,936 | +10 | +29 |
| Paducah, Ky. | 17,151 | 14,420 | 15,498 | +19 | +11 |
| Greenville, Miss. | 22,875 | 25,790 | 18,952 | -11 | +21 |
| Cape Girardeau, Mo. | 10,475 | 14,131 | 10,015 | -26 | +5 |
| Hannibal, Mo. | 8,496 | 6,845 | 7,374 | +24 | +15 |
| Jefferson City, Mo.... | 33,210 | 31,781 | 35,769 | +4 | -7 |
| St. Louis, Mo..... | 1,709,644 | 1,356,306 | 1,500,269 | +26 | +14 |
| Sedalia, Mo. | 10,796 | 9,129 | 9,707 | +18 | +11 |
| Springfield, Mo. | 58,682 | 53,949 | 52,435 | +9 | +12 |
| Jackson, Tenn. | 20,067 | 19,716 | 17,876 | +2 | +12 |
| Memphis, Tenn. | 645,954 | 610,614 | 529,411 | +6 | +22 |
| Totals | \$3,694,389 | \$3,130,233 | \$3,169,686 | +18% | +17% |

AGRICULTURE

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

| | Receipts | | | Shipments | | |
|------------------------|------------|--------------------------------|-----------|------------|--------------------------------|-----------|
| | Dec., 1947 | Dec., '47 comp. with Nov., '47 | Dec., '46 | Dec., 1947 | Dec., '47 comp. with Nov., '47 | Dec., '46 |
| Cattle and calves..... | 128,442 | -14% | -13% | 32,760 | -35% | -36% |
| Hogs | 283,627 | +27 | +33 | 70,084 | +110 | +22 |
| Sheep | 56,573 | +13 | +27 | 7,723 | +84 | +14 |
| Horses | 756 | -43 | -79 | 756 | -43 | -79 |
| Totals | 469,398 | +11% | +15% | 111,323 | +24% | -7% |

CASH FARM INCOME

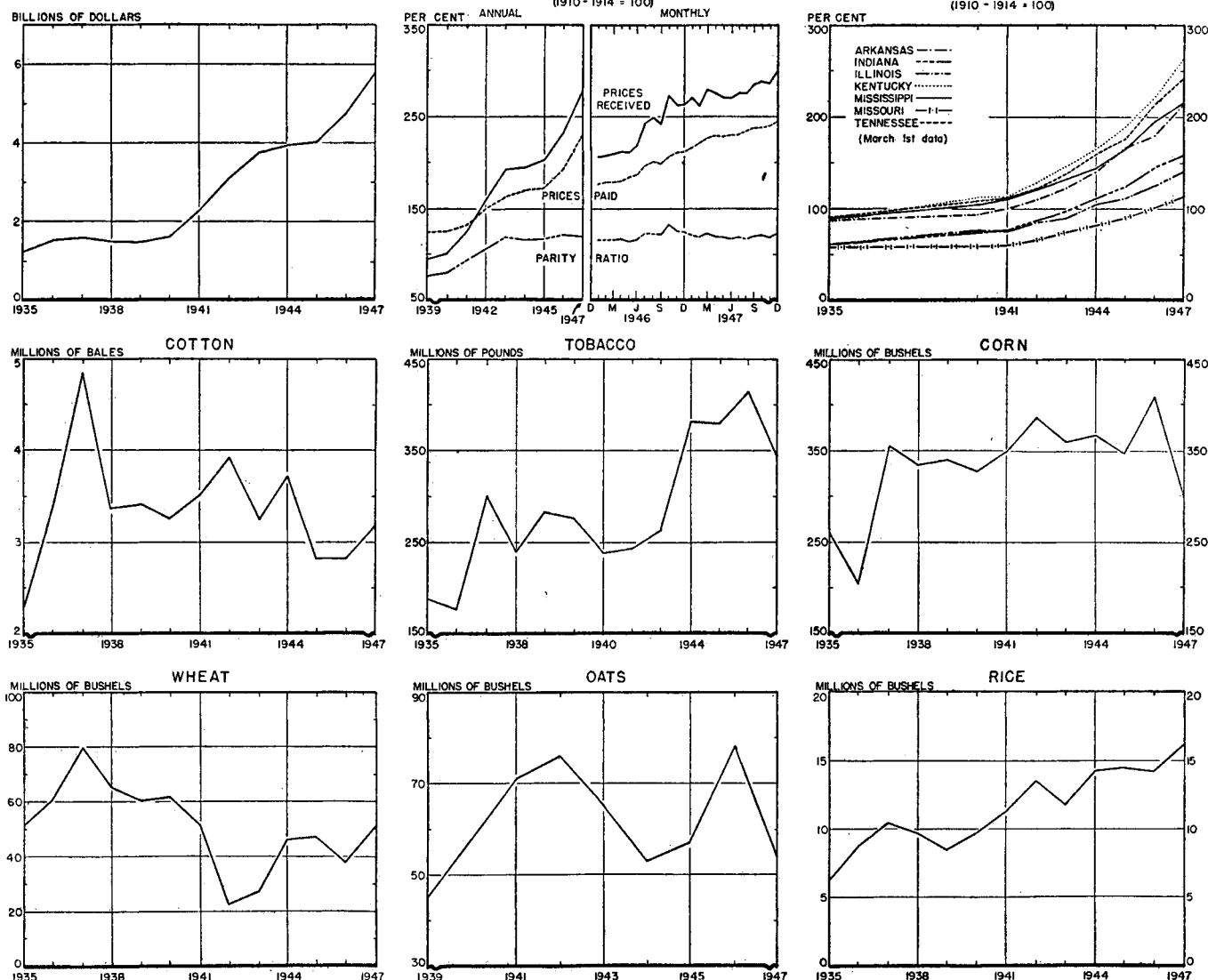
| (In thousands of dollars) | Nov., 1947 | Nov., '47 comp. with | | 12 mo. total Dec. to Nov.. | | |
|---------------------------|------------|----------------------|------------|----------------------------|--------------------|---------|
| | | Oct., 1947 | Nov., 1946 | '46-'47 | '46-'47 comp. with | '45-'46 |
| Arkansas | \$ 57,908 | -50% | -30% | \$ 484,999 | +16% | +55% |
| Illinois | 214,437 | -6 | +1 | 1,825,353 | +31 | +54 |
| Indiana | 113,016 | -15 | +11 | 1,060,570 | +29 | +52 |
| Kentucky | 30,676 | -27 | +3 | 524,161 | +20 | +26 |
| Mississippi | 57,096 | -53 | +38 | 392,039 | +29 | +20 |
| Missouri | 115,953 | -18 | -4 | 1,066,989 | +29 | +50 |
| Tennessee | 37,324 | -48 | -24 | 465,160 | +19 | +36 |
| Totals | \$626,410 | -27% | -2% | \$5,819,271 | +27% | +46% |

AGRICULTURE

Farm income in the Eighth Federal Reserve District in 1947 was higher than in any previous year and exceeded that of the three years, 1938, 1939, and 1940, combined. The income gain over 1946 was due to increases in prices rather than production, although output of some Eighth District crops, notably wheat and cotton, in 1947 exceeded that of 1946. Prices of most agricultural commodities continued their upward climb during 1947, averaging 19 per cent above the 1946 level. On December 15, the index of prices received hit a new high, 301 (three times the 1910-1914 base level), 4 per cent above the previous record established in October, 1947.

The gain over 1946 in cash receipts from farm marketings for district states exceeded the gain for the nation as a whole. Receipts in the seven district states totaled \$5.8 billion for the twelve-month period, December, 1946 to November, 1947, an increase of \$1.2 billion, or 27 per cent over last year's income. Nationally, cash receipts totaled \$30 billion in 1947, 22 per cent more than in 1946. The increases in income varied considerably among states in the district. For instance, farm income in Illinois increased 31 per cent for the twelve-month (December-November) period, and income in Missouri, Mississippi, and Indiana increased 29 per cent.

AGRICULTURAL INCOME, PRICES AND PRODUCTION IN THE EIGHTH DISTRICT
CASH FARM INCOME* **PRICES RECEIVED AND PAID BY FARMERS**** **FARM REAL ESTATE VALUES***
 1939-1947 (1910-1914 = 100) MONTHLY ESTIMATED VALUE PER ACRE (1910-1914 = 100)



* Total for Eighth District States
 ** For the United States
 SOURCE: U.S.D.A., Agricultural Prices, Crop Summary 1947, Developments in Farm Real Estate Market

Farm income in Arkansas, Tennessee and Kentucky increased 16, 19, and 20 per cent respectively.

Prices paid by farmers during 1947 increased relative to prices received. Prices received and paid increased 19 and 20 per cent respectively, during 1947, and both were at record levels on December 15. The ratio of prices farmers received to prices paid averaged 120 for 1947—1 per cent lower than in 1946. The ratio for the whole year 1946, when compared with that of 1947, however, is somewhat misleading. The ratio for the first six months (during price controls and rationing) averaged about 116, and for the last six months was 125. In no month in 1947 did the ratio reach 125.

Cotton prices on December 1, 1947 in the ten spot markets averaged nearly 36 cents a pound, the same as August 1, and 5 cents higher than on September 30, the season's low. The price received by farmers for cotton on November 15, 1947 was 2.6 cents higher than November 15, 1946, and 1.2 cents higher than in October. Prices of certain other farm commodities experienced very sharp increases. Wheat prices were more than 90 cents per bushel higher during the latter part of 1947 than during similar periods in 1946. Prices of hogs and beef declined seasonally during October and November, 1947, but increased during December. Egg prices were higher on December 15 than at any time since 1920.

Unfavorable weather prevented record crop production in 1947 in the Eighth District, particularly in the four northern states. The season was retarded by a cold wet spring, including floods in some sections, and was further hampered by drouths accompanied by hot weather in June, July, and August. The lateness of the killing frost was the one factor in the weather that was of considerable benefit, permitting late corn and soybeans to mature. The 1947 district winter wheat crop of 51.6 million bushels was 12 million bushels larger than in 1946, however, and was the largest crop since 1941. This crop was harvested successfully in the face of the fact that considerable wheat acreage was destroyed by unseasonably late floods along the Missouri and upper Mississippi Rivers.

The Eighth District corn crop in 1947 totaled only 408 million bushels and was the smallest crop since 1936. The 1947 harvest was 106 million bushels, or 26 per cent, less than in 1946. Production of oats and soybeans also declined. Oats production was 54.7 million bushels, 30 per cent less than in 1946. Soybean production in the district states as a whole in 1947 was 13 per cent less than in 1946. Output was less than in the previous

year in Illinois, Missouri, and Arkansas, but exceeded 1946 production in the other four states.

Tobacco production of 415 million pounds in the Eighth District was the fourth largest on record, but was 71 million pounds, or 17 per cent, less than the 1946 record crop. Acreage allotments were lower in 1947 than in 1946. Wet and cold weather retarded planting on the smaller acreage, and later dry weather lowered the quality of the crop.

In addition to the wheat crop, cotton and rice crops in 1947 exceeded the 1946 crops in the district. The cotton crop of 3,189,000 bales was 350,000 bales, or 13 per cent, larger than the 1946 crop. The 1947 crop was larger than either the 1945 and 1946 crop, but smaller than other cotton crops from 1936-44. In Mississippi, this year's harvest was 48 per cent larger than the small 1946 output, even though acreage was only 5 per cent more than 1946. In Arkansas, however, drouths caused production to decline 2 per cent, despite an acreage increase of 22 per cent over 1946.

The 1947 rice crop in the Eighth District was the largest on record. The 1947 crop exceeded the 1946 crop by 2 million bushels, and the previous record crop of 1945 by more than 1.5 million bushels. This crop is important in Arkansas, and total production of 16 million bushels represents a major source of income in certain Arkansas counties.

In the United States, production of 53 crops combined, including grain, cotton, tobacco, hay, fruits, and vegetables, was the fourth largest of record, being exceeded only by output in 1942, 1944, and 1946. In spite of the poor year for spring-sown grains, total crop production was 20 per cent above the pre-drouth 1923-32 average, and but 6 per cent less than the record production of 1946.

Nationally, 1947 production of meat, milk and eggs was little changed from the high level of 1946. Milk production was 1 per cent higher, meat production was fractionally larger, and egg production was 1 per cent less than a year earlier. Output of milk, meat and eggs, however, was 8, 15 and 22 per cent, respectively, more than the 1936-45 average.

Crop production in 1948 largely will depend on the weather during the remainder of the winter and spring. Seeded wheat acreage for the 1948 crop is the highest on record, and exceeds the acreage which produced the record 1.4 billion bushel wheat crop in 1947. Production of winter wheat, how-

ever, on December 1, 1947 was estimated at 839 million bushels, 21 per cent less than the 1947 crop. Seeding was late in parts of the southwestern wheat belt due to lack of soil moisture. Growing conditions during December were favorable and moisture now seems adequate, but favorable weather during the remainder of the winter is vital for another bumper crop.

Wheat acreage in district states for the 1948 crop is 19 per cent more than in 1947. Largest increases are in Missouri, 30 per cent; Illinois, 22 per cent; and Indiana, 13 per cent. Acreage declined 8 per cent in Mississippi, the only district state in which a smaller winter wheat acreage was seeded this year.

Farm real estate values in the four southern district states—Kentucky, Tennessee, Mississippi and Arkansas—have increased more than the United States average over the 1912-14 base. Using this base, land prices have increased 164 per cent in Kentucky and 143 per cent in Tennessee. On the other hand, farm real estate values in Missouri on March 1, 1947 were only 13 per cent higher than

in the 1912-14 base period. Sharpest increase in district states for the year ending November 1, 1947 was in Arkansas where land values were 17 per cent higher than a year earlier. Missouri was one of the five states in the nation in which values increased less than 5 per cent in the year.

Nationally, value of farm real estate increased 8 per cent during the year ending November 1, 1947, which compares with a 14 per cent increase during 1946. For the four months, July to November, the increase was 1 per cent, the smallest rise for this four-month period since 1942.

High farm prices and profitable farming have been important reasons for a greatly expanded use of commercial fertilizer in Eighth District states since 1935. The 2.7 million tons of fertilizer used by farmers in district states during 1946 was three times the tonnage used annually from 1935-39. Nationally, the amount used in 1946 was twice that during 1935-39. Fertilizer consumption in 1947 for the United States was estimated at 16 million tons, an increase over 1946 of more than a million tons. An estimated 17 million tons will be available for 1948.

National Summary of Business Conditions

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INDUSTRIAL production was maintained at record postwar levels in December. Department store sales continued in large volume in December and the early part of January. The general price level advanced further while prices of speculative commodities declined somewhat.

Industrial production—The Board's seasonally adjusted index of industrial production was 191 per cent of the 1935-39 average in December as compared with 192 in November and 190 in October.

Activity in durable goods industries continued to advance in December and was at a new postwar peak rate. Iron and steel production advanced to the highest rate of the year, after allowance for mill closings on Christmas Day, and continued to increase in January. Assembly of passenger automobiles advanced further in December from the high November rate, and production for the year was about 3.6 million units as compared with 2.2 million in 1946 and 3.8 in 1941. Output of trucks in 1947 was the highest on record. Production of freight cars in December reached a total of 9,800 units, which virtually met the goal established for the industry last spring.

Output of nondurable goods showed a slight decline in December largely because holiday influences

reduced production in a few lines such as cotton textiles and paperboard. Output of manufactured foods also declined somewhat, after allowances for seasonal changes, owing mainly to a reduction from the high November rate of livestock slaughter. Petroleum refining activity increased in December and early January. Despite a substantial gain in output of fuel oil, supplies were short of exceptionally heavy demands.

Minerals production in December was maintained at the level of the preceding month. Coal output was not as large as in November, while crude oil production showed a further gain.

Employment—Nonagricultural employment showed the usual large seasonal increase from mid-November to mid-December, reflecting the pre-Christmas expansion in trade. The number of persons unemployed in early December remained at the low November level of 1.6 million, about half a million less than a year ago.

The consumers' price index advanced further by about one per cent in December, reflecting chiefly increases in retail prices of foods and fuels.

Bank credit—Purchases by the Federal Reserve System in support of prices of Government bonds continued in December and the first three weeks of January. Purchases were particularly large after December 24 when the Federal Open Market Committee reduced the prices at which bonds would be purchased for System account. Total holdings of Government securities at Reserve Banks declined 700 million dollars, however, reflecting substantial market sales and redemption of bills and certificates.

The post-Christmas return of currency from circulation was offset in its effect on bank reserves by an excess of Treasury receipts from taxes and calls on war loan accounts over current expenditures.

Total holdings of Government securities by member banks in leading cities showed little further change during December and the first half of January. These banks sold bonds but increased their holdings of bills. Business loans continued to increase sharply during most of December and, following a small post-Christmas decline, showed further growth in the first half of January. Real estate and consumer loans also expanded further.

Interest rates and bond yields—Accompanying reduction in Federal Reserve support prices for bonds, yields on Treasury bonds increased by as much as one-fourth of a point on some issues. Yields on corporate bonds also rose somewhat. Short-term money rates advanced slightly in December and January.

In January the Federal Reserve Banks increased their discount rates from 1 per cent to $1\frac{1}{4}$ per cent.

Construction—Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined more than seasonally in December, reflecting chiefly decreases of about one-fifth in awards for residential building and public works. As compared with December 1946, however, values of awards for most types of construction were substantially larger.

Distribution—Department store sales in December showed the usual sharp increase and the Board's seasonally adjusted index remained at the advanced November level. Total sales in the fourth-quarter holiday shopping season were 9 per cent larger than in the same period in 1946. Sales in the first half of January showed somewhat more than the usual seasonal decline.

Loadings of railroad freight in December and the early part of January continued at an exceptionally high rate for this season of the year, owing mainly to the sustained large volume of shipments of manufactured goods. Loadings of grain and livestock were considerably below the high levels prevailing a year ago.

Commodity prices—The general level of wholesale commodity prices continued to advance from the middle of December to the latter part of January, reflecting chiefly further increases in prices of petroleum and metal products. Prices of commodities traded in the organized markets generally declined somewhat from the advanced levels reached during the autumn.

