Monthly Review

FEDERAL RESERVE BANK OF ST. LOUIS

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Trends In District Trade

By the time the last customer is waited on this month, consumers will have spent more dollars in Eighth District retail stores this year than ever before in history. If holiday buying in December even approaches the volume generally anticipated, total retail sales in the district this year should approximate $6.1 billion.

Considerable significance will be attached to the volume of consumers' expenditures in the remainder of this year. Department store sales in November ran below those of November, 1947. The decline has been well publicized and there has been much speculation as to the reasons for it.

Whether this decline reflects a return to the prewar practice of making Christmas purchases in December, whether last year's volume was abnormally high, or whether it marks the beginning of a general downturn in consumers' expenditures is far from clear as yet. In other words, the trend in November highlights the question but provides only part of the answer. An additional part of the answer may come in December.

Regardless of the level to which the final sale will lift this year's total, retailers in the district and in other parts of the country can be assured now that business observers are going to direct a great deal of study toward trade developments in the remainder of 1948 and early 1949. This will be not only because of interest in sales figures as such, but because the 1949 business outlook is related so directly to what consumers (individuals as distinguished from business, Government and foreign sources of demand), in the aggregate, decide to do with their money.

The economic importance of consumers' decisions is evident. In the third quarter, consumers' expenditures were at an annual rate of about $178.5 billion. That was $2 billion larger than they were in the preceding quarter and $6.4 billion greater than in the first three months of the year. For every dollar spent for goods and services by Federal, state and local governments, by private business, and by foreign purchasers of American goods (exclusive of purchases under government grants or the European Recovery Program), consumers in this country spend $2.30. It follows, then, that whatever affects the level of consumer income or influences an individual to spend or not to spend—to buy food instead of furnishings—oleo instead of butter—is of paramount importance in the business outlook.

In the first nine months of this year, consumers' outlays amounted to an annual rate of almost $176 billion on a seasonally adjusted basis. They were at a higher level in the third quarter than they were earlier in the year. Purchases of nondurable goods accounted for about 59 per cent of the total. Durable goods, including automobiles, furniture, appliances and the like, absorbed 13 per cent of the money spent by consumers. Expenditures for services, for example, rents, medical care, movies and all the multitude of items included in this category, accounted for the remaining 29 per cent of total expenditures. In this study we are concerned primarily with the outlook for purchases of goods—the 72 per cent of total expenditures by consumers. These are the items bought from retail stores—the purchases that show up in the indexes of sales at department stores, apparel stores, and the other retail establishments in the district and nation. In the first half of the year they were at an annual rate of $124.6 billion and in the third quarter amounted to $126.5 billion.

Expenditures for Nondurables—Purchases of nondurable goods—the so-called "soft" goods—since late in 1947 have been at an annual rate of more than $100 billion. Even in an age of astronomical figures, consumption at this level is impressive. It means that aggregate expenditures by housewives and other consumers for soft goods are larger than were total expeditures (by consumers, government and business) for the purchase of goods and services in 1939 or 1940. Dollars spent for soft goods go principally for food and clothing. In the third quarter, when nondurables' outlays were at an annual rate of $102.9 billion, food and alcoholic beverages accounted for $61.2 billion. Clothing and shoe purchases were at an annual rate of $19.7 billion. An additional $10.6 billion was spent for tobacco, gasoline and oil, and semidurable housefurnishings, with the remaining $11.4 billion allocated to "other" nondurables.

Consumers' Durables — Expenditures for consumers' hard goods are about one-fifth as large as the amount spent for soft goods. In the third quarter these outlays were at an annual rate of $23.6 billion. Furniture and household equipment accounted for $11 billion or about one-half of the total. Automobiles and equipment absorbed $8.7 billion, with "other" durable items accounting for the remaining $3.9 billion. It is interesting to note that consumers' expenditures for hard goods, in the aggregate, consistently have exceeded the amount of money spent by business for new equipment. In the September quarter, for example, they were $2.2 billion larger than producers' equipment outlays.

It is evident that when the totals for the year are in, sales volume will be considerably larger than the $118 billion of goods purchased by consumers last year. Even if the year-to-year declines reported by department stores in the first half of November continue for the balance of the year and broaden into total retail trade declines, dollar volume for the year will remain larger than the 1947 total.

Factors Supporting Consumer Buying—An appraisal of the outlook for retail trade requires an explanation of the current record-breaking levels of consumer buying. In short, what is supporting consumers' purchases of goods at an annual rate of more than $125 billion?

There are a number of factors that account for the willingness, and ability, of consumers to spend at present rates. In part it reflects a tremendous backlog of consumer requirements for almost all types of goods. These requirements, in some cases, were built up during the war when many items disappeared from the market. Automobiles, refrigerators, and other durables are good examples. In the soft goods lines the effect of wartime shortages also was felt. In the postwar period, as scarce items became available, customers rushed in to buy to replace obsolete, worn-out equipment held over from before the war. As a result, sales volume spurted, particularly in the immediate postwar period. Since such products have become increasingly available, however, the rate of increase in purchases has declined. Nevertheless, the aftereffects of war-created shortages remain a potent factor in the trade picture.

The present level of consumers' purchases also reflects the increase in population—and the larger number of new families now as compared with prewar years. Latest estimates, as of July, 1948, indicate that we now have 11 per cent more people in the United States than we had in 1940. The number of families has increased about 14 per cent. Thus, even without an accumulation of unfilled requirements, a higher volume of purchases would be anticipated, given an income level capable of translating these wants into actual purchases.

The ability to buy is dependent largely, but not solely, upon income. Other sources of funds also are significant; for example, liquid assets in the form of cash, bank deposits, savings bonds, and other forms of ready-money. In addition, the ability to buy on credit makes it possible for consumers to satisfy wants without having funds on hand at the time of purchase.

Consumers' income, in the aggregate, was at an annual rate of $214.6 billion in August and September and averaged $214 billion for the third quarter. In that three-month period, income was 8.6 per cent larger than in the same quarter last year and 2.4 per cent larger than in the second quarter of 1948. Consumers in August and September were receiving $9 billion more income, on an annual basis, than they were in March. The increase was principally a result of larger wage and salary receipts, which in turn reflected higher wage rates paid to a larger number of workers employed. These payments in the aggregate accounted for $8.8 billion of the increase in total income during the period. In addition there were slightly higher annual rates of income from dividends and interest payments and in proprietors' and rental income.

While higher income alone would have sustained a large part of the existing level of consumer buying, consumers' purchasing power was almost automatically stepped up by the income tax reduction early in 1948. Partly as a result of this action, consumers' disposable income — or income after taxes — increased from an annual rate of $184.1 billion in the first quarter to $188.2 billion in the second quarter, and in the latest three months climbed to a rate of $193.7 billion. In other words, while the annual rate of total income increased $6.6 billion, consumers' "spendable" money advanced $9.6 billion. Disposable income not only increased faster than total income from the first to the third quarters, it also moved upward faster than consumers' prices, increasing 5.2 per cent as compared with a climb of 3.8 per cent in the Consumers Price Index.

Changes in liquid assets holdings so far this year are less subject to analysis due to insufficient data. At the beginning of the year the volume of such assets was large and broadly distributed. There have been shifts in these holdings since that time, as evidenced by the cashing of savings bonds, for example, and in many individual cases the amount of funds held in such form has declined. However, available evidence indicates that liquid assets in total remain large and represent a sizeable element of support for consumer buying.

Similarly, purchases based on credit constitute an important part of total consumer buying. Currently, about $15 billion of credit is outstanding. Of this total 53 per cent is instalment credit, 22 per cent charge accounts, 19 per cent is represented by single payment loans, and 6 per cent is service credit. In the postwar period, credit sales not only have increased absolutely but have expanded relative to cash sales. This relative increase has been due primarily to the increase in supplies of durable goods available to consumers and to the pressure of higher prices. Despite the expansion so far this year, a smaller proportion of total retail sales volume is financed by consumer credit now than before the war. Currently, total credit outstanding is 16 per cent of retail sales; in 1939-41 the ratio averaged 19 per cent. Although relatively smaller, in terms of sales, than prewar, credit buying is one of the important factors in the trade picture.

In addition to these factors affecting demand, sales volume measured in dollars also reflects price changes. Thus, part of the increase in consumers' purchases during the past months must be discounted for such changes. Consumers' prices in the third quarter averaged 2.2 per cent higher than in the second quarter and were up 8.3 per cent from the third quarter of 1947. In recent months, however, the rate of increase has tended to diminish and, in October, these prices declined for the first time since March.

POSTWAR SHIFTS IN CONSUMER PURCHASES

The present level of consumer buying has not been attained as a result of uniform advances in purchases of all types of goods. There have been shifts in buying — from some lines into others. Weak spots have developed from time to time and, while volume has continued to increase, the rate of gain often has diminished. Reasons for the variations are many and in part date back to wartime conditions.

As indicated earlier, expenditures for goods represent a larger percentage of total consumer expenditures now than before and during the war. In 1939 and 1940, purchases of nondurables and durables combined accounted for about 63 per cent of total outlays, including expenditures for services. During the war, the ratio climbed to about 66 per cent. In the third quarter of 1948, purchases of goods absorbed 72 per cent of total expenditures on an annual basis. In part, this shift reflects buying to replace stocks depleted during the war. In part, it reflects the fact that expenditures for services have not increased as rapidly as purchases of goods. Since the last quarter of 1946, expenditures for soft goods have held an almost constant relationship to total expenditures between 58 and 59 per cent of the total. During the same period, hard goods accounted for between 12 and 13 per cent of the total while expenditures for services after declining, relatively, in 1947 have averaged slightly under 29 per cent of the total in the first nine months of 1948.

But even a breakdown on this basis fails to show what is happening within these major groups. It is another instance in which averages tend to conceal individual differences. In the first nine months, total retail trade volume was 7 per cent larger than in the same period last year. But not all changes from 1947 are up, nor are the advances uniform. For example, the increase in fuel and ice dealers' sales was three times as large as the 7 per cent shown for all trade. Automobile dealers' sales were up 18 per cent and building supply and hardware sales increased 17 per cent. In addition to these, larger-than-average sales increases over 1947 have occurred in furniture—household—radio stores, filling stations, and piano and musical instrument stores. Less than the 7 per cent average gain over 1947 was reported in food stores as a group, general merchandise stores, feed and farm supply stores, photographic supply stores, and optical goods stores.

Some retail outlets have experienced a decline from last year's volume. Among these are eating and drinking places, liquor stores, jewelry outlets, florists, book stores, and sporting goods shops. In a few cases, nine-months' volume has held at last year's level—for example, apparel stores, second-hand stores, and office and store appliance and equipment dealers. In the apparel group, however, sales volume is less than last year in all types of stores except family clothing stores, where volume is the same as in 1947, and women's ready-to-wear shops where dollar sales are 3 per cent larger than last year.

EIGHTH DISTRICT TRENDS

While comprehensive estimates of the district's total retail trade volume are not available, trends in sales at outlets that report regularly provide a measure of the flow of goods to consumers in this area.

At reporting district retail stores, sales volume has shown essentially the same pattern as that in the nation as a whole. In some outlets slightly larger than national gains over last year have been experienced at district stores. Sales at department stores, for example, have shown a slightly higher rate of gain in the first nine months of the year than in many other districts or in the nation as a whole. The rate of increase over 1947 in this district is less than that in the Dallas and Philadelphia districts and is equal to the year-to-year gain in the Cleveland and Atlanta districts. However, the increase over last year is larger than that in the other seven districts.

The trend in sales so far this year has varied considerably among the major cities of the district, as indicated in the charts. Seasonally adjusted daily average sales in the district reached an all-time high of 362 per cent of the 1935-39 average in September, 1948. In Little Rock and Memphis, sales peaked in the previous month when seasonally adjusted sales were 476 per cent and 427 per cent, respectively, of the base period. At St. Louis and Louisville peaks were recorded in November, 1947.

Durable Goods—In the district as a whole, consumer purchases of durable goods so far this year are substantially larger than last year, and the increase appears to be greater than that in comparable lines of retail trade nationally. Housefurnishings volume in the main store divisions of department stores is 12 per cent ahead of 1947 and, in the downstairs stores, sales of these items are up 5 per cent from the first nine months last year. Furniture store volume in the district is running 15 per cent ahead of 1947. Nationally, furniture store sales in the nine-month period were 8 per cent larger than a year ago and, for the combined furniture-household-radio group, sales were 9 per cent above 1947.

Soft Goods—There is less uniformity in the sales trends in soft goods lines. Again, incomplete data result in gaps in comparing the relative performance in this district and in the nation as a whole. In general, nondurable goods sales in the district are well above last year in terms of dollar value. Where comparisons are possible, they tend to be favorable to this region relative to the nation. In the apparel field, for example, consumers' expenditures for women's apparel through September are 12 per cent larger than last year in the main store divisions of department stores and 17 per cent larger in the downstairs stores. In specialty stores, sales of these lines of goods are unchanged from last year.

The male consumers in this district, as in the nation as a whole, are spending fewer dollars for apparel this year than last year. Sales of men's wear in the reporting department stores in the region are off 1 per cent in the main store divisions. Downstairs, sales volume is 14 per cent larger than in 1947 but the increase is not sufficient to bring store totals above the previous year. The lower volume also appears at men's specialty stores where sales are 9 per cent less than in 1947. Nationally, sales in men's and boys' specialty stores are 4 per cent below 1947.

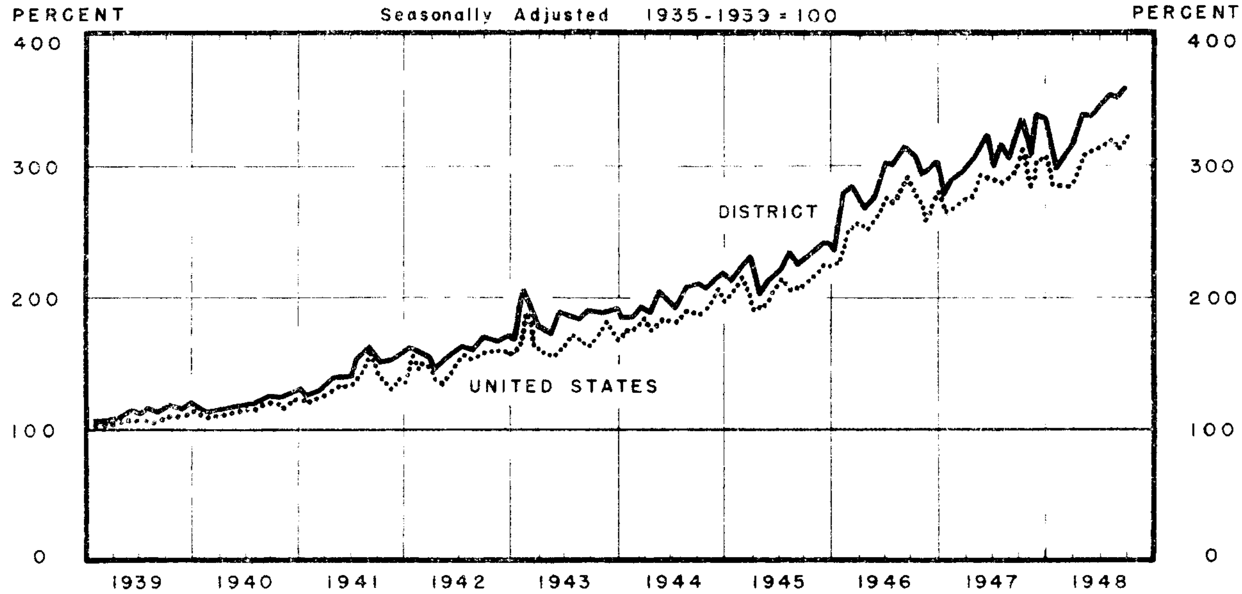
Purchases of women's shoes in department stores are off 2 per cent in the main store divisions while men's shoe volume is 1 per cent larger than a year ago in the main stores. In the basement divisions, sales are 7 per cent larger than last year. In each case, the change from 1947 shows more strength in the district than nationally where total retail sales in shoe stores are off 4 per cent.

SALES BY AREA

Louisville—As measured by department store sales, consumers' expenditures for goods in Louisville are larger than in 1947—by a slightly wider margin than that for the district as a whole. Total department store sales were up 9 per cent in the first nine months. Purchases of consumers' durables, as measured by housefurnishings' sales, are running 10 per cent ahead of last year. In the

CONSUMERS' EXPENDITURES AT DEPARTMENT STORES

Expenditures increased more rapidly in the district than in the rest of the U. S.—since 1939 and during the postwar period.

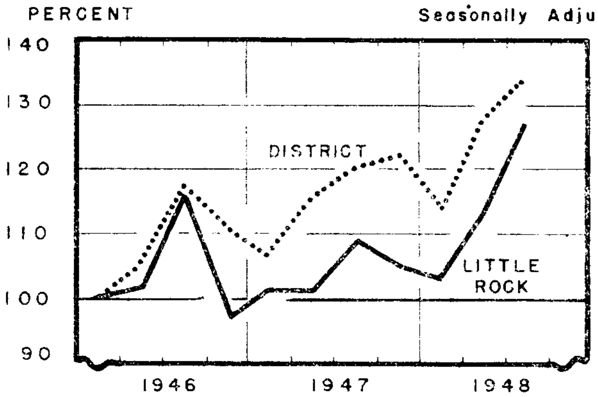


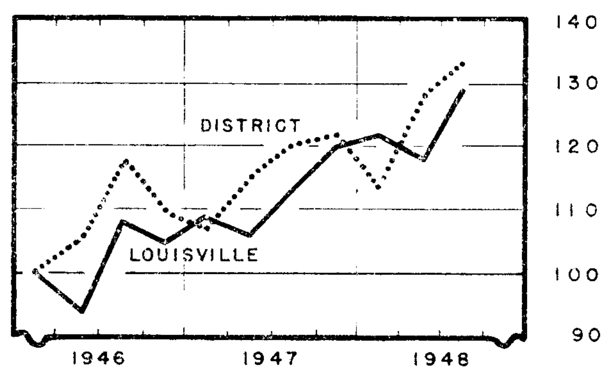
Postwar increases generally have been smaller in the major cities than in the rest of the district. In nine months of 1948, however, some cities have above-average gains.

In LITTLE ROCK expenditures have gained relative to the district.

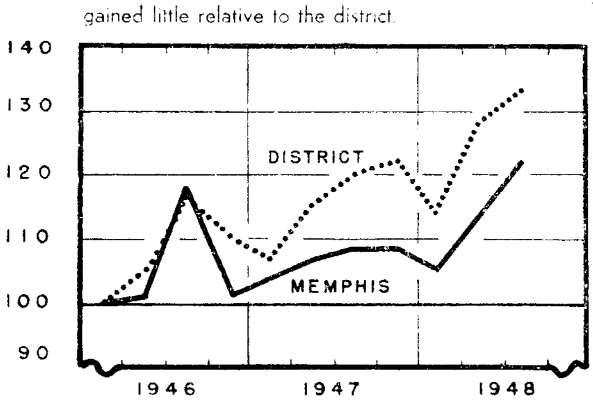
In LOUISVILLE, buying lagged in the first half but picked up in the third quarter

PERCENT Seasonally Adjusted - First Quarter 1946 = 100 PERCENT

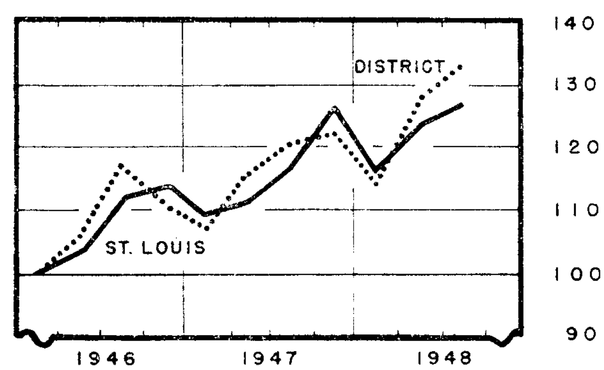




In MEMPHIS, purchases increased sharply but have gained little relative to the district.



In ST LOUIS, expenditures have not kept pace with the district since late in 1947



soft goods lines, expenditures for women's apparel total 15 per cent more than a year ago. Women in Louisville are spending more for shoes than they did a year ago, by 9 per cent, and in so doing are running counter to the trend nationally. Men's purchases of apparel total no more than last year.

Memphis—Farther south in the district, consumers' expenditures in Memphis have not kept pace this year with the district as a whole. Department store sales in that city were only 1 per cent above last year in the first quarter and 2 per cent higher in the first six months. Volume picked up in June and since then year-to-year gains ranging up to 11 per cent (in August) lifted the nine months' total to a level 5 per cent higher than in 1947. Housefurnishings' volume, after dropping below last year in the first half of 1948, increased in the third quarter but, through September, totaled barely 2 per cent above 1947. Expenditures for women's apparel are substantially higher than a year ago (14 per cent in the main store divisions of department stores) and piece goods sales are 12 per cent above 1947. But women are spending no more for accessiories than they did last year. Men's wear sales are lagging behind in the main store departments (off 1 per cent) but are 6 per cent larger in the basement stores. As in Louisville, purchases of women's shoes are slightly larger than last year, while sales of men's shoes total 5 per cent more than in 1947. In the basement divisions, shoe volume is 37 per cent greater than last year.

Little Rock—As in Memphis, the increase over last year's volume in Little Rock is behind the district gain for the year to date, but in the third quarter sales have picked up relatively more than in the district as a whole. In the first quarter department store sales were up 2 per cent from 1947. By midyear the margin widened to 4 per cent, and at the end of the third quarter the nine months' total was up 6 per cent. As in other cities, more dollars have been spent in these stores for housefurnishings, which were up 13 per cent, than were spent last year. Women's apparel sales in the main stores are running 15 per cent ahead of 1947 (31 per cent ahead in the basement divisions) while again men's wear volume is below last year. Fewer dollars are going for both men's and women's shoes this year.

St. Louis—For the St. Louis area, U. S. Department of Commerce estimates of total retail sales are available. In the first nine months this year, volume was 10 per cent larger than last year. This compares with a 7 per cent increase nationally. Nondurable goods sales, as a group, have equaled or bettered the national performance. For example, in the food group, dollar sales increased 11 per cent over last year as compared with an increase of 5 per cent for the country as a whole. Eating and drinking places sales gained 2 per cent as compared with 2 per cent decline nationally. General merchandise stores (including department stores) increased 9 per cent while nationally the increase was 6 per cent. In the apparel group, sales in this area and in the United States have shown little change from 1947. However, sales at men's and boys' clothing and furnishings stores in the St. Louis area declined 8 per cent as compared with the 4 per cent decrease in the nation, while women's ready-to-wear apparel stores gained 8 per cent as compared with the national average increase of 3 per cent for the same period.

In the durable goods outlets, sales in the furniture-household-radio group, automotive, and jewelry stores increased more than they did nationally. In the lumber-building-hardware group, total dollar sales in the St. Louis area, while 12 per cent larger than last year's totals, are below the average gain of 17 per cent in the nation. Sales at furniture-household-radio stores gained 13 per cent as compared with 9 per cent nationally. The 15 per cent increase at furniture stores in this area was twice as large as the national gain.

FACTORS AFFECTING DISTRICT TRADE VOLUME

Eighth District retail sales, like those in the remainder of the nation, have benefited from the continuing record levels of employment and income. In 1947, nonagricultural employment in the five major industrial areas increased slightly less over 1946 than nonfarm employment nationally, but in 1948 the district increase has approximated the national gain. Total income payments to individuals in the district states increased from 1946 to 1947 at about the same rate as nationally. Cash farm income, including Government benefit payments, gained more in the district states than in the nation. In 1948, cash farm income in the district states has shown a small increase as compared with the slight decrease nationwide.

Consumers' expenditures in the district also have been influenced by the increase in population, and by the gain in marriages. They also reflect the pressures to replace goods which were not available during the war. In addition, the availability of credit for the purchase of needed items has served as a stimulus. As in the nation as a whole, credit sales in the district since the war have expanded considerably relative to cash sales. In district department stores, for example, credit sales in 1945 were equal to 38 per cent of total sales. Open book credit sales were slightly less than 35 per cent and instalment sales a little more than 3 per cent of total sales. At the end of October, 1948, credit sales had grown to 50 per cent of the total. Open credit sales in October were 44 per cent and instalment sales were 6 per cent of the total.

Since the revival of credit controls on September 20, 1948, sufficient data have not become available to evaluate what has happened. Trade reports indicate a flurry of buying prior to reimposition of controls followed by some decline after that date in many lines of goods.

DISTRICT RETAILERS' OUTLOOK[1]

Retailers generally anticipate that dollar volume of total retail sales will be larger in the last quarter of 1948 than in the same quarter a year earlier. Not all retailers, however, predict larger sales in the period. Estimates of last quarter 1948 sales were mainly a reflection of general economic activity within the trade area of the retail executives surveyed. In most cases executives predicted a slightly higher rate of gain than actually has been experienced in their locality during the first nine months of 1948.

Estimates of anticipated sales for the first and second quarters of 1949 as compared with the like periods of 1948 vary in optimism. In the main, this reflects differences among lines of trade rather than differences among areas. For example, department store executives anticipate rising sales but a slackening rate of gain in total retail sales in the first quarter of 1949 followed by an even lower rate of gain in the second quarter. Furniture store and appliance store retailers are more pessimistic, predicting a slight year-to-year decline in total retail volume in the fourth quarter followed by further declines in the first half of 1949. Men's wear and women's specialty store retailers, while anticipating a small increase in fourth quarter sales, expect declining dollar sales in the first and second quarters of 1949. At jewelry stores, executives have experienced slackened dollar sales so far in 1948 and apparently were influenced by this trend in forecasting a sizable decline in total retail sales in the last quarter 1948 and first half 1949.

[1] In late October and early November a number of retailers in different lines of trade in various sections of the district were asked for their appraisal of the business outlook in their lines. This section is based mainly on their reports.

When questioned concerning their anticipations with respect to dollar sales in their own lines of trade, executives' opinions recorded about the same pattern as shown in their predictions for total retail sales. In practically all cases where increased volume was predicted in the last quarter of 1948 and through June, 1949, a slackening rate of gain was forecast for the first half of 1949. Where retailers anticipate a decline in their volume from last year in the last quarter of 1948, further declines are expected in the first two quarters of 1949.

Dollar sales of hard goods are expected to increase more, percentagewise, in the last three months of 1948 than are dollar sales of soft goods. Most retailers expect soft goods sales to hold up during the first half of 1949 as a whole, but to be off somewhat in the second quarter relative to the first quarter. Sellers of hard goods apparently feel that consumer credit control will hold down gains in their lines and in many cases predict declines in volume as 1949 advances.

Perhaps the chief factor influencing sales anticipations is the consumer resistance bogy which has been present almost since the end of the war. Most store executives report that consumer resistance has increased in the year. Department store people mention it generally, but especially in connection with more expensive or luxury goods. In the apparel lines, divergent experience is reported with men's wear stores noting rising objections to high prices of selected items, while women's apparel shops seem to have experienced relatively little resistance. Furniture store men stress the factor as do a number of appliance dealers.

There is no question but that consumer resistance exists. Too many explicit cases can be cited as evidence for it to be wholly imaginary. Nevertheless, to date its effect apparently has been highly overemphasized. Sales have continued to climb in the face of reported buying resistance. It may well have held gains down—store executives have guessed that from 10 to 25 per cent of potential gains were not realized because of this factor—but it has not stopped them. And it should be noted that under almost any price level there probably would be some degree of buyer resistance for particular goods. Whether resistance has increased or will increase sufficiently to turn sales downward remains to be seen. That possibility, however, has influenced the sales outlook of many store executives.

Even though income levels have been high, the absence of credit controls during most of 1948 plus the pressure of rising prices contributed to a general increase in the volume of credit sales. Trade executives report that credit sales account for a larger portion of total sales now than at this time last year or six months ago, and have increased somewhat in the past three months. During the war years, the ratio of credit sales to total sales dropped substantially. In the immediate postwar period, retailers used credit sales as a sales promotion device to increase sales volume. With the relaxation of credit controls in December, 1946, and their final ending in late 1947, the ratio of credit sales to total sales approached the prewar level. Even though credit sales are higher in dollar volume than ever before, some trade executives report that such sales in their stores have not reached what is considered the maximum percentage of total sales. Department stores report little room for expansion of credit sales as did women's and men's wear stores. Furniture, appliance, and jewelry stores have apparently reached their maximum and in one or two instances report credit sales in larger volume than normally desired.

Prices—Wholesale prices of merchandise which retailers purchase for resale are expected to show little change between the third and fourth quarters of 1948. This is expected by executives of department stores, furniture stores, appliance stores, and men's stores. A slight increase is expected by women's specialty store retailers. In all lines, however, it is anticipated that hard goods prices will either hold at their present level or increase slightly in the first half of 1949 as compared with the first half of 1948. Except at women's specialty stores, where substantial increases are predicted, wholesale prices of soft goods are expected to decline.

The retail prices of merchandise sold in the various stores apparently are expected to follow essentially the same pattern as the wholesale price picture. In some instances, however, store executives anticipate absorbing some of such increase as occurs at the wholesale level in order to maintain sales volume.

Stocks—Inventories held by responding stores generally are in fair balance, though in some lines within the stores they are heavier than desirable in view of sales. Some items of apparel—for example, men's clothing and women's ready-to-wear—and certain furniture lines are said to be out of line with sales. This is attributed to some extent to inventory accumulation of slow-moving items.

Some shortages of major appliances, certain furniture items, and lower-priced items of apparel are reported, although generally the supply situation has improved substantially. The extent of this improvement is noted in the fact that stores generally are ordering for shorter periods of time. One contributing factor has been improved deliveries of merchandise. Stores are ordering only about two-thirds to three-fourths of anticipated sales and in some lines the order period is even shorter. Few lines of trade report increased orders outstanding in comparison with a year earlier. Generally, orders are down both from the level of a year earlier and six months ago.

Bank borrowing to finance inventory has shown some increase but the gain has been slight. Inventories built up in anticipation of holiday shopping apparently were no larger than traditionally.

SUMMARY

In summary, then, retailers in this district anticipate slightly higher dollar sales during the last quarter of 1948 as compared with 1947, which would once more establish a new record. Generally, resistance was reported in all lines towards prices and quality. However, demand is high and despite the year-to-year decline in November department store sales, total retail trade volume in the quarter is expected to exceed last year. This, of course, might not occur in all lines. Dollar sales have been running below last year's totals at men's wear stores and increased resistance to price has been encountered.

Sales volume, in total, in the first half of the coming year, is expected to be somewhat higher than in the first half of 1948, with the rate of gain declining slightly in the second quarter. Retailers of nondurables are relatively more optimistic than are durable goods stores. Apparently some feeling exists that credit controls will cut into sales volume at these stores. Then, too, there is evidence that production of many durable items has begun to satisfy demand at existing price levels.

With continuing high levels of income and employment, however, it is difficult to evaluate properly this softening of sales. Retailers generally are in a sound position with respect to inventories. Few items are reportedly out of line with anticipated sales. Cautious buying policies are being followed. Under such conditions, a moderate decline in the level of sales should result in no immediate serious difficulties for most retailers.

Alfred C. Kearschner

Weldon A. Stein

Survey of Current Conditions

Recent estimates of the level at which the national economy operated in the third quarter of this year make for "heady" reading. Production of goods and services climbed to a new high of \$256 billion (annual rate). This compares with \$250 billion in the preceding quarter and \$228 billion in the third quarter of last year. At the peak of wartime activity the rate of national output was \$222 billion and in 1939 our production totaled just \$90 billion.

Obviously, part of the increase, both from the second quarter as well as from earlier periods, must be discounted for the generally higher level of prices that prevailed in the September quarter. Just how much of the increase reflects higher prices is difficult to say since the available price indexes are not directly comparable with over-all production estimates. However, the price factor, as such, seems to have accounted for proportionately less of the gain in the value of output between the second and third quarters than it did in the increase over the third quarter of 1947.

In appraising the current business outlook, the distribution of expenditures for goods and services produced in the third quarter and the changes in the rates of such expenditures are more significant than the absolute level of our national output.

In the third quarter, private domestic investment (for construction, producers' equipment and business inventories) and Government expenditures each accounted for a larger proportion of our output than in the preceding quarter. Consumers' expenditures, on the other hand, represented a slightly smaller proportion of the total than in the previous three-month period, while net foreign investment was only one-fourth as important, relatively, as in the June quarter.

Less significance has been attached to the fractional decline in consumers' proportion of total expenditures than to the failure of consumers' outlays to keep pace with the increase in income after taxes. Although consumers, in the aggregate, had almost 3 per cent more "spending money" in the third quarter than in the second (and nearly 11 per cent more than a year ago), their expenditures increased barely 1 per cent—and little more than 4 per cent from the third quarter of 1947.

While consumers tended to reduce the rate at which they spent money for goods and services in the recent quarter, it is too early to evaluate completely the implications of this curtailment. There have been other periods since the end of the war when, on an annual basis, consumers' outlays lagged behind increases in spendable funds. This occurred late in 1946 and in early 1947. In the third quarter last year, the percentage increase in disposable income was four times as large as that for consumers' expenditures, and in the first quarter of this year, outlays increased only one-third as fast as income after taxes. In each case the lag was followed by a relatively larger increase in expenditures than in disposable income. Whether this occurs in the fourth quarter remains to be seen. In the meantime, the shifts in the three months to September 30 tend to heighten interest in department store sales figures in November—and to focus attention on retail trade in the remainder of the year.

EMPLOYMENT

Contrary to the national trend, employment in the Eighth District continued to increase in October. During the past year employment in this district has increased relatively more than in the nation.

Despite a slight decline from the September level, October was the fifth consecutive month in which total employment in the United States exceeded 60 million. If the usual seasonal increases occur during November and December, more people will be working at the end of the year than ever before. In October, 1948, almost 1 million more

PRICES

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	Oct. 15, 1948	Sept. 15, 1948	Oct. 15, 1947	Oct. 15, '48 comp. with Sept. 15, '48	Oct. 15, '48 comp. with Oct. 15, '47
U. S. (51 cities)	211.5	215.2	201.6	— 1.7%	+ 4.9%
St. Louis	217.4	223.0	209.4	— 2.5	+ 3.8
Little Rock	206.5	212.0	200.4	— 2.6	+ 3.0
Louisville	201.7	207.2	196.2	— 2.7	+ 2.8
Memphis	223.7	227.8	223.6	— 1.8	- 0 -

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100	Oct., '48	Sept., '48	Oct., '47	Oct., '48 comp. with Sept., '48	Oct., '48 comp. with Oct., '47
All Commodities	165.0	168.6 R	158.5	— 2.1%	+ 4.1%
Farm Products	182.2	189.1	189.7	— 3.6	— 4.0
Foods	177.3	186.3	177.7	— 4.8	— 0.2
Other	153.1	153.3 R	140.1	— 0.1	+ 9.3

R—Revised.

persons were employed in civilian jobs than in October, 1947, and almost 4 million more were employed than at the wartime peak.

Nationally, fewer people were unemployed in October than at any time since the end of the war, with the exception of November, 1947. Unemployment in the Eighth District was at a new peacetime low in October, but, unlike the nation, has not yet reached a minimum level. However, unemployment is becoming less important as a source of labor supply for the district. Most of the new labor demand will have to be met by youngsters entering the labor market for the first time, by the World War II veterans leaving school, and by housewives.

Of the major district cities, St. Louis, Memphis, Evansville, and Little Rock have had greater proportionate increases in nonagricultural employment since 1940 than has the nation. Louisville is slightly below the national average. In all the major district cities except St. Louis, the increases in manufacturing employment have been relatively larger than the national average.

Little Rock is the only major district city which had less employment in September, 1948 than a year earlier. Its percentage gain relative to 1940, however, is still larger than that of any of the other major cities. Evansville employment shows the second largest percentage increase since 1940 among district cities, followed by Memphis, St. Louis, and Louisville, in that order.

Employment in St. Louis and Evansville has increased about 2 per cent during the past year, with the major increases in both cities in the manufacturing, trade, and service industries. In Louisville, employment in September was about 4 per cent higher than a year ago, with the manufacturing, Government, public utilities, and construction lines accounting for most of the increase. A 9 per cent gain in Memphis during the year was due principally to employment increases in the manufacturing, trade, and service industries. In Little Rock, a decline in employment in the food, lumber, construction, public utilities, and Government lines more than offset increases in the trade, service, and manufacturing industries for an over-all decline in employment of about 1 per cent for the year.

CONSTRUCTION

BUILDING PERMITS
Month of October

(Cost in thousands)	New Construction Number 1948	1947	Cost 1948	1947	Repairs, etc. Number 1948	1947	Cost 1948	1947
Evansville	576	106	$ 634	$ 227	103	101	$ 67	$ 137
Little Rock	73	124	325	714	229	261	109	108
Louisville	145	318	648	2,599	67	72	55	71
Memphis	729	960	2,557	2,912	176	181	174	139
St. Louis	322	337	2,799	1,919	273	321	713	583
Oct. Totals	1,845	1,845	$6,963	$8,371	848	936	$1,118	$1,038
Sept. Totals	1,260	1,650	$9,183	$8,468	842	984	$1,077	$2,171

INDUSTRY

Industrial activity in the district moved upward in October. Manufacturing operations in most of the industrial centers were at a higher level than in the previous month. Production of coal and oil was larger than in September. Total industrial power consumption in the major cities rose 2 per cent during the month and was 12 per cent above October last year. Consumption increased in Memphis, Evansville, Louisville, and St. Louis but declined in Little Rock and Pine Bluff. All cities except Pine Bluff showed gains over last year.

Manufacturing—The upward movement in manufacturing operations continued in October. Among the industries operating at a higher rate than in September were fabricated metals, machinery, rubber products, textile products, and chemicals industries. In the Evansville area, some refrigerator manufacturing plants were closed during the month while production line changes were made. In the southern part of the district, cotton oil plants stepped up operations from the September levels. Slightly lower operating schedules are indicated in the electrical machinery, iron and steel, transportation equipment, and paper products industries.

Steel—Operations in the basic steel industry in the St. Louis area were curtailed slightly in October when part of the open hearth capacity temporarily was taken out of production for repairs. Operations were scheduled at 79 per cent of capacity as compared with 83 per cent in September. In October a year ago the industry was scheduled at 67 per cent of capacity.

During recent months there has been some easing of pressure for sheet steel in this area, according to trade reports, but demand is still considerably in excess of supply. There have been gains in output of finished steel (cold mill tonnage in October was 20 per cent higher than in September) and, if the scrap supply holds, the increased rate should continue.

Lumber—Production of lumber in the district in October was at a slightly higher rate than in September. Output at reporting southern hardwood mills was scheduled at 97 per cent of capacity as compared with 99 per cent in September and 95 per cent a year ago. Southern pine producers' weekly output in October averaged 6 per cent higher than in the previous month but was 2 per cent lower than a year ago.

Some softening in the lumber market has been reported, particularly in lower-quality lumber. Logging conditions have been relatively favorable for this time of year.

Whiskey—At the end of October, 34 of Kentucky's 63 distilleries were in operation. This was 7 more than were operating at the close of September. A year ago the grain-saving program reduced the number of operating distilleries to 6 at the end of October. Currently, production of whiskey is at a higher rate than consumption, resulting in some increase in stocks. While there has been some increase in consumption, sales are not expected to reach last year's totals.

In September, 5.5 million tax gallons of whiskey were produced in Kentucky, an increase of 14 per cent over August output and about the same volume as was produced in September, 1947.

Meat Packing—Larger marketings of livestock resulted in a sharp increase in meat packing operations in the St. Louis area in October. The number of animals slaughtered under Federal inspection was 44 per cent larger than in September, totaling 508,000 animals as compared with 353,000 in the previous month. While there were increases in each category, the number of hogs killed showed the largest gain during the month, increasing 70 per cent over September. However, total volume continued less than a year ago for the fourth consecutive month. Except for sheep slaughter, which was 15 per cent larger than in October, 1947, killings were below those of a year ago and, in the aggregate, Federally inspected slaughter was 8 per cent less than in October last year.

Shoe Production—Preliminary reports indicate a decline of 6 per cent in district shoe production in September as compared with the previous month, and a decrease of 3 per cent from production levels in September, 1947. Some further decline probably will be shown by October production figures due to curtailed operations by one producer during that month.

Petroleum and Coal—Daily average production of crude oil in the district's producing areas continued to increase in October, reaching the highest level in the past 15 months. Output in October averaged 313,000 barrels per day, which was fractionally higher than in September and 5 per cent larger than in October a year ago. All the increase over September, and from a year ago, occurred in Indiana where output averaged 10 per cent larger than in September and 53 per cent above October, 1947. Output during the month declined slightly in Arkansas and Kentucky, while in Illinois daily production was unchanged. Compared with October, 1947, an increase of 5 per cent in Illinois along with the large gain in Indiana more than offset declines of 2 per cent in Arkansas and 5 per cent in Kentucky.

District coal production increased 10 per cent in October to an estimated total of 10.2 million tons. While this was the largest output since May, production was 2 per cent less than in October, 1947. Month-to-month increases were registered in each of the district's producing areas, ranging from 3 per cent in western Kentucky to 23 per cent in Missouri. Production dropped below October, 1947 in each area except in Missouri. Preliminary estimates of United States production indicate a 2 per cent increase over last month and a substantial decline from a year ago.

Construction—The total value of building permits awarded in the leading district cities in October dropped sharply from the September volume. Authorizations for new construction and repairs amounted to $8.1 million or 21 per cent less than the $10.3 million of awards in September and 13 per cent below the October, 1947 total. All of the decline was in nonresidential permits which were off $3.1 million from September, more than offsetting an increase of $976,000 in new residential awards. Nonresidential permits declined in all cities except Evansville.

The total value of new construction permits was $7 million, 23 per cent less than in the previous month and 16 per cent lower than a year ago. Last year permits of this type were unchanged during

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W H in thous.)	No. of Customers*	Oct., 1948 K.W.H.	Sept., 1948 K.W.H.	Oct., 1947 K.W.H.	Oct., 1948 Compared with Sept.,'48	Oct.,'47
Evansville	40	9,631	9,025	8,718 R	+ 6.7%	+10.5%
Little Rock..	35	5,240	5,549	4,632	— 5.6	+13.1
Louisville	80	73,626	70,988	55,232 R	+ 3.7	+33.3
Memphis	31	5,716	5,185	5,381	+10.2	+ 6.2
Pine Bluff....	23	2,197	3,482	6,995	—36.9	—68.6
St. Louis......	139	82,264	80,454	78,384 R	+ 2.2	+ 4.9
Totals	348	178,674	174,683	159,342 R	+ 2.3%	+12.1%

* Selected industrial customers.
R — Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

			First Nine Days			
Oct.,'48	Sept.,'48	Oct.,'47	Nov.,'48	Nov.,'47	10 mos.'48	10 mos.'47
127,353	116,860	125,744	34,649	35,371	1,205,818	1,249,451

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Oct.,'48	Sept.,'48	Oct.,'47	Oct., 1948, compared with Sept.,'48	Oct.,'47
Arkansas	81.6	82.4	83.2	— 1%	— 2%
Illinois	180.3	180.4	172.6	- 0 -	+ 4
Indiana	26.2	23.8	17.1	+10	+53
Kentucky	24.4	25.2	25.6	— 3	— 5
Total...	312.5	311.8	298.5	- 0 -%	+ 5%

TRADE

DEPARTMENT STORES

	Net Sales: Oct., 1948 compared with Sept.,'48	Net Sales: Oct., 1948 compared with Oct.,'47	Net Sales: 10 mos.'48 to same period '47	Stocks on Hand: Oct.31,'48 comp. with Oct.31,'47	Stock Turnover: Jan. 1, to Oct. 31, 1948	Stock Turnover: Jan. 1, to Oct. 31, 1947
Ft. Smith, Ark.	+11%	+17%	+ 8%	+20%	3.07	3.39
Little Rock, Ark.	— 2	+ 7	+10	+17	3.49	3.92
Quincy, Ill.	+ 5	+12	+10	+60	2.98	3.76
Evansville, Ind.	+ 5	+20	+24	+20	2.98	3.11
Louisville, Ky.	+ 4	+ 9	+11	+19	3.61	3.94
St. Louis Area[1]	+ 2	+ 6	+ 9	+11	3.27	3.29
St. Louis, Mo.	+ 2	+ 6	+ 9	+11	3.28	3.29
E. St. Louis, Ill.	+ 5	+14	+19	....	......	......
Springfield, Mo.	+15	+ 2	+ 6	+14	2.91	3.35
Memphis, Tenn.	+11	+ 6	+ 7	+ 5	3.23	3.53
*All other cities	+15	+13	+10	+23	2.65	3.22
8th F. R. District	+ 5	+ 7	+10	+13	3.27	3.45

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

[1] Includes St. Louis, Mo., Alton, East St. Louis and Belleville, Ill.

Outstanding orders of reporting stores at the end of October, 1948, were 24 per cent less than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding October 1, 1948, collected during October, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	....%	49%	Quincy	28%	57%
Little Rock	20	52	St. Louis	23	58
Louisville	22	51	Other cities	17	54
Memphis	28	54	8th F.R. Dist.	23	55

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

	Oct., 1948	Sept., 1948	Aug., 1948	Oct., 1947
Sales (daily average), Unadjusted [2]	362	366	305	330
Sales (daily average), Seasonally adjusted [2]	338	362	354	308
Stocks, Unadjusted [3]	355	336	318	307
Stocks, Seasonally adjusted [3]	317	302	292	274

[2] Daily Average 1935-39=100.

[3] End of Month Average 1935-39=100.

SPECIALTY STORES

	Net Sales: Oct., '48 compared with Sept.,'48	Net Sales: Oct., '48 compared with Oct.,'47	Net Sales: 10 mos.'48 to same period '47	Stocks on Hand: Oct.31,'48 comp. with Oct.31,'47	Stock Turnover: Jan. 1, to Oct. 31, 1948	Stock Turnover: Jan. 1, to Oct. 31, 1947
Men's Furnishings	+23%	+11%	— 3%	+28%	2.25	2.92
Boots and Shoes	— 2	- 0 -	+ 7	+10	3.65	3.90

Percentage of accounts and notes receivable outstanding October 1, 1948, collected during October:

Men's Furnishings .... 51% Boots and Shoes 46%

Trading days: October, 1948—26; September, 1948—25; October, 1947—27.

RETAIL FURNITURE STORES **

	Net Sales: Oct., 1948, compared with Sept.,'48	Net Sales: Oct., 1948, compared with Oct.,'47	Inventories: Oct., 1948, compared with Sept.,'48	Inventories: Oct., 1948, compared with Oct.,'47	Ratio of Collections Oct.,'48	Ratio of Collections Oct.,'47
St. Louis Area [1]	—13%	—20%	+ 3%	+24%	20%	36%
St. Louis	—14	—18	+ 3	+24	19	34
Louisville Area [2]	—40	—25	+13	+45	16	26
Louisville	—42	—27	+12	+46	16	24
Memphis	—23	— 9	+ 8	—13	18	24
Little Rock	—19	—19	+ 8	+17	25	28
Springfield	— 4	—22	*	*	*	*
8th Dist. Total [3]	—16	—19	+ 5	+25	20	31

* 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; Hopkinsville, Owensboro, Kentucky; Greenville, Greenwood, Mississippi; Hannibal, Missouri; and Evansville, Indiana.

** 44 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Oct., '48	Sept., '48	Oct., '47
Cash Sales	18%	13%	22%
Credit Sales	82	87	78
Total Sales	100%	100%	100%

the month. On a month-to-month basis, new construction awards in St. Louis, Little Rock and Louisville were off 35 per cent, 48 per cent, and 60 per cent, respectively. There was a small increase in Memphis, while in Evansville the value of new construction permits was more than double that of the previous month.

New residential awards totaled $4.7 million or about 67 per cent of all new construction. While this total represents a gain of 26 per cent over the $3.7 million authorized in September, it is 13 per cent less than the $5.4 million total in October, 1947. The rate of increase over September was less than one-half as large as the gain during the same month last year. In St. Louis and Memphis large increases occurred in October, but in Louisville the value of residential permits decreased nearly 43 per cent. In Little Rock they were valued at 8 per cent less than in the previous month, while in Evansville they remained about the same as in September.

BANKING AND FINANCE

Reports of all Eighth District member banks, available for the end of October, showed a continuation of the growth in total loans and discounts —amounting to $50 million for the month of October. For the twelve-month period ending with October, 1948, the rate of growth was 18 per cent for the country banks and 6 per cent for the larger city banks.

Investments in other than U. S. Government securities were reduced $6 million during October, bringing banks' holdings to the same level they were a year ago. For the twelve-month period ending in October, the country banks increased their holdings of these securities by an amount approximately equal to the reduction in these securities by the larger city banks. Both classes of banks reduced their holdings of U. S. Governments over the year with the smaller banks showing the larger percentage adjustment.

Deposits were up $69 million during October, part of which represented a seasonal gain. For the year ending in October, the increase in demand deposits was only $53 million, somewhat less than 2 per cent, and has been entirely in the larger city bank group. Time deposit growth, likewise, has been small, $11 million, accruing almost entirely to the metropolitan banks.

Weekly reports from 34 district member banks are available to mid-November, three weeks later than the reports from all member banks. These reports show that total loans increased beyond the end-of-October levels and that the growth had resulted primarily from expanded business and agricultural loans, in part from a lesser but continuous increase in real estate and "other" (largely consumer credit) loans. Both loans on securities and loans to banks at mid-November were off for the four-week period from mid-October.

Total investments were up $26 million for the four weeks ending November 17, 1948. Treasury bill holdings were increased $8 million, certificates of indebtedness $10 million, and bonds $11 million, partly offset by reductions in holdings of Treasury notes, $1 million, and "other" investments, $2 million.

For the 34 weekly reporting member banks adjusted demand deposits, which eliminate the fluctuations arising from volatile inter-bank deposits and from variations in cash items in process of collection, gained $10 million in the four-week period to November 17, 1948. Within the district for the four-week period, Louisville, Little Rock, Evansville, Memphis, and East St. Louis banks gained in adjusted demand deposits, in the order given, totaling $19 million while St. Louis banks reported a loss of $9 million. Time deposits declined slightly during the four weeks.

The most recent figures available for a twelve-months' comparison of all district member bank data with national data are those for the year ending September 29, 1948. An analysis on this basis shows that the district's member banks have increased their loan volumes somewhat more and their investments in "other" securities somewhat less than nationally, have sold a slightly larger percentage of their U. S. Government securities, and have supplied the same percentage increase in capital funds to their business.

There are, however, three significant variations from the over-all, national performance: time deposits were increased 0.6 per cent in this district and 1.8 per cent at all member banks; gross demand deposits, on the other hand, were increased 1.2 per cent in this district as against approximately no change nationally; and, finally, due to the inflow of funds into this district, borrowings by district member banks were reduced while nationally they were increased.

AGRICULTURE

On October 15, the farm parity ratio declined to 111, its lowest point in six years and a 22 point drop from October, 1946. This decline of the parity ratio (the ratio of prices received by farmers to prices paid, including interest and taxes) was the

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Nov. 17, 1948	Change from Oct. 20, 1948	Change from Nov. 19, 1947
Industrial advances under Sec. 13b	$	$	$ ....
Other advances and rediscounts	15,354	+ 3,632	+ 86
U. S. Securities	1,245,395	+ 13,143	+ 61,173
Total earning assets	$1,260,749	$+ 16,775	$+ 61,259
Total reserves	$ 726,565	$+ 24,242	$+ 48,440
Total deposits	857,099	+ 27,579	+ 96,980
F. R. notes in circulation	1,133,837	+ 18,465	+ 10,681
Industrial commitments under Sec. 13b	$	$ - 0 -	$— 580

PRINCIPAL ASSETS AND LIABILITIES WEEKLY REPORTING MEMBER BANKS EIGHTH FEDERAL RESERVE DISTRICT
(In Thousands of Dollars)

Assets	Nov. 17,'48	Change from Oct. 20,'48	Change from Nov. 19,'47
Gross commercial, industrial and agricultural loans and open market paper	$ 634,541	$+ 36,563	*
Gross loans to brokers and dealers in securities	6,552	— 726	*
Gross loans to others to purchase and carry securities	23,194	— 3,895	*
Gross real estate loans	158,345	+ 2,338	*
Gross loans to banks	2,882	— 3,546	*
Gross other loans (largely consumer credit loans)	208,782	+ 2,755	*
Total	$1,034,296	$+ 33,489	*
Less reserve for losses	7,456	— 11	*
Net total loans	$1,026,840	$+ 33,500	$+ 67,846
Treasury bills	$ 92,957	$+ 8,191	$+ 75,929
Certificates of indebtedness	156,588	+ 9,965	+ 41,594
Treasury notes	66,282	— 1,253	— 34,716
U.S. bonds and guaranteed obligations	660,061	+ 11,578	—190,093
Other securities	137,434	— 2,298	— 11,308
Total investments	$1,113,322	$+ 26,183	$—118,594
Cash assets	880,550	+ 44,541	+ 79,276
Other assets	25,374	+ 343	— 801
Total assets	$3,046,086	$+104,567	$+ 27,727
Liabilities			
Demand deposits of individuals, partnerships, and corporations	$1,510,143	$+ 28,753	$+ 34,634
Interbank deposits	674,739	+ 68,242	— 28,785
U.S. Government deposits	50,435	— 5,925	+ 5,747
Other deposits	132,142	+ 6,750	+ 13,378
Total demand deposits	$2,367,459	$+ 97,820	$+ 24,974
Time deposits	474,402	— 682	+ 35
Borrowings	10,600	+ 6,200	— 6,445
Other liabilities	18,898	+ 1,500	+ 2,200
Total capital accounts	174,727	— 271	+ 6,963
Total liabilities and capital accounts	$3,046,086	$+104,567	$+ 27,727
Demand deposits, adjusted**	$1,368,885	$+ 9,973	$+ 8,324

*Comparative data not available due to change in method of reporting.
**Other than interbank and government demand deposits, less cash items on hand or in process of collection.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Oct., 1948	Sept., 1948	Oct., 1947	Oct.,'48 comp. with Sept.,'48	Oct.,'48 comp. with Oct.,'47
El Dorado, Ark.	$ 22,443	$ 23,614	$ 20,009	— 5%	+ 12%
Fort Smith, Ark.	43,336	39,077	40,548	+11	+ 7
Helena, Ark.	12,878	7,055	13,149	+83	— 2
Little Rock, Ark.	136,060	123,853	135,632	+10	- 0 -
Pine Bluff, Ark.	45,012	33,864	39,368	+33	+ 14
Texarkana, Ark.	13,288	11,625	11,814	+14	+ 12
Alton, Ill.	24,649	24,499	23,909	+ 1	+ 3
E.St.L.-Nat.S.Y.,Ill.	128,626	120,068	135,144	+ 7	— 5
Quincy, Ill.	30,194	28,606	29,932	+ 6	+ 1
Evansville, Ind.	116,780	111,255	111.864	+ 5	+ 4
Louisville, Ky.	505,984	480,848	508,749	+ 5	— 1
Owensboro, Ky.	32,795	28,133	30,262	+17	+ 8
Paducah, Ky.	14,592	14,218	15,024	+ 3	— 3
Greenville, Miss.	26,179	22,231	31,589	+18	— 17
Cape Girardeau, Mo.	10,903	10,876	10.427	- 0 -	+ 5
Hannibal, Mo.	7,641	8,000	7,808	— 4	— 2
Jefferson City, Mo.	56,243	43,878	52,408	+28	+ 7
St. Louis, Mo.	1,542,536	1,515,939	1,516,453	+ 2	+ 2
Sedalia, Mo.	9,916	10,203	10.130	— 3	— 2
Springfield, Mo.	60,791	60,363	62,926	+ 1	— 3
Jackson, Tenn.	25,264	18,959	27,379	+33	— 8
Memphis, Tenn.	697,060	485,996	699,153	+43	- 0 -
Totals	$3,563,170	$3,223,160	$3,533,677	+11%	+ 1%

result of a drop in prices received by farmers. These prices declined 4 per cent during the month ending October 15, the index on this date being 277 compared with 290 a month earlier (1910-14 = 100). The index was about the same as during mid-1947 and was lower than any month since that time including the level reached following the break in farm prices in February, 1948. Sharp reductions in the prices of corn, meat animals, and butterfat were responsible principally for the decline, and were offset only partially by increases in the prices of small grain, tobacco, and truck crops. Prices of all grains on October 15, with the exception of rice, were at or below 90 per cent of the parity price.

The index of prices paid fell one point to 249 on October 15, which is only one per cent lower than the all-time high reached in August, 1948. The decline in prices paid was caused by declining feed prices and small declines in prices of clothing and household supplies. Prices of livestock now are about 11 per cent higher than in 1947, while crop prices are about 2 per cent lower. The price of cotton was 101 per cent of parity on October 15. A substantial part of the crop, however, was being placed under loan. Through November 5, the Commodity Credit Corporation had received notes covering nearly 2 million bales of 1948 cotton. Some estimates indicate that as many as 5 million bales of cotton will be placed under loan before the season is over.

Cash farm income in October dropped below the income for the same month in 1947 and is expected to be lower in November than a year earlier. Receipts from livestock and livestock products during the first eleven months of 1948 were estimated to be about 8 per cent larger than in 1947, while income from crops was about 3 per cent lower. Total receipts from marketings in the eleven months were estimated at 3 per cent more than in the same period of 1947.

Plantings of wheat in Indiana, Illinois, and Missouri will all exceed 1948 acreages, according to scattered preliminary reports (the first official report of winter acreage will not be available until mid-December). Weather in district states was favorable for germination and growth, as was weather in much of the wheat belt. Some areas of the Great Plains were in need of rain, although subsoil moisture generally was better than in 1947.

The reported size of the phenomenal crop harvested in 1948 becomes larger as more returns come in. On November 1, the corn crop was estimated at 3.6 billion bushels, 82 million bushels more than the October forecast, nearly 400 million bushels more than the previous record crop produced in 1946, and 1,200 million bushels more than in 1947. In Illinois, estimated corn yield was increased to sixty-one bushels per acre, two bushels more than on October 1. The crop in Indiana and Missouri is now expected to be 280 million and 201 million bushels, respectively. Estimated crop production on November 1 for cotton and soybeans also exceeded the October forecasts.

WHOLESALING

Lines of Commodities Data furnished by Bureau of Census, U. S. Dept. of Commerce*	Net Sales Oct., 1948 compared with Sept., 1948	Net Sales Oct., 1948 compared with Oct., 1947	Stocks Oct. 31, 1948 compared with Oct. 31, 1947
Automotive Supplies	+ 5%	— 1%	+26%
Drugs and Chemicals	— 7	— 9	....
Dry Goods	— 1	—10	+ 9
Groceries	— 1	—16	- 0 -
Hardware	— 3	— 2	+34
Tobacco and Its Products	- 0	— 1	+45
Miscellaneous	+ 1	+ 4	+32
**Total all lines	— 2%	— 4%	+21%

*Preliminary.
**Includes certain items not listed above.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Sept., 1948	Sept., '48, comp. with Aug., 1948	Sept., '48, comp. with Sept., 1947	9 mo. total Jan. to Sept. 1948	1948 comp. with 1947	1948 comp. with 1946
Arkansas	$ 65,919	+178%	+13%	$ 263,034	+ 5%	+35%
Illinois	132,903	+ 1	— 7	1,276,098	- 0 -	+47
Indiana	99,512	+ 21	— 2	753,411	+ 4	+36
Kentucky	38,618	— 1	- 0	337,968	—11	+17
Mississippi	70,510	+195	+ 9	260,219	+ 7	+62
Missouri	117,221	+ 14	+ 9	793,417	+ 9	+55
Tennessee	45,386	+ 45	+ 8	305,789	+ 2	+29
Totals	$570,069	+ 31%	+ 3%	$3,989,936	+ 2%	+42%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts Oct., 1948	Oct.,'48 comp. with Sept.,'48	Oct.,'48 comp. with Oct.,'47	Shipments Oct., 1948	Oct.,'48 comp. with Sept.,'48	Oct.,'48 comp. with Oct.,'47
Cattle and calves	151,406	+ 7%	—29%	63,152	+13%	—31%
Hogs	212,053	+26	- 0 -	51,205	+ 2	+22
Sheep	71,593	+14	+ 2	9,194	—40	—47
Horses	1,685	+27	+38	1,685	+27	+38
Totals	436,742	+17%	—12%	125,236	+ 2%	—18%

National Summary of Business Conditions

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Industrial production increased somewhat in October. Value of department store sales showed less than the usual seasonal rise in October and the early part of November. Prices of foods and some other products declined while prices of metal products advanced further. Growth of bank loans has slackened considerably since September, and in November sales of Government bonds by nonbank investors declined sharply. Bond prices advanced somewhat in November while common stock prices declined sharply.

Industrial production

The Board's seasonally adjusted index of industrial production increased 3 points in October to a rate of 195 per cent of the 1935-39 average, owing mainly to a substantial gain in output of durable goods.

Activity in durable goods industries in October was at a new high rate for the postwar period, reflecting in large part a record volume of iron and steel output. Steel mill activity advanced 4 per cent in October to a rate of close to 100 per cent of capacity, and operations continued at about this level during November. Output of automobiles likewise showed a significant increase in October and reached a new postwar peak rate. Production of copper and railroad freight cars declined. Activity in most other durable industries in October was somewhat above the September rate.

Output of nondurable goods showed a slight further gain in October. Production of petroleum products recovered to the August level, reflecting settlement of labor disputes at West Coast refineries. Activity in the paper and publishing industries expanded moderately. Production of textile and leather products, on the other hand, declined in October, according to preliminary reports. Output of most other nondurable goods was mantained at about the September rate.

Minerals production recovered from the decline in September, which had reflected mainly a temporary curtailment of crude petroleum output. Bituminous coal production declined further in October and was 7 per cent below the same month a year ago. Output of metals was maintained at about the September rate.

Construction

Construction contracts awarded, as reported by the F. W. Dodge Corporation, increased slightly in October, reflecting chiefly large awards for publicly-financed housing projects and hospitals. Awards for private residential building and public works and utilities continued to decline. The number of new housing units started, according to Department of Labor estimates, dropped further in October to 72,000. This compares with 81,000 in the preceding month and 94,000 in October of last year.

Distribution

Department store sales in October and the early part of November were below the advanced level of the preceding six months, after allowance is made for the usual seasonal changes. Value of sales in the first three weeks of November was 8 per cent less than during the corresponding period last year.

Shipments of most classes of railroad revenue freight in October and the early part of November were maintained at about the September level, after adjustment for seasonal changes. Total carloadings during this period were 4 per cent below the same period a year ago, reflecting mainly a smaller volume of shipments of coal and manufactured goods.

Commodity prices

The general level of wholesale commodity prices decreased somewhat further from the middle of October to the third week of November, reflecting mainly additional marked declines in prices of meat and livestock. Prices of grains and cotton strengthened in this period. Further advances were reported in metal prices.

Decreases in retail food prices lowered the consumers' price index by one-half per cent from September to mid-October. Retail prices of most other groups of items showed further small advances.

Bank credit

Federal Reserve support purchases of long-term Treasury bonds from nonbank investors declined sharply in early November, following substantial purchases in October. In mid-November, as prices of Treasury bonds advanced somewhat, Reserve Bank holdings were reduced slightly. During

October and the first three weeks of November the System sold a larger amount of short-term Government securities to banks and to other investors than it purchased of Treasury bonds, and total Government security holdings at the Reserve Banks declined.

Following the increase in reserve requirements in the latter part of September, total loans of all member banks showed little change in October. Loans to businesses increased further at banks in leading cities during October and the first three weeks of November, but the increase was considerably smaller than in the corresponding period last year. Holdings of short-term Government securities rose substantially over the period. Demand deposits at member banks increased sharply in October, as the result of Federal Reserve purchases of securities from nonbank investors, but declined somewhat early in November at banks in leading cities.

Security markets

Trading in Government bonds was in small volume in the first three weeks of November. Prices of high-grade corporate and municipal bonds advanced slightly. On November 16, the Treasury announced a one-year 1¼ per cent certificate issue in exchange for issues maturing in December and January.

Common stock prices declined about 10 per cent in early November, cancelling the advance that began in late September.