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Shifting Deposit Ownership

At the close of 1948, total bank deposits in the United States, except interbank deposits, were virtually unchanged from their level a year previously. The December, 1948 figure was \$148.1 billion; the figure for the close of 1947, \$148.8 billion. Even including interbank deposits, deposits of all banks showed relatively little change, being \$159.7 billion at the end of 1948 as compared with \$161.9 billion a year earlier. This year-to-year change is the smallest that has been recorded since 1940.

Deposits generally are classified in two ways—by type of owner (individual, business, government, or bank) and by availability (demand or time). Most time deposits are personal balances. Demand balances—those subject to check—are held by a variety of types of owner and, until recently, information as to the amount held by the various types of owner was scanty. Call reports set forth the ownership of a portion of these demand deposits: those due to the U. S. Government, to states and local governments, to banks, and those demand liabilities of banks due to all classes of owner in the form of certified and officers checks and other miscellaneous forms. The traditional deposit classification “demand deposits of individuals, partnerships and corporations,” constituting about 60 per cent of total deposits, however, is so broad as to give no very meaningful information as to the amounts held by various kinds of businesses and by individuals.

In 1943, the Federal Reserve System began a series of surveys designed to provide more information about the ownership of this important segment of deposits. At first on a semiannual, and now on an annual basis, the current survey is the eleventh of the series. In the Eighth District, the 1949 survey was conducted with the cooperation of more than 200 commercial banks, the banking commissioners and departments of finance of the seven district states.

The survey provides information once a year on the total volume and the ownership distribution of the demand deposits of individuals, partnerships, and corporations. The distribution of ownership is made into **personal accounts**, subdivided again into farmers' personal accounts and other personal accounts; into **nonprofit accounts**, such as those of churches, hospitals, unions and other institutions; into **trust fund accounts**, and finally into **domestic business accounts**, which in turn are further divided into four broad nonfinancial business fields and two financial business classifications.

The information on ownership of demand deposits of individuals, partnerships and corporations is useful from two broad viewpoints. First, each individual survey shows the cash balance position of various kinds of owners which is important because the various kinds of owners base their economic decisions partly on the amount of their cash balances. Also, the volatility—the rate of turnover—differs among these various types of owners and more specific knowledge of ownership

permits more precise judgment as to future deposit movements. Second, a continuing series on ownership reveals trends in net movement of funds among the classes of owner and thus also aids in forming more exact judgments as to economic developments in the future.

The ownership survey is used by public and private agencies, such as the staff of the Board of Governors in Washington, the research departments at the several Reserve banks and other banks. While not so widely used by individual commercial banks as a basis for decisions in regard to bank policies, the survey should be of definite help to any bank as a reference frame to gauge its own deposit analysis results, which in turn should help in forming its investment programs, in measuring its competitive position among the financial institutions in the community, and in the promotion of new business.

DEPOSIT MOVEMENTS IN 1948

As noted, the level of total deposits at the close of 1948 was not much different from that of a year earlier. The factors that affect the total level of deposits—commercial bank credit expansion, gold inflow, Federal Reserve and Treasury action, decisions by the economy as a whole as to the manner of holding liquid assets, and so on—were thus in rough balance in 1948. But the factors that make for shifts in deposits, both geographically and between the several types of deposit owners, showed up more clearly, and their net result was emphasized by the very fact that the total deposit level remained relatively unchanged. These factors are differences as between regions in level of income and proportion of income spent, in population changes—business and individual—and in individual preferences as to the form in which liquid assets are held.

The Eighth District as a whole conformed fairly closely (as usual) to the nation in that aggregate deposit volume declined slightly in 1948. The relative magnitude of the change in deposits in this district, however, differed appreciably from that in many other Reserve districts, and within the separate economic areas in the district variations in deposit change were even more marked. There also was a significant shift from personal accounts to business accounts in the Eighth District, and there were variations in changes in the different categories of business accounts.

REGIONAL SHIFTS IN DEPOSITS

Changes in deposit volume between regions reflect partly the fact that proportions of different types of owner vary between regions. They reflect mainly, however, differences in economic conditions and in income—expenditure patterns of business and individuals in the various regions.

Thus, in the war years, deposit growth was most pronounced in areas where the war boom brought sharp increases in industrialization with increased employment and population migration, in areas where military establishments mushroomed, and in areas which benefited from heavy farm production and prices. These were mainly regions in the South and West. Part of the reason for the large growth in deposits in these areas was that much of the increased income received could not be spent because goods were not available. As a result bank balances were built up. This situation was particularly notable in comparing deposit growth in rural and urban areas. Normally with high farm income there would be larger flows of funds from country to city as farmers bought more heavily of goods manufactured in the cities. But with goods shortages, the flow of funds was diminished and farmers' bank balances increased sharply.

It was expected that after the war the city areas and the older industrial sections gradually would come back into a more equal share of the total deposit growth. Because of a combination of circumstances this shift was not appreciable until 1948. Goods shortages continued, farm income remained high and even grew, and many of the newly industrialized sections retained a large part of their wartime economic gains.

In 1948, the signs began to point to some shifts back. But it is significant that the net shifts still were moderate, indicating that the wartime gains continued to be held. In the Eighth District, for example, it is especially noteworthy that while the expected shift from personal to business balances became more pronounced in 1948, the business funds remained more widely distributed and were not as concentrated in the big cities as before the war. In other words, the growth in industrialization in the more rural sections held funds more firmly in those sections. Similarly, in the Eighth District as a whole, deposits held more firmly instead of flowing to northern and eastern centers.

Shifts Among Federal Reserve Districts—During the war years, deposit growth was striking in almost every region of the nation, reflecting the basic factors leading to over-all deposit gain. Regional differences in growth also were striking as the defense-war boom, the sharp rise in farm production and prices, and other factors operated unevenly as between regions. In the postwar period as a whole the differences between regions have been less pronounced but still substantial.

The member banks in the Eighth Federal Reserve District reported a drop of slightly less than 1 per cent in demand deposits of individuals, partnerships, and corporations at the close of 1948 compared with the close of 1947. **Nationally, member banks reported a somewhat greater decline.** The following table shows the percentage change in these deposits in the twelve Federal Reserve Districts, between 1941 and 1945, 1945 and 1948, and 1947 and 1948.

TABLE I
PERCENTAGE CHANGE IN DEMAND DEPOSITS OF
INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS
AT ALL MEMBER BANKS

District	Dec., 1941- Dec., 1945	Dec., 1945- Dec., 1948	Dec., 1947- Dec., 1948
Dallas	+187%	+23%	+2%
San Francisco	+187	+5	+3
Kansas City	+179	+22	0
Atlanta	+174	+9	—3
Minneapolis	+145	+26	—2
Richmond	+123	+13	—1
St. Louis	+118	+21	—1
Chicago	+88	+19	—2
Cleveland	+84	+19	0
Philadelphia	+79	+10	—2
Boston	+60	+10	—3
New York	+47	+8	—4
All Districts	+90%	+13%	—2%

The Eighth District ranked seventh among all districts in percentage of deposit growth from 1941 to 1945—the war period. In the three postwar years as a whole, 1945 to 1948, it improved its position to fourth in relative deposit growth. Its greater than average ability to hold its wartime gains was due primarily to its diversification of industry and agricultural production.

Shifts Within the Eighth District—Individual, partnership, and corporation demand deposits of all commercial banks in the Eighth District declined only 0.6 per cent from the end of 1947 to the close of 1948, a relatively modest amount as annual changes in aggregate deposit levels go. The performance of the 13 subregions within the district varied widely, however. Demand deposits in rural areas were down 0.9 per cent, but in metropolitan areas they declined only 0.2 per cent. In the war period these private demand deposits at Eighth District banks increased \$2,134 million, with 69 per cent going to banks in the rural regions and 31 per cent to those in the metropolitan districts.

In the three years of the postwar period, on the other hand, the situation was reversed. Of an increase of \$679 million in demand deposits, 42 per cent was in rural banks and 58 per cent in metropolitan area banks.

Year-by-year in the postwar period demand deposit growth was relatively greater in the metropolitan districts than in rural sections. The metropolitan areas got slightly less than half the total 1946 gain for the Eighth District, over two-thirds of the 1947 increase, and stood only 18 per cent of the loss of deposits in 1948.

Deposit changes among the different rural areas in the Eighth District were more pronounced than the change in the rural areas as a whole and in the district as a whole. In 1948 these changes ranged from plus 2 per cent in South Arkansas to minus 4 per cent in the Ozark region, with an average change for all rural areas of minus 1 per cent.

Improved agricultural income was largely responsible for the increased deposit level over a year ago in South Arkansas (plus 2 per cent) and the Delta (plus 1 per cent). Another factor of importance, particularly in the Arkansas sections of these areas, was the continued growth of industrialization in that state.

Cash farm income increased 15 per cent in 1948 over 1947 for the entire state of Arkansas. Where 1947 was a relatively dry year, 1948 was a good crop year in the state as a whole. The bumper crop of cotton and the fact that more of it was put under Government loan than in 1947, resulting in an earlier receipt of funds in 1948, are reflected in the growth in deposits in the Delta area which contains the richest cotton land in the country and which has a relatively high dependence on farm income. The boot heel counties of Missouri, for example, received the largest percentage of total income from farm enterprise in 1947 of any county in either Arkansas or Missouri. Likewise, in Mississippi County, Arkansas, one-tenth of the state's population received one-fifth of the farm income in 1947.

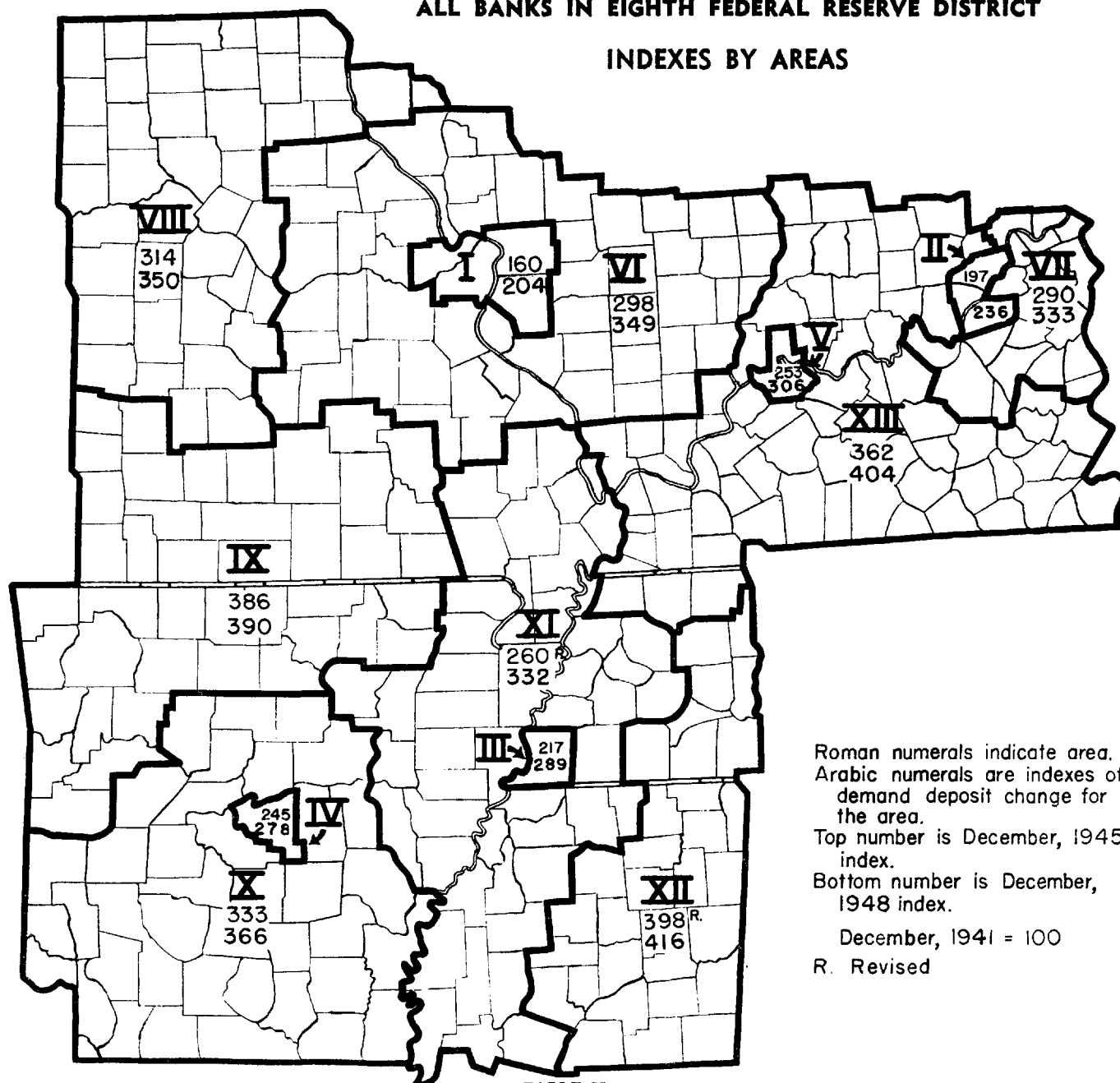
Of the five rural areas in which individual, partnership and corporation demand deposits declined, the Ozark region showed the largest decline, 4 per cent. The Northwest Missouri area dropped 3 per cent, the area surrounding the St. Louis metropolitan region 2 per cent, and the Mississippi-Tennessee area bounding the Delta and the rural Kentucky and Indiana region each reported 1 per cent declines from a year ago.

A large part of Area IX, which showed the greatest decline in 1948, is composed of the Ozark

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS

ALL BANKS IN EIGHTH FEDERAL RESERVE DISTRICT

INDEXES BY AREAS



Roman numerals indicate area.
Arabic numerals are indexes of demand deposit change for the area.
Top number is December, 1945 index.
Bottom number is December, 1948 index.
December, 1941 = 100
R. Revised

TABLE II

Area	Dollar Amounts in Millions					Indexes 1941 = 100			
	Dec. 31, 1941	Dec. 31, 1945	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948	1945	1946	1947	1948
I St. Louis	\$ 558.2	\$ 891.2	\$1,034.8	\$1,142.0	\$1,138.3	160	185	205	204
II Louisville	137.4	271.0	301.8	320.4	323.9	197	220	233	236
III Memphis	89.4	194.0	234.2	261.8	258.8	217	262	293	289
IV Little Rock	30.5	74.6	80.1	84.1	84.8	245	263	276	278
V Evansville	29.9	75.6	80.2	93.6	91.6	253	268	313	306
Total—Metropolitan Areas	\$ 845.4	\$1,506.4	\$1,731.1	\$1,901.9	\$1,897.4	178	205	225	224
VI St. Louis outlying	\$ 124.5	\$ 371.5	\$ 418.6	\$ 442.5	\$ 434.2	298	336	355	349
VII Louisville outlying	36.6	106.0	113.6	120.0	121.7	290	310	328	333
VIII North Missouri	92.6	291.0	326.4	333.3	324.5	314	352	360	350
IX Ozark	58.3	225.3	246.8	236.5	227.1	386	423	406	390
X South Arkansas	67.5	224.6	239.8	241.0	247.0	333	355	357	366
XI Delta	132.5	344.2	412.0	434.8	440.5	260	311	328	332
XII East Mississippi-Tennessee	37.9	150.8	157.4	159.6	157.6	398	415	421	416
XIII Kentucky-Indiana	118.0	427.5	460.7	482.8	476.7	362	390	409	404
Total—Rural Areas	\$ 667.9	\$2,140.9	\$2,375.3	\$2,450.5	\$2,429.3	321	356	367	364
Total—District	\$1,513.3	\$3,647.3	\$4,106.4	\$4,352.4	\$4,326.7	241	271	288	286

counties in both Missouri and Arkansas. In these counties average productivity is low. The people have a relatively high dependence on Governmental transfer payments, as high as 20 per cent in some of the Missouri counties in 1947. Income in these low productivity counties apparently has failed to keep pace with the growth of incomes both in other regions in Area IX and in the Eighth District. As a result individual and business deposits have been drawn upon by outside expenditures at a relatively faster rate than they have been added to by income. And even the presence of some rather well-developed trade centers and some more prosperous rural areas in this section evidently has failed to offset the drop of the less productive sections.

Changes at the metropolitan centers also were mixed. The over-all metropolitan area change, minus 0.2 per cent, reflected declines at St. Louis (minus 0.3 per cent), Memphis (minus 1.1 per cent), and Evansville (minus 2.1 per cent), offset only in part by gains at Louisville (plus 1.1 per cent) and Little Rock (plus 0.8 per cent).

SHIFTS IN DEPOSIT OWNERSHIP

Of the \$4,192 million in individual, partnership and corporation demand deposits held by banks in the Eighth Federal Reserve District in January, 1949, nearly one-half were personal deposits, nearly one-half business deposits. Only a very small proportion constituted trust funds and nonprofit institutional funds. Table III gives a breakdown by estimated dollar amount and percentage of deposits carried in each of the ownership groups since 1946. Most of the titles adequately explain what accounts are included in each classification. Those titles which are broad in coverage are: "other nonfinancial businesses" in which are included such accounts as those of contractors, theaters, hotels, and business accounts of professional people; and "other financial" in which are included insurance agencies and brokers, real estate brokers, credit unions, savings and loan associations, dealers in securities, finance companies, loan companies, and other financial business deposits. It should be noted that insurance carriers, as distinguished from insurance agencies and brokers, are listed as a separate classification of financial businesses.

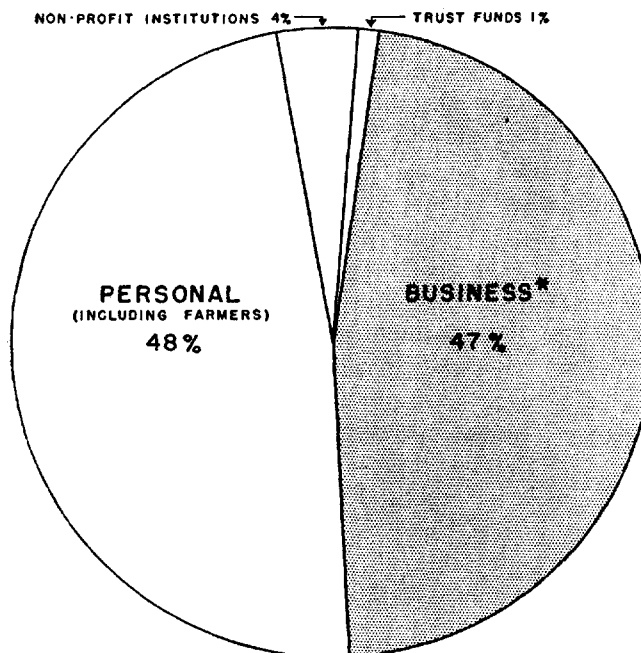
In the last two years business deposits have gained while individual deposits have declined as a percentage of the total. In the first postwar year (1946) expenditures of businesses for reconversion and expansion added to consumers' deposits at a faster rate than consumer spending on goods and services drew them down. Consequently, individual

DEPOSIT OWNERSHIP

IN THE EIGHTH DISTRICT

PER CENT OF TOTAL

JANUARY, 1949



* INCLUDES

13% MFG. AND MINING
4% PUBLIC UTILITIES
20% TRADE

5% OTHER NON-FINANCIAL
1% INSURANCE COMPANIES
4% OTHER FINANCIAL

deposits increased more than business deposits that year. The situation was reversed in the following year and personal accounts at the close of 1947 constituted a smaller proportion of total deposits, while business accounts grew in relative importance. In 1948, as goods became more plentiful, the spending trend continued and personal accounts dropped still more as a proportion of the total.

In the light of the \$6,100 million gain nationally in personal saving, as measured by the national income figures of the Department of Commerce in 1948, the drop in individual demand deposits (and the very small gain in time balances) indicates that there was some shift away from bank deposits to other forms of liquid assets in that year. The savings figures, of course, measure not only changes in liquid asset holdings, but also net debt retirement. Consequently the Department of Commerce figure does not tie in directly with changes in liquid assets. Nevertheless the decline in demand balances of individuals in banks and the nominal gain in time balances while savings were gaining substantially points to some gains in other liquid asset categories.

In 1946, high farm prices and production resulted in large farm income. Shortages of goods farmers ordinarily would buy for living and production

held down expenditures. Consequently, a good share of the difference between income (after taxes and savings bond purchases) and expenditures was held in the form of bank deposits, and farmers' balances rose appreciably. In 1947, despite still higher prices for farm products and higher net farm income, relatively greater farmers' expenditures on capital account for machinery and equipment and for consumer durables as they became more available resulted in a small shrinkage in deposits owned by farmers. In 1948, the shrinkage was even larger as goods became even more available and as the net difference between farmers' cash receipts and production expenses declined.

Among the six business classifications, the percentage of deposits owned by one group—public utility, transportation and communication businesses—declined somewhat in 1948. All other business groups reported percentage gains over 1947, the largest gain being in wholesale and retail trade; the least being in the two financial business groups.

Personal deposits, including farmers' accounts, represented a larger percentage of total deposits in the small banks than in the large ones. Deposit ownership patterns for the banks, when divided into four size groups by dollar volume of deposits, showed the usual variation according to size of banks. In those with \$50 million and over in deposits, personal accounts were only 22 per cent of the total; in those with under \$1 million in deposits, which are exclusively rural banks, the personal accounts were 75 per cent of the total. The percentage of personal accounts consistently declined as the group size increased.

Conversely, of course, the percentage of business deposits consistently increased from the smaller to the larger banks—from 20 per cent at the under \$1 million size group to 73 per cent of the total deposits at the \$100 million and over size group. The share of total deposits of nonprofit institutions varied only slightly among the four size groups of banks. The share of trust fund deposits, on the other hand, were of relatively insignificant volume in the \$10 million and under size groups (less than 3/10 of 1 per cent) rising in the two larger classes to 5 per cent for banks with over \$50 million in deposits.

To determine whether there were any marked difference in the shifting of deposit ownership between rural and urban banks, the ownership patterns in dollar amounts and percentage of the total were prepared for banks with deposits under \$5 million and for banks with deposits of \$5 million and over (giving an approximate grouping into rural

TABLE III
OWNERSHIP OF DEMAND DEPOSITS
OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS
EIGHTH FEDERAL RESERVE DISTRICT
BY TYPE OF DEPOSITOR

Amounts (in millions of dollars)	Jan. 31, 1946	Feb. 27, 1947	Jan. 31, 1948	Jan. 31, 1949
Total Domestic Business.....	\$1,603.0	\$1,705.5	\$1,847.2	\$1,986.9
Nonfinancial Business	1,443.0	1,524.0	1,643.2	1,764.4
Manufacturing and Mining	468.2	494.5	510.3	547.4
Public Utilities	154.8	173.4	175.9	168.7
Trade	632.4	679.9	751.9	820.7
Other	187.6	176.2	205.1	227.6
Financial Business	160.0	181.5	204.0	222.5
Insurance Companies	38.1	47.5	53.7	62.5
Other Financial	121.9	134.0	150.3	160.0
Trust Funds	48.8	46.6	55.4	56.6
Foreign	0.8	0.2	0.1	*
Nonprofit	143.2	156.9	155.0	151.7
Personal	1,879.7	2,105.1	2,114.4	1,996.4
Farmers	583.0	735.0	723.0	622.0
Other	1,296.7	1,370.1	1,391.4	1,374.4
Totals	\$3,675.5	\$4,014.3	\$4,172.1	\$4,191.6

* Less than \$50,000.

Per Cent of Total				
Total Domestic Business.....	43.6%	42.5%	44.3%	47.4%
Nonfinancial Business	39.2	37.9	39.4	42.1
Manufacturing and Mining	12.7	12.3	12.3	13.1
Public Utilities	4.2	4.3	4.2	4.0
Trade	17.2	16.9	18.0	19.6
Other	5.1	4.4	4.9	5.4
Financial Business	4.4	4.6	4.9	5.3
Insurance Companies	1.1	1.2	1.3	1.5
Other Financial	3.3	3.4	3.6	3.8
Trust Funds	1.3	1.2	1.3	1.4
Foreign	**	**	**	**
Nonprofit	3.9	3.9	3.7	3.6
Personal	51.2	52.4	50.7	47.6
Farmers	15.9	18.3	17.3	14.8
Others	35.3	34.1	33.4	32.8
Totals	100.0%	100.0%	100.0%	100.0%

** Less than 0.05 per cent.

and urban banks). The 1948 drop in personal accounts, which amounted to 3 per cent of the total deposits for all banks combined, proved to be principally in the smaller (rural) banks which lost \$109 million, the larger banks losing only \$9 million. The decline in farmers' deposits accounted for 90 per cent of the \$109 million decline in all personal deposits at the smaller banks.

The larger decline in personal deposits at small banks in the district shown by the survey was to be expected, since the farmers' accounts were concentrated at these small (rural) banks. A fact which is not so evident from the over-all picture is that most of these funds transferred from farmers' and other personal accounts appear to have shifted to business accounts in the same rural areas rather than moving out to larger urban centers. Thus, of the growth in nonfinancial business accounts of \$121 million at all banks, \$80 million or about two-thirds came at the smaller (rural) banks and only one-third of the total at urban banks. All but a very small fraction of the \$19 million growth in financial business deposits occurred at larger banks.

William J. Abbott, Jr.
Norma B. Lynch.

Earnings of Eighth District Member Banks, 1939-1948

The year 1948 saw gross earnings of Eighth District member banks rise to a new high. The total of \$106 million was \$9 million more than that of 1947. Operating costs, increasing \$5.5 million over 1947, also reached a new peak—\$66 million. Since costs rose less than gross earnings, net current earnings of member banks totaled \$40.5 million in 1948—the largest net current earnings on record.

From net current earnings banks take care of charge-offs and pay income taxes. The balance (net profits) is available for distribution in dividends or additions to surplus. In 1948, under a new ruling of the Bureau of Internal Revenue, banks sharply increased their reserves for bad debt losses on loans. This was sound banking procedure but it has resulted in difficulties in comparing net profits in 1948 with those in 1947. In effect, the decline in net profit in 1948 reflects primarily a bookkeeping procedure rather than it does less profitable banking operations. In a later section of this article more attention is devoted to this situation.

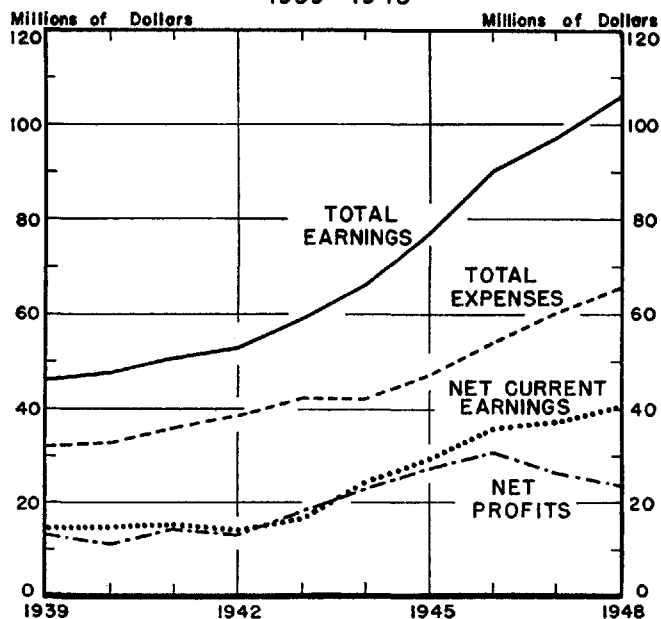
The chart shows total earnings, total expenses, net current earnings and net profits for the ten-year period 1939 through 1948. It may be noted that earnings rose steadily over the period and that expenses also rose but at a slower rate. Because of this difference the curve of net current earnings

(the difference between operating earnings and expenses) slants upward throughout the period. The curve of net profits (which reflects the amount remaining after charge-offs or recoveries, income taxes, and reserves) rises until 1946, then turns down.

Changes in Earning Assets—Total assets held by all Eighth District member banks have increased each year since 1939, except 1947, to an all-time high of \$5.1 billion in 1948. This amount was almost three times the 1939 total of \$1.8 billion.

Over the past ten years a number of significant changes have occurred in the composition of assets of district member banks. During the period earning assets have increased both in dollar amount and in proportion because of a general policy of keeping funds more fully invested than before the war. Shifts between security holdings and loans reflect the swing from a wartime to a peacetime economy. Earning assets in 1939^a amounted to \$1.1 billion or 64 per cent of total assets. In the following year banks increased their earning assets only \$25 million, although total assets rose \$152 million, and the proportion of total assets in earning assets dropped to 60 per cent, the smallest percentage in the ten years under observation. Banks began to invest their funds more fully in 1941 and by 1946 earning assets increased to \$3.8 billion or 75 per cent of total assets. Earning assets dropped slightly below the 1946 level in 1947 and 1948 to \$3.6 billion and \$3.7 billion, or to 73 per cent and 72 per cent, respectively.

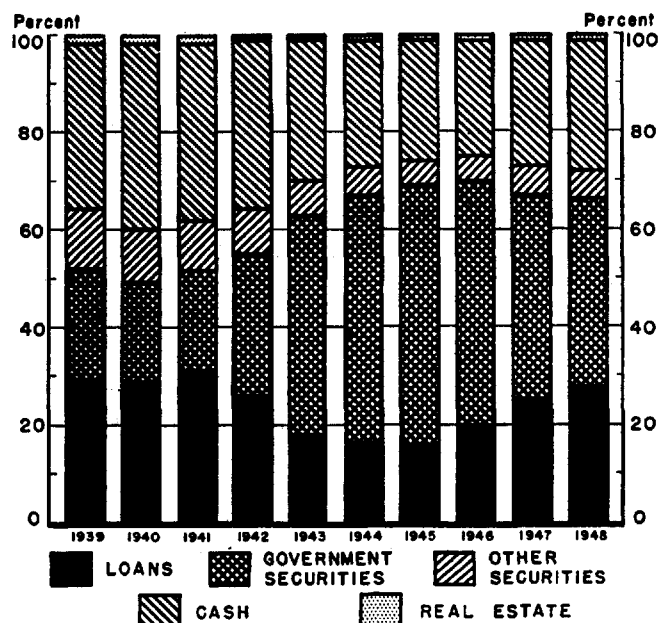
SELECTED EARNING REPORT ITEMS
EIGHTH DISTRICT MEMBER BANKS
1939 - 1948



Sources of Earnings—District member banks derive the largest portion of their current earnings from loans they make to customers and from investments in Government and other types of securities. To a lesser degree earnings are derived from service charges on deposit accounts, income from trust departments, real estate divisions, and a variety of miscellaneous charges, commissions and fees. Although the bulk of bank earnings comes from loans and investments, the earning proportion of each is not the same as the asset distribution, because of the difference in rates of return. The average rate on Government securities is lower than the average rate on other securities, which is lower than the average rate on loans. For example, the average rate of return on Government securities held by district member banks in 1948 was 1.7 per

^a Asset figures used in this article are averages of call reports during the year plus the call for the previous December.

PERCENTAGE DISTRIBUTION OF ASSETS 1939 - 1948



cent, on other securities 2.5 per cent, and on loans 5.4 per cent.

Because of the higher rate of return on loans a relatively small proportion of total assets generally accounts for a much larger percentage of current earnings. In 1939, 29 per cent of total assets loaned to customers at an average rate of 6 per cent furnished banks with 48 per cent of total current earnings, while 35 per cent of total assets invested in Government and other securities with an average rate of 3.3 per cent accounted for only 34 per cent of earnings. In the following two years district member banks expanded their loan volume more rapidly than their holdings of securities and by 1941 had the same proportion of total assets in each classification, 31 per cent. In that year the banks obtained \$27 million or 54 per cent of current earnings from loans and \$14 million or 28 per cent from securities.

From 1939 to 1942 loans were the banks' most important source of income. Loan volume in 1939 amounted to \$525 million and in 1942 to \$678 million. In 1939 earnings on loans made by district member banks amounted to \$22 million or 48 per cent of total earnings, and interest and dividends on securities amounted to \$16 million or 34 per cent of total earnings. The balance of earnings in 1939 was composed of service charges on deposit ac-

counts—4 per cent of total earnings; trust department—3 per cent; and other earnings, consisting of collection charges, commissions and fees, rent, and foreign departments—11 per cent.

The tremendous volume of Government financing during the war years caused a rapid expansion in Government securities held from \$388 million in 1940 to \$2.5 billion in 1945, when Governments represented 53 per cent of total assets of district member banks. Loans in 1943 dropped to second place; a decreased volume of \$616 million supplied \$23 million or 38 per cent of current earnings, while security holdings furnished banks \$25 million or 43 per cent of earnings. The drop in relative importance of loans as a source of income was due to an actual drop in loan volume of \$62 million from the previous year coupled with the rise in Government security holdings of \$755 million. During the last two years of the war, loans decreased still further in importance as a source of income, even though loan volume was increasing. The gain was at a much lesser rate than the increase in security holdings. By 1945 loans furnished \$24 million or only 31 per cent of total current earnings, the smallest proportion in the period under observation.

Bank holdings of higher interest rate securities remained relatively unchanged in the period, increasing only slightly from \$210 million in 1940 to \$235 million in 1945. As a result of the large increase in Government security holdings, the average interest rate on all securities dropped from 3.1 per cent in 1940 to 1.5 per cent. Notwithstanding this rate of return, securities were held by district member banks in such volume that by 1945 they furnished \$39 million or 51 per cent of total earnings.

In the postwar period the more usual pattern of earnings was re-established with income from loans assuming greater importance. In 1946 this trend began but the shift back to the prewar pattern was not accomplished until sometime later.

Following the substantial redemption program of the Treasury, the first decline in the dollar amount of interest from securities came in 1947, and a second drop to \$35.8 million occurred in 1948. In the latter year securities furnished banks 34 per cent of total current earnings, which was the same proportion earned on securities in 1939. Earnings on loans rose to an all-time high in 1948 of \$55 million or 52 per cent of total current earnings, a rise of 4 per cent above the 1939 proportion.

Service charges on deposit accounts varied slightly from 4 per cent to 5 per cent of total current earnings during the period, and Trust Department income fluctuated between 3 per cent and 4 per cent. Earnings from collection charges, commissions and fees, rent and foreign departments declined from 11 per cent in 1939 to 7 per cent in 1948.

Disposition of Earnings—Salaries and wages paid to officers and employees constitute the largest single operating expense item for banks. District member banks paid \$13.5 million in salaries and wages in 1939. This amount was 29 per cent of total current earnings for that year. Salaries and wages increased in each of the following nine years, so that by 1948 district member banks paid total salaries and wages of \$31.8 million. However, over the ten-year period the increase in current earnings kept pace with the increase in salaries and wages, and the proportion of total earnings that went to pay salaries and wages remained within the narrow range of 28 per cent to 31 per cent of current earnings.

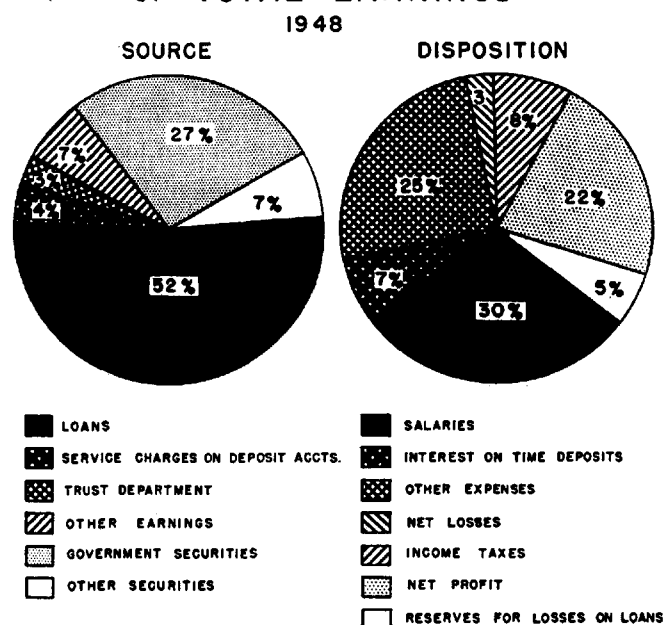
Interest paid on time deposits by district member banks amounted to \$5.9 million in 1939, dropped to a low for the period of \$4.3 million in 1943, and has since risen to a peak of \$7.8 million in 1948. Although the proportion of total current earnings that went to pay interest on time deposits was 13 per cent in 1939, it dropped to 7 per cent in 1943 and since then has fluctuated between 7 per cent and 8 per cent.

Fees to directors and committee members, interest on borrowed money, taxes other than income taxes^a, recurring depreciation^b, and miscellaneous operating expenses amounted in the aggregate to \$12.7 million, or 27 per cent of current earnings in 1939. These expenses absorbed as high as 35 per cent of current earnings in 1943 and as low as 24 per cent in 1946 and 1947. In 1948 the proportion was 25 per cent.

After banks paid operating expenses in 1948, they had \$40.5 million left as net current earnings. This was the largest dollar amount in any year of the ten-year period, amounting to almost three times the \$14.2 million of net current earnings in 1939. As a percentage of total earnings, however, the 1948 total (38 per cent) was not quite as large as that of 1946 (40 per cent).

During the years 1939-43, the percentage of total earnings that the banks had left as net current earnings varied between 27 per cent and 31 per cent. From 1944 through 1948 this percentage also

PERCENTAGE DISTRIBUTION OF TOTAL EARNINGS



remained relatively stable, but at a higher level, ranging from 37 per cent to 40 per cent. Part of this difference in the level of net current earnings during the ten-year period is due to an accounting practice of including income taxes in expenses during the years 1939 through 1943, and of excluding recurring depreciation on banking house, furniture and fixtures from expenses during the years 1939 through 1941.

Net profits of district member banks in 1948, after recoveries, charge-offs and income taxes, amounted to \$23.9 million, as compared with \$26.5 million in 1947, \$13.2 million in 1929, and the peak of \$30.6 million in 1946. These figures give the erroneous impression that district member banks operated less profitably during 1948 than in previous years. Actually the drop in net profits resulted from the change in the accounting procedure used to set up reserves for bad debt losses on loans.

For years Federal tax law has permitted banks to establish "reasonable" reserves for bad debt losses on loans. In the absence of specific guides as to the meaning of "reasonable", interest by banks in the method of tax accounting was not really active until December, 1947. A ruling then made by the Commissioner of Internal Revenue (Mimeograph No. 6209) permitted banks to accumulate tax-free reserves based upon a twenty-year loss experience on loans. From an accounting standpoint this method is more accurate than the

^a Prior to 1944 income taxes were included in other expenses.
^b Prior to 1942 recurring depreciation on banking house, furniture and fixtures was included in losses and charge-offs.

one previously used, but the change makes difficult a comparison of the 1948 net profits with amounts reported in previous years.

District member banks reported net current earnings in 1948 of \$40.5 million, and net profits of \$23.8 million, a difference of \$16.7 million. Of this amount \$8.6 million went to pay income taxes, \$1.4 million for losses and charge-offs on loans, and \$976,000 for other losses. Total losses were reduced somewhat by recoveries on securities of \$46,000. District banks set up reserves of \$5.8 million for bad debt losses on loans and other reserves of \$63,000 on loans, but reduced reserves for losses on securities by \$68,000.

Net profits at district member banks in 1948 were \$23.8 million or 22 per cent of current earnings. This amount did not include the increase in reserves for bad debt losses on loans of \$5.8 million, which amounted to 5 per cent of current earnings. If district member banks had followed in 1948 the past practice of deferring charge-offs until losses ac-

tually occurred and of setting up reserves for bad debt losses on loans out of net profits, the 1948 net profits figure would have been \$29.6 million instead of \$23.8 million. This amount would be above the 1947 total of \$26.5 million. Proportionately it would be the same as in 1947, 27 per cent of current net earnings.

Although net profits have been high during the past ten years, district member banks have retained the greater portion of them to strengthen capital structures. Dividends paid to stockholders in 1948, however, were the largest during the ten years, \$10.3 million or 10 per cent of total earnings. In spite of the fact that the greater portion of current earnings was retained in the past ten years, the rapid expansion of deposits during the war years caused a steady decline in the ratio of capital accounts to deposits from 15.5 per cent in 1939 to a low of 6 per cent in 1946. The ratio increased to 6.3 per cent in 1947 and 6.5 per cent in 1948.

E. Francis De Vos.

Survey of Current Conditions

Developments in February and early March did little to change the general economic outlook, and the rather delicate balance that has existed for some months apparently was maintained. In most parts of the economy a cautious attitude continues to prevail. Businessmen have become increasingly sensitive to inventory positions, costs and prices. Consumers, with goods generally available, continue to buy but with considerably less abandon than was characteristic of the past three years. The caution that is exhibited by most groups would seem to be a desirable development in that it should make the economy in general more alert and better fitted to cope with any unfavorable change in the economic situation. So far, however, there is little evidence that a major economic storm is coming in the near future, and so far there is little indication that the attitude of caution is being supplanted by one of pessimism.

To some extent the loosening up in supplies is revealed by the increase in inventories. At the beginning of February, the latest month for which estimates are available, total business inventories

in the United States were valued at \$54.2 billion. At this level, stocks were 10 per cent larger, on a dollar basis, than a year earlier. A relatively small part of the increase reflected price changes. Average wholesale commodity prices, including farm and food prices, were at about the same level as a year earlier, while prices of products other than farm and food items were slightly higher than early in February, 1948. It is interesting to note that the increase in retail inventories over last year was only two-thirds as large, percentagewise, as the gain in wholesalers' stocks and only one-half as large as the increase in manufacturers' inventories.

How much of the accumulation is voluntary and what part reflects the leveling off in consumers' purchases is not revealed in the statistics. There is no doubt, however, that larger stocks of goods were a major factor in recent employment cutbacks in some industries. However, there also is some evidence that in terms of total manufacturing curtailed employment and working hours have not resulted in comparable reductions in output. In part this probably reflects greater effort by workers and

management as sales decline and employment is reduced. It also reflects the virtual disappearance of materials shortages that plagued industry during most of the postwar period. In addition, however, it reflects the tremendous postwar investment in producers' equipment and in new plants.

The decline in employment was reflected in a lower level of wage and salary receipts again in January. The two-month decline from the November peak dropped wage and salary income to an annual rate of \$136 billion in January, according to preliminary estimates, or about the level of last August. Total personal income was not much changed during the month, however, holding at about the \$221 billion level of the previous month.

EMPLOYMENT

In last month's Review a sharp increase in the number of unemployed persons between December and January was noted as the most significant labor development in both the Eighth District and the nation as a whole. During February, the upward trend in unemployment (which began last October) continued, but at a lessened rate. The increase between January and February was about the same as last year. However, the unemployment increase this year was due principally to non-seasonal layoffs, while last year it was due principally to bad weather and fuel shortages. The unemployment rate nationally (the proportion of the labor force seeking work) was 5.3 per cent in February as compared with 4.5 per cent in both January, 1949 and February, 1948. Unemployment is still considerably lower than in prewar years, however—February, 1949 unemployment being less than half that of February, 1941.

Although total employment in both nation and district during the month of February was down from January, it was higher than in February a year ago. The year-to-year gain is accounted for by a larger than normal increase in agricultural employment this year, however, and nationally non-agricultural employment registered the first year-to-year drop since the war. In this district February nonagricultural employment was a trifle higher than a year ago. It should be noted that more people were working in February, 1949, both nationally and in the district, than at any time during the war years. Actually nonagricultural employment in February, 1949 was 10 per cent above the wartime peak and 28 per cent higher than in February, 1941.

The major portion of the unemployment increase during the past year as well as during the past

month occurred among men. Women generally seem to be having less difficulty securing jobs than do men and then, too, more women than men drop out of the labor force if they are unable to find work. The February unemployment rate for men was 5.5 per cent as compared with 4.6 per cent for women.

Total nonagricultural employment in the St. Louis area decreased between January and February, although the decline was not nearly so large as the one which occurred between December and January. This reduction in employment between January and February was just about the same as in the corresponding months of last year. Last year practically all the decline occurred in nonmanufacturing industries, while this year a drop in the manufacturing industries accounted for about only half the decline.

Although employment in St. Louis has declined during the past two months, it is still at a very high level. About 3,000 more people were employed this February than a year ago, with all of the increase in nonmanufacturing industries. Employment was approximately 20,000 higher than at the peak of the war effort. In comparison with 1940, about 184,000 more persons were gainfully employed.

Manufacturing employment in St. Louis declined about 2,000 between January and February, according to preliminary figures. This drop was widely distributed over a number of industries and a number of companies. The basic and fabricated metals and electrical machinery industries had the largest declines, while the packing houses, breweries, and tobacco manufacturers experienced smaller seasonal declines. The only increase of any size occurred in the transportation equipment industry. Employment in the construction, trade, and public utilities industries also declined between January and February.

PRICES

WHOLESALE PRICES IN THE UNITED STATES						
Bureau of Labor Statistics (1926=100)		Feb., '49	Jan., '49	Feb., '48	Feb., '49 Jan., '49	Comp. with Feb., '48
All Commodities....		158.1	160.6	160.7	— 1.6%	— 1.6%
Farm Products..		168.3	172.5	185.3	— 2.4	— 9.2
Foods		161.5	165.8	172.4	— 2.6	— 6.3
Other		151.8	152.9	147.4	— 0.7	+ 3.0

RETAIL FOOD						
Bureau of Labor Statistics (1935-39=100)		Feb. 15, 1949	Jan. 15, 1949	Feb. 15, 1948	Feb. 15, '49 Jan. 15, '49	comp. with Feb. 15, '48
U. S. (51 cities).....	199.7		204.8	204.7	— 2.5%	— 2.4%
St. Louis	207.1		212.4	212.8	— 2.5	— 2.7
Little Rock	197.2		199.8	206.1	— 1.3	— 4.3
Louisville	189.2		193.9	198.0	— 2.4	— 4.4
Memphis	212.2		217.1	224.5	— 2.3	— 5.5

INDUSTRY

Industrial activity in the district in February held at about the same rate as in January, but aggregate output was somewhat lower largely because of the shorter month. The dollar value of contracts awarded for construction declined slightly and on-site activity was hampered by bad weather. Total production of the basic fuels, crude oil and bituminous coal was also lower, although daily output of the latter averaged higher than in January. In most lines manufacturing output for the month decreased slightly, but on a daily average basis a number operated at a higher level. Activity was at a slightly lower level than in February, 1948.

Electric power consumption by industries in the district's major manufacturing centers decreased nearly 7 per cent compared with January, but was 10 per cent above that in February last year. When adjusted for the shorter work month, however, February power consumption exceeded that of January. On a daily average basis, increases of 8 per cent in Louisville and of 7 per cent in both Little Rock and Evansville offset decreases of 5 per cent and 16 per cent, respectively, in Memphis and Pine Bluff. St. Louis consumption was maintained at about the same level as in January.

Manufacturing—Aggregate output of most manufacturers was somewhat lower in February than in January, mainly because of the shorter work month but partly because of lower production schedules in a few of the district's major industries.

Most operations, however, were scheduled at a higher rate than in January. Production, both total and daily average, was slightly lower in the manufacture of basic lumber, metals and metal products, and in meat packing, whereas there was little change in production of whiskey, stone, clay and glass products and chemicals. Daily average operations were scheduled at a higher rate in the automobile, brewing, electrical products, food products, iron and steel products, machinery, rubber, and transportation equipment industries.

Steel—Operations in the basic steel industry in the St. Louis area in February were scheduled at 80 per cent of capacity. This was somewhat higher than the January rate of 72 per cent and considerably above the 65 per cent of capacity of a year ago when several furnaces were down for repairs. In the first part of March announcement was made by one of the leading steel manufacturers in the area that prices of cold rolled sheet would be reduced \$10 per ton. This reduction cancelled a \$10 advance made last November and brought the local price to a competing level with steel produced in other cities and shipped to the St. Louis area. The reduction reflects reduced material costs, primarily scrap steel and pig iron as well as a desire to maintain a competitive position.

Pig iron production in the St. Louis area has continued at the 1,000 ton a day rate, although there were some cancellations by smaller foundries. Reports indicate, however, that a pick up is expected in April since in many lines inventories are at a minimum.

Lumber—Production of lumber in February declined somewhat from January and from a year ago. Exceptionally unfavorable weather conditions hampered logging operations and the lumber market continued to be slow, with some softening of prices. Unsold stocks of reporting southern pine mills at the end of January were double those of a year ago, and shipments were off about 13 per cent from January, 1948.

Average weekly production of southern pine operators in February dropped nearly 12 per cent as compared with January and was 8 per cent lower than a year ago. Southern hardwood producers operated at an average of 69 per cent of capacity in February, whereas in January operations were scheduled at 80 per cent and in February of last year at 78 per cent.

Whiskey—At the end of February 39 of Kentucky's 63 distilleries were in operation as com-

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. Custom- in thous.)	No. of Customers*	Feb., 1949	Jan., 1949	Feb., 1948	Feb., 1949 Compared with	Feb., 1948
		K.W.H.	K.W.H.	K.W.H.	Jan., '49	Feb., '48
Evansville	40	8,128	8,392 R	8,048	— 3.1%	+ 1.0%
Little Rock	35	4,768	4,927	4,368	— 3.2	+ 9.2
Louisville	80	69,432	70,832 R	61,418	— 2.0	+13.0
Memphis	31	5,729	6,698	5,190	—14.5	+10.4
Pine Bluff	26	4,669	6,150	4,677	—24.1	— 0.2
St. Louis.....	139	75,683	83,738 R	69,010	— 9.6	+ 9.7
Totals	351	168,409	180,737 R	152,711	— 6.8%	+10.3%

*Selected industrial customers.

R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS First Nine Days

Feb., '49	Jan., '49	Feb., '48	Mar., '49	Mar., '48	2 mos. '49	2 mos. '48
102,274	108,055	116,736	33,216	37,356	210,329	237,459

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Feb., 1949	Jan., 1949	Feb., 1948	Feb., 1949 compared with	Feb., 1948
				Jan., 1949	Feb., 1948
Arkansas	82.8	83.3	87.3	— 1%	— 5%
Illinois	176.8	179.7	174.1	— 2	+ 2
Indiana	22.8	24.2	18.2	— 6	+25
Kentucky	23.6	23.9	26.0	— 1	— 9
Total	306.0	311.1	305.6	— 2%	— 0 - %

pared with 41 at the end of January. A year ago there were 45 in operation. Most distilleries continue to produce at a fairly steady rate, reflecting cheaper grain prices and fairly well maintained demand. Retail prices have remained firm despite increased inventories.

Whiskey production in Kentucky in January totaled 8.3 million tax gallons, slightly less than the 9.1 million tax gallons produced in December but substantially larger than the 2.6 million gallon output of a year ago when distilleries were voluntarily under grain allocation.

Meat Packing—Meat packing operations in the St. Louis area in February were about one-fifth below the January level and off 11 per cent from February, 1948. It was the eighth consecutive month in which slaughter fell below the level of a year ago. Nationally, February slaughter was 2 per cent higher than a year ago.

In February there were 357,000 animals slaughtered under Federal inspection in the St. Louis area. This compares with 448,000 killings in January and 400,000 slaughtered in February a year ago.

Shoes—According to preliminary estimates, shoe production in the Eighth District in January continued below levels of a year earlier, and was about 4 per cent below December output. Production was estimated at 7.8 million pairs as compared with 8.1 million pairs in the previous month and 8.7 million pairs in January, 1948. The January, 1949 output, however, was higher than in any January on record except 1947 and 1948.

Petroleum and Coal—Daily average production of crude oil in the district in February declined 2 per cent as compared with the previous month but was the same as a year ago. District wells produced an average of 306,000 barrels per day in February, whereas the January average was 311,000 barrels. Output declined in all the producing states, ranging from 1 per cent in Arkansas and Kentucky, to 6 per cent in Indiana. Although production was the same as in February, 1948, there was considerable variation among areas. Output in Arkansas and Kentucky declined 5 per cent and 9 per cent, respectively, while in Illinois production was up 2 per cent and Indiana's wells produced 25 per cent more oil.

Aggregate tonnage of coal mined in the district in February declined 4 per cent from January and was off 9 per cent from February, 1948 output. On a daily average basis, production was 7 per cent higher than in January. Production for the month was estimated at 9.6 million tons.

The strike calling U.M.W. miners out of the mines east of the Mississippi followed closely on the heels of an announcement by one of the largest commercial coal producers that the price of certain grades of West Virginia coal would be reduced slightly, reflecting the softening market. Stocks of coal at the middle of March were estimated at nearly 70 million tons, a postwar high.

Construction—Construction contracts awarded in the district in February declined 4 per cent below the January level. The decrease was entirely in nonresidential work; residential contract volume was up considerably. On a year-to-year basis total contracts were off about one-third with nonresidential showing a greater decline than the residential. The dollar value in February was \$30.4 million compared with \$31.7 million in January and \$43.3 million a year ago. This February total was larger than any previous February total since 1928 except for 1942 and 1948.

Residential awards in February totaled \$11.7 million, which was an increase of 42 per cent over January and 27 per cent over a year ago. Contracts for nonresidential construction were valued at \$18.7 million, appreciably less than the \$23.4 million total of the previous month and the \$34 million of February, 1948.

TRADE

In keeping with the usual seasonal trend, daily average sales at Eighth District department stores in February were higher than in January. On a seasonally adjusted basis the February index was 310 per cent of 1935-39 as compared with 290 in January. Volume also was slightly higher than in February, 1948 when the adjusted index was 307. With the exception of January this year and last, adjusted indexes of sales in this district have run above 300 in each month since June, 1947.

Differences in sales performance among the various district cities seem to be becoming more pronounced. For example, substantial sales gains over a year earlier were reported in Little Rock, Fort Smith, and Memphis in February, while sales de-

CONSTRUCTION

(Cost in thousands)	BUILDING PERMITS							
	Month of February							
	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1949	1948	1949	1948	1949	1948	1949	1948
Evansville	12	24	\$ 144	\$ 91	57	42	\$ 30	\$ 41
Little Rock.....	59	80	1,038	1,498	147	110	81	116
Louisville	162	45	733	238	57	38	63	68
Memphis	507	657	1,285	1,543	134	88	78	75
St. Louis.....	153	145	1,273	1,002	168	162	1,038	226
Feb. Totals..	893	951	\$4,473	\$4,372	563	440	\$1,290	\$ 526
Jan. Totals..	707	1,008	\$2,723	\$5,087	445	442	\$ 640	\$ 572

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover
	Feb., 1949 compared with Jan., '49	2 mos. '49 Feb., '48	to same period '48	Feb. 28, '49 comp. with Feb. 29, '48	Jan. 1, to Feb. 28, 1949
Ft. Smith, Ark.....	+ 9%	+ 7%	+ 1%	-10%	.57
Little Rock, Ark.....	+31	+20	+ 9	- 4	.61
Quincy, Ill.	+ 9	- 8	-11	+ 4	.41
Evansville, Ind.	+ 1	-11	-10	- 9	.45
Louisville, Ky.	+ 5	- 3	- 3	+ 4	.59
St. Louis Area ¹	+ 2	- 1	- 5	- 7	.57
St. Louis, Mo.....	+ 1	- 1	- 5	- 6	.57
E. St. Louis, Ill....	+ 7	- 6	-11
Springfield, Mo.	+16	-12	-21	-19	.38
Memphis, Tenn.	+ 4	+ 7	+ 8	-10	.62
*All other cities.....	+10	+ 7	+ 1	- 3	.39
8th F. R. District.....	+ 5	+ 1	- 2	- 6	.56

* El Dorado, Fayetteville, Pine Bluff, Ark.; Harrisburg, Mt. Vernon, Ill.; New Albany, Vincennes, Ind.; Danville, Hopkinsville, Mayfield, Paducah, Ky.; Chillicothe, Mo.; Greenville, Miss.; and Jackson, Tenn.
¹ Includes St. Louis, Mo., Alton, Belleville, and East St. Louis, Ill.
 Outstanding orders of reporting stores at the end of February, 1949, were 35 per cent less than on the corresponding date a year ago.
 Percentage of accounts and notes receivable outstanding February 1, 1949, collected during February, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith.....%		47%	Quincy	23%	55%
Little Rock.... 21		48	St. Louis 22		51
Louisville 24		48	Other cities... 16		54
Memphis 24		41	8th F. R. Dist. 22		48

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

	Feb., 1949	Jan., 1949	Dec., 1948	Feb., 1948
Sales (daily average), Unadjusted ²	261	238	517	258
Sales (daily average), Seasonally adjusted ²	310	290	338	307
Stocks, Unadjusted ³	282	260	276	298
Stocks, Seasonally adjusted ³	313	303	329	331

² Daily Average 1935-39=100.
³ End of Month Average 1935-39=100.

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover
	Feb., 1949 compared with Jan., '49	2 mos. '49 Feb., '48	to same period 1948	Feb. 28, '49 comp. with Feb. 29, 1948	Jan. 1, to February 28, 1949
Men's Furnishings+15%	+37%	+18%	+ 8%	.45	.42
Boots and Shoes.... 2	+ 4	+ 1	- 0 -	.55	.56

Percentage of accounts and notes receivable outstanding February 1, 1949, collected during February:

Men's Furnishings.....	55%	Boots and Shoes.....	45%
Trading days: February, 1949—24; January, 1949—25; February, 1948—24.			

RETAIL FURNITURE STORES **

	Net Sales		Inventories		Ratio of Collections	
	Feb., 1949 compared with		Feb., 1949 compared with		Feb., '49 Feb., '48	
	Jan., '49	Feb., '48	Jan., '49	Feb., '48	Feb., '49	Feb., '48
St. Louis Area ¹	+24%	— 4%	+ 2%	+ 5%	40%	46%
St. Louis	+28	+ 1	+ 2	+ 5	45	50
Louisville Area ²	+40	+ 5	— 1	+ 8	17	16
Memphis	+48	+44	— 2	—31	17	18
Little Rock	+ 6	+23	+ 1	- 0 -	20	22
Fort Smith	— 1	+19	*	*	*	*
8th Dist. Total ³	+19	+ 5	+ 2	— 1	26	30

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

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

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

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

** 41 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Feb., '49	Jan., '49	Feb., '48
Cash Sales	22%	25%	24%
Credit Sales	78	75	76
Total Sales	100%	100%	100%

clines were registered in a number of other centers from which reports are received.

Three factors have contributed to sales performance in recent weeks—two acting to reduce volume relative to a year earlier and one to increase it. The continued cold and wet weather tended to hold down shopping and the much later date of Easter this year has delayed the normal seasonal upswing in sales. On the other hand, merchandising and sales promotion activity this year has been much heavier than in 1948. The net result has been to hold volume about the same as last year — through March 19 sales this year were just 3 per cent less than in the same period of 1948.

As has been noted previously in this Review, basement divisions of department stores—where less expensive goods are sold—have been registering general gains, while comparable main store divisions have been just holding their own or showing some declines. For example, in St. Louis during February, sales in basement divisions averaged 3 per cent above year-ago levels, while in the main store there was a decline of 3 per cent. These differences show up most clearly in connection with sales of women's clothing. In basement divisions, sales of women's wear in February were 11 per cent above last year, while the main store division was off 2 per cent. Sales of dresses, coats, etc., in basement sections were substantially greater than in February, 1948. A similar situation prevailed with respect to shoes sales—up 4 per cent in the basement sections, down 8 per cent in main store divisions.

Among other merchandise classes, February clearances in housefurnishings resulted in a 10 per cent gain in sales over a year ago in furniture and bedding. Major appliance sales continued to lag behind last year—down one-third in dollar volume. Radio and television sales were up sharply with all the gain accounted for by sales of television sets.

In terms of value, inventories at reporting stores on February 28 were 5 per cent over those on

WHOLESALE

Line of Commodities	Net Sales		Stocks
	Feb., 1949 compared with Jan., 1949	Feb., 1948	Feb. 28, 1949 compared with Feb. 29, 1948
Data furnished by Bureau of Census, U. S. Dept. of Commerce*			
Drugs and Chemicals.....	- 6%	+ 2%
Dry Goods	+17	-15	+ 1%
Groceries	- 3	- 2	+ 2
Hardware	+ 1	-10	+19
Tobacco and its Products....	+ 1	- 1	+20
Miscellaneous	+ 2	- 4	+15
**Total All Lines.....	+ 3%	- 7%	+10%
*Preliminary.			
**Includes certain items not listed above.			

January 31 and 6 per cent less than on February 29, 1948.

Because supplies are more plentiful this year than last and, in addition, the Easter season is later, February outstanding orders were down 35 per cent as compared with a year ago. Retailers are demanding tighter delivery schedules in all lines, particularly those which are seasonal.

BANKING

Between February 16 and March 16 little change from previous trends appeared in the major asset and liability items of the district's weekly reporting member banks. Demand deposits fell slightly; so did loans and investments. Time deposits on the other hand continued their revived growth.

Demand deposits (adjusted) dropped \$23 million in the four-week period as compared with \$15 million in the corresponding four weeks of 1948. For the first eleven weeks of 1949, however, these deposits have averaged \$43 million above last year's level. Gross demand deposits, including Government and interbank, dropped \$49 million in the four weeks. The following table shows the changes in the four major groups of demand deposits at weekly reporting member banks in this district, mid-February to mid-March, 1948 and 1949.

CHANGE IN DEPOSITS WEEKLY REPORTING MEMBER BANKS (In millions of dollars)

Type of Demand Deposit	February 18 to March 17, 1948	February 16 to March 16, 1949
Due U. S. Government.....	+13.4	+ 1.8
Due Individuals, Partnerships, and Cor- porations	- 2.3	- 3.4
Due Banks	-10.6	-40.8
Due Others	- 2.1	- 6.8
Total	- 1.6	-49.2

Time deposits at the weekly reporting banks grew \$5 million in the period from February 16 to March 16. Last year over a comparable period they showed no appreciable change. The increase in time deposits since the first of the year has been \$10 million, a distinct change from the sideward movement evident in most of 1948.

The \$25 million decline in total loans at the district's weekly reporting member banks in the four weeks ending mid-March, 1949 reflected a \$22 million drop in business loans and a \$4 million decrease in other loans, offset partly by an increase in security loans and loans to banks. Real estate loans remained unchanged. The change in loans from mid-February to mid-March in each year of the postwar period has become steadily greater, which reflects apparently a return to a more normal seasonal pattern. Thus, in 1946 business loans grew \$1 million, in 1947 they declined \$5 million, in 1948,

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

	March 16, 1949	Feb. 16, 1949	March 17, 1948
(In thousands of dollars)			
Industrial advances under Sec. 13b.....	\$ —	\$ —	\$ — 580
Other advances and rediscounts.....	11,672	+ 2,435	+ 3,146
U. S. Securities	1,161,897	- 43,411	+ 37,046
Total earning assets.....	\$1,173,569	\$— 40,976	\$+ 40,192
Total reserves	\$ 706,350	\$— 44,205	\$+ 48,521
Total deposits	770,357	- 76,733	+ 84,808
F. R. notes in circulation.....	1,104,244	- 6,139	+ 5,078
Industrial commitments under Sec. 13b..\$	\$ —	\$ —	\$— 580

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

34 banks reporting.

	Mar. 16,'49	Feb. 16,'49	Mar. 17,'48
Assets			
Gross commercial, industrial, and agri- cultural loans and open market paper	\$ 588,669	\$— 22,467	*
Gross loans to brokers and dealers in securities	6,546	+ 995	*
Gross loans to others to purchase and carry securities.....	21,563	- 49	*
Gross real estate loans.....	160,967	- 87	*
Gross loans to banks.....	1,350	+ 105	*
Gross other loans (largely consumer credit loans)	209,922	- 3,527	*
Total	989,017	- 25,030	*
Less reserve for losses.....	9,607	+ 359	*
Net total loans.....	\$ 979,410	\$— 25,389	\$+ 29,972
Treasury bills	38,027	- 17,041	- 21,379
Certificates of indebtedness.....	200,071	- 1,162	+ 95,690
Treasury notes	51,532	- 3,477	- 34,692
U. S. bonds and guaranteed obliga- tions	693,356	+ 3,313	- 39,035
Other securities	129,418	- 5,413	- 17,591
Total investments	\$1,112,404	\$— 23,780	\$— 17,007
Cash assets	838,591	+ 10,405	+ 87,438
Other assets	25,063	+ 1,017	+ 985
Total assets	\$2,955,468	\$— 37,747	\$+101,388
Liabilities			
Demand deposits of individuals, part- nerships, and corporations.....	\$1,459,769	\$— 3,412	\$+ 49,653
Interbank deposits	610,586	- 40,861	- 3,880
U. S. Government deposits.....	69,926	+ 1,850	+ 32,473
Other deposits	136,730	- 6,789	+ 8,319
Total demand deposits.....	\$2,277,011	\$— 49,212	\$+ 86,565
Time deposits	480,096	+ 4,915	+ 6,182
Borrowings	7,000	+ 6,000	+ 3,750
Other liabilities	15,566	- 262	- 644
Total capital accounts.....	175,795	+ 812	+ 5,535
Total liabilities and capital accounts.....	\$2,955,468	\$— 37,747	\$+101,388
Demand deposits, adjusted**.....	\$1,364,602	\$— 22,922	\$+ 49,921

*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)	Feb., 1949	Jan., 1949	Feb., 1948	Feb.,'49 comp. with Jan., '49	Feb.,'48
El Dorado, Ark.....	\$ 18,651	\$ 22,844	\$ 17,619	-18%	+ 6%
Fort Smith, Ark.....	32,258	39,239	31,167	-18	+ 4
Helena, Ark.	7,159	10,309	6,545	-31	+ 9
Little Rock, Ark....	105,849	121,551	98,420	-13	+ 8
Pine Bluff, Ark.....	24,068	29,546	18,546	-19	+ 30
Texarkana, Ark.*..	8,721	10,511	7,863	-17	+ 11
Alton, Ill.	21,371	23,530	20,008	- 9	+ 7
E.St.L.-Nat.S.Y.,Ill.	93,431	105,194	92,620	-11	+ 1
Quincy, Ill.	24,932	27,855	26,444	-10	- 6
Evansville, Ind.	91,133	113,316	90,413	-20	+ 1
Louisville, Ky.	477,813	474,295	441,851	+ 1	+ 8
Owensboro, Ky.	29,302	31,659	25,928	- 7	+ 13
Paducah, Ky.	12,854	14,163	12,946	- 9	- 1
Greenville, Miss....	20,108	24,818	15,643	-19	+ 29
Cape Girardeau, Mo.	9,506	12,807	9,254	-26	+ 3
Hannibal, Mo.....	6,276	7,215	6,167	-13	+ 2
Jefferson City, Mo.	40,021	78,141	44,565	-49	+ 10
St. Louis, Mo.....	1,299,750	1,501,013	1,273,459	-13	+ 2
Sedalia, Mo.	8,568	9,094	8,621	- 6	- 1
Springfield, Mo.....	44,488	50,973	46,482	-13	- 4
Jackson, Tenn.....	15,320	17,856	14,410	-14	+ 6
Memphis, Tenn.....	464,858	556,460	440,062	-16	+ 6
Totals	\$2,856,437	\$3,282,389	\$2,749,033	-13%	+ 4%

*These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to \$21,023.

\$16 million, and this year \$22 million in the period from mid-February to mid-March.

AGRICULTURE

Prices for agricultural products have continued downward. Since last July, farmers have been receiving for their goods an average of 2 per cent less every month. By February 15 prices had dropped to 16 per cent below the January, 1948 postwar peak. On February 15 the index of prices received by farmers was 258 per cent of the 1910-14 base, down 10 points in the month. This was the lowest level of any month since the decontrol of farm product prices.

While the farmer was paid 4 per cent less for his goods at mid-February than a month earlier, his costs were down only 1 per cent. As a result, the parity ratio (112 in February, 1948) fell from 108 in January to 105 in February, the lowest since July, 1942.

At mid-February prices of most farm products were well below a year earlier. Only prices of eggs and poultry were the same. Every other product yielded a smaller return. Meat animals sold at 25 per cent below the July, 1948 peak. Dairy products were 14 per cent lower than a year earlier. The farm price of corn dropped to \$1.12 per bushel (32 cents lower than the basic loan rate), while feed grains reached 7 per cent lower than in January, 34 per cent lower than a year earlier. Although by mid-March most agricultural products had recovered some of the February losses, prices were still below January levels.

Cash farm income for 1948 was lower than for 1947 in three district states despite record production of some crops. Farm income in Illinois, Indiana and Kentucky declined 3 per cent, 1 per cent, and 1 per cent, respectively. Increases in the other four states ranged from 15 per cent in Arkansas to 10 per cent in Mississippi and Missouri and 5 per

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Jan., '49 comp. with			12 mo. total Jan. to Dec.		
	Jan., 1949	Dec., 1948	Jan., 1948	1948	1947 comp. with 1946	1946
Arkansas	\$ 49,783	-35.9%	+ 95.6%	\$ 576,819	+15%	+32%
Illinois	159,692	- 2.4	- 7.9	1,835,897	- 3	+27
Indiana	69,841	-19.2	-14.4	1,051,393	- 1	+24
Kentucky	98,493	-31.7	+17.6	577,930	- 1	+32
Mississippi	69,499	+ 0.6	+185.2	547,952	+10	+81
Missouri	82,599	-26.6	- 1.9	1,196,733	+10	+38
Tennessee	46,299	-33.0	- 6.2	502,959	+ 5	+26
Totals	\$576,206	-20.3%	+10.3%	\$6,289,683	+ 3%	+33%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Feb., 1949	Feb., '49 comp. with Jan., '49	Feb., '48	Feb., 1949	Feb., '49 comp. with Jan., '49	Feb., '48
Cattle & calves	79,184	- 7.0%	+ 9.3%	27,638	+14.5%	+42.7%
Hogs	220,295	-14.4	+ 7.0	66,708	-10.7	+21.5
Sheep	26,835	-35.1	- 8.1	3,919	-35.6	+69.4
Horses	1,758	+86.6	+13.0	1,758	+86.6	+13.0
Totals	328,072	-14.7%	+ 6.2%	100,023	- 5.5%	+28.0%

cent in Tennessee. Farm income in the first two months of 1949 apparently exceeded that of 1948 by 4 per cent. The volume of farm marketings exceeded that of 1948 by a substantial margin to more than offset the decline in farm prices.

Weather conditions the country over, up to March 1, indicated average to better than average crop conditions. The season was well advanced east of the Mississippi but somewhat retarded in the West. Moisture conditions were favorable over most of the country and relatively little damage from freezing was reported by March 1. However, sharp freezes and thaws during March frequently caused considerable damage to winter-sown crops. The next crop estimate will be made as of April 1 and the report will be released about mid-April.

Farm employment increased seasonally in the latter part of February. However, the total employment of 8.4 million was 3 per cent less than a year earlier. Farm wages were nearly 4 per cent higher in January, 1949 than a year earlier, despite the 14 per cent decline in farm prices.

