



# Monthly Review

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## Drifting Dollars

At the end of January, 1950, demand deposits of individuals, partnerships and corporations\* at all Eighth District banks totaled \$4.2 billion, or virtually the same as a year earlier. But while the district total remained unchanged, the year produced changes in demand deposit volume held in the different regions of the district and held by different types of owners. In general, banks in the district's metropolitan centers gained funds and those in rural areas lost funds. Holdings of nonfinancial businesses and of farmers declined, while those of financial businesses and of individuals (other than farmers) increased.

In broad outline, these are the principal findings of the most recent survey of demand deposit ownership, conducted by the Federal Reserve Bank of St. Louis with the cooperation of some 200 commercial banks in the Eighth Federal Reserve District.

### FACTORS IN DEPOSIT CHANGES

Previous articles on deposit changes, in geographic location and in ownership, have noted that the *total* amount of bank deposits in the United States changes mainly in response to changes in (1) bank loans and investments, (2) the amount of monetary gold or silver, and (3) the amount of currency outstanding.

But without any change in the total amount of deposits in the nation, there can be shifts of funds from one location to another or from one owner to another. Or, if the national total varies, different regions or owners can experience greater or smaller variation than that occurring nationally.

\*Unless otherwise noted, "demand deposits" or "private demand deposits" will be used throughout this article to denote "demand deposits of individuals, partnerships and corporations" (reported in line 13 of Call Report).

There are two principal factors behind these geographic or ownership shifts. First, and probably more important, is the income-expenditure pattern in the different regions or different owner classes. Second, is the preference of individuals and businesses for particular forms in which they hold their liquid assets.

The first factor—income-expenditure pattern—influences deposit holdings in a region, or by a certain type of owner, as follows. Over a period of time, the people of a particular region receive a certain amount of income, which is available for taxes, for spending, and for saving. If tax payments and expenditures are less than income, the balance goes into savings and a part of these savings is held in the form of liquid assets. If taxes plus expenditures exceed income, some previously acquired liquid assets may be used to make up the difference.

Liquid assets are usually defined as currency, bank deposits, and U. S. Government securities. It is possible, of course, to have income exceed expenditures plus taxes and have no change occur in liquid assets—in other words, to have all savings flow into other uses than building up liquid assets. Or, it is possible to have an increase in liquid assets and to have no change in deposits—the addition could be in currency or Government securities.

Ordinarily, however, if there is a difference between income and expenditures (including taxes), there will be a change in liquid assets and a change in that portion of liquid assets that are bank deposits. And since demand deposits of individuals, partnerships and corporations constitute a substantial and a volatile portion of total bank deposits, changes in the income-expenditure pattern tend to be reflected

in somewhat similar changes in such deposits. The variation in private demand deposits will not parallel fully the variation in income relative to expenditure, but the correlation ordinarily will be fairly good.

One additional point should be noted in considering geographic and ownership changes in demand deposit levels. There are seasonal factors that influence deposit levels both geographically and by type of owner—in other words, the flow of income and expenditure varies over the course of a year among different regions and among different types of owners of funds. For example, in the Eighth District,

where agricultural income constitutes a much more important part of total income than it does in the entire nation, the flow of income to farmers has a pronounced seasonal movement and is much heavier in the periods when the big cash crops such as cotton, tobacco and livestock are marketed. Farmers' expenditures also have some seasonal characteristics, although probably not as pronounced as income. As another example, crop harvests in the South usually come earlier in the year than those in the North. This seasonality also extends to other lines of business.

## Deposit Ownership Surveys

**HISTORY AND DESCRIPTION OF THE SURVEYS**—The Federal Reserve System began this series of surveys of demand deposit ownership in 1943. A number of member and some nonmember banks participate in the surveys on a voluntary basis. Nearly all large banks and enough smaller banks participate to provide a satisfactory sample of ownership of all private demand deposits. The result, districtwise and nationally, is a breakdown of individual, partnership and corporation demand deposits—comprising 80 per cent of all demand deposits—into five broad categories: Those owned by domestic business, by individuals, by nonprofit institutions, by foreigners, and the trust funds of banks. The first two of these are still further subdivided. Personal accounts are separated into deposits of farmers and others, and the business deposits group is divided into six classifications plus the indication as to whether or not the owner is a corporation.

**REASON FOR THE SURVEYS**—Deposits are classified in call reports—and for many of the larger banks, in weekly reports—in two ways: by type of owner—Government (United States and state and local), bank, or individual, partnership and corporation—and by availability—demand and time. However, no information is provided about the make-up of the major item—demand deposits of individuals, partnerships and corporations. The deposit ownership surveys attempt to fill this gap, at least partially, and to measure the changes in ownership from year to year. This information may be used along with other known and measured economic facts to make more precise judgments as to future deposit movements.

**USE OF SURVEY RESULTS**—Obviously, information on private demand deposit ownership is most useful when it is combined with other data relative to banking. But, by itself, the data are some real use. From the basic information obtained it is possible to measure the dollar and per cent change in the volume of deposits owned by each of the 11 groups for the period covered, to measure the same type of changes in deposits as between corporate and noncorporate business in each of the six business classifications, and finally to compare the changes for any classification or group with changes for preceding periods of time back to 1944 and in some cases to 1941.

Deposit survey facts, recording the cash balance positions of the 11 groups of owners, may be used to confirm and make more exact tentative conclusions drawn from other data. For example, from January, 1948 to January, 1949 deposits of unincorporated firms declined more rapidly than deposits of corporations, not only in the aggregate but also for nearly every category of business. This evi-

dence tended to set forth more exactly what had been developed independently from other data, viz., that the small enterprise had been appreciably affected by the business readjustment. As another example: the drop in net farm income in 1949, coupled with continuing commitments to pay on machinery and land purchased, suggested that demand deposits held by farmers were being reduced. The 1950 deposit survey affirms this, and, further, provides a more precise measurement of the reduction. It is useful to know that in a free market supply will be "greater than last year", but it is still more useful to know that supply will be "10 per cent, or 20 per cent, or 30 per cent greater than last year". So with the deposits of farmers—measurement of the change provides anyone who uses the data in any connection with a sharper tool—and every business, every banker, and every prudent individual weighs present evidence in order to come to some conclusion as to future events.

Also, the surveys enable those interested to explain better any shifts in deposits from region to region.

The Board of Governors of the Federal Reserve System, each of the Federal Reserve Banks, many banks and business research organizations, and students—high school and college level—use the information developed in the surveys. The survey data are being found useful by an increasing number of banks as a market research tool, gauging the volume of deposits in any one of the 11 categories in the individual bank against the volume available to other banks in similar economic situations and with similar over-all deposit volumes. Further, because the rate of turnover tends to differ among the deposits of various types of holders, banks have found survey data useful in measuring their probable gain or loss of deposits and, therefore, they have found it valuable in formulating their investment programs.

The question of getting information on a particular subject usually comes down to consideration of getting all of the detail that would be useful regardless of effort and cost, and getting the optimum detail consonant with reasonable effort and cost. The surveys represent compromise between further detail as to ownership than is now provided and the effort and cost of providing even more detailed data. The 11 principal classifications were developed because the economic factors affecting changes in any one of these categories tend to be different from the factors affecting another category. As noted, information provided by the surveys on deposit ownership will not provide all of the answers to all of the questions in banking, but it throws more light on an important area.

**TABLE I**  
**DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS**  
**ALL BANKS IN EIGHTH FEDERAL RESERVE DISTRICT BY AREAS**

Dollar Amounts (in millions)	Dec. 31, 1941	Dec. 31, 1945	Dec. 31, 1948	Dec. 31, 1949	Indexes 1941=100		
					1945	1948	1949
I St. Louis.....	\$ 558.2	\$ 891.2	\$1,138.3	\$1,181.4	160	204	212
II Louisville.....	137.4	271.0	323.9	311.6	197	236	227
III Memphis.....	89.4	194.0	258.8	264.8	217	289	296
IV Little Rock.....	30.5	74.6	84.8	88.0	245	278	289
V Evansville.....	29.9	75.6	91.6	92.3	253	306	309
<b>Total—Metropolitan Areas.....</b>	<b>\$ 845.4</b>	<b>\$1,506.4</b>	<b>\$1,897.4</b>	<b>\$1,938.1</b>	<b>178</b>	<b>224</b>	<b>229</b>
VI St. Louis Outlying.....	\$ 124.5	\$ 371.5	\$ 434.2	\$ 424.8	298	349	341
VII Louisville Outlying.....	36.6	106.0	121.7	113.4	290	333	310
VIII North Missouri.....	92.6	291.0	324.5	319.5	314	350	345
IX Ozark.....	58.3	225.3	227.1	223.0	386	390	383
X South Arkansas.....	67.5	224.6	247.0	233.3	333	366	346
XI Delta.....	132.5	344.2	440.5	415.2	260	332	313
XII East Mississippi-Tennessee.....	37.9	150.8	157.6	140.9	398	416	372
XIII Kentucky-Indiana.....	118.0	427.5	476.7	454.2	362	404	385
<b>Total—Rural Areas.....</b>	<b>\$ 667.9</b>	<b>\$2,140.9</b>	<b>\$2,429.3</b>	<b>\$2,324.3</b>	<b>321</b>	<b>364</b>	<b>348</b>
<b>Total—District.....</b>	<b>\$1,513.3</b>	<b>\$3,647.3</b>	<b>\$4,326.7</b>	<b>\$4,262.4</b>	<b>241</b>	<b>286</b>	<b>282</b>

If the timing and extent of the seasonal movement were just the same each year, it would be possible to compare demand deposit levels in any one region on a certain date with the same date a year earlier and get a close measurement as to whether the region was tending to gain or lose funds in that period. Actually the timing is not that exact; the cotton harvest, for example, may be a little earlier or a little later than usual in any given year. And also the crop may be larger or smaller than usual.

This may be illustrated by demand deposit behavior in the Eighth District in the past three years. Private demand deposits at the end of January were lower than a month earlier in 1948, 1949 and 1950, but the apparent seasonal drop varied being \$180 million, \$135 million and \$78 million, respectively. Because of this variation, comparing demand deposits on January 31 in each year shows the 1950 level above that of 1948 and only \$7 million below 1949. Using December 31 totals shows demand deposits at the end of 1949 below those at the end of 1948, which in turn were lower than at the close of 1947.

Against the background noted above, the most likely conclusion to be drawn about district demand deposit changes over the past year is that the district as a whole lost a small amount of such deposits but probably the decline was less than 1 per cent. This fractional loss reflects in the main the weakness in farm prices and the greater-than-national-average decline in farm production in 1949.

The demand deposit decline, slight as it was, probably overstates the decline in total liquid asset holdings in the Eighth District. Despite lower farm income, total Eighth District income in 1949 apparently came within 1 per cent of the 1948 amount, and income after taxes was about the same in both

years. Currency holdings evidently dropped a little and U.S. Government security holdings (outside banks) went up a little—in both cases, the district change was in line with the national change.

Time deposits at district member banks, however, rose about 2 per cent in 1949, in contrast to no change in such deposits nationally. Increased interest rates paid on time balances in some areas of the district presumably has led to some shift in funds from a demand to a time basis.

#### REGIONAL DEPOSIT SHIFTS

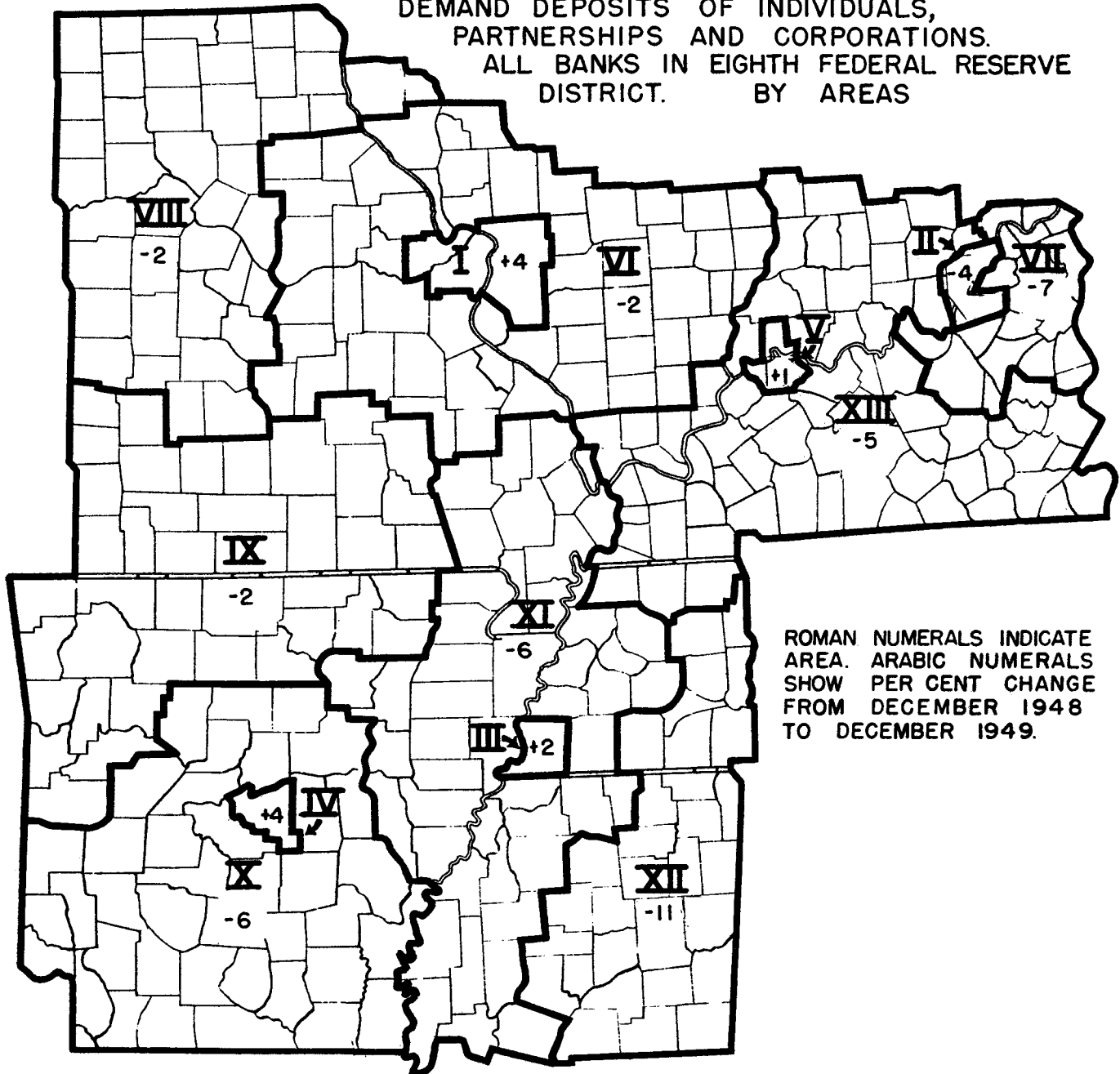
While the district as a whole at the end of 1949 showed little change in demand deposits relative to a year earlier, there were shifts in funds among the various areas of the district. The map and Table I give data showing the extent of such changes among thirteen district areas. The dates shown in Table I correspond roughly to the beginning of active participation in World War II for the United States (December, 1941); the deposit peak just after the close of the war (December, 1945) and the two most recent year-end dates. Taken together, the map and table point up the fact that the metropolitan areas gained demand deposits in 1949 while the rural areas lost funds—reflecting the developments in farm income noted earlier.

Another way of emphasizing this is to show deposit changes by size of bank. Table II groups the district's 1500 commercial banks into four size classes—size being determined by the amount of private demand deposits held in December, 1945.

Of the 1386 banks with less than \$5 million in demand deposits, 1281 are located in the rural areas. Deposits at banks in these areas were off 4 per cent from their level at the close of 1948 and each area showed some loss.

# DEPOSIT MOVEMENTS IN 1949

DEMAND DEPOSITS OF INDIVIDUALS,  
PARTNERSHIPS AND CORPORATIONS.  
ALL BANKS IN EIGHTH FEDERAL RESERVE  
DISTRICT. BY AREAS



ROMAN NUMERALS INDICATE  
AREA. ARABIC NUMERALS  
SHOW PER CENT CHANGE  
FROM DECEMBER 1948  
TO DECEMBER 1949.

TABLE II  
EIGHTH DISTRICT DEMAND DEPOSITS  
By Size of Bank\*

(Dollar amounts in millions)	Dec. 31, 1949	Dec. 31, 1948	Dollar Change	Percent Change
Under \$1 million.....(652 banks)	\$ 407.1	\$ 435.5	\$-28.4	-6.5%
\$1-\$5 million.....(734 banks)	1,694.6	1,765.3	-70.7	-4.0
\$5-\$10 million.....( 56 banks)	495.9	499.2	- 3.3	-0.7
\$10 million and over..( 37 banks)	1,664.8	1,626.7	+38.1	+2.3
<b>Total District</b>	<b>\$4,262.4</b>	<b>\$4,326.7</b>	<b>\$-64.3</b>	<b>-1.5</b>

\*Size of the reporting bank as of December, 1945 is used in grouping the banks according to volume of deposits in order to improve the comparisons of one year to the other, despite the fact that some shifting into different groups has taken place.

The number of banks will vary slightly from the customary count of bank facilities because branch offices and the Arkansas exchange offices are included in the deposit survey tabulations.

Rural banks received the lion's share of the demand deposit growth in the war period. In the first two postwar years, they received diminishing shares of the expansion in such deposits and, in the last two years, suffered losses in demand deposit volume. In the rural areas, the percentage declines in 1949 were greater than in 1948 when the decreases ranged from 2 to 4 per cent. The area of greatest loss in 1949, Area XII, showed an 11 percent decline for the year.

Some of the variations in the loss of demand deposits by the banks in the eight rural areas can be explained, in part, by the different types of agriculture practiced in each and by the variation in relative importance of farm income and labor income to total income among the eight areas.

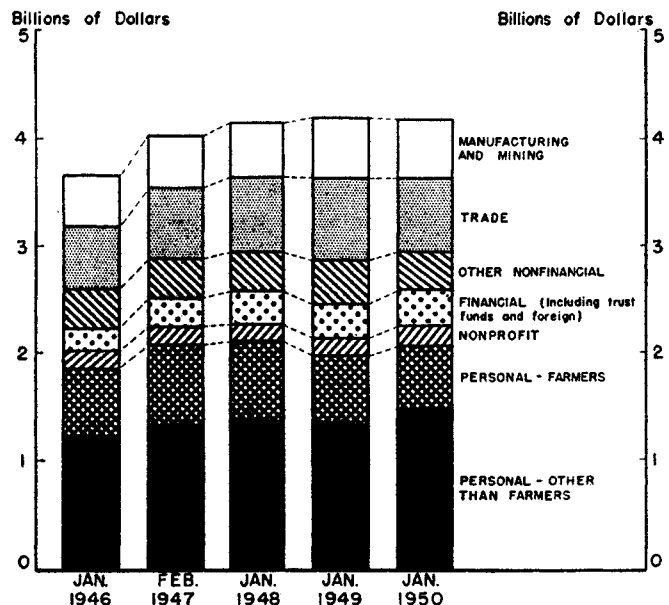
The Delta region, heavily dependent upon cotton production, showed a 6 percent loss in demand deposits for the year 1949 as did the South Arkansas area. A 5 percent decline in area XIII (amounting to slightly over \$22 million in deposits) was occasioned primarily by losses at the smaller banks in western Kentucky. The small banks in Indiana lost some demand deposits but generally fared better than those in western Kentucky. The shrinkage in demand deposits in area VII was likewise attributable to losses at banks under \$5 million in deposit size. The banks in the St. Louis Outlying region and the Ozark region reported relatively less decline than the other rural areas, reflecting less dependence upon one crop and probably somewhat greater diversification of industry. Northwest Missouri fared the best of all the rural areas, being off less than 2 per cent. Agricultural income in these counties, emphasizing livestock rather than crop production, suffered less than in the Delta region.

In contrast with the loss of demand deposits in these rural areas, the metropolitan areas (I through V) gained 2 per cent during the year. The growth in deposits at the banks in the metropolitan areas—for the most part, the larger banks—reflects the steadiness of noncorporate business incomes and wage and salary incomes in 1949 in comparison with these incomes in 1948. For the country as a whole, despite the recession in the first half of 1949, total wages and salaries paid in the year remained virtually unchanged from 1948. Likewise, business, professional and rental income of individuals showed very little decline in 1949.

Corporate profits after taxes were off in 1949, but corporate bank balances might have been expected to stay up despite this, since requirements that would absorb liquid funds were not so large. For example, adjustments could be made in inventory valuation and in actual physical inventory held. Also tax liabilities were smaller.

While the income factors pointed generally to gains in demand balances at city banks, and such occurred, the differences in income-expenditure patterns led to variation in demand deposit growth in the district's five urban centers. Gains were most pronounced at St. Louis, Little Rock and Memphis. Evansville showed a small increase and Louisville a decrease, reflecting the greater impact of the 1949

## DEMAND DEPOSITS AT EIGHTH DISTRICT BANKS OWNERSHIP PATTERN, 1946-1950



downturn in those cities' industries and employment.

### SHIFTS IN DEPOSIT OWNERSHIP

Table III presents data on demand deposit ownership in the Eighth District. Such changes as occurred bear out the broad analysis noted earlier. Farmers' deposits were down as were those of nonfinancial business as a group. The major declines were in public utility and trade balances. Financial business accounts were up as were those of individuals other than farmers. Trust fund balances decreased but those of nonprofit organizations rose somewhat.

**TABLE III**  
**OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS**  
**PARTNERSHIPS AND CORPORATIONS**

Eighth Federal Reserve District						
(Dollar amounts in millions)	Jan. 31, 1950		Jan. 31, 1949 R		Change in Ownership	
	Amount	Percent	Amount	Percent	Amount	Percent
Total Business .....	\$1,889.2	45.2%	\$1,983.7	47.3%	\$94.5	5%
Nonfinancial .....	1,647.0	39.4	1,763.9	42.1	-116.9	-7
Manufacturing and						
Mining .....	528.3	12.6	535.9	12.8	7.6	1
Public Utilities.....	143.1	3.4	179.6	4.3	-36.5	-20
Trade .....	747.9	17.9	821.2	19.6	-73.3	-9
Other nonfinancial .....	227.7	5.5	227.2	5.4	0.5	*
Financial .....	242.2	5.8	219.8	5.2	22.4	10
Insurance Companies .....	66.1	1.6	58.0	1.4	8.1	14
All Other Financial .....	176.1	4.2	161.8	3.8	14.3	9
Trust Funds of banks .....	50.5	1.2	54.8	1.3	-4.3	-8
Foreign .....	0.1	**	.....	.....	0.1	.....
Nonprofit .....	157.1	3.7	154.8	3.7	2.3	1
Personal .....	2,087.5	49.9	1,998.3	47.7	89.2	4
Farmers .....	598.5	14.3	622.0	14.9	-23.5	-4
Other .....	1,489.0	35.6	1,376.3	32.8	112.7	8
Total .....	\$4,184.4	100.0%	\$4,191.6	100.0%	-7.2	*

R—Revised  
\*—Less than 0.5%  
\*\*—Less than 0.05%

**Farmers' Deposits**—The decline in farmers' balances in the year was more moderate than the drop in farm income would indicate—in fact, was smaller in per cent and in dollars than the decrease a year earlier. It was concentrated in the small banks (under \$1 million in demand deposits).

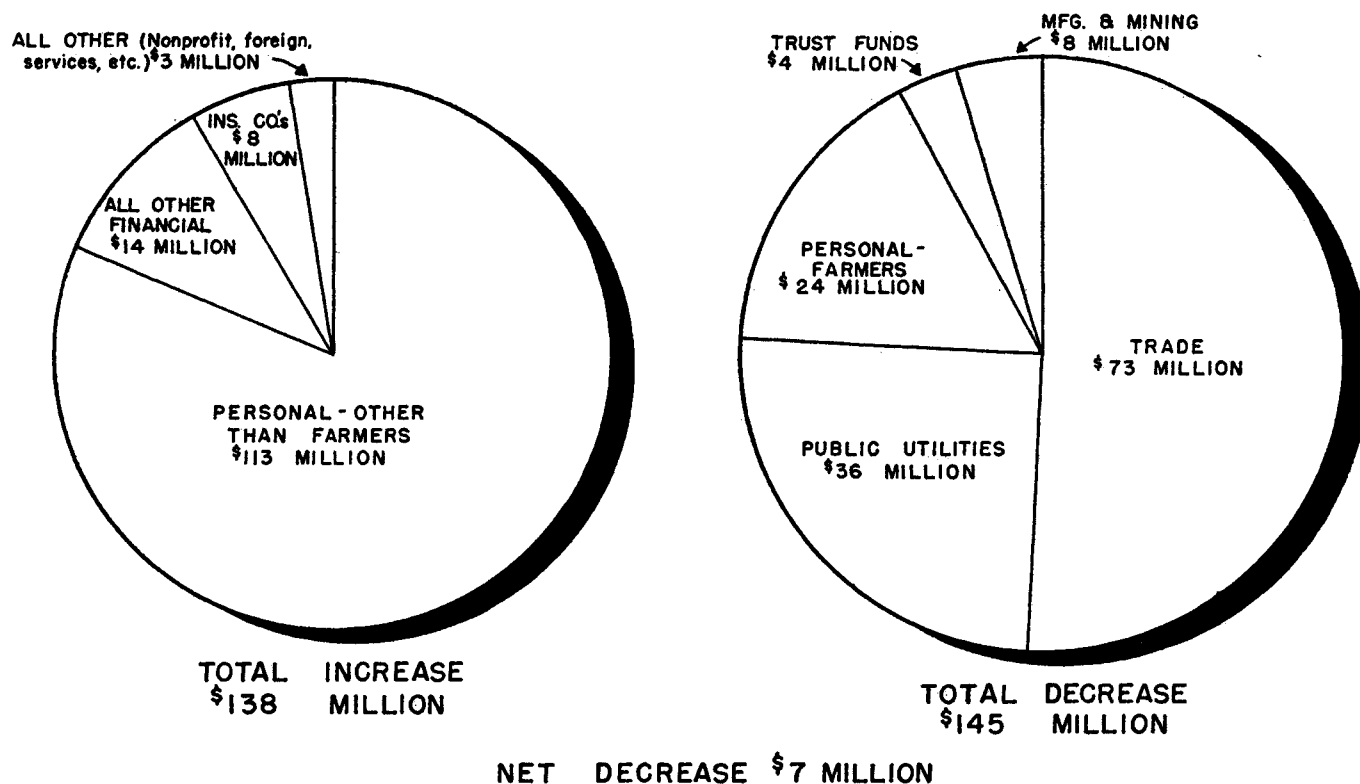
On the basis of such evidence as the survey develops on ownership by size of account, the decline in farmers' demand balances seems to indicate that the smaller owner-operator has suffered more from the farm income decline than has the larger-scale operator. Or perhaps the income decrease has hit larger, medium and small farm operators with about equal intensity, but the larger operator has been better able to balance his income loss with curtailed expenditures.

In 1949, the ownership survey indicated that most of the funds transferred from farmers' and other personal accounts in the rural banks in 1948 shifted

to business accounts in banks in the same areas. The 1950 survey points to a different conclusion. Farmers' deposits at the rural banks declined, but so did business balances—the latter by a greater percentage and more dollars than those of farmers. In other words, the flow of funds from the rural regions was general and not confined to farmers.

**Corporate Deposits**—Demand balances due to corporations were off slightly at the end of January, 1950 relative to a year earlier. Manufacturing and mining corporation accounts were up 1 per cent and miscellaneous business deposits (mainly those of service industries) were up 16 per cent. Corporations doing a wholesale or retail trade business experienced a .10 per cent decline, and public utility balances were off 15 per cent—the latter probably reflecting the very extensive building program underway by these industries. Demand deposits of financial business corporations were up appreciably.

## DEMAND DEPOSITS AT EIGHTH DISTRICT BANKS MAJOR CHANGES IN OWNERSHIP JANUARY 31, 1950 COMPARED WITH JANUARY 31, 1949



In contrast to this experience, unincorporated businesses, in general, showed demand deposit declines—January, 1950 against January, 1949—the total being off about 9 per cent. Most of this drop was in the rural banks, reflecting some of the factors noted earlier.

**Individuals' Deposits**—Demand deposits of individuals (other than farmers) increased about \$113 million in the year ending January 31, 1950, about half in the rural banks and half in the urban institutions. With nonfarm personal income up in 1949, some modest growth in such accounts was to be expected.

#### REGIONAL DIFFERENCES IN OWNERSHIP

The pattern of demand deposit ownership in the Eighth District differs appreciably from that for the country as a whole. For example, business balances in Eighth District banks represent less than half of private demand deposits in contrast to almost 60 per cent of the total for the nation. Generally speaking, all types of business deposits, except those of trade establishments, are relatively more important in the national deposit structure than in that of the district. Farmers' deposits here are about one-seventh of all demand deposits while nationally they are less than 10 per cent of the total.

Ownership patterns also vary among the different regions of this district and among the different size-classes of banks. To get a complete picture of ownership in each of the thirteen regions of the district and for each size-group of banks in each region, however, would require a much more extensive sample of reporting banks than currently used. But it is possible to show some data on ownership by size of bank for a few regions.

Tables IV and V present ownership patterns for some of the rural areas for the two smaller size-classes of banks. Not all private demand deposits are classified as to ownership in the surveys. The smallest banks (less than \$1 million in demand deposits) classify by owner-type all balances of \$1000 or more. The next size-class (\$1-\$5 million) classifies balances above \$3000. The tables show the ownership pattern just for the deposits classified.

**TABLE IV**  
OWNERSHIP PATTERN FOR DEMAND DEPOSITS OF \$1000  
AND OVER IN BANKS WITH DEMAND DEPOSITS OF  
LESS THAN \$1 MILLION

January 31, 1950  
Percentage Distribution

	Area VI	Area VIII	Area XIII	District
Total Business.....	26.3	16.3	21.1	24.1
Nonfinancial Business.....	24.2	15.5	20.4	22.6
Manufacturing and Mining.....	3.3	0.6	4.5	4.7
Public Utilities.....	1.6	0.5	1.2	1.3
Trade.....	16.7	9.0	12.8	13.4
Other Nonfinancial.....	2.6	5.4	1.9	3.2
Financial Business.....	2.1	0.8	0.7	1.5
Insurance Companies.....	0.9	0.4	0.1	0.4
All Other Financial.....	1.2	0.4	0.6	1.1
Trust funds.....	....	....	0.3	0.1
Nonprofit.....	2.5	0.6	3.8	4.3
Personal.....	71.2	83.1	74.8	71.5
Farmers.....	31.8	44.6	32.3	28.9
Other.....	39.4	38.5	42.5	42.6
Percent of total classified.....	76	75	71	76

**TABLE V**  
OWNERSHIP PATTERN FOR DEMAND DEPOSITS OF \$3000  
AND OVER IN BANKS WITH DEMAND DEPOSITS OF  
\$1-\$5 MILLION

January 31, 1950  
Percentage Distribution

	Area VI	Area VIII	Area IX	Area X	Area XI	Area XIII	District
Total Business.....	46.2	36.8	41.8	42.5	40.3	39.0	44.7
Nonfinancial Business.....	42.6	33.3	38.6	39.8	35.3	35.9	39.9
Manufacturing and Mining.....	10.6	6.0	6.2	17.0	3.6	7.1	8.3
Public Utilities.....	3.9	2.1	5.3	2.0	3.4	2.4	3.1
Trade.....	20.8	19.1	23.9	18.8	24.3	19.6	22.0
Other nonfinancial.....	7.3	6.1	3.2	2.0	4.0	6.8	6.5
Financial Business.....	3.6	3.5	3.2	2.7	5.0	3.1	4.8
Insurance Companies.....	0.6	0.9	0.4	0.1	0.2	0.2	0.4
All Other Financial.....	3.0	2.6	2.8	2.6	4.8	2.9	4.4
Trust funds.....	0.2	0.2	....	0.1	0.1	0.7	0.3
Nonprofit.....	3.6	5.9	1.9	3.5	2.7	2.1	3.4
Personal.....	50.0	57.1	56.3	53.9	56.9	58.2	51.6
Farmers.....	16.0	23.6	19.6	10.1	21.3	24.9	17.4
Other.....	34.0	33.5	36.7	43.8	35.6	33.3	34.2
Percent of total classified.....	59	53	49	53	68	47	59

It would be more useful to have this data for all areas and all size-classes and with all deposits classified. But the patterns given in the table, even with their limitations, should be more useful to banks in general than totals for the entire district or for the nation as a whole. With such patterns, the individual bank can more closely compare its pattern against the average for banks of the same size-class in the same area. In future surveys, more effort will be devoted to building up these regional patterns by size of bank.

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



## Member Bank Earnings

The year 1949 will be entered in the pages of banking history as a very profitable year for Eighth District member banks. Gross earnings (before payment of any expenses) reached an all-time high. Operating costs also reached their peak but the rate of increase was smaller and banks had left larger net current earnings than before. After paying income taxes, setting up reserves for bad debt losses on loans, and taking care of charge-offs (or recoveries), they still had left a larger amount as net profits than in 1948, although not as much as in the peak year 1946.

The all-time high in gross earnings of \$113 million reached in 1949 topped by \$6.9 million the previous peak reached in 1948.<sup>1</sup> It was more expensive to operate a bank in 1949 than in 1948 and \$3.2 million, or 46 per cent of the increase in gross earnings, was absorbed in higher operating costs. But despite increased costs, net current earnings were larger than in 1948—by \$3.7 million—and, when nonoperating income was added in, profits before income taxes showed an increase of \$5.4 million. The banks paid \$1.4 million more in income taxes and thus finished the year with net profits after taxes that were up \$4.0 million from 1948.

The chart shows total earnings, total expenses, net current earnings, and net profits for the period 1939 through 1949. Total earnings and expenses both climbed during this period but expenses increased by a smaller amount. As a result, net current earnings show a steady gain. Profits (after net charge-offs or recoveries, income taxes and reserves) increased through 1946, dipped in the next two years but moved up again in 1949.

**Changes in Earning Assets**—Total assets held by Eighth District member banks increased each year from 1939 through 1946. After declining somewhat in 1947, they rose again in 1948. On the basis of the average of the three call reports used in this study, total assets in 1949 apparently were slightly smaller than in 1948—\$5,067 million as against \$5,085 million.

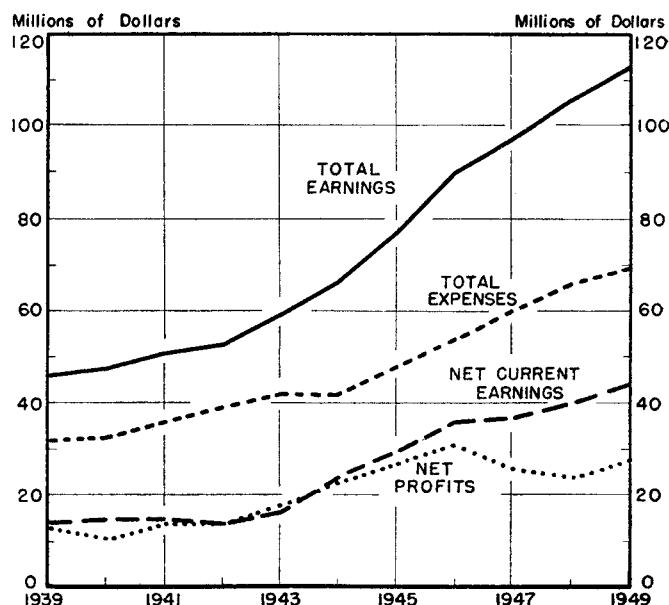
Earnings of banks depend upon the amount of total assets, the proportion of these assets used to produce income, and the rate of return earned by

them. During the war years Eighth District member banks, like other banks, invested heavily in Government securities. By 1946 more than half of their total assets was held in this form. While these holdings were increasing, the proportion of total assets in loans was shrinking, and at the low point in 1945 only one-eighth of the banks' assets was in loans. Since 1939, cash assets have represented a fairly high proportion of the total. At their peak in 1942 they accounted for 39 per cent of member bank assets.

Since the end of the war, there has been a pronounced shift in the proportion of Governments, loans, and cash assets held by the district's member banks. Loan demand increased steadily and at the same time the Treasury's debt retirement program reduced the volume of securities eligible for bank investment. As a result, the proportion of assets held in the form of loans increased but the proportion held as investments decreased. There was also a shrinkage in cash assets relative to the total.

The shift continued in 1949. Last year the average Eighth District member bank had 42 per cent of its assets in Governments, 7 per cent in other securities, and 25 per cent in loans. Cash assets represented 25 per cent of the total, and miscellaneous items accounted for the remaining 1 per cent.

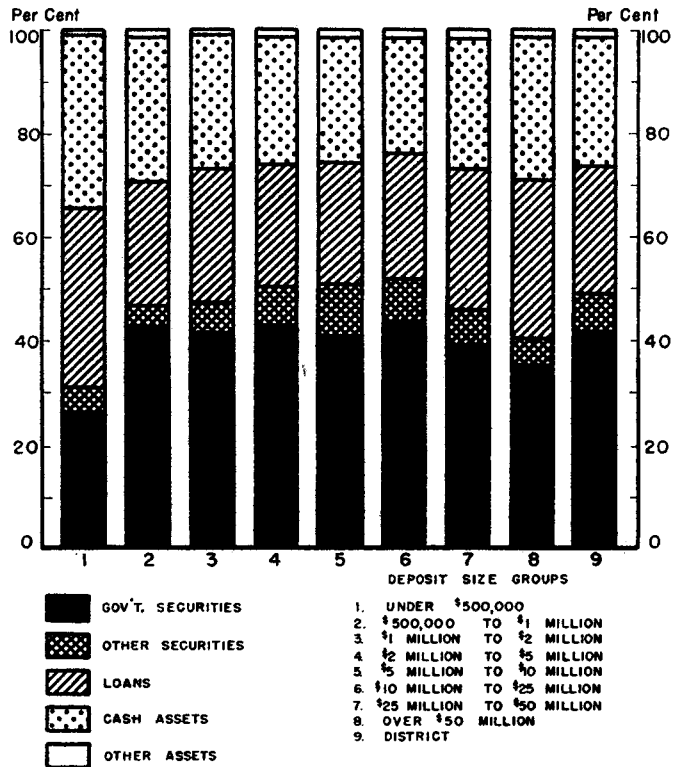
SELECTED EARNING REPORT ITEMS  
EIGHTH DISTRICT MEMBER BANKS  
1939 - 1949



<sup>1</sup> Figures and percentages used throughout this article are taken from the study of member bank operating ratios, an annual report issued by this bank. In computing the aggregates and the ratios, the asset and liability items used represent averages of figures from the call reports of December 31, 1948, June 30, 1949 and November 1, 1949. Earnings and expense items are those reported for the calendar year 1949. Ratios are arithmetic averages of individual ratios of 492 member banks grouped in eight deposit-size classes. Ratios computed in this way differ in some instances from ratios computed from aggregate dollar amounts. A copy of the study may be had by writing the Research Department.



PERCENTAGE DISTRIBUTION OF ASSETS  
BY DEPOSIT SIZE GROUPS  
EIGHTH DISTRICT MEMBER BANKS  
1949



On the average, banks in all deposit-size groups had a higher proportion of total assets in the form of earning assets in 1949 than in 1948, although the proportion varied among the different deposit-size groups. Banks with the largest proportion of total assets held as earning assets were those in the group with deposits between \$10 million and \$25 million, and those with the smallest proportion of earning assets were in the group having less than \$500,000 in deposits.

All groups of banks, except one, had a smaller proportion of total assets in the form of Government securities and a larger proportion in loans to customers in 1949 than in 1948. The exception was the group of banks with average deposits of more than \$50 million; these increased their share of total assets held in Government securities and reduced the share held in loans. Despite this shift in proportions, in 1949 the large banks still held less of their total assets in Governments and more in loans than any other group except the very small banks.

In dollar amount, security holdings last year were roughly twice as large as loan volume, but earnings from Governments provided less income than that from loans. The average interest rate on

Government securities tends to be lower than the average rate of return on other securities, which in turn is lower than it is on loans. The average rate earned on Governments last year was 1.8 per cent; on other securities it was 2.7 per cent; while on loans the return averaged 5.5 per cent.

Because of the higher rate of return, loans contributed slightly more than one-half of total earnings in 1949, although they represented only one-fourth of total assets. The lower rate of return on Governments and other securities resulted in just 37 per cent of total earnings coming from such assets. Earnings from service charges, income from trust departments and real estate divisions, and all other earnings accounted for 11 per cent of total earnings in 1949.

**Disposition of Earnings**—Operating expenses absorb the largest proportion of total earnings of district member banks. Last year they totaled \$3.2 million more than in 1948—but because earnings increased more, operating costs took a slightly smaller proportion of total income.

Out of each dollar of earnings last year, 60 cents was required to operate the banks. Of this amount, 29 cents was used to pay salaries and wages to officers and employees—a slightly higher proportion than in 1948.

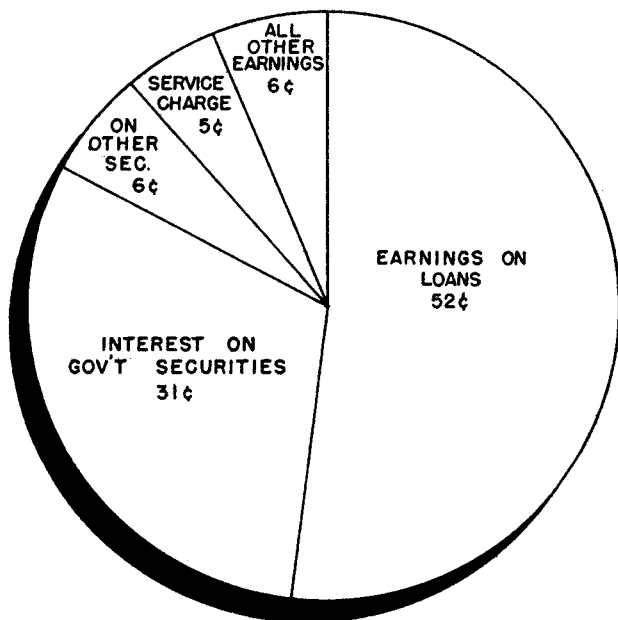
Interest paid on time deposits took another 8 cents—about the same as in 1948. In dollar amount, interest payments rose last year as a number of banks liberalized their policies relative to time deposits. In most size-groups, however, the increase was smaller than the gain in gross earnings. The only exceptions were banks in the two groups with average deposits under \$1 million and those in the \$10 million to \$25 million group. In these instances, time deposit interest payments took a larger proportion of gross earnings last year than in 1948.

The remaining 23 cents of operating expense per dollar of gross earnings covered fees to directors and committee members, interest on borrowed money, taxes other than those on income, recurring depreciation, and miscellaneous operating expenses. These costs took a smaller part of total income last year in all groups of banks except those with deposits of \$500,000 to \$1 million.

After paying operating expenses, the district's member banks had left, as net current earnings, almost 40 cents out of each dollar of gross earnings. This was a little better than in 1948. Banks with average deposits of \$1 million to \$10 million converted more of their gross into net current earnings than those in other size-groups did. On the other hand, banks with deposits under \$500,000 showed

# SOURCES AND DISPOSITION OF THE INCOME DOLLAR OF EIGHTH DISTRICT MEMBER BANKS IN 1949

HOW IT WAS OBTAINED



HOW IT WAS USED



\* INCLUDES TRANSFERS TO VALUATION RESERVES ON LOANS

the smallest proportion of total earnings after operating expenses. This group of very small banks, however, was successful in making major reductions in operating costs during 1949.

When measured against total assets, net current earnings of district member banks increased from 0.94 per cent in 1948 to 1.02 per cent in 1949. Compared with total capital accounts, they were off slightly—from 16.0 per cent to 15.9 per cent in 1949—but this decline reflected an increase in capital accounts.

Banks' net current earnings, of course, are not net profits available to stockholders. Out of these earnings banks make charge-offs for loans and securities (or recoveries, as the case may be), set aside valuation reserves on loans, and pay income taxes. Last year these deductions were equal to 12 cents of each dollar of total earnings. Charge-offs took nearly 5 cents—as against almost 6 cents the year before—and taxes on net income absorbed a little more than 7 cents of each dollar of gross earnings. Taxes took fractionally more of each

dollar earned in 1949 than in 1948, but the 1948 figure was lower than it normally would have been due to the large reserves established in that year.

On the surface, the 5 per cent charge-off rate in 1949 and the 6 per cent rate in 1948 give the impression of substantial losses in these two years. Actually this was not the case. The high percentages primarily reflect a change in accounting procedure in setting up valuation reserves on loans.

For years, banks were permitted by Federal tax law to set up "reasonable reserves" for bad debt losses on loans. It was not until December, 1947, when "reasonableness" was more clearly defined, that interest in this method of tax accounting became active. Under the accounting method used, transfers to valuation reserves on loans are included with charge-offs and transfers from the account are included with recoveries. In 1949, district banks increased reserves for bad debt losses by \$4 million. The following table shows additions to valuation reserves by deposit-size groups for the years 1948 and 1949.

**ADDITIONS TO VALUATION RESERVES ON LOANS  
EIGHTH DISTRICT MEMBER BANKS**

(Thousands of Dollars)		
Banks with Average Deposits <sup>1</sup>	1948	1949
\$1,000,000 or less.....	\$ 14.8	\$ 10.0
\$1,000,000 to \$2,000,000.....	103.5	112.7
\$2,000,000 to \$5,000,000.....	390.2	324.7
\$5,000,000 to \$10,000,000.....	531.3	353.3
\$10,000,000 to \$25,000,000.....	626.0	428.2
\$25,000,000 to \$50,000,000.....	537.2	445.4
\$50,000,000 and over.....	3,583.6	2,376.2
<b>All District Member Banks.....</b>	<b>\$5,786.6</b>	<b>\$4,050.5</b>

<sup>1</sup> Deposits were averaged from three call reports made on December 31, 1948, June 30, 1949, and November 1, 1949.

After paying operating expenses and income taxes, making charge-offs on loans, and setting aside reserves, a little less than 28 cents out of each dollar of gross earnings remained as net profit. This represented earnings of 10.9 per cent on total capital accounts and 0.70 per cent on total assets last year. Of this amount, 8 cents was paid to stockholders as dividends while 20 cents was plowed back into the capital structures of the banks.

The policy of retaining a large part of net profits in order to strengthen capital structures has been

followed rather consistently by banks in the district. The retained portion of profits last year was equal to 7.9 per cent of total capital accounts. This strengthening of the capital structure increased the ratio of capital accounts to total deposits from 6.5 per cent to 7.3 per cent. The ratio has been as high as 15.5 per cent in 1939 and as low as 6.0 per cent in 1946.

Earnings in future years may be higher but 1949 will be remembered by Eighth District bankers as a very profitable year. The banks paid substantial income taxes, more than met increased operating costs, and set aside reserves for possible losses on loans. 1949 will also be remembered as a good year for stockholders who received their usual dividend, and for depositors whose funds were backed by increased capital accounts.

**E. Francis De Vos  
Marie Wahlig**

# Survey of Current Conditions

The economic outlook for the nation improved with the settlement of the coal strike and the resumption of operations in that industry. As fuel supplies are restored, production schedules in industries that had been forced to cut back operations are being restored to levels approximating those which prevailed prior to the strike. In some instances, notably in the steel industry, the recovery has been sizable. Nevertheless, it is likely that several months of high-level activity will be required to compensate for the production that was lost during the strike.

In the Eighth District, this recovery problem probably is less serious than it is in many other parts of the country—principally because cutbacks were less abrupt here. Even so, industry in the district no doubt will feel the effects of the strike for some time. This is particularly true where operations are dependent upon steel shapes that are in limited supply.

The setback in steel and other heavy goods industries pretty much obscured the fact that total production of nondurables in February was close to the all-time peak for these industries. The value of new orders received by manufacturers of nondurables in January was about 4 per cent larger than in December and a little larger than in January, 1949. The backlog of unfilled orders also moved up in January. In the heavy industries, too, bookings increased in

January. In part, this reflected a more favorable near-term outlook for business, but much of the business was placed in anticipation of probable shortages resulting from the coal strike. The total value of new orders received by manufacturers in January was about \$1.5 billion more than the value of sales during the month; in December as well as in January last year, sales were larger than new orders.

Employment in some manufacturing industries dropped in February, but total nonfarm employment held at the January level, according to the U. S. Bureau of the Census, and was larger than it was last February. It is becoming increasingly apparent, however, that even the present high level of economic activity is not sufficient to provide work

## PRICES

WHOLESALE PRICES IN THE UNITED STATES					
Bureau of Labor Statistics (1926=100)			Feb., '50 compared with Jan., '50		
	Feb., '50	Jan., '50	Feb., '49		Feb., '49
All Commodities.....	152.7	151.6	158.1	+ 0.7%	— 3.4%
Farm Products.....	159.1	155.3	168.3	+ 2.4	— 5.5
Foods .....	156.8	154.7	161.5	+ 1.4	— 2.9
Other .....	145.9	145.8	151.8	+ 0.1	— 3.9

RETAIL FOOD					
Bureau of Labor Statistics (1935-39=100)			Feb. 15, '50 compared with Jan. 15, '50		
	Feb. 15, 1950	Jan. 15, 1950	Feb. 15, 1949		Feb. 15, '49
U. S. (51 cities).....	194.8	196.0	199.7	— 0.6%	— 2.5%
St. Louis.....	202.9	204.6	207.1	— 0.8	— 2.0
Little Rock .....	194.5	196.4	197.2	— 1.0	— 1.4
Louisville .....	183.1	183.7	189.2	— 0.3	— 3.2
Memphis .....	202.2	203.1	212.2	— 0.5	— 4.7

for all those who are seeking jobs. In February, total employment held at the January level but the number of unemployed persons increased by some 200,000, reflecting an increase of that number in the labor force. As a result, total unemployment climbed to the 4.7 million mark, which was the highest it has been since early in 1942.

There apparently was a rise in unemployment in this region in February, according to the available data. The number of unemployment compensation claims in the seven district states was larger than it was in January or in February of last year. Three of the nation's "critical areas" are in this district—Mount Vernon, Crab Orchard and Cairo, Illinois. However, this condition is not general in the district. In St. Louis, the claims load declined slightly in February.

Consumers in the nation and in this district continue to maintain their expenditures at a high level. Total retail sales in the nation were larger in January than they were a year ago. The increase was due almost entirely to a gain in automobile sales which totaled only a little below the peak month last year, on a seasonally adjusted basis. Sales of other items in January again were less than in the same month a year earlier. There has been an upward trend in consumers' expenditures for goods other than automobiles since the third quarter of 1949, but a sizable amount of total retail sales continues to be concentrated in automobiles.

Personal income receipts in January were up about \$1 billion, on a seasonally adjusted annual basis, even excluding the G. I. insurance refunds received during the month. Wage and salary receipts were about the same as in December but proprietors' and rental income increased \$2.7 billion on an annual basis.

#### EMPLOYMENT

There was little change in employment between mid-January and mid-February in either the nation or this district. A small gain in factory jobs about offset seasonal losses in nonmanufacturing jobs. Unemployment moved upward, however, as the mid-term school graduates began to hunt work.

Employment conditions, except in agriculture,

#### WHOLESALE

Line of Commodities Data furnished by Bureau of Census, U. S. Dept. of Commerce *	Net Sales		Stocks
	February, 1950 compared with		Feb. 28, '50 comp. with
	Jan., '50	Feb., '49	Feb. 28, '49
Automotive Supplies .....	- 5%	- 5%	-20%
Drugs and Chemicals.....	- 6	+ 6	- 3
Dry Goods .....	- 0	- 0	+ 6
Groceries .....	- 2	- 1	- 1
Hardware .....	+17	- 8	- 8
Tobacco and its Products.....	- 3	- 4	- 6
Miscellaneous .....	- 1	-10	-15
**Total All Lines.....	+ 2%	- 7%	- 4%
*Preliminary.			
**Includes certain items not listed above.			

were generally more favorable this February than a year ago. At that time there was a substantial drop in nonagricultural employment which was accompanied by a sharp increase in unemployment due to nonseasonal industrial cutbacks. This year employment remained relatively stable between January and February and the rise in unemployment was much less than last year. On the other hand, the number of workers on the farms expanded less than last year and was well below the 1949 level.

The mid-February estimates, however, did not fully reflect the impact of the coal strike on employment in other industries. Subsequently, there were some scattered layoffs throughout the Eighth District, but with the end of the strike most of the affected workers were recalled.

The upward trend in unemployment is causing increasing concern. Nationally, the February unemployment rate (the proportion of the labor force seeking work) was higher than at any time since early 1942. Although more people were working in nonagricultural industries this February than last, unemployment was almost half again as large as a year ago since the number of new entrants into the labor market exceeded the number of new jobs.

Unemployment apparently increased in the district states in February, as measured by the change in the volume of unemployment compensation claimants. In the seven district states, the claims load during the first half of the month was about 4 per cent higher than in January and 2 per cent higher than a year ago. The increase from January was considerably larger than that for the nation, but relative to the claims load a year ago the increase was smaller in the district states than nationally.

Nonagricultural employment in the five major district cities was below the year-ago levels in January. The declines ranged from 1 per cent in Memphis and Little Rock to 5 per cent in Louisville, with St. Louis off 2 per cent and Evansville 4 per cent. Most of the drop was in manufacturing but other industries also employed fewer workers.

Manufacturing employment was off in all the major district cities except Little Rock, where there was a minor gain from January, 1949. Memphis had the smallest loss (2 per cent), followed by St. Louis and Louisville (5 per cent) and Evansville (8 per cent).

#### INDUSTRY

The level of industrial activity in the district in February was little changed from that of January. Construction outlays continued to be the leading factor of support. Coal production remained at

about the low January level for most of February and became even more acute when the Progressive Mine Workers went on strike. They had been supplying a good portion of the fuel requirements, particularly of the St. Louis area. Basic steel output, not particularly hampered by coal shortages in this area, was at a fairly high level but, due to maintenance shutdowns, averaged slightly below the January rate. Basic lumber production, upheld by construction activity, increased over January. Manufacturing production, in the aggregate, was lower than in the previous month but on a daily average basis activity showed a slight increase.

Total electric power consumption by manufacturers in the district's leading industrial areas was 3 per cent below the January level but on a daily average basis showed an 8 per cent increase. Average consumption in each of the reporting cities showed gains over January, ranging from 2 per cent in Evansville to 11 per cent in Little Rock. Compared to a year ago, total consumption was up 5 per cent but Evansville and Louisville reported decreases, the latter being only slight.

**Manufacturing**—Aggregate output of the district's manufacturing plants in February probably was lower than in January because of the shorter work month. However, the rate of activity remained high, apparently slightly higher than the January level. In the case of the coal shortage, the district's operations were affected less than those in many of the nation's other manufacturing areas.

**Steel**—Basic steel operations in the St. Louis area in February were not particularly affected by the coal strike which curtailed production in most of the nation's steel centers. The slight drop in per cent of capacity operations in this area was due to shutdowns for maintenance and relining of several of the area's open hearth furnaces. Operations were scheduled at 76 per cent of capacity, three points lower than in January, and four points below February, 1949. Demand for sheet steel climbed as outside consumers sought supplies to replace those curtailed elsewhere by the coal shortage.

**Lumber**—With the demand for all kinds of lumber continuing strong, the district's lumber industry in February operated at a slightly higher level than in the previous month and considerably higher than a year ago.

Southern pine production in February averaged 5 per cent higher than in January, and operations of reporting southern hardwood producers were up 3 per cent—to 80 per cent of capacity. Both hardwood and pine operations were nearly 16 per cent higher than a year ago.

**Whiskey**—At the end of February, 32 of Kentucky's 60 distilleries were in operation. This was three fewer than a month ago and seven less than a year earlier. There has been relatively little change in output for the past five months. Operations have been held at a reduced rate primarily because of increased inventories in warehouses.

Whiskey production in Kentucky in January totaled 6.2 million tax gallons, a 5 per cent decrease compared with the 6.5 million gallon output in December, but 26 per cent lower than the 8.3 million gallons produced in January, 1949. Nationally output was not quite 4 per cent below that of the previous month, but the year-to-year drop was the same as in Kentucky.

**Shoes**—District shoe production in January totaled 7.9 million pairs, according to preliminary estimates. This was 2 per cent lower than the 8.1 million pairs produced in December and only 1 per cent below the January, 1949 output. Production in the nation as a whole fared somewhat better. Output in February was estimated at 38 million

## CONSTRUCTION

(Cost in thousands)	BUILDING PERMITS Month of February							
	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1950	1949	1950	1949	1950	1949	1950	1949
Evansville .....	61	12	\$ 190	\$ 144	43	57	\$ 59	\$ 30
Little Rock.....	83	59	624	1,038	197	147	159	81
Louisville .....	129	162	1,091	733	54	57	40	63
Memphis .....	1,795	507	2,624	1,285	116	134	176	78
St. Louis .....	243	153	2,448	1,273	171	168	473	1,038
Feb. Totals.....	2,311	893	\$6,977	\$4,473	581	563	\$ 907	\$1,290
Jan. Totals.....	1,661	707	\$5,885	\$2,723	480	445	\$ 958	\$ 640

## INDUSTRY

(K.W.H. in thousands)	CONSUMPTION OF ELECTRICITY*					
	Feb., 1950		Jan., 1950		Feb., 1950 compared with	
	K.W.H.	K.W.H.	K.W.H.	K.W.H.	Jan., '50	Feb., '49
Evansville .....	12,310	12,535	11,949	—	2%	+ 3%
Little Rock.....	5,227	5,210	4,768	—	0-	+10
Louisville .....	68,853	69,925	69,432	—	2	—
Memphis .....	27,676	28,595	25,722	—	3	+ 8
Pine Bluff .....	6,157	6,389	4,669	—	4	+32
St. Louis .....	78,144	80,221	69,629	—	3	+12
Totals .....	198,367	202,875	186,169	—	2%	+ 7%

\* Selected industrial customers.

## LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Feb., '50	First Nine Days					
	Jan., '50	Feb., '49	Mar., '50	Mar., '49	2 moe.'50	2 moe.'49
99,531	102,274	31,542	33,216	194,993	210,329	

Source: Terminal Railroad Association of St. Louis.

## CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	February, 1950 compared with			
	Feb., 1950	Jan., 1950	Feb., 1949	Jan., 1950
Arkansas .....	80.0	77.2	82.7	+ 4%
Illinois .....	180.3	178.7	176.9	+ 1
Indiana .....	27.0	27.7	22.8	— 3
Kentucky .....	25.2	26.5	23.6	+ 5
Total .....	312.5	310.1	306.0	+ 1%

## PRODUCTION INDEXES

COAL PRODUCTION INDEX 1935-39=100					
Unadjusted			Adjusted		
Feb., '50	Jan., '50	Feb., '49	Feb., '50	Jan., '50	Feb., '49
57*	105*	165	50*	90*	144

SHOE PRODUCTION INDEX 1935-39=100					
Unadjusted			Adjusted		
Jan., '50	Dec., '49	Jan., '49	Jan., '50	Dec., '49	Jan., '49
152	154	160 R	149	158 R	157 R

\* Preliminary.  
R—Revised.

pairs, 3 per cent above the December total and 12 per cent higher than in January, 1949.

**Meat Packing**—Meat packing operations in the St. Louis area in February declined a little more than seasonally from January to the lowest total since August, 1948. There were 343,000 animals slaughtered under Federal inspection as compared with 475,000 in January and 357,000 a year ago. Again, hog slaughter accounted for most of the month-to-month decline with a 31 per cent decrease. Slaughter of other animals declined also, ranging from a 7 per cent decrease in killings of calves to a 28 per cent decrease in sheep killings. Compared with a year ago only calf slaughter increased.

**Coal**—District coal output in February dropped to 3.4 million tons as the United Mine Workers' Union defied the back-to-work order. The situation was further aggravated by a strike of Progressive Mine Workers in the latter part of the month.

The district suffered relatively less than the nation as a whole, however, due largely to the output of nonunion mines. Compared with January, output in the district areas dropped 48 per cent, whereas national production was off 57 per cent. Western Kentucky was the one district area with only a small decline. Production there was just 3 per cent below the January total and was 1 per cent larger than in February, 1949.

**Oil**—Crude oil output in the district's producing areas continued the general upward trend begun in the middle of 1949. Daily average production totaled 313,000 barrels, a 1 per cent gain over the 310,000 barrel January output and 2 per cent higher than the 306,000 barrels produced daily in February, 1949. Output in Illinois and Arkansas, the district's leading producers, increased over January, offsetting decreases in Indiana and Kentucky. On a year-to-year basis, increases were registered in all states except Arkansas. Nationally, crude oil output in February increased slightly over January but was 8 per cent lower than a year ago.

**Construction**—On-site construction activities in February were hampered somewhat by weather, although conditions probably were better than aver-

age. In some areas, steel shortages also interrupted on-site work. The backlog of construction, as indicated by building permit authorizations and contract awards, continued high with February another big month. Building permits authorized in the major district cities were valued at \$7.9 million, the largest since 1939. This was a gain of 15 per cent over the January value and 38 per cent over a year ago.

The dollar value of contracts awarded in the district for new construction and repairs in February remained at a high level, according to F. W. Dodge reports. Awards totaled \$37.9 million, 16 per cent below the high January level but 27 per cent higher than in February, 1949. There was a considerable drop (22 per cent) in the dollar value of residential awards from the record high January level, and nonresidential awards also were lower (11 per cent). However, both were substantially higher than a year ago. In the St. Louis territory (which includes a large portion of the district) there was an increase in the value of nonresidential contracts due largely to a substantial gain in the value of social and recreational building. The lower value of residential awards reflected a substantial decline in contracts for apartment dwellings and for two-family dwellings. Single-family dwellings built for speculation continued at a high level, totaling slightly above the January volume.

### TRADE

February's "unusual" weather combined to make this winter one of the warmest and wettest in years. In the St. Louis area, merchants have had to combat what is reported by the Weather Bureau as the warmest winter since 1931-32. Sales promotions of seasonal merchandise have been washed out by heavy rains. Unseasonably warm weather helped little in selling heavy winter wear in spite of substantial markdowns. Promotions featuring spring merchandise have been stymied by snow and sleet storms. Not all of the decline from the sales level of 1949 was the result of the weather. Part of the drop in dollar volume reflects lower prices this year.

Despite these difficulties, sales volume reported by most district retailers, except in men's wear stores, was higher than in January. Sales generally were smaller than last February, with furniture stores being the only line to show an increase. District department store sales moved up seasonally from the previous month but were slightly less than in February last year. Seasonally adjusted sales in February were 300 per cent of the 1935-39 average in comparison to 282 per cent in January. Last February, daily sales averaged 310 per cent of those in the base period.

St. Louis department store sales declined 4 per cent from January in contrast to the district gain of 5 per cent. St. Louis sales declined from last February by slightly more than the district decline of 3 per cent. The largest drop from last year's volume occurred in Little Rock, but in Fort Smith and Louisville the decline also was somewhat more than that for the district as a whole. In Evansville, sales were 2 per cent less than last year. An increase from last year's volume was reported in Springfield, Memphis and Quincy.

In the first two months of 1950, district department store sales totaled 3 per cent less than in the same period last year. In Fort Smith and Little Rock the decline was considerably larger and in Louisville and Evansville the decrease was slightly more than the district average. Sales in St. Louis were off, but by a smaller percentage than in the remainder of the district. In Springfield and Quincy sales gained from last year.

Department stores' inventories moved up in February, in part reflecting an earlier Easter this year, and were unchanged from those at the end of February, 1949. The value of outstanding orders at the end of the month was slightly less than a month earlier but was 8 per cent larger than last year.

Women's specialty store sales in the month were unchanged from those in January but were 12 per cent less than in February a year ago. Men's wear store sales were off one-eighth from the previous month and dropped 9 per cent under the volume in February, 1949. Inventories at the end of the month in both types of stores gained from January 31. In comparison to a year ago, inventories were down 6 per cent at men's wear stores and 8 per cent at women's specialty stores.

Furniture store sales were larger than in the previous month or in February, 1949 but the increase from last year was not as large as that in comparable divisions of department stores. Furniture store sales gained 3 per cent while housefurnishings divisions of department stores gained 16 per cent from last year. Inventories on February 28 at furniture stores were higher than a month earlier but were 3 per cent under those a year ago.

### AGRICULTURE

Cash farm income in Eighth District states declined from \$6.2 billion in 1948 to \$5.5 billion in 1949. The 11 per cent drop was fractionally larger than the national decrease. Larger-than-district or national average declines occurred in Missouri, Indiana and Tennessee (13, 13 and 15 per cent, respectively). Farm income in Mississippi was off 10

## TRADE

### DEPARTMENT STORES

	Net Sales		Stocks on Hand		Stock Turnover	
	Feb., 1950 compared with Jan., '50		2 mos. '50 to same period 1949		Jan. 1 to Feb. 28 1950 1949	
	Jan., '50	Feb., '49	1949	Feb. 28, '50 comp. with Feb. 28, '49	1950	1949
8th F. R. District.....	+ 5%	- 3%	- 3%	- 0 - %	.56	.56
Ft. Smith, Ark.....	+ 12	- 6	- 8	- 3	.53	.57
Little Rock, Ark.....	+ 19	- 12	- 8	+ 9	.56	.61
Quincy, Ill.....	+ 6	+ 1	+ 2	- 3	.44	.41
Evansville, Ind.....	+ 3	- 2	- 4	- 7	.49	.45
Louisville, Ky.....	+ 7	- 5	- 4	- 1	.58	.59
St. Louis Area <sup>1</sup> .....	+ 3	- 4	- 1	- 0 -	.58	.57
St. Louis, Mo.....	- 4	- 4	- 2	- 0 -	.58	.57
Springfield, Mo.....	+ 24	+ 5	+ 2	- 8	.43	.39
Memphis, Tenn.....	+ 16	+ 3	- 3	+ 2	.59	.63
* All other cities.....	+ 17	- 8	- 11	- 4	.37	.38

\* 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.  
<sup>1</sup> Includes St. Louis, Mo.; Alton, Belleville, and East St. Louis, Ill.  
 † Outstanding orders of reporting stores at the end of February, 1950 were 8 per cent greater than on the corresponding date a year ago.  
 ‡ Percentage of accounts and notes receivable outstanding February 1, 1950 collected during February, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith .....	16%	46%	Quincy .....	18%	54%
Little Rock .....	16	43	St. Louis .....	18	53
Louisville .....	20	48	Other Cities .....	12	50
Memphis .....	20	39	8th F. R. Dist..	18	48

### INDEXES OF DEPARTMENT STORE SALES AND STOCKS

#### 8th Federal Reserve District

	Feb., 1950	Jan., 1950	Dec., 1949	Feb., 1949
Sales (daily average), unadjusted <sup>1</sup> .....	252	232	504	261
Sales (daily average), seasonally adjusted <sup>2</sup> ....	300	282	330	310
Stocks, unadjusted <sup>3</sup> .....	289	248	259	282
Stocks, seasonally adjusted <sup>3</sup> .....	321	288	309	313

<sup>1</sup> Daily Average 1935-39=100.  
<sup>2</sup> End of Month Average 1935-39=100.

### SPECIALTY STORES

	Net Sales		Stocks on Hand		Stock Turnover	
	Feb., 1950 compared with Jan., '50		2 mos. '50 to same comp. with period '49		Jan. 1 to Feb. 28 1950 1949	
	Jan., '50	Feb., '49	1949	Feb. 28, '50	1950	1949
Men's Furnishings.....	-12%	-9%	-7%	-6%	.37	.39
Boots and Shoes.....	+ 2	- 2	- 5	- 5	.56	.55

Percentage of accounts and notes receivable outstanding February 1, 1950 collected during February:  
 Men's Furnishings..... 43% Boots and Shoes..... 41%  
 Trading days: February, 1950—24; January, 1950—25; February, 1949—24.

### RETAIL FURNITURE STORES\*\*

	Net Sales		Inventories		Ratio of Collections	
	Feb., 1950 compared with Jan., '50		Feb., 1950 compared with Jan., '49		Feb., '50 Feb., '49	
	Jan., '50	Feb., '49	Jan., '50	Feb., '49	Feb., '50 Feb., '49	Feb., '50 Feb., '49
8th Dist. Total <sup>1</sup> .....	+ 11%	+ 3%	+ 6%	- 3%	22%	25%
St. Louis Area <sup>2</sup> .....	+ 17	+ 4	+ 5	+ 5	42	44
St. Louis .....	+ 19	+ 4	+ 5	+ 5	43	46
Louisville Area <sup>3</sup> .....	+ 28	+ 20	+ 1	- 2	14	16
Louisville .....	+ 27	+ 20	+ 1	- 3	14	15
Memphis .....	+ 9	- 9	- 4	- 17	12	17
Little Rock .....	- 0 -	- 5	+ 7	+ 7	17	20
Springfield .....	+ 12	+ 29	+ 5	- 14	16	17
Fort Smith .....	- 2	- 16	*	*	*	*

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

<sup>1</sup> In addition to following cities, includes stores in Blytheville and Pine Bluff, Arkansas; Hopkinsville, Owensboro, Kentucky; Greenwood, Mississippi; Hannibal, Missouri; and Evansville, Indiana.

<sup>2</sup> Includes St. Louis, Missouri; and Alton, Illinois.

<sup>3</sup> Includes Louisville, Kentucky; and New Albany, Indiana.

\*\* 40 stores reporting.

### PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Feb., 1950	Jan., 1950	Feb., 1949
Cash Sales .....	15%	15%	16%
Credit Sales .....	85	85	84
Total Sales .....	100%	100%	100%

per cent for the year, but during December, 1949 was 58 per cent less than in December, 1948. In only two states, Arkansas and Illinois, was the decrease less than the national average.

Total farm income nationally was \$27.5 billion—10 per cent less than in 1948. Prices averaged 13 per cent lower but increased marketings partially offset the lower prices. Crop receipts were \$12.6 billion, off 7 per cent, and livestock and livestock product receipts were \$14.9 billion, off 12 per cent. Cash receipts in only five states were higher in 1949 than in 1948, and in three states were down 20 per cent or more.

Net farm income in the United States declined from \$16.7 billion in 1948 to \$13.8 billion in 1949. The 17 per cent drop in net farm income in 1949 brings the total decrease since the 1947 postwar peak to 22 per cent. Even so, net realized income in 1949 was higher than for other years except 1946-48, and triple that of a year as late as 1940. But while current income is favorable compared with most any historical base except 1946-48, the 25 per cent reduction over a two-year period undoubtedly has and will have an appreciable effect on the rural areas.

More cattle, dairy cows, hogs and chickens were on farms January 1, 1950 than a year earlier. Sheep numbers, however, were down 3 per cent from a year earlier. The percentage increase in cattle numbers was larger in five district states than the increase nationally, with numbers increasing more relatively in Mississippi and Arkansas than in other district states. The number of hogs in the three important district hog-producing states (Illinois, Indiana and Missouri) increased more than the national average.

### AGRICULTURE

CASH FARM INCOME						
(In thousands of dollars)	Jan., 1950		12 month total Jan. to Dec.*			
	Jan., 1950	compared with Dec., 1949	Jan., 1949	1949	1948	1947
Arkansas	\$ 23,613	-50%	-47%	\$ 527,607	- 5%	+ 6%
Illinois	151,100	+17	+16	1,702,943	- 9	-11
Indiana	67,926	- 6	+ 3	916,022	-13	-14
Kentucky	112,718	+ 7	+18	527,920	-11	-10
Mississippi	17,677	-45	-75	481,312	-10	- 2
Missouri	69,914	-13	- 8	944,357	-13	-13
Tennessee	46,522	- 0	+ 1	426,914	-15	-10
Totals	\$489,470	- 5%	- 7%	\$5,527,075	-11%	-10%

\*Revised.

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS						
	Receipts			Shipments		
	Feb., 1950		Feb., 1950	Feb., 1950		Feb., 1950
	Feb., 1950	compared with Jan., '50		Jan., '50	compared with Jan., '50	
Cattle and calves	80,181	-14%	+ 1%	25,834	- 4%	- 7%
Hogs	237,629	-20	+ 8	78,668	- 7	+18
Sheep	29,053	-39	+ 8	3,952	-57	+ 1
Totals	346,863	-21%	+ 6%	108,454	-10%	+10%

### BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS			
(In thousands of dollars)	Mar. 15, 1950	Change from	
		Feb. 15, 1950	Mar. 16, 1949
Industrial advances under Sec. 13b	\$ 1,898	\$ -2,101	\$ - 9,774
Other advances and rediscounts	981,379	+ 539	-180,518
U. S. securities	\$ 983,277	\$ 1,562	\$ -190,292
Total earning assets	\$ 1,966,554	\$ -1,000	\$ -370,584
Total reserves	\$ 725,909	\$ 3,256	\$ + 19,559
Total deposits	636,051	-19,192	-134,306
F. R. notes in circulation	1,062,112	+ 572	- 42,132
Industrial commitments under Sec. 13b	\$ 500	\$ -	\$ -

PRINCIPAL ASSETS AND LIABILITIES WEEKLY REPORTING MEMBER BANKS EIGHTH FEDERAL RESERVE DISTRICT			
(In thousands of dollars)	Mar. 15, 1950	Change from	
		Feb. 15, 1950	Mar. 16, 1949
<b>ASSETS</b>			
Gross commercial, industrial, and agricultural loans and open market paper	\$ 531,659	\$ -10,685	\$ - 57,010
Gross loans to brokers and dealers in securities	7,949	+ 1,974	+ 1,403
Gross loans to others to purchase and carry securities	19,946	+ 286	+ 1,617
Gross real estate loans	196,573	+ 3,031	+ 35,606
Gross loans to banks	1,052	-15,798	- 298
Gross other loans (largely consumer credit loans)	218,880	- 178	+ 8,958
Total	\$ 976,059	\$ -21,370	\$ -12,958
Less reserve for losses	12,053	+ 301	+ 2,446
Net total loans	\$ 964,006	\$ -21,671	\$ -15,404
Treasury bills	55,968	+ 313	+ 17,941
Certificates of indebtedness	180,537	-29,511	-19,534
Treasury notes	223,522	+42,463	+171,990
U. S. bonds and guaranteed obligations	658,098	-21,573	- 35,258
Other securities	175,644	+ 2,765	+ 46,226
Total investments	\$1,293,769	\$ - 5,543	\$ +181,365
Cash assets	781,495	+20,037	+57,096
Other assets	26,597	+ 994	+ 1,534
Total assets	\$3,065,867	\$ - 6,183	\$ +110,399
<b>LIABILITIES</b>			
Demand deposits of individuals, partnerships and corporations	\$1,528,150	\$ + 4,415	\$ + 68,381
Interbank deposits	656,548	-10,722	+ 45,962
U. S. Government deposits	66,165	- 8,573	- 3,761
Other deposits	124,438	+ 6,375	+ 12,292
Total demand deposits	\$2,375,301	\$ - 8,505	\$ + 98,290
Time deposits	488,528	+ 1,889	+ 8,432
Borrowings	725	- 75	+ 6,275
Other liabilities	18,030	- 84	+ 2,464
Total capital accounts	183,283	+ 592	+ 7,488
Total liabilities and capital accounts	\$3,065,867	\$ - 6,183	\$ +110,399
Demand deposits, adjusted*	\$1,409,199	\$ + 8,930	\$ + 44,597

\*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., 1950	Jan., 1950	Feb., 1949	Feb., 1950 compared with	
				Jan., '50	Feb., '49
El Dorado, Ark.	\$ 19,419	\$ 22,096	\$ 18,651	-12%	+ 4%
Fort Smith, Ark.	33,343	40,204	32,258	-17	+ 3
Helena, Ark.	5,840	6,726	7,159	-13	-19
Little Rock, Ark.	112,130	121,510	105,849	- 8	+ 6
Pine Bluff, Ark.	22,540	27,387	24,068	-18	- 6
Texarkana, Ark.*	8,980	10,828	8,721	-17	+ 3
Alton, Ill.	20,304	23,216	21,371	-13	- 5
E. St. L.-Nat. S. Y., Ill.	89,488	103,761	93,431	-14	- 4
Quincy, Ill.	25,934	27,806	24,932	- 7	+ 4
Evansville, Ind.	104,892	113,537	91,133	- 8	+15
Louisville, Ky.	461,755	493,199	477,813	- 6	- 3
Owensboro, Ky.	32,592	38,891	29,302	-16	+11
Paducah, Ky.	12,866	14,166	12,854	- 9	- 0
Greenville, Miss.	18,975	24,204	20,108	-22	- 6
Cape Girardeau, Mo.	9,805	10,924	9,506	-10	+ 3
Hannibal, Mo.	7,456	7,928	6,276	- 6	+19
Jefferson City, Mo.	42,097	56,088	40,021	-25	+ 5
St. Louis, Mo.	1,318,815	1,532,231	1,299,750	-14	+ 1
Sedalia, Mo.	9,112	9,219	8,568	- 1	+ 6
Springfield, Mo.	46,310	52,258	44,488	-11	+ 4
Jackson, Tenn.	16,078	18,967	15,320	-15	+ 5
Memphis, Tenn.	495,882	583,172	464,858	-15	+ 7
Totals	\$2,914,613	\$3,338,318	\$2,856,437	-13%	+ 2%

\* These figures are for Texarkana, Arkansas only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to \$22,885.