



# Monthly Review

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**SOURCES, USES,  
AND  
OWNERSHIP  
OF  
DISTRICT FUNDS  
IN 1950**

*The 1951 Eighth District Deposit Survey showed an increase in deposit volume. The increase was concentrated in the larger banks of the metropolitan areas and in the hands of corporate business. Non-corporate business, however, showed a decline in deposit holdings. Personal (including farmers') deposits increased slightly in amount, but represented a smaller share of the total.*

*The increase in deposits alone does not account fully for inflation in 1950; the more rapid use of the expanding money supply also was a major factor.*

*The more rapid use of money is indicated by the greatly accelerated expenditure rate of earned and borrowed funds shown by (1) households, (2) corporate business, and (3) non-corporate business including farms.*

*This accelerated spending resulted primarily from the anticipated impact of the defense program.*

The 1951 Survey of Eighth District Deposit Ownership, recently completed by the Federal Reserve Bank of St. Louis with the cooperation of over 200 commercial banks, sheds additional light on the changing source, use and ownership of funds in this district. The customary report on deposit levels and patterns of ownership is presented here in the first section of this article. In the second part some rough and preliminary estimates of source and use of funds within the district are given. This study integrates the deposit data with a much broader picture of district moneyflows. In combination the two analyses point up the major factors in the inflationary pressure developed in 1950.

**The 1951 Eighth District Deposit Survey showed an increase in deposit volume.**

Between year-end call dates, demand deposits of individuals, partnerships and corporations in the Eighth Federal Reserve District increased about \$300 million, or 7 per cent.\* The district gain was less than that for the nation. Deposits for all operating insured banks in the United States increased \$7.8 billion, 9 per cent, in the year ending December 31, 1950. Comparison of changes in volume of deposits at member banks in each of the twelve Federal Reserve Districts (figures are not yet available for all banks by districts) shows the Eighth District to be among the four districts with the smallest percentages of deposit growth during 1950.

**TABLE I**  
**DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS**  
Member Banks by Federal Reserve Districts  
(Dollar Amounts in Millions)

	December 30, 1950	December 31, 1949	Change in Year Amount	Per Cent
I. Boston .....	\$ 4,057.3	\$ 3,678.9	\$ 378.4	+10%
II. New York .....	22,362.9	20,789.7	1,573.2	+ 8
III. Philadelphia .....	4,227.6	3,809.4	418.2	+11
IV. Cleveland .....	6,233.8	5,544.9	688.9	+12
V. Richmond .....	3,593.2	3,280.7	312.5	+10
VI. Atlanta .....	3,544.0	3,179.6	364.4	+11
VII. Chicago .....	11,937.1	10,724.5	1,212.6	+11
VIII. St. Louis .....	3,080.0	2,837.5	242.5	+ 9
IX. Minneapolis .....	1,987.7	1,861.9	125.8	+ 7
X. Kansas City .....	4,015.2	3,697.5	317.7	+ 9
XI. Dallas .....	4,703.4	4,141.3	562.1	+14
XII. San Francisco .....	8,917.3	8,042.7	874.6	+11
Total, All Member Banks.....	\$78,659.5	\$71,588.6	\$7,070.9	+10%

Districtwise, the expansion of deposits in 1950, while substantial, was surpassed in all of the war

\*The gain between survey dates, January 31, 1950 and January 31, 1951, was somewhat less, amounting to about \$258 million or 6 per cent. The difference in deposit growth between years ending in December and in January can be accounted for either by heavier out-district spending of district individuals and businesses (or a reduction in "float" at district banks) in January, 1951 relative to a year ago, by bank credit contraction in January, 1951 at a faster rate than in January, 1950 (an alternative not borne out by member bank data presently available), by a greater shifting from individual, partnership and corporation accounts to Government owned deposits in January, 1951 as compared to January, 1950, or a combination of these possibilities.

Reference to deposits throughout the report on survey results will pertain to demand deposits of individuals, partnerships, and corporations unless otherwise specifically noted.

years and in 1946. The significance of the 1950 gain lies mainly in the fact that it represented resumption in growth after two years of virtually unchanged deposit levels.

**TABLE II**  
**INDIVIDUAL, PARTNERSHIP AND CORPORATION DEMAND DEPOSITS**  
Eighth District, All Banks  
(Amounts in Millions of Dollars)

	Amount at Year-End	Change from Preceding Year Amount	Per Cent
1950 .....	4557.9	+295.5	+ 6.9
1949 .....	4262.4	+ 64.3	+ 1.5
1948 .....	4326.7	- 25.7	- 0.6
1947 .....	4352.4	+246.0	+ 6.0
1946 .....	4106.4	+459.1	+12.6
1945 .....	3647.3	+558.3	+18.1
1944 .....	3089.0	+500.2	+19.3
1943 .....	2588.8	+484.9	+23.0
1942 .....	2103.9	+590.6	+39.0
1941 .....	1513.3	.....	.....

**The increase was concentrated in the larger banks of the metropolitan areas . . .**

The district growth in deposits occurred principally in the larger banks located in the metropolitan areas. Five metropolitan areas (designated I through V on the map) accounted for \$225 million of the total gain, with percentage increases ranging from 4 per cent at Evansville to 13 per cent at Louisville. In contrast, individual and business demand deposits in rural areas of the district increased just \$70 million—some 3 per cent. One area reported a loss, one virtually no change, and the others, gains ranging from 1 to 6 per cent.

**. . . and in the hands of corporate business.**

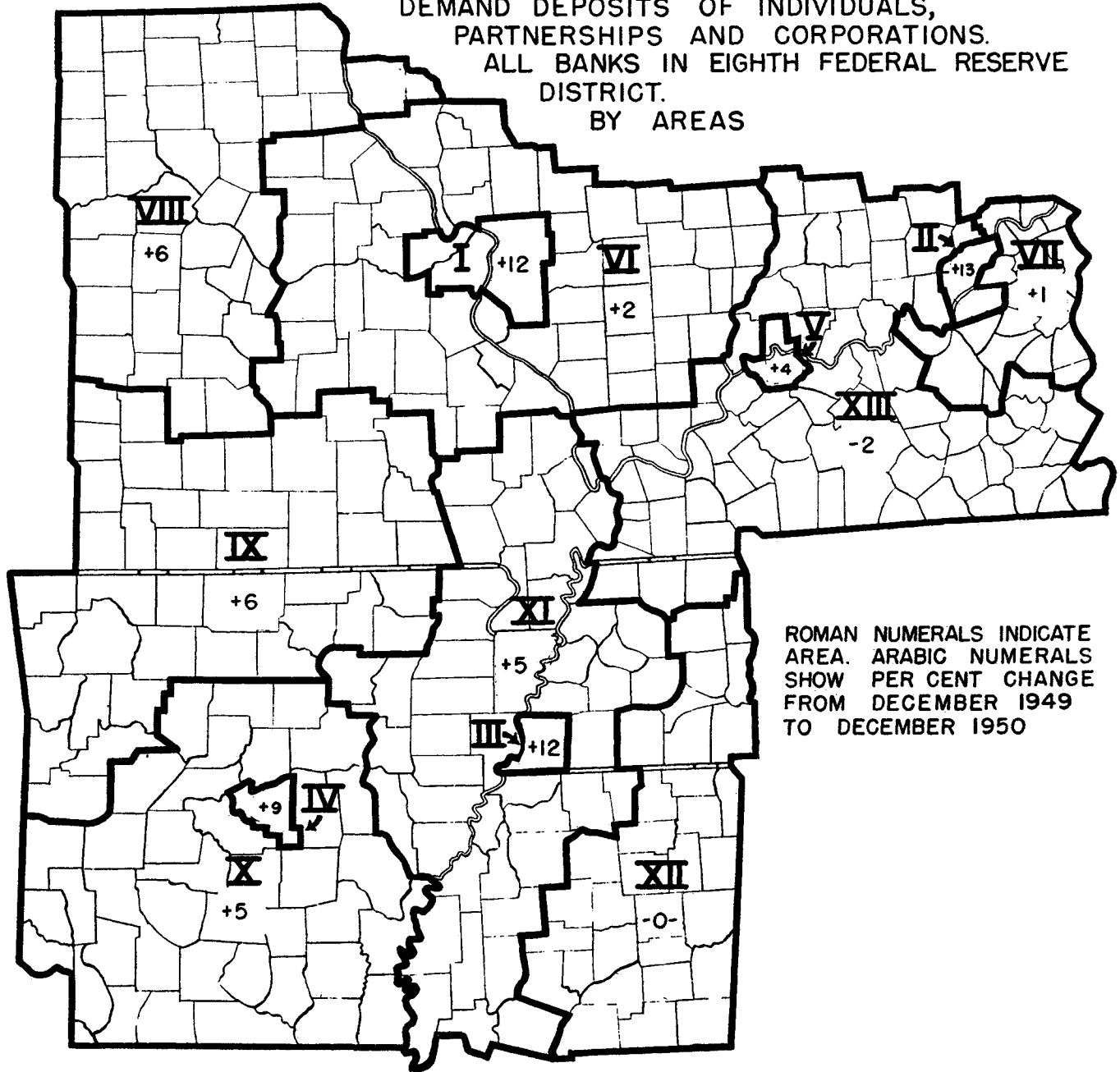
The most significant gain in deposit ownership in this district in 1950 occurred in the holdings of corporate business. Of the \$258 million expansion in deposits between January 31, 1950 and the same date in 1951, business corporations in this district accounted for \$221 million. Corporate ownership of deposits represented a larger share of each non-financial business classification in the survey year. The biggest gain was in the trade field where the share held by corporations rose from 37 per cent in the 1950 survey to 43 per cent in the 1951 survey. In all business classifications combined, the corporate share rose from 60.5 to 65.4 per cent.

**Non-corporate business, however, showed a decline in deposit holdings.**

In contrast with the sharp gain in corporate business deposits, non-corporate business deposit volume declined \$25 million, 3 per cent. Non-corporate business in the trade field showed the major decrease in deposits, \$30 million. Non-corporate financial concerns (other than insurance) showed only a moderate shrinkage in deposits. On the other hand, unincorporated businesses in the other fields increased their deposits slightly.

# DEPOSIT MOVEMENTS IN 1950

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 1949  
TO DECEMBER 1950

**TABLE III**  
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	Dec. 30, 1950	Change from 1949-50	
							Amount	Per Cent
I	St. Louis.....	\$ 558.2	\$ 891.2	\$1,138.3	\$1,181.4	\$1,324.6	\$+143.2	+12%
II	Louisville.....	137.4	271.0	323.9	311.6	351.9	+ 40.3	+13
III	Memphis.....	89.4	194.0	258.8	264.8	295.6	+ 30.8	+12
IV	Little Rock.....	30.5	74.6	84.8	88.0	95.7	+ 7.7	+ 9
V	Evansville.....	29.9	75.6	91.6	92.3	95.8	+ 3.5	+ 4
<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>\$2,163.6</b>	<b>\$+225.5</b>	<b>+12%</b>
VI	St. Louis Outlying.....	\$ 124.5	\$ 371.5	\$ 434.2	\$ 424.8	\$ 434.2	\$+ 9.4	+ 2%
VII	Louisville Outlying.....	36.6	106.0	121.7	113.4	114.6	+ 1.2	+ 1
VIII	North Missouri.....	92.6	291.0	324.5	319.5	340.2	+ 20.7	+ 6
IX	Ozark.....	58.3	225.3	227.1	223.0	235.4	+ 12.4	+ 6
X	South Arkansas.....	67.5	224.6	247.0	233.3	246.0	+ 12.7	+ 5
XI	Delta.....	132.5	344.2	440.5	415.2	437.9	+ 22.7	+ 5
XII	East Mississippi-Tennessee.....	37.9	150.8	157.6	140.9	140.6	— 0.3	—0-
XIII	Kentucky-Indiana.....	118.0	427.5	476.7	454.2	445.4	— 8.8	— 2
<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>\$2,394.3</b>	<b>\$+ 70.0</b>	<b>+ 3%</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>\$4,557.9</b>	<b>\$+295.5</b>	<b>+ 7%</b>

**Personal (including farmers') deposits increased slightly in amount . . .**

Changes in farmers' demand deposit volume were sharply different in amount and direction between banks and between areas. The over-all gain of \$27 million was a net effect of opposite movements. In the two smallest size bank categories (under \$5 million) farmers' deposits at the close of January, 1951 were over their January 31, 1950 level. (The bulk of farmers' deposits are held by banks in these size groups.) However, where comparisons between survey dates are possible for the same banks, within these two categories the level of farmers' deposits declined in about as many instances as it increased. Likewise illustrating diversity in the movement of farmers' deposits, where the aggregate volume was up at the two smallest size bank groups, farmers' deposits declined somewhat from their year-ago level in the size group of banks with \$5-\$10 million in deposits. Even in instances where similar agricultural conditions could be expected to exist, the changes during 1950 in farmers' deposits were different.

Other personal accounts increased \$19 million between survey dates to a level of \$1,508 million. Survey data, showing personal deposits separate from farmers' only since January, 1946, record an increase in these personal deposits at each annual date, except that for 1949 when they were off \$15 million, 1 per cent.

**. . . but represented a smaller share of the total.**

At the date of the 1951 deposit survey, farmers' deposits had regained their January, 1949 level, but represented a slightly smaller share of total deposits, continuing the gradual downward trend in farmers' share of the total evident since the peak of February, 1947 when farmers held 18 per cent of all deposits.

Likewise, other personal deposits, despite an increase of \$19 million to a new record level, represented a smaller share of total private demand deposits.

The 1951 Ownership Survey indicated again the fact that personal deposits are more important to the small banks and business deposits to the large banks. In the smallest size bank group, personal and non-profit funds accounted for over 75 per cent of total private demand deposits, while business and trust funds accounted for less than one-quarter. In the largest size banks, business and trust funds accounted for over 75 per cent while personal and non-profit organization deposits represented less than one-quarter.

Finally, comparison of deposit ownership as of January 31, 1951 and January 31, 1946 (roughly contrasting current and end of the war levels) showed: (1) a growth of 20 per cent in total over the five years, (2) a growth of \$520 million, about one-fourth, in deposit balances held by businesses (including farmers), (3) a growth of \$210 million, about one-sixth, in personal deposit balances (other than farmers), (4) surprisingly little change in the pattern of ownership between the 1946 and 1951 surveys, considering the expansion in volume that had taken place. Slightly over one-third of deposits were in individual accounts at the time of the 1946 survey; about the same share remained with individuals five years later. Businesses in the aggregate (including farming) held about 60 per cent of all deposits in 1946 and about 60 per cent in 1951. Together trust funds and non-profit organizations held 5 per cent of the total in both years. Within the six business and farming categories the percentage shares varied somewhat.

**TABLE IV  
DEMAND DEPOSITS EIGHTH DISTRICT BANKS  
Increase by Size of Bank\***

(Dollar amounts in millions)	Dec. 30, 1950	Dec. 31, 1949	Per Cent Change
Under \$1 million..... (651 banks)	\$ 418.8	\$ 407.1	+ 2.9%
\$1-\$5 million ..... (733 banks)	1757.7	1694.6	+ 3.7
\$5-\$10 million ..... ( 65 banks)	520.8	495.9	+ 5.0
\$10 million and over..... ( 37 banks)	1860.6	1664.8	+11.8
Total District .....	\$4557.9	\$4262.4	+ 6.9%

\*Size of the reporting banks 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.

**TABLE V  
CHANGE IN CORPORATE BUSINESS DEPOSITS BETWEEN ANNUAL SURVEY DATES  
(Dollar Amounts in Millions)**

	Amount	Per Cent
January 1950-January 1951.....	+221.1	+19.3
January 1949-January 1950.....	- 18.9	- 1.6
January 1948-January 1949.....	+ 58.3	+ 5.3
February 1947-January 1948.....	+ 60.6	+ 5.8
January 1946-February 1947.....	+110.0	+11.8

The significance of the changes in deposit ownership during the survey year can best be indicated by bringing together the results of the survey and preliminary figures on the sources and uses of district funds in 1950.

**The increase in deposits alone does not account fully for inflation in 1950; . . .**

Inflationary pressure, in evidence throughout 1950, especially in the latter half, is not fully explained by the increase in the money supply (of which deposit growth was the principal element). As a matter of fact, in both district and nation physical output rose somewhat more than did the money supply in 1950. During 1950, the district's money supply, including all demand deposits

(except interbank), time deposits, and currency expanded roughly from \$6.4 billion to \$6.8 billion—about 5½ per cent. This rate of increase approximated that for the nation as a whole. At the same time, output of goods and services in physical terms increased even more than the money supply. Nationally real output gained about 7 per cent, and the increase for the district was of about that magnitude.

*. . . the more rapid use of the expanding money supply also was a major factor.*

Inflationary pressure also was due to the fact that owners of funds spent them at an accelerating rate. An indication of the more rapid use of money by all sectors of the district economy is the growth in "income velocity". Personal income received in the Eighth District in 1949 was about five times personal demand deposits; this "income velocity" had risen to almost six times by the end of 1950. The increased rate of use also is shown by the sharp gain in the turnover of bank deposits. While district demand deposits increased 6 per cent between deposit survey dates, debits to deposit accounts at 22 selected cities in the Eighth District in January, 1951 were more than 30 per cent ahead of a year earlier.

*The more rapid use of money is indicated by the greatly accelerated expenditure rate of earned and borrowed funds . . .*

These measures of faster spending in 1950, pertaining to all parts of the district economy, do not provide information as to the specific sources of the inflationary pressure. A source and use of funds analysis can be helpful in this connection. This type of analysis attempts to measure, for the several important segments of the economy, not only current income but cash receipts from all sources. At the same time, it comprehends, on the

expenditure side, not only spending for current operations but the use of money and credit for all purposes, including expenditures for investment and additions to liquid financial assets. The sources and uses are recorded mainly for transactions between major sectors of the economy, such as households, corporate business, and non-corporate business, including farms.

In connection with a source and use of funds analysis, the deposit ownership survey provides information directly as to changes in one important component of the financial assets held by these three sectors of the district economy: households, corporate business, and non-corporate enterprises, including farms. Fairly accurate measurement of the change in this component is of considerable help in arriving at estimates of moneyflows. Indirectly, the other side of deposit expansion—bank credit, principally loan expansion—also provides a strategic element (net borrowing) in the sources of funds for each of the major sectors of the district economy.

In terms of a source and use of funds analysis, individuals and businesses receive funds from current productive income; from transfer payments, primarily for past consideration, such as interest on Government bonds, insurance benefits, veterans' pensions; from liquidation of fixed assets, and from borrowing in anticipation of future income. Whenever money thus received is used for repayment of debt or is held for the accumulation of cash and other liquid assets, total expenditures in the economy are not likely to expand. Yet whenever most of the money thus received is immediately spent for consumption or for investment in real goods, money velocity will increase. To understand better the reasons for the accelerated use of money during the last year, therefore, sources and uses of funds for three major sectors of the district economy are shown in the Chart.

TABLE VI  
OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS  
All Banks in Eighth Federal Reserve District

(Dollar Amounts in Millions)	Jan. 31, 1946		Feb. 26, 1947		Jan. 31, 1948		Jan. 31, 1949		Jan. 31, 1950		Jan. 31, 1951		Change in Ownership	
	Amt.	Per Cent	Amt.	Per Cent	Amt.	Per Cent	Amt.	Per Cent	Amt.	Per Cent	Amt.	Per Cent	Jan. '50-Jan. '51	Jan. '51
Corporate Business.....	\$ 928.7	25.4%	\$1035.5	25.8%	\$1104.0	26.5%	\$1162.3	27.8%	\$1143.4	27.4%	\$1364.5	30.7%	\$+221.1	+ 19%
Noncorporate Business.....	674.3	18.2	670.0	16.7	743.2	17.8	821.4	19.5	745.8	17.8	720.6	16.2	- 25.2	- 3
<b>Total Business.....</b>	<b>1603.0</b>	<b>43.6</b>	<b>1705.5</b>	<b>42.5</b>	<b>1847.2</b>	<b>44.3</b>	<b>1983.7</b>	<b>47.3</b>	<b>1889.2</b>	<b>45.2</b>	<b>2085.1</b>	<b>46.9</b>	<b>+195.9</b>	<b>+ 10</b>
Nonfinancial.....	1443.0	39.2	1524.0	37.9	1643.2	39.4	1763.9	42.1	1647.0	39.4	1826.7	41.1	+179.7	+ 11
Manufacturing and Mining.....	468.2	12.7	494.5	12.3	510.3	12.3	535.9	12.8	528.3	12.6	621.6	14.0	+ 93.3	+ 18
Public Utilities.....	154.8	4.2	173.4	4.3	175.9	4.2	179.6	4.3	143.1	3.4	198.1	4.5	+ 55.0	+ 38
Trade.....	632.4	17.2	679.9	16.9	751.9	18.0	821.2	19.6	747.9	17.9	769.4	17.3	+ 21.5	+ 3
Other nonfinancial.....	187.6	5.1	176.2	4.4	205.1	4.9	227.2	5.4	227.7	5.5	237.6	5.3	+ 9.9	+ 4
Financial.....	160.0	4.4	181.5	4.6	204.0	4.9	219.8	5.2	242.2	5.8	258.4	5.8	+ 16.2	+ 7
Insurance companies.....	38.1	1.1	47.5	1.2	53.7	1.3	58.0	1.4	66.1	1.6	65.3	1.5	- 0.8	- 1
All other financial.....	121.9	3.3	134.0	3.4	150.3	3.6	161.8	3.8	176.1	4.2	193.1	4.3	+ 17.0	+ 10
Trust funds of banks.....	48.8	1.3	46.6	1.2	55.4	1.3	54.8	1.3	50.5	1.2	55.0	1.3	+ 4.5	+ 9
Foreign.....	0.8	*	0.2	*	0.1	*	**	*	0.1	*	0.3	*	+ 0.2	+200
Nonprofit.....	143.2	3.9	156.9	3.9	155.0	3.7	154.8	3.7	157.1	3.7	169.4	3.8	+ 12.3	+ 8
Personal.....	1879.7	51.2	2105.1	52.4	2114.4	50.7	1998.3	47.7	2087.5	49.9	2132.8	48.0	+ 45.3	+ 2
Farmers.....	583.0	15.9	735.0	18.3	723.0	17.3	622.0	14.8	598.5	14.3	625.1	14.1	+ 26.6	+ 4
Other.....	1296.7	35.3	1370.1	34.1	1391.4	33.4	1376.3	32.9	1489.0	35.6	1507.7	33.9	+ 18.7	+ 1
<b>Total.....</b>	<b>\$3675.5</b>	<b>100.0%</b>	<b>\$4014.3</b>	<b>100.0%</b>	<b>\$4172.1</b>	<b>100.0%</b>	<b>\$4191.6</b>	<b>100.0%</b>	<b>\$4184.4</b>	<b>100.0%</b>	<b>\$4442.6</b>	<b>100.0%</b>	<b>\$+258.2</b>	<b>+ 6%</b>

\*Less than 0.05%.  
\*\*Less than \$50,000.

. . . shown by (1) households, . . .

The chart shows the percentage distribution of total sources and uses of funds for district households in 1950. More than 80 per cent of these funds originated in current productive activity of household members who received income in the form of wages, investment returns, and proprietors' withdrawals. Over 10 per cent was made available to consumers in the form of Government and private transfer payments, such as insurance benefits, veterans' pensions, and tax refunds. About 4 per cent was derived from the sale of fixed consumer assets, for example, houses and cars. (These two sources are grouped on the Chart as "Transfer Receipts.") The remainder (divided into "Long-term" and "Short-term Liabilities" on the Chart) was the result of credit extension from banks and other lenders. Though the net increase in consumer and mortgage loans extended by district banks directly to households amounted to less than 2 per cent of all household funds (approximately \$170 million) in 1950, the item was of strategic importance in permitting household expenditures which otherwise might not have been made. It should be noted that total borrowing of households exceeded considerably the increase in liabilities shown on the Chart. The net increase shown there represents only the difference between total credit extended to households and repayments made in 1950.

Three-fifths of total household funds were used for the purchase of nondurable consumption goods and services. Almost one-fourth went for "investment" in fixed consumer assets—houses and other durables. Nine per cent was used for tax payments. Four per cent was spent for insurance premiums and private charities. (The latter two are combined into "Transfer Payments" on the Chart.) The remainder was available for liquid savings in the form of cash and securities. Thus, almost 98 per cent of all consumer funds actually was spent in 1950, a rate of use considerably higher than in most other years and particularly noteworthy in a year when consumers had more funds at their disposal than in any prior period. Households held less than 3 per cent of all of their funds as liquid financial assets in 1950, contrasted with more than 6 per cent in 1941 at the start of World War II.

. . . (2) corporate business, . . .

About one-third of all corporate funds available for capital expansion came from retained profits. Twenty per cent of the total represented reserves set up as depreciation and other retained charges.

The remainder represented borrowed funds and money owed to the Federal Government for income taxes. (These amounts are shown on the Chart as "Long-term" and "Short-term Liabilities.") Borrowed funds came from credit extension by commercial banks and other lenders. One-third of net borrowing was raised through trade payables, another third in the securities market, and one-third through bank loans. While capital requirements of corporations in 1950 thus continued to be met largely from funds retained from current operations, principally retained earnings and depreciation allowances, which together accounted for more than half of total funds, the record expenditures for plant and equipment as well as for larger inventories were associated with expansion of borrowing. Bank credit for these purposes expanded by roughly \$160 million in the district. Here again it should be noted that the net figures shown on the Chart understates the relative importance of borrowing as a source of funds to corporations.

The accelerated use of corporate funds is again illustrated by the fact that, for the nation as a whole, total corporate funds to meet capital expenditures amounted to \$38 billion in 1950, \$8 billion above the previous high in 1947 and more than two and one-half times total uses in 1949. Then almost one-fourth of the much smaller total was held in liquid assets, contrasted with less than one-fifth in 1950.

. . . and (3) non-corporate business including farms.

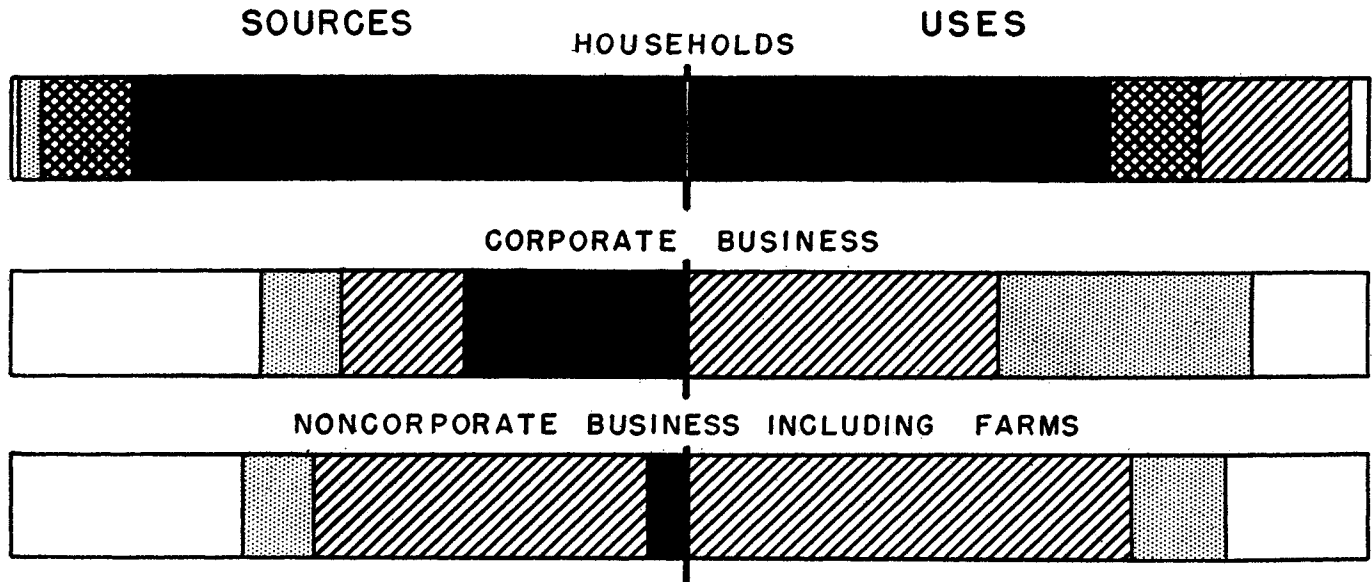
District farms received funds available for personal consumption or investment in the amount of \$2.2 billion in 1950. Non-corporate trade and service establishments received another \$1.8 billion, so that district non-corporate business funds, including farms, approximated \$4 billion. Seventy-three per cent of these funds had as their source net income before taxes. Fifteen per cent represented depreciation and other retained charges against gross income. The remaining 12 per cent were again the result of credit extension from banks and other lenders. More than half of the total net increase in credit was supplied through trade sources and other nonbank lenders. The remainder, about \$140 million or 4 per cent of all non-corporate business funds, was supplied by the banking system. As in the case of household funds, this item was of strategic importance in facilitating business expenditures which otherwise might not have been made. Again, funds supplied by the banking system would appear much larger on the Chart if stated in terms of total borrowing (as a

# SOURCES AND USES OF FUNDS

## 8th FEDERAL RESERVE DISTRICT

### PERCENTAGE DISTRIBUTION

1950



<u>SOURCES</u>	<u>USES</u>
<p> <b>CURRENT INCOME</b> Households: Current Income includes all payments received for current productive activity, such as wages, investment returns, and proprietors' withdrawals. Business: Current Income includes only retained profits after taxes. Proprietors' withdrawals and dividend payments are shown in the household sector as current income.</p>	<p> <b>CURRENT CONSUMPTION</b> Households: Current Consumption includes all expenditures for non-durable consumption goods and services.</p>
<p> <b>TRANSFER RECEIPTS</b> Households: Transfer Receipts include all income payments received not for current productive activity but for other consideration, such as insurance benefits and veterans' pensions. Transfer Receipts also include cash payments received from the sale of fixed consumer assets, such as homes and cars.</p>	<p> <b>TRANSFER PAYMENTS</b> Households: Transfer Payments include all payments to government and business not made for consumption, such as tax payments and insurance premiums.</p>
<p> <b>RETAINED CHARGES</b> Business: Retained Charges include all cash reserves for depreciation and other accrual items.</p>	<p> <b>FIXED ASSETS</b> Households: Fixed Assets include all expenditures for durable consumer goods and home purchases. Business: Fixed Assets include all expenditures for construction and equipment.</p>
<p> <b>LONG-TERM LIABILITIES</b> Households: Long-Term Liabilities pertain to the net increase in mortgage credit for the purpose of homes. Business: Long-Term Liabilities pertain to the net increase in long-term borrowing from all sources. Net new issues of stocks also are included here.</p>	<p> <b>INVENTORIES AND RECEIVABLES</b> Business: Inventories and Receivables include all net additions to book inventories and receivables from business consumers and government.</p>
<p> <b>SHORT-TERM LIABILITIES</b> Households: Short-Term Liabilities pertain to the net increases in consumer credit. Business: Short-Term Liabilities pertain to the net increase in short-term borrowing from banks, trade payables, and Federal income tax liability.</p>	<p> <b>FINANCIAL ASSETS</b> Households and Business: Financial Assets include all net additions to the holdings of currency, deposits and securities.</p>

The corporate business and noncorporate business bars are shown net of dividend payments and proprietors' withdrawals in the uses side. A corresponding deduction has been made in the current income component (sources side) of each of these sectors. This is done to avoid duplication in the sectors since dividend payments and proprietors' withdrawals are part of current income of households. As a result of showing the business sectors net, the proportion of net borrowing and financial assets to the net sources and uses is emphasized. It should be noted that the percentages shown for net borrowing and financial assets for these two sectors are thus much larger than they would appear if measured against gross sources and uses.

The chart shows the sources of funds for three sectors of the district economy in 1950 and how these sectors spent their funds. The white portion of each bar indicates the relative importance of financial sources and uses. Compared with previous years, corporate and noncorporate business increased the ratio of short-term liabilities to financial assets, illustrating the accelerated rate of spending borrowed funds. Households added, on balance, to their liquid savings but much less than usual and not enough to satisfy the growing demand of business for funds. The remainder came largely from the banking system and represented a net addition to the money supply.

source of funds) and repayments (as a use of funds).

More than 70 per cent of all non-corporate business funds were used for entrepreneurial withdrawals and, therefore, went into consumer expenditures. About 20 per cent was invested in fixed and working capital, financing sizable expenditures for construction, equipment, and inventory accumulation. The remaining 8 per cent was held to increase cash and other liquid assets. Again the most noteworthy fact is the small increase in cash holdings in spite of a large expansion in the total funds available. As pointed out before, deposits of non-corporate business other than farmers actually declined in 1950, in the face of income larger than in any previous period. Thus, business proprietors spent their funds for consumption and investment purposes at a record rate, contributing to the accelerated use of the district money supply.

***This accelerated spending resulted primarily from the anticipated impact of the defense program.***

The record expenditures, made possible by the combined effect of (1) increased money supply stemming from the expansion in bank loans, and (2) accelerated use of these funds by all sectors, of the economy, outran the ability of the country to produce more real goods and services on short notice.

The factors behind the increased rate of use of

money were varied, but were all related to the anticipated impact of the defense program. To some degree they represented real attempts to hedge against inflation, to get out of money and into goods because of fear of higher prices. To some degree they represented fear of future shortages, of lessened availability of goods rather than mere expectation of higher prices. To some degree increased velocity and greater use of liquid assets reflected the effects of the price rise rather than the cause of it: increased costs brought about some liquidation of assets to maintain living standards. Most important, business greatly accelerated its use of funds for capital expenditures in anticipation of growing demand for its products. Whatever the cause of the increased velocity, larger expenditures reflected a common expectation that the defense program would change the ratio of goods and money. While military demands would limit the supply of goods available for civilian consumption, defense expenditures—at least partly to be financed by borrowing—were expected to increase the money supply.

It was the combination of an expanding money supply and its accelerated use, generated by the common expectation of a further growth in the money supply, that brought about increasing pressure on prices.

**Wm. J. Abbott, Jr.  
Werner Hochwald**





# Survey of Current Conditions

The economic record of February and early March shows a slight easing from the pace of January. In the Eighth District and in the nation industrial production activity in February was about the same as in January. Construction activity was higher. In both district and nation consumer and business demand receded somewhat from the peak levels of January, although February buying was high by year-ago standards. Price rises continued but the pace of the advance was slowed.

The leveling off of the immediate past weeks seems to have been more a minor muting of the boom's tone rather than a decline in the strength of the beat. In part, the apparently more favorable military situation and the slightly less tense international situation were responsible for some relaxation of pressure. Also the stronger anti-inflationary steps taken brought about some greater feeling of security. And the fact that the feared civilian shortages have not materialized in any appreciable degree caused scare-buying to moderate.

Actually, as noted, despite the rail strike which carried over into February, other labor disputes, the very bad weather, and the increasing economic controls, production in February was at about the same level as in January, and in early March activity seemed to have been stepped up somewhat. In this district industrial power consumption, on a daily

average basis, in February was fractionally higher than in January. In the nation the Federal Reserve's seasonally adjusted production index in February was 221 per cent of the 1935-39 average, the same as in January. Durables output increased, reflecting the resumption of near-capacity operations in the auto industry after the rail strike and advances in producers equipment manufacture. Steel production declined slightly in the nation in February but in March exceeded the record level of the month of January. Production of nondurable goods—other than wool textiles—continued in large volume.

The total value of new construction put in place in February was nearly \$2 billion for the nation—a new record high when seasonally adjusted. This was a figure higher than in any previous February and 22 per cent above February, 1950. Nearly all types of structures were being built in larger dollar volume than a year ago.

The February level of retail sales was higher than that which prevailed a year ago, although somewhat lower than in January. Part of the large volume of current output appeared in growing inventories. Nationally the book value of total business inventories was estimated at \$63.1 billion at the end of January. In this district February sales also were good relative to a year earlier, but not as good as in January. Retailers' inventories were sizable and the volume of orders outstanding was large. One line in homefurnishings—TV—was moving slowly as compared with the booming sales of last autumn.

Prices continued to increase during February and early March. The index of wholesale prices of all

## PRICES

### WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Feb., '51	Jan., '51	Feb., '50	Jan., '51	Feb., '50
All Commodities....	183.6	180.1	152.7	+ 1.9%	+20.2%
Farm Products...	202.6	194.0	159.1	+ 4.4	+27.3
Foods.....	187.7	182.3	156.8	+ 3.0	+19.7
Other.....	171.8	170.2	145.9	+ 0.9	+17.8

### CONSUMER PRICE INDEX\*

Bureau of Labor Statistics (1935-39=100)	Feb. 15, 1951	Jan. 15, 1951	Feb. 15, 1950	Jan. 15, '51	Feb. 15, '50
United States.....	183.8	181.5	167.9**	+ 1.3%	+ 9.5%

\*New series.  
\*\*All indexes previously published for Jan.'50-Dec.'50 have been adjusted.

### RETAIL FOOD \*

Bureau of Labor Statistics (1935-39=100)	Feb. 15, 1951	Jan. 15, 1951	Feb. 15, 1950	Jan. 15, '51	Feb. 15, '50
U. S. (51 cities).....	226.0	221.6	194.8	+ 2.0%	+16.0%
St. Louis.....	240.8	234.3	202.9	+ 2.8	+18.7
Little Rock.....	226.5	224.1	194.5	+ 1.1	+16.5
Louisville.....	215.6	211.6	183.1	+ 1.9	+17.7
Memphis.....	229.0	225.6	202.2	+ 1.5	+13.3

\*All data are "Old Series."

## WHOLESALES

Line of Commodities	Net Sales		Stocks
	February, 1951 compared with Jan., '51	February, '50	February 28, 1951 compared with February 28, 1950
Automotive Supplies .....	+47%	- 8%	+ 3%
Drugs and Chemicals.....	+ 8	-16	- 0 -
Dry Goods .....	+34	- 9	+ 8
Groceries .....	+19	-12	+ 1
Hardware .....	+49	- 1	+ 3
Tobacco and its Products.....	+ 5	-12	- 3
Miscellaneous .....	+39	- 7	- 1
**Total All Lines.....	+33%	- 6%	+ 1%

\*Preliminary.

\*\*Includes certain items not listed above.

commodities advanced from 180.9 for the week ending January 30 to 183.5 two weeks later and then declined slightly during the last two weeks in February. However, during March, moderate price advances were resumed. By the week ending March 20 the index was at an all-time high, 17 per cent above June, 1950 and about 20 per cent above the level of a year ago.

In early March monetary policy became more strongly anti-inflationary. The Treasury announced a series of new 2¾ per cent investment bonds available in exchange for existing 2½ per cent bonds of June and December, 1967-72. Government security prices in general declined.

### EMPLOYMENT

The labor market, in both the Eighth District and the nation, remained relatively stable between mid-January and mid-February. Total employment edged downward as the result of small seasonal losses in agricultural employment, while nonagricultural employment showed little change. The civilian labor force also was down slightly, as was unemployment.

When this February is compared with February of last year, however, some significant developments appear. Nonagricultural employment was substantially higher in February, 1951, unemployment was cut almost in half, fewer persons were working short hours because of slack work, the proportion of women in the labor force was higher, and the workweek in manufacturing industries was longer than last year.

In the nation, almost 59 million civilian persons were employed in February, according to Census Bureau reports. This was almost 2 million more than a year ago, with men past draft age and women accounting for practically all of the gain. Unemployment averaged about 2.4 million in February—down slightly from January. Only about 4 per cent of the labor force were seeking jobs this February as compared with 8 per cent a year ago.

None of the Eighth District areas were classified by the Department of Labor as having a tight or balanced labor supply in January. In November, two district areas (Little Rock and Evansville) had been so classified. These two areas plus Louisville and St. Louis were rated as "B" or slight labor surplus areas in January. Memphis was classed as a "C" or moderate surplus area and Springfield, Missouri, was a "D" or substantial surplus area.

The Memphis and Springfield ratings were the same as a year ago. Louisville and St. Louis had

been classed as substantial and Little Rock and Evansville as moderate labor surplus areas in January, 1950.

In the seven district states, unemployment (as measured by the volume of claims for unemployment compensation) was about the same in mid-February as in mid-January. Small decreases in insured unemployment in Illinois, Missouri and Tennessee were offset by small increases in the other district states. Insured unemployment in February was less than half the year-ago volume, with all the district states sharing in the drop.

### INDUSTRY

While most Eighth District industries operated at about the same level of activity in February as in January, there were significant exceptions. Total output for the month was not as large since February had fewer working days. And even on a daily average basis, several district industries that had been gaining rapidly failed to post increases in February, and some industries—hampered by weather, work stoppages or other difficulties—reported decreased output.

Still industry in the aggregate continued to operate at the high January level. Industrial consumption of electrical power at leading district cities was slightly (0.3 per cent) above January on a daily average basis. On this basis, consumption of power was somewhat higher at all major cities except St. Louis. Compared with February, 1950, daily average consumption was up 11 per cent for all major district cities combined.

The Terminal Railroad Association of St. Louis interchanged about 91,000 loads in February — 30,000 less than in January. The decrease was due

### INDUSTRY

CONSUMPTION OF ELECTRICITY						
(K.W.H. in thous.)	Feb., 1951	Jan., 1951	Feb., 1950	February, 1951 compared with		
	K.W.H.	K.W.H.	K.W.H.	Jan., '51	Feb., '50	
Evansville.....	15,953	15,874	12,465	+ 0.5%	+28.0%	
Little Rock.....	12,549	13,487	11,683	- 7.0	+ 7.4	
Louisville.....	75,114	81,314	68,853	- 7.6	+ 9.1	
Memphis.....	26,684	28,089	27,676	- 5.0	- 3.6	
Pine Bluff.....	8,872	9,182	6,157	- 3.4	+44.1	
St. Louis.....	88,432	101,721	78,486	-13.1	+12.7	
Totals.....	227,604	249,667	205,320	- 8.8%	+10.9%	

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS						
First Nine Days						
Feb., '51	Jan., '51	Feb., '50	Mar., '51	Mar., '50	2 mos. '51	2 mos. '50
91,302	121,922	95,531	39,625	31,542	213,224	194,993

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE					
(In thousands of bbls.)	Feb., 1951	Jan., 1951	Feb., 1950	February, 1951 compared with	
				Jan., '51	Feb., '50
Arkansas.....	79.4	80.8	80.0	- 2%	- 1%
Illinois.....	159.9	165.1	180.3	- 3	-11
Indiana.....	27.6	29.3	27.0	- 6	+ 2
Kentucky.....	27.9	30.2	25.2	- 8	+11
Total.....	294.8	305.5	312.4	- 4%	- 6%

to the strike early in the month. Interchanges picked up early in March, and the 39,000 loads interchanged in the first nine days totaled well over the 31,000 in the same period of March, 1950 or the 33,000 of early January, 1951.

The St. Louis basic steel industry operated at 87 per cent of capacity in February. This rate was increased to 97 per cent of capacity for the first three weeks of March.

Severe weather hampered lumbering operations in February and the index of production for southern pine was 173 at the end of the month—the lowest figure since February, 1949. This was considerably below the 204 of January and the 200 of February, 1950.

Southern hardwood production was scheduled at 85 per cent of capacity in February, as compared with 89 per cent for January and 80 per cent for February, 1950. The decrease of 4 per cent from January was temporary, and producers boosted operations to 100 per cent of capacity during the first two weeks of March.

Federally inspected slaughter of meat animals at St. Louis in February totaled about 307,000 head, down 38 per cent from the heavy slaughter (498,000 head) in January. Part of the decrease reflected the shorter month in February. This February's slaughter was the smallest for that month in six years, and was 11 per cent less than February, 1950. Eighth District slaughter, as a per cent of the U. S. total, was 5 per cent at the end of February—the lowest percentage recorded since February, 1947.

Slaughter decreased between January and February for all kinds of livestock. Hog slaughter decreased 37 per cent, cattle 30 per cent, calves 24 per cent and sheep 66 per cent.

Forty-five Kentucky distilleries were in operation at the end of February—six less than at the end of January. Stocks of whiskey are large and warehouse space is scarce, although some additions to storage facilities have already been made. No alcohol was produced for the Government in February and no definite plans for such produc-

tion are now being made since the Government is now obtaining alcohol from other sources.

### Coal and Oil Production Decreases

Preliminary reports of district coal production for February show output of 8.6 million tons, 22 per cent less than in January. The shorter work-month and weather were major factors in the decline. All coal producing states of the district reported decreases in February compared with January. The seasonally adjusted index of coal production stood at 150 at the end of February compared with 197 a month earlier.

The four oil producing states produced 4 per cent less crude oil (daily average basis) in February than in January, and 6 per cent less than in February, 1950. Each state reported decreased output, ranging from 2 per cent for Arkansas to 8 per cent in Kentucky.

### CONSTRUCTION

Seasonally adjusted, the total value of new construction put in place in the nation in February was greater than in January. Nearly \$2 billion of new construction was put in place in February—22 per cent more than the February, 1950 total, according to the Departments of Commerce and Labor. Nearly all types of structures were being built in larger dollar volume than a year ago.

Construction contracts awarded in the 37 states covered by the F. W. Dodge reports were higher in February than in January or in February a year ago. The gain over January was due primarily to a 26 per cent increase in residential awards. The gain over a year ago was due to a two-thirds increase in nonresidential and a 50 per cent increase in residential awards.

In the Eighth District, construction contracts awarded in February totaled \$60.0 million as compared with \$51.7 million in January and \$39.2 million a year ago. Residential awards were 7 per cent higher than in January and 74 per cent higher than a year ago. Nonresidential awards were 24

### PRODUCTION INDEXES

COAL PRODUCTION INDEX 1935-39=100					
Unadjusted			Adjusted		
Feb., '51	Jan., '51	Feb., '50	Feb., '51	Jan., '51	Feb., '50
150*	197 R	51	132*	170 R	45
SHOE PRODUCTION INDEX 1935-39=100					
Unadjusted			Adjusted		
Dec., '50	Nov., '50	Dec., '49	Dec., '50	Nov., '50	Dec., '49
153*	127 R	154	156*	128 R	153

R—Revised.  
\*—Preliminary.

### CONSTRUCTION

(Cost in thousands)	BUILDING PERMITS Month of February				Repairs, etc.			
	New Construction		Cost		Number		Cost	
	1951	1950	1951	1950	1951	1950	1951	1950
Evansville.....	34	61	\$ 69	\$ 190	43	43	\$ 58	\$ 59
Little Rock.....	54	83	1,134	624	132	197	103	159
Louisville.....	83	129	659	1,091	29	54	37	40
Memphis.....	1,279	1,795	2,937	2,624	135	116	106	176
St. Louis.....	182	243	2,097	2,448	146	171	333	473
Feb., '51 Totals....	1,632	2,311	\$ 6,896	\$ 6,977	485	581	\$ 637	\$ 907
Jan., '51 Totals....	2,404	1,661	\$ 12,748	\$ 5,885	613	480	\$ 1,534	\$ 958

**TRADE**

**DEPARTMENT STORES**

	Net Sales		Stocks on Hand		Stock Turnover	
	February, 1951 compared with		2 mos. '51 to same period '50		Jan. 1, to Feb. 28, 1951	
	Jan., '51	Feb., '50	Feb. 28, '51 comp. with Feb. 28, '50	Feb. 28, '51 comp. with Feb. 28, '50	1951	1950
8th F. R. District...	-15%	+10%	+22%	+26%	.55	.57
Ft. Smith, Ark.¹.....	6	+15	+25	+25	.54	.53
Little Rock, Ark.....	7	+5	+18	+25	.51	.56
Quincy, Ill.....	-14	+22	+35	+21	.55	.43
Evansville, Ind.....	8	+21	+36	+24	.47	.44
Louisville, Ky.....	-12	+12	+23	+17	.58	.58
St. Louis Area².....	-19	+11	+21	+31	.55	.59
St. Louis, Mo.....	-19	+10	+20	+31	.54	.58
Springfield, Mo.....	-11	+2	+20	+29	.41	.43
Memphis, Tenn.....	-10	+4	+18	+16	.62	.59
*All Other Cities.....	-13	+15	+36	+21	.38	.36

¹Fayetteville, Arkansas; Harrisburg, Mt. Vernon, Illinois; Vincennes, Indiana; Danville, Hopkinsville, Mayfield, Paducah, Kentucky; Chillicothe, Missouri; Greenville, Mississippi; and Jackson, Tennessee.

²In order to permit publication of figures for this city, a special sample has been constructed which is not confined exclusively to department stores. Figures for any such nondepartment stores, however, are not used in computing the district percentage changes or in computing department store indexes.

³Includes St. Louis, Clayton, Maplewood, Missouri; Alton and Belleville, Illinois.

⁴Outstanding orders of reporting stores at the end of February, 1951, were 45 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding February 1, 1951, collected during February, by cities:

	Instalment Accounts		Excl. Instal. Accounts		Quincy.....	St. Louis.....	Other Cities.....	8th F.R. Dist. 18
	%	44%	47%	38				
Fort Smith.....	15	47	17%	57%				
Little Rock.....	18	46	19	50				
Louisville.....	19	48	11	48				
Memphis.....	19	38	18	47				

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

	Feb., 1951	Jan., 1951	Dec., 1950	Feb., 1950
Sales (daily average), unadjusted³.....	275	298	540	252
Sales (daily average), seasonally adjusted³.....	327	363	353	300
Stocks, unadjusted⁴.....	371	290	320	289
Stocks, seasonally adjusted⁴.....	412	337	381	321

³Daily average 1935-39=100.

⁴End of Month Average 1935-39=100.

**SPECIALTY STORES**

	Net Sales		Stocks on Hand		Stock Turnover	
	February, 1951 compared with		2 mos. '51 to same period '50		Jan. 1, to Feb. 28, 1951	
	Jan., '51	Feb., '50	Feb. 28, '51 comp. with Feb. 28, '50	Feb. 28, '51 comp. with Feb. 28, '50	1951	1950
Men's Furnishings.....	-24%	+11%	+24%	+23%	.37	.38
Boots and Shoes.....	8	+6	+12	+22	.52	.56

Percentage of accounts and notes receivable outstanding February 1, 1951, collected during February:

Men's Furnishings.....	43%	Boots and Shoes.....	46%
Trading days: February, 1951—24; January, 1951—26; February, 1950—24.			

**RETAIL FURNITURE STORES**

	Net Sales		Inventories		Ratio of Collections	
	February, 1951 compared with		February 28, 1951 compared with		February, 1951 compared with	
	Jan., '51	Feb., '50	Jan. 31, '51	Feb. 28, '50	Feb., '51	Feb., '50
8th Dist. Total¹.....	+5%	+1%	+5%	+32%	19%	19%
St. Louis Area².....	+1	+3	+7	+24	23	24
St. Louis.....	+3	+2	+7	+24	23	24
Louisville Area³.....	-12	-6	-4	+15	13	14
Louisville.....	-8	-7	+7	+48	12	14
Memphis.....	-13	-12	+5	+45	13	12
Little Rock.....	-14	-17	+6	+36	17	17
Springfield.....	-37	+7	+7	+48	14	17
Fort Smith.....	-33	-14	*	*	*	*

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

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

²Includes St. Louis, Missouri; and Alton, Illinois.

³Includes Louisville, Kentucky; and New Albany, Indiana.

**PERCENTAGE DISTRIBUTION OF FURNITURE SALES**

	Feb., '51	Jan., '51	Feb., '50
Cash Sales .....	14%	17%	15%
Credit Sales .....	86	83	85
Total Sales .....	100%	100%	100%

per cent higher in February than in January, and were 40 per cent above last year.

During the first two months of 1951, construction contracts in the St. Louis territory were considerably higher than in 1950—in floor area and number of projects as well as dollar value. Practically all types of construction so far in 1951 have exceeded the 1950 level. The exceptions include social and recreational buildings, dormitories and two-family dwellings. More than 4,000 dwelling units have been provided for in the St. Louis territory during the first two months of this year as compared with slightly less than 3,000 units in the same period of 1950. Practically all of this gain occurred in apartment buildings.

**TRADE**

February sales of district retail lines reporting to this Bank dropped from their January levels but were generally larger than in February, 1950. Percentage gains from last year, however, were not as spectacular as in January. Adverse shopping weather early in the month apparently limited sales. As the weather moderated sales picked up. As in the previous month, consumer buying was strong in both the "hard" and the "soft" lines.

Consumers have not been the only ones in the market to buy goods. Retailers' inventories are heavy and some concern over them has developed. The volume of unfilled commitments also is causing concern. Shortages have failed to materialize as quickly as anticipated.

**Department Stores**—Sales volume of reporting district stores was 15 per cent smaller than in January but was 10 per cent larger than during February, 1950. Seasonal sales promotions in the month were responsible for much of the gain from last year. An early Easter this year prompted retailers to start Easter promotions in the latter part of the month. Seasonally adjusted daily average sales were 327 per cent of the 1935-39 base period. In comparison they were 363 in January and 300 in February, 1950. Sales continued heavy through mid-March and gave indications of maintaining the cumulative gain of 22 per cent from 1950 for the month.

Without exception sales volume in the major district cities was equal to or larger than last year. In Springfield, sales volume was about the same as last year. Elsewhere in the district, sales gains from last year ranged from 4 per cent in Memphis to a gain of 22 per cent in Quincy.

The record of sales by departments in St. Louis department stores showed widespread consumer buying interest. Large percentage gains were

scattered throughout the entire store. Basement store sales (up 10 per cent) increased more percentage-wise than did the upstairs divisions where sales were 7 per cent larger than last year. In the downstairs division, men's wear and homefurnishing sales totaled more than one-fifth larger than last year. In the comparable main store, men's wear sales were 14 per cent larger than last year. The upstairs homefurnishing sales volume increased 10 per cent over those a year ago. Television sales (5 per cent larger than last year) slowed appreciably but appliance sales (up 37 per cent) continued heavy. The largest percentage gain occurred in the main store furs department where sales were 87 per cent larger than last year. In the upstairs women's accessories and apparel divisions, sales gained 6 per cent — the same as for the comparable basement departments.

The retail value of inventories held by reporting district department stores on February 28 was 14 per cent larger than on January 31 and was 26 per cent larger than on February 28, 1950. The much earlier date of Easter in 1951 contributed to the general build-up of inventories. Inventories are now considered adequate in all departments. Feared shortages have failed to develop and some concern is reported over the large volume of unfilled orders outstanding. Some portion of the value of total orders outstanding is the result of higher prices and a continuing effort to maintain stock-sales ratios. At the end of February, orders outstanding were valued at 3 per cent less than a month earlier but were 45 per cent larger than on February 28, 1950.

**Specialty Stores** — St. Louis women's apparel store sales during February dropped 17 per cent below those in January but were 5 per cent larger than last year. The value of inventories on February 28 was 17 per cent above that on January 31 and 5 per cent less than on February 28, 1950.

District men's wear store sales were about one-fourth less than in January but were 11 per cent larger than in February, 1950. Inventories were 15 per cent larger on February 28 than a month earlier and almost one-fourth larger than a year ago.

**AGRICULTURE**

(In thousands of dollars)	CASH FARM INCOME					
	Jan., 1951 compared with		12 month total Jan. to Dec. 1950 compared with			
	Jan., 1951	Dec., 1950	Jan., 1950	1949 1948		
Arkansas.....	\$ 36,261	-34%	+ 54%	\$ 486,345	- 9%	-15%
Illinois.....	156,947	+ 6	+ 4	1,720,080	- 1	- 8
Indiana.....	77,796	- 6	+ 15	940,791	- 2	-10
Kentucky.....	95,182	-12	- 16	514,236	- 4	-13
Mississippi.....	36,892	-19	+109	445,783	- 9	- 7
Missouri.....	93,862	- 8	+ 34	1,009,281	- 0	- 8
Tennessee.....	47,699	-17	+ 3	420,360	- 3	-16
Totals.....	\$544,639	- 9%	+ 11%	\$5,536,876	- 3%	-11%

	RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS				
	Receipts		Shipments		
	Feb., 1951	February, '51 compared with Jan., '51 Feb., '50	Feb., 1951	February, '51 compared with Jan., '51 Feb., '50	
Cattle and calves.....	60,337	-30%	14,952	-38%	-42%
Hogs.....	249,093	- 6	73,985	-25	- 6
Sheep.....	15,044	-63	3,189	-61	-19
Totals.....	324,474	-30%	92,126	-30%	-15%

**Furniture Stores**—Sales volume dropped 5 per cent from that in January and was slightly larger than last year. While instances of "scarce" merchandise have developed, shortages have been confined to a few brand name items. Inventories, in terms of retail value, at the end of February were slightly larger than a month previous but were 32 per cent larger than on February 28, 1950.

**AGRICULTURE**

Prices received by farmers continued to rise during the month ending February 15. While there were some exceptions (dairy products, eggs and cottonseed), prices of most agricultural products were higher, with increases in meat animal prices leading the parade. As a result, the index of prices received by farmers increased to 313 (1910-14=100) exceeding the previous record set in January, 1948. At this level, prices were nearly one-third higher than a year earlier.

Prices paid by farmers increased also, but not as much as prices received. Thus, the parity ratio (ratio of prices received to prices paid) widened from 110 to 113 for the month ending February 15. A year earlier the parity ratio stood at 96.

Although general agricultural prices were at a record high, most commodity prices with the exception of meat animals, cotton, cottonseed and

**MORE LIVESTOCK ARE ON FARMS THAN A YEAR EARLIER**

(In thousands)	All cattle and calves		Milk cows		Hogs		Sheep and lambs	
	Number <sup>1</sup>	Per cent change from 1950	Number <sup>1</sup>	Per cent change from 1950	Number <sup>1</sup>	Per cent change from 1950	Number <sup>1</sup>	Per cent change from 1950
Arkansas.....	1,282	+ 6%	435	- 2%	1,013	+ 4%	60	+10%
Illinois.....	3,317	+ 5	972	- 2	6,976	+11	625	+ 9
Indiana.....	1,848	+ 5	721	- 1	4,934	+ 7	472	+ 4
Kentucky.....	1,721	+ 7	640	+ 1	1,668	- 0	749	+ 7
Mississippi.....	1,791	+ 7	554	+ 2	946	- 2	106	+ 2
Missouri.....	3,356	+ 8	994	+ 2	4,916	+11	1,214	+ 3
Tennessee.....	1,550	+ 6	640	- 0	1,385	- 1	270	+ 2
Dist. States.....	14,865	+ 6	4,956	- 0	21,838	+ 8	3,496	+ 5
United States.....	84,179	+ 5	24,579	- 0	65,028	+ 7	31,505	+ 2

<sup>1</sup>Livestock on farms January 1, 1951.  
Source: U.S.D.A. Livestock on Farms January 1, 1951.

soybeans were still below parity. However, important feed and food grains, dairy products and eggs all were approaching that level.

Livestock numbers on farms at the beginning of 1951 were substantially higher than a year earlier. In the last year the number of all cattle and calves increased 6 per cent in district states compared with a 5 per cent increase nationally. This increase was largely in beef cattle. Dairy cattle numbers were unchanged both in the district and in the nation. The number of cattle in district states increased most (relatively) in Missouri, Mississippi and Kentucky. Hog numbers on farms were up sharply in Illinois and Missouri from a year earlier. Sheep numbers increased during 1950, the first increase in eight years.

Producers of burley tobacco will be permitted to increase acreage by about 12 per cent compared with 1950. The production quota now has been set at 580 million pounds compared with a 542 million-pound quota announced during November for the 1951 crop. Flue-cured tobacco (not grown in district states) also had its quota increased substantially. The new quota will result in acreage allotments about 14 per cent higher than in 1950.

#### BANKING AND FINANCE

**Voluntary Credit Restraint Program**—In order to further restrain inflationary pressure, the Board of Governors of the Federal Reserve System announced on March 13 a program for voluntary credit restraint.

Section 708 of the Defense Production Act of 1950, and the Executive Order of the President No. 10161, authorize the Board of Governors to en-

courage financing institutions to enter into voluntary programs to restrain credit where such restraint will further the objectives of the Act. The Program for Voluntary Credit Restraint which was worked out by representatives of financing institutions in consultation with the Board has as its major objective loan screening by all financing institutions in the United States to eliminate loans which are not necessary to finance the defense program, and other essential purposes.

A national committee, the Voluntary Credit Restraint Committee, has been created, the members appointed by the Board of Governors and representing life insurance companies, investment bankers and commercial banks. This Committee will consider the functioning of the Program and advise the Board with respect thereto. The Committee will also appoint subcommittees throughout the United States to be available for consultation with individual financing institutions and to assist them in determining the application of the Program with respect to specific loans.

Participation in the Program is entirely voluntary, but the Board has expressed the hope that all financing institutions would cooperate. The Program was issued after consultation with the Attorney General and the Chairman of the Federal Trade Commission. Under the law, actions of financing institutions in accordance with the Program are exempt from the prohibitions of the anti-trust laws and the Federal Trade Commission Act.

**Increase in Interest Rates** — On March 3, the Treasury announced that it planned a new issue of non-marketable 2¾ per cent long-term bonds to be offered in exchange for outstanding 2½ per cent Treasury bonds of June and December 1967-72. Terms of the new bonds were announced by the Treasury on March 8. Following this announcement, Government bond prices declined. The longest-term bank-restricted issue fell in price to a level just above par. Most other Government issues sold at lower levels. On March 13, the Government bond market slumped a second time and prices of bank-restricted issues, including the long-term "Victories," fell below par. The bank-eligible issues, likewise, declined in price.

One effect of the decline in prices of government securities in mid-March was to increase yields on these securities approximately ⅛ of 1 per cent. Some issues changed more, some less, in yield (Treasury bills changed very little). Interest rates in general tended upward. Rates on bankers' acceptances advanced ⅛ of 1 per cent. Rates on commercial paper likewise firmed. Yields on highest grade corporate bonds rose so that the corporate-

#### DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	February, 1951	January, 1951	February, 1950	February, 1951 compared with	
				Jan., '51	Feb., '50
El Dorado, Ark.....	\$ 23,221	\$ 28,530	\$ 19,419	-19%	+20%
Fort Smith, Ark.....	39,875	47,443	33,343	-16	+20
Helena, Ark.....	7,062	9,812	5,840	-28	+21
Little Rock, Ark.....	128,236	149,021	112,130	-14	+14
Pine Bluff, Ark.....	25,683	34,899	22,540	-27	+14
Texarkana, Ark.*.....	11,024	14,128	8,980	-22	+23
Alton, Ill.....	24,108	29,957	20,304	-20	+19
E. St. L.-Nat. S. Y., Ill....	106,312	142,171	89,488	-25	+19
Quincy, Ill.....	29,866	35,910	25,934	-17	+15
Evansville, Ind.....	122,014	140,752	104,892	-13	+16
Louisville, Ky.....	552,293	667,543	461,755	-17	+20
Owensboro, Ky.....	37,219	50,406	32,592	-26	+14
Paducah, Ky.....	17,112	17,800	12,866	-4	+33
Greenville, Miss.....	19,403	31,127	18,975	-38	+2
Cape Girardeau, Mo.....	11,178	14,658	9,805	-24	+14
Hannibal, Mo.....	8,544	10,088	7,456	-15	+15
Jefferson City, Mo.....	48,800	63,608	42,097	-23	+16
St. Louis, Mo.....	1,589,078	2,009,686	1,318,815	-21	+20
Sedalia, Mo.....	10,586	12,141	9,112	-13	+16
Springfield, Mo.....	56,376	70,255	46,310	-20	+22
Jackson, Tenn.....	18,160	23,041	16,078	-21	+13
Memphis, Tenn.....	554,417	818,656	495,882	-32	+12
Totals.....	\$3,440,567	\$4,421,632	\$2,914,613	-22%	+18%

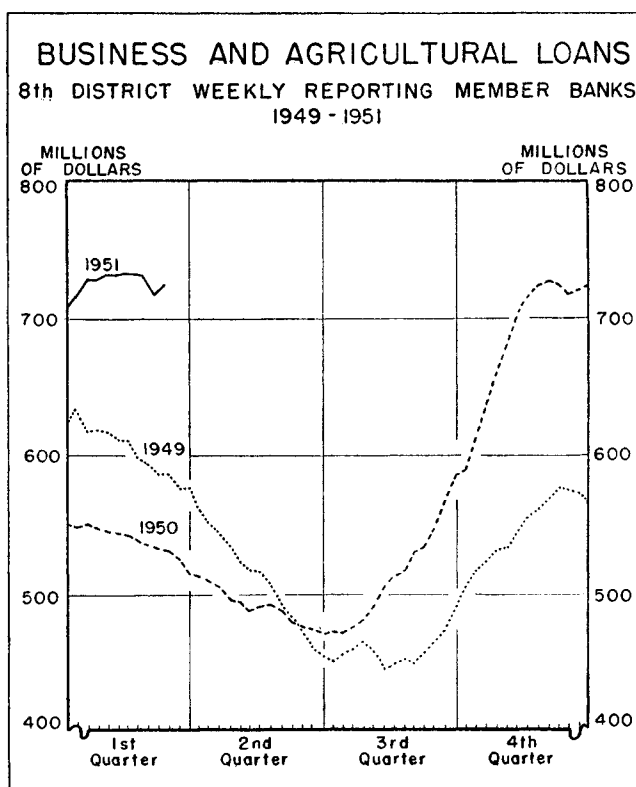
\* These figures are for Texarkana, Arkansas only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to \$27,730.

Government bond spread remained the same as in February and March. In addition, the increase in yield on Government bonds was reflected in the yield on municipal bonds and high-grade preferred stocks.

**Banking Nationally** — Nationally, in February and early March commercial loan expansion continued. Weekly reports from member banks in leading cities showed that commercial and industrial loans jumped \$836 million in the six week period to an all-time high of \$19 billion. Expansion in these loans is unusual at this time. In the same period of 1948, 1949 and 1950, for example, commercial and industrial loans declined nearly \$150 million on the average.

**District Banking Developments** — In February, district member banks reduced their loan volume, but less than the average amount for the preceding three years. The slight decline of \$4 million for all district member banks was the net result of a decline at the larger city banks (\$13 million) and a gain at smaller, primarily rural banks (\$9 million). The smaller bank loan expansion compared with an average growth of only \$1 million in February, 1948-50.

The loan decline at the larger banks was due to a shrinkage in loans to other banks which had increased sharply (about \$20 million) in January — presumably as part of the banks' adjustment to reserve requirement increases effective January 11 through February 1. Real estate loans at the larger banks showed a gain of \$1 million in February com-



pared with more than twice that amount in February, 1950. Consumer loans were off but somewhat less than the preceding three-year average. Commercial loans at the larger banks remained virtually unchanged in February compared with an average drop of \$14 million in the corresponding period in 1948-50.

**EIGHTH DISTRICT  
MEMBER BANK ASSETS AND LIABILITIES  
BY SELECTED GROUPS**

(In Millions of Dollars)	All Member			Large City Banks <sup>1</sup>			Smaller Banks <sup>2</sup>		
	Feb., 1951	Change from:		Feb., 1951	Change from:		Feb., 1951	Change from:	
		Jan., 1951 to Feb., 1951	Feb., 1950 to Feb., 1951		Jan., 1951 to Feb., 1951	Feb., 1950 to Feb., 1951		Jan., 1951 to Feb., 1951	Feb., 1950 to Feb., 1951
<b>Assets</b>									
1. Loans and Investments.....	\$4,049	\$- 41	\$+126	\$2,390	\$- 42	\$+ 88	\$1,659	\$+ 1	\$+ 38
a. Loans.....	1,867	- 4	+361	1,279	- 13	+288	588	+ 9	+ 73
b. U.S. Government Obligations.....	1,820	-27	-242	936	-19	-200	884	- 8	- 42
c. Other Securities.....	362	-10	+ 7	175	-10	-0-	187	-0-	+ 7
2. Reserves and Other Cash Balances.....	1,341	- 6	+164	844	+ 3	+141	497	- 9	+ 23
a. Reserves with the F.R. bank.....	677	- 7	+100	443	-15	+ 71	234	+ 8	+ 29
b. Other Cash Balances <sup>3</sup> .....	664	+ 1	+ 64	401	+18	+ 70	263	-17	- 6
3. Other Assets.....	49	- 1	+ 8	32	+ 2	+ 5	17	- 3	+ 3
4. Total Assets.....	<u>\$5,439</u>	<u>\$- 48</u>	<u>\$+298</u>	<u>\$3,266</u>	<u>\$- 37</u>	<u>\$+234</u>	<u>\$2,173</u>	<u>\$- 11</u>	<u>\$+ 64</u>
<b>Liabilities and Capital</b>									
5. Gross Demand Deposits.....	\$4,064	\$- 39	\$+253	\$2,523	\$- 25	\$+194	\$1,541	\$- 14	\$+ 59
a. Deposits of Banks.....	665	-52	+ 5	629	-49	- 4	36	- 3	- 1
b. Other Demand Deposits.....	3,399	+13	+258	1,894	+24	+198	1,505	+11	+ 60
6. Time Deposits.....	974	+ 1	+ 5	490	-0-	+ 2	484	+ 1	- 3
7. Borrowings and Other Liabilities.....	65	-12	+ 33	59	-12	+ 33	6	-0-	-0-
8. Total Capital Accounts.....	336	+ 2	+17	194	-0-	+ 9	142	+ 2	+ 8
9. Total Liabilities and Capital Accounts.....	<u>\$5,439</u>	<u>\$- 48</u>	<u>\$+298</u>	<u>\$3,266</u>	<u>\$- 37</u>	<u>\$+234</u>	<u>\$2,173</u>	<u>\$- 11</u>	<u>\$+ 64</u>

<sup>1</sup> Includes 15 St. Louis, 6 Louisville, 3 Memphis, 3 Evansville, 4 Little Rock and 4 East St. Louis-National Stock Yards, Illinois, banks.

<sup>2</sup> Includes all other Eighth District member banks. Some of these banks are located in smaller urban centers, but the majority are rural area banks.

<sup>3</sup> Includes vault cash, balances with other banks in the United States, and cash items reported in process of collection.

In February, investments of district member banks declined \$37 million: \$29 million at the city banks and \$8 million at the smaller banks as a group.

Deposits were off slightly in total amount for the month. Demand deposits due to banks were drawn down fairly sharply while other demand deposits increased moderately at the larger banks. Time deposits expanded at the country banks.

At mid-March, reports from weekly reporting member banks in the district indicated that the February trends had continued. Commercial loans were down in volume although the decline was less than in the corresponding weeks of the three preceding years. The contraseasonal strength in demand appeared at all reporting centers except

Memphis. Real estate loans for the 34 reporting banks were up for the two-week period to mid-March, loans to banks and "other" (largely consumer credit) loans were off.

**Debits to Deposit Accounts**—The dollar volume of checks cashed in February declined more than usual from the January level. Debits to deposit accounts at the 22 selected cities in the Eighth District were \$3.4 billion in February, 18 per cent above February, 1950. By comparison, January debits were 32 per cent larger than in January, 1950. Nationally, the picture was similar to that in the district. Debits at leading cities in the country in February were only 18 per cent above the comparable month a year ago, as compared to a 30 per cent gain in January.

