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THE EIGHTH DISTRICT AND THE DEFENSE PROGRAM

In June, 1950, war in Korea brought about a major revision in scope and scheduling of our defense program. The fighting and the projected increase in defense effort had a strong impact on consumer and business plans. The net result was considerable expansion in industrial and business activity in the United States and in this district. Most of that expansion so far has been due to civilian demand, but the defense program is growing and will grow more.

Defense spending now is considerably smaller than in World War II and the defense drain on national production is relatively small in the aggregate. It is increasing, however, and while it will not approach the World War II drain (assuming we can avoid global war) it will be significant.

So far defense orders in the district are not in large volume. Contracts are concentrated geographically and industrially as in World War II. Government expenditures projected for construction and expansion of defense plants are sizable. World War II industrial facilities are being reactivated or expanded. These expenditures directly affect local areas, particularly the smaller areas. Labor requirements for construction and production are being met without much difficulty but housing constitutes a problem in some smaller areas as does other necessary community facilities.

Defense requirements were superimposed on high level civilian demand. The war situation stimulated private spending for current consumption and inventories. It also encouraged private capital investment in plant and equipment. One result of increased activity has been growing shortages of materials. Other problems also have arisen and the outlook is for more problems as the defense program climbs to its peak.

In June, 1950, war in Korea brought about a major revision in scope and scheduling of our defense program.

For nearly twelve months the United Nations forces and the armies of North Korea and Communist China have fought up and down the mountains and valleys of Korea. When the fighting began, the United States, together with other free nations, was beginning to rebuild its defenses. After June, 1950, the defense program was stepped up considerably, both in amount of expenditures and in timing. The fact of Korea brought home sharply the need for a much stronger defense establishment in a shorter period of time than had been contemplated. And the more rapid defense build-up was to take place while we were engaged in actual war, even though that war was "limited".

The fighting and the projected increase in defense effort had a strong impact on consumer and business plans.

With the change in the international situation came changes in plans formulated by consumers and businessmen. Remembering the shortages of goods, the rise in prices and the deterioration in quality of goods that developed during World War II, consumers quickly began to lay in extra supplies of many items. They also began buying ahead of their actual current requirements. Essentially the same reaction was experienced by retailers, wholesalers and manufacturers. They also began placing large orders, just in case.

The net result was considerable expansion in industrial and business activity in the United States . . .

As a result of increased demand by the military and civilians, economic activity expanded considerably after Korea. Total output of all goods and services in second quarter 1950 was at an annual rate of $272 billion. The rate in the first quarter of 1951 was $314 billion and the second quarter figure will be higher still. While this increase reflects price rises as well as more physical output, the gain in physical terms alone has been some 7 or 8 per cent. And physical volume of industrial production is now about 12 per cent higher than in June, 1950. Total nonagricultural employment is up by 2 million and manufacturing industries employ 10 per cent more workers now than just before the Korean conflict began.

. . . and in this district.

Industrial and business activity in this district also is at a substantially higher level now than a year ago. Nonagricultural employment in the industrial centers is almost 10 per cent larger while the increase in manufacturing workers is even greater. Income has advanced considerably above last year's level, reflecting increased wage income and the impact of higher agricultural prices in a region where farm production is relatively more important than in the nation as a whole.

Most of that expansion so far has been due to civilian demand, . . .

So far the bulk of the expansion in activity since June, 1950 has reflected a civilian boom rather than a defense boom. Already noted is the fact that the Gross National Product in first quarter 1951 was at an annual rate of $314 billion, about $42 billion more than in second quarter 1950. About three-fourths of this increase reflected greater civilian demand; only one-fourth was due to increased defense demand.

The point is, of course, that it takes time to develop the full force of a defense program of the magnitude scheduled. Plans for increasing defense work followed almost immediately the Korean outbreak. But programming, contract letting, actual production work and final delivery of items cannot be achieved overnight. Many of the principal items of modern war equipment have a very long "lead time" between placement of order and delivery date; in some instances that "lead time" may be as much as two or three years.

The result is that many contracts awarded last fall are not fully reflected in production figures even yet. And actual expenditures for defense goods do not keep pace with contracts let. Thus the full impact of the present level of contracts let is still in the future, and the volume of contracts let is to increase substantially as time goes on.

but the defense program is growing and will grow more.

Some indication of future impact may be obtained from noting the rising rate of contracts let. In the first six months following Korea, military procurement (exclusive of pay, etc., for the armed forces) and construction totaled $12 billion. That figure was matched in the first three months of 1951. Defense orders are now being placed at a rate of $1 billion per week, and deliveries to the military are about $1 billion per month.

The acceleration in defense orders has pushed defense expenditures higher. In the current fiscal year (ending June 30, 1951) the Federal Government's budget expenditures for national defense and defense-related purposes, are expected to total some $26 billion. The next fiscal year will see a further expansion. In his message to Congress early last month the President estimated that some $49 billion would be required to pay the defense bills, including military and economic aid to foreign countries, coming due during the fiscal year ending in mid-1952.

Defense spending now is considerably smaller than in World War II . . .

While defense expenditures are rising, they are substantially smaller both in absolute and relative terms than during World War II. At the peak in that war, annual outlays totaled some $85 billion and accounted for approximately 85 per cent of total budget expenditures. This compares with about 54 per cent during the current fiscal year and an estimated 68 per cent in fiscal 1952.

and the defense drain on national production is relatively small in the aggregate.

The number of dollars spent is one measure of the amount of goods and services which the defense program requires. But the size of the defense bill, expressed in dollars, is less significant in many respects than the amount of materials and man-hours of labor represented by the dollar figures. Dollars for defense can be created fairly easily. The raw materials, the finished goods and human energy consumed in war are not so easily obtained. Currently the defense program is taking about 11 per cent of our total national output, a relatively small proportion. This compares with about 9 per cent in the first quarter.

It is increasing, however, . . .

Reflecting the acceleration that has occurred in letting contracts for material, and the time lag that exists between commitments and deliveries, the defense take is expected to grow during the coming months. By the end of 1951 it should climb to about 15 per cent of total production. At the peak of the presently planned program, and assuming no all-out war, the take is expected to rise to about 20 per cent. By comparison, at the peak of World War II about 45 per cent of the nation's total output was being channeled into war and related activities.

and, while it will not approach the World War II drain (assuming we can avoid a global war) it will be significant.

These estimates refer to the proportion of total output of goods and services that is required for defense and related activities. On that basis the military drain appears relatively small and lends credibility to the belief that we can fight a limited war and at the same time prepare for worse eventualities without curtailing civilian supplies very much. The drain on specific industries and materials, however, is substantially larger than is suggested by the over-all ratios. Thus the impact on the civilian economy is likely to be greater than these ratios would indicate. It is estimated that late this year about one-fifth of the available supply of steel and copper and more than one-fourth of the aluminum will be required for the defense program.

It should be noted, too, that these estimates refer only to Government-financed expenditures. In addition there are defense-related expenditures of private capital. New productive capacity, financed privately and directly related to the defense program, is one example. Already some 1,200 necessity certificates authorizing total or partial amortization in five years of $5.4 billion of capital invested in defense supporting industries have been approved by the Defense Production Administration.

So far defense orders in the district are not in large volume.

No very reliable estimate of defense contract volume in the Eighth District proper is obtainable at present.[1] Indications are, however, that the district share so far is relatively small and probably less than would be the case if contracts were distributed proportionate to total manufacturing output. On the other hand, the district is receiving a substantial amount of awards for new, expanded or reactivated facilities.

Through March 7, the district had received $65 million in "non-classified" prime defense orders (see footnote 1). This amount would be swelled considerably were the volume of "classified" contracts known. Two district firms alone are reported by the press to have prime contracts (presumably "classified") amounting to $200 million. Also, the project orders going to Government-owned and

[1] Current reporting on defense contracts so far has been much more restricted than during World War II, apparently both for security reasons and because it takes time to set up an adequate statistical reporting operation. Such data as are available generally are quite late; for example, even national totals on contract awards covered only first quarter 1951 at the time this article was written. Very little individual contract information is available, and what is covers only "non-classified" contracts—contracts for the so-called housekeeping items. Many of the munitions and combat materiel contracts fall into the "classified" category and information with respect to these is restricted. In this district "classified" contracts constitute the major portion of the contract awards to date; consequently data on "non-classified" contracts give little indication of total volume of work received in this region.

On a state basis, the Munitions Board reports contract volume (classified and unclassified combined) but such state figures exclude certain contracts let. Probably more important than such exclusions is the fact that project orders to military establishments are not covered in the Munitions Board reports. Finally, the state figures are not a very good indication of where work is actually to be done because (1) many of them are tabulated by the location of the contract recipient's home office while his plants may be located elsewhere, and (2) since only prime contracts can be covered, there is no indication of the volume of subcontracting work to be done or where such work is performed.

operated facilities in the district should be added in to get a total of defense work (exclusive of subcontracting) to be done here.

But even so, the district's defense orders seem to be low relative to its manufacturing output. And so far, district firms do not seem to have obtained much subcontract work. In part that reflects the fact that most district firms are still able to manufacture for the civilian market and are under no pressure to seek defense work. But it also reflects the fact that under a limited defense program, contracts can be performed fairly easily by the prime contractors and their traditional suppliers and they are under no particular pressure to seek widespread subcontracting.

An indication of the reltaive smallness of district defense orders may be seen in the slight demand for financing of defense contract work. A very small proportion of commercial bank lending is going to finance defense work—perhaps not more than 2 or 3 per cent of total new loans made. That small figure reflects lack of demand for financing; the banks are eager to finance defense work when they get the chance. Only 19 applications for Regulation V loan guarantees were received by the Federal Reserve Bank of St. Louis from the inception of the new V Loan program through April, 1951. The total sought was less than $4 million.

Contracts are concentrated geographically . . .

In view of the concentration of a major portion of the district's industry in five industrial centers, it is not surprising that 87 per cent of the unclassified defense contract volume also is concentrated in these industrial areas. Approximately 63 per cent of the $65 million of unclassified orders have been placed with firms in the St. Louis area. An additional 14 per cent has gone to manufacturers in the Louisville area, 6 per cent to Memphis firms, 3 per cent to those in Evansville, and 1 per cent to Little Rock companies.

While information on classified contracts, as noted, is not available, these naturally would flow to major producers who are located in the big cities. And actual munitions production going outside the district's major cities would consist mainly of project orders to military production establishments such as those at Camden, and Pine Bluff, Arkansas.

. . . and industrially . . .

There is a similar but less marked concentration of unclassified defense orders on an industrial basis. Roughly 27 per cent of these contracts are for shoes and other leather goods products. The metal working industries are next in importance, accounting for about 25 per cent of the total. Food processing, together with the textile and apparel industries, account for another 25 per cent.

. . . as in World War II.

The bulk of the prime supply contracts awarded to district firms between mid-1942 and mid-1945 also went to companies in the larger cities. Of the $6.2 billion of such contracts placed during that period, approximately 85 per cent were received by firms in the five industrial centers.

Government expenditures projected for construction and expansion of defense plants are sizable . . .

The estimated cost of new Government defense plant facilities to be built in the district, together with expenditures for reactivating or expanding existing facilities, adds up to close to a billion dollars. This sum is equivalent to almost nine-tenths of the amount the Government spent for manufacturing plant and equipment in the district during all of World War II.

Between mid-1940 and August, 1945, more than $1.4 billion of public and private capital was invested in manufacturing capacity in this region. Of this amount, Federal Government outlays totaled $1.2 billion. Most of the publicly-financed facilities were designed strictly for the production of war goods and closely related materials. Thus, 93 per cent of the Government investment was in the ordnance, chemical, nonferrous metals, and aircraft industries. The largest single plant built by Government was the $130 million St. Louis Ordnance Plant.

The expansion of existing defense industries, both privately and publicly owned, under the present defense program is taking place in a number of district areas. But a large part of the Government's dollar expenditures going for new defense plants is concentrated in essentially one project in western Kentucky and one in the St. Louis area. Late last year the Atomic Energy Commission revealed plans for the construction of a $500 million plant near Paducah, Kentucky. At the same time the TVA announced that it would build a $120 million steam generating power plant in that vicinity to furnish part of the AEC plant's power requirements. Across the Ohio River, at Joppa, Illinois, a $90 million power plant is being constructed as a joint enterprise by five privately owned utility companies. This plant also will furnish part of the power requirements of the atomic energy facility. The three projects are estimated to require a total of 19,000 construction workers and some 2,000 permanent operating personnel. The peak of construction requirements is expected to be reached this fall. The facilities will be completed sometime before mid-1953.

Another big atomic energy installation will be put in the Weldon Spring area, just southwest of St. Louis. An explosives manufacturing operation was located there in World War II. As this article is written, there is no firm estimate as to the total cost of the project. It is expected to take three or four years to complete and employ 5,500 construction workers at the peak. About 1,000 production employees will be used in its operation.

World War II industrial facilities are being reactivated or expanded.

As indicated earlier, a large part of the industrial capacity installed in the district during World War II was financed with Government funds. Some of the facilities that were adaptable to peacetime uses were sold or leased to private companies after the war. Other installations were retained by the Government on a standby basis.

A number of the standby plants are being reactivated; others are expected to be brought back into operation. And in some instances, substantial expenditures for expansion of the facilities have been programmed. The total expenditures projected to date for the reactivation or expansion of Government-owned facilities add up to at least $75-$80 million. The largest single project in this category is the $35 million expansion of the Navy's rocket plant at Camden, Arkansas. When completed, the plant may provide employment for 4,000 to 5,000 people. The expansion program is requiring several thousand workers.

Also in Arkansas is the arsenal at Pine Bluff where additional facilities costing an estimated $18 million are to be constructed. Near Charlestown, Indiana, some $12.6 million is to be spent for the reactivation of the Indiana Arsenal. In Louisville, the Navy's Ordnance Plant and two Government-owned synthetic rubber plants are being brought into production. The Small Arms plant in St. Louis, also is scheduled for reactivation.

In addition to reopening or expanding facilities that were retained by the Government on a standby basis, some of the World War II plants which were sold or leased to private companies are being expanded. Among these is the du Pont plant in Louisville where synthetic rubber is produced. Another facility in this group is the Reynolds Metals Company plant at Jones Mill, Arkansas, where additional capacity has been added since Korea. The Government's steel making facilities at Granite City, Illinois, operated on a lease arrangement during most of the postwar period by the Granite City Steel Company, are to be enlarged. A steel foundry built during World War II adjacent to the Scullin Steel Mill in St. Louis, and idle since 1945, also has been brought back into production.

The Government also has reactivated and expanded a number of its non-industrial installations in the district. An incomplete tabulation based on newspaper reports indicates that expenditures for these purposes will total between $50 and $60 million. Installations already reopened or scheduled for use are Camp Chaffee near Fort Smith, Arkansas, Fort Leonard Wood and Camp Crowder in Missouri, and Camp Breckenridge in Kentucky. The Navy installation at Millington, Tennessee, is being expanded and the number of personnel being handled at Camp Campbell, Kentucky, also has increased. At Scott Field, Illinois, additional facilities are under construction, and in St. Louis a $25 million Army Records Center is being built.

These expenditures directly affect local areas . . .

As these installations increase in size, substantial amounts of money flow into the adjoining communities in the form of payrolls and as a result of local purchases of goods and materials. The payrolls and local purchases at Millington, for example, are expected to total some $25 million this year, or 25 per cent larger than in the last fiscal year. Other military installations in the Memphis area expect to spend upwards of $15 million locally as against $10-$12 million last year. The monthly payroll at Camp Chaffee has been reported at about $1 million a month.

. . . particularly the smaller areas.

In the communities where military installations have been expanded or reactivated and where a construction program is under way or projected, it is having a definite effect on the economic life of the particular communities.

The impact of these defense expenditures shows up in the statistics. The increased volume of trade in Paducah is reflected in the fact that since January, when the hiring of construction workers began in earnest, debits to deposit accounts have shown an increase over the previous year that is substantially larger, percentagewise, than that for the district as a whole. In the first four months, debits volume in Paducah was up 37 per cent as against 24 per cent in the whole district. In March and April the increase in Paducah amounted to 45 per cent compared with districtwide increases of 23 per cent and 33 per cent.

Loan volume in Paducah is up considerably more than the average for the district since last year. The same is true of total deposits, and particularly true with respect to Government deposits.

Labor requirements for construction and production are being met without much difficulty . . .

Some of these projects require large construction forces. The three parts of the atomic energy development at Paducah, as noted, will require about 19,000 workers. So far, little serious difficulty has been experienced in recruiting the necessary labor. Hiring began in January and currently about 4,000-5,000 workers are employed.

Recruitment of personnel at plants being reactivated also has been accomplished without much trouble. At the Chevrolet shell plant in St. Louis, for example, many of the personnel hired there were previously employed at the company's automobile assembly plant in St. Louis. They had been released when production was cutback there. In other cases, too, workers have been available for the jobs, either locally or as a result of in-migration to the locality.

. . . but housing constitutes a problem in some smaller areas . . .

One of the immediate results of the increase in local area employment, of course, is a sharp increase in the demand for housing facilities. At Paducah, officials have estimated that approximately 1,000 new dwelling units will be needed to house the permanent operating personnel of the Atomic Energy Commission plant. This area, as well as the community adjacent to Fort Leonard Wood, has been declared a defense area and credit restrictions have been lowered in order to facilitate the construction of housing.

. . . as does other necessary community facilities.

In addition to housing problems, most of these communities are faced with the prospect of providing adequate educational and other facilities required by a suddenly enlarged population. And the impact doesn't stop there. From western Kentucky come reports that the Paducah projects are likely to affect agricultural crops in the area. Faced with the possibility of farm labor shortages, some farmers are shifting crops this year to those which require the least hand labor.

Defense requirements were super-imposed on high level of civilian demand.

The point has been made that prior to Korea civilian demand was at a very high level. Military requirements were a factor in the picture even then but they were relatively small and accounted for a relatively minor part of the inflationary pressures existing at that time. When the international situation took a turn for the worse, the military program was expanded. But, as noted, during most of the period since last June the defense program has had a greater impact on the economy as a result of what it caused private citizens to do with their money than as a result of the increase in defense expenditures as such. That situation will change as the defense program accelerates.

The war situation stimulated private spending for current consumption and inventories.

The immediate effect of the situation in the Far East was most pronounced in terms of consumer spending. Heavy spending by consumers encouraged retailers to increase their buying. The chain effect carried on back to manufacturers and suppliers. The net result was a steady increase in production, employment and income. And when that income was supplemented by the use of credit and past savings to finance purchases, there was a substantial increase in the existing inflationary pressures.

It also encouraged private capital investment in plant and equipment.

The Far Eastern situation also provided a stimulus to private expenditures for capital equipment. In part this reflected the conviction that with costs increasing, such expenditures would buy more plant and equipment then than later. In part it was based on the fear that materials and equipment might become scarce at a later date. And in addition it reflected expansion of capacity as a direct result of the defense program. Actually, as noted, the realized impact of the latter type of expansion will become considerably greater during the remainder of the year and in 1952.

In this district sizable private capital expenditures got under way or were projected. Since last June, 34 projects costing $1 million or more, with an aggregate estimated cost of $520 million, have been reported. The relationship of these expansions to the defense program is not always clearly defined. In some cases, perhaps, the outlays would have been made regardless of the current international situation. In others, the expansion is directly related to the defense program. Between January 15 and May 11 the Defense Production Administration approved necessity certificates requested by district firms covering $140 million of plant and equipment, a figure which represents only the amount wholly or partly eligible for amortization in a five-year period and not the total cost of the projects.

One result of increased activity has been growing shortages of materials.

Not all of the private investment of $520 million is scheduled for 1951; in some instances the amounts represent five-year programs. But the programs now under way have resulted in a larger total demand. So has the increased spending for current consumption. This larger demand has created some problems for producers. One is growing shortages of certain materials.

The defense program puts relatively heavy pressure on the supply of certain materials, particularly metals. So far the military take of steel, copper, aluminum and the like has been comparatively small. But already reports from various parts of the district indicate that some manufacturers, usually small-scale producers, are experiencing difficulties in obtaining sufficient supplies. These reports indicate that some firms with defense contracts as well as those whose output is still largely for the civilian market are having trouble locating the necessary materials.

There are reports, too, that projected cutbacks in production of civilian-type goods are not always readily offset by either prime or subcontracts. The complaint is voiced fairly frequently, and again largely by the small producer, that the recipients of prime contracts are slow in subcontracting for components of major items. To the degree that this situation exists it probably reflects the fact that restrictions on materials supply have taken hold faster than the machinery for letting prime and subcontracts has been able to function.

Other problems also have arisen . . .

Problems of a more general nature also are anticipated. Some of the district areas, where population increases have outrun the growth in job opportunities, once more are facing an accelerated rate of out-migration. Earlier this year a study of the impact of the defense program was made by the University of Arkansas in cooperation with the Arkansas Economic Council-State Chamber of Commerce. This survey disclosed that again, as in World War II, the smaller cities and rural areas are losing workers to the industrial centers. Such population shifts have longer-run as well as immediate implications.

. . . and the outlook is for more problems as the defense program climbs to its peak.

Problems of this sort are inherent in an economy geared to war goods production. And when the economic machinery is operated on the present basis of part-war, part-peace, the complexities and difficulties increase. They can be minimized only if the policy makers are most skillful and enjoy the whole-hearted cooperation of all the people.

Weldon A. Stein

Survey of Current Conditions

Eighth District economic activity in April and early May continued to move on a high plateau. This sideways movement has been characteristic of both district and nation since early 1951, and reflects the action and interaction of a combination of factors. Among these are: (1) relatively favorable progress of the war in Korea, (2) reductions in consumer demand which had been abnormally high in the second half of 1950 due in part to fear of future shortages, (3) more restrictive monetary and credit policy, and (4) the growing impact of direct economic controls. While the economy still is mainly a civilian economy, it is going through a period of general adjustment to a situation in which the military defense program will play a significantly larger part.

Industrial output in the district in April was running at a rate, after rough adjustment for seasonal factors, just slightly higher than in January. That rate was well ahead of the comparable period last year. In this district April output apparently was off a little from March, but in early May there were indications of some pickup in activity. Nationally industrial production (seasonally adjusted) in April was about the same as in March and just above the January level. Defense orders are flowing out into industry in increasing volume but their full impact still lies in the future.

Total new construction activity has been increasing more than seasonally and in April the value put in place was larger than in any previous April on record. The gain from a year ago, however, reflected mainly price advances. New residential building, in terms of number of starts, has been below last year's volume for the past three months, and in April the number of starts was down from March, an unusual occurrence.

Employment has risen sharply since last June. Since the first of the year the increase has been mainly seasonal in character but, combined with the rise in the armed forces, has resulted in some further tightness in the labor market. Currently, both district and national employment are well above year-ago levels.

Credit restriction, reflecting both Federal Reserve action and the Voluntary Credit Restraint Program, has succeeded in holding down growth in private has contributed materially to holding down growth in private credit during the past few weeks. Nationally, bank loan volume leveled off in April. In this district loans have shown some decline.

The underlying trend in the economy, however, still seems to be on the inflationary side. Despite rising inventories, lagging consumer buying, a slow down in residential building, and rumors of an early peace in Korea, inflation remains the basic domestic economic problem. Unless there should be a substantial cutback in scope and timing of the defense program, that problem will continue in the future.

The volume of spending and of actual work performed under the defense program is expected to increase sharply during the balance of 1951. As the defense take rises, the inflationary problem is likely to be intensified and it is important to continue effort to hold it within bounds.

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	April,'51	March,'51	April,'50	April, 1951 compared with March,'51	April, 1951 compared with April,'50
All Commodities	183.5	184.0	152.9	— 0.3%	+20.0%
Farm Products	202.6	203.8	159.3	— 0.6	+27.2
Foods	185.7	186.6	155.3	-0-	+19.6
Other	172.1	172.4	146.4	— 0.2	+17.6

CONSUMER PRICE INDEX*

Bureau of Labor Statistics (1935-39=100)	April 15, 1951	March 15, 1951	April 15, 1950	April 15, 1951 compared with March 15,'51	April 15, 1951 compared with April 15,'50
United States	184.6	184.5	168.5	+0.1%	+9.6%

*New series.

RETAIL FOOD*

Bureau of Labor Statistics (1935-39=100)	April 15, 1951	March 15, 1951	April 15, 1950	April 15, 1951 compared with March 15,'51	April 15, 1951 compared with April 15,'50
U. S. (51 cities)	225.7	226.2	197.3	—0.2%	+14.4%
St. Louis	237.6	239.4	202.6	—0.8	+17.3
Little Rock	224.9	226.8	195.6	—0.8	+15.0
Louisville	212.5	214.6	183.1	—1.0	+16.1
Memphis	232.9	233.8	203.4	—0.4	+14.5

*New series.

WHOLESALING

Line of Commodities — Data furnished by Bureau of Census, U.S. Dept. of Commerce*	Net Sales April, 1951 compared with March, 1951	Net Sales April, 1951 compared with April, 1950	Stocks April 30, 1951 compared with April 30, 1950
Automotive Supplies	—14%	+ 9%	+22%
Drugs and Chemicals	— 9	+18	+11
Dry Goods	—11	+31	+50
Groceries	— 9	+ 5	+28
Hardware	—12	+25	+24
Tobacco and its Products	— 1	+ 8	+25
Miscellaneous	— 9	+21	+48
**Total All Lines	—12%	+19%	+35%

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

EMPLOYMENT

Employment in the Eighth District and in the nation remained relatively stable between March and April. Total employment was at the highest April level on record, although still below the all-time peak reached late last summer. Unemployment in April was lower than at any time since late 1948.

The labor market is becoming tighter in both district and nation as the armed forces and industry continue to expand. Tightening is evidenced by the drop in unemployment, by higher quit rates among workers, by a longer work week, and by difficulties in recruiting experienced workers.

A temporary easing is expected in June when school graduates and summer workers seek jobs. This year's high school and college graduates have a rosier outlook than last year's graduates. Jobs are more plentiful and beginners' salaries are higher than a year ago. Chemists, engineers, physicists, stenographers and typists are most in demand. In sharp contrast with last year, graduates of draft age are being hired by many of the larger firms. Students seeking summer work will find more employment opportunities than last summer. The 1951 job market is reported to be one of the best since the end of World War II.

Manufacturing employment in March in six district states (data for Mississippi are not yet available) was only slightly larger than in February but was 11 per cent higher than a year ago. For the nation the gain over the year was 13 per cent. Illinois and Tennessee had a 9 per cent, Missouri a 10 per cent, Arkansas a 13 per cent, Kentucky a 14 per cent, and Indiana a 15 per cent increase in manufacturing employment since March, 1950. Total nonagricultural employment in the district states in March was about 7 per cent above last year.

Unemployment in the seven district states, as measured by claims for unemployment compensation, showed little change between early March and April. The April figure was about half the year ago level. In Evansville, St. Louis and Little Rock the claims load was about the same in April as in March.

INDUSTRY

Eighth District industry in April moved at a slightly slower pace than in March. In the aggregate manufacturing activity was a little higher, although some important lines registered small declines. Preliminary indications were that production increased in May. Mining and transportation activity was down from March. Since April had one less working day than March, and the rate of output was down slightly, total industrial output in the month was off from March, but was well above that of April, 1950.

Industrial power consumption in the major district cities in April was up 6 per cent (daily average basis) from March and 11 per cent larger than in April, 1950. Increases for the month were reported in St. Louis and Louisville; decreases were registered in Memphis, Little Rock and Evansville. Without adjustment for differences in number of working days power consumption in April was only 1 per cent ahead of March.

The Terminal Railroad Association of St. Louis reported approximately 120,000 load interchanges in April, about 10 per cent less than in March, but 9 per cent more than in April, 1950. Oil production was down slightly from March, and was less than a year earlier. Coal output was off substantially as compared with both a month and a year earlier.

PRODUCTION INDEXES

COAL PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
April, 1951	March, 1951	April, 1950	April, 1951	March, 1951	April, 1950
144*	163*	138	222*	172*	213

SHOE PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
Feb., 1951	Jan., 1951	Feb., 1950	Feb., 1951	Jan., 1951	Feb., 1950
153	153R	144	144	150R	136

R—Revised.
*—Preliminary.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	April, 1951 K.W.H.	March, 1951 K.W.H.	April, 1950 K.W.H.	April, 1951 compared with March, 1951	April, 1951 compared with April, 1950
Evansville	15,916	16,092	12,964	— 1.1%	+22.8%
Little Rock	12,524	12,768	11,355R	— 1.9	+10.3
Louisville	81,533	80,710	72,280	+ 1.0	+12.8
Memphis	28,706	30,229	28,610	— 5.0	+ 0.3
Pine Bluff	9,557	7,590	6,767	+25.9	+41.2
St. Louis	102,359	100,352	83,137R	+ 2.0	+23.1
Totals	250,595	247,741	215,113	+ 1.2%	+16.5%

R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Apr.,'51	Mar.,'51	Apr.,'50	First Nine Days May,'51	First Nine Days May,'50	4 mos. '51	4 mos.'50
119,570	132,803	109,886	34,239	32,334	465,597	418,311

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	April, 1951	March, 1951	April, 1950	April, 1951 compared with March, 1951	April, 1951 compared with April, 1950
Arkansas	78.2	79.5	80.3	— 2%	— 3%
Illinois	158.9	164.0	179.5	— 3	—12
Indiana	27.8	27.0	28.0	+ 3	— 1
Kentucky	27.4	28.2	25.7	— 3	+ 7
Total	292.3	298.7	313.5	— 2%	— 7%

The St. Louis basic steel industry scheduled operations at 90 per cent of capacity in April. This rate was three points lower than the rate for March, and operations in the first two weeks of May were at an average rate of 86 per cent of capacity.

Steelmaking activities, in general, have evidenced some slackening in recent weeks due, in part, to the shortage of scrap metal. This shortage may cause further cuts in output in coming weeks.

District production of southern pine in April was 2 per cent smaller than in March. The index of average production per mill was 207 in April compared with 211 a month earlier, and 216 in April, 1950. Pine production was increased in the first week of May, however.

Output of southern hardwood also decreased in April compared to March. Mills operated at 97 per cent of capacity in April, 99 per cent in March, and 88 per cent in April, 1950. Operations stepped up again to 99 per cent of capacity in the first week of May, 1951.

Shoe production has declined since the first of the year. The latest available figures cover February, when district output was off 9 per cent from January and was about the same as in February, 1950. Nationwide output showed a smaller drop in the month and remained ahead of the comparable period in 1950. Declining order volume has prompted many district manufacturers to plan part-time operations and to schedule vacation periods earlier than usual. Vacations ordinarily come in July; this year they are being taken in late May and in June. Some manufacturers report that uncertain conditions in the industry will result in some plants closing for two weeks instead of one.

Livestock operations were heavier in April, reflecting in part marketings designed to beat the cattle price rollback which took effect May 20. (Marketings fell off substantially following the May 20 date.) In April, livestock receipts at National Stockyards were 12 per cent larger than in March and 8 per cent more than in April, 1950.

Forty of Kentucky's distilleries were in operation at the end of April, four less than at the end of March. The amount of bulk whiskey in storage reached a new all-time high at the end of March, but most distillers have continued to operate because restrictions designed to conserve grain may come in the future.

The United States Brewers Foundation, which held its 75th trade association convention in St. Louis in May, reported that first quarter 1951 apparently saw the end of a beer sales decline which began after the peak year of 1947. Spokesmen for the industry declared that 1951 sales might be 10 per cent above those of 1950. Demand for beer in recent months has been good, and appears to be growing—particularly for home sales.

The industry is concerned about possible further restrictions on cans, rising costs, and proposed additional taxes. These factors could combine to make year-end prospects less favorable than they now appear.

Daily average crude oil production in district states decreased 2 per cent in April, compared with March. Daily average output this April was 7 per cent less than in April a year ago.

New oil explorations have continued in the district and in recent weeks a prospective new pool was opened in Wabash County, Illinois, about seven miles west of Mt. Carmel. The Zion pool in Henderson County, Kentucky, has "stepped out" another half mile with a new well. This pool now covers about 3,000 acres. New activity has also been reported in Knox and Posey Counties, Indiana.

Preliminary data indicate that total district coal production in April was 16 per cent less than in March and 13 per cent less than in the same month of 1950. Month-to-month decreases were recorded in all district coal producing states except in Missouri where a small increase appeared. From March to April, national coal production decreased 9 per cent, and was 7 per cent less than a year ago. Decreases are usual at this time of the year, but a part of these declines in the district and the nation reflect large above-ground coal inventories resulting from uninterrupted production for over a year.

CONSTRUCTION

Total expenditures for new construction put in place in the nation rose seasonally to $2.4 billion in April. This was the highest April on record, but the Departments of Commerce and Labor reported that at least some types of construction activity appear to have reached a turning point. For instance, the small increase in the value of residential building over a year ago was due entirely to higher construction costs as the physical volume was beginning to lag behind last year. The number of

CONSTRUCTION

BUILDING PERMITS

Month of April

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1951	1950	1951	1950	1951	1950	1951	1950
Evansville	64	69	$ 173	$ 178	80	100	$ 60	$ 51
Little Rock	60	135	447	1,270	193	246	271	161
Louisville	142	273	1,138	2,265	99	114	92	99
Memphis	1,857	1,622	2,364	5,236	225	155	193	98
St. Louis	346	413	1,920	8,525	234	287	1,398	557
April Totals	2,469	2,512	$ 6,042	$17,474	831	902	$2,014	$ 966
March Totals	2,044	2,643	$15,579	$11,524	840	846	$1,722	$1,174

new dwelling units started in April was well below a year earlier. Construction expenditures for commercial buildings were slightly less in April than in March, although considerably higher than last April. Industrial building continued to rise during April.

The dollar value of contracts awarded in April in the 37 states covered by the F. W. Dodge reports was about 8 per cent higher than in March but was only 2 per cent above a year ago. Residential awards in April showed a decline over the year and a very minor gain over March. Nonresidential contracts, however, were above both the month ago and the year ago level.

In the Eighth District, $76 million in contracts were let in April as contrasted with $97 million in March and $78 million last April. Nonresidential awards in April were less than the March level by 18 per cent and exceeded the April, 1950 level by 8 per cent. Residential awards, however, were 25 per cent below March and 14 per cent below last year.

In the St. Louis territory (which includes most of this district) contracts were awarded for the construction of 1,700 dwelling units during April as contrasted with 2,700 a year ago. However, during the first four months of this year 9,000 dwelling units were contracted for, as compared with 7,900 during the same period last year. All of the increase reflected apartment building; there was a slight drop in contracts awarded for one- and two-family dwellings.

Total nonresidential awards in the St. Louis territory were about 10 per cent higher in the first four months of this year than in the same period last year. Considerable declines in commercial, public, and recreational buildings were more than offset by gains in manufacturing, hospital and religious buildings.

TRADE

Total sales in April at district retail stores were generally lower than in either March, 1951 or April, 1950. The decline was due mainly to fewer trading days this April than in March and to an earlier date of Easter in 1951. On an adjusted basis, sales during April probably equaled or slightly exceeded those last year in most lines. But retailers counted fewer dollars in April, 1951 and even after adjustment they saw sales running below anticipations.

At district furniture stores sales totaled about the same as in the previous month and the like month last year. New and used automobile sales were reported slow at a time when buying interest normally builds up seasonally. Lagging sales of television receivers were cited as the major factor

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	April, 1951 compared with		4 mos.'51 to same period '50	April,'51 comp. with April,'50	Jan. 1, to April 30,	
	March,'51	April,'50			1951	1950
8th F. R. District	— 6%	— 4%	+10%	+32%	1.04	1.22
Ft. Smith, Ark.[1]	—18	— 6	+16	+41	1.05	1.17
Little Rock, Ark.	— 4	— 8	+ 6	+23	1.00	1.20
Quincy, Ill.	— 8	— 6	+16	+36	1.04	1.01
Evansville, Ind.	— 3	+ 2	+18	+46	.95	1.07
Louisville, Ky.	— 4	— 6	+10	+22	1.20	1.33
St. Louis Area[2]	— 7	— 3	+10	+40	1.01	1.24
St. Louis, Mo.	— 8	— 4	+ 9	+40	.98	1.21
Springfield, Mo.	— 8	—14	+ 7	+25	.87	1.03
Memphis, Tenn.	—10	— 4	+ 9	+15	1.20	1.23
*All Other Cities	+ 4	— 4	+16	+22	.83	.91

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

[1] In 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.

[2] Includes St. Louis, Clayton, Maplewood, Missouri; Alton and Belleville, Illinois.

Outstanding orders of reporting stores at the end of April, 1951, were 18 per cent greater than on the corresponding date a year ago.

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

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	....%	44%	Quincy	22%	62%
Little Rock	16	49	St. Louis	19	52
Louisville	19	48	Other Cities	11	50
Memphis	18	39	8th F.R. Dist.	18	49

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Apr., 1951	Mar., 1951	Feb., 1951	Apr., 1950
Sales (daily average), unadjusted [3]	304	298	275	316
Sales (daily average), seasonally adjusted [3]	320	298	327	319
Stocks, unadjusted [4]	437	413	371	329
Stocks, seasonally adjusted [4]	437	425	412	329

[3] Daily average 1935-39=100.

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	April, 1951 compared with		4 mos.'51 to same period '50	Apr. 30,'51 comp. with Apr. 30,'50	Jan. 1, to April 30,	
	Mar.,'51	Apr.,'50			1951	1950
Men's Furnishings	—28%	—25%	+ 4%	+48%	.63	.81
Boots and Shoes	—30	—24	+ 6	+27	1.24	1.40

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

Men's Furnishings .... 42% Boots and Shoes.................. 41%

Trading days: April, 1951—25; March, 1951—27; April, 1950—25.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	April, 1951 compared with		April 30, 1951 compared with			
	Mar.,'51	Apr.,'50	Mar. 31,'51	Apr. 30,'50	Apr.,'51	Apr.,'50
8th Dist. Total[1]	+ 1%	— 1%	–0–%	+25%	26%	25%
St. Louis Area[2]	+ 1	+12	+ 3	+18	53	51
St. Louis	+ 2	+15	+ 3	+18	55	52
Louisville Area[3]	+15	— 6	— 6	+40	14	16
Louisville	+16	— 6	— 7	+41	13	15
Memphis	+11	—23	+ 1	+40	14	13
Little Rock	—19	—28	+11	+ 9	18	17
Springfield	— 7	— 3	+ 4	+35	16	18
Fort Smith	—11	—16	*	*	*	*

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

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

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

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

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	April,'51	March,'51	April,'50
Cash Sales	14%	14%	14%
Credit Sales	86	86	86
Total Sales	100%	100%	100%

for lower volume by appliance dealers. The early Easter and weather which was too cool for the sale of seasonal clothing during most of April, contributed to the sales decline at department and specialty stores.

In view of smaller than expected sales, inventories held by district retailers on April 30 were seen as "uncomfortably" heavy in many lines. Department store, men's store, and furniture store inventories were substantially larger than a year ago. Women's specialty shops, where the accent is on seasonal merchandise, reported inventories only slightly larger than a year ago. Inventory problems of many car dealers have been aggravated by steady delivery of new cars from manufacturers. At the used car lots, late model used cars sold slowly, with buying interest centering on early postwar and prewar models. And appliance and furniture stores, with little storage space remaining, obtained "sudden" delivery of almost any line of merchandise.

The ability of the retailer's supplier, in both hard and soft lines, to fill orders with little difficulty has resulted in some cutback in volume of forward buying. In fact, a few lines report no orders for future delivery of merchandise. "Allotments" of unwanted goods in excess of needs, as gauged by current sales levels, are being made in several lines.

The trade picture has been further confused by the "shortage of shortages". Manufacturers increased production substantially early in the year both in view of retailers' demands for merchandise and in view of anticipated future shortages. As sales failed to gain from the January-February level, the pipe lines of supply became filled. Retailers all feel that shortages will come in the future but many believe it undesirable to add to already large inventories, partly because of storage space problems, partly because of tighter financing.

Department Stores—Sales for the month of April totaled 6 per cent less than those in March and were 4 per cent under those in April, 1950. On a seasonally adjusted and daily average basis, however, April sales were higher than a month and a year earlier, 320 per cent of the 1935-39 average as compared with 298 in March and 319 in April, 1950.

The retail value of inventories held by district department stores on April 30 increased 2 per cent from that on March 31, and was 32 per cent larger than on April 30, 1950. The value of outstanding orders at the end of April was about one-third less than a month earlier but was almost one-fifth larger than a year ago.

The sobering possibility that sales might not expand very much and could drop below present levels has accentuated the "uncomfortable" feeling retailers have about current inventories. The record of sales and inventories by major divisions of St. Louis department stores indicates that inventories throughout the entire store generally are high relative to current sales. Piece goods and household textile sales were 7 per cent larger in April, 1951 than a year ago, but inventories were 26 per cent larger. Small wares sales were only slightly higher than last year, but inventories were one-third higher. In the women's apparel division sales were off slightly and inventories were up about one-fifth. Men's wear sales dropped 18 per cent and inventories increased 38 per cent. House furnishings divisions' sales totaled 5 per cent larger, while inventories were 52 per cent more than a year earlier.

Specialty Stores—St. Louis women's specialty store sales volume during April was one-fourth smaller than in March and about one-sixth below that in April, 1950. An early Easter this year and very few clearance sales are given as the major factors in the year-to-year decline. Inventories were 8 per cent smaller than a month earlier but were 8 per cent higher than last year.

Men's apparel store volume in the district during April was 28 per cent smaller than in March and 25 per cent below April, 1950. The retail value of inventories on April 30 was up 8 per cent from March 31 and was 48 per cent larger than on April 30, 1950.

Furniture Stores—April sales volume for the district totaled about the same as in March, 1951 and in April, 1950. Inventories at the end of April were about the same as a month earlier but were one-fourth larger than a year ago.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	March, 1951	March, 1951 compared with Feb., 1951	March, 1951 compared with March, 1950	3 month total Jan. to March 1951	1951 compared with 1950	1951 compared with 1949
Arkansas	$ 29,507	+33%	+ 58%	$ 87,945	+ 36%	— 28%
Illinois	150,057	+22	+ 16	429,547	+ 7	+ 4
Indiana	85,678	+24	+ 24	232,399	+ 19	+ 15
Kentucky	28,144	-0-	+ 20	151,407	— 4	+ 1
Mississippi	26,356	-0-	+119	89,510	+118	— 44
Missouri	79,793	+18	+ 30	241,031	+ 26	+ 16
Tennessee	28,871	+12	+ 36	102,347	+ 13	-0-
Totals	$428,406	+19%	+ 28%	$1,334,186	+ 17%	— 2%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts April, 1951	Receipts April, 1951 compared with March,'51	Receipts April, 1951 compared with April,'50	Shipments April, 1951	Shipments April, 1951 compared with March,'51	Shipments April, 1951 compared with April,'50
Cattle and calves	74,992	+ 9%	—11%	24,419	+ 17%	— 9%
Hogs	317,233	+ 5	+22	68,540	— 2	+ 8
Sheep	39,385	+131	—29	29,529	+302	—14
Totals	431,610	+ 12%	+ 8%	122,488	+ 25%	— 2%

AGRICULTURE

Prospects for spring sown crops in the Eighth District were favorable at the middle of May. Up to the last week of April weather had been generally unfavorable and field work and planting were two or three weeks late. But in the last week of April and the first two weeks of May good weather permitted farmers to do considerable catching up.

By mid-May practically all cotton had been planted and many of the fields were up to good stands. Chopping was general in many areas. The bulk of the spring plowing was completed in Missouri, Illinois and Indiana, and corn planting was well under way. Some acreage originally intended for oats was shifted to soybeans or corn.

Prospective wheat production in district states still is estimated at more than the 1950 harvest. However, the 2 per cent increase now forecast is substantially less than the increase estimated as of December, 1950. The Illinois crop is expected to be nearly a third larger than in 1950. Small increases are expected in Missouri and Arkansas, the only two district states in which wheat conditions improved between December and May.

Nationally the size of the winter wheat crop on May 1 was estimated at 682 million bushels, a decline of 217 million bushels from the first estimate and 9 per cent less than the crop of 1950. Substantially smaller crops than in 1950 are expected in Texas, Kansas, and Nebraska. The smaller winter wheat production will be offset to some extent by larger spring wheat acreages.

Prices received by farmers declined slightly in the month ending April 15 for the second month in succession. On that date the index was 309 (1910-14=100) compared with 311 in March and 313 in February. Prices for truck crops, dairy products, wool, fruit and eggs all were lower than at mid-March.

Prices paid by farmers continued to edge upward. The index on April 15 was 283 compared with 280 in March and 276 in February. Thus, the parity ratio has narrowed from 113 in February to 109 in April.

FARM LAND VALUES ARE UP SHARPLY

	Increase Nov., 1950 to March, 1951 [1]	Increase March, 1950 to March, 1951	Increase 1935-39 to March, 1951
Arkansas	+ 11%	+ 15%	+205%
Illinois	+ 8	+ 17	+178
Indiana	+ 10	+ 20	+203
Kentucky	+ 8	+ 14	+222
Mississippi	+ 12	+ 15	+189
Missouri	+ 9	+ 17	+145
Tennessee	+ 5	+ 11	+197
Eighth District	+ 9	+ 16	+180
United States	+ 8	+ 14	+133

[1] Preliminary, 1912-14=100.
Source: BAE, The Farm Real Estate Market.

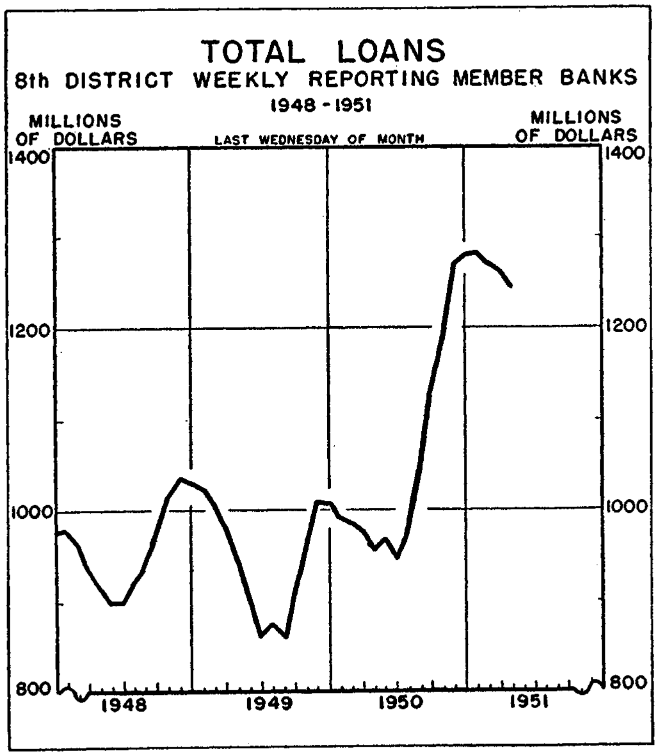
Farm real estate prices in the Eighth District increased 9 per cent in the four months, November, 1950 to March, 1951. For the year ending in March district farm land values were up 16 per cent. The percentage increase for the district exceeded the increase nationally, both for the four-month period and for the year. Among district states, the greatest increase in farm real estate prices during the year was in Indiana (20 per cent).

The proportion of farm sales involving credit for the year ending March, 1951 was little changed from the previous year, but the proportion (60 per cent) is appreciably larger than in 1948. The volume of sales was up slightly from the previous year.

BANKING AND FINANCE

Nationally bank loan volume leveled off in April in contrast to a slight gain occurring in April, 1950. The more restrictive credit policy of the Federal Reserve and the Voluntary Credit Restraint Program were factors in the moderation. Bank loans, however, were up $9.5 billion from the pre-Korea level.

In this district, total loans declined in April at member banks. The drop was $10 million, slightly smaller than the usual seasonal decline at this time of year. Loans at the large city banks declined $18 million, but this was offset in part by an increase in lending at smaller (mostly rural) banks. Typically the district's city banks show a decline in April and the country banks an increase. This April the rise in loan volume at the smaller banks was appreciably larger than last April, reflecting mainly heavier financing demand for farm production. The de-



crease at the bigger city banks was just slightly less than normal and reflected in large measure liquidation of loans on cotton at Memphis banks. Real estate loans increased at the city banks; consumer and security loans dropped. In early May loans at weekly reporting banks in this district fell another $6 million.

Investments fell $23 million in April at all district member banks. Most of the drop ($20 million) was in Government securities. Three-fourths of the net sales of Government obligations were from the portfolios of smaller banks.

Demand deposits declined in April, while time deposits rose. However, the growth in time deposits was less than the average gain for the month during the previous five years, and such deposits at the close of April were still $15 million below a year earlier.

Loans to Farmers—Since Korea there has been an increase in total loans to farmers in the Eighth District. Between June 30, 1950 and April 9, 1951 call report dates, production loans to farmers rose from $89 million to $100 million. Offsetting this rise was a decline of $10 million in bank loans to farmers guaranteed by the Commodity Credit Corporation as farm commodity prices rose above guaranteed levels. During the same period real estate loans secured by farm land increased from $35 million to $39 million.

Debits—Rate of use of bank funds continued high in April. Debits to deposit accounts at the 22 cities in the Eighth District were $3.8 billion in April, up 21 per cent from April, 1950. March, 1951 debits were 23 per cent over their year-ago volume. Nationally, debits in leading cities in April were 25 per cent higher than April a year ago.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	April, 1951	March, 1951	April, 1950	April, 1951 compared with March,'51	April, 1951 compared with April,'50
El Dorado, Ark	$ 25,485	$ 28,457	$ 22,571	—11%	+13%
Fort Smith, Ark	43,768	47,649	35,594	— 8	+23
Helena, Ark	7,053	8,844	5,906	—20	+19
Little Rock, Ark	145,306	151,872	121,998	— 4	+19
Pine Bluff, Ark	28,326	31,113	22,317	— 9	+27
Texarkana, Ark.*	13,211	14,152	11,056	— 7	+19
Alton, Ill	26,881	31,843	22,439	—16	+20
E.St.L.-Nat.S.Y., Ill	126,934	138,848	93,390	— 9	+36
Quincy, Ill	32,594	37,996	27,358	—14	+19
Evansville, Ind	140,748	143,416	102,095	— 2	+38
Louisville, Ky	612,593	672,010	478,961	— 9	+28
Owensboro, Ky	31,210	46,312	31,523	—33	— 1
Paducah, Ky	19,144	21,067	13,166	— 9	+45
Greenville, Miss	19,198	23,691	16,321	—19	+18
Cape Girardeau, Mo	12,517	13,583	10,964	— 8	+14
Hannibal, Mo	8,864	10,045	7,707	—12	+15
Jefferson City, Mo	52,846	47,043	51,270	+12	+ 3
St. Louis, Mo	1,783,884	1,938,090R	1,438,939	— 8	+24
Sedalia, Mo	10,202	11,734	9,485	—13	+ 8
Springfield, Mo	62,684	69,432	54,073	—10	+16
Jackson, Tenn	19,634	21,916	17,290	—11	+14
Memphis, Tenn	594,699	705,097	566,302	—16	+ 5
Totals	$3,817,781	$4,214,210R	$3,160,725	—10%	+21%

*These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $30,255.
R—Revised.

EIGHTH DISTRICT MEMBER BANK ASSETS AND LIABILITIES BY SELECTED GROUPS

(In Millions of Dollars)	All Member			Large City Banks [1]			Smaller Banks [2]		
		Change from:			Change from:			Change from:	
Assets	Apr., 1951	Mar., 1951 to Apr., 1951	Apr., 1950 to Apr., 1951	Apr., 1951	Mar., 1951 to Apr., 1951	Apr., 1950 to Apr., 1951	Apr., 1951	Mar., 1951 to Apr., 1951	Apr., 1950 to Apr., 1951
1. Loans and Investments	$3,978	$—33	$+108	$2,328	$—26	$+ 82	$1,650	$— 7	$+ 26
a. Loans	1,859	—10	+370	1,252	—18	+289	607	+ 8	+ 81
b. U.S. Government Obligations	1,758	—20	—252	903	— 5	—191	855	—15	— 61
c. Other Securities	361	— 3	— 10	173	— 3	— 16	188	-0-	+ 6
2. Reserves and Other Cash Balances	1,289	+ 9	+131	814	+ 7	+107	475	+ 2	+ 24
a. Reserves with the F.R. Bank	674	+ 1	+111	438	— 1	+ 75	236	+ 2	+ 36
b. Other Cash Balances [3]	615	+ 8	+ 20	376	+ 8	+ 32	239	-0-	— 12
3. Other Assets	47	+ 1	+ 6	30	-0-	+ 3	17	+ 1	+ 3
4. Total Assets	$5,314	$—23	$+245	$3,172	$—19	$+192	$2,142	$— 4	$+ 53
Liabilities and Capital									
5. Gross Demand Deposits	$3,945	$—27	$+222	$2,440	$—21	$+181	$1,505	$— 6	$+ 41
a. Deposits of Banks	592	—19	— 11	560	—18	— 9	32	— 1	— 2
b. Other Demand Deposits	3,353	— 8	+233	1,880	— 3	+190	1,473	— 5	+ 43
6. Time Deposits	978	+ 5	— 15	490	+ 2	— 11	488	+ 3	— 4
7. Borrowings and Other Liabilities	49	— 1	+ 11	43	— 1	+ 10	6	-0-	+ 1
8. Total Capital Accounts	342	-0-	+ 27	199	+ 1	+ 12	143	— 1	+ 15
9. Total Liabilities and Capital Accounts	$5,314	$—23	$+245	$3,172	$—19	$+192	$2,142	$— 4	$+ 53

[1] Includes 15 St. Louis, 6 Louisville, 3 Memphis, 3 Evansville, 4 Little Rock and 4 East St. Louis-National Stock Yards, Illinois, banks.
[2] Includes all other Eighth District member banks. Some of these banks are located in smaller urban centers, but the majority are rural area banks.
[3] Includes vault cash, balances with other banks in the United States, and cash items reported in process of collection.

National Summary of Business Conditions

Output and incomes were generally maintained in April and May, reflecting in part a further expansion in Federal defense activities. Consumer demands for most durable goods slackened further, and total value of retail sales was only moderately above year-ago levels. Wholesale commodity prices decreased slightly in May and common stock prices showed fairly marked declines. Bank loans to business have shown little change since early April.

Industrial Production—Output at factories and mines in April, as measured by preliminary figures for the Board's seasonally adjusted index, was 222 per cent of the 1935-39 average, the same as March. Not much change in this level is indicated in May. The current level of industrial activity is about 15 per cent higher than a year ago.

Production of durable goods showed little change in April as output of industrial equipment increased somewhat less than in other recent months; passenger car assemblies decreased 15 per cent; and production of furniture, television sets, and most other household durable goods was reduced. Output of metals and most building materials was maintained at or above earlier advanced rates. Activity in the aircraft industry showed a further marked expansion.

Output of most nondurable goods was maintained in April. Production of chemicals expanded further reflecting mainly increased output of synthetic rubber and other industrial chemicals. Activity in the cotton textile industry decreased owing in part to a labor dispute which was terminated in early May.

Crude petroleum output expanded to new record levels in April and early May, and production of anthracite rose substantially from the reduced March rate. Metal mining increased as iron ore production rose more than seasonally.

Employment—Total employment in nonagricultural establishments in April, seasonally adjusted, showed a smaller gain than in other recent months. Employment in defense and related activities continued to increase, while employment in consumer goods industries showed moderate declines. Average wage rates at manufacturing plants rose further. Unemployment declined to 1.7 million, one of the lowest levels reached in the past decade except for the war years.

Construction—Value of construction contract awards increased seasonally in April, reflecting chiefly gains in most types of private nonresidential awards. Total awards in May are likely to increase further because of a very large contract issued by the Atomic Energy Commission. The number of housing units started in April showed a contra-seasonal decline to 88,000, as compared with 93,000 in March and 133,000 in April 1950.

Distribution—Total retail sales decreased further in April. In the early part of May, department store sales of durable goods slackened somewhat further, while sales of apparel and most other nondurable goods were maintained. Department store stocks at the end of April continued at the advanced level reached at the end of March and were nearly one-third above the corresponding period in 1950.

Commodity Prices—Prices of 28 basic commodities have declined further since the end of April and on May 25 were 7 per cent below the February peak but 38 per cent higher than a year ago. Reflecting mainly declines in basic materials, the general level of wholesale commodity prices has decreased slightly since the end of April. Prices of finished goods have generally changed little.

Consumer prices in mid-April were maintained at the March level. Prices of foods declined slightly but apparel, housefurnishings, and rents increased somewhat further.

Bank Credit and the Money Supply—Bank loans to business in leading cities showed little change from mid-April to the third week of May, although there is usually a decline at this season. Credit extended for defense purposes continued to be substantial. Wholesalers and retailers also borrowed substantial amounts, while commodity dealers made large repayments on loans.

Deposits and currency held by businesses and individuals increased substantially in April, reflecting largely a shift of funds to private accounts as Treasury balances were reduced following the heavy inflow of tax receipts in March. At selected banks in leading cities outside New York the rate of use of demand deposits rose somewhat further.

Member bank reserve balances declined between early April and mid-May, reflecting gold and currency outflows, cash redemption of part of Federal Reserve holdings of the weekly maturing Treasury bills, and increases in Treasury deposits at the Reserve Banks.

Security Markets—Common stock prices reached a new postwar high early in May but subsequently declined to the lowest level since mid-January. While yields on Treasury securities increased somewhat in the first three weeks of May, there was little net change in yields on high-grade corporate bonds.