Monthly Review

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THE CONSTRUCTION PICTURE: CONTINUED BOOM?

The five-year period, 1946-50, was a record breaker for construction. Rising prices and costs accounted for much of the increase in expenditures, but physical volume of construction increased sharply too. The big push was in the residential field. Expenditures for new housing broke all records nationally and in this district. Nonresidential construction was also in large volume.

The boom has continued so far in 1951 but seems to be losing some of its momentum. The slowing down reflects a decline in residential construction. Prospects are for this trend in residential building to continue, both nationally and in the Eighth District. Tighter credit has been a major factor in this development, operating directly on residential construction financing. Materials and labor shortages have been minor limiting factors.

Nonresidential construction is still going strong, however, and total new construction in 1951 could top 1950.

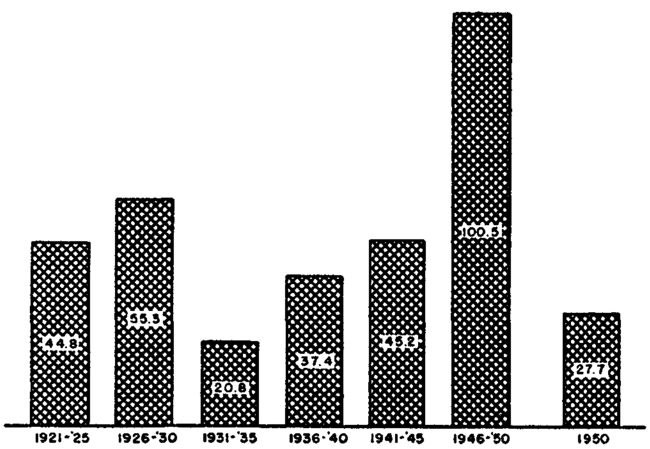
The five-year period, 1946-1950, was a record breaker for construction.

The construction industry has its ups and downs. A glance at the record gives the evidence of big booms and busts. There was the decade of the 1920's, for example, when new construction expenditures totaled about $100 billion, a $10 billion average per year. Then came the 1930's with an annual average of less than $6 billion and a 1933 low of under $3 billion. The World War II years saw $45 billion in new construction despite fairly tight controls. But the biggest boom of all is the one we have been enjoying since the end of World War II.

From 1946 through 1950 the nation invested more than $100 billion in new construction. In those five years expenditures for material and labor put into new construction amounted to more than was spent during the entire decade of the 1920's when there was a building boom on also. The rate at which expenditures increased from 1945 to 1950 topped the experience of all other five-year periods on record. In 1946 new construction expenditures were double what they were in 1945. The next year they climbed another 38 per cent. That was followed by a 30 per cent increase in 1948. The general business dip in 1949 slowed the construction industry some and expenditures went up only 5 per cent. But last year money flowed freely to the builders and when the totals were added they came to $27.7 billion, or 22 per cent larger than in 1949. Thus 1950 was the fattest of five fat years, and the record breaker to date.

The Eighth District got its share of the postwar boom. The contract value of construction here was $3.2 billion in the half decade through 1950. Last year saw a total of $868 million of work put under contract for a new peak. The previous high water mark was in 1942 when war plant construction was under way. In that year contracts were let for $742 million of construction. But 1950 volume beat this by 17 per cent.

TOTAL NEW CONSTRUCTION IN THE U. S.
BILLIONS OF DOLLARS



Rising prices and costs accounted for much of the increase in expenditures, . . .

Building materials prices and labor costs have risen considerably in the last ten years. In fact, the $100 billion spent for new construction since 1945 would have bought just about twice the physical amount of building in 1939 as it actually did in the postwar years. In terms of constant (1939) prices, building volume in the 1926-30 period was larger than in the 1946-50 period.

Materials prices at the wholesale level are more than 90 per cent higher than they were in 1945. Some items, of course, have climbed faster than that. Lumber prices, for example, average 2.3 times their 1945 level. Prices of plumbing and heating materials have almost doubled.

During the same time construction labor costs have climbed. This not only reflects higher wage rates but also results from the tight labor market. Builders frequently report they must guarantee overtime work in order to hold their workmen. And with the demand for building there has been ample opportunity for overtime. This makes building expensive.

In St. Louis the cost of building a standard six-room frame house has increased almost 75 per cent since October, 1945, according to the Roy Wenzlick Company estimates. Back in 1945 this house cost a little more than $9,000 to build. Today it takes about $15,800 to build the same house. That figure is about 13 per cent higher than it was in June, 1950, before the Korean war began.

. . . but physical volume of construction increased sharply too.

But even after allowance for price increases the volume of construction in post-World War II years has been most impressive. When expenditures are deflated for price changes, the 1926-30 period exceeded the five postwar years, and not by very much at that. And 1950 was bigger than any other year, even with adjustment for higher prices. In constant (1939) prices, 1950 volume was three times that of 1945 and 10 per cent more than in the previous peak year, 1927.

The big push was in the residential field.

The record-breaking volume of new construction put in place since the end of the war reflected in large part the tremendous expansion in new housing. In the five years to the end of 1950 nearly 4.9

million new nonfarm dwelling units were put under construction. That beats the record of the five best years in the 1920's by more than 10 per cent. In 1949 new starts ran above a million for the first time in history. Last year the industry came up with a thumping 1.4 million. And in five months this year an additional 445,000 new units got under way.

The 1950 Census of Housing showed 45,875,000 dwelling units in the United States, 8,550,000 or 23 per cent more units than there were ten years earlier. This gain was larger than the number of recorded new starts by about 2 million units, partly because of under-reporting of new starts (farm housing is not included in starts data) and partly because of a large number of conversions which increased the dwelling units in existing structures.

In the Eighth District, the 1950 Census showed 3,188,000 dwelling units, about 348,000 or 12 per cent more than were in existence in 1940. More than half of this increase came in the major metropolitan areas of the district, St. Louis, Memphis, Louisville, Little Rock and Evansville.

The striking thing about the increase in dwelling units and the tremendous number of new housing units started is that housing is still short relative to demand.[1] The available vacancy rate nationally in 1950 (and at present) was lower than in 1940.

Expenditures for new housing broke all records nationally . . .

The new housing record is even more impressive in terms of dollar amounts. Total investment in new housing facilities in the 1946-50 period amounted to about $44 billion, or 44 per cent of all expenditures for new construction during those years. That was a little more than was spent for housing during the entire decade of the 1920's, although approximately the same relative to total new construction expenditures as in the 1920's.

Public housing had very little to do with the housing boom during recent years; the boom was financed privately for the most part. Of the $44 billion poured into new residential building, a little less than $40 billion was for privately financed nonfarm residences, a little over $2 billion represented private funds invested in farm dwellings, and $1.4 billion was public money.

The rate at which private investment in housing expanded was never equaled before. Expenditures in nonfarm areas jumped from $1.1 billion in 1945 to $12.5 billion in 1950. Higher costs accounted for much of the increase, of course, but even physical volume showed a huge increase. In 1945 there were 208,000 privately financed nonfarm units started. Last year there were 1,352,000.

. . . and in this district.

There was a similar increase in this district. In 1945 residential contracts came to $30 million. The following year they were nearly five times as large, and in 1950 more than $350 million worth of residential building was put under contract. In half the months last year, dollar volume was larger each month than in the full year 1945.

Nonresidential construction was also in large volume.

Although housing construction supplied much of the steam for the postwar boom, nonresidential expenditures also were large. New industrial construction, privately financed, amounted to about $6.8 billion; another $5.5 billion went into commercial building; railroads and other utilities invested $13.2 billion in new construction; and other privately financed nonresidential work, excluding farm construction, totaled $5.2 billion.

The trends in the nonhousing fields were different from the residential field, however. Manufacturing expenditures for new construction peaked in 1946-47 and declined through 1949. Last year there was a slight increase, but volume remained well below the earlier peaks. Commercial construction, including retail establishments, together with warehouses, office and loft buildings, in 1950 was slightly larger than in 1948 but only by about 2 per cent, all of which probably represented higher costs. Expenditures by all public utilities reached their peak in 1949.

The boom has continued so far in 1951 . . .

So far this year new construction expenditures in the nation are running well ahead of those last year. And the contract value of work in the district is larger than it was in 1950. Through May, new building put in place nationally amounted to about $11.1 billion. That was 19 per cent more than in the first five months last year when it totaled $9.4 billion. The increase in private investment was not that large, however. Nearly 15 per cent more private capital has gone into new construction than in the same period in 1950. But publicly financed work is up 30 per cent from last year, reflecting in large measure military or defense-related construction.

[1] The number of households increased substantially more than the population increased between 1940 and 1950. For the United States the gain in households was 22 per cent, in total population only 15 per cent. The wave of marriages and relief from doubling up accounts for this difference. In the district the population gain was only 2 per cent.

In the district, contracts let through May were valued at $749 million, or 131 per cent larger than a year ago. A sizable part of this year's total and much of the increase over last year reflects the inclusion of contracts let for the Atomic Energy Commission facility at Paducah, Kentucky. In May the F. W. Dodge Corporation figures included $350 million of the facility's estimated total cost of $500 million. But even excluding this project, total contracts for the five months were up 23 per cent from a year ago.

. . . but seems to be losing some of its momentum.

The whole story with respect to the current construction picture is not revealed by the total expenditure or contract figures, however. Although the nation still is spending more for new structures this year than last year, and contracts awarded in this district are valued at more than during the same months in 1950, the boom seems to be losing some of its momentum.

In May, for example, total new construction expenditures in the nation failed to expand as much as usual. The increase this year between April and May was only 6 per cent. Last year it was almost 15 per cent, the year before about 14 per cent, and in the other postwar years, volume in May always ran more than 10 per cent larger than in April.

The increase from the seasonally low month of February to May this year was smaller than it was in any other postwar year except 1947. This year construction put in place in May was about 30 per cent larger than it was in February. In four of the previous five years increases ranged from 41 per cent in 1948 to 60 per cent in 1946. In 1947 the seasonal rise lifted activity by only 28 per cent from February to May.

The trend in the district's contract volume pretty much followed the usual seasonal pattern until April. There was a decline in that month for the first time since 1946. In May volume, including the atomic energy plant award, was up and by a larger percentage than the increase in previous years. Excluding this one contract, the remainder also was larger than in April, but the rate of increase was smaller than usual.

A comparison of this year's volume with that during the same months last year also suggests some slowing down. Nationally, new construction expenditures in the last half of 1950 were running some 25 per cent ahead of those in the previous year. In the first quarter of 1951 the year-to-year increase dipped to 21 per cent, then declined to 19 per cent in April and dropped to 10 per cent in May.

In the district, contracts in the first quarter were up a third, due primarily to a better than 50 per cent increase in February. In April, however, contract volume dropped below last year's level and in May, excluding the AEC facility, was only a little larger than in May, 1950.

The slowing down reflects a decline in residential construction.

The failure of total new construction expenditures in 1951 to maintain the phenomenal rate of gain recorded in 1950 is due partly to the difficulty of maintaining a high rate of gain from a level already high, but principally to the fact that residential construction is lagging. For example, expenditures for nonfarm housing in May were 18 per cent below May, 1950 and were off 3 per cent from April. This was the first time the records showed an April to May decline. From the low in February to May this year, residential volume rose only 4 per cent; last year it jumped more than 40 per cent.

Prospects are for this trend in residential building to continue, both nationally . . .

These expenditure figures, of course, represent the value of work put in place. Since it takes time to complete construction projects, work put in place each month reflects not only building begun that month but also work done on prior starts. In other words, a lot of the actual expenditures now showing up in the record represent commitments entered into earlier, some as early as last fall. Last year there was a rush to get work authorized and under contract late in the year. The result is being seen in the fact that expenditures this year, while lacking momentum on the seasonal upswing, still are large. But new buildings have to be projected in order to maintain this level of expenditures. The trend in this respect shows up in terms of building permit authorizations and the number of new units actually started.

Permit figures are not comprehensive in their coverage; they relate primarily to the larger cities. They are, however, reasonably good indicators of trends. Through March the figures showed a 17 per cent drop from last year in the number of new single-family units authorized by permits, and a similar decline in two-family units. The drop in multi-family units was even greater, running more than 50 per cent. This trend foreshadows a further sag in actual expenditures (work put in place) during the coming months.

A similar picture shows up in terms of dwelling units started. Through May an average of about 89,000 units was put under construction monthly.

Until last year there was never a time when as many houses were started in the corresponding part of the year. But, compared with 1950, activity was down, and the rate of decline is increasing. In January, for example, this year was ahead of 1950 by 9 per cent. But February was off 4 per cent and the margin widened to more than 30 per cent in April and May.

. . . and in the Eighth District.

Residential volume is lagging in this district too. Through May about $123 million of residential construction was put under contract in this district. That was 17 per cent larger than in the same period last year. But all of the increase was in the first three months. In April volume dropped 22 per cent below the same month of last year and in May it was off 7 per cent. The declines from last year's level have been accompanied by a less than seasonal upswing since January.

In the St. Louis territory, as defined by the F. W. Dodge Corporation, and which includes a sizable portion of the Eighth District, 11,800 new dwelling units were put under contract through May. That was a little better than a year ago when 11,200 were covered by contracts awarded. The over-all increase, however, reflected a big gain in apartment construction. In the one- and two-family class, which has been the backbone of the postwar residential building boom in this area, there was a decline of 18 per cent.

Single-family units put under contract for owner occupancy in January and February were ahead of last year. In March they dropped below, by nearly 27 per cent. The gap narrowed some in April but in May it widened to 22 per cent. In the one-family class built for sale or rent, volume during the first quarter showed a year-to-year gain. But in April it dropped a third below last year, and in May was less than half of the May, 1950 level when the all-time peak was reached.

Essentially the same picture is obtained from reports on new single-family units covered by building permits. In Memphis, for example, the number of these units authorized for construction through May was off a third from the first five months last year. Exactly comparable data are not available for other cities in the district, but reports showing the estimated value of single-family residences covered by permits tell a similar story. In Little Rock, dollar value of this class of building was down almost a third. In St. Louis (excluding the county) one-family dollar volume was off 47 per cent from the first five months last year.

Tighter credit has been a major factor in this development, . . .

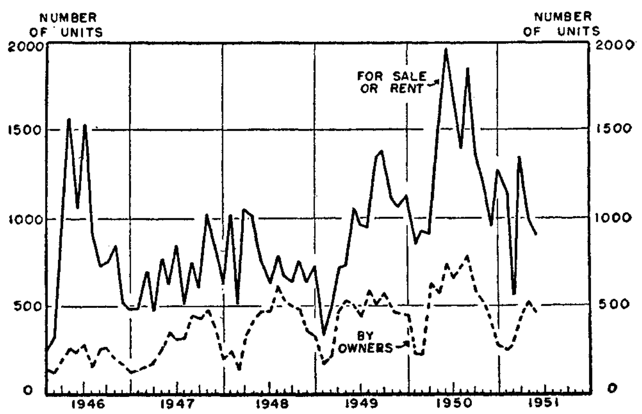
A major influence on residential building activity in 1951 has been tighter credit. This reflects both credit restrictions relating directly to real estate financing and general monetary policy aimed at restricting availability of funds. Other influences have been builders' anticipations as to the effects of tighter credit and some direct controls on building.

. . . operating directly on residential construction financing.

Shortly after the outbreak of war in Korea, the Federal Housing Administration reduced the maximum amount of loan it would insure and cut the maximum eligible ratios of loans to values by five percentage points. The Veterans Administration instituted a minimum down payment for G. I. loans on housing. Both FHA and VA required that any cost increase over July 1, 1950 levels, reflected in purchase price of housing, be matched by an additional down payment on the part of the buyer.

After passage of the Defense Production Act of 1950, which authorized real estate credit controls, the Board of Governors of the Federal Reserve System issued Regulation X under authority of an Executive Order of the President. This Regulation originally set up maximum loan values (in other words, minimum down payments) and maturity schedules on newly constructed one- and two-family dwellings financed privately without FHA insurance or VA guaranty. Accompanying regulations to cover new and existing residential property financed with Government insurance or guaranty were issued by the Housing and Home Finance Administrator and the Veterans Administration. Subsequent amendments to these regula-

NEW ONE-FAMILY DWELLINGS PUT UNDER CONSTRUCTION
ST. LOUIS TERRITORY — 1946-1951



SOURCE: F.W. Dodge Corp.

tions brought multi-family residential construction under similar credit control.[2]

In general, the real estate credit controls are designed to require larger down payments and shorter maturities and thus reduce demand for new housing credit and for new housing itself. Lower percentage down payments (higher maximum loan values) are permitted for lower-priced houses; housing units costing \$2,500-\$5,000 have maximum loan values of 90 per cent, those costing \$24,250 or more have maximum loan values of just 50 per cent. Veterans receive some preference in terms of somewhat higher maximum loan values for housing purchased by them.

So far the impact of these real estate credit controls seems to have been more on builders' anticipations rather than on buyers' demand for housing. A great volume of commitments for financing was entered into prior to the effective dates of the regulations and thus a lot of the actual residential construction done so far in 1951 has been exempt from their terms. Also the terms laid down apparently did not curtail effective demand as much as was anticipated. A substantial number of prospective home buyers evidently can meet the terms. The 1951 Survey of Consumer Finances, conducted for the Board of Governors, indicated that only 5 to 10 per cent of those people interviewed who knew about the regulations would have their buying plans affected by such controls. Higher prices and uncertainties about the future seem to have been more limiting factors on demand than real estate credit controls.

At the same time, it seems likely that as 1951 goes on, and as the backlog of pre-regulation commitments works down, the real estate credit controls will have a more restrictive effect. Tightening of terms does reduce some demand; the question really is just how much demand will be curtailed on the basis of existing terms. Builders of speculative housing apparently were rather strongly affected by their anticipations of curtailed demand for housing. As a result they have followed a cautious policy with respect to new building and cut back their plans for 1951 in significant degree.

More significant in its impact on new housing starts than Regulation X (plus the HHFA and VA regulations) has been the reduction in investor demand for mortgages. To some extent this represents an unwillingness to lend at the 4¼ per cent and 4 per cent returns that were available last year on FHA insured or VA guaranteed paper, in the face of the increased yields now available on Government securities. In part, it represents unwillingness of mortgage investors to incur losses in selling U. S. Government securities at less than par or cost to obtain funds to make the mortgage loans. In addition, the unwillingness reflects a sense of being "loaned up" on real estate. Real estate loans represent a larger share of assets at the larger bank and insurance institutions than they have at any time in recent years. For the sake of diversification and liquidity, a "go-easy" policy has been instituted by these institutions in the acquisition of further real estate loans.

No extensive data are immediately available on mortgage lending.[3] There appears, however, to be a fairly pronounced drying up of institutional mortgage lending. Some mortgage lenders in the district are reportedly refusing all new applications. On the other hand, and perhaps more typically, other mortgage lenders maintain that mortgage money is still available for "good" loans and at a price.

Materials and labor shortages have been minor limiting factors.

One reason behind restricting real estate credit was to reduce effective demand for new housing and thus permit more critical materials to be channelled into defense production. If the target of 800,000-850,000 new dwelling units for 1951 were achieved, materials requirements for new housing in 1951 would be roughly two-thirds of those in 1950, assuming no change in the types of units constructed.

For a variety of reasons the materials requirements for the defense program have not been as heavy as anticipated, and there has been no overall shortage of building materials. Some items have grown more scarce and the materials supply situation may be generally tighter, but on balance most builders can secure needed supplies. Similarly, labor has been in adequate general supply so far. It may well be, however, that as the defense program, particularly the construction portion, gets rolling faster both factors will become limits on residential building.

[2] Regulation X also was broadened to cover certain classes of nonresidential construction credit. Further, by its recommendations in Bulletin No. 4, issued June 14, the National Committee on Voluntary Credit Restraint has suggested that lenders adhere to the terms of Regulation X in making loans on existing residential, commercial, and industrial property.

[3] Amendment No. 5 to Regulation X requiring all lenders to register and supply facts about mortgage holdings by June 30, 1951 will shortly provide basic data on over-all total volume of real estate credit and its distribution at mid-1951. A new reporting series being developed by the Federal Reserve System and the Housing and Home Finance Agency will provide information monthly on changes in the over-all volume when it becomes operative.

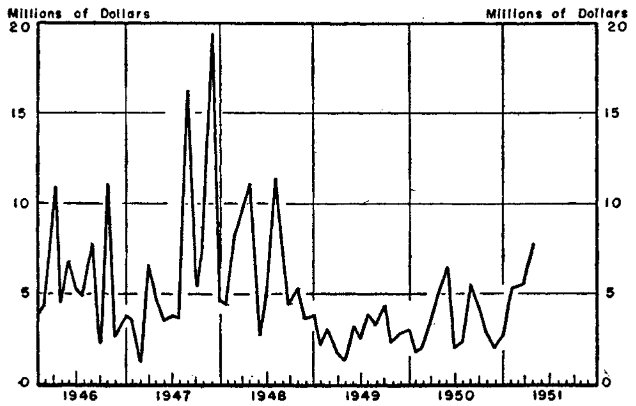
Nonresidential construction is still going strong, however, . . .

At the national level expenditures for nonresidential construction generally are well above last year's volume. This reflects primarily the very substantial plant expansion program under way in connection with the defense effort, including both private and public building, and the build-up of military and naval facilities.

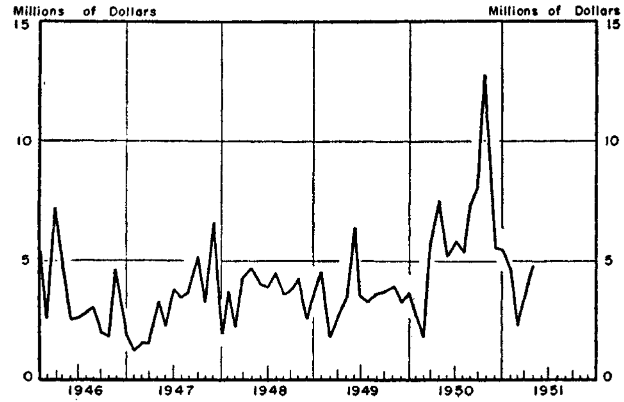
In the first five months of 1951 nonresidential private construction expenditures, including public utilities, totaled $3.3 billion as against $2.4 billion in the same period last year. Private investment in new manufacturing facilities is running at a rate more than double that of 1950. Commercial construction, despite some limitation in connection with the necessity of securing NPA permits, so far in 1951 is 55 per cent ahead of last year. Public utility outlays are running 13 per cent larger than in 1950. Public construction, virtually all of it in the nonresidential building category, totaled $3.1 billion through May, 1951 as against $2.4 billion in the same period in 1950.

In the district the increase in manufacturing construction put under contract through April is comparable with the 100 per cent increase in expenditures nationally. Contracts for commercial structures here are down, but in the public utilities field the increase is relatively twice as large as that for the region as a whole.

VALUE OF MANUFACTURING BUILDING CONTRACTS
SELECTED DISTRICT AREAS*



CONTRACTS LET FOR COMMERCIAL CONSTRUCTION
SELECTED DISTRICT AREAS*



SOURCE: F. W. Dodge Corp.
*Includes E. Missouri; Arkansas; W. Tennessee; Louisville; Evansville; S. Illinois

. . . and total new construction in 1951 could top 1950.

Thus, despite the decline in residential construction, total new construction expenditures so far in 1951 are substantially higher than they were in 1950. As noted, the increase through May was 19 per cent. For the remaining seven months of the year, total construction expenditures could average 9 per cent less than in the same months last year and still add up to as large a dollar figure as we had in 1950.

As a matter of fact, if expenditures for new residential construction in 1951 were off as much as one-third from the 1950 total and if nonresidential construction continued to show the gains evident in the first five months of this year, total construction expenditures for the country as a whole in 1951 would top those of 1950. With the drive for new production facilities, both private and public, and the rapid build-up in military establishment expenditures, it is possible that at the close of 1951 a new record for total new construction expenditures will have been set.

Weldon A. Stein

Survey of Current Conditions

In June, 1951 the economy of the Eighth District was operating at a much higher level and under conditions considerably different from those of a year earlier. War in Korea had changed the "rules of the game" and shifted the emphasis of activity. As this is written, on the anniversary of the outbreak of fighting in Korea, most key economic indicators are at higher levels than obtained in June, 1950. And under the pressure of the national emergency the area of free market action was shrinking as the economy was becoming more closely geared to a large-scale defense program.

Two big facts emerged in the year following June 25, 1950. One was that this nation was to have a rearmament program larger than anything ever before attempted in the United States during a period which was still nominally peacetime. In the past year substantial progress was made toward putting this nation on a much stronger defense basis. The armed forces were built up considerably. Large amounts of contracts were let for the production of defense material. In June, 1951 the United States was well on the way toward restoring its military strength.

The second big fact was that the transition from a peacetime economy to one partially geared to war could be accomplished with almost astonishing smoothness. At least that has been the case so far. Civilian consumption had suffered very little, if at all, during the first year of rearmament. As a matter of fact, in many lines civilian goods had been produced faster than consumers would absorb them and inventories were substantially higher than a year earlier. Prices were up, the labor market was tighter, as were some materials. There had been, of course, some economic dislocations. On balance, however, the economy had done very well in adjusting to a new situation.

In the Eighth District, the year following Korea had seen considerable expansion—about in line with the expansion nationally. Employment was substantially higher and unemployment was down. Industrial production in June was some 10 per cent ahead of June, 1950. Income had risen sharply, as had prices.

The growth in activity in the district (and in the nation) was based almost entirely on civilian demand. Defense orders in this region were small relative to the district's share of the nation's industrial capacity. While defense construction here had been substantial, the total direct impact of the defense program on the district was not great and was less than that on the older industrial regions and the Pacific Coast.

As of June, 1951 the key question for the district, and for the nation as a whole, is "What lies ahead?" If there is to be peace in Korea, will the defense program continue to expand as presently scheduled? Can the economy continue to produce both guns and butter or are civilian scarcities ahead? The full answers to those questions, of course, lie in the future, but, on balance, it seems unlikely that, over the short run, the economy can produce enough to satisfy the scheduled defense requirements and a civilian demand stemming mainly from rising income. And, short of a full-scale international settlement, the defense program should continue to increase and thus pinch progressively on availability of civilian goods. Basic inflationary forces still seemed to underlie the situation and to warrant continued effort to hold them down.

WHOLESALING

Line of Commodities	Net Sales		Stocks
Data funished by Bureau of Census U. S. Dept. of Commerce*	May, 1951 compared with Apr.,'51	May,'50	May 31, 1951 compared with May 31, 1950
Automotive Supplies	+ 9%	+18%	+21%
Drugs and Chemicals	— 6	+ 6	....
Dry Goods	+ 2	+25	+45
Groceries	+16	+14	+32
Hardware	+ 3	+ 6	+19
Tobacco and its Products	+10	+ 9	+35
Miscellaneous	— 6	+ 3	+47
**Total All Lines	+ 4%	+11%	+33%

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

EMPLOYMENT

Nationally, the civilian labor force expanded by about 1 million persons between April and May, and total civilian employment increased by approximately the same amount. Nonagricultural employment was up about 300,000 persons. Agricultural employment rose seasonally. Total unemployment in May was 1.6 million persons, roughly corresponding to the level existing in the autumn of 1945. The labor market continued to be tight as indicated by increased average weekly earnings, unemployment decreases, and a higher rate of turnover.

Factory employment in the nation in mid-May showed a slight decline from April. This resulted in part from a marked seasonal downturn in apparel, textiles, and leather product industries. There were also job declines in plants making automobiles, television sets, and other consumer durables, reflecting the curtailed use of steel and other metals in nondefense production plus some slackening of consumer demand.

In May total employment in the five major industrial areas of the Eighth District increased slightly from the April level, and was about 5 per cent greater than in May, 1950. Total nonagricultural employment remained unchanged. Agricultural employment showed a somewhat larger than usual April to May increase, reflecting the rush of late field work due to a wet spring. In May total employment in the St. Louis area was a little higher than in April and was about 5 per cent above May, 1950. From April to May employment increased in construction and trade. Unemployment in the St. Louis area in May decreased about 10 per cent compared with March, and was about 48 per cent less than in May, 1950.

In Evansville total nonagricultural employment increased slightly in May, compared with April, and was about 2 per cent greater than in May, 1950. Employment in the transportation equipment industry accounted for most of the April-May gain, although small increases appeared in the fabricated metals lines. Trade employment increased also.

Louisville nonagricultural employment showed a small decrease in May compared with April, but was about 8 per cent above May, 1950. Total manufacturing employment decreased 4 per cent compared with March, but construction employment increased 16 per cent in the two-month period.

Nonagricultural employment in Memphis increased about 1 per cent in May compared with April, and was approximately 7 per cent higher than in May, 1950. Total manufacturing employment was unchanged from April to May, 1951. Employment in construction increased about 4 per cent, while trade and service employment showed little change compared with April.

Little Rock nonagricultural employment was about 1 per cent less in May than in April and was about 3 per cent less than May, 1950. Manufacturing employment decreased in May and was 3 per cent less than in April with chemicals accounting for most of the decrease. Trade and service employment increased about 1 per cent and construction employment increased slightly.

INDUSTRY

Industrial activity in the Eighth District in May was at about the same level as held in April and was up substantially from May, 1950. There has been little change in over-all activity for the past three or four months, although performance has varied appreciably among lines. For example, in May oil output rose while coal output declined. Among manufacturing lines, steel operations and activity in the paper industry increased, and lumbering activity rose seasonally. Meat packing showed some seasonal decline, and certain hard goods lines registered production decreases which reflected in part at least decreased demand.

Total industrial consumption of electric power at major district cities increased about 1 per cent in

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	May,'51	Apr.,'51	May,'50	May, 1951 compared with Apr.,'51	May, 1951 compared with May,'50
All Commodities....	182.8	183.5	155.9	— 0.4%	+17.3%
Farm Products...	199.6	202.6	164.7	— 1.5	+21.2
Foods..................	187.2	185.7	159.9	+ 0.8	+17.1
Other..................	171.5	172.1	147.6	— 0.4	+16.2

CONSUMER PRICE INDEX*

Bureau of Labor Statistics (1935-39=100)	May 15, 1951	Apr. 15, 1951	May 15, 1950	May 15, 1951 compared with Apr. 15,'51	May 15, 1951 compared with May 15, '50
United States......	185.4	184.6	169.3	+ 0.4%	+ 9.5%

*New series.

RETAIL FOOD*

Bureau of Labor Statistics (1935-39=100)	May 15, 1951	Apr. 15, 1951	May 15, 1950	May 15, 1951 compared with Apr. 15,'51	May 15, 1951 compared with May 15,'50
U. S. (51 cities).	227.4	225.7	199.8	+ 0.8%	+13.8%
St. Louis........	238.4	237.6	207.2	+ 0.3	+15.1
Little Rock.....	225.1	224.9	196.8	+ 0.1	+14.4
Louisville.......	213.7	212.5	187.8	+ 0.6	+13.8
Memphis.........	234.6	232.9	205.8	+ 0.7	+14.0

*New series.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	May, 1951 K.W.H.	April, 1951 K.W.H.	May, 1950 K.W.H.	May, 1951 compared with April,'51	May, 1951 compared with May,'50
Evansville.........	16,039	15,916	14,614	+ 0.8%	+ 9.8%
Little Rock.......	12,497	12,524	10,444R	— 0.2	+19.7
Louisville.........	82,746	81,533	73,426	+ 1.5	+12.7
Memphis...........	28,446	28,706	30,056	— 0.9	— 5.4
Pine Bluff.........	9,079	9,557	6,615	— 5.0	+37.2
St. Louis..........	105,011	102,359	93,317R	+ 2.6	+12.5
Totals..........	253,818	250,595	228,472R	+ 1.3%	+11.1%

R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

May,'51	Apr.,'51	May,'50	First Nine Days June,'51	First Nine Days June,'50	5 mos.'51	5 mos.'50
118,122	119,570	112,550	33,735	32,460	583,719	530,861

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	May, 1951	April, 1951	May, 1950	May, 1951 compared with Apr.,'51	May, 1951 compared with May,'50
Arkansas.........	77.9	78.2	79.3	–0–%	— 2%
Illinois.............	167.0	158.9	175.0	+ 5	— 5
Indiana.............	28.8	27.8	29.2	+ 4	— 1
Kentucky.........	26.9	27.4	26.3	— 2	+ 2
Total............	300.6	292.3	309.8	+ 3%	— 3%

CONSTRUCTION

BUILDING PERMITS

Month of May

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1951	1950	1951	1950	1951	1950	1951	1950
Evansville	81	136	$ 248	$ 354	107	111	$ 182	$ 103
Little Rock	46	121	606	850	307	273	148	192
Louisville	235	182	7,910	827	83	117	132	121
Memphis	1,715	2,835	5,211	6,702	258	197	381	144
St. Louis	337	493	3,468	9,854	301	310	850	993
May Totals	2,414	3,767	$17,443	$18,587	1,056	1,008	$ 1,693	$ 1,553
Apr. Totals	2,469	2,512	$ 6,042	$17,474	831	902	$ 2,014	$ 966

May compared with April, 1951, and was about 11 per cent greater than in May, 1950. May, however, had one more working day than April, and daily average power consumption was 3 per cent less than in the previous month.

The Terminal Railroad Association of St. Louis reported 118,000 load interchanges for May—about 1,400 less than in April. May, 1951 interchanges exceeded those of the same month last year, however, by 4 per cent. Interchanges for the first nine days of June totaled 34,000 loads, about 1,200 more than in the first nine days of June, 1950.

The St. Louis steel industry operated at 92 per cent of capacity in May, 2 points above the rate for April, and 16 points above the rate which prevailed in May, 1950. Operations were scheduled at about 89 per cent of capacity for the first three weeks of June.

Southern pine production in May was at a higher rate than in any month since October, 1950. The index of average production per mill was 216 in May, compared with 207 in April and 210 in May, 1950. Southern hardwood operations also were at a higher rate in May than in any month since last October. May operations were scheduled at 102 per cent of capacity compared with 97 for April and 90 for May, 1950.

Activity at National Stock Yards increased from April to May, 1951, reflecting in part anticipations of the cattle price rollback effective May 20. Total receipts in May were about 473,000 head, 10 per cent more than in April. Shipments in May totaled about 177,000 head, 44 per cent more than in April. Compared with the same month of 1950, receipts and shipments were almost unchanged. After the effective rollback date for cattle prices, however, activity dropped off considerably and was not restored to normal until about mid-June.

About 425,000 head of stock were slaughtered under Federal inspection in the St. Louis area in May—13 per cent less than in April, but 1 per cent more than in May, 1950. May slaughter of cattle was about 39,000 head, 5 per cent more than in April but about 11 per cent less than in May, 1950. Hog slaughter totaled 341,000 head, 19 per cent less than in April but 14 per cent more than in May, 1950.

Forty-two Kentucky distilleries were in operation at the end of May, two more than at the end of April, and eight more than at the end of May, 1950. Production of whiskey is still being carried on at a relatively high level as distillers build inventories. Apparently they feel that cutbacks in their operations may be ordered by the Government sometime in the future. Small distillers are finding the warehousing and financing of large inventories increasing problems.

Eighth District shoe production, according to preliminary data, declined seasonally through most of the second quarter of the year. However, production remained above 1950 levels.

The large volume of orders for combat boots and other military footwear which the shoe industry has received since Korea will be cut by about 50 per cent in coming months, according to estimates released in mid-June by the Army Quartermaster Corps. Combat boot orders for July, 1951, under previously awarded contracts total about 950,000 pairs. The rate of procurement that will take effect in August is 500,000 pairs a month.

Oil Output Up—Coal Production Down

Daily average crude oil production in the four oil-producing district states was 3 per cent greater in May than in April, but was 3 per cent less than in May, 1950. The larger average output in May, compared to April, centered in Illinois and Indiana (up 5 and 4 per cent, respectively).

District coal production totaled about 7.2 million tons in May, about 5 per cent less than in April and 15 per cent less than in May, 1950. May's total output was the lowest recorded for any month since August, 1950. All district states reported decreased tonnage mined. Nationally the weighted average of bituminous and anthracite coal production declined from 119 in April to 117 in May.

PRODUCTION INDEXES

COAL PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
May,'51	Apr.,'51	May,'50	May,'51	Apr.,'51	May,'50
131*	144*	136	127*	222*	132

SHOE PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
Mar.,'51	Feb.,'51	Mar.,'50	Mar.,'51	Feb.,'51	Mar.,'50
154	155R	151	151	146R	148

R—Revised.
*—Preliminary.

TRADE

While sales volume at district retail stores in May showed some gain from April, district retailers continued to be unenthusiastic about performance. They had hoped that improved weather would lead to better results than were realized. And in some lines, notably women's wear, May sales dropped below the April level. Hard goods dealers in general reported continued lagging buyer interest.

Inventories continued at a much higher level than obtained a year earlier—from 25 to 35 per cent more—but there was no general gain in reporting lines from the April level. As a matter of fact, stocks at department stores, women's shops and furniture stores on May 31 all were off from the April 30 level.

Department Stores—District sales volume during May totaled 11 per cent more than in April and was 1 per cent larger than last year. The increase from the previous month, somewhat larger than seasonal, placed adjusted daily sales at 330 per cent of the 1935-39 average. In comparison sales were 320 per cent in April and 330 per cent in May, 1950.

Sales generally were larger in May than in April throughout the major district cities. Increases ranged from 4 per cent in Louisville and Quincy to 25 per cent in Fort Smith. Compared to a year ago, however, slight declines were registered in Little Rock and Springfield, volume in St. Louis and in Louisville was about the same, and in Memphis and Evansville sales were up. In the small shopping centers, sales were up substantially more than the average increase for the district.

Inventories held by reporting district department stores on May 31 were off 5 per cent in value from April 30 but were 30 per cent higher than on May 31, 1950. The volume of outstanding orders at the end of May was down 9 per cent from a month previous and was 15 per cent less than a year earlier.

Specialty Stores—At women's specialty shops in St. Louis May sales volume was 5 per cent less than in April and was 11 per cent under that of last year. So far in 1951 sales have averaged 3 per cent more than in the comparable period last year. Inventories on May 31 were 12 per cent smaller (dollar value) than on April 30 and were fractionally higher than a year earlier.

Men's wear store sales throughout the district during May were almost one-half larger than in April and were 7 per cent above those last year. Like women's specialty shops, cumulative 1951 sales at the end of May were 3 per cent larger

TRADE

DEPARTMENT STORES

	Net Sales: May, 1951 compared with Apr.,'51	Net Sales: May, 1951 compared with May,'50	Net Sales: 5 mos.'51 to same period '50	Stocks on Hand: May 31,'51 comp. with May 31,'50	Stock Turnover: Jan. 1, to May 31, 1951	Stock Turnover: Jan. 1, to May 31, 1950
8th F. R. District	+11%	+ 1%	+ 8%	+30%	1.32	1.57
Ft. Smith, Ark.[1]	+25	+14	+15	+37	1.34	1.51
Little Rock, Ark.	+14	— 3	+ 3	+17	1.29	1.56
Quincy, Ill.	+ 4	+ 5	+13	+30	1.27	1.30
Evansville, Ind.	+12	+ 5	+15	+43	1.21	1.41
Louisville, Ky.	+ 4	–0–	+ 8	+19	1.52	1.72
St. Louis Area[2]	+10	+ 1	+ 8	+38	1.26	1.58
St. Louis, Mo.	+ 9	–0–	+ 7	+38	1.22	1.54
Springfield, Mo.	+16	— 1	+ 5	+22	1.14	1.35
Memphis, Tenn.	+18	+ 1	+ 7	+19	1.52	1.62
All Other Cities*	+14	+ 5	+13	+14	1.09	1.21

*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 May, 1951 were 15 per cent greater than on the corresponding date a year ago.

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

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	....%	46%	Quincy	17%	60%
Little Rock	18	46	St. Louis	19	52
Louisville	19	49	Other Cities	15	52
Memphis	19	42	8th F.R. Dist.	18	49

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	May, 1951	Apr., 1951	Mar., 1951	May, 1950
Sales (daily average), unadjusted[3]	323	304	298	323
Sales (daily average), seasonally adjusted[3]	330	320	298	330
Stocks, unadjusted[4]	403	437	413	313
Stocks, seasonally adjusted[4]	403	437	425	313

[3] Daily average 1935-39=100.

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

SPECIALTY STORES

	Net Sales: May, 1951 compared with Apr.,'51	Net Sales: May, 1951 compared with May,'50	Net Sales: 5 mos.'51 to same period '50	Stocks on Hand: May 31,'51 comp. with May 31,'50	Stock Turnover: Jan. 1, to May 31, 1951	Stock Turnover: Jan. 1, to May 31, 1950
Men's Furnishings	+59%	+ 5%	+ 4%	+47%	.80	1.05
Boots and Shoes	+25	+13	+ 7	+20	1.62	1.80

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

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

Trading days: May, 1951—26; April, 1951—25; May, 1950—26.

RETAIL FURNITURE STORES

	Net Sales: May, 1951 compared with Apr.,'51	Net Sales: May, 1951 compared with May,'50	Inventories: May 31, 1951 compared with Apr. 30,'51	Inventories: May 31, 1951 compared with May 31,'50	Ratio of Collections: May,'51	Ratio of Collections: May,'50
8th Dist. Total[1]	+ 6%	—10%	— 2%	+35%	22%	22%
St. Louis Area[2]	+ 3	— 8	— 2	+18	30	29
St. Louis	+ 2	— 9	— 2	+18	29	28
Louisville Area[3]	+ 6	—14	— 3	+40	14	16
Louisville	+ 5	—13	— 3	+39	13	15
Memphis	+42	— 2	—14	+14	13	13
Little Rock	+ 8	—19	+ 4	+12	19	17
Springfield	+18	—20	+ 1	+52	17	19
Fort Smith	+ 6	— 5	*	*	*	*

*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

	May,'51	Apr.,'51	May,'50
Cash Sales	16%	15%	14%
Credit Sales	84	85	86
Total Sales	100%	100%	100%

than in the like period last year. Inventories on May 31 were at the same level as on April 30 but were 37 per cent larger than on May 31, 1950.

Furniture Stores—Sales during May gained 6 per cent over those in April but were 10 per cent less than in May, 1950. Inventories held by reporting stores on May 31 were slightly lower in value than on April 30 but were 35 per cent larger than on May 31, 1950.

AGRICULTURE

Eighth District crop conditions generally were favorable by mid-June, after a severe drouth had been broken in Arkansas, Mississippi, and Tennessee. The drouth in these areas had lasted so long that cotton and corn crops, as well as hay and pasture, were in a critical stage. General rains during the first part of June alleviated the drouth in practically all areas, and crop conditions improved materially. In the northern sections of the district, weather has been generally favorable this spring, as it has been for the nation as a whole.

Wheat prospects improved during the month, the June 1 estimate for the nation being 23 million bushels more than on May 1. This, coupled with a prospective 349 million bushel spring wheat crop, would make a 1,054 million bushel crop—slightly larger than that of 1950. In Missouri this crop improved during the month, with the 27 million bushel estimate of June 1 being 2 million bushels higher than the May 1 forecast. The estimate for Indiana also was higher on June 1. For other district states there was little change in prospects during May.

The general outlook for the corn crop was favorable on June 1. The bulk of the crop was planted at the usual time, and soil moisture conditions in the main Corn Belt seemed adequate for good growth.

Prospective oats production in district states is about 12 per cent less than in 1950. The crop in Indiana is estimated at 55 million bushels, 5 per cent more than in 1950. The 155 million bushel crop forecast for Illinois, however, is 7 per cent less than in 1950, and the 34 million bushel crop in Missouri is 38 per cent less. Reductions in the estimated crop size in other district states range from 15 to 28 per cent.

Agricultural prices declined during the month ending May 15 for the third consecutive month. The index of prices received on that date was 305 (1910-14=100), compared with 309 in April and 313 in February. Prices of meat animals, cotton, milk, wool, and wheat were all lower. These declines were offset partially by higher prices for corn, butterfat, eggs, and some truck and fruit crops.

Prices paid by farmers also declined in the month (but the drop was relatively less than that for prices received), primarily reflecting lower prices of feeders and seeds. Prices of harvesting, machinery, feed, and items used in rural living increased. The parity ratio dropped one point to 108.

Farm income estimates for 1951 have been revised upward. According to the BAE, cash receipts will be about one-fourth larger than in 1950, or $34.9 billion. The volume of marketings will be higher and, if good weather prevails, may equal the record 1949 marketings. Crop marketings may increase 10 per cent, and livestock marketings will be larger than in 1950 but by a smaller percentage. Prices during the first part of 1951 have averaged about 20 per cent higher than in 1950.

Net farm income may reach $17.8 billion in 1951, a figure which would equal the record 1947 income, and exceed 1950 net farm income by 30 per cent. However, the purchasing power of such an income would be 12 per cent lower than in 1947.

Cash farm receipts in the nation during the first five months of 1951 were about 17 per cent above the 1950 level. Farm income in district states for the first three months exceeded 1950 income by about the same amount.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Apr., 1951	April, 1951 compared with Mar., 1951	April, 1951 compared with Apr., 1950	4 month total Jan. to Apr., 1951	1951 compared with 1950	1951 compared with 1949
Arkansas	$ 25,351	—14%	+42%	$ 114,264	+40%	—15%
Illinois	157,600	+ 5	+44	597,302	+12	+18
Indiana	88,429	+ 3	+40	328,414	+22	+23
Kentucky	28,173	-0-	+37	181,229	+ 1	+ 4
Mississippi	14,907	—44	— 6	106,111	+78	—33
Missouri	82,850	+ 4	+38	319,140	+33	+18
Tennessee	25,605	—11	+35	127,822	+20	+ 8
Totals	$422,915	— 1%	+38%	$1,774,282	+21%	+ 9%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts May, 1951	Receipts May,'51 compared with Apr.,'51	Receipts May,'51 compared with May,'50	Shipments May, 1951	Shipments May,'51 compared with Apr.,'51	Shipments May,'51 compared with May,'50
Cattle and calves	84,022	+12%	—17%	24,909	+ 2%	—21%
Hogs	332,261	+ 5	+14	104,878	+53	+17
Sheep	56,643	+44	—31	47,163	+60	—10
Totals	472,926	+10%	— 1%	176,950	+44%	+ 2%

BANKING AND FINANCE

Bank loans contracted in May and early June. The decline in this district was more than seasonal, in contrast to a less than seasonal drop nationally. Tight bank reserve positions over most of the period and the Voluntary Credit Restraint Program were major factors in the decrease.

District Banking Developments—Total loans declined $58 million in the six weeks of May and early

June at weekly reporting banks in the Eighth District. By contrast, loans were off an average of just $34 million in the comparable periods in 1948-50. The drop this year centered in commercial loans. Both real estate and consumer loans showed small gains in the period.

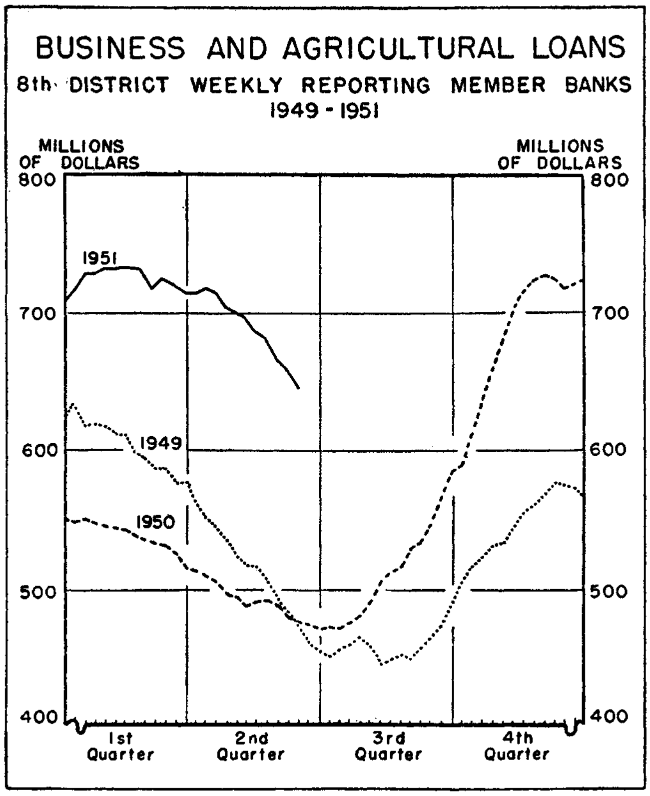
In connection with the work of the Voluntary Credit Restraint Committee, the larger banks in this district (and in the nation) report weekly the principal changes in their commercial and industrial loans by industry and by purpose. In the Eighth District 17 banks are reporting such information. Analysis of reports received in May and early June (when commercial loans dropped $60 million at weekly reporting banks) shows that roughly half the decline reflected net repayments by cotton and other commodity dealers. Food and textile manufacturing groups and wholesalers also showed repayments in substantial excess of new loans. On the other hand, new loans to public utility companies exceeded repayments. Loans for financing defense contracts also rose during the period, with the major share going to metal and metal products manufacturers.

Larger city banks increased their investment portfolios $42 million in the six weeks under review. Net purchase of Government obligations more than offset a decline in "other" securities.

National Banking Developments—Nationally, in May and early June, bank credit also contracted, but the drop was much smaller relatively than that in the Eighth District. Condition statements of weekly reporting banks in leading cities showed earning assets off about 1 per cent in the period with reduction in investment portfolios accounting for most of the loss. There also was a decline in loans to business.

Loan Trends in the Year Since Korea—Since last June business loans at district weekly reporting banks have risen by about one-third. Nationwide the increase at reporting banks in leading cities has been about 40 per cent, an unprecedented expansion.

Last fall commercial loans rose sharply, roughly twice as much as might have been expected on seasonal grounds. Early this year commercial loans continued to climb, whereas normally they tend to decline after the year-end peak. In March and April there was some contraction, both districtwise and nationally, but not as much as has been customary at that time. However, as noted, in May and early June the district business loan contraction was larger than usual.



Real estate loans have been rising almost without a break since the end of World War II in both district and nation. At district weekly reporting banks from the beginning of 1946 to June, 1951 such loans more than tripled, and nationally growth was even larger proportionately. In the summer and early fall of 1950 the rate of growth was accelerated. Since the imposition of Regulation X, real estate loans have continued to inch up, but at a rate only one-

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	May, 1951	Apr., 1951	May, 1950	May, 1951 compared with Apr.,'51	May,'50
El Dorado, Ark.	$ 26,450	$ 25,485	$ 22,985	+ 4%	+15%
Fort Smith, Ark.	44,382	43,768	37,689	+ 1	+18
Helena, Ark.	7,346	7,053	5,542	+ 4	+33
Little Rock, Ark.	138,676	145,306	122,100	— 5	+14
Pine Bluff, Ark.	27,681	28,326	24,406	— 2	+13
Texarkana, Ark.*	12,043	13,211	10,640	— 9	+13
Alton, Ill.	28,291	26,881	23,953	+ 5	+18
E.St.L.-Nat.S.Y., Ill.	131,407	126,934	111,500	+ 4	+18
Quincy, Ill.	35,274	32,594	30,153	+ 8	+17
Evansville, Ind.	138,141	140,748	123,494	— 2	+12
Louisville, Ky.	617,398	612,593	531,336	+ 1	+16
Owensboro, Ky.	41,028	31,210	31,577	+31	+30
Paducah, Ky.	22,705	19,144	14,223	+19	+60
Greenville, Miss.	23,217	19,198	18,422	+21	+26
Cape Girardeau, Mo.	13,037	12,517	11,156	+ 4	+17
Hannibal, Mo.	9,141	8,864	8,476	+ 3	+ 8
Jefferson City, Mo.	49,785	52,846	45,673	— 6	+ 9
St. Louis, Mo.	1,800,110	1,783,884	1,582,573	+ 1	+14
Sedalia, Mo.	10,596	10,202	10,256	+ 4	+ 3
Springfield, Mo.	68,877	62,684	58,567	+10	+18
Jackson, Tenn.	20,876	19,634	18,017	+ 6	+16
Memphis, Tenn.	609,163	594,699	533,671	+ 2	+14
Totals	$3,875,624	$3,817,781	$3,376,409	+ 2%	+15%

*These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $29,629.

third that prevailing in the six months immediately preceding the Regulation.

The amount of consumer instalment credit outstanding at 21 district reporting banks at the end of May was $89 million. By comparison when World War II terminated these banks had less than $11 million in consumer instalment loans outstanding. After Korea the rate of growth was stepped up and the volume of consumer instalment loans reached a peak of $95 million at reporting banks by the end of October, 1950. Since then outstanding consumer credit has contracted every month except May, the total decline amounting to 6 per cent.

Debits—The rate at which bank funds were used continued high in May. Debits to deposit accounts at 22 cities in the Eighth District were $3.9 billion in the month, slightly more than in April and 25 per cent above the 1948-50 average for the month of May. (April debits were 24 per cent above April, 1948-50 average.) Nationally, the rate of use of bank funds also remained high in May.

Trend in Savings Bonds—Redemptions of savings bonds in the United States exceeded sales in each of the first five months of 1951, with the total net redemption for the five months amounting to $866 million. By contrast, sales exceeded redemptions by $238 million in the first five months of 1950. In the Eighth District, Series A-E savings bond redemptions exceeded sales by $45 million in the first five months of 1951.

In the first quarter of 1951, dollar sales of Series E bonds declined by one-fifth and redemptions rose by one-third compared with the first quarter of 1950. The number of $25 and $50 Series E savings bonds sold actually rose 8 per cent from the first three months of 1950 to the same period of 1951, while the number of $500 and $1,000 E bonds sold fell 37 per cent. At the same time, the number of smaller denomination bonds redeemed rose only 9 per cent as compared to 39 per cent for the larger denomination bonds.

EIGHTH DISTRICT
MEMBER BANK ASSETS AND LIABILITIES
BY SELECTED GROUPS

(In Millions of Dollars)	All Member			Large City Banks [1]			Smaller Banks [2]		
Assets	May, 1951	Change from: April, 1951 to May, 1951	Change from: May, 1950 to May, 1951	May, 1951	Change from: April, 1951 to May, 1951	Change from: May, 1950 to May, 1951	May, 1951	Change from: April, 1951 to May, 1951	Change from: May, 1950 to May, 1951
1. Loans and Investments	$3,988	$+ 10	$+ 94	$2,324	$— 4	$+ 61	$1,664	$+ 14	$+ 33
a. Loans	1,834	— 25	+323	1,217	— 35	+242	617	+ 10	+ 81
b. U.S. Government Obligations	1,801	+ 43	—208	940	+ 37	—157	861	+ 6	— 51
c. Other Securities	353	— 8	— 21	167	— 6	— 24	186	— 2	+ 3
2. Reserves and Other Cash Balances	1,306	+ 17	+131	829	+ 15	+106	477	+ 2	+ 25
a. Reserves with the F.R. bank	665	— 9	+123	439	+ 1	+ 88	226	— 10	+ 35
b. Other Cash Balances [3]	641	+ 26	+ 8	390	+ 14	+ 18	251	+ 12	— 10
3. Other Assets	58	+ 11	+ 6	31	+ 1	+ 2	27	+ 10	+ 4
4. Total Assets	$5,352	$+ 38	$+231	$3,184	$+ 12	$+169	$2,168	$+ 26	$+ 62
Liabilities and Capital									
5. Gross Demand Deposits	$3,975	$+ 30	$+211	$2,448	$+ 8	$+153	$1,527	$+ 22	$+ 58
a. Deposits of Banks	592	-0-	+ 13	560	-0-	+ 14	32	-0-	— 1
b. Other Demand Deposits	3,383	+ 30	+198	1,888	+ 8	+139	1,495	+ 22	+ 59
6. Time Deposits	980	+ 2	— 14	491	+ 1	— 11	489	+ 1	— 3
7. Borrowings and Other Liabilities	54	+ 5	+ 17	45	+ 2	+ 14	9	+ 3	+ 3
8. Total Capital Accounts	343	+ 1	+ 17	200	+ 1	+ 13	143	-0-	+ 4
9. Total Liabilities and Capital Accounts	$5,352	$+ 38	$+231	$3,184	$+ 12	$+169	$2,168	$+ 26	$+ 62

[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

Industrial production was maintained at earlier advanced levels in May and the first three weeks of June. In wholesale markets basic commodity prices declined further while prices of finished commodities generally changed little. Consumers prices in May advanced to a new high. Awards for defense construction rose sharply. Retail sales were maintained, following earlier declines. Up to early June bank loans to business declined somewhat, but subsequently a sharp rise occurred; defense loans have been increasing significantly.

Industrial production—The Board's seasonally adjusted production index in May was maintained at the March-April level of 223 per cent of the 1935-39 average. In June, industrial production is expected to continue at about this rate, which is 12 per cent higher than a year ago.

Activity in durable goods industries has been stable since March, with industrial and military equipment expanding further, consumer goods declining, and most metals and building materials showing little change. Steel mill activity in May and June has continued at earlier record levels, and ingot output of about 52.5 million tons in the first half of this year has exceeded that in the first half of 1950 by 11 per cent. Passenger car assembly in May and June has been maintained close to the April rate of 500,000 cars per month, while output of most household durable goods has apparently declined considerably further.

Output of nondurable goods in May remained at the high April level. A slight gain for textiles reflected mainly termination of a labor dispute at cotton mills. Paperboard production reached a new record rate in May, but subsequently declined slightly. Chemicals production continued to expand. Meat production declined somewhat in May; in the first half of June, pork production increased while beef output dropped sharply.

A further small gain in minerals output in May reflected mainly near-record volume of iron ore production for this season. In May and early June crude petroleum production was maintained at record levels and coal output continued at a reduced rate.

Employment—Employment in nonagricultural establishments in May, after allowances for seasonal influences, continued at the record April level. The average factory work week declined slightly, while average hourly earnings continued to rise. Unemployment declined somewhat further to 1.6 million, the lowest level since October 1945.

Construction—Value of construction contract awards showed an unprecedented increase in May, reflecting primarily issuance of several large awards by the Atomic Energy Commission totaling almost one billion dollars. Awards for some other types of nonresidential construction also showed more than the usual seasonal rise. Nonfarm housing starts increased to 97,000 in May; this was more than one-third below the same month a year ago but about the same as in May 1949.

Distribution—Value of retail sales, seasonally adjusted, was maintained in May, following a considerable decline from January to April. Sales of household durable goods decreased further, while sales of apparel and other soft goods increased somewhat. Sales by automotive dealers showed little change. In the first three weeks of June sales at department stores continued at about the May level; in New York City sales rose considerably in response to a "price war." Seasonally adjusted value of department store stocks at the end of May was about 30 per cent above year-ago levels, roughly the same as at the end of April.

Commodity prices—The general level of wholesale commodity prices has continued to change little since mid-May. Prices of such basic commodities as grains, fats and oils, cotton gray goods, wool, and tin have declined further, and a 14 cent reduction in the price of rubber, to 52 cents per pound, has been announced effective July 1. Prices of finished goods generally have been maintained. Several manufacturers of carpets have reduced prices up to 11 per cent, less than the increases effected in April when ceilings were raised. Prices of hard floor coverings, in contrast, have been raised further.

Consumer prices rose .4 per cent in May. Prices of foods, which had declined slightly in April, rose .8 per cent to a new high.

Bank credit and the money supply—Business loans outstanding at banks in leading cities declined somewhat between mid-May and early June and rose thereafter. Loans to finance defense contracts and "defense supporting" activities, principally to metal manufacturers and public utilities, increased considerably. Seasonal decreases continued in some types of loans, particularly those to commodity dealers and processors of agricultural commodities.

Deposits and currency held by businesses and individuals increased somewhat in the first half of June following relatively little change in May. The rate of use of demand deposits at banks in leading cities outside New York remained high in May, but was slightly below that of April, the seasonally adjusted peak for recent years.

Money rates and security markets—Common stock prices showed a moderate advance in early June but by the end of the third week had declined to a level slightly below that of May 31. Yields on high-grade corporate bonds increased moderately during the first three weeks of June. With easy money conditions prevailing, yields on Treasury bills and other short-term Government securities declined somewhat. On May 28 the Secretary of the Treasury announced the offering of a $9\frac{1}{2}$ month $1\frac{7}{8}$ per cent certificate of indebtedness to holders of the $2\frac{3}{4}$ per cent bonds previously called for redemption on June 15, and the $1\frac{1}{4}$ per cent Treasury notes maturing on July 1. Of the 10.1 billion dollars of maturing securities, about 9.5 billion were exchanged for the new certificates.