Monthly Review

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Member Bank Earnings and Expenses

Eighth District member banks' net profits were less in 1951 than in 1950, despite the fact that gross earnings were at an all-time peak. Expenses too reached a new high, but did not rise proportionately as much as income. While the banks had more net current earnings (and other incoming funds) to work with than ever before, a larger share went for losses and charge-offs, nearly as much went to reserves for future losses, and a much bigger slice went for income taxes. Thus the amount available for dividends and additions to capital (net profit after taxes) declined sharply in 1951 and, because dividends were increased slightly in dollar amount, the smallest remainder in years was added to capital accounts.

Over the years the pattern of distribution of net earnings and other incoming funds has changed. Relative to earnings, losses and charge-offs have fluctuated, dividends have remained fairly steady, income taxes have risen and district member banks have retained less.

The 1952 Deposit Ownership Survey

The 1952 Survey of Deposit Ownership showed an increase in total volume of deposits with areas outside metropolitan centers claiming the bulk of the increase. Distribution of the increase among owner groups was different than in the preceding Survey year and in 1952 favored noncorporate businesses, farmers and individuals.

The relatively greater growth in these favored groups reflects primarily the increased rate of consumer saving in 1951 and to some extent, preparation for heavier tax payments.

Eighth District member banks' net profits were less in 1951 than in 1950, . . .

Net profits of Eighth District member banks in 1951 totaled $29 million, $2 million less than in 1950. This decline in net profits occurred despite the fact that gross earnings (and other incoming funds) reached an all-time high in 1951. After all obligations had been met, the amount available to strengthen capital accounts was the smallest in all but one of the past seven years. Between this year's high earnings (before taxes) and low level of capital account additions lay the biggest income tax bill ever paid.

. . . despite the fact that gross earnings were at an all-time peak.

In 1951, earnings of Eighth District member banks climbed to an all-time high of $137 million, about 10 per cent above the 1950 earnings of $125 million. Two factors caused this rise: (1) an increase in earning assets with most of the increase being in loans and, (2) a slight increase in the average rate of return on loans.

Total assets in 1951 reached the largest volume in district banking history, $5.5 billion. The expansion over 1950 was $317 million. Of this amount, $104 million reflected a growth in loans. Loans equaled 27.8 per cent of total assets in 1951, as compared with 27.0 per cent in 1950. District member banks earned a somewhat higher average rate of return on loans in 1951 than in 1950, 5.6 per cent instead of 5.5 per cent. Enlarged loan volume and higher rate of return raised earnings on loans from 53.4 per cent of total earnings to 56.0 per cent.[1]

A part of the expansion in bank assets ($87 million) took the form of investments in United States Government securities. Emphasis on loan expansion reduced the proportion of total assets invested in Government securities from 41.5 per cent in 1950 to 38.8 per cent in 1951. Income from Government securities accounted for only 27.4 per cent of total income in 1951, a 2 percentage point drop from 1950.

Early in 1951 the Federal Reserve System increased reserve requirements of member banks 2 per cent on net demand deposits and 1 per cent on time deposits. This increase made it necessary for district member banks to carry an additional $80 million in reserves, and the percentage of cash assets to total assets rose from 23.5 to 25.4 during the year.

[1]Ratios used in this article are from the annual study of operating ratios made by this Bank. In computing the ratios, averages were taken of asset and liability items in the December 30, 1950, June 30, 1951, and October 10, 1951 reports of condition. Earnings and expense items were for the calendar year 1951. Ratios are arithmetic averages of individual ratios of 492 member banks. Ratios computed in this way differ in some instances from ratios computed from aggregate dollar amounts. Copies of the operating ratio report may be obtained from the Research Department of the Federal Reserve Bank of St. Louis.

Expenses too reached a new high, but did not rise proportionately as much as income.

The cost of doing business also rose to a new high in 1951 with total operating expenses amounting to $81 million, about $7 million more than in 1950. As a percentage of total incoming funds, however, expenses were smaller than in 1950, or to put it another way, the percentage increase in expenses was smaller than the percentage increase in gross earnings. Higher salary costs were mainly responsible for the higher expenses and required 31.2 per cent of total earnings in 1951 as compared with 30.2 per cent in 1950. Interest on time deposits dropped from 7.3 per cent of total earnings in 1950 to 7.1 per cent. These percentage figures are, of course, ratios of interest paid on time deposits to total earnings in each year. During 1951 the rate of interest paid on time deposits was increased at a number of banks and time deposit volume moved up as well so that on both counts the outlay by district banks for interest on time deposits increased. However, the more rapid increase in total earnings resulted in a slight decline in the percentage cost of time deposit interest paid. All other expenses, as a group, continued to claim about the same proportion of total earnings as in 1950.

While the banks had more net current earnings (and other incoming funds) to work with than ever before, . . .

Since the rise in expenses in 1951 was at a lesser rate than the increase in earnings, district member banks enjoyed the highest net current earnings of all time, $56.1 million. By way of comparison these banks had net current earnings in 1950 of $50.2 million.

Table I presents a fairly complete picture of the funds at the disposal of bank management and the use made of these funds. The more conventional approach omits, except as memoranda, the disposition of some current losses (charged to reserves previously set up) and accounting for some current recoveries (credited to established reserve accounts). In other words, the more conventional presentation fails to show in balancing form all incoming funds and all dispositions. In point of fact, both net current earnings and previously established reserve accounts are factors in the determination of the use of funds and both should be included in any accounting of sources and uses of bank funds.

Items 3 through 8 of Table I show the sources and total amount of incoming funds that banks had to work with each year in the period 1948 through

1951. In addition to net current earnings, district member banks in 1951 had recoveries (on losses previously charged off) and profits on securities of $3.6 million. They also had reserves of $825,000 which were no longer needed and were, therefore, transferred to income. The banks also called into use during the year $2.3 million from established reserves and returned $540,000 in recoveries to these reserves. Total funds that district member banks had to work with in 1951 amounted to $63.3 million, well above the $56.8 million available in 1950.

. . . a larger share went for losses and charge-offs, . . .

Losses on loans and securities are charged against income, or against previously established reserves for losses on loans and securities. As shown in Table I, district member banks in 1951 had losses and charge-offs against income of $8.7 million, as compared with $5.1 million in 1950. In 1951 these losses and charge-offs amounted to 14 per cent of the total amount that banks had to work with, whereas in 1950 they were only 9 per cent. In 1948 and 1949 they were 11 per cent and 12 per cent respectively.

District member banks in 1951 also charged $2.8 million to reserves previously set aside for losses on loans and securities. Proportionately, charges made directly to reserves have been small in the four-year period ranging from 2 per cent to 5 per cent of incoming funds.

. . . nearly as much went to reserves for future losses, . . .

Federal tax law allows certain tax benefits to banks for reserves set up to take care of bad debt losses on loans based upon an average loss experience of previous years. Following clarification of the law in 1947 banks began setting up such reserves in 1948. In Table I reserves for bad debt losses on loans are combined with other valuation reserves on loans and securities. The largest total transferred to reserves for losses on loans and securities by district member banks was just under $10 million in 1948. In the three following years the totals transferred to these reserves were $6.7 million, $5.5 million and $5.2 million in that order. When calculated as a percentage of total incoming funds, the amount transferred in 1948 was 20 per cent. Since then the proportion has dropped to 13 per cent in 1949, 10 per cent in 1950 and 8 per cent in 1951.

. . . and a much bigger slice went for income taxes.

Any accounting of bank earnings and expenses will quickly emphasize income taxes. District member banks in 1951 paid the largest income taxes in history—$17.9 million, a larger amount than was added to capital accounts. The amount of income taxes paid in 1951 was substantially above the $13.7 million paid in 1950, and was more than double the $8.5 million paid in 1948. In the three years 1948-51, shown in Table I, income taxes rose $9.4 million although the total amount of funds that district member banks had to work with expanded only $12.5 million. Of the increase in earnings and incoming funds over the period, 75 per cent went for income taxes.

Thus the amount available for dividends and additions to capital (net profit after taxes) declined sharply in 1951 and, because dividends were increased slightly in dollar amount, . . .

Holders of stock of district member banks received $11.8 million in dividends in 1951, a slight increase over 1950. Compared with 1948, dividends in 1951 were up $1.5 million although the amount of incoming funds increased, as noted, $12.5 million.

TABLE I

BANK MANAGEMENT OF NET CURRENT EARNINGS PLUS OTHER INCOMING FUNDS AND PREVIOUSLY SET-ASIDE RESERVES *

(Eighth District Member Banks)

	(Thousands of Dollars)	1948	1949	1950	1951
	Sources of Incoming Funds				
1.	Earnings	$106,703	$113,500	$124,528	$137,126
2.	Less Expenses	66,041	69,109	74,339	81,052
3.	Net Current Earnings	40,662	44,391	50,189	56,074
4.	Recoveries and Profits Credited to Income	5,992	5,160	4,374	3,601
5.	Recoveries Credited to Reserves	296	632	556	540
6.	Transfers from Reserves to Income (Release of reserves previously set aside to cover possible losses)	1,442	1,200	678	825
7.	Portion of Reserves Called into Use during Year (Net reduction in previously set-aside reserves: line 10 minus line 5)	2,433	1,217	979	2,271
8.	Total Incoming Funds	$ 50,825	$ 52,600	$ 56,776	$ 63,311
	Uses of Funds				
9.	Losses and Charge-offs Made against Income	$ 5,699	$ 6,010	$ 5,103	$ 8,733
10.	Losses Charged to Reserves	2,729	1,849	1,535	2,811
11.	Additions to Reserves from Income	9,993	6,755	5,484	5,202
12.	Additions to Capital Accounts	13,513	17,256	19,658	16,816
13.	Dividends	10,419	10,703	11,275	11,850
14.	Taxes on Net Income	8,472	10,027	13,721	17,899
	Total Uses of Funds	$ 50,825	$ 52,600	$ 56,776	$ 63,311

* Includes only reserves for bad debt losses on loans, and valuation reserves on loans and securities.

The dividend rate in 1951 was 3.1 per cent of total capital accounts. In the period 1939-51, the rate has ranged from 2.9 per cent to 3.2 per cent.

. . . the smallest remainder in years was added to capital accounts.

Deposits increased during the war and postwar years at a much faster rate than banks added to capital accounts. The ratio of capital accounts to total deposits, one factor in measuring the adequacy of bank capital, declined from 15.5 per cent in 1939 to a low of 6.0 per cent in 1946. By the close of 1951 district member banks had strengthened their capital account-total deposit ratio to 8.0 per cent despite an increase in deposits. The dollar total transferred by district member banks to capital accounts in 1951 was $16.8 million. This, however, was the smallest amount to be transferred to capital accounts since 1944 with the exception of 1948 when substantial reserves for bad debt losses on loans were established.

Over the years the pattern of distribution of net earnings and other incoming funds has changed.

Table II shows in percentage form how district member banks distributed total incoming funds. The thirteen years covered in the table fall roughly into three periods. In the early period from 1939 through 1943, income taxes were not reported separately but were combined with other taxes as an expense item. The proportions shown in Table II for this period are estimates. In the middle period (1944 through 1947) income taxes became a more important factor and absorbed an increasing part of total incoming funds. In the last period (1948 through 1951) another factor changed the pattern of distribution: the banks set up substantial reserves for bad debt losses on loans.

Relative to earnings, losses and charge-offs have fluctuated, . . .

In the pre-war years of 1939 and 1940 losses and charge-offs were heavy as a portion of total net current earnings and other incoming funds of district member banks. The percentage allocated to losses and charge-offs declined steadily until by 1943 it was at the lowest point in the early period, 23 per cent of total funds. During the middle period (1944-1948), losses and charge-offs required between 17 per cent and 20 per cent of funds.

In the last period the percentage figure increased, ranging from 21 to 36 per cent. In this period, however, the percentage figure includes with the losses and charge-offs, the losses charged to reserves and the funds used to build up these reserve accounts. The combined percentage figure is heavily influenced each year by the additions to reserves and is not strictly comparable with the percentage figures on losses and charge-offs used in the two preceding periods. Excluding the percentage representing the addition to reserves, the share of incoming funds set aside to meet losses and charge-offs was below that of the earlier periods.

. . . dividends have remained fairly steady, . . .

The proportion of total incoming funds that went to pay dividends has remained fairly steady although the dollar amount has risen due to the expansion of capital accounts. Fluctuations in the percentage of funds distributed as dividends range from a low of 18 per cent to a high of 26 per cent. In the early period from 23 per cent to 26 per cent of funds went for dividends. In the middle period the level was somewhat lower ranging from 18 per cent to 23 per cent. In the last period the percentage was fairly steady at 19 per cent and 20 per cent.

. . . income taxes have risen and district member banks have retained less.

Income taxes have risen almost steadily. In 1943 and 1947 the proportion of funds paid out as

TABLE II
BANK USE OF FUNDS
Percentage Distribution of Total Incoming Funds
(Eighth District Member Banks)

	'39	'40	'41	'42	'43	'44	'45	'46	'47	'48	'49	'50	'51
1. Losses and Charge-offs Made Against Income	43%	44%	31%	31%	23%	17%	18%	18%	20%	11%	12%	9%	14%
2. Losses Charged to Reserves	....	....	....	....	....	....	....	....	....	5	3	2	4
3. Additions to Reserves From Income	....	....	....	....	....	....	....	....	....	20	13	10	8
4. Additions to Capital Accounts	26	20	30	28	38	46	44	43	38	27	33	35	27
5. Dividends	23	25	25	26	24	23	20	18	21	20	20	20	19
6. Taxes On Net Income *	8	11	14	15	15	14	18	21	21	17	19	24	28
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

* Estimates for years 1939-1943—Federal Reserve Bank of St. Louis.

income taxes showed no change from the preceding years' levels and in 1944 and 1948 the percentages decreased. With these exceptions, the percentage of earnings and other incoming funds paid out for income taxes increased from 8 per cent in 1939 to an all-time high of 28 per cent in 1951.

Larger losses and charge-offs, more dividends or greater income taxes make themselves felt in the amount of funds remaining with which to strengthen capital structures. Over the years, however, the amount of net earnings and other incoming funds put back into the business has averaged one-third, with the annual percentages varying from 20 to 46 per cent. After a peak of 46 per cent in 1944, the percentage declined irregularly to 27 per cent in 1951. Broadly speaking, as the percentage of funds paid out as income taxes increased from 1944 through 1951, the percentage added to capital has declined.

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The 1952 Deposit Ownership Survey

The 1952 Survey of Deposit Ownership . . .

Once each year the Federal Reserve System with the cooperation of member and nonmember banks conducts a survey of deposit ownership. The 1952 Survey, as usual, reports on the volume of individual, partnership and corporation demand deposits as of the close of the preceding year. Time deposits are not covered by the Survey, nor are demand deposits standing to the credit of the United States Government, states, political subdivisions of states, or banks. Deposits covered by the Survey accounted for well over half of total deposits and for three-fourths of all demand deposits at the beginning of 1951. Also, as usual, the 1952 Survey shows the pattern of ownership, as of January 31, of the demand deposits of individuals, partnerships and corporations. These patterns of ownership show the demand deposit holdings of eleven economic groups, the first six of which are further divided into corporate and noncorporate segments.

Survey results throw additional light on the character and trend of deposits, an important question for banks in the management of their assets and for those interested in the flow of funds and business conditions in the economy.[1]

Analysis of Survey results in this article will be restricted to movement of funds, changes in ownership patterns, and the probable influence of major business developments during 1951 on changes in the volume of demand deposits held in certain areas. Fuller treatment of changes in ownership of funds, a "Sources and Uses of Funds" analysis similar to the report on the 1951 Survey published in this Review in April 1951, will follow in a succeeding issue.

. . . showed an increase in total volume of deposits . . .

The first important measurement established by the Survey was the total of demand deposits of individuals, partnerships and corporations at all banks in the Eighth District as of December 31, 1951. This total was nearly $5 billion, an increase of $300 million, nearly 7 per cent, over that of a year earlier.[2] The growth in 1951 was approximately the same as the increase in these deposits in 1950.

The similarity between the two years in terms of deposit growth is noteworthy in view of the difference in the degree of inflationary pressure on prices in the two periods. An analysis of the relation between changes in the money supply and prices should consider not only changes in aggregate money volume, but changes in where and by whom it is held and for what purposes. The 1952 Survey sheds some light directly or by inference on these questions.

. . . with areas outside metropolitan centers claiming the bulk of the increase.

In terms of geographic distribution of the 1951 changes in deposit-money volumes, each of the deposit survey areas (see map), reported more deposits on December 30, 1951, than a year earlier. But the growth during 1951 was more pronounced, in absolute amounts and percentagewise, outside the metropolitan centers. The largest per cent growth occurred in Area XIII, southern Indiana

[1] "The character and trend of a bank's deposits are probably the most important determinant of liquidity requirements. A thorough analysis of the bank's deposits should be undertaken annually in order to determine, as far as possible, their relative stability . . ." *Commercial Bank Investment Policy*, Bank Management Commission Publication No. 126, American Bankers Association, New York, 1951, p. 10.

[2] Table I, showing demand deposits of individuals, partnerships and corporations for all banks in the Eighth Federal Reserve District by areas, is based on deposit volumes at the close of each year. Table II, showing these deposits in terms of ownership, uses a different time: January 31 of each year. In this district individual and business deposits customarily decline in the month of January but, of course, not always by the same amount. Thus comparisons on a year-to-year basis as of January 31 will be somewhat different from those on a December 31 basis. The differences, however, are small.

DEPOSIT MOVEMENTS IN 1951

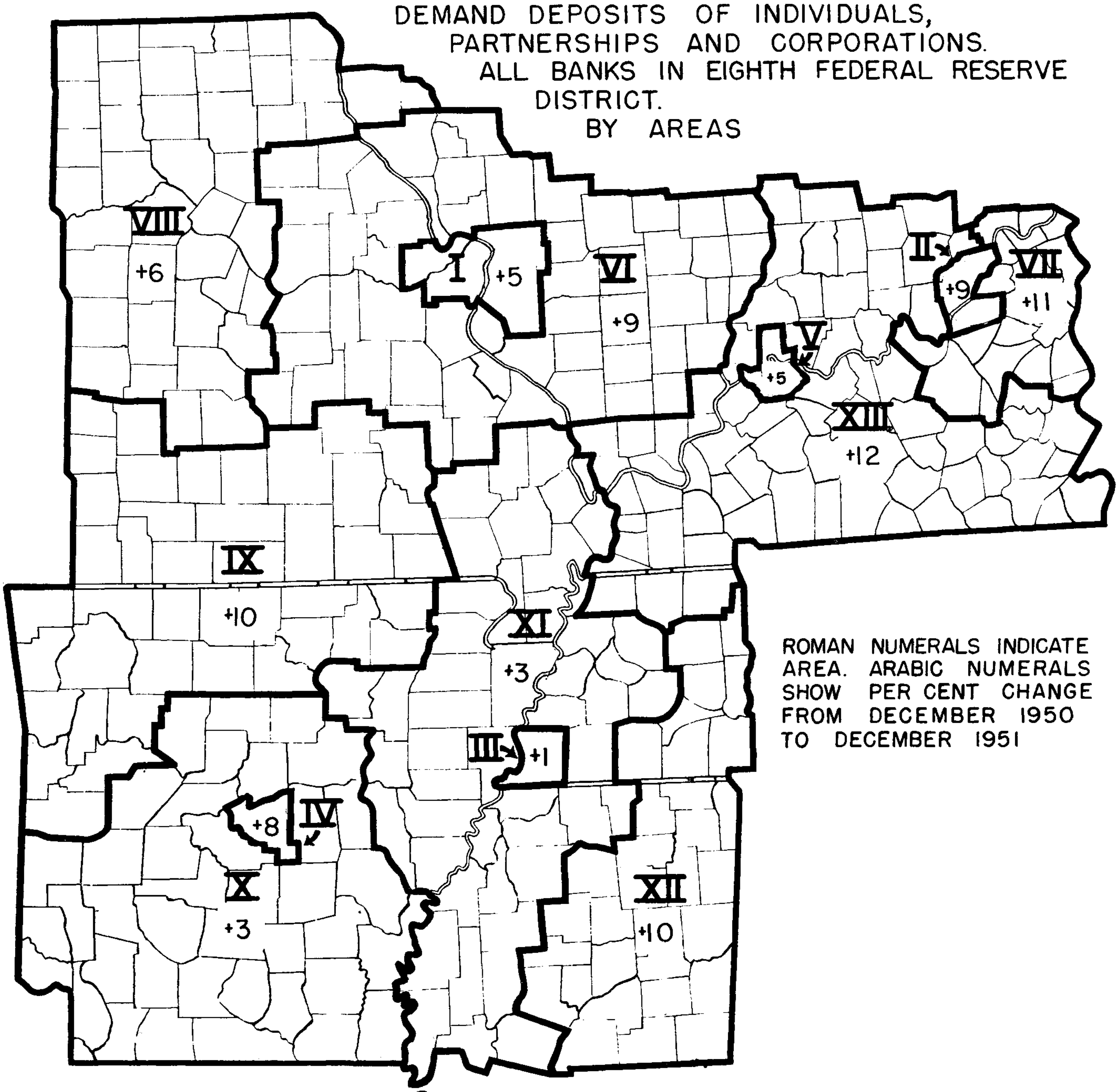

TABLE I
DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS ALL BANKS IN EIGHTH FEDERAL RESERVE DISTRICT BY AREAS

	(Dollar Amounts in Millions)	Dec. 31, 1941	Dec. 31, 1945	Dec. 31, 1949	Dec. 30, 1950	Dec. 30, 1951	Change from 1950-51 Amount	Per Cent
I	St. Louis	$ 558.2	$ 891.2	$1,181.4	$1,324.6	$1,397.0	$+ 72.4	+ 5%
II	Louisville	137.4	271.0	311.6	351.9	382.3	+ 30.4	+ 9
III	Memphis	89.4	194.0	264.8	295.6	298.2	+ 2.6	+ 1
IV	Little Rock	30.5	74.6	88.0	95.7	102.9	+ 7.2	+ 8
V	Evansville	29.9	75.6	92.3	95.8	100.3	+ 4.5	+ 5
	Total—Metropolitan Areas	$ 845.4	$1,506.4	$1,938.1	$2,163.6	$2,280.7	$+117.1	+ 5%
VI	St. Louis Outlying	$ 124.5	$ 371.5	$ 424.8	$ 434.2	$ 475.1	$+ 40.9	+ 9%
VII	Louisville Outlying	36.6	106.0	113.4	114.6	126.8	+ 12.2	+11
VIII	North Missouri	92.6	291.0	319.5	340.2	362.3	+ 22.1	+ 6
IX	Ozark	58.3	225.3	223.0	235.4	257.9	+ 22.5	+10
X	South Arkansas	67.5	224.6	233.3	246.0	253.6	+ 7.6	+ 3
XI	Delta	132.5	344.2	415.2	437.9	449.4	+ 11.5	+ 3
XII	East Mississippi-Tennessee	37.9	150.8	140.9	140.6	154.0	+ 13.4	+10
XIII	Kentucky-Indiana	118.0	427.5	454.2	445.4	500.9	+ 55.5	+12
	Total—Rural Areas	$ 667.9	$2,140.9	$2,324.3	$2,394.3	$2,580.0	$+185.7	+ 8%
	Total—District	$1,513.3	$3,647.3	$4,262.4	$4,557.9	$4,860.7	$+302.8	+ 7%

and western Kentucky, while the smallest gain (one per cent) was in Memphis. As a group the five metropolitan areas (I through V on the map) increased deposits 5 per cent with the gains by area ranging from one to 9 per cent. In contrast, the eight rural areas (VI through XIII on the map) increased deposits 8 per cent, with the gains ranging from 3 to 12 per cent.

Geographic distribution of the growth in deposits within the district in 1951 was different from that of the preceding year when banks in the metropolitan areas held better than three-fourths of the overall increase. At the close of 1951, rural area banks claimed better than 60 per cent of the year's gain.

Deposit growth by areas to some degree conformed to the expansion in United States Government expenditures in those areas, particularly where the expenditures were taking the form of new plants, new equipment or facilities. The increase in private industrial capacity, in most cases related to the defense effort, likewise appeared to contribute to deposit growth. For example, business was booming in 1951 all along the Ohio River, reflecting not only enlarged and reactivated Government depots, plants, camps and posts, but the creation of new chemical, electrical, steel and atomic facilities. At the same time deposit growth during 1951 was greatest in the rural areas encompassing the Ohio (Areas XIII and VII with 12 and 11 per cent increases respectively, compared with an average of 8 per cent). And Louisville (Area II) with considerable expansion in Government depots, plants and arsenals showed the highest percentage increase among the metropolitan areas.

Of some importance too in the geographic shift in deposits and especially significant in the relatively better growth in deposit volumes in Areas VII and XIII, were improved tobacco crop earnings of farmers. In contrast, the areas where cotton is important, the Delta (Area XI) and South Arkansas (Area X) registered the smallest deposit gains among the rural sections. While the cotton crop was larger, and yielded higher gross incomes, increased costs cut into these gross incomes and reduced the net gain.

The greater growth of funds in the non-metropolitan areas reflected in large measure differences in amount of increase among different types of owners during the 1952 Survey year.

Distribution of the increase among owner groups was different than in the preceding Survey year and in 1952 favored noncorporate businesses, farmers and individuals.

It should be noted that the proportions of total deposits held by each of the major groups of owners changed little in 1952 as compared with the proportions reported in previous years. Despite the overall increase in deposit volume during the Survey year, business (including farmers') deposits accounted for just over 60 per cent; individual deposits (excluding farmers') accounted for almost exactly one-third, and deposits of nonprofit organizations plus trust funds of banks accounted for 5.1 per cent in both years. This steadiness of ownership patterns in broad outline does not, however, mean that the behavior of deposits within the groups has remained constant. There have been significant differences. These differences are most readily seen in terms of the dollar amount or percentage change in the deposits of each ownership group from one year to the next.

Ownership changes reported by the 1952 and the 1951 Surveys differed considerably and this year favored noncorporate (usually small) businesses. Noncorporate business gained 16 per cent and corporate business added only 3 per cent during the

TABLE II

OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS

All Banks in Eighth Federal Reserve District

(Dollar Amounts in Millions)	Jan. 31, 1952		Jan. 31, 1951		Change Jan. '51-Jan. '52		Change Jan. '50-Jan. '51	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Corporate Business	$1,403.2	29.8%	$1,364.5	30.7%	$+ 38.7	+ 3%	$+221.1	+ 19%
Noncorporate Business	837.0	17.7	720.6	16.2	+116.4	+16	— 25.2	— 3
Total Business	2,240.2	47.5	2,085.1	46.9	+155.1	+ 7	+195.9	+ 10
Nonfinancial	1,960.5	41.6	1,826.7	41.1	+133.8	+ 7	+179.7	+ 11
Manufacturing and Mining	645.4	13.7	621.6	14.0	+ 23.8	+ 4	+ 93.3	+ 18
Public Utilities	203.0	4.3	198.1	4.5	+ 4.9	+ 2	+ 55.0	+ 38
Trade	851.6	18.1	769.4	17.3	+ 82.2	+11	+ 21.5	+ 3
Other nonfinancial	260.5	5.5	237.6	5.3	+ 22.9	+10	+ 9.9	+ 4
Financial	279.7	5.9	258.4	5.8	+ 21.3	+ 8	+ 16.2	+ 7
Insurance companies	64.5	1.4	65.3	1.5	— 0.8	— 1	— 0.8	— 1
All other financial	215.2	4.5	193.1	4.3	+ 22.1	+11	+ 17.0	+ 10
Trust funds of banks	54.9	1.2	55.0	1.3	— 0.1	-0-	+ 4.5	+ 9
Foreign	0.1	*	0.3	*	— 0.2	—66	+ 0.2	+200
Nonprofit	183.5	3.9	169.4	3.8	+ 14.1	+ 8	+ 12.3	+ 8
Personal	2,234.0	47.4	2,132.8	48.0	+101.2	+ 5	+ 45.3	+ 2
Farmers	668.5	14.2	625.1	14.1	+ 43.4	+ 7	+ 26.6	+ 4
Other	1,565.5	33.2	1,507.7	33.9	+ 57.8	+ 4	+ 18.7	+ 1
Total	$4,712.7	100.0%	$4,442.6	100.0%	$+270.1	+ 6%	$+258.2	+ 6%

* Less than 0.05%.

1952 survey period (January 31, 1951 to January 31, 1952), while in the preceding survey period corporate business showed a growth of 19 per cent and noncorporate business, a loss of 3 per cent.

Deposits in the manufacturing and mining fields were up only 4 per cent as against a gain of 18 per cent in the previous year. Similarly, public utility deposits expanded only 2 per cent according to the 1952 Survey where they showed a 38 per cent growth in the 1951 Survey. On the other hand, deposits of wholesale and retail trade concerns and "other nonfinancial" concerns (a broad coverage group including many contractors, builders, hotel and motel operators and other, mostly small, service businesses) increased more than they did in the 1951 Survey year. Similarly farmers' deposits increased substantially more than in the preceding year.

These differences in ownership changes suggest an important reason for the comparatively greater growth in deposits during 1951 outside the metropolitan areas where the accounts of manufacturing, utility and insurance concerns represent a much larger share of total individual, partnership and corporation deposits than they do in the rural areas.

The generally greater increase in noncorporate business accounts and accounts of farmers and other personal accounts accrued to the advantage of the banks in the outlying, rural areas.

The relatively greater growth in these favored groups reflects primarily the increased rate of consumer saving in 1951 . . .

The greater percentage increase in personal accounts in 1951 than in 1950 suggests that part of the marked increase in personal saving that took place during 1951 took the form of increased deposit balances. Expanding personal income after taxes was not spent with the same speed and sense of urgency during most of the 1952 Survey year that it was in the preceding year. As a result, the deposit-portion of the money supply held by individuals (roughly one-third of total individual and business deposits) built-up faster in the 1952 Survey year than it did during the 1951 year, pointing up the fact that the question of who holds the money supply is a significant factor in measuring the inflationary push of any given increase in that supply.

. . . and to some extent, preparation for heavier tax payments.

The greater percentage increase in noncorporate business and personal deposits during the 1952 Survey year may to some extent represent preparation to meet the heavier tax payments required on 1951 income. Much of the increased tax burden in 1951 on individuals was withheld from wages and salaries throughout the course of the year. However, the self-employed social security tax and some income of individuals from noncorporate business would have required tax payments in the first months of 1952 in excess of those required in the opening months of 1951 on 1950 income.

While the Mills' speed-up in tax collections from corporations would appear to put corporations under this same pressure to build cash balances to meet expanding tax payments, it is likely that a sizable share of the increased tax requirement was carried by the corporations, especially the larger ones, in short-term Government securities rather than in deposit form.

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New Banking Study Available

A study, *The Development of Bank Debits and Clearings and Their Use in Economic Analysis,* by George Garvy, Senior Economist of the Research Department, Federal Reserve Bank of New York, has recently been published by the Board of Governors of the Federal Reserve System.

This study combines a statistical review of debits and clearings statistics in the United States with a critical analysis of their use in the interpreting of economic developments. Its purpose is to provide a better understanding of debits and the velocity of turnover of deposits and hence of the appropriateness of these series for different types of economic analysis.

The price of the pamphlet is 25 cents per copy, 15 cents in quantities of ten or more. Requests for pamphlets should be made direct to the Board of Governors of the Federal Reserve System, Washington 25, D. C.

Retail Credit Sales in 1951

Eighth District retailers in nine trade lines pocketed almost as much money in 1951 as in 1950, but nondurable goods fared better than durable goods lines. Consumers bought "on the cuff" at about the same rate last year as in 1950, but said "Charge It" more often in 1951 than "How Many Months to Pay?" In 1951, however, consumers apparently paid their bills a little more promptly and retailers generally kept their inventories in step with consumers' demands.

This article summarizes the results of the ninth Retail Credit Survey conducted by the Federal Reserve Bank of St. Louis with the cooperation of 504 district retailers operating in nine trade lines and making credit sales. There are some differences in sales performance in 1951 as against 1950 for stores included in the Eighth District Retail Credit Survey and all retail stores. These arise mainly because: (1) The Survey covers only nine lines of trade and is rather heavily weighted toward durable goods sales, (2) only stores selling on credit are included in the Survey, and (3) the district sample is composed primarily of independent stores. Most national chains report consolidated data, direct to the Board of Governors of the Federal Reserve System, for inclusion only in the national tabulations.[1] Thus the department store line in the district Survey does not include the sales of the large chains.

Finally, the Survey is primarily intended to provide information on credit business. The sales data included and discussed below are essentially background information against which to judge the performance of credit sales.

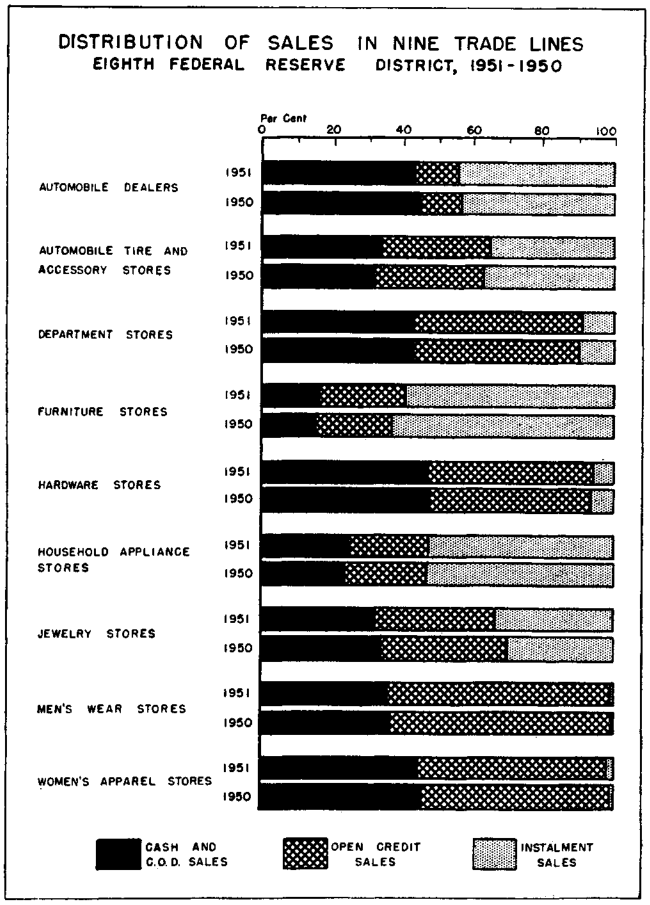
Eighth District retailers in nine trade lines pocketed almost as much money in 1951 as in 1950, but nondurable goods fared better than durable goods lines.

Combined sales of the 504 retail stores included in the Survey totaled almost $550 million in 1951, only slightly less than in 1950. However, by comparison with the increased incomes of individuals after taxes in 1951 over 1950, these results did not show up too well. Analysis of the reports on sales by line and by credit transaction provides some clues as to where consumers held back their spending.

Nondurable trade lines represented in the Survey showed a more favorable sales experience during 1951 than did the durable goods outlets. During 1951 department store sales (the bulk of which—80 per cent— are in soft goods lines) equaled those in 1950, men's wear stores were up slightly and sales volume at women's apparel stores increased 6 per cent. In the durable lines, sales declined in 1951 from those in 1950 in all but jewelry stores. Household appliance store volume dropped 12 per cent, furniture store sales declined 5 per cent, automobile dealers experienced a 4 per cent drop in volume, tire and accessory store sales were 3 per cent less but jewelry store sales gained 7 per cent over those in 1950.

Consumers bought "on the cuff" at about the same rate last year as in 1950, . . .

According to the Survey, credit sales (charge account and instalment combined) were almost equal in dollar volume to those of 1950. Cash sales, on the other hand, were off. By line, cash sales during 1951 were equal to or larger than in 1950 in



[1] Results on a national basis will be published later by the Board of Governors of the Federal Reserve System. Copies of the national results, when available, may be obtained upon request.

all but two of the nine trade lines included in the Survey. At automobile dealers, the 1951 volume of cash sales dropped 9 per cent in the year while at household appliance stores the decline was 4 per cent. Department store, jewelry store, and men's clothing store cash volume was at the same level as in 1950. Slightly higher cash sales in 1951 were registered by tire and accessory stores, women's apparel stores, hardware stores and furniture stores. The most pronounced differences between 1951 and 1950 sales came, however, in the two kinds of credit sales: charge and instalment.

. . . but said "Charge It" more often in 1951 . . .

Open credit (charge account) sales during 1951 increased over those in 1950 in all but tire and accessory stores. Gains of 8 per cent were shown by both women's apparel stores and automobile dealers. Household appliance store open credit sales equaled those in 1951. Gains of 2 per cent were reported in department stores, furniture stores, and men's clothing stores. At jewelry stores and hardware stores open credit sales gained 5 per cent from those in the previous year.

. . . than "How Many Months to Pay?"

In contrast with the increased sales volume on open account, instalment sales dropped fairly sharply in 1951 in the nine sales lines covered by the Survey. The decline in sales involving instalment credit reflects the decline in sales in the durable goods lines since these for the most part are the goods making use of the instalment payment technique. The volume of instalment sales during 1951 gained over that in 1950 in only three of the nine lines included in the Survey. At two of the three lines showing an increase—men's clothing and women's apparel stores—instalment sales accounted for a relatively minor portion of total sales. At the third line—jewelry stores—instalment sales accounted for about one-third of total store volume.

Household appliance store instalment sales—one-fifth lower than in 1950—dropped both in volume and relative to total sales volume. While automobile dealers instalment sales volume during 1951 dropped slightly under that in 1950, it accounted for a somewhat larger portion of total sales than in 1950. It should be noted that the Retail Credit Survey tends to understate the instalment sales of automobiles in each year. Many automobile sales are on a cash basis insofar as the dealer is concerned, even though part of the funds used by the buyer may be borrowed elsewhere and repaid over an extended period. (The same point may apply to sales in other lines but in nothing like the degree to which it applies in automobile sales.)

Instalment sales at department stores, tire and accessory stores, furniture stores, and hardware stores also dropped below those in 1950 both in volume and relative to total sales.

In 1951, however, consumers apparently paid their bills more promptly . . .

The ratio of receivables at the end of 1951 to total net sales during the year registered a decline in most trade lines. Since credit sales in 1951 were almost equal to those of 1950, the decline in the ratio indicates that consumers paid for their purchases more promptly. Instalment receivables at the end of 1951 relative to total net sales gained only in jewelry stores. For men's clothing stores and women's apparel stores the ratio of instalment receivables to total net sales was at the same level as at the end of 1950. In other lines the ratio of instalment receivables to total net sales declined from that in 1950.

SUMMARY DATA OF THE 1951 RETAIL CREDIT SURVEY
EIGHTH FEDERAL RESERVE DISTRICT

	1951 Compared to 1950					Ratio of Total Net Sales to Inventories		Ratio of Receivables to Total Net Sales			
	Total Net Sales	Cash and C.O.D. Sales	Open Credit Sales	Instalment Sales	Dec. 31 Inventories	1951	1950	Open Credit		Instalment	
Automobile Dealers	—4%	—9%	+8%	—3%	+18%	10.4	12.9	1.5	1.6	1.8	1.9
Automobile Tire and Accessory Stores	—3	+4	—3	—9	—17	6.1	5.2	3.7	4.2	14.2	18.7
Department Stores	-0-	-0-	+2	—8	—3	4.3	4.1	12.2	10.9	4.2	4.7
Furniture Stores	—5	+1	+2	—10	—6	2.5	2.6	3.6	4.2	26.7	27.4
Hardware Stores	+3	+2	+5	—6	—1	2.9	2.7	8.7	9.2	1.6	2.0
Household Appliance Stores	—12	—4	-0-	—20	—1	2.8	2.9	2.6	3.0	17.7	19.2
Jewelry Stores	+7	-0-	+5	+17	—5	1.4	1.3	12.1	12.3	19.4	18.6
Men's Clothing Stores	+1	-0-	+2	+8	+11	2.2	2.5	17.2	17.2	0.3	0.3
Women's Apparel Stores	+6	+4	+8	+13	—1	5.6	5.2	13.5	13.0	1.1	1.1

. . . and retailers generally kept their inventories in step with consumers' demands.

Inventories, or the imagined lack of them, gave retailers many bad moments both before, during and after the two major scare-buying waves which occurred in both 1950 and 1951. After the early 1951 wave of buying, the inventory problem became acute. Retailers held record stocks. Consumers showed a mounting reluctance to buy. So, taking their cue from consumers, retailers also curtailed their buying. The sales level during the last half of 1951, while not spectacular, was such that by the end of 1951 only two lines held stocks larger than a year earlier. Automobile inventories were almost one-fifth above those at the end of 1950 and men's clothing stocks were valued at one-tenth more. Tire and accessory store inventories recorded the largest drop. In other lines included in the Survey the value of inventory was only slightly under that at the end of 1950.

The ratio of total net sales during 1951 to inventories at the end of the year (a turnover figure) was smaller than in 1950 at four of the nine lines in the Survey. Of the four lines, automobile and men's clothing inventories increased from those at the end of 1950, while at furniture and appliance stores inventories declined but at a slower pace than total net sales.

Alfred C. Kearchner
Marie C. Wahlig

Survey of Current Conditions

February and early March saw no particular change in the level of over-all economic activity in the Eighth District. Rising Government expenditures for defense purposes were reflected in increased manufacturing employment and production in defense-connected industries in this region. Non-defense industry, after allowance for the usual seasonal changes, held at a rate not appreciably different from that of January. There were some deviations from this average on both the high and the low sides. For example, shoes and textiles showed strength while whiskey production exhibited some weakness.

Business expenditures for plant and equipment continued in substantial volume and a number of new expansions were announced. Consumer saving remained at a high rate and retail sales were lower in February than might be expected given the present high level of income. Prices continued stable to slightly downward.

Economic activity in the nation moved in about the same way as it did in the district. The Federal Reserve index of industrial production in February was 222 per cent of the 1935-39 base, up two points from January. Construction activity, seasonally adjusted, increased slightly; the rate of consumer spending also advanced moderately.

While there has been considerable discussion of the stretch-out in the defense program, it should be stressed that defense expenditures, even after the stretch-out, are scheduled to increase by a substantial amount during the course of 1952. The defense program, therefore, remains as one of the stronger expansionary forces in the economic outlook. Similarly, a high rate of business expenditures for plant and equipment seems assured for at least the first half of this year, and with release of additional materials nondefense construction should not be severely limited by materials supply.

In contrast to these expansionary forces in the outlook is the balancing factor of continued cautious buying on the part of consumers. This has reflected growing price consciousness and relatively ample supplies of merchandise. Whether consumers will continue in the same frame of mind will have great bearing on economic developments for the balance of 1952.

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1947-49=100)	Feb.,'52	Jan.,'52	Feb.,'51	Feb., 1952, compared with Jan.,'52	Feb.,'51
All Commodities	112.6	113.2	116.5	— 1%	— 3%
Farm Products	107.8	110.0	117.2	— 2	— 8
Foods	109.7	111.2	112.9	— 1	— 3
Other	114.3	114.3	117.2	– 0 –	— 3

CONSUMER PRICE INDEX*

Bureau of Labor Statistics (1935-39=100)	Feb. 15, 1952	Jan. 15, 1952	Feb. 15, 1951	Feb. 15, 1952, compared with Jan. 15, 1952	Feb. 15, 1951
United States	187.9	189.1	183.8	— 1%	+ 2%

* New series.

RETAIL FOOD*

Bureau of Labor Statistics (1935-39=100)	Feb. 15, 1952	Jan. 15, 1952	Feb. 15, 1951	Feb. 15, 1952, compared with Jan. 15, 1952	Feb. 15, 1951
U. S. (51 cities)	227.5	232.4	226.0	— 2%	+ 1%
St. Louis	238.6	244.0	240.0	— 2	— 1
Little Rock	224.6	229.7	225.2	— 2	– 0 –
Louisville	213.6	218.4	214.5	— 2	— 1
Memphis	234.9	237.8	230.8	— 1	+ 2

* New series.

EMPLOYMENT

Seasonal layoffs in retail trade and construction continued into February, but manufacturing employment increased as a result of expanded defense production and seasonal gains in automobile, shoe and clothing plants. As a result the over-all level of employment in the Eighth District and in the nation remained virtually unchanged between January and February.

In Louisville employment fell during February reflecting seasonal curtailment of tobacco products manufacturing, further reduction in retail trade employment and a cutback in distilled liquor bottling.

In St. Louis, employment increased due to greater activity in shoe production and on construction projects, augmented by hiring at defense-connected plants. According to present indications, defense employment, primarily aircraft and ordnance, should increase substantially over the rest of this year.

In Evansville, manufacturing employment increased 5 per cent from January to the previous postwar record. The increase was largely due to additional defense production and seasonal increases in refrigerator and building materials production. Unemployment decreased as additional jobs outpaced the influx of jobseekers into the labor market. The outlook for the near future was bright as defense and seasonal industries planned to step up operations.

In Vincennes, Indiana, employment increased when a major shoe plant resumed operations. Vincennes had been declared a labor surplus area.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	Feb., 1952 K.W.H.	Jan., 1952 K.W.H.	Feb., 1951 K.W.H.	Feb., 1952 compared with Jan.,'52	Feb., 1952 compared with Feb.,'51
Evansville	15,932	17,194	16,146R	— 7%	— 1%
Little Rock	12,630	13,746	12,549	— 8	+ 1
Louisville	78,814	82,494	75,114	— 5	+ 5
Memphis	32,052	30,677	26,684	+ 4	+20
Pine Bluff	10,644	11,417	8,872	— 7	+20
St. Louis	97,875	102,835	88,432	— 5	+11
Totals	247,947	258,363	227,797	— 4%	+ 9%

Selected Industrial Firms.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Feb.,'52	Jan.,'52	Feb.,'51	First Nine Days Mar.,'52	First Nine Days Mar.,'51	2 mos.'52	2 mos.'51
112,784	110,584	91,302	32,049	39,625	223,368	213,224

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Feb., 1952	Jan., 1952	Feb., 1951	Feb., 1952 compared with Jan.,'52	Feb., 1952 compared with Feb.,'51
Arkansas	76.2	78.3	79.4	— 3%	— 4%
Illinois	163.7	168.9	159.8	— 3	+ 2
Indiana	30.0	30.7	27.7	— 2	+ 8
Kentucky	34.5	34.2	27.9	+ 1	+24
Total	304.4	312.1	294.8	— 3%	+ 3%

R—Revised.

COAL PRODUCTION INDEX
1935-39=100

Unadjusted Feb., '52	Unadjusted Jan., '52	Unadjusted Feb., '51	Adjusted Feb., '52	Adjusted Jan., '52	Adjusted Feb., '51
162.5*	181.7*	180.6	156.2*	156.6*	158.4

* Preliminary.

INDUSTRY

Industrial production continued at high levels in the Eighth District during February and early March. Some improvement was shown in shoe, textile and steel ingot manufacturing. And defense output continued to increase. As in recent months, however, coal and whiskey output continued below last year.

Manufacturing—Open hearth furnaces in the St. Louis area were running at about 81 per cent of capacity during the first three weeks of March and in February produced more ingot tonnage than during either of the two preceding months. The March rate, although considerably below a year ago as cold-rolled steel demand continued easy, compared with 78 per cent in December of last year, 74 in January and 79 in February, 1952.

Factory wheels turned a little faster in February. The daily average use of electric power in the district increased slightly over January and was 8 per cent above a year ago. Power figures indicated an improvement in the textile, shoe, paperbox board, chemical, metal products and electrical machinery industries.

Lumber production continued through the first half of March without much change from the first two months of this year, but at a better weekly rate of production than a year ago. The market continued spotty.

District shoe production improved during January and February, and the improvement continued into March.

Meat packing activity in the St. Louis area was the largest for any February since 1944. Salable receipts at the National Stockyards (Illinois) were also the highest of any February since 1944. The situation was primarily due to unusually large hog runs—an experience in common with other markets throughout the country.

Production of whiskey in Kentucky apparently continued at about the same rate in February as January, but well below levels a year earlier. Reduced bottling activity and production were reported to be in response to lowered demand.

Mining—Coal production in district states declined in February, according to preliminary indications, as mild weather continued to temper domestic demand which normally takes well over a fifth of district production.

The daily average rate of crude oil production during February was somewhat better than that of a year ago. The up-trend continued into the first two weeks of March, with the latest week being 3 per cent higher than a year earlier.

Transportation—Freight interchanges in February for railroads at St. Louis were slightly above those of January. Normally this volume declines in February. Comparison with activity a year ago when there was a transportation strike is not helpful in measuring the trend of business this year. Similarly a three-day walkout of St. Louis terminal workers beginning March 9, 1952, affected operations for several days.

CONSTRUCTION

There were several significant developments in construction during February. Residential construction improved. The NPA took certain steps to ease restrictions on less essential building in the next few months. In fact some restrictions have already been modified.

The seasonally adjusted rate of total new construction put in place showed little change during February from the January level. Private industrial building, spurred by the defense mobilization program, gained more than seasonally and residential building continued the growth noted in January. Public construction decreased.

Residential construction picked up during February reflecting the gain in housing starts in both January and February. The rise was entirely in private home building, which is apparently not being impeded by the materials supply situation. The increasing number of houses started so far this year indicates that construction volume in the next few months will continue a strong upward trend. Still, total private residential outlays are about one-fifth less than a year ago.

Construction of commercial buildings, which has been restricted by the Federal Government because of the desire to direct materials to more essential projects, is about one-third less than a year ago. Due to the easing of the materials shortage in the last few months, steps were taken during February and early March to allow more of this type of construction in the future. Industrial expansion, which is about 53 per cent above the level of a year ago, will evidently continue at high levels as a result of the continued expansion in industrial capacity under the defense mobilization program.

In this district proposed new industrial facilities with investment of $223 million have been indicated so far this year. The largest individual plant being planned is the aluminum reduction plant to be located near Arkadelphia, Arkansas, by the Reynolds Metals Company. Plans for considerable expansion in the St. Louis area by Monsanto Chemical Company ($19 million), and American Zinc Company ($4.5 million) were also indicated.

In the Eighth District construction contracts awarded during February totaled $46 million, a decrease of 29 per cent from the January total and 24 per cent less than February, 1951. The total residential construction contracts awarded have been 32 per cent less than a year ago, although total construction contracts are one per cent greater than in the first two months of 1951 due to a large increase in public works and utility contracts.

RETAIL TRADE

February retail sales in the district were generally less than in January and were under those in February, 1951. In part the lessened activity relative to a year ago reflected the earlier Easter in 1951 and the abnormally high sales in that year. Furniture store sales were an exception. These stores experienced a February sales volume somewhat above that in January and almost equal to that a year ago. Traditional home-furnishing promotions were reported to have accounted for the relatively good showing in the year-to-year comparison. "White sales" during February drew a fair consumer response but much of the strength

CONSTRUCTION

BUILDING PERMITS

Month of February

(Cost in thousands)	New Construction Number 1952	1951	Cost 1952	1951	Repairs, etc. Number 1952	1951	Cost 1952	1951
Evansville	36	34	$ 72	$ 69	48	43	$ 31	$ 58
Little Rock	62	54	557	1,134	164	132	107	103
Louisville	197	83	892	659	78	29	111	37
Memphis	1,404	1,279	2,770	2,937	171	135	133	106
St. Louis	215	182	1,448	2,097	208	146	601	333
Feb. Totals	1,914	1,632	$ 5,739	$ 6,896	669	485	$ 983	$ 637
Jan. Totals	1,709	2,502	$ 4,191	$18,196	479	410	$ 785	$1,563

WHOLESALING

Line of Commodities Data furnished by Bureau of Census, U.S. Dept. of Commerce*	Net Sales February, 1952 compared with Jan.,'52	Feb.,'51	Stocks Feb. 29, 1952 compared with Jan. 31, 1952
Automotive Supplies	— 8%	— 9%	+17%
Drugs and Chemicals	+ 2	+21	....
Dry Goods	+ 3	—18	—10
Groceries	—10	-0-	+ 2
Hardware	+25	—18	+ 3
Tobacco and its Products	-0-	+16	+ 7
Miscellaneous	+ 9	+ 1	+ 1
**Total All Lines	+ 7%	— 9%	— 2%

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

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Feb., 1952 compared with Jan.,'52	Feb.,'51	2 mos. '52 to same period '51	Feb. 29,'52 comp. with Feb. 28,'51	Jan. 1 to Feb. 29, 1952	1951
8th F. R. District...	— 4%	— 1%	— 7%	—10%	.57	.57
Ft. Smith, Ark.[1].....	— 2	— 4	— 6	+ 3	.51	.54
Little Rock, Ark.....	+ 5	— 3	— 8	—16	.54	.50
Quincy, Ill..............	— 5	—11	—15	—14	.54	.57
Evansville, Ind.......	+ 6	+ 4	— 4	— 3	.43	.47
Louisville, Ky.........	— 1	-0-	— 6	+ 2	.56	.58
Paducah, Ky...........	+ 9	+36	+26	....	....	....
St. Louis Area[1, 2]....	— 8	— 1	— 7	—13	.59	.58
Springfield, Mo.......	— 1	+ 9	+ 3	— 3	.44	.40
Memphis, Tenn.......	— 4	— 3	— 5	— 3	.61	.62
All Other Cities*....	+10	+ 9	— 4	+ 1	.39	.41

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

[1]In order to permit publication of figures for this city (or area), 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 February, 1952, were 33 per cent smaller than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding February 1, 1952, collected during February, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith....	....%	44%	Quincy	23%	58%
Little Rock....	18	46	St. Louis........	21	49
Louisville	20	64	Other Cities ..	14	48
Memphis	20	35	8th F. R. Dist.	20	48

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

	Feb., 1952	Jan., 1952	Dec., 1951	Feb., 1951
Sales (daily average), unadjusted[3]...............	80	81	168	86
Sales (daily average), seasonally adjusted[3]..	100	111	107	108
Stocks, unadjusted[4]	109	92	105	128
Stocks, seasonally adjusted[4]............................	112	106	119	131

[3]Daily average 1947-49=100.

[4]End of Month Average 1947-49=100.

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Feb., 1952 compared with Jan.,'52	Feb.,'51	2 mos. '52 to same period '51	Feb. 29,'52 comp. with Feb. 28,'51	Jan. 1 to Feb. 29, 1952	1951
Men's Furnishings	—21%	— 6%	—10%	— 4%	.33	.37
Boots and Shoes..	+ 1	+ 6	+ 2	— 5	.54	.52

Percentage of accounts and notes receivable outstanding February 1, 1952, collected during February:

Men's Furnishings.................. 41% Boots and Shoes...................... 44%

Trading days: February, 1952—25; January, 1952—26; February, 1951—24.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	Feb., 1952 compared with Jan.,'52	Feb.,'51	February, 1952 compared with Jan.,'52	Feb.,'51	Feb.,'52	Feb.,'51
8th Dist. Total[1].......	+ 6%	— 3%	+ 4%	—12%	21%	19%
St. Louis Area[2].......	+ 4	—13	+ 3	—13	29	25
St. Louis..............	+ 6	—13	+ 3	—13	29	25
Louisville Area[3]......	+29	+19	+ 4	—10	13	13
Louisville............	+35	+21	+ 4	—10	12	12
Memphis.................	+11	+26	*	*	12	13
Little Rock.............	—16	— 6	— 2	—17	19	17
Springfield..............	+ 5	+12	+ 1	+ 1	16	14
Fort Smith..............	— 6	—17	*	*	*	*

* 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

	Feb.,'52	Jan.,'52	Feb.,'51
Cash Sales..	14%	16%	15%
Credit Sales	86	84	85
Total Sales	100%	100%	100%

in sales was in furniture lines. More in line with trends during February, automobile dealers, after experiencing a flurry of sales activity following the introduction of new models, found sales slowing down. Used car sales, reported pretty fair in January, also fell in February.

In reporting soft goods lines, February sales of district retailers were reported below those in both the previous month and the comparable month last year. Sales volume at district department stores in February dropped contraseasonally from that during January and was slightly under that in February, 1951. And February sales at men's wear stores and women's specialty stores were reported below those in January and well under February, 1951.

In several trade lines the decline from January was partly the result of efforts in that month to match heavier-than-normal buying a year ago. And, considering the fact that in February, 1951, consumer buying continued above seasonal expectations, the less-than-year-ago performance this year was not unexpected.

Another factor, contributing to the softness in nondurables lines and thus to the general February decline, is the later Easter this year in comparison with last year. With Easter occurring on March 25 last year, retailers had their spring promotions under way by the end of February. This year, with Easter falling on April 13, retailers have delayed spring promotions until well into March.

The retail value of inventories held by reporting retail lines at the end of February was generally larger than a month earlier but was below that a year earlier. The largest decline from 1951 was reported by furniture stores. Much of the build-up of spring merchandise, in view of the later date of Easter this year, was scheduled by retailers during March. A few instances have been reported of inventory becoming tight in several soft goods lines, where, because of cautious merchandising policies of retailers, manufacturers have held back production schedules. At district department stores, outstanding orders at the end of February were substantially under those a month earlier and sharply less than a year ago.

AGRICULTURE

For the most part, farm field activities in February were limited. However, some preparation for cotton in the southern part of the district occurred and some plowing in Kentucky and farther north was possible due to the relatively mild weather. Farm work was considered to be slightly advanced in Arkansas, but slightly delayed in

Tennessee and Mississippi due to wet weather.

Winter wheat in the district apparently was in good condition, but the crop was still vulnerable to freezing and thawing in March. Prospects for wheat brightened in the Southwest as a result of snow and rain. Moisture was generally adequate for the immediate future. Winter killing up to March 1 appeared to be at a minimum, and the crop was reported in good to excellent condition in many areas.

Prices received by farmers declined 4 per cent during the month ending February 15. On that date the index of prices received was 289 (1910-14 =100), compared with an index of 300 a month earlier and 313 a year earlier. This represents a decline of 8 per cent during the one-year period. However, the index of 289 was higher than any other February, except during 1951.

Prices paid by farmers reached a new high in February with a 1 point rise to an index of 288. As a result of the decline in prices received and increase in prices paid, the parity ratio (ratio of prices received to prices paid) declined from 105 to 100. A year earlier the ratio was 113.

BANKING AND FINANCE

As in the previous month, earning assets and deposits of member banks declined during February, both districtwise and nationally. Most of the decline in earning assets resulted from net sales of Government securities; however, in the district there was also a substantial net reduction in borrowings of businesses. In addition to the contraction of bank credit, there was a shift of deposits from individuals and businesses to the Treasury. As a result, the private money supply declined slightly in the month. However, the volume of checks written in February was fairly large.

The money market was fairly tight and yields on Treasury bills increased over most of February

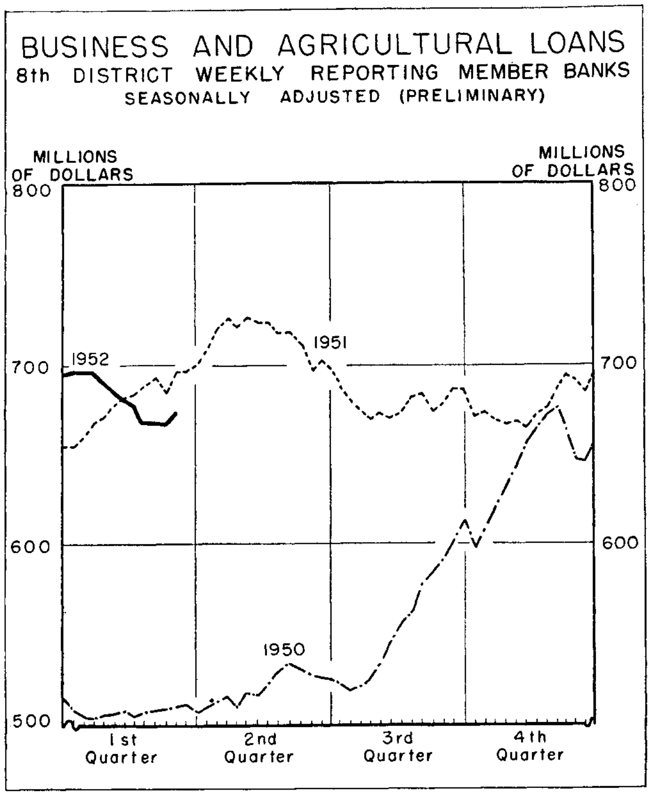
AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Jan., 1952	January, 1952 compared with Dec., 1951	January, 1952 compared with Jan., 1951	12 month total Jan. to Dec. 1951	1951 compared with 1950	1951 compared with 1949
Arkansas	$ 42,083	—31%	+16%	$ 564,523	+14%	+ 5%
Illinois	161,003	+ 5	+ 3	2,020,380	+14	+ 3
Indiana	85,947	—12	+10	1,170,038	+20	+22
Kentucky	105,106	—29	+10	632,799	+23	+18
Mississippi	30,123	—59	—18	556,484	+21	+13
Missouri	83,104	—13	—12	1,214,208	+18	+20
Tennessee	48,198	— 5	+ 1	487,666	+14	+13
Totals	$555,564	—18%	+ 2%	$6,646,098	+17%	+12%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
		Feb., 1952 compared with			Feb., 1952 compared with	
	Feb.,'52	Jan.,'52	Feb.,'51	Feb.,'52	Jan.,'52	Feb.,'51
Cattle and calves	67,915	—18%	+ 13%	29,842	- 0 -%	+100%
Hogs	283,034	—21	+ 14	84,492	—31	+ 14
Sheep	37,369	—27	+148	16,390	—24	......
Totals	388,318	—21%	+ 20%	130,724	—25%	+ 42%



and early March. These developments reflected, in large part, the heavy tax payments to the Treasury.

District Developments—Earning assets of district member banks contracted roughly $100 million during February. Normally, earning assets contract only about half this amount in the month.

Loans declined $29 million. The decline was the result of a $34 million drop in loans at the larger banks combined with a $5 million increase in loans at the smaller banks. A more-than-seasonal contraction in business loans accounted for virtually all the net decrease at the larger city banks. The district loan decline was in contrast to loan behavior at all other banks in the nation where the outstanding volume of business, real estate and consumer loans changed only slightly in the month.

The greater-than-national rate of decline in district business loans was occasioned in part by a lesser rate of expansion districtwise in loans for defense. Both nationally and in the district large net repayments of loans during February came from commodity dealers and food manufacturers. However, in the district, the increase in loans to textile, apparel and leather manufacturers did not offset other shrinkages, while nationally declines were matched by a sizable expansion in loans to metal and metal products manufacturers and to petroleum, coal, chemical and rubber companies, chiefly for defense activities. In the district the increase in loans at the smaller banks was all in centers under 15,000 population, where agricultural loans normally expand at this time.

Investment portfolios were reduced $72 million at district member banks in the month. Most of the net sales were at the larger urban banks and were of short-term United States Government securities.

Deposits in the district declined about $100 million in February. As with earning assets, most of the decline was at the larger city banks. The deposit decline was centered in accounts of banks and businesses partially offset by an increase in accounts of the United States Government. Savings accounts continued their upward climb at both the larger and smaller banks.

Use of deposit accounts was fairly high in February. Debits to deposit accounts (except interbank) at 22 reporting centers were $3.8 billion. This represents a 10 per cent increase over the same month a year ago. All reporting centers had more debits this February than last except Owensboro, Kentucky, where the dollar amount of checks written was virtually the same in both months. At Paducah, Kentucky, more than twice the year-ago amount of checks were written in February, 1952. After adjusting for seasonal variation, volume of debits to deposit accounts at all district reporting centers was 4 per cent larger in February than in the previous month.

In the first two weeks of March, business loans at district weekly reporting member banks declined less-than-seasonally. The decrease came largely from sales finance companies, commodity dealers and food manufacturers. On the other hand, other types of manufacturers, especially metal and metal products firms, expanded loans in the period.

National Developments—In the first two and a half months of 1952, the Treasury's budgetary receipts were about $13 billion. In the comparable period a year ago, the drain from taxes amounted to $10 billion. The larger "take" this year reflected stiffer tax rates and higher incomes as well as more rapid collections of corporate taxes. One result of this even-larger-than-usual drain was to put considerable pressure on banks and the money market in general. The money market, which was easy during January, became fairly tight in February and early March. To meet the drain of funds, banks drew on excess reserves and other cash balances and increased their borrowings. In addition, some banks were forced to liquidate securities in order to adjust their positions. Rates on Treasury bills reflected the pressure, yielding 1.78 per cent at mid-March compared with 1.58 in early February.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Feb., 1952	Jan., 1952	Feb., 1951	February, 1952 compared with Jan.,'52	February, 1952 compared with Feb.,'51
El Dorado, Ark.	$ 27,447	$ 31,734	$ 23,221	—14%	+ 18%
Fort Smith, Ark.	43,828	47,747	39,875	— 8	+ 10
Helena, Ark.	7,594	10,381	7,062	—27	+ 8
Little Rock, Ark.	136,263	145,536	128,236	— 6	+ 6
Pine Bluff, Ark.	32,749	41,258	25,683	—21	+ 28
Texarkana, Ark.*	15,540	16,530	11,024	— 6	+ 41
Alton, Ill.	28,874	30,490	24,108	— 5	+ 20
E.St.L.-Nat.S.Y., Ill.	119,147	138,287	106,312	—14	+ 12
Quincy, Ill.	33,134	33,842	29,866	— 2	+ 11
Evansville, Ind.	129,667	140,936	122,014	— 8	+ 6
Louisville, Ky.	645,512	687,396	552,293	— 6	+ 17
Owensboro, Ky.	37,124	43,510	37,219	—15	-0-
Paducah, Ky.	34,868	34,318	17,112	+ 2	+104
Greenville, Miss.	21,964	28,956	19,403	—24	+ 13
Cape Girardeau, Mo.	12,272	13,568	11,178	—10	+ 10
Hannibal, Mo.	9,035	9,524	8,544	— 5	+ 6
Jefferson City, Mo.	51,428	73,104	48,800	—30	+ 5
St. Louis, Mo.	1,714,146	1,940,929	1,589,078	—12	+ 8
Sedalia, Mo.	11,113	11,824	10,586	— 6	+ 5
Springfield, Mo.	62,256	69,775	56,376	—11	+ 10
Jackson, Tenn.	19,772	22,456	18,160	—12	+ 9
Memphis, Tenn.	607,935	737,182	554,417	—18	+ 10
Totals	$3,801,668	$4,309,283	$3,440,567	—12%	+ 10%

* These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $36,153.

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	Feb., 1952	Jan., 1952 to Feb., 1952	Feb., 1951 to Feb., 1952	Feb., 1952	Jan., 1952 to Feb., 1952	Feb., 1951 to Feb., 1952	Feb., 1952	Jan., 1952 to Feb., 1952	Feb., 1951 to Feb., 1952
1. Loans and investments	$4,192	$—101	$+162	$2,427	$— 93	$+ 56	$1,765	$— 8	$+106
a. Loans	1,890	— 29	+ 35	1,268	— 34	+ 1	622	+ 5	+ 34
b. U.S. Government Obligations	1,923	— 74	+109	980	— 60	+ 50	943	— 14	+ 59
c. Other Securities	379	+ 2	+ 18	179	+ 1	+ 5	200	+ 1	+ 13
2. Reserves and Other Cash Balances	1,415	— 5	+ 76	884	+ 15	+ 43	531	— 20	+ 33
a. Reserves with the F.R. bank	712	— 10	+ 38	462	— 9	+ 21	250	— 1	+ 17
b. Other Cash Balances[3]	703	+ 5	+ 38	422	+ 24	+ 22	281	— 19	+ 16
3. Other Assets	52	+ 1	+ 4	33	+ 1	+ 2	19	-0-	+ 2
4. Total Assets	$5,659	$—105	$+242	$3,344	$— 77	$+101	$2,315	$— 28	$+141
Liabilities and Capital									
5. Gross Demand Deposits	$4,224	$—102	$+168	$2,586	$— 70	$+ 71	$1,638	$— 32	$+ 97
a. Deposits of Banks	718	— 63	+ 53	677	— 60	+ 48	41	— 3	+ 5
b. Other Demand Deposits	3,506	— 39	+115	1,909	— 10	+ 23	1,597	— 29	+ 92
6. Time Deposits	1,004	+ 5	+ 43	488	+ 3	+ 12	516	+ 2	+ 31
7. Borrowings and Other Liabilities	65	— 10	-0-	55	— 12	— 4	10	+ 2	+ 4
8. Total Capital Accounts	366	+ 2	+ 31	215	+ 2	+ 22	151	-0-	+ 9
9. Total Liabilities and Capital Accounts	$5,659	$—105	$+242	$3,344	$— 77	$+101	$2,315	$— 28	$+141

[1] Includes 13 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.