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Sources and Uses of Eighth District Funds in 1951

A statement on sources-and-uses-of-funds measures the flow of money and credit through the district economy, showing by whom and for what purpose money is spent and received.

As to sources of funds in 1951, income originating in current production was as usual the largest single item. Other income ("transfer receipts") and liquidation of assets were significant sources of funds. Borrowing from banks and other lenders supplied vital additions to the total money flow. In contrast with 1950, when short-term borrowing provided the bulk of all credit receipts, long-term business borrowing and equity financing provided the major share in 1951.

As to uses of funds in 1951, most expenditures were made for current consumption in the household group and for costs of operation in the business group. An increased share of total payments was used for taxes and "transfer payments." Corporations stepped up their capital expenditures (where in 1950 they built up inventories), while individuals added to their liquid savings (where in 1950 they spent more on durable goods and houses).

The sources-and-uses analysis of the district's money flows and cash balances in 1951 suggests that changes in financial transactions, though relatively small, had a strategic influence on economic activity and highlight the important role of district financial institutions, particularly the commercial banks.

A statement on sources-and-uses-of-funds measures the flow of money and credit through the district economy, showing by whom and for what purpose money is spent and received.

The Eighth District money supply (all demand deposits except interbank, time deposits and currency plus coin in circulation) increased about $500 million (6 per cent) in 1951. In the preceding year the gain was $400 million (5 per cent). Nationally, the private money supply rose $9 billion in 1951 as against $7 billion in 1950.

But the velocity of money was declining throughout most of 1951 in contrast to increasing sharply in 1950, particularly in the second half. These differences in trend of rate of use of the money supply reflect and partly explain the sharply rising prices of 1950 and early 1951, and the stable or declining (wholesale) prices of most of last year.

For many years, the behavior of money and its relation to prices, production, and income have been studied. In recent years a new body of information has been in process of development—data which give further insight into the working of our economy. These data show by whom and for what purposes money is spent and received.

To supply information on these points, in a sources-and-uses-of-funds analysis, the economy is divided into certain sectors whose financial decisions seem to be broadly motivated by similar considerations. For example, individual households tend to base most of their decisions as to the use of incoming funds on their present and anticipated needs as consumers and on their present and anticipated incomes. Likewise, corporate business units tend to base most of their decisions on present and anticipated operating needs and on their expectations as to future demand for their products.

In addition to individual consumers, business proprietors, and corporate businesses, there are other important sectors of the district economy which should be considered in any complete accounting of the flow of district money payments. The Federal Government, state and local governments, commercial banks, life insurance companies and other investors, all participate in the movement of district funds and are excluded from more detailed presentation in this article only because not all the relevant data are available at this time.

It also needs special emphasis that district funds move not only between the major sectors of the district economy but flow into and out of the Eighth District from other Federal Reserve districts and foreign nations. These interdistrict flows are of considerable magnitude. A more precise formulation of the sources and uses of funds owned by residents of this district depends on the development of accounts for the transactions of these other sectors and on more complete information as to the structure of the Eighth District "balance of payments" with the rest of the nation.

Current income is always the largest single source of funds. It is, however, by no means the only source. Money flow receipts include not only the income arising from current productive activity but also receipts from transfers or sales of existing wealth or borrowing of titles to wealth. "Transfer payments" of the Federal Government, such as interest on Government bonds or veterans' benefits, do not reflect current productive activity but are an important source of funds for many district households and financial institutions. Liquidation of assets and borrowing in anticipation of future income are other sources of funds; these latter two financial sources, though not originating in current production, play a vital part in the process of creating and exchanging income. A statement on the sources of district funds, therefore, is essentially an extension of this Bank's continuing work on district income estimates—a program now in its fifth year.

Turning to the "Uses" side of the accounts, expenditures are made for current operations, the purchase of capital assets, or the retirement of debt. In the case of individuals, expenditures for current operations represent the purchase of consumer nondurable goods and services (purchases of durables are included in the "purchases of assets" section); in the case of businesses, they refer to payrolls, the purchase of raw materials, taxes, and other costs of production These operating expenditures account for the bulk of all money uses and explain the increased need for cash balances associated with any expansion in economic activity or higher prices.

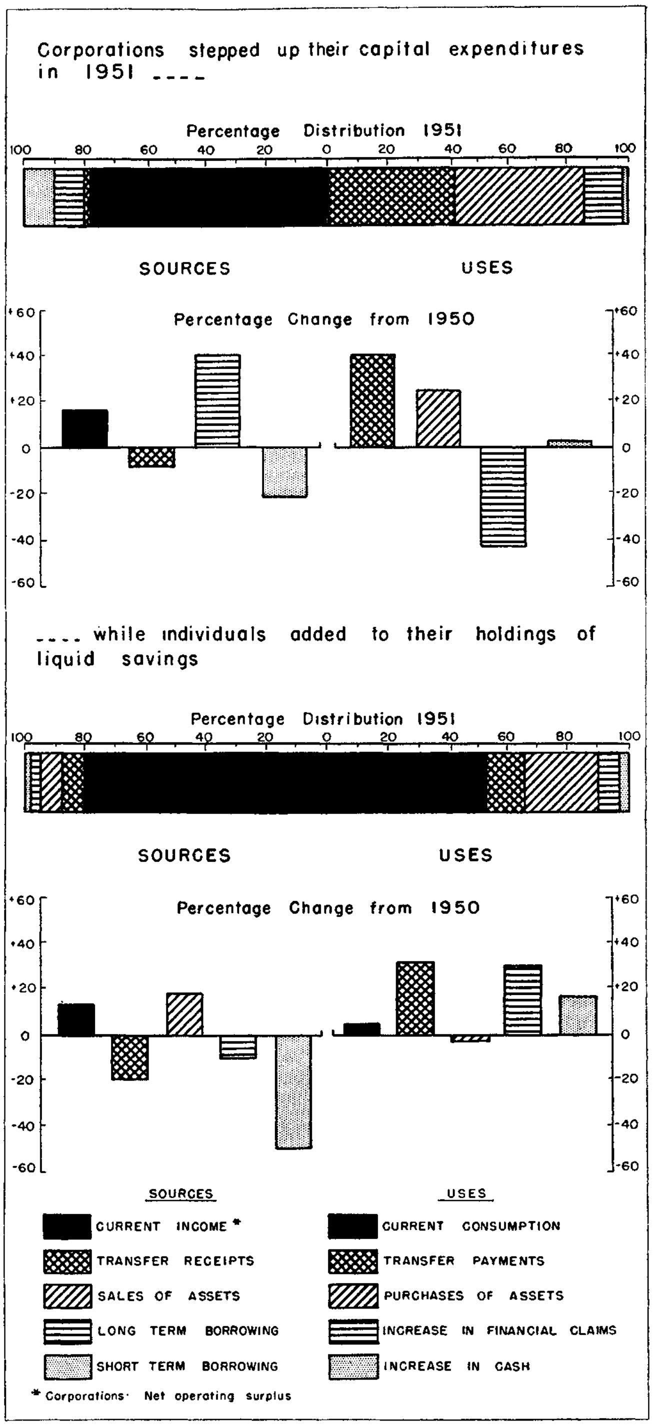
Increased holdings of money may also represent, however, demands for additional liquidity or increased savings temporarily awaiting investment. In 1951, the latter use was much more important than in 1950, a factor which goes far to account for the differences in general economic behavior over these two periods despite the apparent similarity in the over-all growth of the money supply. A more precise description of these differences is the purpose of the following statement on the sources and uses of Eighth District funds in 1951.

As to sources of funds in 1951, income originating in current production was as usual the largest single item.

Total funds received on personal and corporate account in the Eighth District increased approximately $3 billion, 15 per cent, from 1950 to 1951. The major sources of these funds and their relative importance are shown on the left hand side of the chart on this page.[1]

The upper part of the chart shows the movement of corporate net operating funds as one of the sources of corporate receipts. Net operating funds represent all receipts by corporations from current operations not spent for their current operating costs. They include, in addition to net earnings, funds set aside for depreciation and other reserves. According to preliminary figures, this source of district funds increased by 17 per cent during the year. Despite the magnitude of this year-to-year gain, however, it is important to note that corporate earnings had already spurted to substantially their 1951 level by the fourth quarter of the previous year. They did not share appreciably in the quarterly increments of district income thereafter. This flattening out can be attributed broadly to the greater stability of total sales volume, as well as to less favorable price-cost relationships which emerged in the course of 1951.

The transactions of each sector are recorded as sources and uses of cash funds, total sources in each sector balancing total uses. To indicate the basic purposes for which funds are used, the uses side of the balancing sources-and-uses accounts is divided into several parts. The different sectors (or transactors) may "use" their money either for building cash balances or for expenditures. Expenditures, in turn, may be for current consumption or operating expenses, for payment of taxes, for payment of debts, or for the acquisition of capital or liquid assets. Thus the moneyflow accounts indicate the economic groups holding the deposits and currency making up the money supply, what proportion of total incoming funds these deposits represent, and at what point credit enters the economy. This credit, at times the basis for an expanded aggregate money supply, may initially be received at the consumer level to stimulate the



[1] Among the sources of funds, the following basic types of transactions are recorded:

Current Income includes all funds received for current productive activity, such as wages, investment returns, and proprietors' net profits. In the case of corporations, this item represents all *net operating funds* and includes, in addition to net earnings, funds set aside for depreciation and other cash reserves.

Transfer Receipts include all funds received from government and business for which no services are rendered currently, such as insurance benefits, veterans' pensions, or interest on Government debt.

Sales of Assets include all funds received net from the sale of property or financial claims, such as houses, cars, or government bonds.

Long-Term Borrowing includes all funds received from a net increase in mortgage and other long-term liabilities. In the case of corporations, this item includes also all net new issues of stock.

Short-Term Borrowing includes all funds received from a net increase in short-term liabilities, such as bank loans, trade payables, and all consumer credit.

Note that, except for individual incomes, all sources of funds shown are *net* rather than *gross*. Present data limit analysis to the use of *net* measures in most cases. The *total* amount of funds received was greater than the *net* amount shown. It would be desirable to measure many flows of funds on a *gross* basis so as to get the whole picture of money flows; the use of *net* measures, however, is helpful to point up over-all trends.

flow of finished goods from dealers' shelves, at the business level to store additional finished goods and raw materials in inventories, or at the business level to finance construction of new plant and equipment.

This article, in attempting to locate and measure certain of the factors in the district's economic behavior, presents provisional estimates for 1951 of the flow of money payments into and out of the hands of certain important sectors: individuals and corporate businesses. The individual sector includes farmers and other noncorporate business proprietors and thus accounts for all those enterprises whose economic decisions may be guided more closely by family needs of their proprietors than business requirements—at least more so than in the case of most corporate entities.

The lower part of the chart presents the sources of individuals' funds, including farmers and business proprietors. Income originating in current production amounted to 80 per cent of all individual funds in 1951 (76 per cent in 1950). The growth in the proportion of current income to total funds received reflects the expansion of district income in 1951 over its 1950 level. Nationally, personal income advanced from $225 billion to $251 billion, and farm income increased faster than nonfarm income. Because farm income represents a larger share of total income for the Eighth District than for the nation, district income increased at a greater than national average rate and approximated $13 billion in 1951.

Payrolls of private industry made up the largest share of district net income payments. Higher average hourly earnings were the most important single factor in last year's payroll expansion, accounting for somewhat over half of it. Most of the remainder stemmed from increased employment; a shift of employment toward higher-paying industries was an additional influence. The large expansion of income originating in district agriculture has already been mentioned. With livestock prices rising much more than crop prices, and with the moderate volume increase also primarily in livestock, the latter phase of farm operations was responsible for the bulk of farm income expansion last year. Total net income earned by productive activity in the private industries of the district advanced from $9.2 billion in 1950 to about $10.5 billion in 1951.

District income gains in 1951 were unevenly distributed both in terms of geography and industry. Higher livestock prices boosted income in many rural areas, and improved tobacco crop earnings raised income in Kentucky. New defense facilities and reactivated Government depots added to the income flow all along the Ohio River, in central Arkansas, and around Fort Leonard Wood in the Missouri Ozarks.

Income gains approximating one-fifth were registered in construction and agriculture. Within the manufacturing division, there was little step-up from 1950 in the average tempo of operations in most nondurable goods factories. Of the other major industrial divisions, only public utilities, whose operations were significantly affected by the heavy requirements for electric power, showed major advances. In the trade, service, finance, and transportation groups, income in 1951 expanded at a more moderate pace.

As a result of the growth in total economic activity, the distributive-share composition of district income was appreciably altered last year. Employee compensation and farm proprietor's income rose in relative importance, while interest, rental, and nonfarm entrepreneurial incomes, though also advancing in absolute terms, lagged behind the over-all movement.

Personal income from Government payrolls showed the most striking year-to-year gain. This was primarily due to the rapid growth of the Armed Forces whose average strength last year was roughly double that of 1950, and the reactivation of several large military establishments located in the Eighth District. In addition, it reflected an increase in Federal wage rates and in the rate of civilian employment in defense and economic stabilization agencies, as well as a moderate advance in payrolls at the state and local level.

Other income ("transfer receipts") and liquidation of assets were significant sources of funds.

Many individuals receive as "income," payments which do not reflect current productive activity, such as insurance benefits or veterans' pensions. Interest on government debt is also treated as a "transfer receipt." These "other income" payments to district residents showed only minor changes in 1951. Another important source of funds was the sale of farm realty, homes, cars, and other consumer durables many of which are used as trade-ins. District households and farmers derived about $600 million from these sales in 1951.

Net liquidation of financial claims, such as savings bonds (some of which matured in 1951) and other securities, added approximately $60 million to individuals' cash receipts last year. It should be emphasized that these estimates present net data (e.g., the excess of savings bonds redemptions over new purchases).

Borrowing from banks and other lenders supplied vital additions to the total money flow.

In addition to current income and liquidation of assets, credit extension by banks and other lenders provides a strategic source of district funds. In relation to total funds, however, these financial sources were smaller in 1951 than in the preceding year.

Corporate indebtedness rose by some $100 million in 1951. Defense and defense-related businesses, like metal and metal products manufacturers and public utility companies, were an important factor in business credit demand at district banks in 1951. This was in decided contrast with experience a year earlier when the volume of defense borrowing was small and borrowing for nondefense purposes was the dominant element in the much larger increase of bank loans.

With retail inventory accumulation slackening, trade credit expansion played a less important role than a year ago in meeting the working capital needs of district industries. Of major importance, on the other hand, were new funds received from the sale of corporate bond and stock issues. Under the generally buoyant conditions which prevailed in the stock markets last year, corporations were able to float new issues substantially in excess of total net flotations in any previous year during the past two decades. Manufacturing concerns in particular were very active in sales of new issues, in large part a reflection of the high fixed capital requirements of firms engaged in defense-expansion programs.

A substantial part of these new funds was raised outside the district. Corporate indebtedness to banks and other lenders of the district expanded considerably less than the total financial sources of corporations operating within the district. This difference constituted a net inflow of funds into the district on business capital account and was offset by a corresponding net outflow of funds on personal account (see first column, page 59).

Individual indebtedness also rose by some $100 million in 1951, compared with almost $300 million in 1950. The largest share of these funds went to farmers to finance the marketing of their crops and capital expenditures. Individual proprietors in the trade and service industries sharply reduced their indebtedness as they cut down inventories. Total consumer credit outstanding at all types of consumer lending agencies increased about $20 million or less than 3 per cent last year as compared with almost 20 per cent in 1950. Outstanding consumer instalment credit changed little in 1951, while it had been responsible for most of the increase in total consumer credit the year before. Individuals received a substantial amount of new funds through mortgages, though here too the rate of growth was considerably slower than in the preceding year.

It should be kept in mind that debt repayments were very heavy last year after the rapid credit expansion in 1950. Data on net borrowing thus tend to understate the significance of credit as a source of funds for many businesses and households in the Eighth District. The most remarkable fact, therefore, is not so much the slowing down of further credit growth but rather the maintenance of the very large credit volume established in the preceding years.

In contrast with 1950, when short-term borrowing provided the bulk of all credit receipts, long-term business borrowing and equity financing provided the major share in 1951.

Corporations received 20 per cent of their funds from borrowing in 1951 as contrasted with 23 per cent in 1950. Even more importantly, long-term borrowing and equity financing for the creation of additional productive capacity accounted for fully half of all financial sources in 1951 as against only 35 per cent in 1950 when short-term borrowing for business inventory accumulation played a much larger role.

Individuals, including farmers and business proprietors, received 5 per cent of their funds from borrowing in 1951 as contrasted with 8 per cent in 1950. Expansion of short-term consumer and trade credit accounted for less than 2 per cent of individual funds in 1951 as against more than 4 per cent in the preceding year when consumers relied heavily on increased instalment credit to finance their scare-buying and when proprietors depended on increased trade credit to accumulate inventories.

As to uses of funds in 1951, most expenditures were made for current consumption in the household group . . . .

The uses of district funds are shown on the right hand side of the chart on page 55.[2] Many receipts can be used either for payments or for increased holdings of cash balances. Payments in turn may be

[2] Among the uses of funds, the following basic types of transactions are recorded:

Current Consumption includes all expenditures by individuals for nondurable consumer goods and services.

Transfer Payments include all expenditures for which no specific services are received in return, such as gifts or private charities. Income and profit taxes are also included under this heading.

Purchases of Assets include all expenditures for the acquisition of tangible assets, such as durable consumer goods and houses for individuals, or inventories and capital equipment for business.

Increase in Financial Claims includes all net expenditures for the acquisition of financial assets, such as government bonds and corporate securities.

Increase in Cash includes all funds held for net additions to currency and deposits.

PERSONAL EXPENDITURES—1950

	United States	Eighth District	Arkansas	Illinois	Indiana	Kentucky	Mississippi	Missouri	Tennessee
					Per Capita (Dollars)				
Consumption	1,230	929	755	1,000	936	927	584	1,147	873
Food and Tobacco	418	317	255	352	333	315	236	370	300
Clothing and Accessories	151	110	93	56	81	118	71	135	192
Housing	109	73	43	96	93	74	36	97	53
Household Operation	175	123	95	105	114	121	62	164	155
Transportation	150	127	106	147	113	128	82	151	120
Other Consumption Expenditures	220	148	98	168	144	138	69	212	132
Net Balance*	7	31	65	76	58	33	28	18	—*79*
Taxes	135	84	47	118	86	81	35	119	65
Federal	117	71	34	105	73	67	25	104	51
State	18	13	13	13	13	14	10	15	14
Savings	71	42	23	47	48	38	18	63	37
Total	1,436	1,055	825	1,165	1,070	1,046	637	1,329	975
					Per Cent Distribution				
Consumption	85.7	88.0	91.6	85.9	87.5	88.6	91.7	86.3	89.5
Food and Tobacco	29.1	30.0	31.0	30.3	31.1	30.1	37.0	27.9	30.8
Clothing and Accessories	10.6	10.4	11.2	4.8	7.6	11.3	11.1	10.1	19.7
Housing	7.6	6.9	5.1	8.2	8.7	7.1	5.7	7.3	5.4
Household Operation	12.2	11.7	11.5	9.0	10.7	11.6	9.8	12.3	15.9
Transportation	10.4	12.0	12.9	12.6	10.6	12.2	12.8	11.4	12.3
Other Consumption Expenditures	15.3	14.1	12.0	14.5	13.4	13.2	10.9	16.0	13.5
Net Balance*	0.5	2.9	7.9	6.5	5.4	3.1	4.4	1.3	—*8.1*
Taxes	9.4	8.0	5.7	10.1	8.0	7.8	5.5	9.0	6.7
Federal	8.2	6.7	4.2	9.0	6.8	6.4	3.9	7.9	5.2
State	1.2	1.3	1.5	1.1	1.2	1.4	1.6	1.1	1.5
Savings	4.9	4.0	2.7	4.0	4.5	3.6	2.8	4.7	3.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*A positive net balance indicates the net amount of income payments which is spent outside the area. A negative net balance indicates the net amount of expenditures not originating in local income payments, but which flows into the area from outside.

for current operations, for the acquisition of assets, or for the repayment of debt.

Total uses, in line with total sources, increased approximately $3 billion, or 15 per cent, on individual and corporate account in 1951. In both cases, the bulk of expenditures was made, as usual, for current operations, consisting of consumer expenditures for nondurable goods and services on household account and of operating costs on business account.

Consumers' expenditures for nondurable goods and services in 1951 amounted to $7.2 billion, as compared with $6.4 billion in 1950. The $800 million advance represented less than half of the increase in total funds, and the share of total funds used for current consumption expenditures, which had been 55 per cent in the preceding year, was lowered to 53 per cent in 1951.

Purchases of nondurables, which had moved up as prices rose in 1950, continued to expand slowly in 1951. District department store sales, the bulk of which are in soft goods, were up 2 per cent over 1950, sales at men's wear stores increased slightly, and sales volume at women's apparel stores approximated that of 1950. Food purchases were up 10 per cent, while expenditures for services, including housing, increased 8 per cent.

More detailed data on the distribution of personal expenditures (including durable goods, investments, and taxes) within the district by areas are presented in the table shown above.[3] This table lists all expenditures made on personal account against total personal income earned in the same year. Any discrepancy between personal expenditures (including savings) and income, points toward an inter-area flow of funds on personal account. Where expenditures are smaller than income earned by residents of the area, the positive "net balance" measures the net outflow of funds spent outside the area. Where expenditures are larger than income earned, the negative "net balance" indicates funds spent by nonresident visitors. Many district areas show a substantial net outflow on personal account, indicating that the residents of these areas spend part of their income outside the home community without a corresponding inflow of funds spent by visitors. Only the district portion of Tennessee shows a substantal net inflow, indicating the dominant position of Memphis as a trade center for large parts of Arkansas and Mississippi. On the other hand, the district portion of Illinois has a large net outflow of funds, primarily due to the importance of St. Louis as a metropolitan center to serve the residents of southern Illinois.

The Eighth District as a whole has a net balance substantially larger than that shown for the United States. The national net outflow of funds on personal account indicates the extent to which Americans buy more goods and services abroad, by sending remittances to other countries or traveling abroad, than foreigners do in this country. Similarly, the larger district net outflow measures the net effect of expenditures district residents make

[3] The expenditure estimates presented in this table relate to 1950, as detailed 1951 data are not yet available. Though consumer expenditure patterns have changed over these two years, as explained in the text, the table serves to illustrate the more basic distribution of personal expenditures among district areas and the resultant net inter-area flow of funds on personal account.

for the purchase of goods and services beyond the district line. Partly, this net loss of funds on personal account simply indicates that district boundaries have been drawn so as to exclude some important trade centers just beyond the line, such as Kansas City and Cincinnati. Partly, it reflects the relative lack of tourist facilities in the district to attract more non-residents whose spending might balance that of district residents "abroad." Partly, it is due to the general tendency of any less urbanized area to buy highly specialized professional and financial services in the very large metropolitan centers of the nation, such as Chicago and New York.

The net outflow of district funds on personal account is offset by a net inflow on business and government account. As noted above, national corporations spend some "outside" funds for capital expenditures and current operations in the district, and the Federal Government transfers funds from high-income states to low-income areas. Most importantly, many district producers receive "foreign" funds on business account for the sale of their goods in a national market.

It should be emphasized that the net in-or-outflow of funds as such does not imply any criteria for their desirability. Large interdistrict money flows reflect the vital role of the district in the national economy which fortunately does not recognize district boundaries as barriers to the interregional exchange of goods and services. Neither does the net in-or-outflow on any particular account as such indicate anything "good" or "bad"; different groups of transactors of necessity will always balance their accounts with other transactors within and outside the district economy in the formal sense that any system of accounts must balance if the statement of sources and uses of funds is complete. The only real importance attaches to the final economic use of the funds, not their local origin and destination. It has been the traditional characteristic of areas in the process of rapid economic development to show a net outflow of funds on current account and a net inflow on capital account. In the case of the Eighth District, the net outflow on personal account and the net inflow on business and government account should be interpreted to point in this direction.

. . . and for costs of operation in the business group.

To show more clearly changes in the financial sources and uses of funds, the chart on page 55 presents only the net operating surplus and not the gross receipts and expenditures of individual proprietors and corporations on current business account. The size of these gross flows is suggested by the fact that district business payrolls alone amounted to more than $6 billion in 1951, more than the sum of all the other uses listed on corporate account. Total operating expenses on current business account, including such items as labor, services, materials, and power, surpassed $20 billion in the past year.

An increased share of the total payments was used for taxes and "transfer payments."

Of all expenditures, taxes have shown the most startling increase in 1951, indicating the fiscal needs of a defense economy. On corporate account, profit taxes absorbed more than 25 per cent of all funds spent for non-current-operating purposes in 1951, as against 16 per cent in 1950. The recent change in the scheduling of corporate tax payments reduces the time interval over which tax accruals serve as a source of financing.

Under the full impact of the 1950 tax rate increases and the new imposts required in the tax law of 1951, individuals used almost 13 per cent of their total funds for direct tax payments in 1951, in contrast with 10 per cent in 1950. This sharp increase of taxes slowed the rise in disposable income and dampened other expenditures.

Transfer payments on corporate and individual account, such as contributions to private charities and endowments, have maintained their customary share of total expenditures over the last two years.

Corporations stepped up their capital expenditures (where in 1950 they built up inventories), ...

While inventory accumulation was considerably moderated in the latter part of 1951, pressure for fixed capital expansion was steadily upward throughout the year, with the additions called for under the defense facilities program more than offsetting the tapering off of less essential projects. Capital expenditures increased from 31 per cent of corporate non-current-operating funds in 1950 to 34 per cent in 1951. The largest part of this expansion was for basic metals, such as steel, aluminum, and magnesium. New chemical facilities, aircraft and jet engine plants, as well as expansion of oil refinery and coal mining capacity also were important. Railroads, barge lines and other transportation agencies added to their rolling stock and other equipment.

Within the district, the St. Louis area, Arkansas, and the lower Ohio Valley saw the most rapid expansion. Funds were spent for construction and equipment of many different types of manufacturing operations in St. Louis and other metropolitan areas of the district. New aluminum plants went up in central Arkansas. Funds were used for additions to oil refinery capacity in southern Arkansas. The Ohio Valley boomed under the impact of capital expenditures made in connection with new or reactivated defense facilities in Louisville, a new chemical plant in Brandenburg, and a new steel plant in Owensboro. The largest project under way was the Atomic Energy Commission installation at Paducah with two allied electric power generating plants.

Increases in receivables and liquid assets of corporations were lower last year due to the heavy requirements for physical assets, coupled with higher tax payments. Of particular note was the decrease in customer financing. As a result, only 14 per cent of 1951 non-current-operating funds were used for the acquisition of receivables and financial assets as against 26 per cent in 1950. While deposits of corporations held in Eighth District banks increased by 19 per cent in 1950, they increased by only 3 per cent in 1951.

. . . while individuals added to their liquid savings (where in 1950 they spent more on durable goods and houses).

In contrast with the increase in expenditures of corporations for capital assets, consumers reduced their purchases of durable goods and houses in 1951, using only 21 per cent of their funds for these purposes against 23 per cent in 1950. Sales declined in most district durable goods outlets, such as household appliance stores, furniture stores, automobile agencies, tire and accessory stores. Home purchases were up slightly in dollar volume but did not keep pace with the increase in consumer funds, amounting to 9 per cent of total funds in 1951 against 10 per cent in 1950.

The moderation in home purchases during 1951 was attributable in large part both to direct controls on realty credit imposed late in 1950 and to the tightening of mortgage lending resulting from money market developments in the past year. The rise in long-term interest rates made the fixed-interest Federal Housing Administration and Veterans' Administration loans relatively less attractive to investors. Similarly, expenditures for consumer durables were restricted to some degree last year by the credit controls effective under Regulation W.

As individuals used a smaller share of total funds for current consumption and capital expenditures, anything left after paying taxes and other contractual commitments was added to their holdings of liquid savings. These additions approximated 10 per cent of total funds in 1951 against 8 per cent in 1950. As indicated by the Deposit Ownership Survey, personal deposits increased by 5 per cent in 1951, in contrast with only 2 per cent in 1950. Noncorporate business deposits increased by 16 per cent last year, compared with a loss of 3 per cent during the preceding year. Even more striking were the gains in other types of liquid saving. Individuals, including private pension funds, acquired more than $100 million of corporate and municipal securities, in contrast with 1950 when this item was negligible. Individuals also added, at the normal rate, to their holdings of insurance equities, pension reserves, mortgages and other financial assets.

The past year thus witnessed a significant change in recent savings trends. In the immediate postwar years, there had been a marked preference for tangible forms of personal saving, such as investments in homes and in the assets of unincorporated businesses. The buying of durable goods, which has many of the characteristics of savings, had also been at a high rate. In the period 1947 through 1950, the increase in mortgage, consumer, and personal business debt, in connection with investment in tangible forms of saving and consumer durable goods, was greater than the increase in the ownership of such financial assets as deposits, stocks and bonds, or insurance equities. This tendency was reversed in 1951, when the acquisition of financial assets expanded and backlog demands for durable goods disappeared.

It should be noted that the above data refer to net additions to individuals' financial assets. As was noted in the analysis of net borrowing, all net data average out significant differences in the behavior of individual spending units. While on balance individuals added more to their financial assets than they reduced them, many consumers were left in depleted financial positions after the post-Korea buying sprees and in view of the increased cost of living and higher taxes, were hard pressed to replace their savings or to repay their instalment debts in 1951. On the other hand, many consumers received more income (after taxes) than in 1950 and had not yet adjusted their spending habits upward. In between these two groups were those who would have spent more on durable goods and homes and "saved" less had credit terms been less restrictive. The accumulation of financial assets by consumers in 1951 should not necessarily be interpreted to mean that consumers as a group have become more conservative in their spending habits.

The sources-and-uses analysis of the district's money flows and cash balances in 1951 suggests that changes in financial transactions, though relatively small, had a strategic influence on economic activity . . .

In the 1951 expansion of the district's money flows and cash balances, financial transactions played a different role from that in 1950. First, their share in the origin of total funds was smaller in relation to current income, amounting to 20 per cent of corporate sources (23 per cent in 1950) and 5 per cent of individual sources (8 per cent in 1950). Second, among the financial sources, long-term borrowing and equity financing were more important than short-term borrowing, the former amounting to one-half (1950 less than one-third) of all corporate financial sources and 60 per cent (1950 less than 50 per cent) of all individual financial sources in 1951. Third, a larger part of financial funds was used for business plant and equipment expenditures rather than inventory accumulation, the former increasing from 31 to 34 per cent of corporate non-current-operating funds in 1951. Finally, individuals stepped up their financial uses from 8 per cent of total funds in 1950 to 10 per cent in 1951, increasing their financial claims and thus actively participating in the process of business capital formation.

Current income and business operations always provide the bulk of funds for the district economy, just as expenditures for current consumption and business costs always account for the main use of total cash balances. Even in years when financial transactions assume special importance, their relative size in dollar terms is therefore minor if compared with the total sources and uses of funds. This would be made more apparent if business funds were listed "gross," accounting for all receipts and expenditures, rather than "net," showing only the net operating funds as in the Chart. But financial transactions, too, would greatly increase if shown "gross" rather than "net," and in any case have a most strategic influence.

Credit extension and investment decisions are based largely on anticipations. Because anticipations can change easily and tend to move to unwarranted extremes as they run through their cycles of change, credit extension and capital expenditures are the most volatile items in the total structure of funds. Further, rapid credit expansion tends to stimulate other transactions, thus producing a magnified effect on the total movement of funds. If these other transactions are speculative in nature and tend to withhold goods and materials from the markets or to push effective demand for goods beyond available supplies, the increased money in circulation will have an inflationary effect on prices. (To some extent, this is the story of 1950 when much of the new money supply was used for inventory accumulation and consumer buying.) If, on the other hand, the transactions stimulated by credit extension are directed toward the creation of new productive capacity, business and consumers' anticipations take account of the probable increase in flow of goods and services in the near future, and inclinations to withhold goods from the market or to accelerate consumer spending currently tend to be dampened. Certainly over the longer-run, the stimulation of new productive capacity by means of credit extension tends to result in higher real income rather than higher prices.

Similarly, financial uses of funds have an influence on the total fund structure far beyond their immediate size. Larger holdings of liquid assets by certain transactor groups permit banks and other financial intermediaries to extend credit for business purposes without increasing the total active money supply, thus delegating the responsibility for investment decisions to the financial community which in turn assumes the task of channeling individual savings into productive investment. (To some extent, this is the story of 1951 when total funds and the money supply expanded faster than bank debits and deposit turnover, thus easing the inflationary pressures of the preceding year.)

. . . and highlight the important role of district financial institutions, particularly the commercial banks.

To channel liquid savings into productive investment has been the traditional role of the financial community in a free enterprise society. Partly, this is done by commercial banks, using the cash balances of their depositors for the extension of credit to other investors. Partly, it is done by commercial banks creating new deposits, thus anticipating future income and savings. Partly, it is done by other financial institutions. In each case, it is the task of the financial intermediary to judge the credit worthiness of the borrower and the economic soundness of the use to which the borrowed funds will be put. District economic development thus depends to a very large degree on credit decisions of the commercial banks.

The changes during 1951 in sources and uses of district funds show the contribution the financial community made toward adjusting strategic financial flows to their optimum levels for both stability and growth of the district economy.

WERNER HOCHWALD

Survey of Current Conditions

At mid-April business activity in the Eighth District showed a slight increase from levels prevailing a month ago. Industrial production improved in some lines but failed to record the usual gains in others. There was some interruption of production due to work-stoppages, both on a local and national scale, but very little output was lost. Retail sales at district department stores during the Easter season were slightly better than in 1951 and employment was up moderately. Investment in plant and equipment and home construction increased seasonally.

Nationally, the physical volume of production in March dropped 2 points from the February level of 222 per cent of the 1935-39 average. Despite the slight decline in March, production for the first quarter of 1952 in the nation was slightly higher than in the last quarter of 1951 and about equal to the peak output of the first quarter of 1951. Construction expenditures (seasonally adjusted) were 8 per cent higher. Retail sales in department stores remained at about the same level as in previous months.

The total value of goods and services produced in the United States in the first quarter of 1952 continued the upward trend of the past two years. The gross national product for the first three months was estimated at $339 billion (seasonally adjusted annual rate) an increase of $4.4 billion from the previous quarter. The increase derived from growing national security and personal consumption expenditures. Outlays on durable goods by consumers in the first quarter were unchanged from the last quarter of 1951, but purchases of soft goods and services increased. Consumers continued to save at a rate substantially higher than in most postwar years.

Over all, the first quarter record of the nation's economic activity shows a sustained high level of output and a measure of stability. The outcome of the steel wage controversy will have an important bearing on what the second and third quarter of the year will show.

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1947-49=100)	Mar.,'52	Feb.,'52	Mar.,'51	Mar., 1952 compared with Feb.,'52	Mar.,'51
All Commodities	112.3	112.5R	116.5	-0-%	— 4%
Farm Products	108.3	107.8	117.6	+ 1	— 8
Foods	109.2	109.5R	112.0	-0-	— 3
Other	113.9	114.2R	117.3	-0-	— 3

R—Revised.

CONSUMER PRICE INDEX*

Bureau of Labor Statistics (1935-39=100)	Mar. 15, 1952	Dec. 15, 1951	Mar. 15, 1951	Mar. 15, 1952, compared with Dec. 15,'51	Mar. 15,'51
United States	188.0	189.1	184.5	— 1%	+ 2%
St. Louis	190.2	190.2	185.2	-0-	+ 3
Memphis	190.2	191.4	186.5	— 1	+ 2

*New series.

RETAIL FOOD*

Bureau of Labor Statistics (1935-39=100)	Mar. 15, 1952	Feb. 15, 1952	Mar. 15, 1951	Mar. 15, 1952, compared with Feb. 15,'52	Mar. 15,'51
U. S. (51 cities)	227.6	227.5	226.2	-0-%	+ 1%
St. Louis	238.3	238.6	239.4	-0-	— 1
Little Rock	224.3	224.6	226.8	-0-	— 1
Louisville	213.2	213.6	214.6	-0-	— 1
Memphis	231.0	234.9	233.8	— 2	— 1

*New series.

EMPLOYMENT

Employment in the district picked up somewhat from mid-February to mid-March, due primarily to seasonal increases in construction and some manufacturing lines and to expanded defense and defense-related production.

Total civilian employment in the United States showed little change between early February and early March as most outdoor activity was still restricted. Nonagricultural employment also remained practically unchanged from the previous month at an estimated 53.7 million persons. In comparison with a year ago, however, 130,000 more women were employed but 220,000 fewer men.

Although total employment was down from its year-ago level, the civilian labor force had shrunk somewhat more. As a result, the labor market was tighter in comparison with a year ago. The number of persons seeking work during the first quarter of 1952 averaged about 2.0 million as compared with 2.4 million in the same months of 1951, with the unemployment rate declining more for women than for men. Also the average duration of unemployment for those seeking work was about nine weeks in March compared with eleven weeks a year earlier.

More people were at work in the St. Louis area at mid-March than at mid-February, as construction and manufacturing activity increased. The gain in manufacturing employment was due in large part to expansion of defense output, slightly larger output of automobiles, and seasonal increases in some other civilian goods lines. The expansion of employment in construction was largely seasonal. Accompanying the growth in the number of employed in the St. Louis area, there were evidences of a tightening labor market. Unemployment declined and defense plants began hiring a few women for production work where they were not used formerly. However, hiring specifications for women continued to be somewhat restrictive as to age and work experience.

In Louisville the decline in employment from January to February was regained in March. Ordnance establishments continued to expand with the addition of nearly 1,000 workers to the payrolls from January to March. Increased output of farm and electrical machinery and in other metal industries added another 1,000 workers during the same period. Construction employment also rose.

With a substantial increase in defense and seasonal manufacturing, even though nonmanufacturing employment was about the same, total employment in Evansville set a postwar record in March.

Employment in Memphis showed only a seasonal increase from February to March. However, nonagricultural employment during March was 2 per cent greater than a year earlier.

In Arkansas gains in construction and trade from February to March more than offset a decline in manufacturing employment. A large seasonal decline in employment in the lumber industry accounted for most of the decline in manufacturing. While employment was somewhat higher than February it was the third consecutive month that total employment was below comparative 1951 levels.

INDUSTRY

A gentle upward trend continued to be evident in Eighth District manufacturing activity during March and early April. But there was still some gap between the level of last year and this. The steel capacity rate continued upward, and shoe production improved. District coal production declined seasonally and lumber production had not yet experienced any seasonal increase.

Manufacturing—The steel ingot production rate in the St. Louis area continued to show improvement in March and early April with furnaces running at 3 percentage-of-capacity points higher than in February. Temporary disruption at one plant due to the steel-wage impasse dropped area operations to 73 per cent of capacity for the week ended April 12, much better than the national average of 62 per cent. Despite the gain in March and early April, furnace schedules in the district remained lighter than those of a year ago when market demand was higher and capacity less.

Use of electric power by manufacturing plants in the district was greater in March than a month and a year ago. Chemical, stone-clay-glass, and primary metals industries accounted largely for the increase over February. These industries were also using considerably more power than a year ago. On the other hand, fabricated metals and machinery industries failed in March to record the gains they have in past months.

Lumber operations in March and early April held about even or were slightly down from those of February. Compared with last year they were down better than 10 per cent for both southern pine and southern hardwoods.

Orders for shoes at shoe manufacturers in the St. Louis area so far this season are substantially higher than in the corresponding period a year ago. Larger civilian orders more than offset a drop in military orders. According to estimates by the

INDUSTRY

CONSUMPTION OF ELECTRICITY—DAILY AVERAGE*

(K.W.H. in thous.)	Mar., 1952 K.W.H.	Feb., 1952 K.W.H.	Mar., 1951 K.W.H.	March, 1952 compared with Feb.,'52	Mar.,'51
Evansville	813	759	731	+ 7%	+11%
Little Rock	577	601	580	— 4	— 1
Louisville	4,017	3,753	3,669	+ 7	+ 9
Memphis	1,542	1,526	1,374	+ 1	+12
Pine Bluff	459	507	361	— 9	+27
St. Louis	4,960	4,661	4,773	+ 6	+ 4
Totals	12,368	11,807	11,488	+ 5%	+ 8%

*New series: Previous data were on total monthly basis.
*Selected manufacturing firms.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Mar.,'52	Feb.,'52	Mar.,'51	First Nine Days Apr.,'52	Apr.,'51	3 mos. '52	3 mos. '51
109,154	112,784	132,803	33,351	35,840	332,522	346,027

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Mar., 1952	Feb., 1952	Mar., 1951	Mar., 1952 compared with Feb.,'52	Mar.,'51
Arkansas	76.5	76.2	79.5	–0–%	— 4%
Illinois	165.1	163.7	163.9	+ 1	+ 1
Indiana	30.3	30.0	26.9	+ 1	+13
Kentucky	35.4	34.5	28.2	+ 3	+26
Total	307.3	304.4	298.5	+ 1%	+ 3%

COAL PRODUCTION INDEX
1935-39=100

Unadjusted Mar.,'52	Feb.,'52	Mar.,'51	Adjusted Mar.,'52	Feb.,'52	Mar.,'51
130.8P	162.5P	164.9	137.7P	156.2P	173.6

P—Preliminary.

SHOE PRODUCTION INDEX
1935-39=100

Unadjusted Feb.,'52	Jan.,'52	Feb.,'51	Adjusted Feb.,'52	Jan.,'52	Feb.,'51
144.2	143.9	154.7	136.0	141.1	145.9

CONSTRUCTION

BUILDING PERMITS

Month of March

(Cost in thousands)	New Construction Number 1952	New Construction Number 1951	New Construction Cost 1952	New Construction Cost 1951	Repairs, etc. Number 1952	Repairs, etc. Number 1951	Repairs, etc. Cost 1952	Repairs, etc. Cost 1951
Evansville	74	65	$ 515	$ 191	93	81	$ 75	$ 123
Little Rock	46	87	371	1,921	190	185	126	129
Louisville	167	144	733	7,240**	108	60	142	57
Memphis	1,863	1,471	5,426	2,615	235	242	194	161
St. Louis	265	277	3,102	3,612	219	272	564	1,252
March Totals	2,415	2,044	$10,147	$15,579	845	840	$1,101	$1,722
Feb. Totals	1,914	1,632	$ 5,739	$ 6,896	669	485	$ 983	$ 637

**Includes U. S. Housing Project—$6,084,000 (854 units).

WHOLESALING

Line of Commodities — Data furnished by Bureau of Census, U.S. Dept. of Commerce*	Net Sales March, 1952 compared with Feb.,'52	Net Sales March, 1952 compared with Mar.,'51	Stocks March 31, 1952 compared with Feb. 29, 1952
Automotive Supplies	+ 6%	—14%	— 5%
Drugs and Chemicals	— 5	— 4	+11
Dry Goods	+ 3	—17	+ 5
Groceries	+ 6	— 1	— 2
Hardware	— 5	—24	— 6
Tobacco and its Products	— 1	+ 9	— 4
Miscellaneous	— 4	— 8	— 4
**Total All Lines	-0-%	—12%	— 1%

*Preliminary.

**Includes certain items not listed above.

Tanners' Council, however, production nationally is still running below that of 1951 and 1950, the drop from the latter year being put at 6 per cent for the first quarter. In April, shoe production entered a slack in-between season.

Livestock sales at National Stock Yards, Illinois, during March were 347,000 head compared with 315,000 in February. While March slaughter of hogs by six main packers in St. Louis was the smallest for that month in two years, pork stocks in coolers on April 1 were greater than for any comparable date since 1937.

Whiskey production declined in March, with 28 distillers reported in operation in Kentucky at month's end, compared with 30 in February and 63 in March, 1951. The market for both bulk whiskey and case goods remained weak.

Mining—Coal production declined in March in keeping with the seasonal trend. District states production dropped 12 per cent compared with a 7 per cent drop from February nationally. In both cases, production was below that of a year ago.

The daily average rate of crude oil production in March in the four district producing states was slightly above that of February and 3 per cent over March a year ago. Refinery production in the St. Louis area was reduced slightly in April due to high stocks of gasoline which had accumulated.

CONSTRUCTION

Construction activity in March rose more than seasonally, largely as a result of an increase in private home building. A substantial increase in highway and military construction also contributed to the gain.

New housing started in the first quarter totaled 243,000 units. The strength shown recently in residential building may well continue through 1952, if plans revealed by the Board's survey of consumer intentions are carried out. The survey showed that the public expected to purchase nearly the same number of new houses as last year (when 1.1 million units were started) provided that material, price, quality, and credit factors do not change significantly. But housing for the middle income group will probably constitute a larger proportion of the new home market in 1952 than it did in 1951.

The expansion of industrial plant is also a large factor in the construction outlook. Expansion of $16.6 billion in industrial facilities under the rapid tax amortization program is only about one-half completed. And pending applications cover projects valued at $9.9 billion, of which about two-thirds may be approved, if past experience holds true. Another indication of this strength is seen in the recent survey by the Department of Commerce and Securities and Exchange Commission which estimated that capital outlays for new plant and equipment planned by business firms during 1952 will be $24 billion, almost as much in physical volume as in 1951, and 4 per cent larger in dollar volume. During the first half of this year planned outlays (on a seasonally adjusted basis) will be higher than the fourth quarter 1951 rate. In the second half of this year expected investment will be only slightly below the first-half rate.

The effect of the defense mobilization program can be seen in the pattern of planned expenditures by business on plant and equipment. Defense-related facilities, in manufacturing, electric power and gas utilities, mining and transportation other than railroads, will be expanded at a greater rate than last year. While producers of consumer goods and commercial firms generally planned to spend less this year than in 1951, the recent increased materials allocation for these types of construction may reverse the indicated trend.

Large expansions of industrial facilities in this district noted during March were a new $3 million aluminum castings plant of General Motors Corporation at Jones Mill, Arkansas, (proposed in April, 1951 but not approved for rapid tax amortization by the Defense Production Administration until this year), a $1 million expansion of the Corhart Refractories Company plant in Louisville and a $1.5 million expansion of the Delta Refining Company plant in Memphis.

In the Eighth District construction contracts awarded during March totaled $106 million, an increase of 129 per cent from February, and 10 per cent greater than a year earlier. For the first quarter, residential construction contracts were 20 per cent less than in the same period of 1951, but total contracts were 4 per cent larger than a year ago as a result of increased construction of other types.

TRADE

Spring trade carried a favorable tone with the Easter season this year apparently being somewhat better than last year at district department stores and a "more than satisfactory" response being reported for post-Easter sales. Specialty stores were in less favorable position than a year ago, however. And sales of durable goods were definitely on the weak side.

Besides making a favorable Easter showing, department store sales in the month of March (adjusted for the changing date of Easter) advanced seasonally from their February level and were slightly better than a year ago. Unadjusted sales for the first quarter of the year were down 5 per cent from a year ago. But many department store executives had expected an even sharper drop since last year's sales were supported by the second Korean scare-buying wave and an earlier Easter season.

The sales picture at apparel stores was mixed. Both men's and women's specialty shops showed a better gain from February to March than department stores, but their sales decline relative to a year ago was larger than at department stores.

Durable goods sales were definitely lagging in March. Sales of furniture were below those of a year ago (even though one-eighth larger than in February), both new and used car sales were below seasonal levels, and appliance sales were only "fair" in a few lines.

Inventories held by reporting district retailers on March 31 were generally above those of a month earlier, but below those of a year ago. Little difficulty was experienced in maintaining adequate stocks. Production of some hard goods was limited, but this caused no retail inventory problem since sales were low. The dollar volume of outstanding orders at department stores was slightly less than at the end of February, but higher than a year ago.

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	March, 1952 compared with		3 mos.'52 to same period '51	Mar. 31,'52 comp. with Mar. 31,'51	Jan. 1 to March 31,	
	Feb.,'52	Mar.,'51			1952	1951
8th F.R. District	+17%	—7%	—7%	—13%	.85	.84
Ft. Smith, Ark.[1]	+26	—10	—8	—1	.78	.84
Little Rock, Ark.	+11	—6	—7	—15	.81	.76
Quincy, Ill.	+14	—20	—17	—12	.81	.86
Evansville, Ind.	+22	—11	—6	—11	.70	.74
Louisville, Ky.	+28	—8	—7	—1	.87	.91
Paducah, Ky.	+23	+19	+23	....	....	....
St. Louis Area[1, 2]	+14	—5	—6	—16	.87	.84
Springfield, Mo.	+24	—8	—1	—7	.69	.66
Memphis, Tenn.	+16	—6	—5	—5	.91	.93
All Other Cities*	+21	—10	—6	—4	.62	.67

*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 March, 1952, were 24 per cent smaller than on the corresponding date a year ago.

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

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	....%	48%	Quincy	26%	62%
Little Rock	22	47	St. Louis	19	49
Louisville	22	50	Other Cities	22	53
Memphis	23	40	8th F.R. Dist.	20	47

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Mar., 1952	Feb., 1952	Jan., 1952	Mar., 1951
Sales (daily average), unadjusted[3]	89	80	81	94
Sales (daily average), seasonally adjusted[3]	99	100	111	99
Stocks, unadjusted[4]	118	109	92	143
Stocks, seasonally adjusted[4]	111	112	106	135

[3] Daily average 1947-49=100.

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	March, 1952 compared with		3 mos. '52 to same period '51	Mar. 31,'52 comp. with Mar. 31,'51	Jan. 1 to March 31,	
	Feb.,'52	Mar.,'51			1952	1951
Men's Furnishings	+16%	—12%	—10%	—12%	.50	.53
Boots and Shoes	+36	—25	—11	+2	.86	.96

Percentage of accounts and notes receivable outstanding Mar. 1, 1952, collected during March:

Men's Furnishings .... 47% Boots and Shoes...................... 44%

Trading days: Mar., 1952—26; Feb., 1952—25; Mar., 1951—27.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	Mar., 1952 compared with		Mar., 1952 compared with			
	Feb.,'52	Mar.,'51	Feb.,'52	Mar.,'51	Mar.,'52	Mar.,'51
8th Dist. Total[1]	+11%	—5%	+2%	—15%	23%	22%
St. Louis Area[2]	+17	—8	-0-	—21	33	29
St. Louis	+18	—8	-0-	—21	33	29
Louisville Area[3]	+6	+7	+2	—21	15	14
Louisville	+5	+6	+1	—21	13	13
Memphis	—12	+29	*	*	15	15
Little Rock	+14	—12	+6	+16	21	19
Springfield	+13	—9	+3	—5	17	17
Fort Smith	+41	+1	*	*	*	*

*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

	Mar.,'52	Feb.,'52	Mar.,'51
Cash Sales	12%	14%	15%
Credit Sales	88	86	85
Total Sales	100%	100%	100%

BANKING AND FINANCE

Financial data for March and early April indicate that business loans declined less than usual and agricultural loans increased about the normal amount at Eighth District member banks. The less than seasonal contraction in loans leaves total bank credit outstanding $200 million above what it was a year ago. Counterbalancing the quickening effect of this larger volume of bank credit, was a substantial shift of deposits from private business and individual accounts to government accounts. The shift reflected record income tax collections in the month.

At all commercial banks in the country, loans rose moderately during March. The gain centered in loans to businesses, primarily metal manufacturers, and to farmers. Deposits, both time and demand, were up in the month, but as in the district there was a shift of funds from private to government accounts.

District Banking Developments—Total loans at district member banks remained almost unchanged during March. The expansion of loans at smaller banks nearly matched the $14 million reduction in loans at larger city banks. (Normally, in March, this reduction is proportionately greater.) The loan contraction at the urban banks was nearly all in loans to businesses, but loans to consumers and on real estate were down slightly also. The business loan contraction which, as noted, was less than seasonal, reflected net repayments of advances on inventories to commodity dealers (largely on cotton at Memphis), sales finance companies and food manufacturers. Partially offsetting these net repayments was an increase in borrowings by other types of manufacturers, especially metal. Despite the reduction of total loans to businesses in the month, loans for defense purposes were up. The major share of the loan expansion at smaller banks took place in centers under 15,000 population where agricultural loans usually expand at this time.

Investments rose $6 million in the month at all district member banks. The gain was occasioned by an expansion in holdings of "other" securities at the larger banks. U. S. Government securities showed little change, on balance, as an increase in holdings at the larger banks almost matched a decline at the other institutions.

In the aggregate, demand deposits were unchanged at district banks in March. The gain in United States Government accounts ($77 million at the larger city banks, largely reflecting the heavy income tax payments) was roughly balanced by declines in accounts of businesses, individuals and banks. Time deposits rose $6 million in the month.

In early April, loans continued to decline (about $8 million) at weekly reporting member banks in the district. The decline was occasioned by a seasonal reduction in business borrowings. All other types of loans increased moderately. Demand deposits were down also, but time deposits continued to increase.

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	Mar., 1952	Feb., 1952 to Mar., 1952	Mar., 1951 to Mar., 1952	Mar., 1952	Feb., 1952 to Mar., 1952	Mar., 1951 to Mar., 1952	Mar., 1952	Feb., 1952 to Mar., 1952	Mar., 1951 to Mar., 1952
1. Loans and Investments	$4,197	$+ 5	$+206	$2,433	$+ 6	$+ 99	$1,764	$— 1	$+107
a. Loans	1,889	— 1	+ 32	1,254	—14	— 4	635	+13	+ 36
b. U.S. Government Obligations	1,922	— 1	+151	994	+14	+ 93	928	—15	+ 58
c. Other Securities	386	+ 7	+ 23	185	+ 6	+ 10	201	+ 1	+ 13
2. Reserves and Other Cash Balances	1,401	—14	+124	875	— 9	+ 71	526	— 5	+ 53
a. Reserves with the F.R. bank	725	+13	+ 54	471	+ 9	+ 34	254	+ 4	+ 20
b. Other Cash Balances[3]	676	—27	+ 70	404	—18	+ 37	272	— 9	+ 33
3. Other Assets	47	— 5	+ 1	30	— 3	-0-	17	— 2	+ 1
4. Total Assets	$5,645	$—14	$+331	$3,338	$— 6	$+170	$2,307	$— 8	$+161
Liabilities and Capital									
5. Gross Demand Deposits	$4,224	$ -0-	$+260	$2,599	$+13	$+146	$1,625	$—13	$+114
a. Deposits of Banks	698	—20	+ 87	659	—18	+ 81	39	— 2	+ 6
b. Other Demand Deposits	3,526	+20	+173	1,940	+31	+ 65	1,586	—11	+108
6. Time Deposits	1,010	+ 6	+ 51	491	+ 3	+ 17	519	+ 3	+ 34
7. Borrowings and Other Liabilities	42	—23	— 8	32	—23	— 12	10	-0-	+ 4
8. Total Capital Accounts	369	+ 3	+ 28	216	+ 1	+ 19	153	+ 2	+ 9
9. Total Liabilities and Capital Accounts	$5,645	$—14	$+331	$3,338	$— 6	$+170	$2,307	$— 8	$+161

[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.

District Savings Trends—In the nine months following the outbreak of hostilities in Korea, time deposits declined $17 million at district member banks. The decline was widespread but was sharpest at larger city banks.

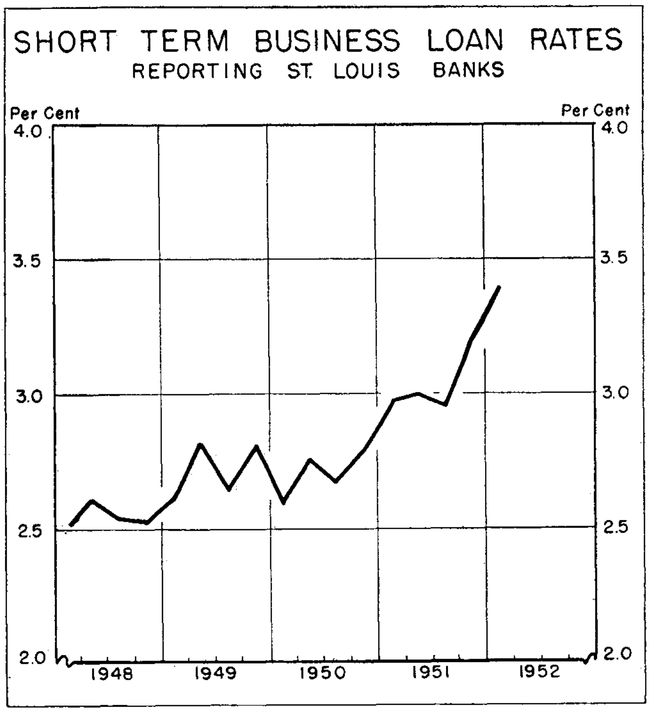
After the first quarter of 1951, however, time deposit volumes increased throughout the remainder of the year and recent reports indicate that the high rate of district saving evident in the last three quarters of 1951 continued in the first quarter of 1952. From March, 1951, through March, 1952, time deposits at district member banks rose $51 million, with the sharpest expansion in the first quarter of 1952. A third of the gain was at larger city banks, with all reporting centers sharing in the growth. The expansion at banks in the smaller centers was about equally divided between centers under and over 15,000 population. In the smaller centers member banks in Tennessee and Kentucky had the largest percentage increase in time deposits.

The decline in the rate of redemptions of Series A-E Savings Bonds likewise reflects savings trends in the district. While redemptions of Series A-E Savings Bonds have exceeded sales every month but one since Korea, monthly average net redemptions were much lower from March, 1951 to March, 1952 than in the first nine months after Korea. In the first nine months, redemptions exceeded sales by an average of $9.5 million per month. In the following twelve months, average monthly net redemptions were about $4.5 million. The decline in net redemptions reflected the lower rate of cashings of these bonds; sales of new bonds were at about the same rate in both periods.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Mar., 1952	Feb., 1952	Mar., 1951	March, 1952 compared with Feb.,'52	Mar.,'51
El Dorado, Ark.	$ 26,496	$ 27,447	$ 28,457	— 4%	— 7%
Fort Smith, Ark.	45,119	43,828	47,649	+ 3	— 5
Helena, Ark.	8,547	7,594	8,844	+13	— 3
Little Rock, Ark.	154,456	136,263	151,872	+13	+ 2
Pine Bluff, Ark.	34,128	32,749	31,113	+ 4	+10
Texarkana, Ark.*	16,945	15,540	14,152	+ 9	+20
Alton, Ill.	29,875	28,874	31,843	+ 3	— 6
E.St.L.-Nat.S.Y., Ill.	123,752	119,147	138,848	+ 4	—11
Quincy, Ill.	35,078	33,134	37,996	+ 6	— 8
Evansville, Ind.	137,341	129,667	143,416	+ 6	— 4
Louisville, Ky.	672,761	645,512	672,010	+ 4	-0-
Owensboro, Ky.	40,451	37,124	46,312	+ 9	—13
Paducah, Ky.	39,676	34,868	21,067	+14	+88
Greenville, Miss.	23,351	21,964	23,691	+ 6	— 2
Cape Girardeau, Mo.	12,738	12,272	13,583	+ 4	— 6
Hannibal, Mo.	9,086	9,035	10,045	+ 1	—10
Jefferson City, Mo.	41,320	51,428	47,043	—20	—12
St. Louis, Mo.	1,889,178	1,714,146	1,938,090R	+10	— 3
Sedalia, Mo.	10,906	11,113	11,734	— 2	— 7
Springfield, Mo.	67,501	62,256	69,432	+ 8	— 3
Jackson, Tenn.	20,544	19,772	21,916	+ 4	— 6
Memphis, Tenn.	637,396	607,935	705,097	+ 5	—10
Totals	$4,076,645	$3,801,668	$4,214,210R	+ 7%	— 3%

* These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $38,686.
R—Revised.



Interest Rates on Business Loans—The average rate charged on loans (over $1,000) to businesses by reporting St. Louis banks was substantially higher in the first half of March than in the first half of December. The average rate on loans due in one year or less made in the first fifteen days of March was 3.40 per cent. This compared with a rate of 3.20 per cent for the first half of December and 2.98 per cent for the first half of March last year.

This increase in average rates from December to March largely reflected the rise from 2¾ to 3 per cent in the interest rate charged to borrowers with the highest credit ratings. Rates were higher in March than December in seven size-of-loan categories and lower in two (those under $10,000).

AGRICULTURE

Farmers generally throughout the Eighth District up to mid-April were in need of several days of warm, dry weather. Spring work in many areas was somewhat retarded, and warm, sunny days were needed to dry soil. Floods along both the Mississippi and Missouri rivers resulted in damage and delays in farm work in bottom land.

PROSPECTIVE PLANTINGS EIGHTH DISTRICT STATES, 1952

(Acreage in Thousands)

	Corn		Oats		Soybeans		Tobacco		Rice	
	Indicated acreage 1952	Change from 1951	Indicated acreage 1952	Change from 1951	Indicated acreage 1952	Change from 1951	Indicated acreage 1952	Change from 1951	Indicated acreage 1952	Change from 1951
Arkansas	1,031	— 2%	201	—10%	890	+30%	....	........%	470	+ 4%
Illinois	9,286	+ 2	3,419	-0-	3,588	— 4	....	....	....	....
Indiana	4,688	+ 2	1,424	-0-	1,593	— 4	11	+ 4	....	....
Kentucky	2,115	— 3	145	+ 5	214	+ 1	360	+ 3	....	....
Mississippi	1,828	— 2	197	-0-	690	+15	....	....	40	+33
Missouri	4,580	+ 3	1,549	+ 4	1,745	+25	5	+ 4	....	....
Tennessee	1,982	— 4	302	-0-	322	+ 4	114	+ 3	....	....
District States	25,510	+ 1	7,237	+ 1	9,042	+ 5	490	+ 3	510	+ 6
United States	83,928	-0-	42,818	+ 3	15,457	+ 4	1,804	+ 1	1,971	-0-

Source: Crop Production, USDA

According to the March intentions-to-plant report gathered by the United States Department of Agriculture, farmers throughout the nation will seed almost as many acres this year as in 1951. The indicated acreages will be less than the production goals set by the Department of Agriculture for important feed grains. Thus, corn acreage will be 6 per cent less, and barley and soybean plantings 12 and 24 per cent less than requested acreages, according to farmers' March plans. The indicated oats acreage, however, will exceed both the 1952 goal and 1951 acreage by 3 per cent.

In district states, farmers in Illinois, Indiana, and Missouri planned to increase corn acreage slightly over the 1951 level, while those in the other four states expected to make reductions. For the district as a whole, intended corn acreages will be 1 per cent above last year's. The same holds true for oats production. In the case of soybeans, large acreage increases are indicated in Missouri, where many farmers could not get crops planted in 1951 due to wet weather and floods, and in Arkansas. Thus, despite acreage reductions in Indiana and Illinois (biggest district state producer of soybeans) district acreage in this crop will be 5 per cent above the 1951 level. Farmers plan a 3 per cent increase in their tobacco acreages, reflecting an increase in allotments, and intend to increase rice acreages to record size in Mississippi and Arkansas.

The condition of the winter wheat crop improved during March, and at the end of the month prospective national production was 947 million bushels, 47 per cent larger than the 1951 crop. Smaller percentage increases were expected generally in all district states except Kentucky. In the important district wheat-producing states, production is expected to be up: 9 per cent in Illinois and Missouri and 39 per cent in Indiana.

WINTER WHEAT PRODUCTION

(Bushels in Thousands)

	Indicated production 1952	Per cent change from 1951	Per cent change from 1941-50 av.
Arkansas	330	+ 18%	—10%
Illinois	36,385	+ 9	+35
Indiana	32,676	+ 39	+10
Kentucky	3,423	— 4	—34
Mississippi	166	+121	—32
Missouri	24,320	+ 9	+18
Tennessee	3,062	+ 1	—30
District States	100,362	+ 16	+15
United States	946,845	+ 47	+18

Source: Crop Production USDA

Prices received by farmers declined 1 point to an index of 288 during the month ending March 15. Prices paid by farmers and the parity ratio remained unchanged from a month earlier.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Feb., 1952	Feb., 1952 compared with Jan., 1952	Feb., 1952 compared with Feb., 1951	2 month total Jan. to Feb. 1952	compared with 1951	compared with 1950
Arkansas	$ 31,173	—26%	+41%	$ 73,256	+25%	+59%
Illinois	129,696	—20	+ 6	290,699	+ 4	+10
Indiana	77,783	—10	+13	163,730	+12	+24
Kentucky	28,947	—73	+ 3	134,053	+ 9	+ 4
Mississippi	22,093	—27	—16	52,216	—17	+34
Missouri	69,472	—17	+ 3	152,576	— 5	+29
Tennessee	28,936	—40	+12	77,134	+ 5	+20
Totals	$388,100	—30%	+ 7%	$943,664	+ 4%	+19%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts Mar., 1952	Receipts March, 1952 compared with Feb.,'52	Receipts March, 1952 compared with Mar.,'51	Shipments Mar., 1952	Shipments March, 1952 compared with Feb.,'52	Shipments March, 1952 compared with Mar.,'51
Cattle and calves	70,366	+ 4%	+ 3%	30,217	+ 1%	+ 45%
Hogs	299,699	+ 6	-0-	76,000	—10	+ 9
Sheep	37,090	— 1	+117	15,675	— 4	+113
Totals	407,155	+ 5%	+ 5%	121,892	— 7%	+ 24%