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*The*

## Eighth District

### BALANCE

### OF

### TRADE

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*The rest of the nation provides the Eighth District with goods, services and capital essential for its continued development. To pay for these vital imports, the district must export a large part of its production to the rest of the country.*

*Agriculture provides the largest volume of net exports for the district. District manufacturers also export much of their production on balance. These manufactured exports are attributable to certain industries relatively concentrated in the district, particularly high-productivity industries. On the other hand, industries showing net imports into the district are mainly those in the low- and medium-productivity groups. A small net import is also registered for the transportation, public utility and communications services group. Typical of a developing economy, the district depends heavily for many services on the older, more industrialized areas.*

*The district's balance of trade reflects both its underlying patterns of production and consumption and its dependence on other areas. Some of these characteristics can be illustrated in tabular form. Analysis of this table is useful for estimating and evaluating Gross District Product, as well as district income, government expenditures, and other economic data.*

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***The rest of the nation provides the Eighth District with goods, services and capital essential for its continued development.***

Surrounded by no artificial barriers to trade, sharing a common currency, served adequately by transportation to all points of the nation, residents of the Eighth Federal Reserve District in common with the people in the rest of the United States share in the benefits of a vast free trade area. Industries are free to buy their materials where they cost least. Families spend their incomes on the goods they prefer from whatever part of the nation these products may originate. In no small part the growth of the American economy can be attributed to this traditional freedom of trade among regions having different resource endowments.

The standard of living of district residents requires the import of vast quantities of food, clothing, household goods—products of all kinds grown or manufactured in other areas. The fact that many of the same kinds of goods are produced in the district is, and rightly so, a matter of little or no concern to the buyer. There are a multitude of reasons which go into the decision to buy or not to buy a particular item but fortunately the geographic location of its producer is generally not one of them.

As manufacturing industries in the Eighth District continue to grow in diversity and volume of production, their needs for goods and services from the rest of the nation also increase. Whatever their reasons for locating in this area, it is very seldom that manufacturing firms will find all their needs readily at hand. Nor is there any reason why they should. In order to produce, the district must import from the rest of the nation.

In addition, and very importantly, this region is still in the process of economic development. There is a great need for new capital to improve the land, to shift toward higher-productivity agricultural pursuits, to buy farm machinery, to build new plant and equipment, to build new homes and apartments—for all the things that increase the ability of the people in this area to produce more effectively. In large part this capital comes from sources outside the district, from the older industrialized areas seeking profitable outlets for investable funds. Economic development in the Eighth District and increasing standards of living for its population depend heavily upon the continued import of capital.

***To pay for these vital imports, the district must export a large part of its production to the rest of the country.***

In the absence of any trade in the opposite direction, an inflow of goods and services into the Eighth District would be met by an outflow of funds or by an increase in indebtedness of district firms and households to the rest of the nation, that is, an import of short-term or long-term capital. Alternatively, by the sale of district-produced goods and services outside the district, cash claims on other areas are established which offset claims occasioned by the import of goods and services. Actually, this is what takes place. The gross amount of inflowing and outflowing funds in any Federal Reserve District is very large. In large part, the flow of funds is the financial counterpart of the flow of trade among the several Federal Reserve Districts. The net flow of funds after clearance through the Interdistrict Settlement Fund, however, is usually relatively small. In effect, exports have paid for imports

**Interindustry economics, the study of commodity and service flows among the many industries of the economy is a new and potentially powerful tool of economic analysis. Applied in regional analysis, this new tool provides a new and sharply focused picture of important economic relationships in a region. This article presents the first application of interindustry flow analysis to the economy of the Eighth Federal Reserve District. The analysis is an extension of the district income studies conducted by this Bank and provides additional data on economic transactions giving rise to district incomes. Interindustry analysis also complements the studies of sources and uses of district funds made by this Bank.**

**The commodity flow estimates contained in this article must be considered provisional and subject to refinement as additional information becomes available. These estimates are based on and tie in with the recently completed Interindustry Relations Study for 1947. This huge task, accomplished by the Division of Interindustry Economics, U. S. Bureau of Labor Statistics, has pulled together and analyzed in detail the interindustry flow of commodities**

by providing the necessary claims against other districts.

There usually will not be an equal value of imports and exports on merchandise and service account, but rather an import or an export balance. Whether this balance is typically an export balance or an import balance will depend upon the characteristics of the particular area.

District trade with the rest of the nation shows an export balance. Table I is a provisional summary of the balance of trade for major sectors of the merchandise and service account. It should be

TABLE I  
NET EXPORTS OF AGRICULTURE DOMINATE  
DISTRICT BALANCE OF TRADE

(In millions of dollars)	Production less	Consumption equals	Balance of Trade
Agriculture .....	\$ 3,255	\$1,759	+ \$1,496
Manufacturing .....	7,597	7,661	— 63
Transportation and			
Public Utilities .....	1,392	1,452	— 60
Trade and Services.....	5,490	6,046	— 556
Other .....	2,634	2,494	+ 139
Total .....	\$20,368	\$19,412	+ \$ 956

emphasized that these are net balances, that in terms of gross flows there is a much larger two-way trade in all of these accounts. The total balance of trade is broken down into major components to show the relative importance of district activities in providing for the needs of the rest of the nation and the dependence of the district on certain services provided by other areas. The net earnings of extra-district funds, however, cannot be specifically attributed to any particular activity. In earning funds to pay for imports of goods and services, the export of any item is of equal importance in the total, dollar for dollar.

and services for all industries in the United States. Relationships derived in that study have made it possible to estimate data for the district. The district estimates are also based on detailed information supplied by the Bureau of Old Age and Survivors Insurance, U. S. Federal Security Agency; on information contained in the 1947 Census of Manufactures; and detailed data developed for the Bank's income studies.

These data based on 1947, the year of the latest complete Census of Manufactures, provide a foundation upon which more current analyses may be based. The underlying structural relations among industries change very slowly, and there is strong reason to believe the relationships in the district economy revealed in Table V are representative of the district today.

The article in this Review falls logically in two parts. The first presents balance of trade estimates for the Eighth Federal Reserve District and the rest of the nation (and world); the second presents the data from which these estimates were derived and suggests other possible uses for this kind of analysis.

Editor's Note

### ***Agriculture provides the largest volume of net exports for the district.***

It is not surprising to find a large net export of agricultural commodities in the district balance of trade. About 22 per cent of total Eighth District income is earned in agriculture and an even larger proportion is attributable to agriculture indirectly. This contrasts with 10 per cent of income from agriculture for the nation as a whole.<sup>1</sup> Net exports of farm production are equivalent to 85 per cent of the total value of farm products consumed by district industries and households.

<sup>1</sup>Cf., "The Eighth District and Its Income," *Monthly Review*, Federal Reserve Bank of St. Louis, Volume XXXI, Number 12, p. 169.

Since agriculture is a major source of extra-district funds, it is apparent that district incomes as a whole will be quite sensitive to shifts in the price and volume of national farm output. Given the present structure of the district economy, a relatively small decline in the value of net agricultural exports can only be offset by relatively large increases in net exports of other goods. The more likely event, if the decline in agricultural demand is prolonged, is an offset by means of reduced net import of other goods.

In other words, maintenance and growth of the level of district income will depend to a large extent on the ability of district farmers to adapt their output to changing requirements of the nation and their ability to increase farm productivity. This argument rests on twin foundations. On the one hand the shift in land use to the kind of agricultural production for which there is likely to be a long-run increase in demand can, in part, offset a general relative decline for agricultural output. An example of this is the shift out of fiber crops into meat and dairy production, that is, a shift out of crops the demand for which does not keep pace with the growth in national income into those products the demand for which is associated with higher incomes. The second reason is essentially a cost argument. District agricultural income is earned in national markets in competition with products from other areas. To preserve and expand their markets, district farmers must keep their competitive advantage by increasing their efficiency and reducing their costs. This increased efficiency can mean larger net earnings even in the face of declining relative prices for agricultural production.

### ***District manufacturers also export much of their production on balance.***

The net exports of some of the components of the manufacturing account are of particular significance for the district. They indicate the extent to which industrialization has already taken place here and point to the fact that, at least in certain lines of manufacturing, district producers have important comparative advantages. While manufacturing is concentrated in particular sections of the district, its growth affords advantages to the district as a whole. The nearby presence of industrial job opportunities eases the cost and hardships coupled with migration off the farm and facilitates a more rapid shift of population out of lower-income rural areas. Industries such as food products manufacturing are also important consumers of agricultural output and may provide a more efficient means for the export

of certain types of agricultural production. Industrialization also brings with it a larger number of relatively high-income servicing industries. The location of manufacturing activities has a multiplying effect on employment and income. This will be seen more explicitly at a later point in this article.

**TABLE II**  
**NET EXPORT-IMPORT PATTERN REFLECTS DISTRICT SPECIALIZATION**

Manufacturing Industry	Balance of Trade (In millions)
Food Products .....	\$472
Tobacco .....	55
Textile Products .....	— 264
Apparel .....	— 183
Lumber .....	146
Furniture .....	68
Paper Products .....	— 107
Printing and Publishing.....	— 47
Chemicals .....	115
Petroleum and Coal.....	66
Rubber .....	2
Leather .....	210
Stone, Clay and Glass.....	40
Iron and Steel.....	— 113
Nonferrous Metals .....	25
Plumbing and Heating Supplies.....	15
Fabricated Structural Metal Products.....	— 9
Other Fabricated Metal Products.....	— 156
Agricultural, Mining and Construction Machinery.....	— 26
Metalworking Machinery .....	— 25
Other Machinery (except electric).....	— 88
Motors and Generators.....	15
Radios .....	— 43
Other Electrical Machinery.....	— 70
Motor Vehicles .....	14
Other Transportation Equipment.....	— 9
Professional and Scientific Equipment.....	— 62
Miscellaneous Manufacturing .....	— 104
<b>Total Manufacturing .....</b>	<b>— \$63</b>

Minus sign indicates an import balance.

Table II provides detail for the manufacturing account. The minus signs indicate import balances. Whether a particular industry group displays an import or export balance is closely related to the relative specialization in that kind of production found in the district.

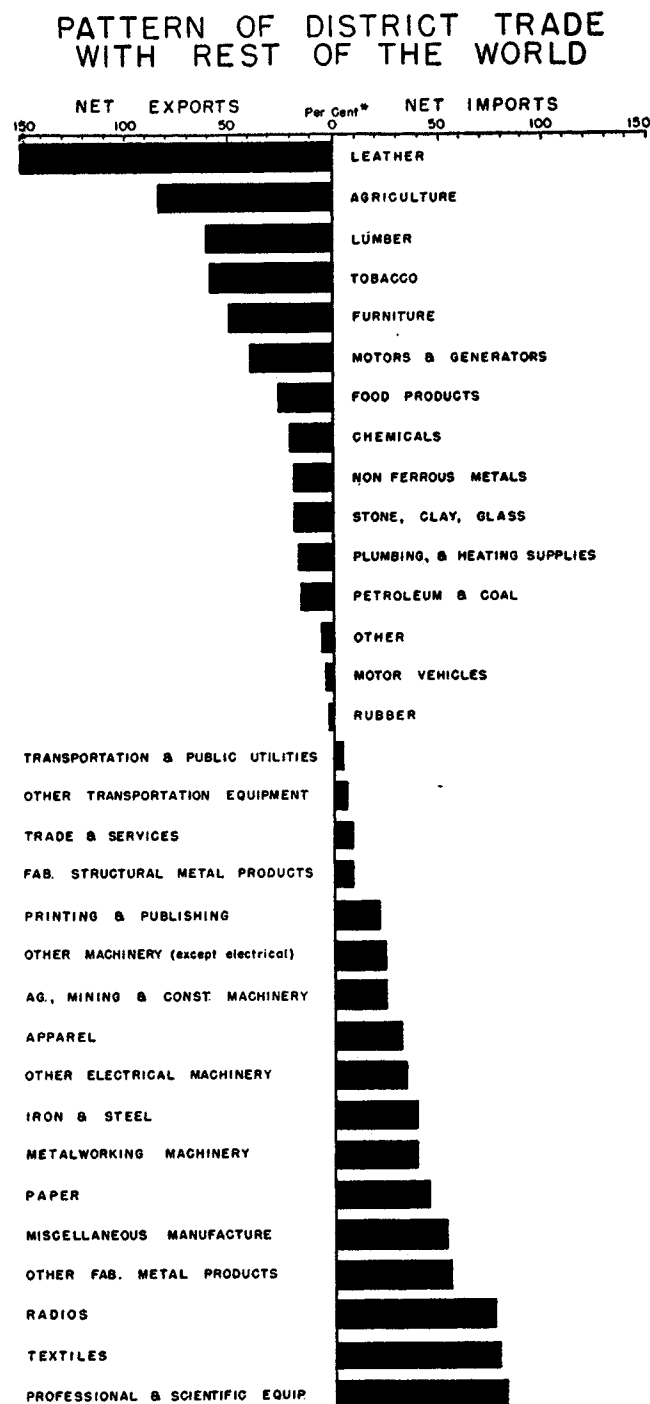
*These manufactured exports are attributable to certain industries relatively concentrated in the district, . . .*

The total value of manufacturing production in the Eighth District is 4.9 per cent of the national total. Whenever a particular manufacturing industry has more than 4.9 per cent of the total production for that industry located in the district it is an indication of relative specialization. Specialization in any line of production can be indicative of two things. First, the specialization may result from geographic association with a consuming industry. Industries which are important consumers of the products of an industry whose location is relatively concentrated in this area may also tend to concentrate here. Secondly, it can also mean that location here affords a particular set of favorable circumstances providing a comparative advantage over possible locations elsewhere. In practice, relative concentration of an industry in a particular area probably is associated frequently with both

reasons. It is significant, however, that in every case where a district industry's output is greater than 4.9 per cent of the national total for that group, that industry has an export balance.

Chart I illustrates the degree to which industries displaying relative concentration in the district are

**CHART I**



\*Ratio of net exports or imports to district purchases of the product specified.

also net exporting activities. The length of the bars is determined by the ratio of the export balance to total district consumption of that industry's output. For example, net exports of the leather and leather products industry are about 150 per cent of the total value of such consumption in this area. Clearly the shoe industry is located in this region not because its major market is here, but because the area affords it particular advantages enabling it to serve efficiently a much larger market. A greater portion of the market for stone, clay and glass products is local, but there still exist certain cost advantages which lead other areas to purchase district production in this line in preference to producing more of it themselves. Other data displayed in the chart can be similarly interpreted.

*. . . particularly high-productivity industries.*

Manufacturing industries can be classified into three groups (high, medium, and low) in terms of value added per worker. Using this classification as a rough guide to the productivity of an industry, additional inferences can be made from the district balance of trade.

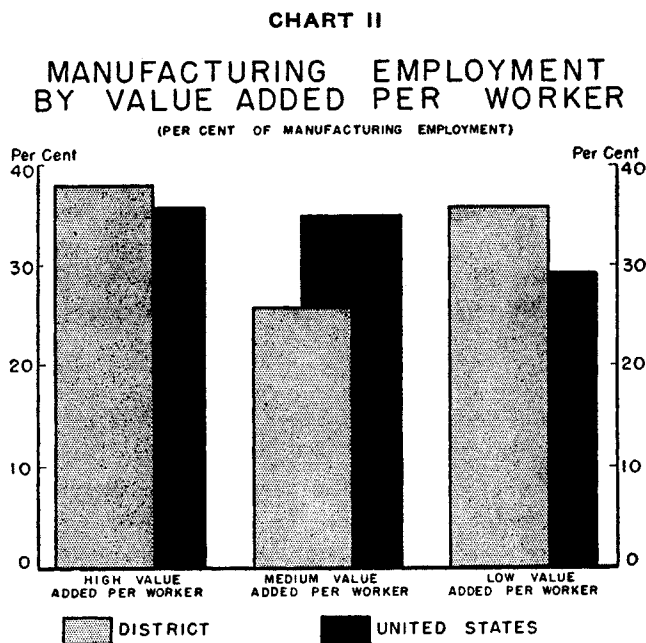


Chart II shows the distribution of district manufacturing employment among the three value-added-per-worker categories as contrasted with the distribution for the United States. Table III shows the net exports of each industry group according to their productivity.

In the early stage of industrialization an economy tends to have a comparative advantage in the output of low-productivity manufacturers where capital re-

quirements are small, the demand for skilled labor is low, and the raw materials are indigenous. With greater economic development, with the presence of a stable and experienced labor supply, and the increased availability of capital, the higher-productivity lines of manufacturing become more important. Chart II and Table III shed some light on the stage of district development. While the region does have a larger proportion of manufacturing employment in low-productivity industries than the nation as a whole (36 and 29 per cent, respectively), it also has a higher proportion in the high-productivity group. In addition, the high-productivity group provide the largest net exports. This is due principally to very large net exports of food and kindred products such as commercial feeds, malt beverages, alcoholic liquors, etc. Chemicals, products of petroleum and coal, and tobacco manufacturers, industries showing a high value-added-per-worker ratio, are also important in this group of net exporting industries.

The net exports of the low-productivity group reflect the historical development of the district economy. Leather and leather products and lumber and lumber products are industries relying on the traditional advantages of the under-developed area. These are still very important industries for this area, and in particular are likely to mark the extension of industrial development into the less urbanized sections of the district.

As a group, the manufacturing industries with net export balances employ over 58 per cent of the employees in manufacturing and account for more than 73 per cent of the value added by manufacture in the district. More than 50 per cent of the income from manufacturing in the district originates in the high-value-added industries, around 25 per cent in the medium class, and the remainder in the low-productivity industries.

**TABLE III**  
**NET EXPORTS FROM THE DISTRICTS CENTERED IN**  
**HIGH-VALUE-ADDED INDUSTRIES**  
(In Millions of Dollars)

Value Added Per Worker	Manufacturing Industry	Net Exports
High	Food Products .....	\$708
	Tobacco .....	472
	Chemicals .....	55
	Chemicals .....	115
	Petroleum and Coal Products.....	66
Medium	Rubber .....	111
	Stone, Clay and Glass.....	2
	Nonferrous Metals .....	40
	Plumbing and Heating Supplies.....	25
	Motors and Generators.....	15
	Motor Vehicles .....	15
Low	Lumber .....	14
	Furniture .....	424
	Furniture .....	146
	Leather .....	68
Total .....		210
		\$1,243

All of these remarks indicate that district resources and locational features as well as the presence of a high quality and abundant labor supply apparently offer advantages to a wide range of manufacturing activities including high-productivity industries.

***On the other hand, industries showing net imports into the district are mainly those in the low- and medium-productivity groups.***

Table IV shows the net importing industry groups by productivity and value of net imports. In every case these are manufacturing industries in which less than 4.9 per cent of total production is located in the district. In the aggregate these industries employ about 42 per cent of the district labor force engaged in manufacturing and account for under 27 per cent of value added by manufacturing in this region. The group total showing the largest net imports include the low-productivity industries. Textile mill products make up the largest part of net textile imports, amounting to almost three-fourths of total district consumption of these products. Despite the location in the district of a large apparel industry (which accounts in part for the large textile imports), the net imports of apparel are more than 30 per cent of the total value of apparel consumption in this region. Miscellaneous manufacturers make up the remainder of the net imports in the low-productivity group.

In the medium-productivity group, fabricated metal products, and iron and steel account for the bulk of the net imports. The district, while not the largest, is nevertheless an important metals consuming area. The significance of district-produced iron and steel is shown by the fact that net iron and steel imports amount to less than a third of total consumption of these products in the region.

Despite the location of a large lumber and lumber products industry in the district, paper and allied products form the major net import of the high-productivity group of industries. The most important consumers of paper products in the region are the food products industry, the chemical industry and the printing and publishing industry. This latter group itself constitutes an important source of net imports and reflects the concentration of the printing and publishing industry in the East. Net imports of the remainder of this group are relatively small—partly because of high district production as in the other machinery (except electric) group and partly because of relatively low district consumption, as in the metalworking group and the agricultural, mining, and construction machinery group.

TABLE IV  
THE LARGEST AMOUNT OF NET IMPORTS FLOWED FROM  
INDUSTRIES OF LOW WORKER-PRODUCTIVITY  
(In Millions of Dollars)

Value Added Per Worker	Manufacturing Industry	Net Imports
High		\$293
	Paper and Allied Products.....	107
	Printing and Publishing.....	47
	Agricultural, Mining and Construction Machinery	26
	Metalworking Machinery .....	25
	Other Machinery (except electric).....	88
Medium		462
	Iron and Steel.....	113
	Fabricated Structural Metal Products.....	9
	Other Fabricated Metal Products.....	156
	Radios .....	43
	Other Electrical Machinery.....	70
	Other Transportation Equipment.....	9
	Professional and Scientific Equipment.....	62
Low		551
	Textile Products .....	264
	Apparel .....	183
	Miscellaneous Manufacturing .....	104
Total		\$1,306

***A small net import is also registered for the transportation, public utility and communications services group.***

The district imports public utility service and exports transportation and communications services, with the net effect of these several components showing a small net import for the group as a whole.

The net public utility imports can be attributed to purchases of electric power by firms and municipalities from power systems with generator stations located outside the district. On the other hand, the central location of the Eighth District, the importance of St. Louis as a center of rail, truck, and water transportation, and the net district exports of commodities account for the net export of transport services from the district. The net export of these services is relatively minor even though transportation is one of the more important industries of the district, because consumption of these services by district producers and households is high.

***Typical of a developing economy, the district depends heavily for many services on the older, more industrialized areas.***

In the field of trade and services, the district is a net importer on balance. In wholesale and retail trade, there is a net outflow of district-produced services. This is primarily due to the importance of the St. Louis area as a wholesale center for areas to the south and west. To a more limited extent it may also be due to the export of retailing services to out-of-district households located near important retailing centers in the district.

Overbalancing these exports, however, are the net imports of tourist travel, education, and miscellaneous services. (An import of these services implies, of course, that they are performed for Eighth District residents by out-of-district institutions and personnel, as, for example, when a resident goes

outside the district for his vacation.) The process of industrialization creates a demand for many highly specialized business services. Agencies performing these services have become heavily concentrated in the Eastern industrial areas of the United States. From these areas come much of the insurance services, the investment servicing, the bulk of the financial services and other business services required to turn the wheels of modern industry. It should be noted that interest and dividend payments are not included in the services category. However, while this classification does not include capital investment supplied the district by the rest of the country, it does include all the service charges connected with making that investment. Further, there are more people from the district vacationing elsewhere than there are people from the rest of the country vacationing here. There is also a net outflow of students to educational institutions in other areas.

By way of contrast, New England with a characteristic import balance of commodity trade is a net exporter of services. From this area came much of the capital which financed the early development of the Midwest. Many of the largest insurance companies have their home offices in New England. Students from the rest of the nation are attracted to the region's many colleges and universities. The area's historic appeal and well-developed recreational facilities annually attract a net inflow of tourist dollars.

***The district's balance of trade reflects both its underlying patterns of production and consumption and its dependence on other areas.***

The preceding data on the district balance of trade summarize the interdependence of the district with the nation. It should be noted, indeed emphasized, that the fact that district trade displays an export balance should not be read as either a desirable or an undesirable feature. Furthermore no implication should be read into the data as presented that efforts should be devoted to increasing the net balance. The balance, be it negative or positive, is simply a reflection of the underlying production and consumption patterns of the district in relation to those of the rest of the country. Before judgment could be passed as to the desirability of any kind of a balance, considerably more information as to the composition of the short and long term capital accounts would have to be available.

Judgments concerning changes in the balance of trade which might take place will depend on the causes of the change. For example, the active

(export) balance of trade could decline because of a greater import of goods and services financed by increased capital imports into the district. A declining balance of trade in this case could be evidence of highly desirable developments. Or, the balance of trade could decline because district resources were not adapted to the changing needs of the nation as a whole, that is, a relative decline in the demand for the output of district producers. This would imply an inability of district incomes to keep pace with the growth of national income. On the other hand, if the efficiency of district production could be continually improved, the needs of the rest of the nation would be better served. A concomitant of this would be a more rapid rate of increase in district income levels.

***Some of these characteristics can be illustrated in tabular form.***

Table V (inserted between pages 77 and 78) represents a set of production and consumption estimates for economic activities in the Eighth Federal Reserve District classified into 31 large industry groups and one miscellaneous group; and a section known as "Final Demand." Because of the interest in industrial expansion in the district, the manufacturing industries are shown by specific industry groups in many cases, whereas other groupings such as agriculture, are more general.

The headings across the top of the columns and the headings of the rows for items 1 through 32 are identical. But the information obtained by reading down a column or across a row is quite different. Reading down a column, one finds the various items making up the Industry Purchasing costs (inputs) of an industry group in the Eighth Federal Reserve District. Thus, reading down column 2, the Food Products Industry, it is found that agricultural purchases (inputs) amounted to \$1,112 million; textile products purchases (inputs) amounted to \$148 thousand; etc., for the Food Products Industry in the Eighth Federal Reserve District.

An important distinction must be borne in mind when reading the rows and columns. The columns (reading down) represent the costs (inputs) for industry groups *in the Eighth Federal Reserve District*. The rows (reading across) represent sales (outputs) *regardless of origin* (i.e., from any place in the world) to industries in the district.

So far we have not discussed the columns to the right of the heavy line in the table which are identified as "Final Demand" or the rows below the heavy line. "Final" in this case means "ultimate" or "basic" as distinguished from secondary or "derived" demand shown in columns 1 through

32. While these two demands are not telescoped, one within the other, the purchases of the industry group (columns 1 through 32) are ultimately derived from the sources listed under Final Demand in the table. This sounds complicated, but an examination of the column headings under Final Demand in comparison with the other column headings points up the difference. Thus, column 33 is headed Net Inventory Accumulation and lists the net inventory accumulations which have taken place. Column 34 represents estimates of purchases by state and local governments in the district. Similar estimates are made for the Federal Government in column 35. Goods and services used in gross private capital formation in the district are approximated in column 36. Column 37 represents estimates of district consumer expenditures and column 38 is the net balance of trade with the rest of the nation.

The column to the right of the double line is a listing of the total output of district industries (intra-industry transactions have been deducted from this total). This figure is obtained directly from district production estimates. Returning to the Food Products Industry for an example, it is seen that all sales (outputs) of this district industry totaled \$2,241 million, omitting intra-industry transactions. The distribution of purchases along any row indicates the principal district markets for specified products. It does not indicate the distribution of sales by district industry. Summing the purchase entries under each column (1 to 37) for any given row yields an estimate of total district consumption for that industry's product. The difference between this total (total purchases) and total output (column 39) represents the import or export balance. The significance of rows 33 through 39 is different, as is explained below.

The figures in the table which remain to be explained are those below the heavy line in the rows and below the double line. The figures below the heavy line represent in general charges against current operating income, other than direct operating outlay for materials and similar cost items (inputs). Notes to Table V explain these rows in more detail. The row below the double line, identified as "Total Outlays," is the total of all charges against operating income (including profits and any statistical discrepancy) for each industry and is, therefore, equal to and balances with the total value of output for the same industry as registered in column 39. In the case of the totals of both rows and columns 33 through 38, described on the table as Final Demand, the *sum* of the row-totals is equal

to the *sum* of the column-totals. The figure in the lower right-hand corner of the table is the total value of all transactions in the table.

***Analysis of this table is useful for estimating and evaluating Gross District Product, . . .***

Gross National Product (GNP) is a measure of the market value of all goods and services currently produced including capital goods, commodities and services available for current consumption, and changes in inventories. It is, therefore, a very comprehensive measure of the output of the economy and, assuming full employment, provides an indication of the total productive capacity of the economy. Frequently used as the basis for estimating the prospects for economic growth, GNP is also used in estimating demand and output for specific industries, capital requirements, and employment levels as well as a guide to economic policies regarding taxation, credit and other fiscal and monetary problems.

Table V represents an extension of this Bank's income studies for the Eighth Federal Reserve District and provides the basis for estimates of Gross District Product which are shown in Table VI. The total outlay shown as \$14,712 million in the Final Demand sector (columns 33 to 38 of Table V) when adjusted to approximate national income accounting procedures is a measure of the productive capacity of the district economy in 1947. Note that Gross District Product (Table VI) excludes the value of output produced elsewhere for use in this region.

**TABLE VI  
GROSS PRODUCT OR TOTAL EXPENDITURE  
Eighth Federal Reserve District, 1947**

	(Millions of Dollars)
Consumer Expenditures .....	\$ 8,911
Gross Private Capital Formation.....	1,432
Net District Exports.....	956
Government Expenditures .....	1,481
Goods and Services.....	749
Wage Payments .....	732
Gross District Product.....	\$12,780

The \$12,780 million of Gross District Product (Table VI) representing this area's contribution to the total productive effort of the nation is the net result of all the productive transactions recorded in Table V. The size of the gross product and the relative importance of its various components are distinctly related to the patterns of output in the district economy. The demand for district production is itself related to the size and composition of the Gross National Product. Table V thus provides a way not only to estimate the gross output of the district, but also to estimate the impact of changes in the national economy on the district.

The importance of agriculture for this area has



been frequently stressed. Table V indicates this in still another way. Of the total outlays by the agricultural sector (excluding intra-industry transactions) more than 12 per cent went into the trade and service activities, and 3 per cent into transportation and public utilities. Of the total demand for trade and service output that part stemming directly from the farm accounted for more than 7 per cent. Aside from household demand, the single most important consumer of food products is the farmer. All of the farm demand for district manufactured food products may not stem from district farmers, but their demand is fully reflected in the total. It was pointed out earlier that a large part of the total demand for district agricultural production stems from the national market (on balance agricultural exports out of the district were 85 per cent of the total district consumption of farm products). It can be seen how national demand for district agricultural products is channeled into demand for many other kinds of district production, particularly locally produced services. These remarks apply only to the initial or primary effects of demand for agricultural production on demand for other district production. Each of the activities immediately affected in turn passes the effect along to industries supplying its cost items, and so on throughout the economy. Indirectly, too, much of this derived demand is reflected in increased imports of goods and services into the district.

It is plain that a serious or prolonged decline in the nation's demand for the district's primary product would have far-reaching consequences for people in this area. Table V serves to emphasize the importance of continuing efforts toward increased farm productivity and diversified product.

The significance of the food products industry as well as many of the other manufacturing industries, leather and leather products, chemical, lumber and lumber products, iron and steel, and so on, is also shown. In every case the large proportion of expenditures on transportation, public utilities, trade and other services is noteworthy. These are activities which earn more than 40 per cent of the district income and are in large part dependent upon the level of activity in the agricultural and manufacturing sectors of the district economy.

*. . . as well as district income, . . .*

Table V also sheds additional light on sources of incomes in the Eighth District. The entries in the household row include interest, wages, salaries, individual receipts of non-life insurance payments,

dividends and other business earnings as well as other payments from the private sector of the district economy. In column 36 the household entry (row 37) represents similar payments associated with capital expenditures. Household services performed for other households are entered in column 37 at row 37. Total government payments to individuals in the Eighth District by state and local governments and by the Federal government are entered in the household row in columns 34 and 35.

Of the payments to households, part may have been made to non-district residents. Income to non-resident shareholders of district firms could not properly be counted as district income and would be an outflow of income from the district in return for an inflow of the service represented by the payment. Presumably many payments by district businesses to households are of this nature.

On the other hand, there are many district residents receiving income from out-of-district sources. On balance, there does not appear to be any significant net inflow or outflow of direct payments to households (less than 1 per cent plus or minus). When the total earnings entered in the household row are adjusted for undistributed corporate profits and depreciation reserves and other earnings not actually paid out, estimated net household income earned in the district in 1947 was \$10,260 million. The household expenditures column, when adjusted to include net savings gives an estimated total expenditure of \$10,346 million. There appears to be no significant net outflow of earnings from district industries to other areas. For this reason no balance appears in the household row.

*. . . government expenditures, . . .*

A troublesome problem in estimating net inflows or outflows of direct earnings or payments to households is that of government expenditures. If only the direct taxes paid by households are contrasted with government payments to households in the district, a net inflow of funds on governmental account appears. Estimated direct taxes paid by district households in 1947 were \$924 million to the Federal Government and \$98 million to state and local governments, a total of \$1,022 million. Direct governmental payments to households amounted to \$1,526 million. This yields an apparent inflow of \$504 million to households on governmental account. However, when indirect taxes are included in the household tax bill, the picture changes radically. The household payments to government (column 37, row 34-35) include an estimate of indirect taxes paid

## Notes to Table V

A. Industries are listed across the top of the table (columns 1-32) as consuming or purchasing industries. The items in each column represent the purchases of each class of cost item required by district industry in 1947 to produce its output that year. The industry supplying the cost item (input) is identified in the stub of the table.

Columns to the right of the heavy line represent the several categories of what is called "Final Demand." This term is used to distinguish these purchasing activities from those of the industrial groups whose demand for inputs is a derived demand, derived ultimately from the sources listed under Final Demand. Column 33 lists the net inventory accumulations (or depletions) which have taken place. Column 34 represents estimates of purchases by state and local governments in the district. Similar estimates are made for the Federal Government in column 35. Goods and services used in gross private capital formation in the district are approximated in column 36. Column 37 represents estimates of consumer expenditures in the district and column 38 is the net balance of trade with the rest of the nation (and world). The column to the right of the heavy double line is a listing of the total output of district industries (excluding intra-industry transactions).



B. All values are recorded in the table at producer's value. Charges for transport, trade, and other services are allocated to the sector performing such services. Excise taxes are shown as direct payments to government.



C. Column 33 represents *net* inventory change (plus or minus) and therefore includes depletions which would otherwise have been recorded in row 33.

T. Row 34-35 is an estimate of taxes and other payments made to the Federal, state and local governments by the activities listed at the top of the columns and includes an estimate of indirect (as well as direct) taxes paid by households. The total output of government (right-hand column entry) in this case must be interpreted to mean total payments from the private sector of the district economy to the governmental sector, as well as intra-governmental transactions.



E. Row 36 represents depreciation and other capital consumption charges against current operating income which are not attributable to any of the other input items (rows 1 through 32) and are included as a part of the gross income accruing to the ownership (household) function. For this reason depreciation and other capital consumption allowances are included in the gross earnings to households (row 37).



F. Row 37 represents gross earnings to households and includes certain business reserves (see Note E), wages, salaries, dividends, and interest, individual's receipts of non-life insurance claims, and bad debt allowances.



G. Column 38 represents the balance of trade, a net concept. Therefore it includes any imports which would otherwise have been entered in row 38.



H. Spaces where no transactions are recorded should not be interpreted to mean zero transactions between these sectors. Entries on the main diagonal are eliminated by netting out intra-industry transactions. Other spaces where no transactions are noted may conceal some transactions lost in rounding. Further, it should be emphasized again that estimates in the table are necessarily provisional and subject to refinement with additional information.





by households. The difference between total taxes paid by households and total government payments to households is reduced to a much smaller figure, \$15 million.

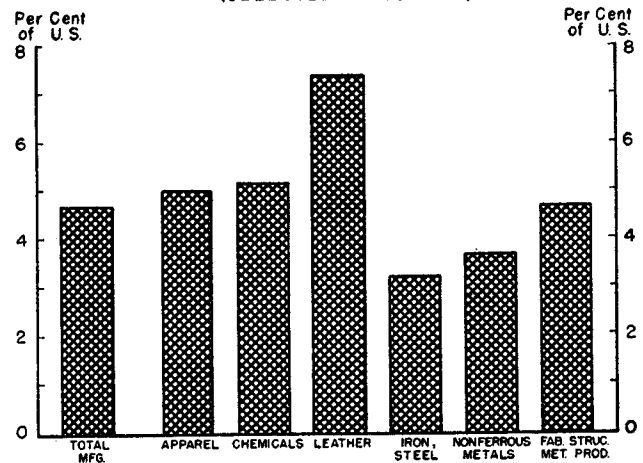
The comparison of total government expenditures on district goods and services (including payments to households) and total tax receipts in the district is not made for two reasons. In the first place, it is very difficult to identify the location of a Federal expenditure with the localization of its benefit. Federal government expenditures are generally made in the interest of the nation as a whole. Secondly, because of the inter-regional trade discussed earlier, expenditures of any kind, whether public or private, are indirectly transferred in part to other regions. Government purchases of goods and services in any region add to that area's demand for imports from other regions. Careful analysis of each kind of expenditure would have to be made to hazard a guess as to the degree to which direct benefits resulted. Viewed in this context, the question of whether a region receives its "fair" share of Federal government expenditures is susceptible to no easy answer. For this reason, it is only in a limited sense that an inflow of funds to households on governmental account can be regarded as offsetting an outflow of funds to out-of-district households on private account.

*. . . and other economic data.*

There are numerous other useful purposes that may be served by the collection and tabulation of data in the framework of Table V. The summation of any row through column 37 gives a measure of the market for that kind of production in the district. For example, Chart III shows the per cent of the national market for the products of selected manufacturing industries located in the Eighth Federal Reserve District. (Note: these data have been adjusted to include intra-industry transactions.) The importance of the district as a market for these and other products is in part due to the size and income of the district population and in part to the volume of output of the particular kinds of industries located here. The market for apparel will be affected primarily by factors affecting local incomes. The market for fabricated metal products, on the other hand, will depend largely on the multitude of factors affecting the level of output of district manufacturing industries and these will be national in scope.

Analysis of Table V is useful in estimating the impact on the district of changes in the national

**CHART III**  
**SHARE OF NATIONAL MARKET**  
**LOCATED IN EIGHTH DISTRICT**  
 (SELECTED INDUSTRIES)



scene. Many of these changes are only indirectly related to district industries, but, nevertheless, are of great importance. Some additional insight into the way local markets will be affected by changes in the mobilization program, for example, may be gained by such analysis.

Also of interest are estimates of the effect of the location of new industries in the district. It would be of value if the directly observable effect on employment and payrolls could be supplemented with estimates of the indirect repercussions.

Whatever the specific uses to which information such as is contained in Table V may be put, it serves to focus attention on the importance of inter-regional trade for the Eighth Federal Reserve District.

As a part of a much larger economy this district depends on the nation for many of the products required to maintain production and standards of living. District producers must also depend on the rest of the nation for markets in which to exchange their own production for the things they need. The details of the balance of trade indicate those products in which the district specializes and possesses some comparative cost advantage. The comparison of these data and other data in Table V permits estimates of the ways district incomes may be affected by changes on the national scene. This, coupled with knowledge of current and proposed developments in the district, new products, new capital, and new ways of doing things may help to evaluate the expectations for economic development in this area.

GUY FREUTEL

# Survey of Current Conditions

The tempo of Eighth District business during April and early May faltered from the fast pace of previous months. Employment failed to show the seasonal increase expected and unemployment was higher at the end of April than a month earlier. Industrial production was lower as a result of strikes and reduced demand for many civilian products. Retail sales at department stores increased less than seasonally. Average prices of wholesale commodities declined during April but held firm in early May. Two bright spots in the economic picture were the continued expansion of construction activity and defense production.

Nationally, the volume of industrial production in April dropped 1 per cent below the March level, partly as a result of the loss of steel output when

furnaces were banked in expectation of a strike. Production of nondurable goods and of minerals also declined. Total retail sales at department stores failed to make the expected increase over March volume. But construction expenditures increased seasonally to an all-time peak for April.

As the tempo of business decreased, steps were taken to remove certain credit and other restrictions. The Federal Reserve Board suspended the provisions of Regulation W and put the Voluntary Credit Restraint Program on a standby basis in early May. In addition, the National Production Authority moved to increase the supply of critical materials for less essential uses and removed production controls where feasible.

In assessing the significance of the current drop in business activity in the district and the nation, certain factors should not be overlooked. Prices firmed in May, following a decline in spot primary market prices and a similar, but more moderate decline in all wholesale prices in April. Secondly, the high level of consumer incomes (after taxes), a factor of strength in the economy, may be pushed still higher by another round of wage increases. In the third place, continued consumer demand for soft goods could be quickly reflected in increased orders to manufacturers. While a greater portion of consumer spending has gone for soft goods this year than a year ago, this increased consumer demand had not been reflected in manufacturing activity by early May. Textile and apparel manufacturing was particularly low. But retail stocks were low for many lines. Further, the high level of construction expenditures and increasing Government expenditures for defense purposes are continuing factors of strength.

PRICES					
WHOLESALE PRICES IN THE UNITED STATES					
Bureau of Labor Statistics (1947-49=100)	Apr., '52	Mar., '52	Apr., '51	April, 1952, compared with	
				Mar., '52	Apr., '51
All Commodities.....	111.9	112.3	116.3	-0%	-4%
Farm Products.....	108.7	108.2	117.5	-0-	8
Foods.....	108.0	109.2	111.8	-1	3
Other.....	113.4	113.8	117.1	-1	3

CONSUMER PRICE INDEX*					
Bureau of Labor Statistics (1935-39=100)	Apr. 15, 1952	Mar. 15, 1952	Apr. 15, 1951	April 15, 1952, compared with	
				Mar. 15, '52	Apr. 15, '51
United States.....	188.7	188.0	184.6	-0%	+2%

\*New series.

RETAIL FOOD*					
Bureau of Labor Statistics (1935-39=100)	Apr. 15, 1952	Mar. 15, 1952	Apr. 15, 1951	April 15, 1952, compared with	
				Mar. 15, '52	Apr. 15, '51
U. S. (51 cities).....	230.0	227.6	225.7	+1%	+2%
St. Louis.....	240.5	238.3	237.6	+1	+1
Little Rock.....	226.1	224.3	224.9	+1	+1
Louisville.....	214.5	213.2	212.5	+1	+1
Memphis.....	231.4	231.0	232.9	-0-	-1

\*New series.

## EMPLOYMENT

In the Eighth District, employment in non-agricultural industries increased slightly from mid-March to mid-April primarily due to increased construction activity and additional employment in defense plants. However, due to seasonal layoffs at shoe plants and in coal mines the overall increase was relatively small.

Unemployment compensation claimed in seven district states increased during April from 174,000 claims for the week ended March 29 to 195,000 for the week ended April 26. Part of the increase was seasonal in nature, combined with continuing unemployment in textile, chemical, furniture and apparel plants, and distilleries. Seasonal increases in claims were primarily in the coal, leather and tobacco industries.

In Louisville, total nonagricultural employment showed a slight increase from mid-March to mid-April. However, manufacturing employment decreased due to additional layoffs in the distilled liquor, tobacco, lumber products and furniture industries. Construction employment increased rapidly.

An improvement in employment in Evansville was continued from earlier months into April, although the increase was not as great as in previous months. Most of the additional manufacturing employment was in defense and automobile assembly plants. Nonmanufacturing employment continued steady with a seasonal increase in retail trade and some other lines offset by decreases in government and construction employment.

Total civilian employment in the United States increased seasonally from early March to early April with the spring pickup in farm activity and construction work. Total employment for the week ending April 12 was estimated at 60.1 million persons, as compared with 59.7 million a month earlier and 60.0 million in April 1951. Employment in nonagricultural industries was little changed from the preceding month.

Unemployment in the nation continued to drop from March to April, falling to an estimated 1.6 million persons. While the number of unemployed in April was below that of a year earlier, as it has been so far this year, the difference in April was not as large as in previous months.

The average work week of factory workers declined by a half hour between mid-March and mid-April to 40 hours, a full hour less than a year earlier. This decrease from March reflected mainly seasonal

slowing in textile, apparel and other consumer goods industries.

Weekly earnings of production workers in all manufacturing plants averaged \$66.24 in April, an increase of \$1.54 in the past year. The largest increases were in rubber, ordnance, and electrical machinery plants. Textile workers' earnings were lower than a year ago, due to shorter hours, lower rates in some Northern mills and a shift in employment towards lower wage Southern mills.

The upward trend in nonagricultural employment continued during April in the Little Rock area. Construction and trade employment increased seasonally and manufacturing employment showed a minor gain from March.

In St. Louis manufacturing employment rose by about one thousand workers from March, to equal the number employed a year earlier. Major increases in primary metal, aircraft and automobile assembly plants were partially offset by seasonal decreases in shoe and apparel plants. During April and early May three plants employing about 425 workers were closed permanently.

## INDUSTRY

A break in the upward movement of production in the district was evident in April and no correction of this slight downturn was apparent in early May. Strikes were a factor in lowering output.

Electric power consumption at selected industrial firms in the district indicated the slower pace in April by registering the first month-to-month drop since January. Among industries, lumber, whiskey, and coal production showed continued weakness. Shoe production at the end of the spring season was still relatively strong. Steel ingot and refined petroleum production were both reduced by work stoppages.

**Manufacturing**—Consumption of electric power (on a daily average basis) at selected industrial firms in six major cities of the district declined slightly during April from March, although a gain has been shown for this period during the past two years. Use of power was also down slightly from a year ago. The reduction from a month ago was spread between most industries represented in the sample, with paper and allied products manufactures showing the only sizable drop.

Lumber figures for the district, like the power figures, indicated weakness in April. Southern pine production advanced seasonally, but the rate of operations at Southern hardwood mills declined

## WHOLESALING

Line of Commodities	Net Sales		Stocks
	April, 1952 compared with Mar., '52 Apr., '51		April 30, 1952, compared with April 30, 1951
Data furnished by Bureau of Census U.S. Dept. of Commerce*			
Automotive Supplies.....	+13%	+15%	+ 3%
Drugs and Chemicals.....	- 2	+ 3	+16
Dry Goods.....	+ 6	- 2	-29
Groceries.....	-0-	+ 5	- 5
Hardware.....	-1	-14	-0-
Tobacco and its Products.....	+ 9	+17	- 2
Miscellaneous.....	+ 8	+ 3	-10
**Total All Lines.....	+ 3%	- 2%	-11%

\*Preliminary.

\*\*Includes certain items not listed above.

## INDUSTRY

### CONSUMPTION OF ELECTRICITY—DAILY AVERAGE\*

(K.W.H. in thous.)	April, 1952		April, 1951		April, 1952, compared with	
	K.W.H.	K.W.H.	K.W.H.	K.W.H.	Mar., '52	Apr., '51
Evansville.....	826	813	758	758	+ 2%	+ 9%
Little Rock.....	553	577	596	596	- 4	- 7
Louisville.....	3,825	4,017	3,883	3,883	- 5	- 2
Memphis.....	1,407	1,542	1,367	1,367	+ 9	+ 3
Pine Bluff.....	487	459	455	455	+ 6	+ 7
St. Louis.....	4,704	4,960	4,893	4,893	- 5	- 4
Totals.....	11,802	12,368	11,952	11,952	- 5%	- 1%

\*Selected Manufacturing firms.

### LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Apr., '52	Mar., '52	First Nine Days		4 mos. '52	4 mos. '51
		Apr., '51	May, '51		
110,501	109,154	119,570	32,345	34,239	443,023
Source: Terminal Railroad Association of St. Louis.					

### CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	April, 1952		April, 1951		April, 1952, compared with	
	April, 1952	Mar., 1952	Apr., 1951	Mar., 1951	Mar., '52	Apr., '51
Arkansas.....	76.2	76.5	78.3	78.3	-0%	- 3%
Illinois.....	168.0	165.1	158.9	158.9	+ 2	+ 6
Indiana.....	29.7	30.3	27.8	27.8	- 2	+ 7
Kentucky.....	35.6	35.4	27.4	27.4	+ 1	+30
Total.....	309.6	307.3	292.3	292.3	+ 1%	+ 6%

### COAL PRODUCTION INDEX 1935-39=100

Unadjusted			Adjusted		
April, '52	March, '52	April, '51	April, '52	March, '52	April, '51
127.9 P	130.8 P	152.5	196.8 P	137.7 P	234.6

P—preliminary.

### SHOE PRODUCTION INDEX 1935-39=100

Unadjusted			Adjusted		
March, '52	Feb., '52	Mar., '51	Mar., '52	Feb., '52	Mar., '51
154.0	144.2	154.3	151.0	136.0	151.3

## CONSTRUCTION

### BUILDING PERMITS

Month of April

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1952	1951	1952	1951	1952	1951	1952	1951
Evansville.....	95	64	\$ 988	\$ 173	109	80	\$ 72	\$ 60
Little Rock.....	75	60	737	447	198	193	182	271
Louisville.....	238	142	1,115	1,138	111	99	143	92
Memphis.....	1,896	1,857	2,514	2,364	252	225	203	193
St. Louis.....	330	346	1,521	1,920	227	234	726	1,398
April Totals.....	2,634	2,469	\$ 6,875	\$ 6,042	897	831	\$1,326	\$2,014
March Totals.....	2,415	2,044	\$10,147	\$15,579	845	840	\$1,101	\$1,722

slightly from March and in both cases figures were under those of a year ago. The market at mid-May continued to favor softwoods over hardwoods due to seasonal demand for pine boards for construction.

The continued low volume of whiskey production added another negative aspect to the district's industrial picture. As at the end of March, only 28 out of 62 Kentucky distilleries were in operation at the end of April, compared with 40 in April, 1951. In addition some distilleries were running at only a fraction of capacity. The slump was attributed to slow sales and big stocks. In the hope of improving the situation, lower prices were being offered by month's end.

The performance of district shoe manufacturers, steel mill operators, and meat packers was better than that of lumber producers and whiskey distillers. Shoe manufacturers were finishing out their spring line production and orders for the fall lines were reported to be substantially above those a year ago. Apparently the reduction in retail inventories, which had been a major factor in last year's slump in production, has been halted. The two largest St. Louis shoe manufacturers made further cuts in wholesale prices in April, attributing them to lower leather costs.

Steel ingot production at St. Louis area mills in April was at 85 per cent of capacity, but indications were that the rate for May would be under 80 per cent. The drop was due to work stoppage at one local mill during the first week in May. Last year operations were at 98 per cent of capacity in April and 101 per cent in May.

Meat packing in the St. Louis area, although at a high level of activity, was under that of a year ago during April and early May. On a weekly average basis for April and the first two weeks in May, the number of livestock slaughtered under Federal inspection was 13 per cent less than during the comparable weeks of 1951.

**Mining**—The story of the last few months was carried over into April for district coal and crude oil—the former slumping, the latter flowing briskly. The weakness in coal production was more than seasonal, with both domestic and industrial business being dull.

The vigor of crude oil production was reflected in the weekly rate for April in district producing states which was somewhat over that of March and 6 per cent above April last year. Sustained production in May in conjunction with a nation-wide work stoppage which closed a number of refineries for about three weeks sent crude oil stocks soaring.

## CONSTRUCTION

The construction picture in April was marked by a continuing expansion of nearly all types of building activity and additional relaxation of Government restrictions on various types of less essential construction. For the most part these developments were the result of increasing availability of material supplies coupled with an expanding demand for most types of construction.

The easing of regulations for certain types of building as of July 1 has been announced by the National Production Authority. Building of entertainment and amusement projects, which has been prohibited for some time, will be permitted on a limited basis. Additional amounts of some types of structural steel and small amounts of aluminum will be allowed in housing construction. The structural steel allotments for commercial construction in the third quarter are more than double those for the current quarter.

Construction expenditures in the nation in April increased seasonally from March to a total of nearly \$2.5 billion, setting a new record for the month. In the preceding three months total new construction increased more than seasonally. And for the first four months of the year dollar volume of new construction was 3 per cent above the same period of 1951, which was a record year. Most major types of activity shared in the increase.

The number of new houses started in March and April was larger than the number begun in the same months of 1951. But for the first four months of the year, total new housing starts were slightly below a year earlier (351,000 units as compared with 356,500 in the 1951 period).

In the Eighth District, construction contracts awarded during April, as reported by the F. W. Dodge Corporation, increased 59 per cent from March and were 114 per cent above April, 1951. All forms of construction shared in the increase, with the outstanding gain being in residential contracts. In the St. Louis territory of the F. W. Dodge Corporation, the number of dwelling units included in the construction contracts awarded increased seasonally during the first four months of 1952 and was 6 per cent above the same period of 1951.

Large industrial expansions noted during April in this district were primarily for electric power facilities in the states of Kentucky and Arkansas; at St. Louis; and in connection with the Electric Energy, Inc., plant at Joppa, Illinois. Other large industrial expansions, chiefly for chemical facilities, were noted in the St. Louis, Louisville, and Mem-

phis metropolitan areas. In May, the Philip Morris Company dedicated a new \$10 million cigarette factory at Louisville.

## TRADE

Consumer buying at department stores increased less than seasonally in April. In total dollar sales (unadjusted for seasonal changes or the later date of Easter 1952), consumer spending in April was greater than in March or in April, 1951. The largest gains over last year occurred in soft lines. According to preliminary reports, the suspension of Regulation W early in May apparently provided only limited stimulation to the sales of appliances, automobiles, and furniture.

Indications were that automobile sales did not show a seasonal increase from March to April. Used car dealers' sales were reportedly as slow during April as at any time during 1952; new car sales were generally termed "spotty." Consumer buying at appliance dealers continued slower than a year ago.

TRADE					
DEPARTMENT STORES					
	Net Sales			Stocks on Hand	Stock Turnover
	April, 1952 compared with Mar., '52	Apr., '51	4 mos. '52 to same period '51	Apr. 30, '52 comp. with Apr. 30, '51	Jan. 1 to Apr. 30, 1952 1951
8th F.R. District.....	+12%	+12%	- 2%	-14%	1.17 1.07
Ft. Smith, Ark. <sup>1</sup> .....	+10	+21	- 1	- 8	1.08 1.05
Little Rock, Ark.....	+19	+17	- 1	-13	1.14 1.00
Quincy, Ill.....	+18	+ 5	-11	-21	1.16 1.10
Evansville, Ind.....	+20	+ 4	- 3	-19	.98 .95
Louisville, Ky.....	+20	+14	- 1	- 7	1.25 1.20
Paducah, Ky.....	+28	+51	+31	.....	.....
St. Louis Area <sup>1, 2</sup> .....	+ 8	+11	- 2	-17	1.17 1.05
Springfield, Mo.....	+15	+16	+ 3	- 9	.96 .87
Memphis, Tenn.....	+ 8	+12	- 1	- 5	1.23 1.19
All Other Cities*.....	+23	+13	- 1	- 4	.91 .92

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

<sup>1</sup>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.

<sup>2</sup>Includes St. Louis, Clayton, Maplewood, Missouri; Alton and Belleville, Illinois.

Outstanding orders of reporting stores at the end of April, 1952, were 5 per cent smaller than on the corresponding date a year ago.

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

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith.....	46%		Quincy.....	20%	63%
Little Rock.....	21	47	St. Louis.....	19	48
Louisville.....	22	46	Other Cities.....	14	50
Memphis.....	20	37	8th F.R. Dist...	19	45

INDEXES OF DEPARTMENT STORE SALES AND STOCKS				
8th Federal Reserve District				
	Apr., 1952	Mar., 1952	Feb., 1952	Apr., 1951
Sales (daily average), unadjusted <sup>2</sup> .....	101	89	80	96
Sales (daily average), seasonally adjusted <sup>3</sup> .....	98	99	100	98
Stocks, unadjusted <sup>4</sup> .....	122	118	109	151
Stocks, seasonally adjusted <sup>4</sup> .....	114	111	112	142

<sup>2</sup>Daily Average 1947-49=100.  
<sup>3</sup>End of Month Average 1947-49=100.



Inventories held by reporting retail lines on April 30 averaged somewhat less than at the end of April, 1951. At furniture stores the value of inventories on April 30 was slightly larger than a month earlier but almost one-tenth below last year's high level. Department store inventories were about equal to those of a month ago, but dropped 14 per cent below those of a year ago.

The value of outstanding orders at district department stores on April 30 was slightly below that a month earlier and was one-fifth less than a year ago. Women's specialty store inventories dipped below both those a month ago and a year ago. At men's stores they were about equal to those a month previous but were almost one-fifth lower than last year.

## BANKING AND FINANCE

At mid-May business loan volume of weekly reporting member banks in the Eighth District showed about a seasonal decline from a month ago. In contrast the month's decline at mid-April had been less than seasonal. Demand deposits were off from a month ago, but time deposits were up. Banks' reserve positions were about the same, continuing the tightness evident in April. In April debits to deposit accounts at 22 cities in the district (totaling \$3.9 billion) were, when seasonally adjusted, at virtually the same level as in January, slightly below that of February and slightly above that of March of this year.

Nationally, bank loans (commercial, industrial and agricultural loans of weekly reporting member banks in leading cities) declined for the four weeks ended May 14, extending the shrinkage in loan volumes begun after the turn of the year. In part the business loan shrinkage was offset by some growth in consumer and real estate loans. Reserves were under considerable pressure as they had been in April.

**District Banking Developments**—Outstanding loan volume at district member banks remained almost unchanged in April, as in March. Expansion at smaller banks was nearly matched by contraction at larger, city banks. As loans in the aggregate normally decline in April, maintenance of a level position indicates a moderate expansion in credit demand for the month.

The loan expansion noted at smaller banks reflected advances to farmers as well as some growth in real estate and consumer loans. The loan contraction at larger city banks was the net result of a shrinkage of business loans and a moderate pick-up in consumer and real estate loans. The largest net repayments of business loans were made by processors and distributors of farm products.

Deposits at district member banks were drawn down about \$100 million in April, largely as a result of net withdrawals by correspondent banks and the Federal Government. An offsetting factor was an increase in time and demand deposits of individuals and businesses.

Banks generally were in a tight position over most of the month. To meet the drain of funds bankers took several actions. 1) They reduced their excess reserves at the Federal Reserve. 2) They drew on other cash balances. 3) They sold securities, primarily short-term U. S. Government obligations offset, in part, by net purchases of all other types. In the aggregate the net sales of

### TRADE

#### SPECIALTY STORES

	Net Sales		Stocks on Hand		Stock Turnover	
	April, 1952 compared with Mar., '52	Apr., '51	4 mos.'52 to same period '51	Apr. 30,'52 comp. with Apr. 30,'51	Jan. 1 to April 30, 1952	Apr. 30, 1951
Men's Furnishings.....	+16%	+35%	-1%	-19%	.68	.64
Boots and Shoes.....	+40	+49	+4	-10	1.32	1.24

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

Men's Furnishings .....	43%	Boots and Shoes.....	42%
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Trading days: April, 1952—26; March, 1952—26; April, 1951—25.

#### RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	April, 1952 compared with		April, 1952 compared with		Apr., '52	
	Mar., '52	Apr., '51	Mar., '52	Apr., '51	Apr., '52	Apr., '51
8th Dist. Total <sup>1</sup> .....	+14%	+8%	-0%	-13%	23%	22%
St. Louis Area <sup>2</sup> .....	+13	+3	-1	-18	32	30
St. Louis.....	+13	+3	-1	-18	32	29
Louisville Area <sup>3</sup> .....	+21	+13	-1	-16	13	14
Louisville.....	+23	+13	-1	-16	12	13
Memphis.....	+21	+41	+5	-38	15	14
Little Rock.....	+7	+18	+3	+8	20	18
Springfield.....	+14	+12	+4	-5	17	16
Fort Smith.....	+10	+22	*	*	*	*

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

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

<sup>2</sup>Includes St. Louis, Missouri; and Alton, Illinois.

<sup>3</sup>Includes Louisville, Kentucky; and New Albany, Indiana.

#### PERCENTAGE DISTRIBUTION OF FURNITURE SALES

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

securities probably accounted for a part of the deposit declines. 4) They increased their borrowings. The increase was all at the larger city banks. The smaller banks, on balance, reduced their indebtedness.

**District Loan Volume**—The volume of credit extended (total loans and investments) by district member banks in the twelve months ended April 30, expanded \$200 million, twice as much as in the previous twelve months. But the form of expansion was in direct contrast to that of the previous period. The expansion this time was greatest at smaller banks and was centered in investments, primarily U. S. Government securities. In the earlier period the gain was at larger banks where a substantial rise in loans was only partly offset by a drop in investments.

In the recent twelve month period, the increase in loans amounted to \$43 million (in comparison with a \$400 million increase in the previous period). Nearly all the increase was at smaller banks, with about one-half the expansion taking place at those in centers with less than 15,000 population. At larger banks an expansion of loans to consumers and on real estate was nearly matched by a decline in loans to businesses. Net repayments of loans for nondefense activities more than offset a moderate rise in defense loans. The largest net repayments came from trade concerns; textile, apparel and leather manufacturers; sales finance companies; and commodity dealers. The principal offset to

these declines was an increase in borrowings by metal manufacturers.

**Bank Loans to Farmers**—Bank loans to farmers have increased steadily in postwar years, reflecting increased capital requirements in agriculture and a rising price level. At year end 1951 outstanding non-real estate loans to farmers were \$225 million, a 16 per cent increase from 1950 and a 75 per cent increase from 1947. By comparison, Production Credit Association loans in the Eighth Federal

### DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Apr., 1952	Mar., 1952	Apr., 1951	Apr., 1952 compared with	
				Mar., '52	Apr., '51
El Dorado, Ark.....	\$ 27,628	\$ 26,496	\$ 25,485	+ 4%	+ 8%
Fort Smith, Ark.....	43,379	43,119	43,768	- 4	- 1
Helena, Ark.....	7,463	8,547	7,053	-13	+ 6
Little Rock, Ark.....	148,216	154,456	145,306	- 4	+ 2
Pine Bluff, Ark.....	36,552	34,128	28,326	+ 7	+ 29
Texarkana, Ark.*.....	18,381	16,945	13,211	+ 8	+ 39
Alton, Ill.....	28,613	29,875	26,881	- 4	+ 6
E. St. L.-Nat. S. Y., Ill.....	126,046	123,752	126,934	+ 2	- 1
Quincy, Ill.....	33,405	35,078	32,594	- 5	+ 2
Evansville, Ind.....	139,439	137,341	140,748	+ 2	- 1
Louisville, Ky.....	631,430	672,761	612,593	- 6	+ 3
Owensboro, Ky.....	39,864	40,451	31,210	- 2	+ 28
Paducah, Ky.....	42,912	39,676	19,144	+ 8	+124
Greenville, Miss.....	19,393	23,351	19,198	-17	+ 1
Cape Girardeau, Mo.....	12,451	12,738	12,517	- 2	- 1
Hannibal, Mo.....	9,240	9,086	8,864	+ 2	+ 4
Jefferson City, Mo.....	56,482	41,320	52,846	+37	+ 7
St. Louis, Mo.....	1,846,494	1,889,178	1,783,884	- 2	+ 4
Sedalia, Mo.....	11,376	10,906	10,202	+ 4	+12
Springfield, Mo.....	68,202	67,501	62,684	+ 1	+ 9
Jackson, Tenn.....	20,361	20,544	19,634	- 1	+ 4
Memphis, Tenn.....	554,759	637,396	594,699	-13	- 7
Totals.....	\$3,922,086	\$4,076,645	\$3,817,781	- 4%	+ 3%

\* These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to \$39,380.

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

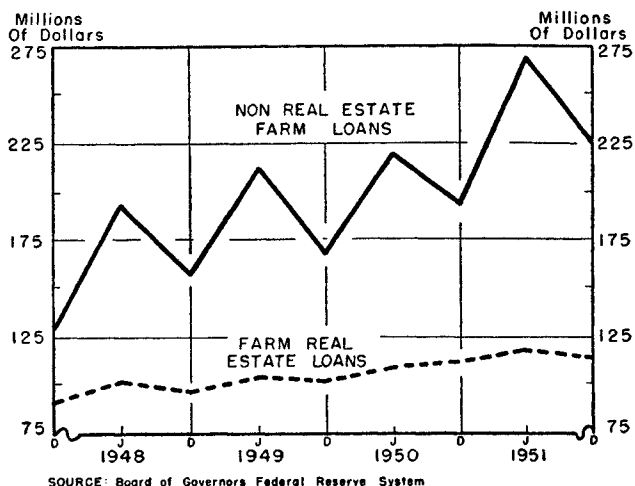
(In Millions of Dollars)	All Member			Large City Banks <sup>1</sup>			Smaller Banks <sup>2</sup>		
	Change from:			Change from:			Change from:		
	Apr., 1952	Mar., 1952 to Apr., 1952	Apr., 1951 to Apr., 1952	Apr., 1952	Mar., 1952 to Apr., 1952	Apr., 1951 to Apr., 1952	Apr., 1952	Mar., 1952 to Apr., 1952	Apr., 1951 to Apr., 1952
<b>Assets</b>									
1. Loans and Investments.....	4,163	- 34	+205	2,400	- 33	+ 92	1,763	- 1	+113
a. Loans.....	1,890	+ 1	+ 43	1,243	- 11	+ 3	647	+ 12	+ 40
b. U.S. Government Obligations.....	1,880	- 42	+129	970	- 24	+ 74	910	- 18	+ 55
c. Other Securities.....	393	+ 7	+ 33	187	+ 2	+ 15	206	+ 5	+ 18
2. Reserves and Other Cash Balances.....	1,348	- 53	+ 62	841	- 34	+ 30	507	- 19	+ 32
a. Reserves with the F.R. bank.....	691	- 34	+ 19	447	- 24	+ 11	244	- 10	+ 8
b. Other Cash Balances <sup>3</sup> .....	657	- 19	+ 43	394	- 10	+ 19	263	- 9	+ 24
3. Other Assets.....	51	+ 4	+ 4	33	+ 3	+ 3	18	+ 1	+ 1
4. Total Assets.....	5,562	- 83	+271	3,274	- 64	+125	2,288	- 19	+146
<b>Liabilities and Capital</b>									
5. Gross Demand Deposits.....	4,120	-104	+183	2,515	- 84	+ 83	1,605	- 20	+100
a. Deposits of Banks.....	634	- 64	+ 42	598	- 61	+ 38	36	- 3	+ 4
b. Other Demand Deposits.....	3,486	- 40	+141	1,917	- 23	+ 45	1,569	- 17	+ 96
6. Time Deposits.....	1,017	+ 7	+ 53	495	+ 4	+ 19	522	+ 3	+ 34
7. Borrowings and Other Liabilities.....	52	+ 10	+ 3	46	+ 14	+ 3	6	- 4	-0-
8. Total Capital Accounts.....	373	+ 4	+ 32	218	+ 2	+ 20	155	+ 2	+ 12
9. Total Liabilities and Capital Accounts.....	5,562	- 83	+271	3,274	- 64	+125	2,288	- 19	+146

<sup>1</sup> Includes 13 St. Louis, 6 Louisville, 3 Memphis, 3 Evansville, 4 Little Rock and 4 East St. Louis-National Stock Yards, Illinois, banks.

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

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

**BANK LOANS TO FARMERS, AMOUNT OUTSTANDING  
ALL OPERATING BANKS, EIGHTH DISTRICT**



Reserve District increased 31 per cent between 1950 and 1951 and 218 per cent from 1947 to 1951. Nationally, however, bank non-real estate loans to farmers and Production Credit Association loans increased by about the same percentage in the four year period: 96 per cent for banks and 94 per cent for PCA's.

**BANK LOANS TO FARMERS  
ALL OPERATING BANKS, EIGHTH DISTRICT  
(In thousands of dollars)**

Eighth District Portion of State	Other Farm Loans (Non-Real Estate)		Farm Real Estate Loans	
	Dec. 31, 1951	Per Cent change from Dec. 30, 1950	Dec. 31, 1951	Per Cent change from Dec. 30, 1950
Arkansas.....	\$ 34,309	+43%	\$ 11,954	+11%
Illinois.....	38,705	+15	13,014	+ 2
Indiana.....	11,015	+ 4	11,880	+ 5
Kentucky.....	29,642	- 5	25,160	- 3
Mississippi.....	17,508	+29	8,468	+ 6
Missouri.....	76,965	+16	31,586	+ 1
Tennessee.....	16,445	+22	12,505	+ 6
Eighth District.....	224,589	+16	114,567	+ 3
United States.....	3,120,196	+24	1,046,923	+ 4

Source: Board of Governors, Federal Reserve System.

In the district portion of Eighth District states, bank non-real estate farm loans increased during 1951 in all states except Kentucky. There the large tobacco crop, combined with record prices, permitted larger than normal payoffs. Largest increases for the year-end loan totals were in Arkansas, Mississippi, and Tennessee. In these states the development of pastures and purchases of livestock have tended to change the pattern of borrowing somewhat. Then, too, the 1951 cotton crop was expensive to produce and some producers

had a rather poor crop, necessitating some carry-over.

In the real estate loan field, the volume of bank farm loans increased 26 per cent during the four years ended December 31, 1951 in contrast to the 75 per cent increase in non-real estate farm loans. While loan volume expanded each year, the increase during 1951 was somewhat smaller than in the preceding three years.

**AGRICULTURE**

Crop conditions in both district and nation improved between April 1 and May 1. Weather during the last half of April was dry and warm, permitting farmers to catch up in farm operations. Indicated production of winter wheat reflected this improvement, the May 1 national estimate by the United States Department of Agriculture being 40 million bushels higher than a month earlier. The Department also reported that the condition of the hay and oats crops was the best in several years.

Weather conditions during the first half of May, however, gave reason for some concern. In district states and throughout the Midwest, moisture generally was needed, particularly in the uplands, although scattered rains were beneficial in many local areas. Also, in contrast to the widespread dryness, large acreages of bottom lands along the Missouri and Mississippi rivers remained too wet for cultivation.

Prices received by farmers increased slightly during the month ending April 15. Prices paid also increased, leaving the parity ratio unchanged at 100. Since mid-April hog prices particularly have turned upward, and on May 16 reached \$22.75 per hundred on the St. Louis market, an increase of \$5.25 during a two-week period.

**AGRICULTURE**

**RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS**

	Receipts			Shipments		
	Apr., '52	April, 1952, compared with		Apr., '52	April, 1952, compared with	
		Mar., '52	Apr., '51		Mar., '52	Apr., '51
Cattle and calves....	79,270	+ 13%	+ 6%	34,708	+ 15%	+42%
Hogs.....	291,998	- 3	- 8	88,723	+ 17	+29
Sheep.....	55,600	+ 50	+41	41,018	+162	+39
Totals.....	426,868	+ 5%	- 1%	164,449	+ 35%	+34%