Monthly Review

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Bank Lending in an Expanding Economy

THREE major trends in bank lending developed during 1952 in the expanding Eighth District economy. (1) Consumer credit rose sharply after removal of Regulation W last May. While the debt burden for most individuals apparently is not excessive, continuation of such a rapid expansion might create instability in the economy. (2) Business loans declined in the district in contrast with their previous growth and continued expansion nationally. The decline reflected primarily a moderate contraction of bank financing of inventories. (3) Lending by larger banks to other banks expanded significantly, chiefly due to the need for reserves and the higher rates on short-term Government securities.

In addition to these major developments, there was some increase in loans on real estate, continued growth in agricultural borrowing, and little change in security loans.

Three major trends in bank lending developed during 1952 in the expanding Eighth District economy.

BANK LENDING is dynamic. A bank loan portfolio is continually changing as lending policies adapt themselves to the financing needs of the community. Changes in portfolios take two forms—variations in volume and in composition of the aggregate. Both have been illustrated by the behavior of loan portfolios of Eighth District member banks over the past few years.

As to volume, loans at these member banks have nearly quadrupled from 1939 through 1952. As to composition, loans to consumers and on real estate were a larger percentage of total loans at the end of 1952 than at the end of 1939, business loans were about the same percentage, and loans to farmers and on securities constituted a smaller share. Finally, more loans to other banks were made in 1952 than in any other recent year although little change was evident in a comparison of year-end levels.

The process of adaptation of bank lending to community needs goes on continuously—some changes are gradual and may require a long period of time, such as the span from 1939 to 1952, to become evident; other changes are pronounced. Recent developments in district bank lending demonstrate the continuity of the adaptation process and how sharp the adjustments can be in a period of just a few months.

During 1952 there were three major shifts in district member bank lending. Consumer borrowing jumped considerably, business loans contracted moderately, and loans to banks increased significantly. In addition there were several minor changes in loan trends. In this article, these recent developments are briefly discussed.

Federal Reserve Bank of St. Louis

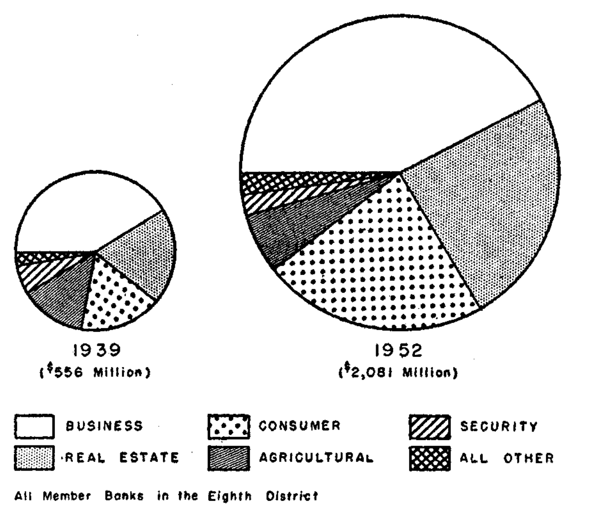
(1) Consumer credit rose sharply after removal of Regulation W last May.

After the termination of Regulation W early last May there was a sharp increase in consumer instalment borrowing. Total consumer instalment debt at banks, retail dealers, and other lenders for the country as a whole jumped 24 per cent from May 1 through the end of the year, a rise of over $3 billion in eight months. At commercial banks the gain was even more impressive. Consumer instalment borrowing at banks throughout the country rose 27 per cent in the same period, a growth of $1.5 billion. At commercial banks in the Eighth District the expansion was also substantial, as the amount outstanding rose 25 per cent ($67 million) in the eight months.

The upswing in consumer borrowing during 1952 was due, in part, to the liberalization of credit terms. Size of down payment, as well as size of monthly instalments, are major factors governing the amount of credit extended. Since early last May there has been a reduction in down payments and lengthening of repayment periods. On new automobiles, for example, twenty-four to thirty month maturities are currently the prevailing terms as compared with the eighteen-month maximum permitted under the most recent regulation. Also, maturities on instalment contracts have been lengthened and substantial reductions have been made in the average down payment on instalment purchases in the household appliance field.

In addition there is some evidence that more buyers of durable goods are using credit than formerly. This is particularly true of new automobiles. In 1951 less than half of the new cars were bought with the aid of credit; preliminary indications are that credit was used in a much larger percentage of new car purchases in 1952.

Loans have grown substantially and their structure has changed.



The immediate effect of this upsurge in consumer instalment debt has been to add to consumer purchasing power, nationally and in this district. As a result, retail sales have been stimulated, especially in durable goods, such as automobiles, refrigerators, and television sets. The addition to consumer purchasing power has likewise stimulated activity in repair and modernization of homes.

The rapid growth of consumer credit has given rise to two questions: "Are consumers too far in debt?" and "Is the debt accumulating too rapidly?" Clear-cut answers cannot be found to such broad questions, as the continuation of the arguments pro and con over many years bears witness, but certain historic comparisons may be helpful in coming to conclusions as to the role of consumer credit in our economy.

While the debt burden for most individuals apparently is not excessive . . .

Consideration of outstanding volume and absolute growth in consumer credit, by themselves, throws little light on the questions of whether consumer credit is too large or is rising too fast. Price levels, incomes, productivity, and population have all increased, and so a rise in credit is only natural. A borrower's capacity to incur debt safely depends, to a great extent, on the amount of income he has remaining after the payment of taxes. If a borrower has an increase in "take-home pay," everything else being equal, his ability to meet instalment payments is also increased.

In recent years, the country has enjoyed an increase in real income—that is, total income adjusted for both price increases and population growth. From 1939 to 1952, the per capita disposable income in constant dollars rose 42 per cent for the country. In the district, the rise has been even greater. This suggests that essential living costs are being met with a smaller proportion of current income, thus freeing a larger portion for saving or for purchasing durable goods and meeting regular instalments on borrowings.

Further, personal holdings of liquid savings have been increasing rather sharply, especially in the past year. It is estimated that these savings are now about four times their 1940 level. Thus over the longer period, consumers as a group are increasing the amount of their cash, deposits, and other liquid savings faster than they are their debt.

Measured against other economic magnitudes, the present outstanding amount of instalment credit, although up from recent years, is in approximately its prewar relationship. As compared with disposable personal income for the year consumer instalment credit outstanding at the close of the year was somewhat higher in 1952 (7 per cent) than it was a year earlier (6 per cent). But it was no higher than it was in 1940, before wartime restrictions were imposed. In terms of repayments on instalment credit to disposable income the ratios are also similar. Repayments on instalment credit now average about $1.8 billion per month or $22 billion per year. This is about 9.5 per cent of disposable income as compared with 9 per cent in 1940 and 1941.

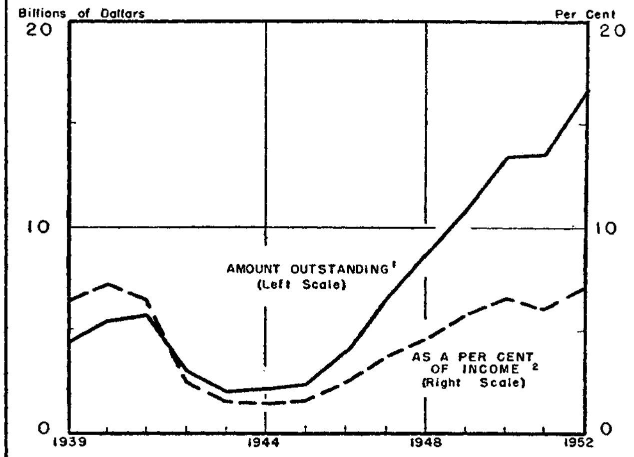
Such comparisons, of course, indicate only overall, average relationships and are unable to take account of differences or changes in the distribution of income or debt. It would be better to relate consumer instalment debt to the income of only those owing the debt and still better to analyze the debt burden by individual cases, rather than by aggregates.

What individual data are available likewise suggest that for most individuals the amount of their borrowing is not excessive. According to the *1952 Survey of Consumer Finances* by the Board of Governors of the Federal Reserve System, roughly half of all consumer spending units had no short-term debt as of early 1952. Another 35 per cent of the spending units owed less than $500. Only one unit in sixteen owed $1,000 or more.

A much better measure of the debt burden than the size of borrowings is the relationship of debt to the borrower's income and savings. Here, again, the figures are favorable. Total consumer short-term debt was less than 10 per cent of annual income for over three-fourths of the consumer spending units. And it was 20 per cent or more of income for only one consumer unit in ten. Also, about a third of the borrowers held liquid assets—such as cash, deposits, and Savings Bonds—equal to or exceeding their total short-term debt.

Although the foregoing data on individual spending units are a year old and there has been a sharp expansion of consumer debt since last April, there is reason to believe that the over-all picture for consumers as a group is only slightly changed now since the sharp growth in consumer credit must be matched against continued growth in incomes, savings, and population. However, the 1953 survey data might modify this conclusion.

Consumer instalment credit rose sharply in 1952 approaching the prewar peak in relation to income.



1. Total consumer instalment credit outstanding at year end for the United States.
2. Ratio of consumer instalment credit at year end to personal disposable income for the year.

. . . *continuation of such a rapid expansion might create instability in the economy.*

It is sometimes said that the volume of consumer credit will have little influence on economic stability so long as the credit is extended only to reasonably sound risks. However, even if it were known that virtually all the consumer credit would be paid when due, the question "Is it rising too rapidly?" would not be answered.

The extension of consumer credit—like any other credit—increases demand. By being able to acquire an automobile or some other durable good "on time," the purchaser is probably able to buy more. Once the purchase is completed, the funds the purchaser obtained from the bank become the funds of (say) the auto dealer. The auto dealer, in turn, will most likely spend the funds, and so will the person who receives them from him.

Not all of the consumer credit extended is expansionary, however. Part of the purchasing power put into circulation by consumer borrowing comes from other peoples' savings out of current income. To the extent that consumer borrowing is counterbalanced by such savings, a net increase in demand is avoided since the funds put into use by lending are offset by funds taken out of use by saving.

The part of the increase in consumer credit that comes, directly or indirectly, from bank credit expansion increases the money supply which, in turn, usually increases consumer demand for goods and services. Here is where the heart of the problem lies. Will the increased demand for goods and services be reflected in larger production or rising prices, or both? The answer is largely dependent upon whether the economy is operating at capacity.

Under conditions of less than full employment, an expansion in consumer credit is generally matched by increased production. Conversely, when business is booming, unemployment is virtually nonexistent, and consumer prices are creeping upward, as at present, a growth in consumer credit tends to raise prices even further. This inflationary pressure is not limited to the consumer durable goods industries, but permeates the entire economy as the money supply expands and is put into use.

Likewise when consumer credit outstanding declines there is generally a depressing effect exercised on employment and prices. When business turns down, the purchase of durable goods is one of the first items that is normally cut out of the family budget, as the purchase of these items can be easily postponed. As a result, instalment credit usually contracts sharply in a business downturn, tending to accentuate recessions in business activity. If the level of consumer credit is high, the contraction tends to be larger.

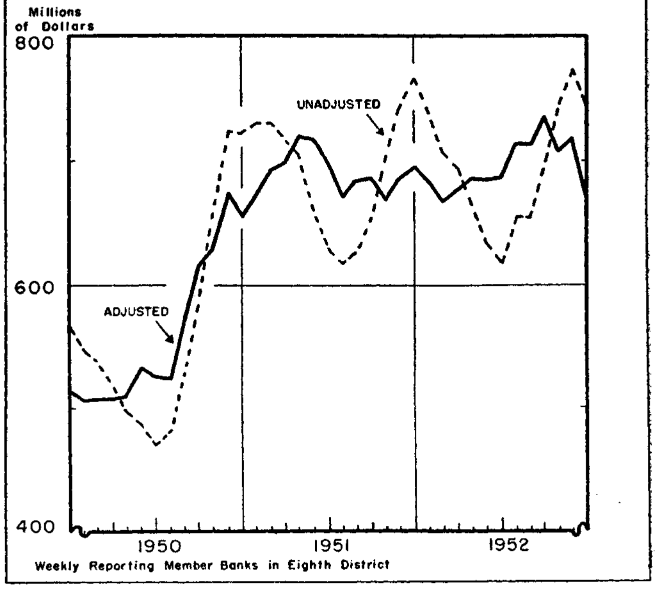
In summary, the question of whether consumer credit is too large or expanding too rapidly cannot be categorically answered. Presently available data —which may be modified—suggest that for most individuals the debt burden now is not too high. However, for some individuals it is excessive. Further, it should be noted that a continuation of the upsurge in consumer credit at such a rapid rate as in the last eight months of 1952 would carry with it some threat to stability in the economy, particularly in that any downturn in business activity probably would be amplified. Caution on the part of lenders and borrowers would appear to be called for.

(2) Business loans declined in the district in contrast with their previous growth and continued expansion nationally.

During 1952, district member bank loans to commerce and industry declined moderately, reversing the rising trend of the previous two years. Furthermore this decrease contrasted sharply with the national trend which continued to rise in 1952. The business loan decrease in the district amounted to less than 2 per cent in 1952 compared with a growth of 27 per cent in 1950 and 6 per cent in 1951. Nationally, business loans expanded about 8 per cent in 1952.

The net decline of business loans in the district over the year was the result of two diverse move-

Business loans declined in late 1952, on an adjusted basis.



ments which characterize the seasonal pattern of these loans. In the first half of the year, these loans were reduced $154 million (17 per cent). In the last half of the year they were increased $141 million. This U-shaped pattern reflects the seasonal fluctuation of business activity and the need for financing it. The same pattern is observable in both national and district data, although the seasonal fluctuation is greater for the district.

The contraction and expansion of loans for the financing of commerce, industry, and agriculture are somewhat different each year. Both the size and the time of harvesting of crops and the marketing of them vary from year to year. Retailers and wholesalers build up inventories at different times and to varying extents. Therefore, separating seasonal fluctuations from cyclical and trend movements is a difficult task and yields approximate, not precise, results. At the same time, the separation should be made in order to properly interpret the data. This Bank makes a rough seasonal adjustment of the figures received from the weekly reporting banks, which transact over four-fifths of the dollar volume of business loans made by all district member banks.

After district business loans are adjusted for this seasonal pattern, they present a much different picture than the unadjusted data. Thus, it is seen that while these loans declined $74 million in the first quarter of 1952, most of the contraction was normal. They fell $80 million in the second quarter but this was somewhat less than usual for the period. And in the third quarter, business loans rose about $85 million, slightly more than is customary from June through September. In the final quarter, although business loans were up roughly $55 million, this growth was substantially less than what might have been expected from comparison with patterns of former years. Therefore, the 1952 data plotted on a seasonally adjusted basis change from the pronounced U-shaped curve to a curve that declines slightly early in the year, works up moderately from March through September and then falls off rapidly in October and again in December.

Not all banks in the district shared in the business loan contraction during 1952, which was occasioned by a drop in these loans at banks in the St. Louis and Memphis areas. Banks in the rural sections and in the smaller towns, as well as in some of the larger cities, such as Louisville, Evansville, and Little Rock, reported moderate gains.

The decline reflected primarily a moderate contraction of bank financing of inventories.

According to data received from reporting banks, the bulk of the business loan contraction at district banks was due to net repayments by commodity dealers and food, liquor, and tobacco manufacturers. The largest contraction was in loans to commodity dealers, primarily on cotton at Memphis and reflected a less-than-normal expansion during the final quarter of 1952. Loans to food manufacturers also showed a sizable decrease over the year. The reduction of these loans was greatest at the St. Louis banks.

In addition to the substantial declines in loans to commodity dealers and food manufacturers, moderate net repayments were received from wholesale and retail concerns, and textile, apparel, leather, and "other" manufacturers. Partially offsetting these declines was a net expansion of loans to metal and metal products manufacturers, contractors, public utilities, sales finance companies, and "other" types of businesses. There was virtually no net change over the year in borrowings by petroleum, coal, chemical, and rubber companies.

Since the outbreak of hostilities in Korea, business borrowing at district banks has exhibited several new patterns reflecting the influence of the defense effort. The first occurred in the fall of 1950 and early 1951. There was a sharp expansion in business loans reflecting primarily a rapid build-up of inventories, in part to handle the increased business. Most types of businesses increased their indebtedness in the period. Very few loans were made to finance defense or defense-supporting contracts (less than one per cent) and only a small part were for plant and equipment (less than 5 per cent).

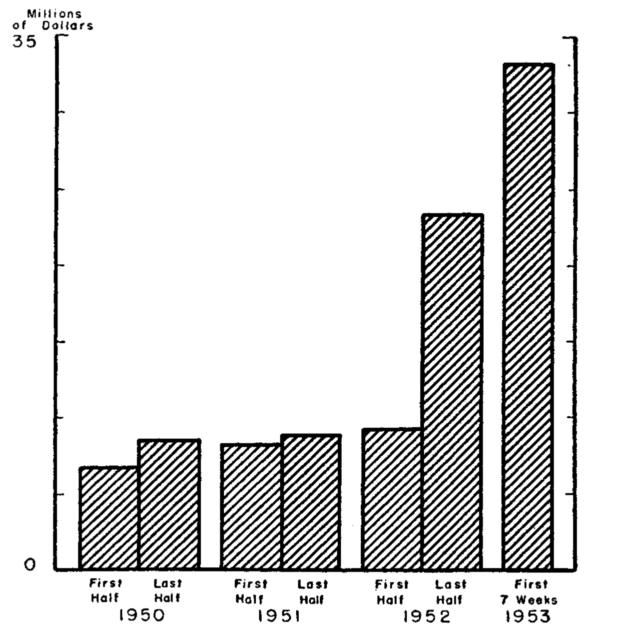
The second pattern developed in the last nine months of 1951. Business loans rose only moderately, as emphasis shifted from inventory accumulation to defense build-up. This shift reflected, in part, the activities of the Voluntary Credit Restraint Committee. Inventory loans were still made to food manufacturers and commodity dealers but the growth was less rapid. Retailers, wholesalers, sales finance companies, and textile manufacturers all reduced their borrowings for working capital. On the other hand, metal manufacturers, petroleum, coal, chemical and rubber firms, and public utilities borrowed more heavily. A much larger percentage of loans was made for defense or defense-supporting purposes.

A third pattern was manifested during 1952. As noted earlier, loans to metal manufacturers, contractors, and public utilities expanded. A large share of these loans was also for financing defense contracts and the expansion of plant and equipment. This growth, however, was more than offset by a moderate contraction in inventory loans for most other businesses, primarily those dealing in agricultural products.

(3) Lending by larger banks to other banks expanded significantly, . . .

Another feature of bank lending in recent months has been the increase in the number and amount of

Loans to banks have become significant.



Each column shows the average of loans outstanding on Wednesdays of Weekly Reporting Member Banks in the Eighth District loans granted by one bank to another. Larger banks have increased their borrowings at the Federal Reserve Bank, and the smaller banks have increased their indebtedness to correspondents. In both cases these borrowings are for the same basic reasons.

Since these loans are generally for very short periods, and since banks traditionally pay off borrowings for year-end "window-dressing" purposes, a clear picture of the growth in this type of activity cannot be obtained by comparing year-end statements. A better indication of the trend in loans to banks can be obtained from averaging the outstandings in this category on the condition reports submitted by the larger (weekly reporting) banks. Virtually all inter-bank loans are made by these banks. The average level of these loans in the last half of 1952 was over $23 million, compared with $9 million each for the first half of 1952 and the last half of 1951. During the year 1950 and the first half of 1951 the level was about $8 million.

. . . chiefly due to the need for reserves and the higher rates on short-term Government securities.

Banks borrow from other banks primarily to adjust their reserve positions. During the war and for most of the postwar years this adjustment was made, not by borrowing, but by selling securities at relatively fixed prices. However, following the Federal Reserve-Treasury accord in the spring of 1951, there was a moderate expansion in the use of bank loans to make adjustments in reserve positions.

Beginning about mid-1952 and extending into 1953 the borrowing wave picked up largely as a result of banks' need for reserves and the higher rates on short-term Government securities. Other factors were the seasonal upswing in credit and the advantage to some banks of including borrowings as a base when using the invested capital method of computing excess profits taxes.

Besides the three major trends in bank lending which have been discussed, there were a number of minor trends. One was a rise in the general level of real estate loans. Another was a continuation of the climb in agricultural loans. A third, was a continuing leveling-off of loans for the purpose of purchasing or carrying securities.

In addition to these major developments, there was some increase in loans on real estate, . . .

Real estate loans at district member banks rose $32 million (6 per cent) during 1952, in comparison with an $18 million increase during 1951. The increased rate of growth during 1952 was largely due to a sharp expansion (13 per cent) in loans secured by commercial, industrial, and other nonresidential, nonfarm properties in contrast to little change in these loans in the previous year. Most of the increased lending on these properties took place at larger banks.

Loans on nonfarm residential property continued to rise at about the same rate (5 per cent) as they did in 1951. However, the make-up of the portfolio changed over the year. Loans insured by the FHA rose sharply, conventional loans rose moderately, and VA guaranteed loans declined slightly.

Loans secured by farm lands were up only moderately during 1952, but the growth was larger than in the previous year. Nearly all the expansion was at the rural banks.

. . . continued growth in agricultural borrowing . . .

Agricultural loans continued their postwar climb during 1952. This growth reflected the increased capital requirements of agriculture, and the cost-price squeeze, resulting in narrowing profit margins for the farmer. District member banks increased their loans to farmers 16 per cent during 1952, roughly the same gain as in 1951. As might be expected, most of the increase came from the rural area banks.

In addition, district banks handled an increasing amount of CCC loan paper during 1952, some of which was sold to the Commodity Credit Corporation. On December 31, district member banks held nearly $11 million of these loans, the largest amount for any call date since immediately after the outbreak of hostilities in Korea. By comparision, at the end of 1951, district member banks held only $5 million worth. A major share of these CCC loans was for financing cotton; however, other district crops such as corn and wheat were also included.

. . . and little change in security loans.

Over 1952, loans for the purpose of purchasing or carrying securities showed little net change, an increase in advances to brokers and dealers about matched the net repayments from all others. This trend of expansion in loans to brokers and dealers and contraction in loans to others continued a trend that commenced in 1951. As a result of the relatively small changes in security loans in contrast to gains in most other types of credit, security loans constituted a smaller share of bank loan portfolios.

Norman N. Bowsher

Survey of Current Conditions

BUSINESS ACTIVITY in the Eighth District during the first six weeks of the new year continued at a high level, after allowance for the usual seasonal changes. In some lines, activity was slightly greater than in December—for example, manufacturing employment and production increased. The automobile industry produced more cars and most other industries continued output at substantial rates. In other lines where activity is normally low in the first part of the year, the drop was about seasonal—for example, trade and business loans. But there were a few negative signs, too—construction contracts awarded dropped below year ago levels (in contrast to national experience), coal and oil output slipped, and wholesale prices continued to decline.

Industrial activity in the nation increased further in January to a new high for the postwar period. The Federal Reserve Board's index of industrial production for the month was estimated at 237 per cent of the 1935-39 average, compared with 235 per cent in December and 221 per cent in January, 1952. Output of passenger automobiles increased about 10 per cent from December, but activity in industries producing other consumer goods and producers' and military equipment changed little following the rapid expansion last fall. Steel ingot output continued to rise in January, to a scheduled rate close to the annual capacity of 117.5 million tons, but production of fuels declined.

While the volume of construction put in place in the nation during January was about the same as a year earlier, the amount of new work contracted for in the month increased substantially. The gain resulted from larger awards for industrial plant, public and commercial buildings and for private housing projects.

Nonfarm employment in the nation dropped from December as a result of seasonal layoffs of temporary workers in retail trade and post offices and further curtailment of outdoor activities, such as construction. However, total nonfarm employment was about 1.3 million greater than a year earlier.

The high level of economic activity in the first part of the year stemmed from strong consumer demand, continued large outlays for plant and equipment, houses and defense goods and some inventory accumulation. The high level of consumer demand in turn reflected the growing personal income and continued use of instalment credit. Coincident with the high rate of industrial activity and substantial consumer demand, liquid savings accumulated (as evidenced by the January growth in time deposits and larger sales of United States Savings Bonds) and wholesale price indexes continued to decline.

The softness of wholesale and spot commodity prices evident during 1952 continued through the first six weeks of the new year. Cattle prices continued downward, reflecting the pressure of increased marketings. Hog prices, however, rose slightly during the period as supplies fell below year earlier levels and because of the decreased fall pig crop. Raw industrial commodity prices were reduced 3 per cent during January. Lead and zinc prices were cut three times in the first five weeks of the year. The adjustments reflected lagging demand and the increased availability of zinc on world markets following resumption of free trading in London. Grain prices also weakened further in the face of large crop surpluses and sagging export demand. But cotton prices increased as farmers were reportedly placing larger quantities under the Government loan program and mill buying expanded moderately.

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1947-49=100)	Jan.,'53	Dec.,'52	Jan.,'52	January, 1953 compared with Dec.,'52	Jan.,'52
All Commodities	109.9	109.6	113.0	−0−%	— 3%
Farm Products	99.8	99.6	110.0	−0−	— 9
Foods	105.5	104.3	110.1	+ 1	— 4
Other	112.9	112.9	114.3	−0−	— 1

CONSUMER PRICE INDEX*

Bureau of Labor Statistics (1947-49=100)	Jan.,'53	Dec.,'52	Jan.,'52	January, 1953 compared with Dec.,'52	Jan.,'52
United States	113.9	114.1	113.1	−0−%	+ 1%

RETAIL FOOD*

Bureau of Labor Statistics (1947-49=100)	Jan.,'53	Dec.,'52	Jan.,'52	January, 1953 compared with Dec.,'52	Jan.,'52
U. S. (51 cities)	113.1	113.8	115.0	— 1%	— 2%
St. Louis	113.5	114.9	116.6	— 1	— 3

* New series.

Price controls were lifted from a number of commodities in early February and removal of most other such controls was planned in the near future. Wage and salary controls were also ended.

Employment

The labor markets in both the district and the nation reflected primarily the seasonal movements in business activity during January. Nonfarm employment in the nation declined about seasonally from December reflecting some curtailment in outdoor work and the usual post-holiday reduction in retail trade and postal activity. At the same time it was the highest on record for the month of January and exceeded that of January, 1952, by about 1.3 million.

Unemployment in the nation increased seasonally from December to January, and was estimated at 1.9 million, but remained less than a year earlier. The proportion of the labor force which was unemployed was only 3.0 per cent in January; a year earlier it was 3.3 per cent.

In the district unemployment also increased from December to January but remained below year earlier levels. For the week ended January 17, there were 178,000 unemployment insurance claims filed under programs of the seven district states, compared with 129,000 claims filed four weeks earlier and 214,000 a year earlier. The change in unemployment claimed in the district states from both a month earlier and a year earlier was comparable to national experience. In St. Louis and Louisville claims for unemployment insurance in January were about one-fourth less than those a year earlier.

Nonfarm employment in the Louisville metropolitan area dropped seasonally from mid-December to mid-January, but remained 6 per cent above the number at work in January, 1952. The drop from December resulted largely from seasonal layoffs in whiskey bottling, retail trade and post offices. Partially offsetting these layoffs was the seasonal pickup in employment at tobacco plants and the hiring of additional workers at chemical plants.

Manufacturing employment in St. Louis gained slightly from December to January, as hirings continued at defense plants, automobile assembly plants increased operations, and other industries changed little. Continued hiring by refrigerator plants raised manufacturing employment at mid-January in Evansville slightly above December, despite a labor dispute idling 700 in a metal working plant and a decline in automobile assembly.

Industry

Manufacturing output in the district in January and early February on the whole increased slightly from the high level it had reached in December. Output of minerals was slightly reduced, due partly to the lag in demand for heating fuels caused by the mild winter weather.

Manufacturing—A high level of operations in January was shown in most district industries according to the report of use of electric power at selected firms in six district cities. Four of the industries—paper and allied products, rubber, primary metals, and nonelectrical machinery—used more power than a month ago or than during January, 1952. In addition, a sizable increase in use of power over a year ago was shown by manufacturers of lumber and wood products, chemicals, electrical machinery and transportation equipment, although daily average consumption changed little from December levels.

CONSUMPTION OF ELECTRICITY—DAILY AVERAGE*

(K.W.H. in thous.)	Jan., 1953 K.W.H.	Dec., 1952 K.W.H.	Jan., 1952 K.W.H.	January, 1953 compared with Dec.,'52	January, 1953 compared with Jan.,'52
Evansville	977	919	782	+ 6%	+25%
Little Rock	218	204	199	+ 7	+10
Louisville	4,117	3,977	3,750	+ 4	+10
Memphis	1,569	1,429	1,394	+10	+13
Pine Bluff	452	323	519	+40	—13
St. Louis	5,219	5,105	4,749	+ 2	+10
Totals	12,552	11,957	11,393	+ 5%	+10%

* Selected manufacturing firms.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Jan.,'53	Dec.,'52	Jan.,'52	First Nine Days Feb.,'53	First Nine Days Feb.,'52	1 mo. '53	1 mo. '52
109,490	106,130	110,584	33,492	35,189	109,490	110,584

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Jan., 1953	Dec., 1952	Jan., 1952	January, 1953 compared with Dec.,'52	January, 1953 compared with Jan.,'52
Arkansas	76.2	76.4	78.3	– 0 –%	— 3%
Illinois	164.0	169.5	168.9	— 3	— 3
Indiana	33.6	33.2	30.7	+ 1	+ 9
Kentucky	30.1	30.9	34.2	— 3	—12
Total	303.9	310.0	312.1	— 2%	— 3%

COAL PRODUCTION INDEX

1935-39=100

Unadjusted Jan., '53	Unadjusted Dec., '52	Unadjusted Jan., '52	Adjusted Jan., '53	Adjusted Dec., '52	Adjusted Jan., '52
158.5 P	172.2 P	180.6	136.6 P	165.6 P	155.7

SHOE PRODUCTION INDEX

1935-39=100

Unadjusted Dec., '52	Unadjusted Nov., '52	Unadjusted Dec., '51	Adjusted Dec., '52	Adjusted Nov., '52	Adjusted Dec., '51
151.1 P	150.0	121.2	154.2 P	151.5	123.6

P—Preliminary.

The steel ingot production rate at mills in the St. Louis area rose 1 point from December to January, but dropped 3 points to 94 per cent of capacity for the first three weeks of February. This was still well above the 75 per cent of capacity for January, 1952, and the 83 per cent during the three weeks thereafter. Automobile assembly increased over December and was also well ahead of year-earlier levels. And the number of livestock slaughtered in January in the St. Louis area was 5 per cent above the number in 1952, on a weekly average basis, due primarily to high beef production.

Shoe output continued high. National production during January was estimated at 5 per cent more than a year earlier. District manufacturers also reported a rise in output.

Whiskey distilling continued at a low level, with 22 of the 61 Kentucky distilleries in operation at the end of January, compared with 23 the previous month and 30 at the end of January, 1952.

The average weekly production of Southern pine in January dropped 5 per cent compared with a year ago, while the operating rate at Southern hardwood mills increased 11 per cent. The total volume of production was moving rather readily into consumption and stocks at mills were holding at about the same level.

Movement of lead from a position of scarcity in early 1952 to current abundance, was evidenced in January when one of two primary lead smelting furnaces located at Herculaneum, Missouri, was shut down. This is expected to cut off about 10 per cent of the national production of refined lead.

Mineral Production—The tonnage produced at district coal mines continued to be low for the season, as mild weather continued to reduce home heating requirements. But many mines had full employment schedules to meet industrial demand. Preliminary figures for January show a 4 per cent decline from December and a 16 per cent drop from a year ago.

Crude oil production in district producing states also declined somewhat from a month and year earlier. Continued pressure of accumulated stocks was reflected in a further drop in the price of crude in the mid-continent field during February. In Texas, allowable production was scheduled to be reduced in March for the third time since December.

Recent reports indicate new oil and gas resource possibilities in the district. A two-well gas field was opened in Monroe County, Mississippi, last year and a second gas field has recently been completed. In addition, some gas testing has been reported in adjacent Chickasaw County.

Construction

The construction industry started the new year by continuing to put a record value of work in place for the month, and contracting for substantially more new work than it did either a month or a year earlier. Construction costs remained stable in January and February, according to the Engineering News Record, but were about 7 per cent higher than a year earlier.

The value of new construction put in place during January declined 8 per cent from December, but remained 6 per cent over January, 1952. This increase dollarwise over a year ago probably represented little change in physical terms, since construction costs increased by approximately the same percentage in the period. The high level of activity during January reflected substantial gains over a year earlier in private residential building, plus gains in private commercial building and in major types of construction for public agencies. New nonfarm housing started in January declined 7 per cent from the advanced December level to 71,000 units, but was still 9 per cent higher than in January, 1952.

Contracts awarded for new construction in the district contrasted sharply with national experience. In the Eighth Federal Reserve District, construction contracts awarded during January, as reported by the F. W. Dodge Corporation, declined from $79 million in December to $56 million in January. The decline was general with all major types of construction sharing in the loss.

BUILDING PERMITS

Month of January, 1953

(Cost in thousands)	New Construction Number 1953	1952	Cost 1953	1952	Repairs, etc. Number 1953	1952	Cost 1953	1952
Evansville	60	44	$ 174	$ 118	47	26	$ 34	$ 18
Little Rock	63	51	688	434	121	164	187	157
Louisville	70	95	1,218	658	44	58	102	131
Memphis	1,359	1,609	3,094	2,659	145	165	184	157
St. Louis	175	176	1,311	1,418	187	156	456	379
Jan. Totals	1,727	1,975	$ 6,485	$ 5,287	544	569	$ 963	$ 842
Dec. Totals	2,165	1,709	$ 6,668	$ 4,191	473	479	$ 792	$ 785

WHOLESALE TRADE

Line of Commodities — Data furnished by Bureau of Census, U.S. Dept. of Commerce*	Net Sales — January, 1953 compared with Dec., '52	Jan., '52	Stocks — January 31, 1953 compared with January 31, 1952
Automotive Supplies	+14%	+11%	— %
Drugs and Chemicals	+15	+17	+ 1
Dry Goods	+22	+13	+ 5
Groceries	+ 3	— 1	+ 2
Hardware	—20	— 4	—11
Tobacco and its Products	—20	— 1	+ 5
Miscellaneous	+18	+11	+ 9
**Total All Lines	—10%	- 0 -%	— 2%

*Preliminary.

**Includes certain items not listed above.

Trade

Consumer spending at reporting district retail stores during January dropped seasonally from that in December, but was little changed from its January, 1952 level. Department store, women's specialty and furniture store sales were at a slightly higher level than a year ago but men's wear store sales failed to equal those in January, 1952. Consumers' response to traditional clearances and seasonal promotions was generally encouraging during January except around midmonth when unfavorable shopping weather was encountered in some portions of the district.

At district department stores, January sales dropped somewhat more than seasonally from those in December but were slightly higher than a year ago. At these stores, consumers apparently concentrated on nondurable "white goods" buying. Major appliance sales totaled somewhat less than a year ago, while slight gains were registered in household textiles divisions. Women's apparel and accessories division sales totaled somewhat under those last year, while men's wear departments about equaled those last year. In the home furnishings division, sales were considerably under those a year ago with sales of television receivers registering the largest decline.

Consumers were also selective in their buying at furniture stores. At reporting stores, total sales volume in January was better than a year ago. More consumer interest was shown in furniture and home-furnishings lines of merchandise. Sales of some major appliances did not equal those of a year ago.

In the St. Louis area, women's specialty store sales increased slightly over those in January, 1952. At men's furnishings stores sales dropped below those last year.

Inventories held by reporting retail lines on January 31 were not much changed from those held a year earlier. At department stores and furniture stores, inventories were somewhat larger than last year. At women's specialty shops, inventories were below a year ago, and at men's wear stores were at about the same levels as last year.

The volume of outstanding orders by district department stores on January 31 was considerably larger than a year earlier. Furniture store commitments at the January shows were also somewhat above those last year, according to trade reports.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Jan., '53	Dec., '52	Jan., '52
Cash Sales	17%	21%	20%
Credit Sales	83	79	80
Total Sales	100%	100%	100%

DEPARTMENT STORES

	Net Sales Jan., 1953 compared with		Stocks on Hand Jan. 31,'53 comp. with	Stock Turnover Jan. 1 to Jan. 31,	
	Dec.,'52	Jan.,'52	Jan. 31,'52	1953	1952
8th F.R. Dist. Total	—55%p	+ 1%p	N.A.	N.A.	N.A.
Ft. Smith, Ark.[1]	—62	— 2	— 1%	.27	.28
Little Rock Area, Ark.[2]	—58	+ 1	+ 5	.26	.27
Quincy, Ill.	—61	— 7	+ 8	.25	.29
Evansville Area, Ind.[2]	—59	+20	....	....	....
Louisville Area, Ky., Ind.[2]	+63	-0-	+ 8	.26	.29
St. Louis Area, Mo., Ill.[2]	—51p	+ 1p	N.A.	N.A.	N.A.
Springfield Area, Mo.[2]	—58	— 6	+ 4	.22	.23
Memphis Area, Tenn.[2]	—57	— 5	+ 6	.30	.34
All Other Cities[3]	—42	+18	+12	.20	.21

p—Preliminary, N.A.—Not available—Final figures available upon request.

[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] The sample for these areas is unchanged from the sample previously reported for the principal cities in these areas. The area designations follow the definition of Standard Metropolitan Areas established by the Bureau of the Budget on October 17, 1950. The areas consist of the following counties: Little Rock Area—Pulaski County, Arkansas; Evansville Area—Vanderburgh County, Indiana; Louisville Area—Jefferson County, Kentucky, Clark and Floyd Counties, Indiana; St. Louis Area—St. Louis City, St. Charles and St. Louis Counties, Missouri, Madison and St. Clair Counties, Illinois; Springfield Area—Greene County, Missouri; Memphis Area—Shelby County, Tennessee.

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

PERCENTAGE OF ACCOUNTS AND NOTES RECEIVABLE

Outstanding January 1, 1953, collected during January

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	%	46%	Quincy	26%	67%
Little Rock	14	43	St. Louis	N.A.	N.A.
Louisville	19	42	Other Cities	12	42
Memphis	20	42	8th F.R. Dist.	N.A.	N.A.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Jan., 1953	Dec., 1952	Nov., 1952	Jan., 1952
Sales (daily average), unadjusted[4]	79p	179	126	81
Sales (daily average), seasonally adjusted[4]	108p	113	106	111
Stocks, unadjusted[5]	N.A.	112	143	92
Stocks, seasonally adjusted[5]	N.A.	128	130	106

[4]Daily average 1947-49=100

[5]End of Month Average 1947-49=100

SPECIALTY STORES

	Net Sales Jan., 1953 compared with		Stocks on Hand Jan. 31,'53 comp. with	Stock Turnover Jan. 1 to Jan. 31,	
	Dec.,'52	Jan.,'52	Jan.31,'52	1953	1952
Men's Furnishings	—58%	—4%	+ 2%	.19	.19
Boots and Shoes	—50	+7	+15	.28	.29

PERCENTAGE OF ACCOUNTS AND NOTES RECEIVABLE

Outstanding Jan. 1, 1953, collected during January

Men's Furnishings.......45%   Boots and Shoes.......45%

Trading days: Jan., 1953—26; Dec., 1952—26; Jan., 1952—26.

N.A.—Not Available, p—Preliminary—Final figures available upon request.

RETAIL FURNITURE STORES

	Net Sales Jan., 1953 compared with		Inventories Jan., 1953 compared with		Ratio of Collections	
	Dec.,'52	Jan.,'52	Dec.,'52	Jan.,'52	Jan.,'53	Jan.,'52
8th Dist. Total[1]	—47%	+ 6%	+ 2%	+ 4%	17%	18%
St. Louis	—56	+ 1	+ 3	+ 7	38	35
Louisville Area[2]	—47	+15	+ 4	— 7	12	14
Louisville	—47	+16	+ 3	— 8	11	13
Memphis	—43	+10	*	*	12	13
Little Rock	—48	—12	+13	+ 6	17	20
Springfield	—35	+14	+ 2	+ 4	16	17
Fort Smith	—49	— 5	*	*	*	*

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

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

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

Banking and Finance

Eighth District member banks were under pressure for funds during January and early February, as demand deposits declined sharply due to a drain of funds. Nevertheless, they expanded their credit.

Another striking feature of the six-week period was further evidence that individuals are continuing to save at a high level. Time deposits at district banks continued to climb and sales of Savings Bonds were up substantially.

District Banking—Reserve positions of Eighth District member banks remained under pressure during January and early February. In addition to the general tightness of these positions as the period began, banks lost reserves over the period from a flow of funds to other districts and from Treasury operations. Partially offsetting these drains was a seasonal flow of currency into banks. To obtain funds to adjust their reserve positions, banks increased their borrowings sharply from both their correspondents and the Federal Reserve Bank.

Despite the pressure on reserve positions bank credit rose moderately during January and early February at district member banks. The growth centered in Government securities. Other investment holdings declined moderately in the six weeks. Total loans were virtually unchanged as a sharp expansion in advances to banks was matched by a contraction in all other types of lending.

Demand deposits at district member banks declined $227 million (5 per cent) during January. The drop, which centered at urban banks, was largely caused by a heavy net outflow of funds. This outflow was occasioned primarily by withdrawal of deposits by correspondent banks, tax payments by individuals and businesses, Treasury calls on Tax and Loan Accounts, and an adverse balance of transactions with other districts. The decline at the rural banks also reflected, in part, the narrowing of farm profit margins.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Jan., 1953	Dec., 1952	Jan., 1952	January, 1953 compared with Dec.,'52	Jan.,'52
El Dorado, Ark.	$ 30,683	$ 29,737	$ 31,734	+ 3%	— 3%
Fort Smith, Ark.	51,230	51,429	47,747	– 0 –	+ 7
Helena, Ark.	10,454	10,532	10,381	— 1	+ 1
Little Rock, Ark.	161,400	173,814	145,536	— 7	+ 11
Pine Bluff, Ark.	40,183	43,909	41,258	— 9	— 3
Texarkana, Ark.*	19,148	19,112	16,530	– 0 –	+ 16
Alton, Ill.	33,339	36,490	30,490	— 9	+ 9
E.St.L.-Nat.S.Y.,Ill.	136,192	151,200	138,287	— 10	— 2
Quincy, Ill.	36,951	36,433	33,842	+ 1	+ 9
Evansville, Ind.	171,578	169,227	140,936	+ 1	+ 22
Louisville, Ky.	725,928	808,412	687,396	— 10	+ 6
Owensboro, Ky.	49,867	51,569	43,510	— 3	+ 15
Paducah, Ky.	45,118	52,139	34,318	— 14	+ 31
Greenville, Miss.	30,281	29,585	28,956	+ 2	+ 5
Cape Girardeau, Mo.	16,096	14,658	13,568	+ 10	+ 19
Hannibal, Mo.	10,173	10,349	9,524	— 2	+ 7
Jefferson City, Mo.	112,810	51,486	73,104	+119	+ 54
St. Louis, Mo.	2,026,184	2,322,108	1,940,929	— 13	+ 4
Sedalia, Mo.	11,709	13,257	11,824	— 12	— 1
Springfield, Mo.	69,288	70,545	69,775	— 2	— 1
Jackson, Tenn.	22,357	23,497	22,456	— 5	— 1
Memphis, Tenn.	730,157	768,824	737,182	— 5	— 1
Totals	$4,541,126	$4,938,312	$4,309,283	— 8%	+ 5%

* These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $40,375.

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	Jan., 1953	Dec., 1952 to Jan., 1953	Jan., 1952 to Jan., 1953	Jan., 1953	Dec., 1952 to Jan., 1953	Jan., 1952 to Jan., 1953	Jan., 1953	Dec., 1952 to Jan., 1953	Jan., 1952 to Jan., 1953
1. Loans and Investments	$4,613	$+ 44	$+320	$2,708	$+ 32	$+188	$1,905	$+ 12	$+132
a. Loans	2,073	+ 3	+154	1,393	+ 7	+ 91	680	— 4	+ 63
b. U.S. Government Obligations	2,147	+ 44	+150	1,127	+ 25	+ 87	1,020	+ 19	+ 63
c. Other Securities	393	— 3	+ 16	188	– 0 –	+ 10	205	— 3	+ 6
2. Reserves and Other Cash Balances	1,451	—151	+ 31	882	—123	+ 13	569	— 28	+ 18
a. Reserves with the F. R. bank	749	+ 21	+ 27	483	+ 16	+ 12	266	+ 5	+ 15
b. Other Cash Balances [3]	702	—172	+ 4	399	—139	+ 1	303	— 33	+ 3
3. Other Assets	54	– 0 –	+ 3	32	– 0 –	– 0 –	22	– 0 –	+ 3
4. Total Assets	$6,118	$—107	$+354	$3,622	$— 91	$+201	$2,496	$— 16	$+153
Liabilities and Capital									
5. Gross Demand Deposits	$4,510	$—227	$+184	$2,747	$—200	$+ 91	$1,763	$— 27	$+ 93
a. Deposits of Banks	783	— 89	+ 2	737	— 87	– 0 –	46	— 2	+ 2
b. Other Demand Deposits	3,727	—138	+182	2,010	—113	+ 91	1,717	— 25	+ 91
6. Time Deposits	1,057	+ 2	+ 58	504	— 2	+ 19	553	+ 4	+ 39
7. Borrowings and Other Liabilities	156	+114	+ 81	145	+109	+ 78	11	+ 5	+ 3
8. Total Capital Accounts	395	+ 4	+ 31	226	+ 2	+ 13	169	+ 2	+ 18
9. Total Liabilities and Capital Accounts	$6,118	$—107	$+354	$3,622	$— 91	$+201	$2,496	$— 16	$+153

[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.

Savings Bonds—In recent months the Treasury's Savings Bond program has been more successful. During 1952 redemptions of these Bonds exceeded sales in each month of the year, as was the case in 1951. However, net redemptions were below the year-ago level during each month last year, and total net redemptions in 1952 ($915 million) were only 54 per cent of those in 1951.

The higher sales during 1952 were experienced both districtwise and nationally and reflected the high rate of consumer liquid saving generally, and the somewhat more favorable terms offered by the Treasury. Total redemptions for the country during 1952 were 10 per cent lower than in 1951, despite the fact that $3.8 billion Series E Bonds matured in the year, compared with $1.1 billion in 1951.

Reports for early 1953 were even more heartening. Sales were up substantially, compared with the December level, reflecting a continued high level of savings. All series shared in the gain; increased sales of Series E Bonds accounted for the major portion. Redemptions of Savings Bonds in early 1953 were at about the same rate as last December. As a result, sales exceeded redemptions during January and early February (about $100 million) for the first time since 1950.

Agriculture

Mild weather in January and February was favorable to crop development. Growth this early in the season, however, makes trees and crops more susceptible to freezing. Moisture has been adequate in district areas, although it has been barely enough to sustain growth in the important southwestern wheat areas of Kansas, Oklahoma, and Texas.

Livestock—Nationally livestock numbers, including poultry, increased slightly during 1952, making this the fourth consecutive year of increase. However, the January 1 total was still 12 per cent below the peak reached in 1944. And due to declines in livestock prices, which more than offset the increase in numbers, the value of all livestock dropped $4.7 billion during the year to an estimated value of $14.9 billion. The increase in numbers reflected a gain in cattle and milk cows and a decline in hogs, sheep, and poultry, turkeys, and work stock.

Cattle numbers, despite greater marketings, increased by 5.9 million head to a total of 93.7 million (a new record), a gain of 7 per cent during 1952. Increases in all district states equaled or exceeded the percentage increase nationally. The average value per head declined from $179 to $128 during the year. And due to the drop in prices, the cattle in district states were worth only $1.2 billion at the end of 1952, as compared with $1.6 billion at the beginning of the year.

CASH FARM INCOME

(In thousands of dollars)	Dec., 1952	Dec., 1952 compared with Nov., 1952	Dec., 1952 compared with Dec., 1951	12 month total Jan. thru Dec. 1952	1952 compared with 1951	1952 compared with 1950
Arkansas	$ 58,610	— 36%	—20%	$ 619,843	+ 9%	+23%
Illinois	185,942	— 2	+ 8	1,999,361	— 2	+15
Indiana	94,767	— 2	+ 2	1,095,810	— 4	+13
Kentucky	147,832	+376	+ 5	583,274	— 5	+14
Mississippi	59,797	— 52	—21	609,648	+11	+25
Missouri	100,708	— 21	+ 5	1,132,590	— 2	+13
Tennessee	62,045	+ 1	+12	523,275	+ 1	+22
7-State Totals	$709,701	— 2%	+ 1%	$6,563,801	– 0 –%	+17%
8th Dist. Total	$350,871	— 8%	— 3%	$3,114,397	+ 1%	+18%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Jan., 1953	January, '53 compared with Dec.,'52	January, '53 compared with Jan.,'52	Jan., 1953	January, '53 compared with Dec.,'52	January, '53 compared with Jan.,'52
Cattle and calves	109,572	—11%	+32%	42,423	—33%	+42%
Hogs	278,701	—13	—23	52,422	—51	—57
Sheep	39,792	—23	—22	9,701	—53	—55
Totals	428,065	—14%	—13%	104,546	—45%	—40%

The number of milk cows on farms increased 3 per cent during the year to 24 million head. This was 7 per cent smaller, however, than the 1942-51 average. Milk cow numbers remained the same in Illinois and Indiana, but increased from 3 to 7 per cent in other district states.

Hog numbers on farms were cut sharply in 1952. The total, 54.6 million, was 14 per cent less than at the beginning of 1952 and 13 per cent lower than the 63.6 million 10-year average. Cuts were less severe in the important hog producing states of Illinois and Indiana. Large reductions occurred in Arkansas, Kentucky, and Tennessee.

Sheep and lambs on farms declined one per cent during 1952 to 31.6 million head. Numbers increased substantially, however, in four district states, Arkansas, Illinois, Indiana, and Mississippi. Chickens, excluding broilers, were down 4 per cent and pullets on farms were down 8 per cent from a year earlier.

Prices—Prices received by farmers continued their downward trend for the month ending January 15. The index on that date was 267 (1910-14=100), compared with an index of 300 a year earlier. The index of prices paid, including wages, taxes, and interest, increased two points to 282. The increase was accounted for by higher wage rates and yearly adjustments in the index of interest on farm mortgage debt and the index of taxes per acre on farm real estate. However, for the year ending January 15, prices paid by farmers declined from an index of 287 to 282. The parity ratio (ratio between prices received and paid) declined one point to 95 during the month.