# Monthly Review

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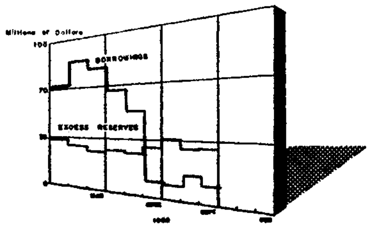
# *The Money Market and District Banking*



MONEY MARKET CONDITIONS influence district bank reserve positions and lending policies.

By illustration, during the first nine-and-a-half months of 1953, there were important shifts in the money market and parallel shifts in district bank reserve positions. From December to mid-May, working balances of district banks were below normal and borrowings were high. But by mid-July their reserve positions had eased, reflecting a net inflow of funds and a reduction in reserve requirements. Then, following moderate drains from routine factors, reserve positions eased again after mid-September, largely because of an inflow of funds from other areas.

Reserve positions, influenced by market conditions, helped shape district bank policies which contributed to business stability and growth.


**Federal Reserve Bank of St. Louis**

### ***Money market conditions influence district bank reserve positions . . .***

THERE IS A CONTINUAL FLOW of checks and other items between the 14,000 commercial banks of the country as banks and their customers conduct their business. In both number of items and in dollar volume the flow is tremendous. Each month the average bank cashes more checks, in dollar amount, than it has total deposits. These outpayments are, of course, offset by an inflow of funds of approximately the same amount. So that, while turning over at a rapid rate, the level of a bank's deposits at the close of business one day is surprisingly little changed from the level on the preceding or on the following day, except in unusual circumstances. And for groups of banks, such as all member banks in the Eighth Federal Reserve District, the percentage variation one day as against the next is even smaller. Not all checks cashed result in an outflow of payments to other banks, as the charge to one customer's account may be matched by a credit to another customer's account in the same bank. Nevertheless, large sums move between banks. The movement of bank money in and out of the Eighth District by way of the Interdistrict Settlement Fund each year amounts to several times the resources of all district member banks.

Although these flows are influenced by numerous factors, they fall into a rough pattern. Normally rural areas lose funds on balance, year in and year out, to a local financial center. This local financial center, in turn, is drained of funds by the money market centers. Completing the circle, the money market banks have an "unfavorable" balance of transactions with certain rural area banks. Thus, there is a circular geographic pattern of movement and the inflows of funds and the outflows of funds are roughly in balance at each stage. One example of this circular pattern is the persistent movement of checks, on balance, from banks in western Tennessee, northern Mississippi, and eastern Arkansas to St. Louis; from St. Louis to New York; and from New York back to banks in the Memphis region.

This circular movement of funds from area to area is a movement of "net" balances—the net of much larger gross flows in both directions between any two points. For instance, there is a persistent net flow of funds from the Memphis region to banks in the St. Louis zone, but so far in 1953 this net flow ($129 million) amounted to only 12 per cent of total transactions between the two regions in the Interdistrict Settlement Fund.[1] Likewise, the Eighth District continuously loses funds to the New York district, but during the first three quarters of 1953 the net flow ($517 million) was only 3 per cent of total transactions in the Fund between the two districts. Although these "net" flows are small percentagewise, they are significant.

Superimposed on this circular movement of bank money from place to place are other recognizable patterns. For instance, the Eighth District banks tend to pick up funds through these flows in the fall but to lose more funds to other areas than they get in return during the spring. This seasonal pattern reflects the high relative importance of agriculture in the district, including both farmers and businesses that process and distribute agricultural products. Then too, banks in some areas (such as those in the Louisville zone) persistently gain funds, on balance, from other areas, at least for many years at a time. These continuous inflows appear to reflect growth factors, such as net investment in the area by outsiders, or operations of the Treasury conducted so as to cause a drain in its account with an offsetting inflow of funds in private accounts.

In addition to seasonal and growth factors, this circular movement of money is subject to numerous irregular influences. As business activity expands, the volume of checks usually increases, many times influencing the net flow of funds between areas. Over time, as the patterns of doing business change, the direction and size of net flows change. Strikes, weather, and many other factors can temporarily disrupt this stream of checks.

Two important, and largely irregular, influences on the circular flow of payments are market factors and System actions. Money market factors (such as currency and gold movements or Treasury operations) and System actions affect the flow of money and add to or subtract from bank reserves or other cash balances. By absorbing or contributing funds, they influence the flow of funds directly. They also affect the flow indirectly. For when these factors persistently absorb a part of one bank's reserve funds, the bank tends to become more conservative in its credit policy. In other words, it is apt to be more selective in its new loans or investments or it may even sell securities. These actions tend to cause the outflow of funds from this bank, in turn, to decline relative to the inflow. And pressure is thereby passed to other banks, which, likewise, in their turn, may be forced to become more conservative. In this manner, the tightness of bank reserve positions in one area caused by money market factors or System actions is usually transmitted to and influences all banks.

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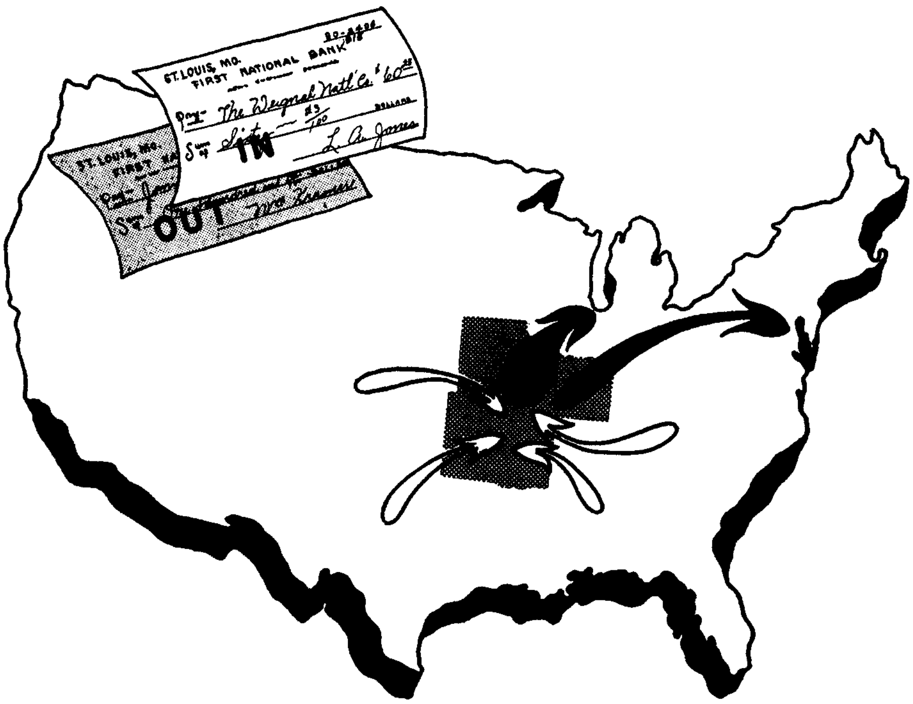
[1] In turn, these Settlement Fund transactions are in many cases net balances of larger gross transactions. Cf., *Bank Reserves and the Flow of Funds,* MONTHLY REVIEW, November, 1952.

# *Largely through changes in the inter-district movement of funds . . .*

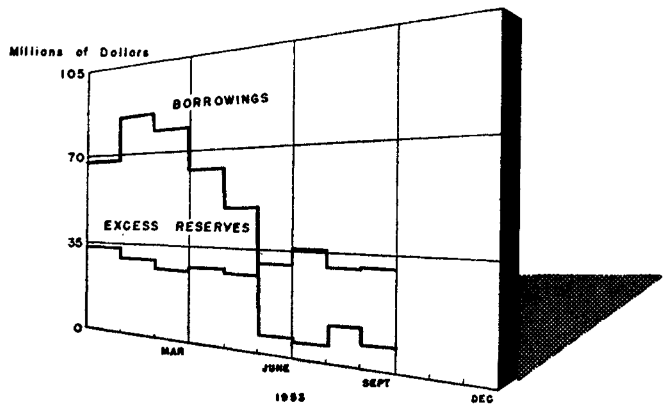



An addition of funds to a bank's reserves by these market, or "routine," factors or by System actions works in just the opposite direction. A bank persistently receiving additional reserve funds usually becomes more lenient in its lending or investing policies. Thus, the outflow of funds from this bank tends to grow relative to the inflow. Other banks, in turn, tend to gain funds and become more lenient in their lending and investing and so the effect fans out to most banks in the nation.

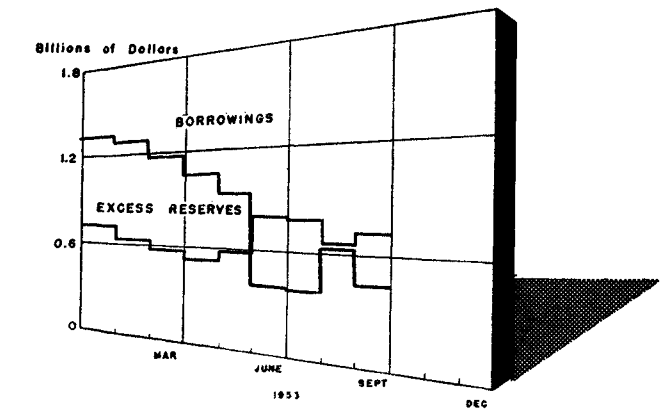
Since the net flow of funds between two areas is only the small difference between total inflows and total outflows, a seemingly insignificant change in total flows becomes a substantial change in the net. For example, if through a tightening of the money market (resulting from, say, an outflow of gold) one per cent of the total flows between the St. Louis district and the New York district is affected, it is estimated that the net outflow from St. Louis to the money market center would double.

Some money market factors influence the stream of monetary payments at virtually every point. Every commercial bank in the nation pays out currency on demand to its customers and every commercial bank accepts currency for deposit. Thus the net movement of currency in and out of banks (a routine market factor) may affect the circular movement of funds at all stages. Many Treasury operations (such as taxing, spending, and sales and redemptions of securities) are also conducted in all regions of the country.

### *. . . the reserve positions of district banks . . .*




### *. . . parallel those for all banks*



In addition to these two money market factors, some Federal Reserve System operations directly affect the circular movement of funds at virtually all points. Federal Reserve "float" (credit given on checks in advance of collection, usually classed as a routine market factor) usually adds to or reduces the reserves of a great many member banks. Reserve requirement changes, likewise, influence directly the amount of free funds held by each member bank. Also member banks in all areas may temporarily add to their supply of reserves by borrowing from their Federal Reserve Bank.

These market and System actions, although decentralized, may not, usually do not, directly affect the reserve positions of all banks proportionately. The actions may be easing bank reserve positions in one area, but absorbing funds in another. Nevertheless, through the flow of payments the net impact of these factors tends to bear upon the reserve positions of all banks.

In contrast to the above factors that directly affect banks in all areas, there are other influences on bank reserves that have their direct effect concentrated in the principal money markets. The major ones are: (1) monetary gold movements, (2) deposits of foreign governments or central banks in the Federal Reserve Banks, (3) a few Treasury operations, and (4) System open market purchases or sales. These factors, however, by constricting or enlarging the stream of payments at the money markets, tend to decrease or increase it at all points.

***. . . and lending policies.***

Whether or not a bank will expand its loans depends on many factors, important among which are the supply of funds and the availability and cost of obtaining more.[2] Money market conditions affect the supply, availability, and cost of funds.

As pointed out, tightness or ease in the money market influences the supply of loanable funds at individual banks by altering the flow of payments between banks. In addition, money market conditions can affect the cost and availability of funds to banks in many ways without initially and directly altering the flow. Since most banks make at least a part of their reserve position adjustments by buying or selling Treasury bills, tightness in the money market (by increasing yields on Treasury bills) directly increases the cost of obtaining more reserves. Tightness or ease in the market can also influence the cost and availability of additional reserves for district banks through changes in attitudes concerning, and cost of obtaining, interbank loans.

***By illustration, during the first nine-and-a-half months of 1953 there were important shifts in the money market . . .***

From the end of December through mid-May the money market was tight. Total borrowings of banks were at near-peak levels and working balances were relatively low. Interest rates, both short and long-term, were working up. The situation reflected: (1) the tightness of funds as the year began, (2) the strong demand for credit, (3) a gold outflow, (4) System sales of securities early in the year, and 5) an increase in the discount rate. Partial offsets were provided by a seasonal currency movement into banks and a continued high level of individual saving.

From the middle of May to the middle of July, the money market went through a transition from tightness to ease. Although bank reserve positions began improving around mid-May, the market was still tight until early June. Interest rates on most issues rose to a peak around the first week in June, but drifted lower thereafter. Early in the period banks gained funds from Treasury operations. System open market purchases added about $1.2 billion over the two months and a lowering of reserve requirements freed a like amount in early July. The easing in those two months was also partly brought about by a slackening in credit demand, especially in the capital market, reflecting both the higher interest rates and more conservative policies by financial institutions.

From mid-July to just after Labor Day, there was a digestion of funds by the market. Banks expanded credit substantially (largely by purchasing Treasury tax-anticipation Certificates) and met a seasonal currency outflow together with a drain from an export of gold. Late in the period, net System purchases provided a partial offset to these losses. Member bank borrowings from the Reserve Banks rose somewhat in the period, but were still low compared with early 1953. Most interest rates remained fairly steady.

In the week after Labor Day, the market eased substantially and remained easy through October 14. At first the additional supply of funds reflected a return flow of currency after Labor Day and an unusually high mid-month expansion in float; subsequently there were sizable System purchases in the open market. In addition there was a less-than-seasonal demand for bank credit.

[2] Some of the other principal factors are: (1) the extent of creditworthy demand, (2) liquidity position of the bank, (3) local bank policies, (4) diversification of the loan portfolio, (5) business prospects, (6) experience of lending officers, and (7) earnings considerations.

***. . . and parallel shifts in district bank reserve positions. From December to mid-May, working balances of district banks were below normal and borrowings were high.***

Thus far in 1953, shifts in the reserve position of district member banks as a whole have reflected the shifts in the money market. District bank reserves were in tight supply through mid-May. Three principal direct causes were: (1) the fully invested position of banks as the year commenced, (2) drains of funds as a consequence of Treasury operations, and (3) a net outflow of money to other areas of the country through commercial and financial transactions. This tightness was relieved somewhat by a seasonal return flow of currency into banks and a contraction in bank credit.

First, at the beginning of January, district bank reserve positions, reflecting the customary peaks in credit and currency demands, were under considerable strain. Last December the pressure on bank reserve positions became unusually heavy. Daily average borrowing from the Federal Reserve Bank of St. Louis during the month amounted to $89 million. By comparison average borrowings were $19 million in December of the previous year. Borrowing from other banks was also sizable.[3] In addition, district member banks had relatively low levels of working balances. Daily average excess reserves were $4 million less than in December a year earlier. Deposits in other banks on a daily average basis were $9 million lower in the month than in the corresponding period of 1951.

Second, district banks were drained of $96 million by Treasury operations during the first four-and-a-half months of the year. This was more than normal for the period and occurred despite a relatively high level of direct Government expenditure in the district which tends to increase reserves. This drain reflected a large volume of income tax collections, cash subscriptions to the Treasury's issue of 3¼ per cent long-term bonds, and increased sales of Savings Bonds in the district.

Third, during the same four-and-a-half months banks lost, on balance, $17 million to banks in other districts through check clearings and wire transfers in the Interdistrict Settlement Fund (payments of $11,277 million and receipts of $11,260 million). These interdistrict movements of funds are the result of commercial and financial transactions of both banks and their customers. It was largely through this flow of checks and other cash items that pressure on bank reserves in the district was equalized with pressure on reserve positions of other banks.

[3] The exact amount of this indebtedness is not available, but an indication of the trend can be obtained from averaging the interbank loans reported weekly by the larger (weekly reporting) banks. The average of these loans during December, 1952, was $28 million. In December, 1951, the average was $3 million.

The money market (as noted above) was tight from the end of December through mid-May, as System sales of securities and a movement of gold out of the country, on balance, directly absorbed reserves of money market banks. Reflecting this tightness, there was a $17 million net outflow of funds from district member banks through the Interdistrict Settlement Fund. Taking into consideration all factors other than interdistrict flows and even allowing for the fact that district banks were drained of proportionately more funds through Treasury operations than banks in other sections, district bank reserve positions were somewhat easier than the reserve positions of other banks. Thus the $17 million net outflow through the interbank flow of funds tended to balance the two situations, as individuals, businesses, and banks sought to put their funds to the most profitable use.

The $17 million net movement of money from the Eighth District was the result of heavy drains to the money markets and gains of funds from other regions. Eighth District banks lost $168 million to the New York district. By comparison the drains to this center in the like period a year ago were greater, but in that period the money market, although relatively easier, was tightening (compared with little change in the current year) and Treasury operations were adding funds to district banks rather than absorbing them.

Largely as a result of the tightness in district bank reserve positions in early 1953 and a slight increase in the cost of obtaining additional reserves (as both the discount rate was increased and prices of securities declined) credit in the district became less readily available. Lenders reportedly became more selective in making loans, terms became tighter, and commitments for future loans became more difficult to obtain. Furthermore, the increased cost of credit discouraged some potential borrowers. The rate on loans to "prime" borrowers rose from 3.00 to 3.25 per cent. And, according to reports, the average rate on advances for financing real estate increased between a quarter and a half of one per cent. Most other rates were marked up a similar amount.

***But by mid-July their reserve positions had eased, reflecting a net inflow of funds and a reduction in reserve requirements.***

In the two months ended July 15, district member banks received a sizable amount of reserves. Thus the heavy pressure on their reserve positions was largely lifted. Banks received a substantial ($58 million) net inflow of funds from other districts through clearings resulting from commercial and financial transactions. In addition, reserve requirements for member banks were reduced, freeing an

## Factors Affecting Eighth District Member Bank Reserve Positions

By Selected Periods from December 31, 1952, through September 30, 1953

Sign Indicates Effect on Reserve Positions

| (Millions of Dollars) | Dec. 31, 1952 through May 13, 1953 | May 13, 1953 through July 15, 1953 | July 15, 1953 through September 9, 1953 | September 9, 1953 through September 30, 1953 | Cumulative December 31, 1952 through September 30, 1953 |
|---|---|---|---|---|---|
| Currency movements | +45 | +7 | −8 | +1 | +45 |
| Treasury operations | −96 | −27 | −14 | −25 | −162 |
| Interdistrict flow of funds | −17 | +58 | +7 | +11 | +59 |
| Boston | +16 | +4 | −7 | +1 | +14 |
| New York | −168 | −144 | −148 | −58 | −518 |
| Philadelphia | −2 | * | +1 | +3 | +2 |
| Cleveland | −44 | −30 | −22 | −9 | −105 |
| Richmond | +157 | +47 | +36 | +33 | +273 |
| Atlanta | +192 | +124 | +101 | +22 | +439 |
| Chicago | −581 | −203 | −169 | −56 | −1009 |
| Minneapolis | +29 | +19 | +13 | +6 | +67 |
| Kansas City | +152 | +108 | +107 | +26 | +393 |
| Dallas | +206 | +101 | +79 | +26 | +412 |
| San Francisco | +26 | +32 | +16 | +17 | +91 |
| Federal Reserve float[1] | +8 | −9 | −6 | +15 | +8 |
| Borrowings | +33 | −31 | +4 | −4 | +2 |
| Miscellaneous factors[2] | +6 | −8 | +1 | −3 | −4 |
| Change in total reserves | −21 | −10 | −16 | −5 | −52 |
| Estimated change in required reserves[3] | −53 | −12 | −14 | +8 | −71 |
| Estimated change in excess reserves | +32 | +2 | −2 | −13 | +19 |

* Less than $500,000.
[1] Checks and other transit items credited to the reserve accounts of depositing banks prior to actual collection by the Federal Reserve Bank.
[2] Shifts of funds between member and nonmember banks and certain income and expenditure transactions of the Federal Reserve Bank.
[3] Primarily due to changes in amount and type of deposits in member banks, but early in July reserve requirement ratios were lowered freeing an estimated $37 million for district member banks.

estimated $37 million, and customers deposited $7 million more currency and coin than they withdrew.[4]

The substantial net inflow of funds from other districts reflected the transition to a condition of ease in the money market generated in part by net System purchases of Government securities. District banks received funds directly, when they or their customers sold securities in the money market; and indirectly, when other banks, after obtaining more reserves through security sales to the System, extended their loans or investments.

From May 13 through July 15 district banks lost $144 million net to banks in the New York district. By contrast, in the like period a year earlier (when the money market was tightening) district banks were drained of $174 million, on balance, by the money market. The easing of pressure on banks in the period also affected the flows of funds at other points. District banks gained $333 million net from the Atlanta, Kansas City, and Dallas districts (districts from which the Eighth District normally gains the most funds on balance). In the corresponding two months in 1952, the Eighth District gained $274 million from these three districts.

[4] District banks, however, had to meet some drains of funds in the two-month period. These offset, in part, the net gains from interdistrict transactions and currency inflows and the freed funds resulting from reduction in reserve requirements. Greatest drain resulted from Treasury operations ($27 million); other routine factors absorbed $17 million. The drain from Treasury operations was occasioned by the Treasury's building up its account at the Federal Reserve Bank. This was made possible, despite large expenditures from this account, by sizable tax collections and large purchases by district residents of Government securities. There were $3 billion worth additional Treasury bills and $6 billion of Treasury tax-anticipation certificates sold nationally in the period.

The gain of funds from the middle of May to the middle of July permitted district banks to improve their reserve positions substantially. Daily average borrowings from the Federal Reserve dropped to $4 million in the first half of July from $72 million in the first half of May. Also, these banks increased their working balances. Their daily average excess reserves rose $20 million and their daily average deposits due from other banks jumped $41 million from the first half of May to the first half of July.

The improvement in bank reserve positions halted the tightening of credit. Interest rates generally leveled off and some more sensitive rates moved down slightly in early July. But, for many borrowers, credit was still considered tight.

***Then, following moderate drains from routine factors, . . .***

Eighth District banks were drained of a moderate amount of funds between July 15 and September 9. Bank customers withdrew currency on balance, largely in anticipation of the Labor Day weekend. Both Treasury operations and Federal Reserve "float" absorbed moderate amounts of reserves. A partial offset to these losses was provided by a net inflow of funds from other districts.

To meet the reserve drains, district banks increased their borrowings from the Federal Reserve Bank from $3 million to a peak of $39 million (on September 6). However, most bank reserve positions were considerably easier than in April when daily average borrowings were about $70 million.

Partly as a result of this loss of reserves, credit in the district continued tight, despite some slackening in the demand. Lenders, with limited funds, continued to be selective. Interest rates remained on the relatively high plateau reached in early June.

***. . . reserve positions eased again after mid-September, largely because of an inflow of funds from other areas.***

In the two weeks after Labor Day, district residents deposited more cash than they withdrew. Also, banks in the area gained funds from a sharp expansion in Federal Reserve "float" around mid-September reflecting a temporary pick-up in the volume of checks handled. For a time, these factors eased the pressure on bank reserve positions. But later in September and in early October currency again began flowing into circulation and "float" contracted to normal levels.

However, bank reserve positions remained fairly easy largely as a result of a "favorable" balance of interdistrict clearings of checks. In addition, the expansion in loans, being less than expected, failed to absorb fully the reserves which became available in each individual bank for this purpose. From September 9 through October 14, district banks gained $36 million through interdistrict transactions. The net inflow of funds was largely the result of a smaller-than-usual drain to the Chicago and New York areas being more than offset by net gains from most other regions, especially the immediately adjacent districts to the South and West. This gain of funds by district banks through interdistrict clearings was partly seasonal but also reflected the somewhat easier money market conditions. With the easing in bank reserve positions some relaxation developed in bank credit policies.

***Reserve positions, influenced by market conditions helped shape district bank policies which contributed to business stability and growth.***

District bank lending thus far in 1953 has reflected the change in bank reserve positions. The reserve positions of district banks, in turn, have shown the influence of shifts in the money market. Over the first half of the year, when the money market was tight and bank reserves were under pressure most of the time, district banks became more restrictive in making loans and interest rates were increased. But due to a strong credit demand bank lending was at a high level. A large share of the funds was obtained by selling Government securities to nonbank investors and by borrowing.

Reporting district banks made over a billion dollars of new loans to businesses in the first half of 1953. This was 10 per cent more than in the like period a year ago. Reflecting the large volume of new credit extended, outstanding loans to commerce and industry declined only 11 per cent at district member banks. Normally these advances contract about 20 per cent in the first half-year (and expand roughly the same amount in the last half). The contraction centered in a seasonal decline in advances to food processors and commodity dealers; most other types of businesses increased their borrowings.

Not only did district member banks finance business to a greater extent, but they also extended more credit to other borrowers. Consumer loans rose sharply (an estimated 20 per cent) in the first half-year. The largest increase was in automobile paper, but all other categories also increased. Loans to farmers (other than CCC) were up 11 per cent and advances for the purpose of purchasing or carrying securities rose 5 per cent. New loans made for the purpose of financing real estate roughly matched repayments, a decline in outstanding advances secured by residences being counterbalanced by an expansion of loans secured by commercial, farm and other properties. In addition, these banks increased their holdings of municipal securities by $22 million.

Since mid-year, the demand for credit has declined. Thus, despite the easing of bank reserve positions which helped relax bank credit policies, loans have tended to level off. Business loans have only maintained their seasonal pattern and in recent weeks a further weakening has been indicated. Consumer loans, which had been rising sharply in the first half of 1953, rose about 2 per cent in July, but declined moderately in August and September. Real estate loans have continued their sidewise movement. And indications are that both loans to farmers and those to finance the purchasing or carrying of securities have contracted moderately.

In conclusion, district banks so far in 1953 have contributed substantially to the financial needs of the expanding economy. This contribution was made not only by increasing loans to provide for growth but also by following credit policies that have contributed to business stability. Early in the year when underlying pressures were inflationary and the demand for credit strong, banks contributed to stability by becoming more restrictive in their lending policies. Tighter credit policies by district banks in this period reflected, in part, the tighter money market conditions generally. In recent months as the excessive demand for credit has disappeared, district banks have relaxed the restrictions on their lending somewhat (again reflecting money market conditions) and thus have provided a stimulus to continued business stability.

Norman N. Bowsher

# Survey of Current Conditions

BUSINESS ACTIVITY in the Eighth District declined slightly during September and early October. Nevertheless, activity was still at a higher level than a year earlier and only slightly below the peak level reached in the spring of this year. Employment in the major centers of the district followed diversified trends with little net change from August, but was somewhat below the level in the earlier months of the year. Industrial and construction activities declined. Department store sales, seasonally adjusted, fell below August levels and, for the second consecutive month, failed to equal the rate of a year earlier. Reflecting a decrease in prices of farm products and, to some extent, the damaging effects of the drouth, farm income in the district continued below 1952. With the easing in the general business activity and reduced inventory accumulation, loans to businesses expanded less than seasonally in September and the first half of October.

Economic activity in the nation also slowed slightly during September. Industrial output declined. The drop in national employment was primarily seasonal, but for the first time this year there was virtually no margin of gain over comparable months of 1952. Department store sales rose less than seasonally. Construction activity, which had increased less than normally in recent months, remained practically unchanged from August to September. Bank loans expanded substantially less than in the same period a year ago. Average wholesale prices declined about one per cent from mid-September through mid-October, and prices of basic raw materials eased further.

**CONSUMER PRICE INDEX**

| Bureau of Labor Statistics (1947-49=100) | Sept.,'53 | June,'53 | Sept.,'52 | Sept., 1953 compared with June,'53 | Sept., 1953 compared with Sept.,'52 |
|---|---|---|---|---|---|
| United States | 115.2 | 114.5 | 114.1 | + 1% | + 1% |
| St. Louis | 117.1 | 115.8 | 115.5 | + 1 | + 1 |

**RETAIL FOOD**

| Bureau of Labor Statistics (1947-49=100) | Sept.,'53 | Aug.,'53 | Sept.,'52 | Sept., 1953 compared with Aug.,'53 | Sept., 1953 compared with Sept.,'52 |
|---|---|---|---|---|---|
| U. S. (51 cities) | 113.8 | 114.1 | 115.4 | -0-% | — 1% |
| St. Louis | 115.7 | 117.2 | 116.7 | — 1 | — 1 |

**WHOLESALE PRICES IN THE UNITED STATES**

| Bureau of Labor Statistics (1947-49=100) | Sept.,'53 | Aug.,'53 | Sept.,'52 | Sept., 1953 compared with Aug.,'53 | Sept., 1953 compared with Sept.,'52 |
|---|---|---|---|---|---|
| All Commodities | 111.0 | 110.6 | 111.8 | -0-% | — 1% |
| Farm Products | 97.9 | 96.4 | 106.6 | + 2 | — 8 |
| Foods | 106.5 | 104.8 | 110.3 | + 2 | — 4 |
| Other | 114.8 | 114.9 | 113.2 | -0- | + 1 |

The total value of goods and services produced in the nation during the third quarter decreased slightly from the peak level reached in the second quarter. Decreases in the rate of business inventory accumulation and Government expenditures for national security programs more than offset an increase in consumer expenditures. Business inventories had been expanded at an annual rate of $8.8 billion during the second quarter, but during the third quarter additions were at a rate of $5.5 billion. Investment in private residential construction also declined slightly from the second to the third quarter but other forms of private domestic investment increased slightly. Expansion in consumer spending in the third quarter reflected largely further growth in expenditures for services, with purchases of durable goods showing little change and outlays for nondurable goods rising only slightly.

The declining rate of Government outlays, the prospective reductions in new plant and equipment expenditures and the record level of inventories, were among the chief factors in the current business outlook. Business inventories at the end of August were at a record level of nearly $79 billion, almost $6 billion higher than a year earlier, while sales have increased to a lesser extent. As a result of the high levels of stocks, businessmen have become cautious and reduced their orders. There has also been a decline in military orders.

## Employment

The opening of schools in September called away from shop, store, and farm thousands of teen agers who had swelled employment to an all-time high in August. Without the students, an estimated 62.3 million people remained at work in the nation, about a million less than were employed in August, and about the same as in September, 1952. Unemployment, estimated at 1.2 million in early September, remained practically unchanged from August.

Through September and October signs of a slackening in demand for labor appeared in both nation and district. There were layoffs in a variety of industries, with the greatest number occurring in durable goods manufacturing, and there were some increases in initial claims for unemployment compensation.

Employment declined from August to September in the two largest labor markets of the Eighth District, St. Louis and Louisville, but increased in Evansville and Little Rock. The St. Louis area declines resulted from layoffs in plants producing aircraft, tank parts, railroad castings, and auto parts. In Louisville, construction completions were the largest factor in the 1.2 per cent decline in total employment. However, Louisville employment was 6 per cent higher this September than a year earlier.

Evansville recovered somewhat in September from an August employment low of 78,200. The 4 per cent increase was accounted for largely by recalls of auto workers following a shutdown for inventory adjustment.

In Little Rock, settlement of a labor dispute which had affected 1,050 workers in August, and a seasonal increase in cottonseed oil milling helped raise manufacturing employment 1,350 from August. Total nonagricultural employment increased by 1,600 to 71,550, which is 1,550 above a year ago.

# Industry

Industrial production in the district tapered off slightly in September and early October. But many indicators were well above 1952 levels.

**Manufacturing**—Of the fourteen lines of manufacturing activity for which reports were obtained, only three (rubber, fabricated metals, and electrical machinery) showed an increase in use of electric power in September over that used in August. All others showed declines. However, all except two lines (primary metals and shoes) showed an increase in power use over September a year ago, showing that production still remained strong.

Particularly strong, among other indicators, was the steel ingot rate in the St. Louis area where operations were held at 99 per cent of capacity throughout September and early October. Southern hardwood production in the district also continued in good volume, although orders were reportedly below production and stocks thus were rising.

Livestock slaughter remained heavy as the drouth continued to force marketings, and hog marketing increased seasonally. Whiskey output improved, with five more distilleries in Kentucky in operation at the end of the month than at the end of August and eight more than on September 30, 1952.

Some activity lagged, however. Southern pine mills continued production at a reduced rate from a month and a year ago in September and early October. And shoe production in September and October was estimated to be running 5 to 10 per cent below last year, according to results of a survey made by the National Shoe Manufacturers Association. September orders were running 10 to 20 per cent below those of 1952, the survey also showed.

Production of slab zinc at St. Louis was cut back at the end of September and will be further reduced in November. Imports of this metal have increased sharply in recent months.

In a number of instances, producers of durables, such as defense goods and autos, made further cutbacks.

**Mineral Production**—Coal output at the end of September and in the first weeks of October experienced a slight seasonal pickup. Oil production remained at about the same level, although for the month of October allowable output in Arkansas was reduced 15 per cent by state authorities. Stocks were high throughout the country.

# Construction

There was no apparent slackening in total construction activity in the nation from August to September, although the number of new housing starts declined. Expenditures for new construction in September, totaling $3.3 billion, were about the same as in August and were 5 per cent above September, 1952. Private expenditures of $2.2 billion were 8 per cent above those of a year ago, while public expenditures were practically unchanged from last year. September's 92,000 housing starts were 2,000 under those of August and 8,800 under those of September, 1952.

### CONSUMPTION OF ELECTRICITY DAILY AVERAGE*

| (K.W.H. in thous.) | Sept., 1953 K.W.H. | Aug., 1953 K.W.H. | Sept., 1952 K.W.H. | Sept., 1953 compared with Aug., '53 | Sept., 1953 compared with Sept., '52 |
|---|---|---|---|---|---|
| Evansville | 912 | 910 | 853 | −0−% | + 7% |
| Little Rock | 181 | 138 | 169 | +31 | + 7 |
| Louisville | 4,485 | 4,590 | 3,860 | — 2 | +16 |
| Memphis | 1,603 | 1,454 | 1,346 | +10 | +19 |
| Pine Bluff | 516 | 476 | 280 | + 8 | +84 |
| St. Louis | 5,340 | 5,464 | 5,132 | — 2 | + 4 |
| Totals | 13,037 | 13,032 | 11,640 | −0−% | +12% |

* Selected Manufacturing Firms.

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

| Sept.,'53 | Aug.,'53 | Sept.,'52 | First Nine Days Oct.,'53 | First Nine Days Oct.,'52 | 9 mos. '53 | 9 mos. '52 |
|---|---|---|---|---|---|---|
| 110,795 | 111,934 | 98,767 | 33,227 | 29,061 | 907,980 | 873,059 |

Source: Terminal Railroad Association of St. Louis.

### CRUDE OIL PRODUCTION—DAILY AVERAGE

| (In thousands of bbls.) | Sept., 1953 | Aug., 1953 | Sept., 1952 | Sept., 1953 compared with Aug.,'53 | Sept., 1953 compared with Sept.,'52 |
|---|---|---|---|---|---|
| Arkansas | 77.8 | 77.0 | 75.1 | + 1% | + 4% |
| Illinois | 165.3 | 161.5 | 166.9 | + 2 | — 1 |
| Indiana | 34.6 | 34.9 | 33.7 | — 1 | + 3 |
| Kentucky | 31.5 | 31.3 | 32.2 | + 1 | — 2 |
| Total | 309.2 | 304.7 | 307.9 | + 1% | −0−% |

### COAL PRODUCTION INDEX
1935-39=100

| Unadjusted Sept., '53 | Unadjusted Aug., '53 | Unadjusted Sept., '52 | Adjusted Sept., '53 | Adjusted Aug., '53 | Adjusted Sept., '52 |
|---|---|---|---|---|---|
| 144.8 P | 132.2 P | 194.2 | 137.9 P | 133.5 P | 185.0 |

P Preliminary.

**INDEX OF CONSTRUCTION CONTRACTS AWARDED EIGHTH FEDERAL RESERVE DISTRICT***

(1947-1949=100)

| | Aug., 1953 | July, 1953 | Aug., 1952 |
|---|---|---|---|
| Unadjusted | | | |
| Total | 188.3P | 183.9 | 457.9** |
| Residential | 176.2P | 167.8 | 174.8 |
| All Other | 193.9P | 191.3 | 589.3** |
| Seasonally adjusted | | | |
| Total | 154.2P | 142.2 | 373.4** |
| Residential | 146.8P | 143.3 | 145.7 |
| All Other | 157.6P | 141.7 | 479.1** |

* Based on three-month moving average of value of awards, as reported by F. W. Dodge Corporation.

** Includes $459,000,000 Atomic Energy Commission project.

P Preliminary.

In the Eighth District, construction employment declined in several areas, and remained the same or increased slightly in others. Louisville had the largest decline; completion of major projects reduced construction employment by 18 per cent from August to September. A gradual reduction continued at the Atomic Energy Commission project near Paducah. Work on the Joppa, Illinois, power plant of Electric Energy, Inc., was stalled through the last two weeks of September and the first part of October by an ironworkers strike. In Little Rock, a small increase in construction employment was reported. In St. Louis, construction employment in September recovered the loss caused by the prolonged strike.

Construction contracts awarded, as reported by the F. W. Dodge Corporation, during September in 37 eastern states increased 23 per cent from August, but were still substantially below those of a year ago. Awards in the 8th district went down instead of up from August to September, but were higher than a year ago. If the value of a $459 million AEC Contract reported last year is excluded.

The Eighth District appears to be lagging considerably behind the nation in the value of construction contracts awarded in the first 8 months of 1953. While total awards in the nation were 4 per cent higher in the first 8 months of this year than in 1952, total awards in this district were down 13 per cent. Similar differences can be seen for the other classifications in the table below. The most noticeable drop was in contracts for factory construction in the district—down 55 per cent from 1952.

**CONSTRUCTION CONTRACT AWARDS**

| | 8 months '53 compared with 8 months '52 | |
|---|---|---|
| | Eighth District | United States |
| Total Construction | —13%P | + 4% |
| Residential | —16P | — 4 |
| Commercial | +17 | +61 |
| Manufacturing | —55 | + 4 |
| Public Works and Public Utilities | — 8 | + 4 |

P Preliminary.

Source: F. W. Dodge Corporation.



# Trade

The level of district retail sales in September and through mid-October was somewhat lower than in the comparable period of 1952. Sales volume during September was larger than in August in some lines—but the increase was less than usual. Continued unseasonally warm weather limited the effectiveness of traditional promotions at district

**DEPARTMENT STORES**

| | Net Sales: Sept., 1953 compared with Aug., 1953 | Net Sales: Sept., 1953 compared with Sept., 1952 | Net Sales: 9 mos. 1953 to same period '52 | Stocks on Hand: Sept. 30,'53 comp. with Sept., 30,'52 | Stock Turnover Jan. 1 to Sept. 30, 1953 | Stock Turnover Jan. 1 to Sept. 30, 1952 |
|---|---|---|---|---|---|---|
| 8th F.R. District Total | + 4% | — 5% | + 3% | + 7% | 2.54 | 2.70 |
| Fort Smith Area, Ark.[1,2] | + 8 | —11 | — 2 | +11% | 2.44 | 2.58 |
| Little Rock Area, Ark.[2] | +11 | — 6 | — 1 | + 9 | 2.42 | 2.71 |
| Quincy, Ill. | — 3 | — 2 | + 1 | + 5 | 2.47 | 2.72 |
| Evansville Area, Ind.[2] | + 5 | + 8 | +11 | ....... | ...... | ...... |
| Louisville Area, Ky., Ind.[2] | + 2 | —10 | + 1 | + 3 | 2.72 | 2.83 |
| St. Louis Area, Mo., Ill.[2] | + 5 | — 3 | + 4 | + 7 | 2.55 | 2.69 |
| Springfield Area, Mo.[2] | + 1 | — 9 | — 1 | + 3 | 2.27 | 2.48 |
| Memphis Area, Tenn.[2] | + 3 | — 6 | + 2 | +10 | 2.78 | 2.98 |
| All Other Cities[3] | – 0 – | —12 | + 1 | + 5 | 2.07 | 2.44 |

[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.

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

Outstanding orders of reporting stores at the end of September, 1953, were 27 per cent smaller than on the corresponding date a year ago.

**PERCENTAGE OF ACCOUNTS AND NOTES RECEIVABLE**

Outstanding September 1, 1953, collected during September.

| | Instalment Accounts | Excl. Instal. Accounts | | Instalment Accounts | Excl. Instal. Accounts |
|---|---|---|---|---|---|
| Fort Smith | % | 41% | Quincy | 18% | 56% |
| Little Rock | 14 | 45 | St. Louis | 18 | 53 |
| Louisville | 21 | 47 | Other Cities | 9 | 44 |
| Memphis | 18 | 43 | 8th F.R. Dist. | 18 | 49 |

**INDEXES OF DEPARTMENT STORE SALES AND STOCKS**

8th Federal Reserve District

| | Sept., 1953 | Aug., 1953 | July, 1953 | Sept., 1952 |
|---|---|---|---|---|
| Sales (daily average), unadjusted[4] | 109 | 100 | 86 | 116 |
| Sales (daily average), seasonally adjusted[4] | 102 | 110 | 107 | 108 |
| Stocks, unadjusted[5] | 138 | 130 | 122 | 129 |
| Stocks, seasonally adjusted[5] | 129 | 134 | 131 | 121 |

[4] Daily average 1947-49=100.

[5] End of Month average 1947-49=100.

Trading days: September, 1953—25; August, 1953—26; September, 1952—25.

**RETAIL FURNITURE STORES**

| | Net Sales: Sept., 1953 compared with Aug., 1953 | Net Sales: Sept., 1953 compared with Sept., 1952 | Inventories: Sept., 1953 compared with Aug., 1953 | Inventories: Sept., 1953 compared with Sept., 1952 | Ratio of Collections Sept., 1953 | Ratio of Collections Sept., 1952 |
|---|---|---|---|---|---|---|
| 8th Dist. Total[1] | — 9% | — 8% | — 1% | — 1% | 18% | 19% |
| St. Louis | — 5 | —11 | — 1 | — 4 | 26 | 27 |
| Louisville Area[2] | —16 | + 8 | + 7 | — 4 | 14 | 13 |
| Louisville | —16 | + 7 | + 7 | — 5 | 13 | 12 |
| Memphis | —31 | —21 | * | * | 10 | 13 |
| Little Rock | +14 | —12 | — 6 | - 0 - | 14 | 18 |
| Springfield | — 6 | —20 | + 1 | + 9 | 15 | 16 |
| Fort Smith | — 7 | —10 | * | * | * | * |

* 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.

**PERCENTAGE DISTRIBUTION OF FURNITURE SALES**

| | Sept., '53 | Aug., '53 | Sept., '52 |
|---|---|---|---|
| Cash Sales | 14% | 16% | 15% |
| Credit Sales | 86 | 84 | 85 |
| Total Sales | 100% | 100% | 100% |

department stores and apparel stores. On the automobile market, used car sales were substantially lower than a year ago and selling prices continued to decline. Furniture and appliance store volume also was lower than in the comparable period of 1952.

On a seasonally adjusted basis, daily average department store sales during September were 102 per cent of the 1947-1949 base period. In comparison, they were 110 per cent in August and 108 per cent in September, 1952. In the third quarter, sales declined (on a seasonally adjusted basis) from the peak level reached in the previous quarter, and were below those in the third quarter of 1952. In the first two weeks of October, sales were down 7 per cent from those last year. For the first nine months of 1953, sales were 3 per cent larger than in 1952, down somewhat from the 5 per cent cumulative gain at mid-year.

At district specialty stores, sales experience during September was somewhat better at women's than at men's wear stores. Women's specialty store sales were substantially larger than in August and equaled those a year ago. Men's wear store volume, while larger than a month earlier, was below that in September, 1952.

**WHOLESALE TRADE**

| Line of Commodities<br>Data furnished by Bureau of Census, U.S. Dept. of Commerce* | Net Sales<br>Sept., 1953 compared with<br>Aug.,'53 | <br><br>Sept.,'52 | Stocks<br>Sept. 30, 1953 compared with<br>Sept. 30, 1952 |
|---|---|---|---|
| Automotive Supplies | + 2% | —11% | + 7% |
| Drugs and Chemicals | +18 | + 4 | +21 |
| Dry Goods | — 7 | —15 | +22 |
| Groceries | + 6 | -0- | — 2 |
| Hardware | + 4 | —10 | + 1 |
| Tobacco and its Products | +11 | -0- | + 6 |
| Miscellaneous | + 7 | + 2 | + 7 |

* Preliminary.

Furniture store sales for the district as a whole during September were lower than in both August and in September, 1952. This marked the third consecutive month that sales have declined in comparison to those in 1952.

With consumer buying lagging, retail inventories climbed to relatively high levels. At district department stores the retail value of inventories held on September 30 was 7 per cent above that a month earlier and 9 per cent larger than on September 30, 1952. On a seasonally adjusted basis, end-of-month stocks were 129 per cent of the 1947-1949 average down slightly from the near peak level a month earlier. At other reporting retail lines, inventories were generally larger than a year ago.

# Banking and Finance

The period from mid-September to mid-October saw a general easing of the money market. Interest rates declined, and reserve positions of district banks eased. Nevertheless, loans did not expand seasonally.

Deposit turnover, while higher in September than August, remained below the average of the first seven months of the year.

**Interest Rates**—Between mid-September and mid-October interest rates generally worked down (prices up). The decrease in yields was fairly sharp for Treasury bills. The decline reflected: (1) easier money market conditions, (2) a slackening in the demand for credit, and (3) a continued high rate of savings. The following table compares yields for selected issues on September 14, 1953, with October 19, 1953:

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

| (In Millions of Dollars) | All Member<br>Sept.,'53 | Change from:<br>Aug.,'53 to Sept.,'53 | <br>Sept.,'52 to Sept.,'53 | Large City Banks[1]<br>Sept.,'53 | Change from:<br>Aug.,'53 to Sept.,'53 | <br>Sept.,'52 to Sept.,'53 | Smaller Banks[2]<br>Sept.,'53 | Change from:<br>Aug.,'53 to Sept.,'53 | <br>Sept.,'52 to Sept.,'53 |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| 1. Loans and Investments | $4,505 | $+ 23 | $+161 | $2,599 | $+ 10 | $+ 81 | $1,906 | $+ 13 | $+ 80 |
| a. Loans | 2,089 | + 29 | + 93 | 1,377 | + 19 | + 60 | 712 | + 10 | + 33 |
| b. U. S. Government Obligations | 1,996 | — 1 | + 49 | 1,020 | — 6 | + 14 | 976 | + 5 | + 35 |
| c. Other Securities | 420 | — 5 | + 19 | 202 | — 3 | + 7 | 218 | — 2 | + 12 |
| 2. Reserves and Other Cash Balances | 1,440 | + 84 | — 24 | 890 | + 48 | — 37 | 550 | + 36 | + 13 |
| a. Reserves with the F. R. Bank | 676 | — 14 | — 66 | 428 | — 20 | — 63 | 248 | + 6 | — 3 |
| b. Other Cash Balances[3] | 764 | + 98 | + 42 | 462 | + 68 | + 26 | 302 | + 30 | + 16 |
| 3. Other Assets | 55 | + 1 | + 3 | 35 | + 1 | + 3 | 20 | -0- | -0- |
| 4. Total Assets | $6,000 | $+108 | $+140 | $3,524 | $+ 59 | $+ 47 | $2,476 | $+ 49 | $+ 93 |
| **Liabilities and Capital** | | | | | | | | | |
| 5. Gross Demand Deposits | $4,446 | $+130 | $+112 | $2,729 | $+ 87 | $+ 66 | $1,717 | $+ 43 | $+ 46 |
| a. Deposits of Banks | 731 | + 95 | + 9 | 691 | + 90 | + 12 | 40 | + 5 | — 3 |
| b. Other Demand Deposits | 3,715 | + 35 | +103 | 2,038 | — 3 | + 54 | 1,677 | + 38 | + 49 |
| 6. Time Deposits | 1,086 | + 5 | + 54 | 513 | + 2 | + 20 | 573 | + 3 | + 34 |
| 7. Borrowings and Other Liabilities | 58 | — 29 | — 54 | 49 | — 31 | — 53 | 9 | + 2 | — 1 |
| 8. Total Capital Accounts | 410 | + 2 | + 28 | 233 | + 1 | + 14 | 177 | + 1 | + 14 |
| 9. Total Liabilities and Capital Accounts | $6,000 | $+108 | $+140 | $3,524 | $+ 59 | $+ 47 | $2,476 | $+ 49 | $+ 93 |

[1] Includes 12 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.

### YIELDS ON SELECTED ISSUES

| | Sept. 14 | Oct. 19 |
|---|---|---|
| Government Securities | | |
| Short-term (three months) | 1.96 | 1.38 |
| Intermediate-term (five years) | 2.74 | 2.36 |
| Long-term (thirty years) | 3.22 | 3.06 |
| Commercial Paper | 2.75 | 2.50 |
| Corporate Bonds | | |
| Highest grade | 3.31 | 3.15 |
| Medium grade | 3.88 | 3.82 |
| Common Stocks (Average yield—200 Stocks, estimated) | 5.75 | 5.50 |

**District Banking**—From September 16 through October 14, earning assets of weekly reporting banks rose $55 million. Most of the gain, $43 million, was in loans, primarily to businesses. However, business loan growth fell short of "normal" for the period, reflecting smaller-than-usual borrowings by processors and distributors of agricultural products. Loans secured by real estate were up moderately, but all other loan categories showed slight declines over the four weeks. The increase in investment portfolios centered in Treasury notes.

Reflecting both a net inflow of funds and the bank credit expansion, individuals and businesses increased their deposits, demand and time. Banks used a part of the inflowing funds to build up cash assets.

### DEPOSIT ACTIVITY

| | Debits[1] | | | Turnover | |
|---|---|---|---|---|---|
| | Sept., 1953 (In millions) | Percent Change from Aug., 1953 | Percent Change from Sept., 1952[2] | Sept., 1953 (Annual Rate) | Year Ended Sept. 30, 1953[2] |
| Six Largest Centers: | | | | | |
| East St. Louis-National Stock Yards, Ill. | 132.6 | +14% | — 2% | 24.3 | 26.6 |
| Evansville, Ind. | 157.6 | — 2 | +10 | 16.4 | 17.1 |
| Little Rock, Ark. | 151.5 | + 7 | — 8 | 15.1 | 15.5 |
| Louisville, Ky. | 686.8 | — 3 | + 4 | 23.5 | 24.3 |
| Memphis, Tenn. | 658.0 | +24 | —10 | 25.7 | 25.1 |
| St. Louis, Mo. | 2,008.2 | + 8 | + 6 | 21.1 | 20.7 |
| Total—Six Largest Centers | 3,794.7 | + 8% | + 2% | 21.7 | 21.5 |
| Other Reporting Centers: | | | | | |
| Alton, Ill. | 35.6 | + 3% | +16% | 12.5 | 12.2 |
| Cape Girardeau, Mo. | 14.2 | + 5 | +14 | 12.6 | 11.8 |
| El Dorado, Ark. | 25.7 | + 4 | — 2 | 10.9 | 10.9 |
| Fort Smith, Ark. | 43.8 | — 4 | — 7 | 12.4 | 13.2 |
| Greenville, Miss. | 23.6 | +28 | —19 | 14.8 | 14.4 |
| Hannibal, Mo. | 9.6 | + 5 | + 5 | 8.7 | 8.7 |
| Helena, Ark. | 9.6 | +41 | —13 | 15.8 | 12.6 |
| Jackson, Tenn. | 23.5 | +20 | + 4 | 12.6 | 11.2 |
| Jefferson City, Mo. | 76.9 | +46 | +37 | 14.0 | 11.7 |
| Owensboro, Ky. | 41.7 | +13 | - 0 - | 13.7 | 14.7 |
| Paducah, Ky. | 36.6 | — 9 | —16 | 14.3 | 14.2 |
| Pine Bluff, Ark. | 40.6 | +40 | —16 | 16.0 | 13.8 |
| Quincy, Ill. | 34.9 | + 4 | + 6 | 14.8 | 14.3 |
| Sedalia, Mo. | 12.8 | + 6 | +11 | 10.4 | 9.9 |
| Springfield, Mo. | 68.7 | + 3 | + 2 | 12.4 | 13.7 |
| Texarkana, Ark. | 21.4 | - 0 - | + 9 | 14.7 | 13.7 |
| Total—Other Centers | 519.2 | +12% | + 2% | 13.2 | 12.8 |
| Total—22 Centers | 4,313.9 | + 8% | +12% | 20.1 | 20.0 |

[1] Debits to demand deposit accounts of individuals, partnerships and corporations and states and political subdivisions.
[2] Estimated.

# Agriculture

**Crop Production**—During September, estimates of production of corn, soybeans, hay, and tobacco in the Eighth District were reduced further. Cotton and rice production, however, increased in the month. While the drouth has been felt severely in some areas, this year's total production compares closely to that of 1952. Wheat, oats, and rice production were estimated as well above, cotton and hay production as about the same as, and soybeans, burley tobacco, and corn as considerably below 1952 production. Hay supplies were sharply below last season on many farms.

### ESTIMATED PRODUCTION FOR MAJOR CROPS EIGHTH DISTRICT

| (In Thousands of Units) | Estimated production October 1, 1953 | Per cent change from 1952 | Per cent change from 1942-1951 average |
|---|---|---|---|
| Corn (bu.) | 318,164 | — 8% | —10% |
| Wheat (bu.) | 70,015 | +38 | +84 |
| Oats (bu.) | 52,487 | +21 | —13 |
| Cotton (bales) | 3,928 | + 1 | +10 |
| Soybeans (bu.) | 64,472 | —26 | +17 |
| Rice (bags) | 11,778 | +12 | +62 |
| Hay (tons) | 7,525 | — 3 | —22 |
| Tobacco, burley (lbs.) | 196,630 | —10 | + 9 |
| Dark, air-cured (lbs.) | 21,331 | —17 | —28 |
| Dark, fire-cured (lbs.) | 19,110 | — 7 | —34 |

**Source:** Adapted from *Crop Production*, USDA, October 1, 1953.

**Prices**—Tobacco and hog prices increased, but all other major district agricultural product prices have declined ranging from 8 per cent for wheat and rice to 32 per cent for beef cattle during the year prior to September 15, 1953. Primarily as a result of the general agricultural price decline, district cash farm income during the first eight months of 1953 was 9 per cent below the corresponding period in 1952. The decline in agricultural prices, coupled with a relatively high level of prices paid, continued to place district farmers in a cost-price squeeze. For the nation, the parity ratio on September 15 was 92, compared with 101 a year earlier.

### PRICE CHANGES FOR SELECTED EIGHTH DISTRICT AGRICULTURAL PRODUCTS

| | Eighth District[1] price September 15, 1953 | Per cent change from September 15, 1952 |
|---|---|---|
| Corn (per bu.) | $ 1.60 | —13% |
| Soybeans (per bu.) | 2.35 | —17 |
| Wheat (per bu.) | 1.81 | —14 |
| Oats (per bu.) | .83 | —19 |
| Rice (per cwt.) | 4.70 | —11 |
| Hay, baled (per ton) | 25.06 | —15 |
| Cotton, Am. Upland (per lb.) | .3435 | —15 |
| Tobacco, types 11-37 (per lb.) | .576[2] | +13 |
| Beef cattle (per cwt.) | 14.33 | —37 |
| Hogs (per cwt.) | 23.51 | +24 |
| All milk, whole (per cwt.) | 4.17 | —17 |
| All chickens, live (per lb.) | .2356 | —10 |
| Eggs (per doz.) | .4656 | + 4 |

[1] Average price for district states.
[2] U. S. average.

Source: *Agricultural Prices*, USDA, September 30, 1953.

### CASH FARM INCOME

| (In thousands of dollars) | Aug., 1953 | August, 1953 compared with July, 1953 | August, 1953 compared with Aug., 1952 | 8 month total Jan. thru Aug. 1953 | 1953 compared with 1952 | 1953 compared with 1951 |
|---|---|---|---|---|---|---|
| Arkansas | $ 22,636 | —16% | — 5% | $ 184,169 | —24% | —13% |
| Illinois | 146,735 | —23 | + 1 | 1,198,584 | — 2 | — 3 |
| Indiana | 102,350 | — 8 | + 8 | 666,968 | — 2 | — 5 |
| Kentucky | 31,694 | — 9 | —19 | 312,212 | — 3 | — 2 |
| Mississippi | 22,117 | +17 | —32 | 179,062 | — 6 | + 5 |
| Missouri | 72,225 | —18 | —17 | 564,714 | — 9 | —16 |
| Tennessee | 26,994 | —14 | —17 | 231,763 | — 9 | —11 |
| 7 State Totals | $424,751 | —17% | — 7% | $3,337,472 | — 5% | — 6% |
| 8th Dist. Totals | $173,220 | —18% | —13% | $1,403,332 | — 9% | — 8% |