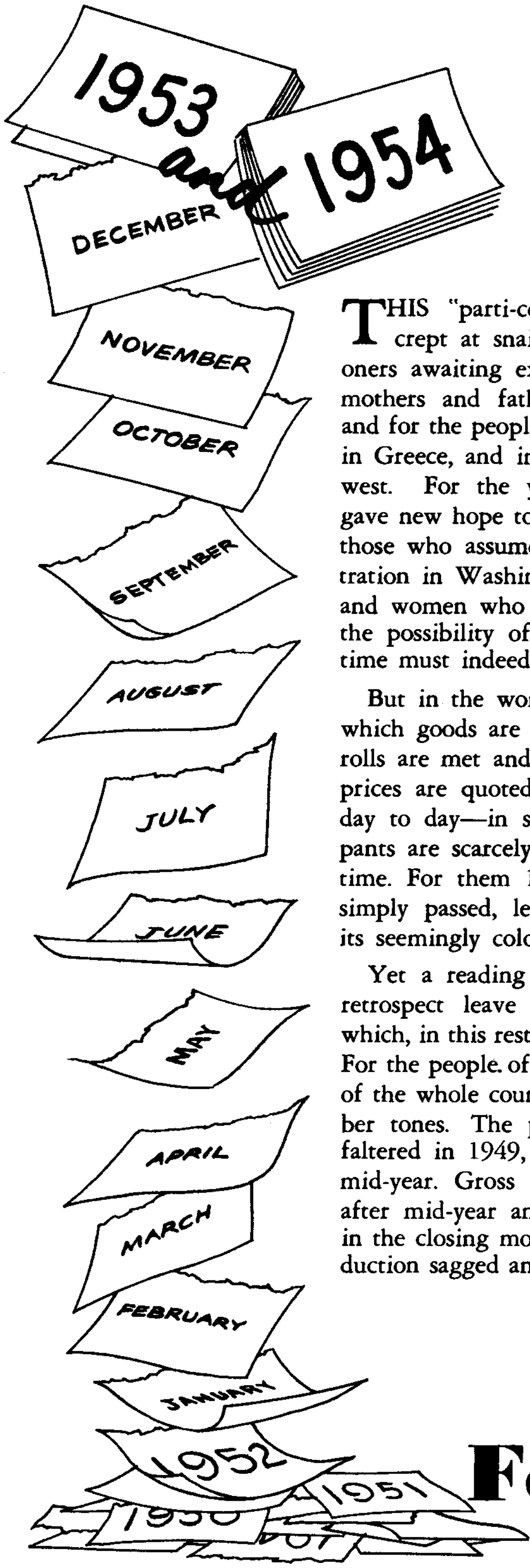
Monthly Review

January, 1954 Volume XXXVI Number 1



Years, many parti-colour'd years,
Some have crept on, and some have flown . . .
Walter Savage Landor

THIS "parti-colour'd." year 1953 must have crept at snail's pace for the American prisoners awaiting exchange at Panmunjom, for the mothers and fathers who awaited their return, and for the peoples shaken by disaster in Holland, in Greece, and in our own drouth-ridden Southwest. For the young queen whose coronation gave new hope to the British Commonwealth, for those who assumed the tasks of a new administration in Washington, as for the dedicated men and women who bent their efforts to preventing the possibility of devastation by atomic conflict, time must indeed have flown.

But in the world of business, in the world in which goods are bought and sold, in which payrolls are met and crop plans are made, in which prices are quoted from hour to hour and from day to day—in such a world the active participants are scarcely conscious of the movement of time. For them 1953 neither crept nor flew; it simply passed, leaving its compilations of data, its seemingly colorless statistics.

Yet a reading of the economic data must in retrospect leave a vivid impression of a year which, in this restricted sense, was "parti-colour'd." For the people of the Eighth District, as for those of the whole country, 1953 had its grey and somber tones. The postwar boom, which had only faltered in 1949, came gradually to a halt about mid-year. Gross National Product turned down after mid-year and unemployment began to rise in the closing months of the year. Industrial production sagged and farm income continued downward. Yet the grey and somber tones did not stand alone.

As a whole 1953 was a year of progress. This nation reshouldered its burden of international leadership, recaptured the initiative in world affairs, and moved those affairs haltingly but perceptibly along the road to Peace. Even more significantly, we inched forward as a nation toward those difficult, ultimate goals of tolerance, respect and understanding of others, within and without our boundaries.

Grave problems lie ahead. They must be at least partially resolved in 1954, and their resolution will be achieved only after divisive argument which will knife across political alignments. Important decisions must be made on foreign trade and tariff policies, on changes in our agricultural program, on tax revision, and on defense spending, among others. The preparation of the past year will inform our thought and guide our efforts toward solution.

The year ahead appears likely to set few domestic economic records. In agriculture there will be output restrictions and probably a moderate drop in net farm income. In business there will be increasing competition for markets. Monetary and credit policies will continue to contribute to growth and stability; Federal taxing-spending policies may assume a somewhat more important part. But the consumer will be cast in the leading role insofar as economic stability is concerned.

The economic record of 1953 for the Eighth Federal District and for the nation follows.

President.

Federal Reserve Bank
of St. Louis

1953 — A Year of Transition

Nineteen hundred and fifty-three was a year of transition for both the nation and the Eighth Federal Reserve District. Perhaps the outstanding feature of the period was the change from war to a tenuous and uneasy truce. The expansion of business activity imparted by the Korean War and pent-up civilian needs continued through most of the first half of the year; thereafter the pace of business declined slightly. Farm problems once more came to the fore as agricultural prices and incomes fell under the impact of continued large production and, for some products, declining foreign demands. And as the year closed, the outlook was less promising than when the year began.

Economic activity reached record levels in 1953, despite a slackening of pace during the latter part of the year.

Economic activity in the Eighth District and the nation during 1953 averaged out somewhat higher than in 1952, despite a slackening of pace in the latter part of the year and a reduction in farm income. In the nation, the total value of all goods and services produced rose about 5 per cent from 1952 and was valued at about $367 billion. Activity in the early part of the year continued the upsurge which began in the fall of 1952. Private outlays expanded during the first half of the year as consumers continued to spend more and business outlays for fixed investment and inventory increased further; Federal expenditures for national security rose moderately in the first half of the year but declined slightly thereafter. In the latter part of the year, business inventories were built up less rapidly, then reduced.

In the district, total expenditures were also at a slightly higher level than in 1952. While many lines of activity advanced over their year-earlier levels, the important farm segment continued to receive less income. Construction outlays also declined during the year, although there was still a considerable amount of work put in place. The decline reflected primarily the completion or near-completion of large projects, chiefly the Atomic Energy Commission plant near Paducah, Kentucky, interruptions caused by strikes and reduced residential building. Consumer outlays expanded and then eased in the district as they did nationally. Most of the increase in consumer expenditures was for more automobiles, which were purchased in substantially greater volume during the year. Outlays for other durable goods were about the same as in 1952, but nondurable goods purchased by consumers showed moderate increases. Spending for services also rose appreciably, partly reflecting higher prices.

Defense outlays, which, nationally, were slightly higher for the year as a whole, were reduced in the Eighth District.

Federal expenditures for national security programs, constituting about 90 per cent of all Federal outlays for goods and services, were moderately larger than in 1952. For the year as a whole, such outlays totaled $52 billion, as compared with $49 billion in 1952, $37 billion in 1951, and $18 billion in 1950. But significantly these expenditures shifted direction during the year. In the first half-year they were rising; in the latter half they were declining.

In line with national experience, Government purchases of goods and services for defense purposes in the Eighth District turned down during the year. The military population in district camps dropped, production of military goods was cut back, and construction of new Federal facilities slowed as work neared completion or was finished.

The Korean War saw the reactivation of several World War II military camps and expansion of others. But in 1953 the number of military personnel at several facilities was reduced. Camp Breckenridge in Kentucky once again was put on the standby list. In addition, civilian employment at military facilities was also reduced during the year.

Construction of new Federal facilities for defense purposes declined during the past year. Military facilities begun after Korea were completed at many camps. One unit of the Atomic Energy Commission plant being constructed near Paducah, Kentucky, was completed and put into operation. The second unit, still under construction, required substantially fewer workers than the year before. Employment on construction of this project at year end was 10,800, as compared with 17,800 a year earlier. Employment in production work expanded from 1,500 in December, 1952, to 1,800 at the end of 1953.

Enlargement and reactivation of several arsenals and ordnance plants in the district, begun after Korea, were completed during 1953. At Pine Bluff and Camden, Arkansas, and at Jeffersonville, Indiana (Louisville metropolitan area), expansions of Federal facilities were virtually finished. In St. Louis, work continued on the reconversion of the small arms ammunition plant, but at a reduced level from 1952. At Memphis, new buildings at the Naval Air Station were finished.

The shrinkage in Federal expenditures on new facilities in the district was lessened, however, by the inauguration of some new projects. In St. Louis, contracts were awarded for the new Army Record Center and a Naval facility to be operated by McDonnell Aircraft Corporation. Construction of the new Army Publications Center continued. Also, work was started on a new Air Force Base near Little Rock and funds were released for expansion of the Knob Noster Air Base at Sedalia, Missouri.

In addition to cutbacks in activity at military facilities, production of defense goods was reduced during 1953 in nearly all the metropolitan areas of the district. In particular, production of castings for tanks, aircraft and components, ordnance and other items slowed as defense requirements were trimmed.

Business investment, however, continued in large volume, . . .

Outlays by business for new plant and equipment remained at high levels throughout the year and in the nation totaled 5 per cent more than in 1952.

Construction of commercial buildings, restricted in the two previous years and hindered last year by steel shortages, was stepped up sharply in 1953. Expenditures for work put in place on such buildings rose over 50 per cent from 1952. Part of this boom reflected the expansion of retail stores and services in the suburbs. In the Eighth District, contract awards for commercial buildings were 21 per cent larger than in 1952.

Public utilities continued to expand their facilities to meet the fast-growing demands for their services. Electric utilities serving the Eighth District increased their capacity from 9.9 million kilowatts at the end of 1952 to 12.7 million kilowatts on December 31, 1953, an increase of 28 per cent. In addition, they had 5.7 million kilowatts under construction as 1954 began, scheduled for completion before the end of 1955. Most of the expansion during 1953 and in progress was by the Tennessee Valley Authority.

Manufacturing building was at a lower level than in 1952, as many projects begun in connection with the mobilization program were completed. In the district, contract awards for manufacturing building declined about 50 per cent from 1952. Major projects completed or nearing completion during the year were steel mill expansions in the St. Louis area and at Owensboro, Kentucky, aluminum plants in Arkansas, chemical plants at Calvert City, Kentucky, Memphis and other district areas.

Not all of the plant investment proposed earlier was realized in 1953. During the year, Westinghouse Electric Corporation abandoned plans to build in Madison, Indiana, where a mammoth electric generating plant to supply an Atomic Energy Commission plant is under construction. In Hot Springs, Arkansas, their nearly completed glass plant was given to the State, after decision not to utilize it. South of St. Louis, plans for a chemical plant, for which a certificate of necessity had been granted, were also abandoned. And at Batesville, Arkansas, a defense project to produce manganese was foreclosed by the Federal Government after unsatisfactory progress had been made.

Contract awards for all other than residential building and excluding the AEC contract in the district increased from $630 million in the first eleven months of 1952 to $673 million in the same period of 1953.

. . . and inventories increased until late in the year.

Part of the sharp upsurge in demand in the first part of 1953 came from the additions to business inventories. Stocks of many items made from steel were reduced during the steel strike in mid-1952, and were subsequently built up. Stocks of other items also were increased during the last half of 1952 and the first half of 1953 to meet the rising level of sales and expectations. In the nation, the value of nonfarm business inventories rose about $4 billion during 1953, as compared with a $3 billion rise in 1952. The 1953 additions were concentrated in durable goods lines. About one-half the rise at the retail level was at automotive outlets.

Inventories at district department stores, after allowance for seasonal changes, reached a peak in August, but were somewhat lower at year end. For the year as a whole, inventories averaged about 7 per cent higher than during 1952, but on November 30 they were only 1 per cent above the year-earlier level. Inventories held by reporting apparel and furniture stores in 1953 were only slightly larger than in 1952.

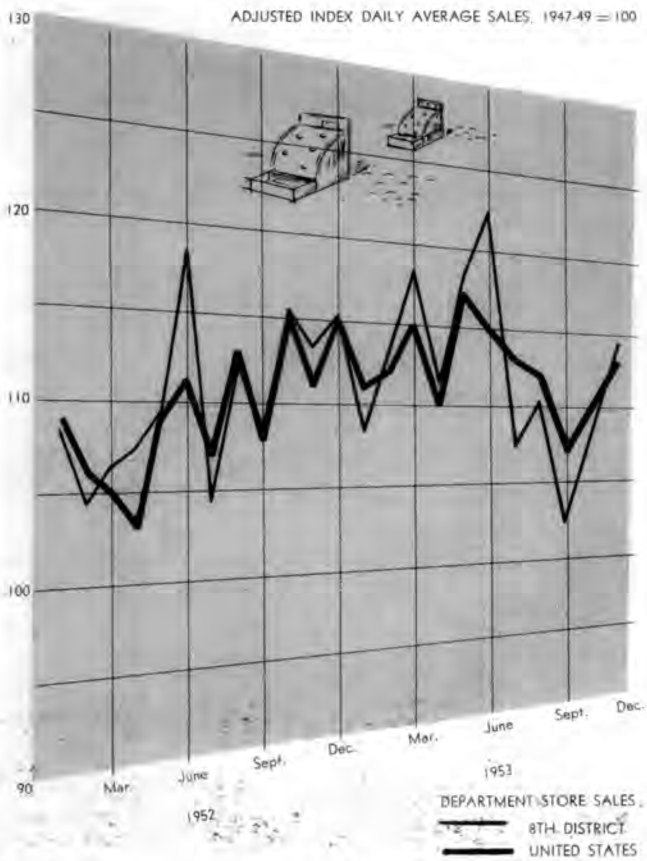
With expanded incomes and augmented use of credit, . . .

Largely as a result of the increase in the number of people at work at higher pay scales, personal income advanced nearly 6 per cent above the 1952 level to a total of about $285 billion. After allowance for slightly higher consumer prices and further growth in population, real disposable income per capita was 2 per cent greater than in 1952. However, at the end of 1953 it was slightly lower than at the beginning.

In the district, total income payments to individuals appeared to have increased, notwithstanding the fact that cash receipts from farm marketings were about 10 per cent less than in 1952.

In addition to the larger flow of disposable personal income, consumers used instalment credit to increase their purchasing power. Total outstanding consumer instalment credit rose $3.5 billion during 1953, compared with a $3.8 billion increase in 1952.

District sales dropped even more in the last half than nationally.



. . . consumer spending rose further, particularly for automobiles, . . .

Consumers continued to spend about the same portion of the increased disposable income as in 1952. Thus, total personal consumption outlays were at a record level in both dollar and physical terms, increasing $12 billion to a total of $230 billion. The largest share of the increase ($6 billion) was for services. Durable goods purchases, primarily automobiles, increased about $4 billion, while nondurable goods purchases rose only slightly from 1952.

In the district, new automobile sales rose substantially. For example, registrations of new passenger cars in Jefferson County (Louisville), Kentucky, rose from 11,200 in the first eleven months of 1952 to 16,900 in the same period of 1953, an increase of 52 per cent. In Arkansas, registrations showed a healthy increase of 46 per cent over 1952. The large expansion of automobile sales was facilitated by the extension of instalment credit. In the district, instalment paper held by commercial banks for financing auto purchases rose by about 25 per cent in 1953.

. . . and then lagged in the last half of the year.

District department stores sold over $425 million worth of merchandise, some 2 per cent more than the year before. In the first half of the year, the rate of increase from the comparable months of 1952 was considerably higher for district stores than for the nation. But in the last half, district stores failed to show as large year-to-year changes as did stores in the rest of the nation. In fact, during August, September and October, district sales lagged behind the comparable months of 1952. Sales at furniture and apparel stores were also only slightly greater than in 1952.

Despite the increased flow of personal income available for spending, credit was used at district department stores to a greater extent than in 1952. The ratio of cash sales to total sales during 1953 was below that in 1952, and the ratio of sales on open credit rose. The instalment credit sales ratio was virtually unchanged.

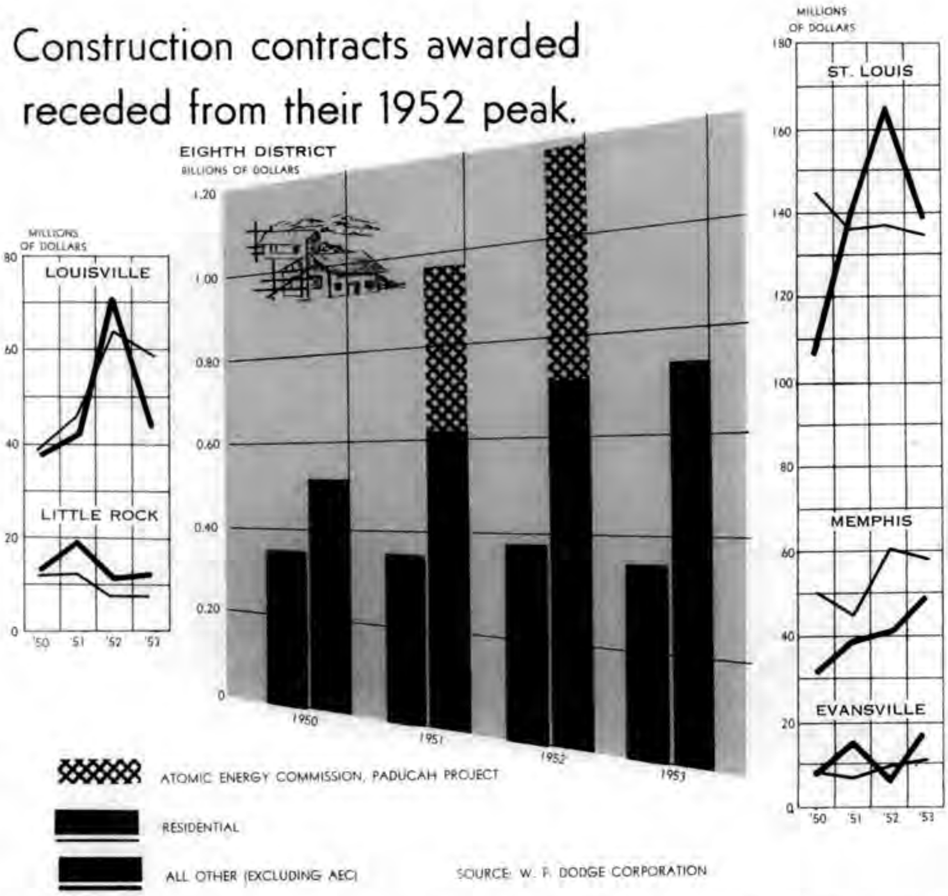
Spending on new residential building declined somewhat in the district, although it was up nationally.

Spending for new residences was off in this district although up nationally. The number of dwelling units included in the contract awards in the Eighth District during 1953 was less than in any one of the previous three years. Approximately 28,000 units were included in contract awards in 1953, compared with 32,000 in 1952, a 12 per cent decline.

Construction costs increased during the year, so that the dollar value of residential awards was only 9 per cent less than in 1952. The decline was experienced in the Louisville, Memphis, St. Louis, and Little Rock metropolitan areas. Evansville, however, registered a small gain.

In the nation, residential building held about the same as in 1951 and 1952, with about 1.1 million housing units started. However, the seasonally adjusted annual rate of private housing starts declined in the last half to about 1.0 million units, compared with 1.1 million in the first six months. Construction of new homes continued in excess of net formation of new households, and vacancies, while still low, rose somewhat.

Construction contracts awarded receded from their 1952 peak.



Reflecting the upsurge in demand, particularly early in the year, employment reached record levels; . . .

Civilian employment in the nation leveled off on a high plateau of about 62 million in 1953. Layoffs in manufacturing plants, beginning early in the summer, however, led to a small decline in total nonfarm employment by the end of the year. Unemployment was lower than in any year since World War II, averaging under 2 per cent of the civilian labor force although increasing moderately at the end of the year.

The labor force fell slightly in 1953, largely due to a decline in the labor force participation of women and a drop in the number of people of school age in the labor force. Gearing of armed forces inductions in 1953 to replacement needs tended to enlarge the civilian labor force. As a result, the number of men in the civilian labor force, for the first time in three years, showed the full annual increase which normally occurs as the result of population growth.

Employment in the Eighth District followed the national trend, remaining at peaks reached in 1952 in some district centers, declining gradually in others. A slowing of defense procurement and reductions in civilian demand caused manufacturing layoffs which started in district durable goods plants in late spring and summer and spread to apparel and shoe plants late in the year.

Nonagricultural employment in the Little Rock area, which had increased by 5 per cent during 1952,

New Member Banks

During 1953 two new banks joined the Federal Reserve System in the Eighth District.

On April 24 The Citizens Bank, Batesville, Arkansas became a member. It entered with a capital of $100,000, surplus of $50,000, and undivided profits of $15,000. Officers of the bank are: E. C. Rider, Chairman of the Board; Fred M. Holt, President; S. M. Bone, Vice President; Manual A. Conyers, Cashier; and Austin Leeds and Mrs. Marean Pearson, Assistant Cashiers.

On November 24 the First National Bank of La Center, La Center, Kentucky became a member bank. The new bank has a capital of $100,000, a surplus of $25,000, and undivided profits of $25,000. The bank opened for business on January 2, 1954. Officers of the new bank are: J. N. Holland, President; Andrew Whipple, Vice President; and J. T. Theobald, Cashier.

was stable through 1953. In Arkansas as a whole, there was no change in total nonfarm employment in the year as a decline in manufacturing was offset by an increase in nonmanufacturing. Employment in manufacturing lumber and wood products declined by 15 per cent.

In Memphis, total employment at year end was slightly lower than in 1952. Employment in manufacturing increased by 2 per cent, despite losses in durable goods employment resulting from defense contract completions and a curtailment of farm machinery production.

Evansville manufacturing employment was 41 per cent higher at the beginning of 1953 than it had been a year earlier, and reached a postwar peak in March. From then on, factory employment declined with refrigerator and aircraft manufacturing, which had led the previous expansion, leading the contraction. By November, manufacturing employment was down 12 per cent from the March peak, and was 9 per cent below November 1952.

Louisville employment reached a peak in July 1953 and then drifted downward slowly as production of farm equipment and ordnance declined and major construction projects neared completion. By the end of 1953, employment was slightly above its level at the beginning of the year and about 7 per cent larger than in January 1952. For the year as a whole, employment averaged 7 per cent more than in 1952.

St. Louis area nonfarm employment was about 2 per cent above its 1952 level through 1953, although a number of layoffs occurred in both durable and nondurable manufacturing plants. Layoffs began in aircraft plants, ordnance plants, and foundries during the summer as a result of defense contract terminations and stretchouts, and lack of orders for other durable goods. Later in the year, employment declined also in the apparel and leather goods industries. By November total employment was slightly less than a year earlier.

Despite a 3 per cent increase in nonfarm employment in the Springfield area, unemployment rose more than 50 per cent in 1953. The severe drouth in the surrounding area forced many farmers and farm hands to seek jobs in the city. Manufacturing employment in the area rose as hirings at new plants offset declines in food processing and apparel plants.

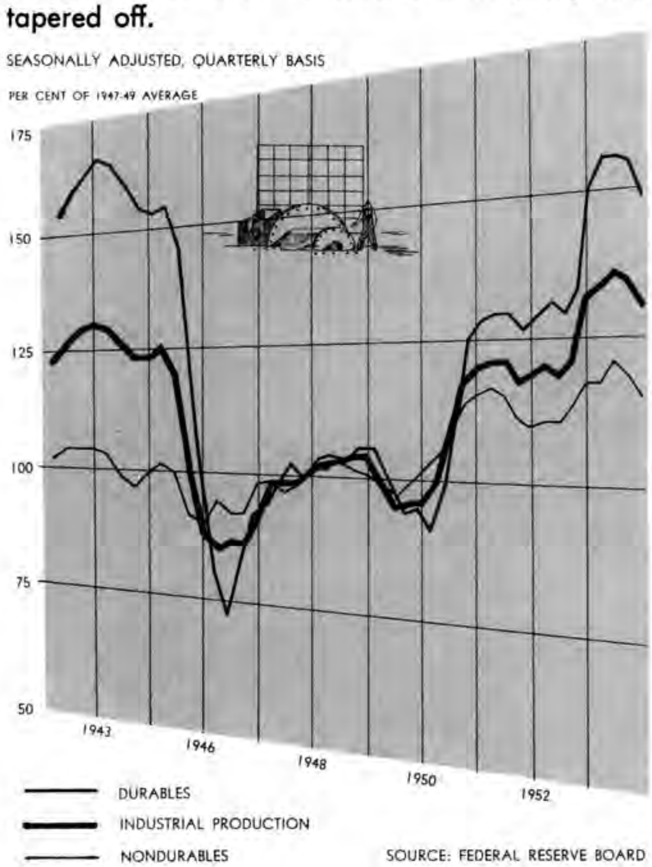
The Herrin-Murphysboro-West Frankfort area of southern Illinois continued to have a large labor surplus in 1953. This condition, which has persisted for many years, has resulted from a long-term decline in the area's principal industry, coal mining. To aggravate the problem toward the end of the year, new manufacturing industries, which were partially alleviating the area's distress, had to lay off substantial numbers of people because of lack of orders and completion of defense contracts.

. . . similarly, industrial production rose and then declined moderately.

The increased demand in 1953 called forth a record physical volume of industrial production, exceeding even the wartime peak of 1943. Total output increased 8 per cent from 1952; durable production advanced 14 per cent and nondurable rose 4 per cent. Output was maintained at a high level throughout the first half of the year, but tapered off in the last half, particularly the fourth quarter. Actually, the reduction was not great, the peak of 136 (1947-1949=100) for the Federal Reserve index for the second quarter comparing with an estimate of 130 for the fourth quarter.

During the first half of the year, the surge of industrial activity was most marked in durable goods output. Automobile manufacturers were still busy catching up with unsatisfied consumer demand. Factories turning out other durables, such as television sets, furniture and refrigerators, also had the ad-

Industrial production reached a new peak, then tapered off.



vantage of large demands. To meet the military needs and mobilization goals, output of airplanes, tank castings, ammunition, small arms, and other defense goods was increased at district plants during the first part of 1953.

The slowdown in output after mid-year reflected the catching up of many consumer shortages, reduction of orders to adjust inventories, and the curtailment of defense production.

District industrial figures show that performance here roughly reflected the national pattern with a number of minor variations. Steel ingot production in the St. Louis area averaged 92 per cent of capacity compared with 96 per cent in 1952. The decline reflected maintenance shutdowns as well as a decline in output in December. Lumber production in general kept at high rates of output.

District production of nondurable goods and minerals showed but little variation throughout the year, in contrast to durable goods output. Here too, however, some declines were shown during the second half of the year. Shoe production, for example, was estimated to be running about 5 per cent lower during the last quarter of the year, though it averaged about the same as last year for the full twelve months. Whiskey distilling in Kentucky, on the other hand, improved over that of last year in the last quarter, since some liquidation of huge warehouse stocks was accomplished during the year.

Production of crude oil in the district was somewhat higher in 1953 than in 1952 because of a four-week strike in May of 1952. As the year closed, the industry was facing the problem of large stocks because of a reduction in defense needs and the unseasonably warm weather which reduced household demand during the fall. However, only one district state, Arkansas, controlled output by limiting allowable production.

Coal output during 1953 showed about a 4 per cent drop from 1952, whereas it had dropped nearly 15 per cent from 1951 to 1952. The better record was accounted for by the lack of any major industrial strike this year. This was of only passing satisfaction to coal mine operators, however, for further gains were made by the natural gas industry in capturing the household market and the poor fall heating season took a heavy toll of demand. A bright spot was the prospect of meeting coal requirements for the new steam electric generating plants recently added or nearing completion.

Farm output was off from 1952 levels, but not much.

Crop production in the nation and the Eighth District in 1953 was only slightly below the near-record high of 1952. Although rainfall was limited, its timing enabled 1953 production of most major crops in the district to stay above the 1942-1951 average.

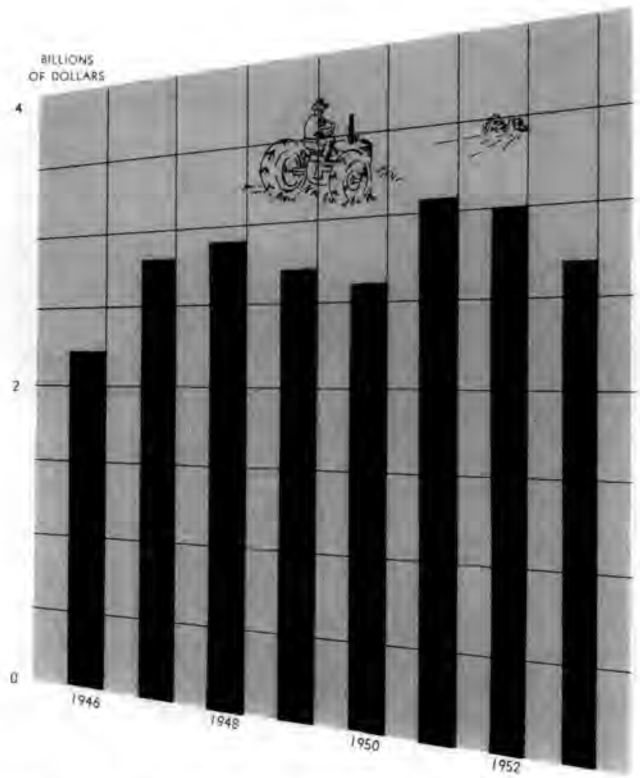
ESTIMATED PRODUCTION FOR MAJOR CROPS EIGHTH DISTRICT—1953

(In thousands of units)	Estimated production Dec. 17, 1953	Per cent change from 1952	Per cent change from 1942-51 average
Corn (bu.)	330,223	— 4%	— 7%
Winter Wheat (bu.)	74,544	+43	+96
Oats (bu.)	54,790	+27	— 9
Cotton (bales)	4,391	+13	+23
Soybeans (bu.)	66,815	—25	+22
Rice (bags)	13,501	+28	+85
Hay (tons)	6,915	—10	—28
Tobacco, burley (lbs.)	195,992	—11	+ 8

Source: Adapted from *Crop Production*, USDA, Annual Summary, December, 1953.

District production of cotton did not rise as much relative to the recent ten-year average as nationally, where the increase was 35 per cent. However, district wheat and rice outturn increased more than the national average, while tobacco and soybean production increased about the same, percentage-wise. In the aggregate, district cash receipts from all crops during the first ten months of 1953 were above 1952. During the same period of time, United States crop receipts declined slightly.

District cash farm income dropped considerably.



SOURCE: ADAPTED FROM FARM INCOME SITUATION, USDA.
1953 FIGURE ESTIMATED.

Largely reflecting lower beef cattle prices, district cash receipts from livestock declined 10 per cent during the first ten months of 1953—greater than the national decline of 8 per cent.

The past year continued to be a period of generally severe price adjustments for many district farmers. Prices of major district crops, including cotton, wheat, rice, and corn, were 6 to 18 per cent below 1952. A sharp reduction in exports was a major factor in the cotton and wheat price decline. Beef prices were 36 per cent and milk 17 per cent below 1952. The price of hogs was considerably higher, however.

In the aggregate, reflecting generally lower prices, district cash farm receipts for the first ten months were 11 per cent below 1952. The national decline was 5 per cent. Farmers whose incomes were dependent on hay and pasture and the related products, beef cattle and milk, were most severely affected. Incomes of cash crop farmers generally were not greatly reduced, as high production nearly offset price declines.

The parity ratio, an index of farmers' purchasing power, declined to 91 in December, 1953, compared with 96 in December a year ago, indicating a tightening of the cost-price squeeze on farmers during the year.

Average prices changed little over the year, despite the rise and subsequent easing of activity.

Price averages changed remarkably little in 1953, despite strong demands and elimination of price and wage controls in the early part of the year. Prices remained fairly stable even after the Korean truce, some easing of demand, and increased competition in the latter part of the year. Reflecting this over-all stability, consumer prices rose only one per cent during 1953, primarily as a result of continued advances in those prices which traditionally lag, such as rents and the cost of personal services, which more than offset moderate declines in the prices of food and clothing items.

The average level of wholesale prices also remained virtually unchanged during 1953. This over-all stability, however, hid divergent trends which reflected the different individual commodity supply and demand situations. Prices of farm products were depressed about 5 per cent as marketings were at record or near-record levels. Processed food prices varied little as rising production costs offset lower raw material charges. Average prices of commodities other than farm and food products rose slightly, even though some prices (chiefly textile, rubber and leather goods) declined in the face of ample supplies and stronger competition.

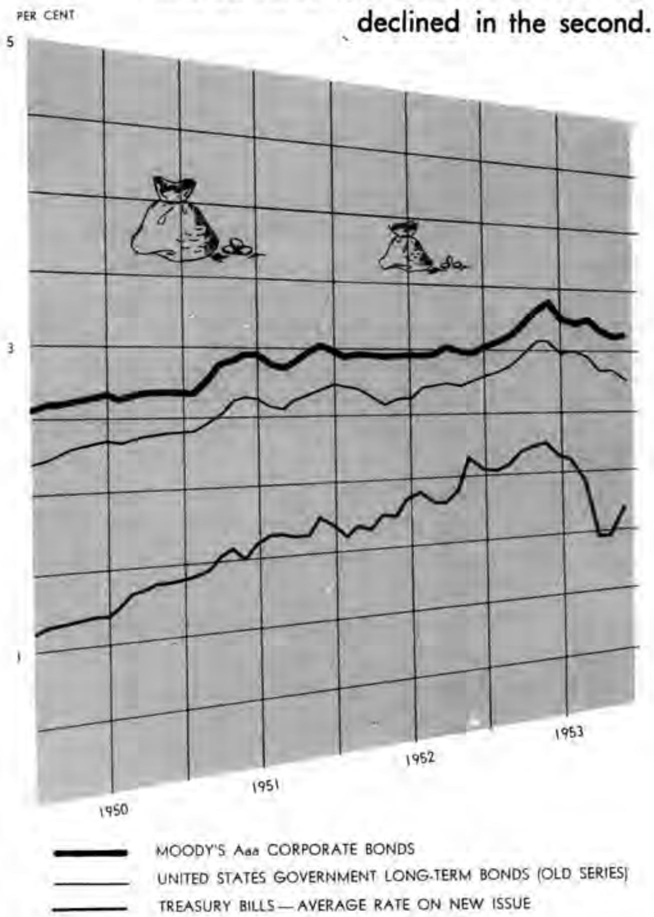
Financially, too, 1953 was a year of transition: Strong credit demand in the first half-year, . . .

There was a significant shift in the financial field during 1953 also as evidenced by the behavior of interest rates over the year: first tightening and then becoming easier.

During the first half of 1953, the supply of savings, although sizable, was not adequate to satisfy the huge demand for funds and pressure on bank reserve positions kept bank credit from expanding. Money, as a result, became tight; interest rates worked up, and funds became more difficult to obtain.

The demand for both short-term and long-term funds was intense during the first six months. In the capital markets, corporations and state and local governments offered a record $7.2 billion of new security issues and the volume of mortgage loans extended on small nonfarm properties was one-eighth larger than in the like period last year. The Federal Government, although reducing its total debt outstanding, increased the demand for funds in the capital markets by its issue of over $1 billion of new 3¼ per cent thirty-year bonds. In the shorter-term area, consumer instalment credit ex-

Interest rates rose in the first half but declined in the second.



panded sharply (10 per cent). Business demand for short-term loans remained at a high level and there was some increase in borrowing for purchasing and carrying stocks following the reduction in margin requirements from 75 per cent to 50 per cent by the Board of Governors on February 20.

The heavy demand for credit was partly matched by a large and expanding volume of individual savings seeking investment. The amount of savings flowing to savings and loan associations, and insurance companies and into time deposits at commercial and mutual savings banks was about 20 per cent larger than in the corresponding period of 1952 and double that in the first half of 1951. Individuals also purchased more Government securities than they sold. Pension and trust funds, likewise, had an expanding amount of funds to invest and some money was made available by foreign governments, state and local governments and nonfinancial corporations.

Bank credit, however, contracted in the six months, the decline centering in short-term Government securities. The contraction reflected pressure on bank reserve positions. The demand for loans at district banks, as at banks in the rest of the nation, was relatively strong early in 1953. At the same time, their reserve positions were under considerable pressure. Thus, district banks sold securities and borrowed heavily.

Outstanding loans to businesses contracted only 12 per cent ($100 million). Normally these loans decline about 19 per cent in the first six months. The net repayments were largely seasonal by processors and distributors of agriculture products. Retail concerns increased their indebtedness at all reporting centers. Textile, apparel and leather manufacturers in both Louisville and St. Louis also borrowed heavily. Advances to consumers rose sharply during the first half of 1953, continuing the rapid growth of 1952. The largest expansion was in loans for financing automobiles. In addition, loans on securities rose moderately and district banks purchased municipal securities, on balance. On the other hand, loans to farmers rose only about half as much as in the like period last year and advances to finance real estate showed little change in contrast with continued growth nationally.

Since the demand for credit outweighed the supply of funds, tightness developed in the credit and capital markets. There was a general firming of interest rates; over the six months most yields rose about one-half of one per cent. Lenders became more selective in making loans, terms tightened, and commitments for future loans became more difficult to obtain. Thus, the supply and demand for funds were brought into balance as the credit demand was dampened by the more restrictive terms.

. . . moderation in the demand, particularly for bank credit, in the later half.

In the last half of 1953, the aggregate demand for credit moderated. Savings continued to increase, and banks, with easier reserve positions, expanded their credit. Thus, the supply of funds matched and even exceeded the demand, and interest rates drifted lower.

The demand for funds in the final six months of 1953 was high, but considering the season, it was down slightly from the peak levels of the first half. New security issues by corporations and state and local governments totaled about $6 billion, off somewhat from the comparable period a year ago but up considerably from the last six months of 1951. The level of new issues reflected, in part, the offering of securities previously postponed due to congestion and higher rates in the bond market. Indications are that the demand for funds to finance real estate continued large. The Federal Government was a heavy borrower, increasing its debt outstanding from $266 billion to just under the $275 billion limit. In addition, the Government sold roughly $800 million of CCC certificates of interest to commercial banks, adding to its cash but not to its debt included within the ceiling limit. The demand for consumer credit, however, tended to level off and businesses borrowed much less than usual at commercial banks.

In the last half of 1953, savings of individuals seeking investment continued high, at roughly the same rate as in the first half-year. In addition, the pressure on bank reserves was generally lighter and bank credit expanded. The expansion centered in investments and roughly matched the contraction in these assets earlier in the year.

During the last six months of 1953, the demand for loans at district banks moderated, as it did at banks in other regions. Businesses sought less credit at district banks than usual for the fall of the year. Therefore, advances to these borrowers worked up, but the climb was less than seasonal. Although loans to commodity dealers showed the greatest growth, these loans rose only about half as much as they did on the average in the last half of the three previous years. The smaller net increase in these advances reflected the movement of a large share of the cotton into CCC loans. Consumer borrowing, which had been rising rapidly, leveled off in the period. Real estate loans showed little change, again in contrast with a slight climb nationally. Indications were that loans to farmers (other than CCC) declined.

Combined with the less-than-seasonal demand for loans was an increase in funds available. Thus district banks increased their holdings of investments, both of United States Government and municipal securities. The increase in funds came primarily from two sources: a reduction in reserve requirements for member banks in early July and a net favorable balance on interdistrict check and wire clearings. Partial offsets to these gains came from a seasonal currency outflow preceding Christmas and from Treasury operations. The larger volume of funds combined with the moderate expansion of loans resulted in some relaxation in district bank credit policies.

System credit policies likewise shifted during the year from moderate restriction to working toward ease in the money and capital markets.

In response to the economic and financial changes, System credit policies shifted during 1953. As noted, the demand for credit by consumers, businesses and governments was strong during the first half but moderated in the last half. Monetary action was first directed toward restraining inflationary pressure, then—as the boom faded and with it excessive credit demand—toward sustaining a high level of activity and growth in the economy by working toward somewhat easier conditions in the money and capital markets. Interest rates, as a result of the changes in the demand and supply of credit, rose in the spring and declined in the fall.

By early May, there were indications that the credit and capital markets were becoming too re-

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Oct., 1953	Oct., 1953 compared with Sept., 1953	Oct., 1953 compared with Oct., 1952	10 mo. total Jan. thru Oct. 1953	1953 compared with 1952	1953 compared with 1951
Arkansas	$125,428	+81%	—11%	$ 407,561	—12%	+15%
Illinois	198,637	+28	—16	1,566,347	— 6	+ 5
Indiana	122,766	+13	— 9	913,606	— 2	+10
Kentucky	32,478	+ 7	—24	375,369	— 4	+ 3
Mississippi	138,617	+70	+30	459,033	+10	+40
Missouri	127,357	+26	—16	804,431	— 7	— 4
Tennessee	72,600	+36	—12	363,113	— 9	+ 4
7 State Totals	$817,883	+37%	— 9%	$4,889,460	— 5%	+ 7%
8th Dist. Totals	$435,581	+47%	—14%	$2,135,692	—11%	— 6%

BANKING

DEPOSIT ACTIVITY

	Debits[1] Nov., 1953 (In millions)	Percent Change from Oct., 1953	Percent Change from Nov., 1952[2]	Turnover Nov., 1953 (Annual Rate)	Turnover Year Ended Nov. 30, 1953[2]
Six Largest Centers:					
East St. Louis-National Stock Yards, Ill.	126.1	— 7%	+ 6%	24.0	25.7
Evansville, Ind.	156.8	— 5	+ 6	16.2	17.2
Little Rock, Ark.	154.2	— 8	+ 1	15.4	15.5
Louisville, Ky.	699.5	— 3	+ 7	22.2	24.1
Memphis, Tenn.	718.2	—10	+ 3	27.1	25.3
St. Louis, Mo.	1,944.0	— 6	+ 9	19.8	21.0
Total—Six Largest Centers	3,798.8	— 6%	+ 7%	21.0	21.8
Other Reporting Centers:					
Alton, Ill.	32.5	—13%	+ 7%	11.5	12.4
Cape Girardeau, Mo.	13.8	— 7	+ 5	12.4	12.1
El Dorado, Ark.	24.0	—12	+ 1	9.8	10.9
Fort Smith, Ark.	42.9	—13	—14	12.1	13.2
Greenville, Miss.	29.9	—16	+15	16.9	14.7
Hannibal, Mo.	9.2	—13	— 1	8.2	8.8
Helena, Ark.	11.4	—19	—13	14.9	12.6
Jackson, Tenn.	23.8	—21	+ 1	12.3	11.6
Jefferson City, Mo.	52.2	—19	—13	9.6	11.6
Owensboro, Ky.	37.9	—14	—16	12.8	14.3
Paducah, Ky.	34.3	— 7	—20	13.4	14.1
Pine Bluff, Ark.	50.6	—15	+ 7	18.3	14.3
Quincy, Ill.	33.9	—10	+ 1	13.9	14.4
Sedalia, Mo.	12.5	— 4	+ 9	10.2	10.0
Springfield, Mo.	64.4	— 9	+ 6	11.9	13.4
Texarkana, Ark.	20.2	—12	+20	13.8	14.1
Total—Other Centers	493.5	—13%	— 3%	12.4	12.9
Total—22 Centers	4,292.3	— 7%	+ 6%	19.4	20.1

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

EIGHTH DISTRICT MEMBER BANK ASSETS AND LIABILITIES BY SELECTED GROUPS

(In Millions of Dollars)	All Member Nov.,'53	All Member Change from Oct.,'53 to Nov.,'53	All Member Change from Nov.,'52 to Nov.,'53	Large City Banks[1] Nov.,'53	Large City Banks Change from Oct.,'53 to Nov.,'53	Large City Banks Change from Nov.,'52 to Nov.,'53	Smaller Banks[2] Nov.,'53	Smaller Banks Change from Oct.,'53 to Nov.,'53	Smaller Banks Change from Nov.,'52 to Nov.,'53
Assets									
1. Loans and Investments	$4,681	$+ 78	$+ 90	$2,728	$+ 44	$+ 24	$1,953	$+ 34	$+ 66
a. Loans	2,193	+ 13	+ 93	1,465	+ 9	+ 50	728	+ 4	+ 43
b. U. S. Government Obligations	2,065	+ 63	— 24	1,065	+ 39	— 29	1,000	+ 24	+ 5
c. Other Securities	423	+ 2	+ 21	198	— 4	+ 3	225	+ 6	+ 18
2. Reserves and Other Cash Balances	1,493	+ 16	— 38	926	+ 19	— 15	567	— 3	— 23
a. Reserves with the F. R. Bank	747	+ 33	— 17	493	+ 31	— 5	254	+ 2	— 12
b. Other Cash Balances[3]	746	— 17	— 21	433	— 12	— 10	313	— 5	— 11
3. Other Assets	60	+ 4	+ 9	37	+ 2	+ 4	23	+ 2	+ 5
4. Total Assets	$6,234	$+ 98	$+ 61	$3,691	$+ 65	$+ 13	$2,543	$+ 33	$+ 48
Liabilities and Capital									
5. Gross Demand Deposits	$4,606	$+ 89	$+ 37	$2,829	$+ 56	$+ 26	$1,777	$+ 33	$+ 11
a. Deposits of Banks	768	— 31	— 10	722	— 31	— 6	46	- 0 -	— 4
b. Other Demand Deposits	3,838	+120	+ 47	2,107	+ 87	+ 32	1,731	+ 33	+ 15
6. Time Deposits	1,096	— 1	+ 56	516	— 2	+ 21	580	+ 1	+ 35
7. Borrowings and Other Liabilities	119	+ 9	— 57	111	+ 10	— 49	8	— 1	— 8
8. Total Capital Accounts	413	+ 1	+ 25	235	+ 1	+ 15	178	- 0 -	+ 10
9. Total Liabilities and Capital Accounts	$6,234	$+ 98	$+ 61	$3,691	$+ 65	$+ 13	$2,543	$+ 33	$+ 48

[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.

strictive for the purposes of economic stability and the Federal Reserve System began adding funds to bank reserves through purchases of Treasury bills. In total, these purchases provided roughly $1 billion during May and June, substantially easing bank reserve positions by mid-year. Pressure on bank reserves was further eased by a reduction of about $1.2 billion in reserve requirements during early July and net System purchases in the open market over the second half of the year.

CONSTRUCTION

INDEX OF CONSTRUCTION CONTRACTS AWARDED EIGHTH FEDERAL RESERVE DISTRICT*

(1947-1949=100)

	Oct., 1953	Sept., 1953	Oct., 1952
Unadjusted			
Total	193.3P	200.2	448.6**
Residential	174.9P	197.5	146.7
All Other	201.8P	201.5	588.9**
Seasonally adjusted			
Total	216.9P	178.3	515.1**
Residential	178.5P	174.8	149.7
All Other	234.7P	179.9	684.8**

* 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.

PRICES

CONSUMER PRICE INDEX

Bureau of Labor Statistics (1947-49=100)	Nov.,'53	Oct.,'53	Nov.,'52	Nov., 1953 compared with Oct.,53	Nov.,'52
United States	115.0	115.4	114.3	-0-%	+ 1%

RETAIL FOOD

Bureau of Labor Statistics (1947-49=100)	Nov.,'53	Oct.,'53	Nov.,'52	Nov., 1953 compared with Oct.,53	Nov.,'52
U. S. (51 cities)	112.0	113.6	115.0	— 2%	— 3%
St. Louis	114.5	115.5	116.2	— 1	— 2

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1947-49=100)	Nov.,'53	Oct.,'53	Nov.,'52	Nov., 1953 compared with Oct.,53	Nov.,'52
All Commodities	109.8	110.2	110.7	-0-%	— 1%
Farm Products	93.6	95.3	103.6	— 2	—10
Foods	103.8	104.7	107.7	— 1	— 4
Other	114.5	114.6	112.8	-0-	+ 2

INDUSTRY

CONSUMPTION OF ELECTRICITY—DAILY AVERAGE*

(K.W.H. in thous.)	Nov., 1953 K.W.H.	Oct., 1953 K.W.H.	Nov., 1952 K.W.H.	Nov., 1953 compared with Oct.,'53	Nov.,'52
Evansville	887	887	923	-0-%	— 4%
Little Rock	234	234	228	-0-	+ 3
Louisville	4,551	4,221	4,237	+ 8	+ 7
Memphis	1,685	1,625	1,625	+ 4	+ 4
Pine Bluff	493	421	367	+17	+34
St. Louis	5,396	5,125	5,480	+ 5	— 2
Totals	13,246	12,513	12,860	+ 6%	+ 3%

* Selected Manufacturing Firms.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

First Nine Days

Nov.,'53	Oct.,'53	Nov.,'52	Dec.,'53	Dec.,'52	11 mos. '53	11 mos. '52
101,247	118,271	111,420	30,606	32,414	1,127,498	1,107,659

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Nov., 1953	Oct., 1953	Nov., 1952	Nov., 1953 compared with Oct.,'53	Nov.,'52
Arkansas	77.8	76.3	75.7	+ 2%	+ 3%
Illinois	167.5	166.7	165.5	-0-	+ 1
Indiana	34.7	34.1	33.7	+ 2	+ 3
Kentucky	32.6	32.3	31.2	+ 1	+ 4
Total	312.6	309.4	306.1	+ 1%	+ 2%

COAL PRODUCTION INDEX

1935-39=100

Unadjusted Nov.,'53	Oct.,'53	Nov.,'52	Adjusted Nov.,'53	Oct.,'53	Nov.,'52
148.9P	140.8	153.8	135.4P	131.6	139.8

P Preliminary.

TRADE

DEPARTMENT STORES

	Net Sales: Nov., 1953 comp. with Oct., 1953	Nov., 1952	11 mos. '53 to same period '52	Stocks on Hand: Nov.30,'53 comp. with Nov. 30, 1952	Stock Turnover: Jan. 1 to Nov. 30, 1953	1952
8th F.R. District Total	-0-%	+ 2%	+ 2%	+ 1%	3.21	3.40
Fort Smith Area, Ark.[1]	+ 2	— 3	— 3	+ 2	3.03	3.21
Little Rock Area, Ark.	+ 3	— 2	— 1	— 1	3.08	3.40
Quincy, Ill.	— 1	+ 2	+ 1	-0-	3.11	3.40
Evansville Area, Ind.	— 2	+ 2	+ 8	....	....	....
Louisville Area, Ky., Ind.	+ 7	+ 2	-0-	-0-	3.42	3.52
St. Louis Area, Mo., Ill.	— 2	+ 4	+ 3	+ 1	3.24	3.38
Springfield Area, Mo.	— 3	— 3	— 2	— 3	2.83	3.05
Memphis Area, Tenn.	+ 4	-0-	-0-	+ 3	3.70	3.99
All Other Cities[2]	— 8	—12	— 2	— 2	2.56	3.02

[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] 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 November, 1953, were 25 per cent less than on the corresponding date a year ago.

PERCENTAGE OF ACCOUNTS AND NOTES RECEIVABLE

Outstanding Nov. 1, 1953, collected during November

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	....%	42%	Quincy	18%	65%
Little Rock	13	45	St. Louis	21	56
Louisville	20	47	Other Cities	08	45
Memphis	19	42	8th F.R. Dist.	19	51

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Nov. 1953	Oct. 1953	Sept. 1953	Nov. 1952
Sales (daily average), unadjusted[4]	136	119	109	132
Sales (daily average), seasonally adjusted[4]	114	108	102	111
Stocks, unadjusted[5]	132	138	138	133
Stocks, seasonally adjusted[5]	121	124	129	122

[4] Daily average 1947-49 = 100.

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

Trading days: Nov., 1953—24; Oct., 1953—27; Nov., 1952—24.

RETAIL FURNITURE STORES

	Net Sales: Nov., 1953 compared with Oct.,'53	Nov.,'52	Inventories: Nov., 1953 compared with Oct.,'53	Nov.,'52	Ratio of Collections: Nov.,'53	Nov.,'52
8th Dist. Total[1]	-0-%	— 2%	-0-%	+ 3%	18%	20%
St. Louis	+ 8	— 1	+ 4	+ 5	28	29
Louisville Area[2]	— 7	+ 5	— 4	-0-	13	13
Louisville	— 6	+ 5	— 3	— 1	13	13
Memphis	+14	—16	*	*	12	12
Little Rock	— 3	—13	+ 8	+ 9	14	15
Springfield	—24	—12	— 5	+ 3	11	14

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

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

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

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Nov.,'53	Oct.,'53	Nov.,'52
Cash Sales	16%	14%	15%
Credit Sales	84	86	85
Total Sales	100%	100%	100%

FEDERAL RESERVE BANK OF ST. LOUIS

INCORPORATED MAY 18, 1914