

Monthly Review

May, 1954

Volume XXXVI

Number 5

The District Money Supply in 1953

AT THE CLOSE OF 1953, the money supply within the Eighth Federal Reserve District amounted to about \$8 billion. Over the year the supply fluctuated, but, on balance, it grew 2 per cent. The expansion, caused by both an inflow of funds and a growth in bank credit, centered in time deposits.

Demand deposits rose only slightly. Small gains at banks in some rural areas, particularly in the cotton-growing sections, were partly offset by declines in two others. In the large cities deposits changed little on balance, expanding at Louisville and Memphis, declining at Little Rock and Evansville.

Use of the money supply, as estimated from the turnover of demand deposits, was somewhat greater in 1953 than in any other postwar year.

In terms of ownership of demand deposits, the 1954 survey showed little change over the survey year, either dollarwise or in distribution of the total.



Federal Reserve Bank
of St. Louis

At the close of 1953, the money supply within the Eighth Federal Reserve District amounted to about \$8 billion.

THE PORTION OF THE NATIONAL MONEY SUPPLY held in the Eighth Federal Reserve District totaled slightly over \$8 billion at the close of 1953. It consisted of approximately \$5 billion of demand deposits, about \$2 billion of time deposits and, according to rough estimates, something over \$1 billion in currency and coin. Nationally, by comparison, the money supply amounted to slightly over \$200 billion.

The size of the district's money supply, its rate of growth, its velocity of circulation, its sources and distribution and the form in which it is held are all factors which have some influence on, and in turn are affected by, business activity, employment and prices in the area. An analysis of the money supply within the district is thus helpful in understanding and evaluating economic changes in the region.¹

Per capita the \$8 billion district money supply came to about \$800. Of course, the actual distribution was quite different. Over half of the demand deposits and a large share of both time deposits and cash were held by business firms or were in other nonpersonal accounts. A sizable portion of the currency outstanding was probably in a few large holdings and a part has been lost or destroyed. Further, that part of the money supply in the hands of individuals at the end of 1953 was unequally divided. According to the 1954 Survey on Consumer Finances there is a wide variation in the amount of liquid assets held by the nation's spending units.² The Survey found that over a quarter of the spending units owned no liquid assets, whereas about 10 per cent of the units held over \$5,000 each.

Over the year the supply fluctuated, . . .

The money supply in the district is elastic in the sense that it tends to rise when activity in agriculture and business increases and to contract as activity subsides. The fluctuations are primarily brought about

by movements of funds between the Eighth District and the others and by changes in the amount of bank credit. Since changes in the money supply are caused by many highly variable factors, day-to-day fluctuations in the supply are largely irregular. But over a longer period regular patterns which throw light on the nature of the district's business can be observed.

Thus the quantity of money—both deposits and currency—rises in the fall, reflecting the demand to finance the processing and distribution of crops and preparations of both merchants and consumers for the Christmas season. Conversely, in the spring the means of payment usually contract as the need for funds to carry inventories declines. For example, in the last half of 1953, the district's money supply expanded, more than offsetting a decline earlier in the year of about \$250 million or 3 per cent. This seasonal fluctuation in the supply of money is more pronounced in the district than in the nation as a whole, largely because of the relatively larger influence of agriculture on district activity.

In addition to the annual pattern there are monthly and weekly swings in the amount of money outstanding. Also, for a week or more before each of the principal holidays there is some increase in the money supply and a slight shift within the supply from deposits to cash. Of the holidays, Christmas has by far the greatest impact on the money supply.

. . . but, on balance, it grew 2 per cent.

During 1953 monetary expansion continued, although the increase was smaller than in any year since 1949. The Eighth District money supply, including funds owned by nonresident individuals and firms, worked up nearly \$200 million or about 2 per cent. This growth, somewhat less than the national increase of 3 per cent, was primarily in the form of time deposits, but working balances of businesses also rose.

The expansion, caused by both an inflow of funds and a growth in bank credit, . . .

The growth in the money supply within the Eighth District during 1953 largely reflected an increase in bank credit of about \$190 million. Both member and nonmember banks expanded credit, the expansion centering in loans to consumers. Further, there was a relatively small net inflow on private and Treasury account combined. Net inflows from the South and West on private account amounted to somewhat more than the net outflows which for the most part went to Chicago and New York. Net inflows on private account, to the extent they represent payments (and not just transfers of money from place to place),

¹ A word of caution as to the money supply of a relatively small region within the United States is in order, however. Unfortunately for the analyst (fortunately in all other respects) money in this country moves readily from area to area and individuals and firms located in one section hold funds in other sections. An additional hazard to the analyst is that there are no regular reports on certain elements making up an area's money supply and other sources of information in connection with these elements are meager.

As used in this report, "money supply" includes adjusted demand deposits, time deposits, currency, and coin. Adjusted demand deposits are total demand deposits except interbank and U. S. Government accounts less cash items in the process of collection. The data on currency and coin used are largely estimated.

² The "Ninth Annual Survey of Consumer Finances" was conducted by the Board of Governors of the Federal Reserve System in cooperation with the Survey Research Center of the University of Michigan. Preliminary results of the Survey were published in the March, 1954, Federal Reserve Bulletin. Liquid assets included in the Survey were checking and savings accounts in banks, postal savings, shares in savings and loan associations and credit unions, and United States Government securities; cash was not included.

could reflect: 1) net commodity exports; 2) net investment in the district by outsiders; 3) net use of district services such as transportation and recreation by nonresidents; and 4) net return on capital invested outside the district. On the other hand there were some miscellaneous factors, primarily related to the growth of the district's banking system, that absorbed funds.

... centered in time deposits.

The greatest part of the growth in the district's money supply during 1953 was in the form of the relatively inactive time deposits. The increase in these accounts, which totaled roughly \$110 million, was at about the same rate as in the previous year. Both member and nonmember banks in most sections of the district shared in the gain. Growth in these accounts, accompanied by substantial increases during the year in certain other liquid asset holdings of individuals, such as shares of savings and loan associations and credit unions, reflected the continued high rate of personal savings in the area. Active portions of the district's money supply rose only moderately during 1953. At the end of the year, businesses and individuals owned a somewhat larger volume of demand deposits but, according to rough estimates, less currency and coin than at the beginning.

Nationally, as in the district, the sharpest expansion in the money supply was in time deposits. Demand deposits increased only moderately. Unlike the district, however, in the rest of the country currency outside banks continued to rise.

Demand deposits rose only slightly.

Between the end of 1952 and the end of 1953 demand deposits of individuals, partnerships, and corporations at all banks in the Eighth Federal Reserve District increased only \$30 million, or less than one per cent. In the other postwar years these deposits rose on an average of \$200 million per year, despite moderate declines in 1948 and 1949.

The growth in demand deposits was not uniform throughout the district, deposit volumes having risen in only seven of the fourteen areas.⁸ Of the remaining seven geographic areas, three showed little change and four had declines in deposit levels (see map and tables, pages 52 and 53).

The seven rural areas show a slight gain, while the seven metropolitan areas show little net change in deposits during 1953. This is the reverse of the trend for the 1946-1952 period when the rate of growth was

generally greater at the urban banks. In fact, from the end of 1945 to the end of 1952, demand deposits of individuals, partnerships, and corporations rose an average of 7 per cent per year at metropolitan-area banks, twice the average annual growth rate at rural-area banks. The reversal during 1953 of the postwar pattern can be accounted for by examining factors governing the economy of the individual areas.

*Small gains at banks in some rural areas,
particularly in the cotton-growing sections . . .*

The expansion of deposits at rural-area banks centered in the cotton-growing regions of the district, but moderate gains were also recorded in the northern and eastern sections.

A number of agricultural factors help to explain the deposit growth in these nonmetropolitan banks. Despite prolonged drouth and generally unfavorable prices, farmers in these regions had, on balance, a comparatively good year. Prices were lower for cotton, but district production rose to nearly 4½ million bales, an increase of 13 per cent over the previous year. Price declines in both wheat and rice were more than offset by increased production for these commodities to all-time peaks. Although tobacco production declined, average prices received were higher. Hog and soybean prices rose considerably. On the other hand, farmers whose incomes were dependent on beef cattle and pasture programs were adversely affected by both drouth and price declines.

In southern Arkansas deposits increased as a result of the activity stemming from the new oil discoveries. Too, in some nonmetropolitan regions there was an increase in industrial activity which required larger working balances in commercial banks, and banks in most regions received some increases in accounts of nonprofit institutions.

... were partly offset by declines in two others.

There were two nonmetropolitan areas in the central section of the district, however, that reported slight contractions in demand deposits during 1953. One of these areas was the Ozark region of northwest Arkansas and southern Missouri. The other, described as the coal, chemicals, and oil area, although agriculture is important, covers southern Illinois and western Indiana and Kentucky.

The deposit declines for the two areas reflected in part the unfavorable weather and the price declines of farm products. The prolonged drouth—in some areas for the third straight year—covered most of these counties. The drouth adversely affected output of soybeans and beef cattle, which are especially important in these areas.

⁸ For a geographic analysis of deposits the district is divided into fourteen sections. These deposit areas are combinations of economic areas of the Bureau of Census and are composed of the seven metropolitan areas and seven other regions. The names of counties contained in each of these areas can be obtained upon request.

DEPOSIT CHANGES IN 1953 BY AREAS

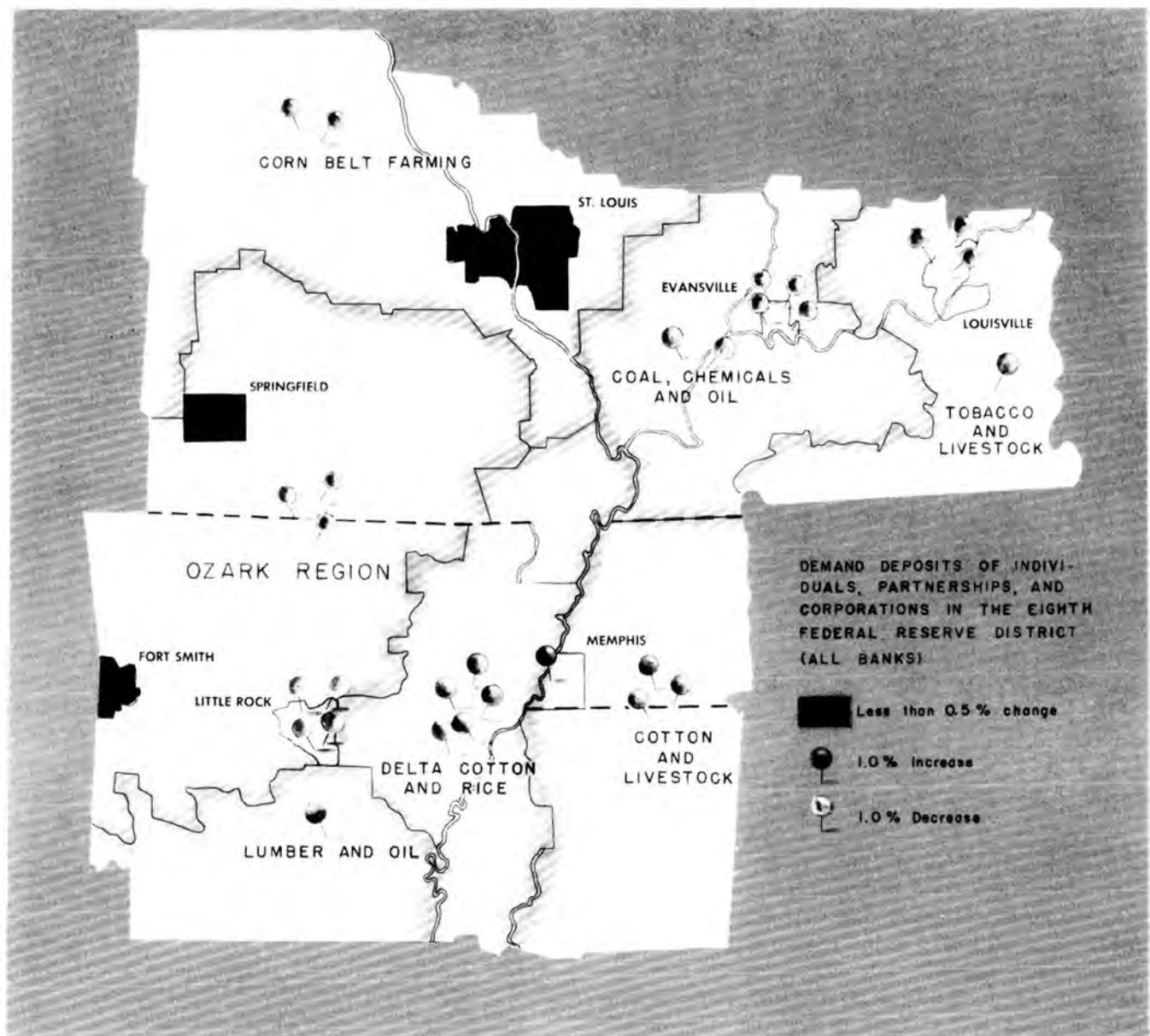


TABLE I
DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS
All Banks in Eighth Federal Reserve District by Areas

(Dollar amounts in millions)	Dec. 31, 1945	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949	Dec. 31, 1950	Dec. 31, 1951	Dec. 31, 1952	Dec. 31, 1953
St. Louis	\$ 891.2	\$1,034.8	\$1,142.0	\$1,138.3	\$1,180.9	\$1,324.6	\$1,397.0	\$1,461.2	\$1,460.8
Louisville	271.1	301.8	320.4	323.9	311.6	351.9	382.3	398.4	409.8
Memphis	194.0	234.2	261.8	258.8	264.8	295.6	298.2	308.4	312.2
Little Rock	74.6	80.1	84.1	84.8	88.0	95.7	102.9	110.9	106.2
Evansville	64.5	68.3	81.0	79.5	80.9	84.1	87.6	104.7	100.6
Springfield	41.8	46.2	46.5	43.7	45.0	50.0	53.4	53.6	53.7
Fort Smith	36.7	37.3	37.6	35.6	37.5	39.5	42.5	43.1	43.2
Total—Metropolitan Areas	\$1,573.9	\$1,802.7	\$1,973.4	\$1,964.6	\$2,008.7	\$2,241.4	\$2,363.9	\$2,480.3	\$2,486.5
Corn Belt Farming	\$ 482.3	\$ 552.8	\$ 578.2	\$ 565.7	\$ 558.8	\$ 585.6	\$ 627.8	\$ 649.5	\$ 662.3
Coal, Chemicals and Oil	400.9	430.9	452.2	445.8	430.5	426.2	474.4	512.3	502.8
Tobacco and Livestock	270.7	292.2	309.8	306.8	289.0	287.1	322.5	323.7	326.1
Ozark Region	265.0	290.4	273.9	264.6	249.9	258.4	287.4	299.3	290.2
Lumber and Oil	133.4	130.4	143.3	149.8	144.2	154.1	156.6	164.7	166.1
Delta Cotton and Rice	247.6	304.7	321.7	350.1	310.9	333.4	334.0	345.4	361.6
Cotton and Livestock	273.5	294.6	300.0	298.3	271.3	271.8	294.1	311.3	320.5
Total—Rural Areas	\$2,073.4	\$2,303.7	\$2,379.1	\$2,361.1	\$2,254.6	\$2,316.6	\$2,496.8	\$2,606.2	\$2,629.6
Total—District	\$3,647.3	\$4,106.4	\$4,352.5	\$4,325.7	\$4,263.3	\$4,558.0	\$4,860.7	\$5,086.5	\$5,116.1

Another factor accounting for some of the deposit losses was the continued decline in coal mining activity in the Herrin-Murphysboro-West Frankfort region in Illinois, the Vincennes area in Indiana, and the Madisonville region in Kentucky. Coal production in Illinois has dropped sharply in recent years, 1953 production being 40 per cent below the 1944 peak. Since alternative employment opportunities have not offset the declines in mining, these areas suffered from considerable unemployment.

Finally, deposits in banks in the Paducah, Kentucky, area declined during 1953 as the huge construction projects came nearer completion. This development was in marked contrast with the sharp gains of other recent years resulting from the rapid industrialization of the region.

In the large cities deposits changed little on balance, . . .

During 1953 deposits of businesses and individuals rose only \$6 million (about one-fourth of one per cent) at banks in the seven metropolitan areas of the district. Banks in the St. Louis, Springfield, and Fort Smith areas had virtually no net change. Banks in Louisville and Memphis reported moderate gains, while those in Little Rock and Evansville reported losses.

At banks in the St. Louis area, moderate gains in accounts of manufacturing and mining concerns and financial houses were matched by net withdrawals by public utilities and trade firms. The lack of deposit growth in both the Springfield and Fort Smith areas

was partly the result of the prolonged drouth in their surrounding territories.

. . . expanding at Louisville and Memphis. . .

Demand deposits of individuals and businesses in the Louisville area banks rose 3 per cent during 1953. The growth reflected the addition of several new plants in the area and the expansion of others. These factors generally tending to add to deposit volumes were offset, in part, when late in 1953 there were cutbacks in durable goods production, particularly that of defense industries and farm machinery manufacturers.

Memphis area banks received a small (one per cent) net gain in demand deposits of individuals and firms over the year. A fairly sharp seasonal drop in the spring was more than offset by a growth in the fall. The net gain centered in deposits of merchants, primarily dealers in cotton. Accounts of manufacturers, and public utilities were likewise up. On the other hand, large personal accounts fell in Memphis.

. . . declining at Little Rock and Evansville.

In contrast to gains at Louisville and Memphis, deposits in banks of the Little Rock metropolitan area declined 4 per cent during 1953. This loss of deposits reflected a net flow of funds out of the area—probably temporary—rather than either a moderation of business activity or a bank credit contraction. Employment in the city was at an all-time peak in December, 1953. The dollar volume of checks drawn on local banks, another business indicator, was 3 per cent higher in 1953 than in 1952, and, at the same time, banks in Little Rock increased their loans 20 per cent.

Deposits also contracted 4 per cent in the Evansville area during 1953. The deposit loss in Evansville was apparently occasioned by curtailment in the production of aircraft parts and refrigerators, and by reduction of automobile assembly. Manufacturing accounts were clearly affected by these cutbacks, and those of individuals and other businesses generally reflected the decline in employment.

Use of the money supply, as estimated from the turnover of demand deposits, was somewhat greater in 1953 than in any other postwar year.

It is estimated that approximately 90 per cent of total payments, by dollar amount, are made by transferring demand deposits. Demand deposits, except interbank and Government, at reporting banks in 22 cities of the district turned over 20.1 times in 1953. In 1952, these deposits were somewhat less active, turning over 19.4 times. The increase in deposit activity from 1952 to 1953 continued the postwar growth in

TABLE II

CHANGES IN DEMAND DEPOSITS OF INDIVIDUALS,
PARTNERSHIPS AND CORPORATIONS

All Banks in Eighth Federal Reserve District by Areas

(Dollar amounts in millions)	Change from 1945 to 1953		Change from 1952 to 1953	
	Amount	Per Cent	Amount	Per Cent
St. Louis	\$+ 569.6	+64%	\$- 0.4	-0%
Louisville	+ 138.7	+51	+11.4	+3
Memphis	+ 118.2	+61	+ 3.8	+1
Little Rock	+ 31.6	+42	- 4.7	-4
Evansville	+ 36.1	+56	- 4.1	-4
Springfield	+ 11.9	+28	+ 0.1	-0
Fort Smith	+ 6.5	+18	+ 0.1	-0
Total— Metropolitan Areas	\$+ 912.6	+58%	\$+ 6.2	-0%
Corn Belt Farming	\$+ 180.0	+37%	\$+12.8	+2%
Coal, Chemicals and Oil	+ 101.9	+25	- 9.5	-2
Tobacco and Livestock	+ 55.4	+20	+ 2.4	+1
Ozark Region	+ 25.2	+10	- 9.1	-3
Lumber and Oil	+ 32.7	+25	+ 1.4	+1
Delta Cotton and Rice	+ 114.0	+46	+16.2	+5
Cotton and Livestock	+ 47.0	+17	+ 9.2	+3
Total—Rural Areas	\$+ 556.2	+27%	\$+23.4	+1%
Total—District	\$+1,468.8	+40%	\$+29.6	+1%

the rate of deposit use, which was interrupted only twice—in 1949 and 1952.

TABLE III
RATE OF TURNOVER OF DEMAND DEPOSITS
EXCEPT INTERBANK AND GOVERNMENT
22 Cities in Eighth District

1945	—	14.8
1946	—	15.9
1947	—	16.9
1948	—	18.2
1949	—	17.3
1950	—	18.8
1951	—	19.6
1952	—	19.4
1953	—	20.1

This higher rate of deposit turnover, coupled with the moderate increase in level of demand deposits over the year, resulted in a larger volume of money payments (or transfers) in the Eighth District during 1953 than in any previous year.

In terms of ownership of demand deposits, the 1954 Survey showed little change over the survey year, . . .

Just as there was very little change in the volume of demand deposits of individuals, partnerships, and corporations, shifts in ownership between the principal groups of demand deposit holders were only moderate from January, 1953 to January, 1954. Ownership patterns—both districtwise and nationally—are measured once each year by the Federal Reserve System with the cooperation of member and nonmember banks. Results of the 1954 survey, which introduced

a new sampling procedure (see box below), have recently become available.

. . . either dollarwise . . .

The dollar balances rose in all major classifications of ownership except public utilities and personal accounts, the gains ranging from less than 2 per cent in trade accounts to 8 per cent for manufacturing and mining concerns. Public utilities accounts declined 7 per cent and personal accounts 2 per cent.

Deposits of concerns in the trade category—retailers, wholesalers, and dealers in commodities—were a little higher than a year earlier. Accounts of corporate businesses in this group were up, but the increase was largely offset by a decline in those of the unincorporated firms. Financial concerns increased their balances roughly 2 per cent over the year. The increase in these deposit accounts was apparently related to the continued growth of most financial institutions and the consequent need for greater working balances. Accounts of construction companies and the miscellaneous nonfinancial businesses, including services and professions, were 3 per cent higher than in January, 1953. Deposits of nonprofit organizations also rose faster than deposits generally over the survey year, with an increase of 5 per cent as compared with less than one per cent for all demand deposits of individuals and businesses. Nineteen hundred fifty-three was the fourth consecutive year in which these

REVISION OF THE DEPOSIT OWNERSHIP SURVEY

IN EACH OF RECENT YEARS the Federal Reserve System with the cooperation of member and nonmember banks has made a Deposit Ownership Survey covering demand deposits of individuals, partnerships, and corporations.

For the 1954 Survey the method of collecting the data has been revised. The new procedure has been adopted in order to reduce the work load for respondents, to adapt the survey to special analyses of individual banks' deposits, and to improve the district estimates.

Formerly, reporting banks, of which there are approximately 200 in the district, were asked to total their individual, partnership, and corporate demand deposits for each type of ownership. To hold down the reporting burden, banks excluded their small accounts (ranging in size from under \$1,000 to under \$10,000, depending on the size of the bank). By using these and certain supplemental reports, the Reserve Bank then estimated the ownership of deposits for the district.

Under the revised system, the reporting bank lists certain accounts. (It is not asked to total these deposits by type of owner, this work being transferred to the Reserve Bank.) In contrast to the former procedure, small as well as large accounts are covered by the reports. All the larger accounts are now reported, as in the past, but there are fewer of them since the minimum size has been increased (ranging from \$3,000 to \$25,000, depending on the size of the

bank). The smaller accounts, however, are now sampled in each bank's report. The size of the sample in the 1954 Survey varied from about 25 per cent to 5 per cent, depending on the size of the bank. The sample was selected by assigning the reporting bank a section of its alphabetical ledger. Totals of demand deposits of individuals, partnerships, and corporations, by type of owner for the district, are then estimated by projecting these returns.

The new method, since it samples the ownership pattern of the smaller deposits which were formerly partly estimated, improves to some extent the accuracy of the Survey. Thus, a small part of the indicated changes in deposit ownership from the 1953 Survey to the 1954 Survey may be due to the change in procedure. However, this possibility of error was lessened by revising the results of the 1953 Survey in light of the data which now have become available.

In addition to providing the information needed for the regular Deposit Ownership Survey, the new procedure makes it possible for reporting banks to obtain, upon request, further data for their own purposes with relatively small increases in time and labor on their part. A few district banks included in their 1954 Survey report items of local interest, such as activity in their deposit accounts or the residence of the depositor. These data permitted special analyses to be made of the deposit structure of the reporting banks.

accounts rose faster than deposits in the district generally. The number of nonprofit accounts, which in-

TABLE IV

ESTIMATED OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS,
PARTNERSHIPS AND CORPORATIONS
All Banks in Eighth Federal Reserve District

(Dollar amounts in millions)	January 1954	January 1953 Revised	Change	
			Amount	Per Cent
Total business	\$2,248	\$2,181	\$+67	+ 3%
Corporate business	1,521	1,497	+24	+ 2
Noncorporate business	727	684	+43	+ 6
Manufacturing and mining	710	655	+55	+ 8
Public Utilities	196	210	-14	- 7
Trade	722	711	+11	+ 2
Construction and other nonfinancial	291	283	+ 8	+ 3
Financial	329	322	+ 7	+ 2
Nonprofit	219	209	+10	+ 5
Total personal	2,415	2,467	-52	- 2
Farmers	566	593	-27	- 5
Others	1,849	1,874	-25	- 1
All other	52	43	+ 9	+21
Total	\$4,934	\$4,900	\$+34	+ 1%

clude hospitals, religious organizations, charities, labor unions, private schools and colleges, veterans' and farmers' organizations, and clubs of all kinds, is large. The consistent dollar increase in these accounts probably reflects the growth in activity of nonprofit organizations. This growth has been stimulated by high levels of personal income and, for some organizations, by comparatively high tax rates which have encouraged donations. The 8 per cent expansion in dollar holdings of manufacturing and mining companies, over-all, reflected increases in these accounts in all size-groups of banks. The unincorporated companies apparently fared well and their balances soared, percentagewise; but corporate accounts in the larger banks moved up only one per cent. The "all other" classification, accounting for barely one per cent of individual, partnership, and corporation demand deposits in the district, rose sharply per-

centagewise. This category includes funds deposited by the trust departments of banks in the commercial banking departments, and deposits of nonbanking institutions and individuals domiciled outside the United States.

Personal accounts slipped a little, 2 per cent, and showed the first decline since the survey year ended January, 1949. Slightly more than half of the dollar decrease in these accounts represented a reduction in the balances of farmers. Percentagewise, however, farmers' deposits were off 5 per cent as compared with the one per cent for other individuals. As noted earlier in the analysis of deposits by areas, the fortunes of farmers varied from place to place. The decline in the accounts of other individuals, while relatively small, was a break in the upward trend, but should be viewed in the light of the fact that these deposits had moved up substantially in the previous survey year. Public utility accounts, including deposits of railroads and other transportation and communications as well as other public utilities, were down 7 per cent from the preceding survey date. A drop occurred in balances at all size-groups of banks but was sharpest at the larger banks.

... or in distribution of the total.

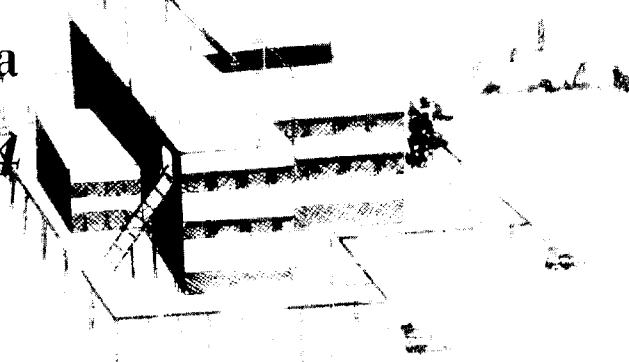
As a share of the total of individual, partnership, and corporation demand deposits in the district, business deposits gained and personal accounts lost, the swing being only slightly more than one percentage point in each case. Manufacturing and mining accounts gained a percentage point in the distribution; farmers' and other personal accounts each lost just less than a point. All other changes were less than one-half of a percentage point up or down. Relatively, it appears that no one type of holder gained or lost much ground in the last survey year.

NORMAN N. BOWSHER,
NORMA LYNCH.



Survey of Manufacturers' Capital Investment Programs in the St. Louis Metropolitan Area

1953 and 1954



CAPITAL OUTLAYS of \$166 million during 1954 are planned by manufacturing firms in the St. Louis metropolitan area, according to a recent survey conducted by this Bank. These projected expenditures for plant and equipment are 9 per cent less than actual outlays in 1953, estimated at \$182 million. However, this decline approximates the 7 per cent reduction in capital outlays from 1953 expected nationally according to a survey conducted in February and early March by the United States Department of Commerce and the Securities and Exchange Commission.

Since the present survey is the first of this type made at the local level in the St. Louis area comparable data for recent years are not available. However, comparison can be made with figures from the last CENSUS OF MANUFACTURES which showed new plant and equipment outlays of \$119 million for the area in 1947. The current survey indicates that outlays in 1953 and those planned for 1954 are substantially larger than in 1947, reflecting both higher construction and equipment costs and a greater volume of construction and equipment put in place. Such capital outlays¹ by local manufacturers in 1953 were 45 per cent greater than in 1947, compared with a national increase of 41 per cent over the same period.

In 1954, factors responsible for the high rate of capital investment during recent years will evidently continue with only slightly less force. Demand for some products is still quite large, despite the recent decline. Some investment programs require several years to complete and once begun are usually continued without major alterations. In addition, a substantial portion of proposed investment consists of projects planned under the defense mobilization program. And replacement of existing machinery and equipment is apparently even greater this year than in 1953.

The accuracy of the forecast of 1954 investment depends, of course, in large part upon whether manufacturers carry out their plans. There are substantial

reasons to believe that they will. A Department of Commerce survey showed that investment plans would not be appreciably affected by a moderate decline in business activity. In addition, a major part of the outlays planned are by large firms which have long-range programs and can finance them either from their own funds or arrange for funds from outside sources. Another study undertaken by the Federal Reserve Bank of Philadelphia in March found that only 15 per cent of the manufacturers in the Philadelphia metropolitan area had curtailed their capital spending plans of last fall and almost one-fourth had increased their capital programs.

While total investment planned by St. Louis area manufacturers in 1954 will be about 9 per cent less than in 1953, some industries will outlay substantially more. The largest increase is planned by transportation equipment manufacturers, including aircraft, automobile assembly and parts producers. Investment in this industry is expected to increase from \$15 million in 1953 to \$43 million in 1954. Investment for plant and equipment by printing and publishing firms is expected to total \$4.3 million, an increase of 60 per cent from 1953 outlays. Capital programs of fabricated metal plants are scheduled to increase from \$5.7 million in 1953 to \$7.7 million this year.

In contrast to the expansions, declining investment programs are scheduled by both durable and non-durable goods manufacturers. The largest dollar decrease is planned by primary metal producers, who expect to spend only \$19.8 million this year compared with \$39.4 million last year. Other substantial reductions are planned by electrical machinery manufacturers, lumber and furniture manufacturers, chemical producers and petroleum refiners. Smaller cutbacks are scheduled by food and beverages, nonelectrical machinery, and leather and leather products manufacturers. The expenditure relationships are summarized in the table opposite.

¹ Excludes outlays for used plant and equipment.

A relatively small investment for the shoe industry is shown by the table, reflecting the lack of expansion in the metropolitan area and the fact that much of the shoe machinery is rented by the manufacturer rather than owned.

While firms were asked to indicate the investment on both new plant and new machinery and equipment, many firms were unable to give separate figures. Purchases of existing plant and used equipment acquired from others totaled \$9.6 million in 1953 and were expected to decline to \$7.5 million this year.

Increased capacity

About one-half of the firms responding said that their capacity was increased in 1953 as a result of the investment programs. Likewise, about the same number indicated that the proposed investment in 1954 would add to their plant capacity. Other expenditures were for the reduction of operating costs, improvement of the quality of the product, or the replacement of existing equipment.

Source of Funds

Most of the funds for capital outlays in 1954 will be obtained from company resources, corresponding to 1953 practice. In 1954 about \$131 million or 78 per cent of the total investment is scheduled to be obtained from internal sources, compared with \$128 million or 71 per cent of the total investment in 1953. The share of capital financing from banks, however, will apparently be greatly reduced in 1954. Scheduled financing this year calls for only \$3 million from such credit sources compared with \$33 million in 1953. Security issues of stocks and bonds will play a relatively insignificant role as a source of capital

funds; they provided an estimated \$2.5 million in 1953 and are scheduled to provide only \$3.0 million this year. "Other" sources of capital funds provided \$17 million or 9 per cent of the total in 1953 and plans to obtain about \$30 million or 18 per cent of the total from such sources were indicated for 1954.

Employment forecast

Firms were also asked to indicate their expected employment for June and December 1954. In general, employment is expected to be maintained close to levels existing in November 1953. Some declines were anticipated by food processors, primary metal producers and electrical equipment manufacturers. Gains were expected by transportation equipment and paper products manufacturers. Other industries expected little change.

Confidence may be gained from the stability of the employment forecasts made when business activity had already been declining for several months.

Scope of Survey

The survey covered plant and equipment expenditures for manufacturing establishments located in the St. Louis metropolitan area (City of St. Louis, St. Louis and St. Charles counties in Missouri, Madison and St. Clair counties in Illinois). Respondents were asked to report only capital expenditures actually incurred during 1953 (and expected in 1954) chargeable to the fixed assets accounts for which depreciation accounts are ordinarily maintained. Machinery and equipment purchased for replacement purposes as well as additions to capacity were to be included.

Questionnaires were mailed to all manufacturing firms employing 100 or more persons in the local area, and to a sample of smaller firms. Firms were selected systematically from an alphabetic list of manufacturers compiled by the Chamber of Commerce of Metropolitan St. Louis. This list indicated the employment size of the firm. Survey forms were sent to every fifth listed firm employing 25 to 99 employees and to every fifteenth listed firm employing 1 to 24 employees.

The Chamber of Commerce of Metropolitan St. Louis further aided by authorizing a statement, in the letter transmitting the survey forms, which stated approval and urged the cooperation of businessmen.

Replies were received from approximately 350 concerns, with total employment equal to 53 per cent of total manufacturing employment in the area. The sample was then "blown up" to give the estimates for all industry in the area.

WILLIAM H. KESTER

ESTIMATED CAPITAL EXPENDITURES

ST. LOUIS METROPOLITAN AREA, 1953 AND 1954

(Millions of dollars)

Industry	Actual Outlays, 1953	Planned Outlays, 1954	Per cent Change
All manufacturing	\$181.6	\$166.4	— 9
Food and beverages	16.1	14.3	— 11
Lumber and furniture	3.5	2.0	— 42
Printing and publishing	2.7	4.3	+ 61
Chemicals	24.0	17.6	— 27
Petroleum and coal products	41.6	29.9	— 28
Leather and leather products	1.0	0.8	— 17
Primary metals	39.4	19.8	— 50
Fabricated metals	5.7	7.7	+ 35
Machinery (excluding electrical)	6.9	6.3	— 9
Electrical machinery	12.1	7.4	— 39
Transportation equipment	14.8	42.9	+190
Other	13.9	13.4	— 4

Survey OF CURRENT CONDITIONS

Business activity during April held close to the March level.

BUSINESS ACTIVITY DURING APRIL in the Eighth Federal Reserve District and the nation held close to the reduced level reached in March. Industrial output of major products for which current information is available remained at about the same level as in March. Unemployment insurance claimed at mid-April declined about the usual amount from March. Retail trade at department stores continued at a slower pace than a year earlier after adjustment for the later date of Easter this year than last. Business loans eased somewhat after the usual mid-March increase to accommodate tax payments. However, construction activity continued at a high level, basic commodity prices strengthened, and the April rains helped relieve the recent deficiency in moisture in many parts of the district.

Industrial output remained steady . . .

Steel output in the nation held fairly steady during April at about the reduced level reached in March. Ingot was produced at a rate of about 68 per cent of capacity, compared with a rate of 69 per cent in March. Automobile assembly during April increased slightly from the March rate. Other indicators, such as electric power production and bituminous coal mined, showed about seasonal changes during the month. However, crude oil production increased somewhat and chemical production was reported to have improved slightly.

Industrial production in the nation during March was at a seasonally adjusted rate of 123 per cent of the 1947-1949 average, about 10 per cent below the peak reached in May and July last year. During the first quarter, output declined about one half as fast as during the fourth quarter of 1953. So far this year, the decline has been confined entirely to durable goods manufactures as the output of nondurable goods and minerals held steady.

In the Eighth District early April indicators showed that industrial production apparently remained about the same as in March. However, activity was mixed. District auto assembly continued at the rate to which it was reduced late in March, but defense production apparently declined further. Freight interchanges at

St. Louis for the first nine days of the month, were slightly below those for the similar period in March and 12 per cent below those of last year. Southern pine weekly lumber production moved contraseasonally during early April declining slightly compared with early March, and averaging 12 per cent below a year ago. The operating rate for Southern hardwoods showed only a one per cent gain, although it was 7 per cent better than in 1953.

On the other side of the ledger, the district steel ingot rate rose to 61 per cent of capacity for the first four weeks of the month from 46 per cent in March.

Final figures on industrial electric power consumption for March show that some improvement from February lows occurred in a number of industries, although the over-all use declined 5 per cent. The paper and allied products and food industries showed considerable strength, according to this indicator. Lumber and wood products, fabricated metals and textiles appeared on the weak side. Compared with the like 1953 month, use of electric power declined in 9 of the 14 industries sampled.

Through March and early April, district crude oil production remained about the same. A small increase occurred in coal output as mine prices dropped to encourage summer stockpiling. The outlook was brightened somewhat by substantial TVA orders and the fact that stocks in retail yards were relatively low.

. . . and unemployment insurance claims declined seasonally.

The leveling of business activity during the first half of April was also reflected in the seasonal decline in insured unemployment in both the nation and district after several months of more than seasonal increases. While there were indications in April of a seasonal decline in the rate of unemployment, the number of jobless had reached substantial proportions in a number of areas in the Eighth Federal Reserve District in March. The Henderson, Kentucky, Mount Vernon and Litchfield, Illinois, areas were recently classified as having substantial labor surpluses as a result of rising and prospective unemployment. Four other areas—Vincennes, Indiana; Herrin-Murphysboro-West Frankfort, Illinois; Texarkana, Texas-Arkansas; and Madisonville, Kentucky—continued to be classified as areas of substantial labor surplus.

Major areas in the district—St. Louis, Louisville, Memphis, Evansville, and Little Rock—were classified as having moderate labor surpluses in March. All of the district states except Illinois, Missouri, and Indiana continued to have higher ratios of insured unemployment to covered employment than did the nation.

In the St. Louis area unemployment on April 1 reached 50,000, or about 5.6 per cent of the work force. Additional layoffs occurred during April in automobile assembly, ordnance and primary metals. In Louisville, the number of jobless rose to about 18,500 in March. In Evansville about 700 workers were recalled at one plant during April.

Department store sales remained below year-earlier levels . . .

Department store sales in both the nation and the district during the first three weeks of April failed to equal year-earlier levels after adjustment for the later date of Easter this year.

Consumer purchases at district department stores during March advanced less than seasonally from February and were below those a year ago. After adjustment for the changing date of Easter and other factors, the seasonally adjusted index of daily average sales in March was 109 per cent of the 1947-1949 base. In comparison, it was 112 per cent in February and 118 per cent in March, 1953. District furniture store sales during March were somewhat larger than in February but totaled substantially less than in March, 1953.

Inventories held by reporting district retailers showed some gain over those a month earlier but were at about the same level as a year earlier. Outstanding orders at district department stores at the end of March were substantially below those of a month ago and a year ago.

. . . and business loans declined somewhat more than usual.

Total loans of district weekly reporting member banks contracted in the four weeks ended April 14, as the result of net repayments by businesses and banks. The business loan decline was somewhat more than seasonal, reflecting substantial net repayments by processors and distributors of agricultural products and public utilities. On the other hand, "other," largely consumer, loans rose somewhat, reversing the trend that prevailed from the end of December through mid-March. Demand deposits were off at all reporting centers in the district, but savings deposits were up at all centers except Evansville.

On April 14, the Federal Reserve Bank of Chicago lowered the discount rate from $1\frac{1}{4}$ per cent to $1\frac{1}{2}$ per

cent and similar action was taken by most other Federal Reserve Banks later in the month. This reduction, the second this year, brought the discount rate nearer to its historical relationship with other money market rates. The lower rate makes it slightly easier for banks to adjust their reserve positions.

However, construction activity remained high.

The large volume of construction begun in the first quarter, as indicated by construction contract awards, kept builders busy in April. Construction contract awards in the first three months were 13 per cent higher than in the first quarter of last year, nationally, and were about 19 per cent higher in the district.

The large volume of contract awards in the first quarter was accompanied by a high rate of expenditure for construction actually put in place during those months. After adjustment for seasonal factors new construction activity in the nation during the quarter was proceeding at an annual rate of \$36.1 billion, which was well above the \$34 billion rate forecast for this year. In the district, total construction activity also continued at a high rate although below year-earlier levels, reflecting the recent completion or near completion of several large projects.

Total demand has decreased reflecting inventory reductions and lower Government outlays.

Gross national product is estimated by the Council of Economic Advisors to have declined about one per cent further in the first quarter of 1954, making a total decrease of 3 per cent from the peak reached in the second quarter of 1953. Most of the \$12 billion decrease in gross national product in that period reflected the sharp change from inventory accumulation at a seasonally adjusted annual rate of \$6.3 billion in the second quarter of 1953 to inventory reduction at an annual rate of about \$4.5 billion in the first quarter of this year, a net drop of \$10.8 billion. Demand from governmental agencies has also declined, primarily as a result of the decreases in Federal outlays for national security purposes. Increases in state and local government purchases of goods and services and of nondefense purchases by the Federal Government have offset, in part, the decline in national security outlays. Total Government purchases of goods and services declined \$3.2 billion from the fourth quarter of 1953 to the first quarter of 1954. Personal consumption expenditures have been maintained since the second quarter of 1953 as increasing outlays for personal services offset declines for both durable and nondurable goods. In the first quarter of this year, consumer spending on durable goods declined, while spending on nondurable goods was maintained and spending for services increased.

The DISTRICT RECORD

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	March 1954	Percentage Change* Feb. 1954	Mar. 1953
Industrial Use of Electric Power (thousands of KWH per working day, selected industrial firms in 6 district cities)	11,483	-5	-8
Steel Ingot Rate, St. Louis area (operating rate, per cent of capacity)	46	+21	-48
Coal Production Index—8th Dist. (Seasonally adjusted, 1935-1939=100)	119 p	+10	-13
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	315.3	-0	+3
Freight Interchanges at RRs—St. Louis (Thousands of cars—25 railroads—Terminal R. R. Assn.)	103.5	+6	-15
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average—first 4 weeks)	111.1	+12	+1
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	188.8	-2	-6
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)	95	+1	+8

* Percentage change figures for the steel ingot rate, Southern hardwood rate, and the coal production index, show the relative per cent change in production, not the drop in index points or in per cents of capacity.
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Banking

BANK DEBITS¹

	March 1954 (In millions)	Percent Change from Feb. 1954	Mar. 1953
Six Largest Centers:			
East St. Louis-National Stock Yards, Ill.	\$ 143.7	+24%	+4%
Evansville, Ind.	163.8	+17	-
Little Rock, Ark.	176.2	+23	-2
Louisville, Ky.	761.0	+10	-5
Memphis, Tenn.	715.0	+18	+4
St. Louis, Mo.	2,302.5	+24	+7
Total—Six Largest Centers	\$4,262.2	+20%	+5%

Other Reporting Centers:			
Alton, Ill.	\$ 41.1	+26%	+19%
Cape Girardeau, Mo.	14.2	+15	+3
El Dorado, Ark.	30.1	+20	+5
Fort Smith, Ark.	56.6	+40	+18
Greenville, Miss.	26.9	+7	+22
Hannibal, Mo.	9.6	+19	-0
Helen, Ark.	8.6	+15	-6
Jackson, Tenn.	23.0	+16	+7
Jefferson City, Mo.	65.8	+16	+14
Owensboro, Ky.	37.6	+10	+6
Paducah, Ky.	38.6	+12	-17
Pine Bluff, Ark.	35.8	+16	-5
Quincy, Ill.	37.9	+14	+8
Sedalia, Mo.	13.7	+6	+17
Springfield, Mo.	73.2	+22	+2
Texarkana, Ark.	18.9	+11	-14
Total—Other Centers	\$ 531.6	+18%	+4%
Total—22 Centers	\$4,793.8	+20%	+5%

INDEX OF BANK DEBITS—22 CENTERS SEASONALLY ADJUSTED (1947-49=100)

	Mar. 1954	Feb. 1954	Mar. 1953
	152.3	147.5	145.0

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

Agriculture

CASH FARM INCOME

(In thousands of dollars)	Percentage Change Jan. thru Feb.
	Feb. '54 from Feb. '53 compared with 1952
Arkansas	\$ 28,834 -3% -27% +17%
Illinois	122,907 +6 +2 -8
Indiana	76,290 +8 +6 -6
Kentucky	22,627 +1 -11 +4
Mississippi	28,770 -37 -32 +4
Missouri	59,913 -3 -0 -2
Tennessee	25,821 -10 -12 -14
7 States	\$365,162 -2% -3% -3%
8th Dist.	\$159,206 -7% -4% +1%

Construction

INDEX OF CONSTRUCTION CONTRACTS AWARDED EIGHTH FEDERAL RESERVE DISTRICT* (1947-1949=100)

Unadjusted	Feb. 1954	Jan. 1954	Feb. 1953
Total	146.6 p	141.9	122.7
Residential	157.7 p	143.6	163.3
All Other	141.5 p	141.1	103.9
Seasonally adjusted			
Total	191.4 p	186.7	159.3
Residential	197.1 p	194.1	204.1
All Other	188.7 p	183.2	138.5

* Based on three-month moving average (centered on mid-month) of value of awards, as reported by F. W. Dodge Corporation.
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ASSETS AND LIABILITIES OF EIGHTH DISTRICT MEMBER BANKS (In Millions of Dollars)

	Weekly Reporting Banks Change from Mar. 17, 1954	All Member Banks Mar. 31, 1954	Change from Feb. 24, 1954
	Apr. 14, 1954		
Assets			
Loans (Net) ¹	\$1,353	\$— 58	\$2,143
Business and Agricultural	705	-49	
Security	36	+1	
Real Estate	255	-0	
Banks	21	+23	
Other (largely consumer)	354	+13	
U. S. Government Securities	985	-70	1,942
Other Securities	190	+4	416
Cash Assets	907	+17	1,407
Other Assets	38	+2	60
Total Assets	\$3,473	\$-105	\$5,968
Liabilities and Capital			
Demand Deposits of Banks	\$ 678	\$-17	\$ 695
Other Demand Deposits	1,983	-84	3,666
Time Deposits	524	+3	1,128
Borrowings and Other Liabilities	50	+9	59
Total Capital Accounts	238	+2	420
Total Liabilities and Capital	\$3,473	\$-105	\$5,968

¹ Loan breakdowns reported gross for weekly reporting banks, not available for all member banks.

Trade

RETAIL FURNITURE STORES

	Net Sales Mar., 1954 compared with Feb. '54 Mar., '53	Inventories Mar., 1954 compared with Feb., '54 Mar., '53
8th Dist. Total ¹	+8% -10%	+6% -5%
St. Louis	+7 -14	-0 -6
Louisville Area ²	+13 -1	+8 -1
Louisville	+14 +1	+8 -1
Memphis	-9 -31	* *
Little Rock	-14 -3	+9 -6
Springfield	+13 -22	+4 -7

* 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

	Mar., '54	Feb., '54	Mar., '53
Cash Sales	15%	16%	14%
Credit Sales	85	84	86
Total Sales	100%	100%	100%

DEPARTMENT STORES

	Net Sales March, 1954 compared with Feb., '54 Mar., '53	Stocks on Hand 3 mos. '54 Mar. 31, '54 to same comp. with March 31, '53	Stock Turnover Jan. 1 to 1954 1953	Percentage of Accts. and Notes Receiv- able, Outstanding March 1, 1954 col- lected during March.
				Instal. Instalment Accounts Accounts
8th F.R. District Total	+18 -9	-5 -3	.84 .85	18% 51%
Fort Smith Area, Ark.	+21 -10	-6 +4	.71 .80	46
Little Rock Area, Ark.	+10 -3	-1 -3	.79 .77	14 51
Quincy, Ill.	+14 -8	-2 -4	.81 .77	19 62
Evansville Area, Ind.	+19 -19	-14 -		
Louisville Area, Ky., Ind.	+26 -10	-7 -5	.85 .85	21 51
Paducah, Ky.	+23 -27	-27 -		
St. Louis Area, Mo., Ill.	+16 -8	-4 -3	.88 .88	19 53
Springfield Area, Mo.	+47 -8	-11 -13	.68 .70	
Memphis Area, Tenn.	+14 -5	-3 -0	.90 .91	20 36
All Other Cities ²	+34 -18	-19 -8	.51 .58	10 46

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Mar. 1954	Feb. 1954	Jan. 1954	Mar. 1953
Sales (daily average), unadjusted ¹	92	88	83	104
Sales (daily average), seasonally adjusted ²	108	112	108	118
Stocks, unadjusted ¹	123	108 R	99	125
Stocks, seasonally adjusted ²	120	113 R	117	122

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¹ Daily average 1947-49=100

² End of Month average 1947-49=100

Trading days: March, 1954—27; February 1954—24; March, 1953—26.

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.

Federal Reserve Bank of St. Louis

² Fayetteville, Pine Bluff, Arkansas; Harrisburg, Mt. Vernon, Illinois; Vincennes, Indiana; Danville, Hopkinsville, Mayfield, Owensboro, Kentucky; Chillicothe, Missouri; Greenville, Mississippi; and Jackson, Tennessee. Outstanding orders of reporting stores at the end of March, 1954, were 22 per cent smaller than on the corresponding date a year ago.