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EIGHTH DISTRICT RETAIL TRADE IN 1954

TRENDS IN CONSUMPTION indicated by retail trade have far reaching effects in the economy. District retail sales in the first seven months in six lines surveyed remained close to last year's level.

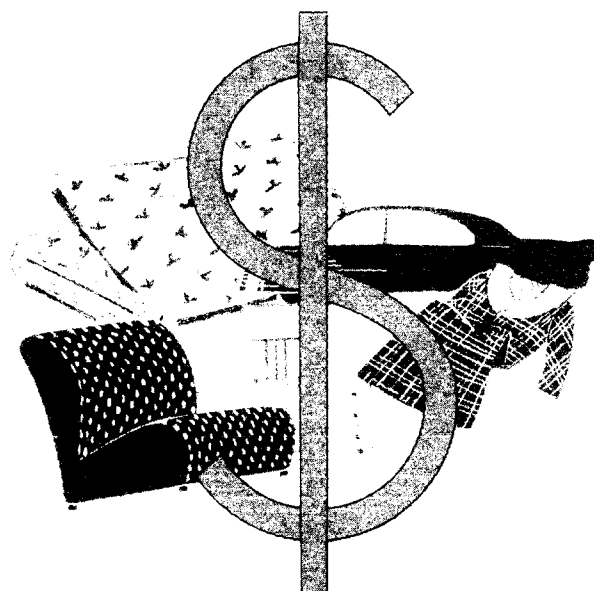
Influences upon trade reported by district retailers stressed changes in income in Evansville, Little Rock, St. Louis, Louisville, Memphis, Paducah, smaller centers, neighborhoods, and particular groups of people. Changes in consumers' assets and debts have affected purchasing power. Shifts in consumer preferences occurred within the six lines surveyed in the district.

Of other indicators watched by retailers, unit volume and average gross sale were not much changed from a year earlier, credit sales were considered about normal, and inventories were about in line with sales at mid-year.

Few retailers reported commitments-to-buy larger than a year ago and little change in the cost of goods is expected. Many retailers in all lines surveyed expect to equal or exceed 1953 sales for the remainder of this year. But the consumer is still boss.

Federal Reserve Bank
of St. Louis

Survey of Current Conditions—p. 105



*Trends in consumption indicated by retail trade
have far reaching effects in the economy.*

RETAIL TRADE, besides being a major source of employment in its own right, is closely watched for indications of changes in amount and types of consumption. Personal consumption expenditures in 1953 absorbed 63 per cent of the dollar value of the total output of goods and services of the United States economy, or \$230 billion. Approximately three-fourths of this flow represents goods passing through retail establishments on their way to the consumer.

Changes in consumer spending influence fluctuations in business activity. A decline in consumer spending for durable goods last year contributed, along with the reduction in military outlays and business inventory expenditures, to the downturns in durable goods manufacturing and employment which set in last summer. Willingness of consumers to increase total spending this year did much to prevent a worsening of the recent decline in business activity.

To get a preview of consumer spending in the Eighth District over the balance of the year, selected retailers were queried as to their business results so far this year and their expectations for the remainder of 1954. This article reports on the observations of these retailers.

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lines surveyed remained close to last year's level.*

The six lines of trade covered—department stores, women's specialty stores, men's wear stores, furniture stores, appliance stores, and automobile dealers—account for about one-third of the dollar volume of retail trade. Food stores, including eating and drinking places, account for about another third of retail volume. Lumber, building, and hardware dealers, gasoline stations, drugstores, liquor stores, and a wide variety of others make up the remainder. The six lines covered in this article are important ones to watch because they are particularly sensitive to short-run changes in consumer spending.

The trade picture in district and nation is generally favorable, considering the declines in nonfarm employment and in farm income which have occurred in the past year. District sales during the first six months of the current year in most of the lines covered by the survey were approximately equal to or slightly lower than sales in the same period a year ago.

Total department store sales in the district for the first seven months were 2 per cent lower than in the same months a year ago, as were total retail sales in the nation.

During July about one-half of the dealers in all six lines surveyed reported sales equal to or exceeding those of July, 1953. The best experience was shown by men's wear stores, the least favorable by automotive dealers. At men's wear stores, two-thirds of the dealers reported sales equal to or larger than a year ago, while in the automotive line about two-thirds of the dealers showed sales below those in July, 1953. Extremely hot weather at mid-year through much of the district—coming a little later than in 1953—apparently was responsible to some extent for the gain in men's wear sales from a year earlier and was reported to have slowed down floor traffic by automotive dealers. July sales volume of the majority of women's specialty stores was lower than a year earlier. Department store experience was about equally divided, one-third reporting sales larger, one-third reporting sales equal to, and one-third reporting sales below those of last year. Total dollar volume in July was 5 per cent greater than a year earlier.

However, the picture is more complicated than is revealed by the summary figures of retail sales. Wide differences in conditions among areas, particular groups of consumers, and among lines of trade are concealed within the totals.

Influences upon trade reported by district retailers . . .

District retailers suggested a wide variety of influences upon their individual performances this year. Among the favorable influences were seasonal demand for air conditioning equipment, additional TV broadcasting facilities, availability of merchandise, and increased promotion. Unfavorable influences upon sales included drouth, greater unemployment, a belief that consumers' outstanding obligations were heavy, tighter credit terms in some cases, customer expectations of price decreases, and "unseasonal" weather.

. . . stressed changes in income . . .

The first of three generally important influences on consumer spending—available income, wealth, and debt—accounts in part for the recent behavior of consumers. Many of the influences mentioned by retailers, such as drouth and increased unemployment, have caused changes in income in district areas. Nationally, consumer expenditures have been supported by increased disposable income, i.e., income after taxes. In the first half of 1954 increased interest income, dividends, and transfer payments (mainly unemployment compensation) more than offset a \$2.3 billion decrease in the annual rate of wage and salary income from the corresponding period a year ago. As a result, total personal income in the first half of this year was at a slightly higher rate than in the first half of 1953. Tax cuts of about \$3 billion (an-

nual rate) at the first of this year provided the bulk of the gain in disposable personal income.

... in Evansville, ...

Monthly estimates of 1954 income are not available for the Eighth District as they are for the nation; but some conclusions about income changes can be drawn from conditions of areas within the district. Of the five largest district urban centers, Evansville department store sales have been most affected by the downturn, as can be seen from the charts of department store sales below.

Evansville is a manufacturing center with employment highly concentrated in the manufacture of refrigerators, automobiles, and other durable goods. In May, 1953, about 57 per cent of all nonagricultural jobs in Evansville were in manufacturing, as compared with an average of 32 per cent for the other four largest urban centers of the district—St. Louis, Louisville, Memphis, and Little Rock. The recession, which was characterized primarily by a reduction in durable goods manufacturing employment, resulted in a decline of one-third, or 18,000, in Evansville manufacturing employment from the March, 1953, peak to June, 1954. Total nonagricultural employment in Evansville declined by 18 per cent. Bank debits, another indicator of business activity, for the first seven months of this year were 10 per cent below debits for the same period last year, indicating a reduction of expenditures, and hence of income. Department store sales, however, did not fall much below their 1952 levels until January, 1954, although the employment decline began in April, 1953. In the first seven months department store sales fell 10 per cent from the same months of 1953.

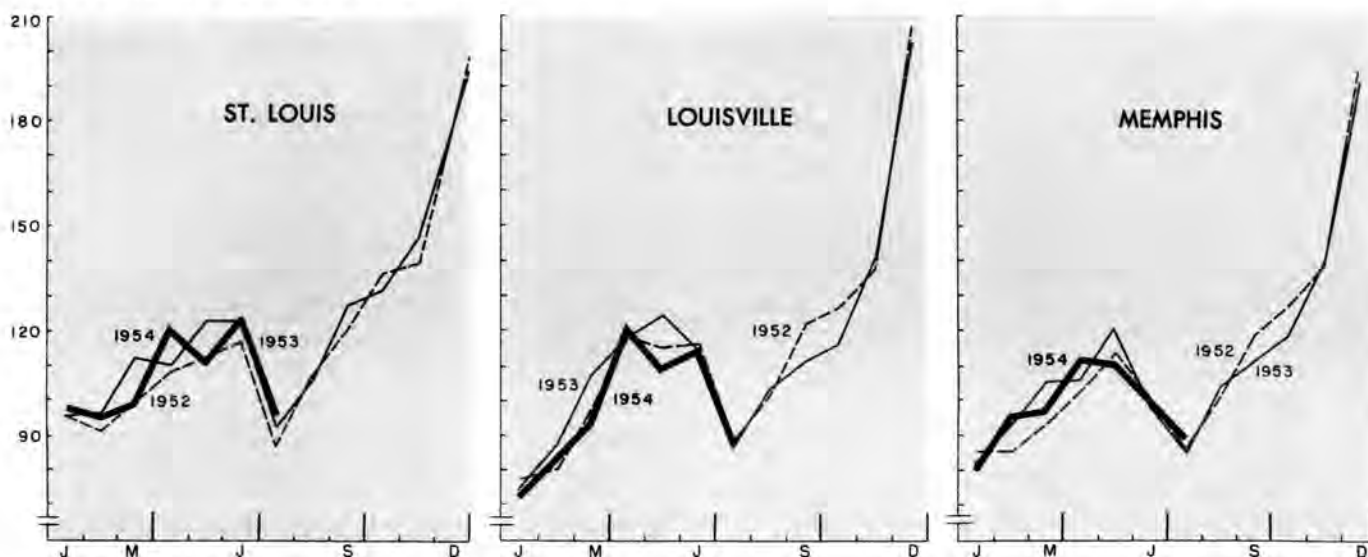
... Little Rock, ...

The experience of Little Rock was quite different from that of Evansville. In 1953 nonagricultural employment in Little Rock increased throughout the year, reaching an all-time high in December. But department store sales in the last half of 1953 failed to show any growth over sales in the preceding year. Then, in the first half of 1954, total employment and manufacturing employment having declined by 6 and 12 per cent respectively from the 1953 high, department store sales picked up, registering a gain of 2 per cent in the first seven months compared to the same months last year. Bank debits through July were 2 per cent higher than a year ago. This apparently contradictory behavior probably reflects the importance to Little Rock retailers of their customers from the farms and towns of the surrounding area. In the 1953 survey several Little Rock retailers mentioned the drouth of that year as an influence expected to limit sales in the second half.

... St. Louis, Louisville, Memphis, ...

Other major centers, St. Louis, Louisville, and Memphis, have had declines in total employment from the 1953 peak ranging from 4 to 8 per cent, and in manufacturing employment from 8 to 15 per cent. Yet department store sales ran close to '52 levels through 1953, and have not lagged much below the '53 levels this year. Absence of any significant change in debits in these cities suggests that other sources of income have at least partially offset the payroll declines, as they have in the nation as a whole. However, particular stores and lines of trade in these centers have felt losses in payrolls sharply.

Sales so far in 1954 have compared more favorably with those of a year ago in St. Louis and Memphis than in Louisville, according to the unadjusted index of daily average department store sales (1947-1949=100).



Paducah.

Paducah is a special case in which a large decline in employment is not related to the recession. In Paducah retailers are adjusting to the end of a boom as the nearby Atomic Energy Commission plant nears completion. The departure of some 15,000 construction workers has contributed to a 25 per cent decline in department store sales in the first seven months of this year compared to the corresponding months of 1953. And bank debits in the same period of this year were 9 per cent below those of a year ago. After the windfall of the construction period, retailers can look forward to the less spectacular but substantial trade provided by increasing manufacturing employment at the A.E.C. facility and neighboring chemical plants.

... smaller centers, neighborhoods, and particular groups of people.

Trade in many smaller centers is especially sensitive to changes in farm incomes. Particularly in southwest Missouri retailers attributed declines in sales to the drouth. On the other hand, a retailer in a Kentucky community credited a sales increase to a favorable growing season for the area's main cash crop, tobacco.

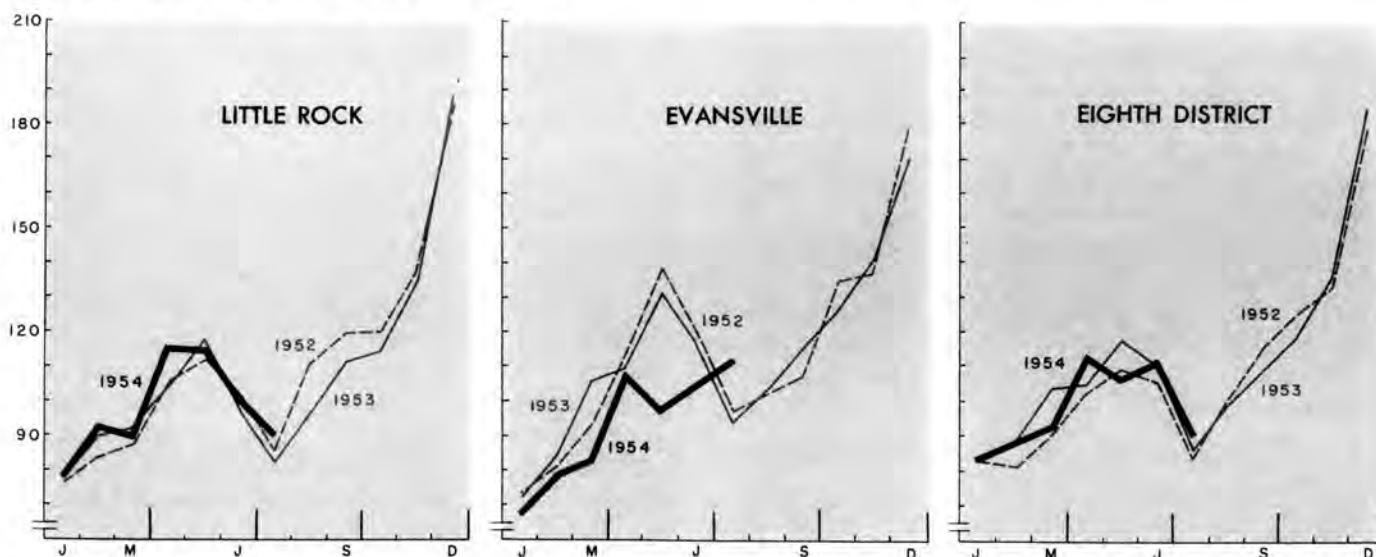
Within areas the impact of employment and income changes upon sales has varied widely among neighborhoods and classes of customers. For example, in an urban center in which 1954 department store sales have held up well, a dealer in medium-to-low priced furniture reported first-half sales considerably below a year ago. He commented that: "Traffic and volume seemed affected by lay-offs and unemployment in the strata in which greater part of our

business is done . . . and we seemed to encounter resistance in getting our customer to commit himself too far or too heavily in advance due to the somewhat pessimistic outlook during the first half of the year." In the same metropolitan area, an appliance dealer in a suburban location reported increased sales and a general willingness of customers "to purchase luxury items for their own comfort." These observations illustrate the necessity of considering not only the total income of an area but changes in its distribution as well. Although total area income may be stable or increasing, the incomes of a particular group within the area may be declining.

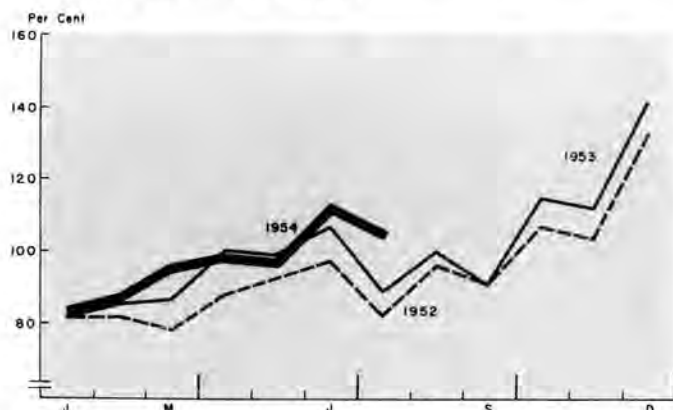
Changes in consumers' assets and debts have affected purchasing power.

Consumer spending is not mechanically linked to consumer income. Spending is determined by a variety of influences—expectations as to prices, wars, weather, and so on—which operate within limits or conditions fixed not only by consumers' income, but by their accumulated savings and the level of their indebtedness. It is in the timing of their spending, particularly for durable goods, that consumer assets and debts become significant. With accumulated savings or through current borrowing the consumer, if he chooses, can spend part of past or future income this year. Retailers in the six lines surveyed were very much aware of the importance of changes in their customers' assets or debts because of the influence of these changes on consumer spending and because purchases of the products they sell are postponable. A number of respondents commented upon the previously acquired debts of their customers which they felt limited current sales.

1954 sales in Little Rock have been slightly ahead of a year ago. In Evansville they have been substantially lower until July. For the district, with the main selling season approaching, sales are nearly equal to a year ago.



At district department stores consumer spending in the home furnishings divisions has been somewhat larger this year than in the first seven months of 1953.



At the beginning of 1954, according to the *Survey of Consumer Finances*, the general financial position of the nation's consumers appeared to have been well maintained over the preceding twelve months.¹ Consumer debt had increased to an all-time high in December of 1953, but liquid assets had likewise grown substantially and were broadly distributed through the population. Total personal holdings of liquid assets in the nation, according to preliminary estimates by the Board of Governors of the Federal Reserve System, increased by \$8 billion in 1953, while total short- and intermediate-term consumer credit outstanding increased by \$3 billion.² Although comparable data are not available for the Eighth District, other information indicates that district consumers added substantially to their liquid assets and to their debts during 1953. At district member banks, time deposits increased 5 per cent from December 31, 1952, to December 31, 1953, and loans to individuals increased about 8 per cent.

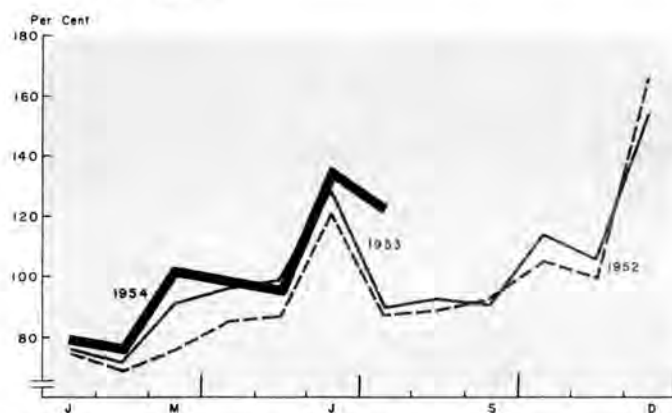
So far this year, Eighth District consumers are apparently accumulating liquid assets somewhat faster than they did last year, as indicated by growth in time deposits in 31 district weekly reporting banks. For the year through August 11, time deposits in these banks increased by \$27 million as compared to an increase of \$12 million in the same period last year. Although district data on consumer debt are not available, the volume of consumer credit nationally declined an estimated 4 per cent in the first half of 1954. If the trend in the district is at least in the same direction as that in the nation, it would appear that district consumers have accumulated purchasing power—an increase in liquid assets relative to

debts. However, lack of knowledge on how the purchasing power is distributed or on the willingness of consumers to use it, makes its influence on consumer buying uncertain.

Shifts in consumer preferences occurred within the six lines surveyed in the district.

In addition to his power to increase or decrease his total spending, the consumer can change his preferences among goods and services. In the nation, consumers last year demonstrated their capacity for major shifts between the second and fourth quarters by reducing spending for durable goods by \$2.3

Within the home furnishings division, major appliances, housewares, radio, phonograph and television sales volume has been considerably higher.



billion at seasonally adjusted annual rates, or 8 per cent, cutting spending for nondurables by \$0.9 billion, and increasing spending for services by \$2.1 billion, or 2 per cent. This shift was a major cause of the industrial production decline which took place in the third and fourth quarters of 1953 and the first quarter of 1954.

In the durable goods lines, district household appliance stores achieved more favorable results in the first half of 1954 than did furniture stores and automobile dealers. Almost one-half of the appliance dealers surveyed reported that first-half 1954 sales were larger than a year ago. In the furniture and automotive lines about three dealers out of four reported first-half 1954 sales from slightly under to one-half lower than first-half 1953 sales.

In the nondurable lines, department stores reported the most favorable first-half experience with about one-half of the respondents reporting first-half 1954 sales larger than in 1953. Four men's wear stores out of five reported sales volume in the first half of 1954 as much as 40 per cent lower than in 1953. And almost three-fourths of the women's specialty stores reported lower sales in the first half of 1954 than a year earlier. Among the factors reportedly influencing

¹ 1954 *Survey of Consumer Finances*, FEDERAL RESERVE BULLETIN, March, June, July, 1954.

² *Estimated Liquid Asset Holdings of Individuals and Businesses*, FEDERAL RESERVE BULLETIN, July 1954, pp. 709-710. Liquid assets included in these estimates are currency, demand deposits, time deposits, savings and loan shares, and United States Government securities.

sales of wearing apparel were unseasonal weather during the first half of the year, a later Easter in 1954, shifts in consumer preferences for certain types of men's wear, and a lack of major changes in women's fashions.

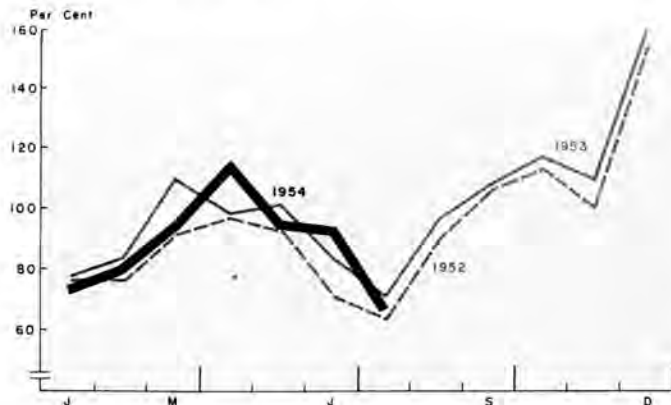
Of other indicators watched by retailers, unit volume and average gross sale were not much changed from a year earlier, . . .

Only appliance and department stores of the lines surveyed reported a larger unit volume of goods (as compared to dollar volumes) sold so far in 1954, than in 1953. In five lines (excluding auto dealers) about one-fourth of the dealers reported unit volume larger, about one-fourth stated unit volume was equal, while slightly more than one-half reported unit volume below that of a year ago.

Changes in average gross sales are of interest to retailers as indicators of shifts in consumers' preferences for high-priced or low-priced goods.

At mid-1954 the average gross sale of the majority of retailers other than auto dealers was somewhat lower than a year ago. Furniture and men's wear

Women's and misses' ready-to-wear apparel and accessories divisions, accounting for about one-third of total department store sales volume, have so far in 1954 about equaled their 1953 sales record.



stores reported the greatest change, about two-thirds of the furniture stores surveyed reporting average gross sale lower than in 1953, and more than one-half of men's stores reporting lower average gross sale. In appliance lines the average gross sale for the majority about equaled that in 1953. At department stores average gross sale at one-half of the stores was equal to that of a year ago; at the other half, more stores reported lower than higher average gross sales.

Neither data of unit volume nor average gross sale were established for the automotive line. The number of autos sold apparently was lower than a year ago—but still higher than in many postwar years.

. . . credit sales were considered about normal . . .

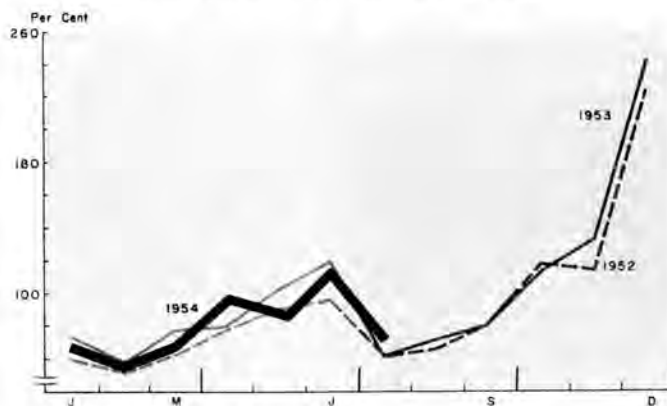
Over one-half of the dealers in all six lines considered their volume of credit sales about normal for their line of business. Thirty-five per cent considered credit sales larger than normal, while about 15 per cent considered credit sales volume lower than normal. A majority of automotive, men's wear, and furniture dealers considered credit sales larger than normal. In the appliance lines the majority considered credit sales about normal with about the same number considering credit sales larger than normal as below normal. A larger number of department stores considered credit sales normal than above normal. The majority of women's specialty stores considered their credit sales about normal.

. . . and inventories were about in line with sales at mid-year.

Inventories held at mid-1954 in trade lines surveyed (except automotive) did not appear to be excessive in view of current sales. At mid-year about one dealer in four considered inventory a little too high in view of sales during June. The majority of dealers considered inventories in line with current sales, and only a few dealers considered inventories too light. In relation to sales, inventories of reporting department stores at mid-1954 were at the lowest point since mid-1950.

More than one-half of the automobile dealers reported a larger number of new cars on hand at the end of July than a year ago, some as much as twice as large. About one-fourth of the auto dealers said they had fewer new cars on hand than in 1953. The number of used cars (trade-ins) held by one-third of the auto dealers was equal to last year; about one-third reported the number of used cars higher than last year; and one-third reported fewer used cars on hand.

Men's and boys' wear divisions this year have lagged slightly behind their 1953 performance but have done better than in 1952.



Unadjusted index of monthly average sales, 1953 = 100.

Few retailers reported commitments-to-buy larger than a year ago, . . .

With mid-1954 inventories considered by many in the trade lines surveyed to be in line with sales, few reported commitments-to-buy larger than a year ago. About half of the dealers reported commitments equal to last year, while almost half of them reported commitments somewhat lower than a year ago. The majority of furniture, department, and men's stores reported commitments below last year, while the majority of appliance stores reported commitments equal to those in 1953. At women's wear stores about one-half reported commitments equal to last year and the remainder reported them lower than a year ago.

. . . and little change in the cost of goods is expected.

The majority of dealers (except automotive) expect their buying prices to remain at about the July 30 level during the remainder of this year. There was some feeling, however, in the furniture and appliance lines that buying prices would decline, about one dealer in four in the two lines anticipating some decline.

If there is any change in retailers' cost prices, two dealers out of three do not plan any change in their pricing policies. However, some recent developments indicate that competitive pricing may be extended to types of stores other than the traditional "discount" houses.

Many retailers in all lines surveyed expect to equal or exceed 1953 sales for the remainder of this year.

For the last five months of 1954, nearly two-thirds of the retailers expect sales will be larger than or about equal to those in the like period of 1953, while just over one-third anticipate a decline in sales volume. This optimistic attitude prevailed despite the fact that adverse factors cited apparently outnumbered the favorable factors expected to influence sales during the remainder of the year. The effects of the severe drouth were noted generally in all lines surveyed as being a possible limiting factor. In durables lines high levels of production a year ago, in the opinion of retailers, brought on high-volume, though low-profit, sales levels that will be difficult to match in the remainder of this year. Dealers in all lines, except automotive, noted the fact that general business conditions seemed to favor them. Local unemployment in all but isolated instances was believed likely to diminish as the year progressed. In addition, some improvement was seen in the amount of money consumers would have to spend if more full-time work becomes available.

The majority of dealers of nondurable goods expect sales to equal those of a year ago, with a larger

number expecting sales gains than declines for the remainder of 1954. Steadier employment is being counted upon by men's and women's shops to keep the last-half 1954 at a favorable level compared to 1953. Department stores expect a resurgence in consumer buying.

In the durable goods lines automotive dealers were pessimistic concerning the last five months of 1954. More than one-half of the auto dealers surveyed expect sales will total substantially below those in the the last five months of 1953, while about one dealer in three expects that sales will equal those for the same period a year ago. The majority of auto dealers felt that production in the remainder of 1954 would be more than sufficient to meet consumer demand. More than half of the dealers expect that consumer resistance will increase further during the remainder of the year.

Furniture store managers also expect difficulty meeting last year's figures. More than one-third of them expect sales to drop below the 1953 volume, and nearly half look for sales to be about equal to last year. In the appliance line the majority of dealers anticipate a sales level equal to or larger than a year ago. In the furniture and appliance lines the large number of new homes being completed is looked upon as being favorable, although competitive price discounting is expected to cause high-volume, low-profit sales.

But the consumer is still boss.

The level of retail sales in the Eighth District and in the nation during the remainder of 1954 depends on many factors, few of which may seem apparent at the present. Although many of the retailers surveyed anticipate sales in the remainder of this year to equal or be larger than those last year, the lack of increase in their commitments to buy indicates they are following a cautious inventory policy.

Within the memory of retailers sudden shifts of consumer buying have quickly emptied their shelves or left them with bulging warehouses. Unfavorable headlines—international, national, or regional in scope—and the consumer may head for the nearest retail counter, or to the bank to lay away funds for a future "rainy day."

The nation has ample capacity to produce the goods and services consumers demand. So, whatever the consumers decide to do they will find retailers ready, willing, but sometimes belatedly able to accommodate their wants.

A. JAMES MEIGS

ALFRED C. KEARSCHNER

Survey OF CURRENT CONDITIONS

BUSINESS ACTIVITY in the Eighth District during August remained close to its July level after allowance for seasonal factors. Variations from the July rate of operations reflected strikes, plant-wide vacations or temporary closings for model changeovers rather than a reduction in basic economic strength. The picture was mixed. Banking data indicated some strength in the district's economy as business loans rose. August rains improved district pastures and expected crop yields recovered somewhat, but farm income continued below a year ago reflecting the effects of acreage controls, July's hot, dry weather, and lower prices for farm products. Curtailment of steel output indicated further weakness in the regional steel market. Unemployment insurance claims in two large district cities rose from mid-July to mid-August but declined in two other cities. Department store sales, which have fluctuated a great deal this year, rose less than seasonally in the first three weeks of August.

Employment

During July and early August the national labor market held fairly steady, after allowance for seasonal factors. From June to July the nonfarm job total fell by about 290,000 to 47.9 million, the decline being only slightly more than seasonal. Unemployment held steady for the third consecutive month in contrast to an increase normally expected in those months. The stability in the national labor market continued into early August, as demonstrated by the decline in insured unemployment and initial claims for state unemployment insurance.

Despite the recent tendency to stabilize, the demand for labor was less than a year earlier. Total employment in nonfarm establishments was about 4 per cent less and unemployment at 3.3 million in July was more than double the level of a year earlier. The number of jobless has fallen off since the peak reached in March, and in July was equivalent to 5 per cent of the civilian labor force.

The demand for labor in two major district labor markets showed some tendency to ease further but held steady in two others.

In Evansville the number of unemployment compensation claims in early August was higher than a month earlier, and subsequent developments indicated continued increases during August. An automobile assembly plant shut down for an extended model changeover period expected to last two months, affecting some 2,400 workers. Refrigerator plants shut down for their annual vacation and inventory-taking periods, and workers not eligible for vacation pay nor employed for taking inventory swelled the unemployment rolls.

Unemployment compensation claims filed in Memphis also rose from mid-July to mid-August to a larger extent than during the comparable period of 1953. In addition to the rising unemployment total in Memphis, about 3,600 workers at a rubber plant were on strike during August.

In Louisville and St. Louis unemployment compensation claims declined slightly from mid-July to mid-August. Several work stoppages occurred during August in the St. Louis area.

Industrial Production

Industrial production in the nation, after allowance for seasonal changes, remained virtually unchanged in the three months ending in July. In August steel, automobile and crude oil output were cut further. Other indicators, however, were more stable: paper and paperboard, and soft coal production showed about the usual seasonal variations. Lumber production remained at a low level during August due to a work stoppage.

While over-all industrial production seasonally adjusted remained steady from May to July, it was nearly 10 per cent below the peak level reached last year. Most of the decline has centered in durable goods output, largely reflecting cutbacks in military

items and reduced demand for both producers' and consumers' durable goods. New orders for durable goods remained less than sales during the first half of 1954. As a result, backlogs of durable goods producers continued to decline and at the end of June were one-third less than a year earlier.

Eighth District industrial output in August was affected by strikes and temporary plant shutdowns. In addition, steel output in the St. Louis area fell from 61 per cent of capacity in July to 51 per cent in the first three weeks of August.

Southern lumber production remained on a nearly even keel for the past two months despite the prolonged strike of West Coast lumber workers. Crude oil production so far this year has averaged 8 per cent higher than in 1953. However, coal production fell further into its summer slump.

Final figures for July show improvement in some industries that was not reflected by early reports. The shoe industry produced about 6 per cent more shoes than in July a year ago, according to Tanners' Council estimates. Also, industrial power consumption figures for July showed a few signs of strength, with an over-all gain in use of power of one per cent from the June figures, after dropping 3 per cent below May. On the other hand, the Kentucky distilling industry, which had been running along with about the same number of distilleries in operation this year as last, cut back about one-half, with only 14 plants operating on July 31, the lowest level since 1952.

Construction

Construction contract awards in the Eighth District have been maintained at high levels. During the first seven months of 1954 they totaled \$653 million, 7 per cent more than in comparable months of 1953. According to F. W. Dodge reports for selected district areas, the largest increase was in commercial buildings, with awards during the first half up 127 per cent from a year earlier. Contract awards for manufacturing buildings in this district increased 46 per cent from the same period a year earlier, in contrast to a 22 per cent decline in this category for the rest of the nation. Residential construction contracts in the Eighth District totaled \$235 million in the first seven months, up 14 per cent from a year earlier. While the value of the contracts was substantially larger, the 13,600 dwelling units included in residential contracts for the selected district areas in the first half of 1954 were virtually unchanged from the number in the same period last year. The increased value of residential awards in the first six months reflected primarily the higher average value of the dwelling units—\$13,100 this year as compared with \$11,900 a year earlier.

Agriculture

Farmers in the Eighth District entered the heavy fall marketing season with prospects of smaller cash receipts than last year, reflecting primarily the effects of acreage controls, drouth, heat and lower prices of farm products.

Farm income in the district for the first half year was 1 per cent below last year and is expected to remain below during the coming months, reflecting in part the lower returns from alternative uses of over 2½ million acres in district states removed from production of crops under acreage controls. Wheat acreage in the seven district states was 23 per cent below last year; yields and prices received, however, were above last year's average. Land diverted from wheat production was used primarily for small grains, with generally lower returns per acre than if planted to wheat.

Net returns (based on 1953 prices) after cash expenses from cotton production in the Delta area are estimated by a recent University of Arkansas study to be about three times as high as from soybeans, corn or oats, the most prevalent alternative land uses in 1954. Thus the 19 per cent reduction in cotton acreage in district states may result in a 10-15 per cent drop in net cash income from acreage which was in cotton in 1953.

Diverted tobacco acres generally have not had alternatives which would make up to any great extent incomewise for the 6 per cent acreage reduction in district states. This will be reflected in about 5 per cent less income from acreage planted to tobacco in 1953.

Drouth and heat left severe paths of destruction in large areas of the Eighth District states. Seventy-six counties in Missouri and 37 counties in Arkansas have been declared eligible for drouth aid by the United States Department of Agriculture. In addition, farmers in 41 counties in Illinois were declared eligible for emergency credit on liberalized terms.

District pasture conditions as of August 1 were considered as "very poor" to "extreme drouth" and averaged 30 per cent worse than the drouth conditions of a year ago. However, heavy August rains improved fall pasture in many areas, Arkansas and Mississippi being major exceptions. The corn crop has been hardest hit by the drouth. Districtwise, as of August 1, yields per acre were expected to be 12 per cent below the 1943-1952 average, with approximately two-thirds of the loss in Missouri. August rains will cause no more than moderate recovery of corn yields.

District states soybean yields were estimated at 20 per cent below the recent ten-year average. As with corn, expected yields were reduced most severely in Missouri. But, unlike corn, August rains will significantly benefit soybean production.

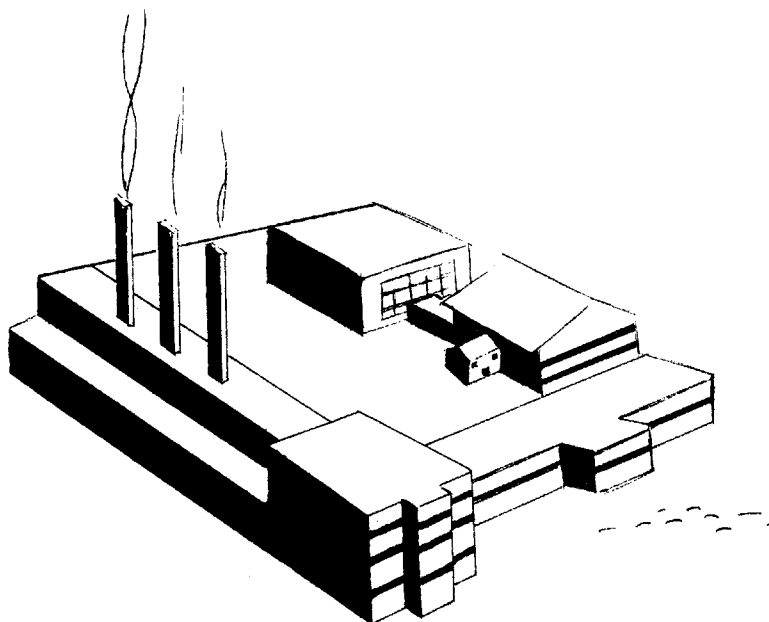
Wheat, oats and barley, which were harvested before the adverse weather conditions in July, yielded per acre well above the ten-year average. Rice, cotton and tobacco yields are also expected to compare favorably with the ten-year average.

District farmers are moving into their heavy marketing season with prices averaging approximately 6 per cent below last year. Prices of major district livestock and livestock products declined approximately 13 per cent during the last year, and the price of rice is approximately 35 per cent lower. However, cotton and tobacco are near the support level at prices only slightly different from 1953, and the cash price of soybeans is presently well above a year ago, with a record crop expected.

Banking

District banking data indicated some strength in activity from mid-July to mid-August. Although total loans at district weekly reporting banks declined \$54 million, the bulk of the decrease was the result of the redemption by the Commodity Credit Corporation of outstanding certificates of interest (estimated for the district in excess of \$50 million). Business loans and loans on real estate rose in the period. Most types of borrowers shared in the growth in business loans; sales finance companies and contractors recorded the largest net expansion in borrowings, primarily at banks in Memphis.

Despite the contraction in total loans, earnings assets of these banks rose as they purchased a substantial amount of securities. The increase in the security portfolio was largely made possible by both the recent one per cent reduction in required reserves on net demand deposits and the payments received from the Commodity Credit Corporation.



The DISTRICT RECORD

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	July 1954	Percentage Change* June 1954	July 1953
Industrial Use of Electric Power (thousands of KWH per working day, selected industrial firms in 6 district cities)	12,155	+ 1%	+ 1%
Steel Ingot Rate, St. Louis area (operating rate, per cent of capacity)	57	-20	-39
Coal Production Index—8th Dist. (Seasonally adjusted, 1935-1939=100)	117 p	+ 8	-4
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	325.9	- 2	+ 8
Freight Interchanges at RRs—St. Louis (Thousands of cars—25 railroads—Terminal R. R. Assn.)	96.8	- 1	-15
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average)	86.0	+ 4	+10
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	186.7	+ 1	- 3
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)	89	-0-	- 4

* 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 percents of capacity.
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Banking

BANK DEBITS¹

	July 1954 (In millions)	Percentage Change from June 1954	July 1953
Six Largest Centers:			
East St. Louis-National Stock Yards, Ill.	\$ 127.7	- 5 %	-0-%
Evansville, Ind.	163.5	+ 3	+ 6
Little Rock, Ark.	156.9	- 6	+ 1
Louisville, Ky.	739.4	-0-	+ 2
Memphis, Tenn.	604.4	-0-	+ 3
St. Louis, Mo.	1,943.6	- 9	- 7
Total—Six Largest Centers	\$3,735.5	- 5 %	- 3 %

Other Reporting Centers:			
Alton, Ill.	\$ 35.5	-11%	- 1%
Cape Girardeau, Mo.	14.4	+ 3	- 1
El Dorado, Ark.	25.5	-13	- 5
Fort Smith, Ark.	48.1	- 1	+ 3
Greenville, Miss.	22.4	- 5	+ 5
Hannibal, Mo.	9.7	+ 1	- 2
Helena, Ark.	7.1	- 6	- 1
Jackson, Tenn.	19.2	- 7	- 5
Jefferson City, Mo.	66.9	+12	+10
Owensboro, Ky.	37.2	- 2	- 2
Paducah, Ky.	29.8	- 8	-32
Pine Bluff, Ark.	28.2	-11	-15
Quincy, Ill.	36.1	- 8	+ 6
Sedalia, Mo.	13.1	-0-	+ 6
Springfield, Mo.	74.3	- 3	+ 3
Texarkana, Ark.	17.8	- 6	-29
Total—Other Centers	\$ 485.3	- 3%	- 3%
Total—22 Centers	\$4,220.8	- 5%	- 3%

INDEX OF BANK DEBITS—22 Centers Seasonally Adjusted (1947-1949=100)

	1954	1953
July	142.5	147.6
June	145.2	147.6

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 June
	June 1954	June '54 from June '53 compared with 1953 1952
Arkansas	\$ 21,181	- 2% - 3% - 6%
Illinois	141,291	+ 9 + 8 + 2
Indiana	71,137	+ 4 +10 + 4
Kentucky	25,902	- 6 - 7 - 1
Mississippi	17,807	+ 1 -24 + 3
Missouri	79,668	+ 9 - 7 + 5
Tennessee	23,725	-12 - 8 -13
7 States	\$380,711	+ 4 + 2 + 1
8th Dist.	\$159,091	+ 4 - 1 -0-

Construction

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

	Unadjusted	June 1954	May 1954	June 1953
Total	212.7 p	205.9	205.9	183.4
Residential	237.4 p	235.5	235.5	174.0
All Other	201.2 p	192.2	192.2	187.8
Seasonally adjusted				
Total	178.9 p	182.2	182.2	154.0
Residential	202.9 p	208.4	208.4	148.7
All Other	167.7 p	170.1	170.1	156.5

* 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		All Member Banks	
		Change from		Change from
Assets	Aug. 18, 1954	July 21, 1954	July 28, 1954	June 30, 1954
Loans (Net) ¹	\$1,290	\$— 54	\$2,144	\$+ 38
Business and Agricultural	633	— 43		
Security	36	— 0—		
Real Estate	266	+ 7		
Banks	8	— 13		
Other (largely consumer)	366	— 4		
U. S. Government Securities	1,147	+ 115	1,994	+ 37
Other Securities	215	+ 1	444	+ 2
Cash Assets	856	— 2	1,396	— 110
Other Assets	39	— 1	67	+ 1
Total Assets	\$3,547	\$+ 59	\$6,045	\$— 32
Liabilities and Capital				
Demand Deposits of Banks	\$ 710	\$+ 36	\$ 696	\$— 46
Other Demand Deposits	2,007	+ 29	3,681	— 38
Time Deposits	538	+ 4	1,161	+ 7
Borrowings and Other Liabilities	50	— 12	85	+ 46
Total Capital Accounts	242	+ 2	422	— 1
Total Liabilities and Capital	\$3,547	\$+ 59	\$6,045	\$— 32

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

Trade

RETAIL FURNITURE STORES

	Net Sales July, 1954 compared with June, '54	Inventories July, 1954 compared with June, '54	July, '53	June, '53
8th Dist. Total ¹	- 7%	+ 8%	+ 1%	- 8%
St. Louis	- 5	+10	- 5	- 8
Louisville Area ²	-16	+ 3	+ 2	-10
Louisville	-14	+ 3	+ 1	- 9
Memphis	+11	+24	- 5	- 1
Little Rock	-18	+ 1	+ 5	- 1
Springfield	-12	- 6	+ 1	- 2

* 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

	July, '54	June, '54	July, '53
Cash Sales	14%	15%	15%
Credit Sales	86	85	85
Total Sales	100%	100%	100%

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.

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	able, July 1, 1954, collected during July.	Outstanding during July.		
	July, 1954	7 mos. '54 compared with June, '54	July, '53	July 31, '54 to same period '53	July 31, '53	Jan. 1 to July 31, 1954	1953	Instal. Accounts	Excl. Instalment Accounts
8th F.R. District Total	-17%	+ 5%	- 2%	-11%	2.11	2.00	17%	47%	
Fort Smith Area, Ark. ¹	- 8	+ 8	- 2	- 6	1.85	1.92		42	
Little Rock Area, Ark.	-10	+ 9	+ 2	- 7	1.99	1.86	13	46	
Quincy, Ill.	-18	+ 3	-0-	- 6	2.01	1.91			
Evansville Area, Ind.	+ 7	+17	-10						
Louisville Area, Ky., Ind.	-21	+ 3	- 4	-13	2.24	2.12	18	46	
Paducah, Ky.	-16	-14	-25						
St. Louis Area, Mo., Ill.	-21	+ 5	- 1	-14	2.18	2.02	19	54	
Springfield Area, Mo.	- 9	+13	- 4	-15	1.18	1.74			
Memphis Area, Tenn.	- 9	+ 7	-0-	+ 3	2.13	2.08	15	33	
All Other Cities ²	-16	- 6	-14	-10	1.45	1.54	09	43	

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	July 1954	June 1954	May 1954	July 1953
Sales (daily average), unadjusted ³	90	110	106	86
Sales (daily average), seasonally adjusted ³	113	122	106	107
Stocks, unadjusted ⁴	120	119	124	121
Stocks, seasonally adjusted ⁴	129	119	118	130

³ Daily average 1947-49=100

⁴ End of Month average 1947-49=100

Trading days: July, 1954—26; June, 1954—26; July, 1953—26.

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 July 1, 1954, were 4 per cent smaller than on the corresponding date a year ago.