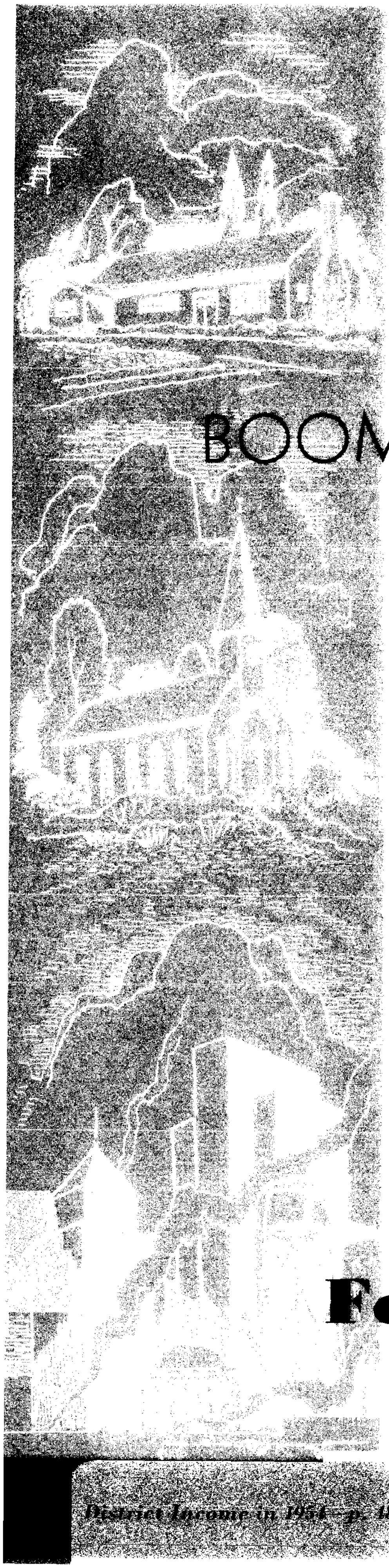


Monthly Review

April 1955 Volume XXXVII Number 4

BOOMING BUILDING

Construction Activity In The Eighth District's Principal Metropolitan Areas

CONSTRUCTION is booming in principal district metropolitan areas, which account for a large part of all Eighth District construction. The pace stepped up sharply in 1954 from the already high rates of the other postwar years.

The postwar rise in residential building, characterized by rapid suburban development and changes in housing types, has been accompanied by increased construction of public works and utilities, commercial establishments and manufacturing plants.

Long-run factors influencing demand for housing in the district areas, including population growth and income growth, also affect demand for other kinds of construction. The outstanding short-run influence in the current boom is ease in financing.

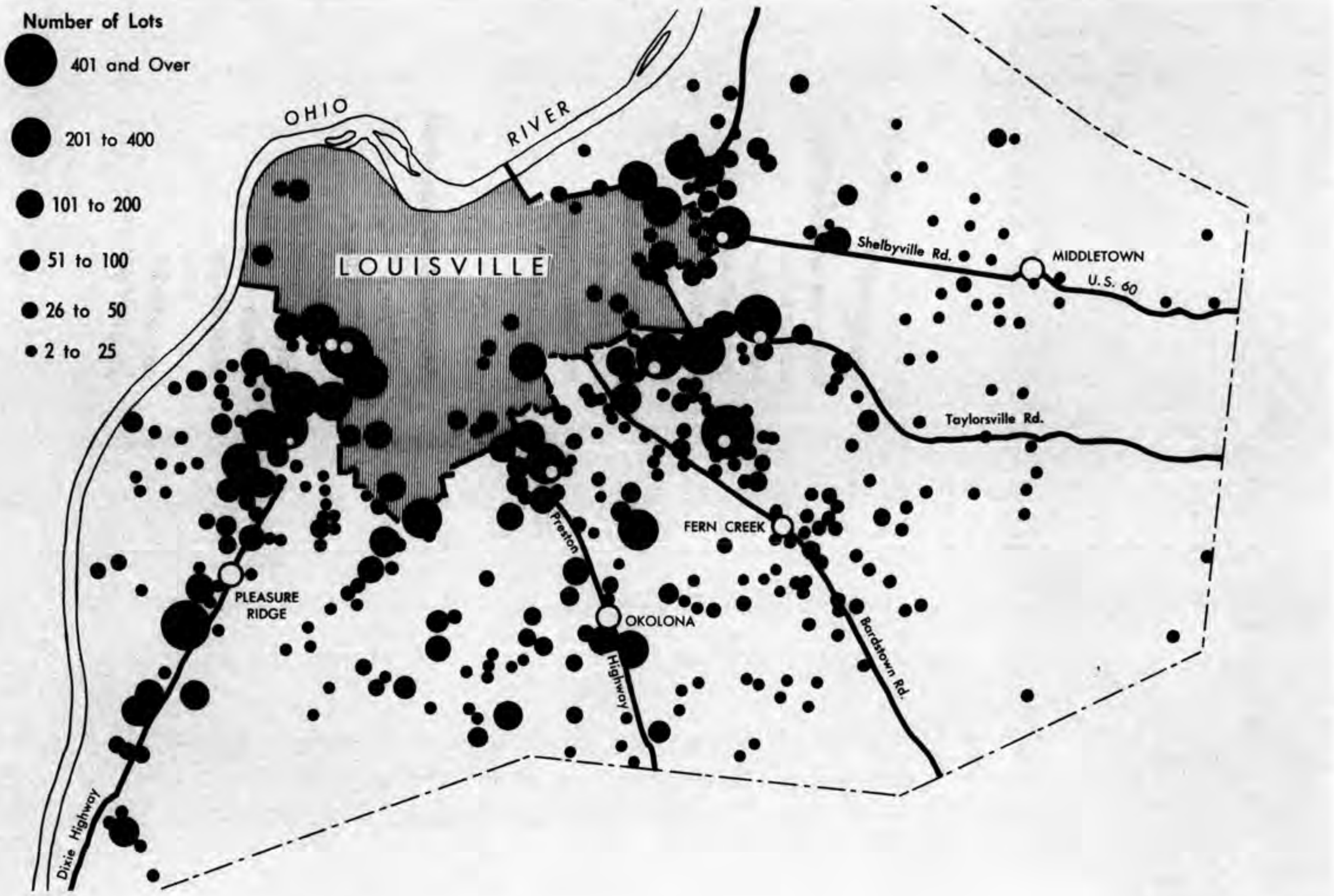
Continued strong demand for building in the district metropolitan areas appears assured by industrial development, growth of population and income, intensified area planning, and efforts to renew the cores of the central cities.

Federal Reserve Bank

of St. Louis

District Income in 1954—p. 48

Survey of Current Conditions—p. 50



Map shows general location of new subdivisions in Louisville vicinity 1944-1953 inclusive. Courtesy of the Louisville *Courier-Journal.*

BOOMING BUILDING

Construction Activity In The Eighth District's Principal Metropolitan Areas

Construction is booming in principal district metropolitan areas, . . .

ONE OF THE RITES OF SPRING for city dwellers is the drive out into the country along winding subdivision lanes to see new houses and to hear the song of the realtor. This spring there are more new houses to be seen than in any other year except 1950, and more are pushing up every day. Commercial and public facilities of many kinds are being built at almost unprecedented rates also. The upsurge of building gave welcome support to the economy in 1954 when activity in other sectors was somewhat reduced. This year's even higher rate of construction, though welcome to the builder and househunter, is now the source of some concern lest it be a higher rate than can be maintained very long.

In the five largest metropolitan areas of the Eighth District—St. Louis, Louisville, Memphis, Little Rock, and Evansville—the current building boom exhibits many of the characteristics which are so much discussed in connection with building in the nation. Construction in these metropolitan areas in the postwar period is reviewed in this article for the light which may be shed on the construction outlook.

. . . which account for a large part of all Eighth District construction.

From a recent study of building permits in the nation, the Bureau of Labor Statistics concluded that there is a tendency to locate most building within metropolitan areas.[1] Four-fifths of some $11 billion of building construction for which permits were issued in the first eight months of 1954 was located in metropolitan areas. This tendency is evident for residential construction in the Eighth District, according to residential contract awards reported by F. W. Dodge Corporation. For the eight years, 1947-1954 inclusive, 72 per cent of $2.5 billion in residential construction contracts reported in the district was in the district's five largest metropolitan areas. The proportion located in the metropolitan areas was 75 per cent in 1954 and was lowest in 1949 at 65 per cent.

Other construction, however, has been much less concentrated in the metropolitan areas. Two-thirds of the $5.4 billion in contracts for "other-than-residential" construction in the district in the 1947-1954 period was for projects outside the principal metropolitan areas. The "other-than-residential" group is heavily weighted with contracts for highways, public utilities, and large public works, such as river improvement and the Atomic Energy Commission facilities near Paducah, which, by their nature, are spread over wide areas. Apparently, also, in many smaller centers of the district, water and sewer systems, schools, hospitals, and commercial facilities are being enlarged and improved even where the amount of new residential construction may be relatively small.

The pace stepped up sharply in 1954 from the already high rates of the other postwar years

The 1954 upsurge in construction activity was something of a surprise, for most predictions at the beginning of that year had pointed toward a slight decline. The contraction of industrial production and employment under way at that time strengthened the expectations of a decline in construction. But construction activity rose instead, and has apparently continued at a high level through March of this year. The total value of new construction put in place in the nation in 1954 set an all-time record of $37.2 billion, 5 per cent above the previous high set in 1953. Residential building rose 13 per cent from the 1953 total. The total number of new nonfarm houses started rose to 1.2 million, a total exceeded only in 1950.

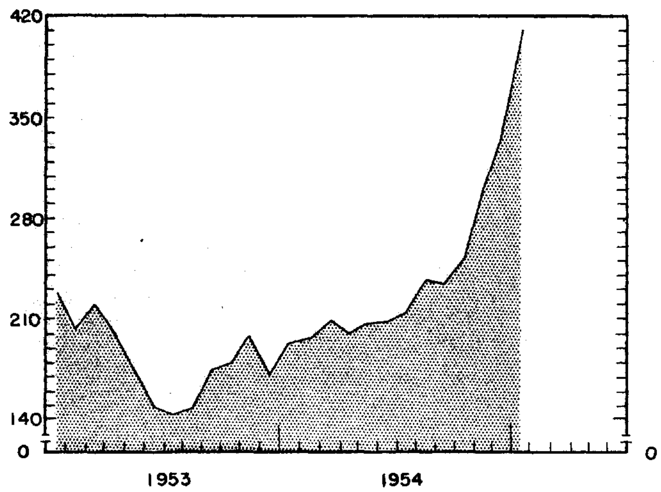
In the St. Louis, Louisville, Memphis, Evansville, and Little Rock areas the rise in construction was even more sharp. Total construction contracts awarded in the five areas rose 21 per cent from 1953, as compared to a 13 per cent increase in the 37 eastern states covered by F. W. Dodge Corporation. Only one category of contracts—manufacturing building—was off. Commercial contracts were up 89 per cent, public works and utilities rose 44 per cent and residential increased 32 per cent—$84 million. Month-to-month changes in this bank's seasonally adjusted index of residential construction contracts awarded in the district as a whole from January 1953 through January 1955 are plotted on Chart I. Since so large a portion of all district contracts is in the metropolitan areas, the chart is a good representation of the behavior of residential construction in the metropolitan areas.

CHART I

INDEX OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED IN THE EIGHTH FEDERAL RESERVE DISTRICT.

Adjusted for Seasonal Variation

1947-49 = 100



Source: F. W. Dodge Corporation.
Index and Seasonal Adjustment by Federal Reserve Bank of St. Louis

[1] "New BLS Building-Permit Activity Series," *Construction,* November-December, 1954.

The postwar rise in residential building, . . .

The current boom caps an almost uninterrupted rise in the value of new construction in the nation which has been taking place since World War II. Although the general trend in postwar residential building in the five large metropolitan areas of the district in real and dollar terms has been upward, there has been appreciable variation in rates from time to time and from area to area, as can be seen from Chart II. Residential construction contracts in all of the five areas except Memphis reached an all-time high in value in 1954. In Memphis the peak year was 1952. Residential contracts in numbers of units reached maximums in the various areas at different times: Little Rock and St. Louis in 1950, Memphis in 1952, and Louisville and Evansville in 1954.

. . . characterized by rapid suburban development, . . .

Within the five largest metropolitan areas of the district there has been a marked shift of building to the suburbs, as there has been in the nation. The suburban scatter of residential building is very well illustrated by the map of Louisville and Jefferson County. A map of any of the other areas would have shown a similar pattern. To the air traveler looking down upon these metropolitan areas the remarkable postwar change in their shape and extent is clearly apparent. The central, older, residential sections of the district's metropolitan areas spread in rectangular blocks, generally tree-screened, with houses in dull or muted colors. At surprising distances from the center, the new subdivisions cluster along the principal highways. The striking uniformity and precise arrangement of the houses along the curving streets of the subdivisions and the colors—mostly white or pastel with bright red, blue, or green roofs—make the new construction clearly visible.

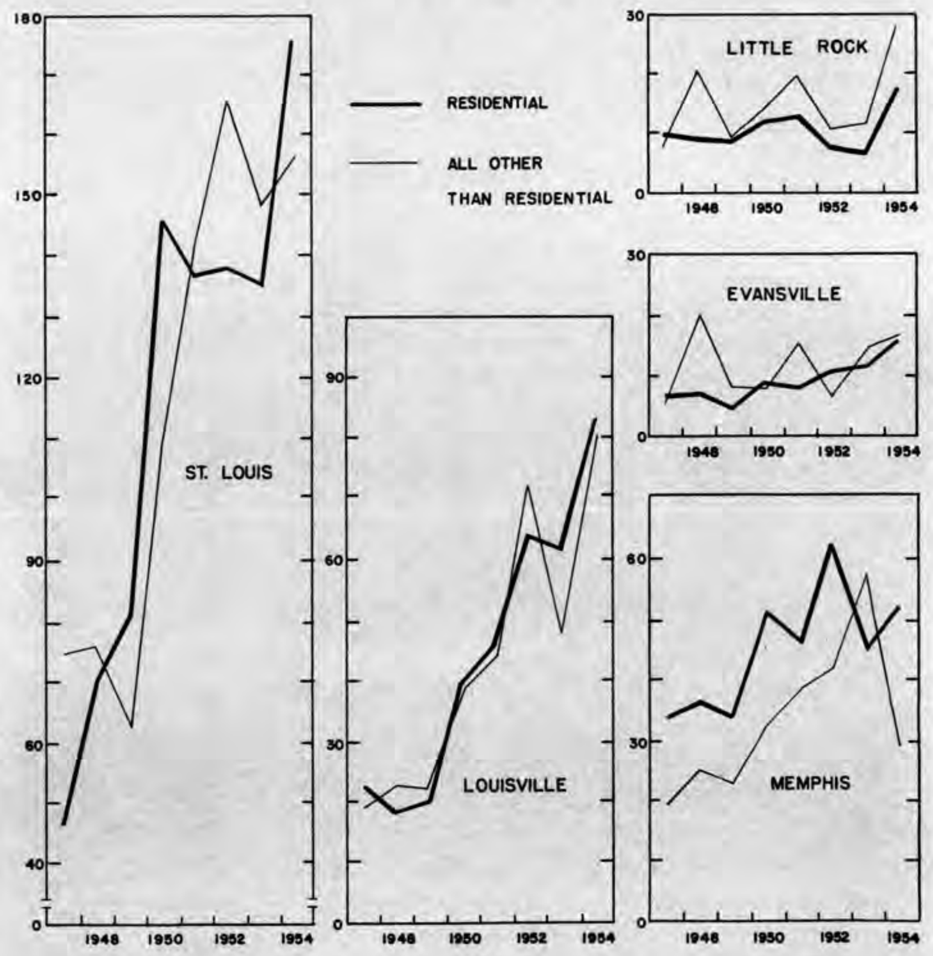
. . . and changes in housing types, . . .

Along with the suburban drift, there have been several other significant changes in the composition and characteristics of residential building in the district centers. The importance of multiple unit projects in the total number of units has declined sharply since 1950, reflecting a decline in construction of both public and private rental housing. Another interesting change in composition of residential building has been an increase in speculative building. In the St. Louis Territory of F. W. Dodge Corporation, which includes St. Louis, Memphis and Little Rock, but not Evansville or Louisville, the number of contracts

CHART II

VALUE OF CONSTRUCTION CONTRACTS AWARDED IN THE FIVE LARGEST METROPOLITAN AREAS OF THE EIGHTH FEDERAL RESERVE DISTRICT 1947-1954

(In Millions of Dollars)



Source: F. W. Dodge Corporation.

for owner-occupied houses actually declined slightly from 1947 to 1954, while the number of contracts for houses built for sale or rent nearly doubled. Builders report that much the same change has occurred in the Evansville and Louisville areas. This probably reflects to some extent the cost advantages of mass building and also a decline in availability of vacant lots in developed neighborhoods.

In the last year much stress has been placed upon an increase in average value of the houses under construction. Over the 1947-1954 period the average cost per unit of one and two-family houses for which contracts were reported in the five metropolitan areas increased from about $8,000 to about $12,900. There was approximately a $300 increase from 1953 to 1954. Costs per unit in 1954 ranged from $10,900 in Memphis to $14,300 in St. Louis. This difference is not a measure of differences in building costs in the various areas because the houses compared are very different. For example, in the St. Louis area full basements are a common feature, while in Memphis basements are unusual.

It is difficult to say how much of the increase in average cost is the result of increases in building costs and how much can be attributed to an increase in the average size and quality of the house sold. Both forces have clearly been operating. In 1954 the three-bedroom house was practically a universal minimum, in contrast to the two-bedroom built in such large numbers immediately after the war. Two baths, or a bath-and-a-half are also much more common. As another indication of increasing value, several large subdivisions of medium-priced houses in Little Rock and St. Louis are completely air-conditioned.

. . . has been accompanied by increased construction of public works and utilities, . . .

It is somewhat startling to find out in the pine woods west of Little Rock a big sign marking the location of a new senior high school. Almost no houses can be seen from the site. Yet even farther west there is a thriving new church, and builders' trucks go by every few minutes with materials for the homes that some day will establish the neighborhood. This new high school represents but a small part of the tremendous investment required to equip the new suburbs with essential public services.

In the postwar years construction contracts for public works and utilities have risen with those for residential construction in the district centers and were at an all-time peak in 1954. Construction of sewer and water systems and public utilities is geared especially closely with residential building, causing some difficult problems in timing and financing. All of the metropolitan areas have very large programs for sewer and water, and other public utility expansions this year. In certain suburban areas inability to extend services fast enough sometimes acts as a brake on home building. The cost of reaching the more distant subdivisions with water mains and sewers is relatively high per house when an area is thinly populated.

. . . commercial establishments . . .

Commercial construction has followed the movement of people to the suburbs in all five of the areas. St. Louis, Louisville, and Memphis—for example—have completed or have under construction some of the very large integrated shopping centers which have sprung up in this country since World War II. Little Rock and Evansville have some smaller suburban shopping centers, principally supermarket-drugstore-variety store combinations. Whether integrated in centers or not, many, if not most, of the new commercial establishments in all five of the metropolitan areas are located in the suburbs.

Construction of offices and warehouses has also drifted largely away from the downtown areas if not entirely out of the central cities. Lindell Boulevard in St. Louis and Capitol Avenue in Little Rock are good examples of office development within the central city but away from the central business district. On both of these avenues old homes have been converted into offices or have been displaced by new buildings for insurance agencies, finance companies, and other types of sales agencies. Clayton, Missouri, in the St. Louis area, is an example of rapid commercial building in a satellite city of a metropolitan area. While suburban construction of offices and warehouses is in part a result of following customers and workers to the suburbs, it is perhaps more largely the result of firms seeking lower cost space than they can find in downtown areas. The new warehouses and distribution centers, designed as they are for the function of moving rather than storing goods, are predominantly one-story buildings covering much larger areas than their older counterparts.

These suburban developments do not mean, however, that there is no commercial building in the central business districts. Extensive remodeling of existing buildings and construction of new office buildings is under way or projected in each of the central cities.

. . . and manufacturing plants.

Most of the major new manufacturing buildings in the district's larger metropolitan areas have been located around the fringes of the areas because of the large space requirements of modern one-story plants with their acres of employee parking space. This is in accord with the national tendency, reported by the Bureau of Labor Statistics, for a large part of all new plant expansion to take place near enough to large urban centers to benefit from the concentration of labor supply, markets, power, transportation and other services there, but far enough out to enjoy the lower land prices of the suburbs.[2] Outstanding recent illustrations of the tendency in this district are the new General Electric and Ford plants near Louisville, the rapidly growing complex of chemical plants around Woodstock in the Memphis area, and the projected Atomic Energy Commission plant at Weldon Springs in the St. Louis area. Furthermore, new industrial districts under development in all five of the district's largest metropolitan areas are for the most part outside of the central cities. Industrial areas provided for in urban redevelopment plans of some of the cities are exceptions to the general trend, however. This close-in development may become especially important in St. Louis where extensive areas bordering the railroad yards are to be cleared for industrial use.

Long-run factors influencing demand for housing in the district areas, including population growth . . .

To this point the discussion has been primarily concerned with what has been happening with little indication of what the causes may be. Certain influences can be discerned which not only help to explain what has happened, but provide a basis for some judgments regarding the outlook.

Population growth, rising incomes, the suburban spread, industrial expansion, and other long-run influences upon construction demand in the district metropolitan areas are so interrelated that it is difficult to assign priorities among them. Population growth is, however, a good starting point. Population increased 23 per cent from 1940 to 1950 in the five largest metropolitan areas of the district, but declined nearly 4 per cent in the remainder of the district. The share of total district population residing in these five metropolitan areas rose from 25 per cent in 1940 to 30 per cent in 1950, reflecting the persistent rural-to-urban migration occuring in the district. Population estimates for the years since 1950 indicate that the population shift is continuing. The disparity in population growth rates obviously accounts for much of the concentration of residential building in the metropolitan areas.

. . . and income growth, . . .

Closely associated with the population growth is income growth. Per capita incomes in the metropolitan areas increased 43 per cent from 1947 to 1953, while per capita incomes increased 36 per cent in the district as a whole and 32 per cent in the nation. In 1953, average per capita incomes in the five metropolitan areas were 52 per cent above the district average.

Expansion of manufacturing, wholesaling, and other "export" industries of the metropolitan areas has contributed significantly to the population and income growth. Part of the postwar investment in manufacturing plants is indicated on Chart III. Occasionally a single project bulks large enough in the local economy to produce a directly identifiable increase in housing demand. This is the case in Louisville and Little Rock where the General Electric Company's Appliance Park and the new Little Rock Air Base have stimulated housing demand in their respective areas.

Income growth and the accompanying rise in standards of living have increased the demand for new houses and have shifted upward the average value of houses purchased. Builders report that one of the typical customers they see is the veteran who bought a two-bedroom house with a GI loan and small down payment in the early postwar years. This year his family is larger, his income has increased and his mortgage payments plus, possibly, some price appreciation have increased the equity in his house enough for him to use it as the down payment on a larger one.

. . . also affect demand for other kinds of construction.

As discussed earlier, when residential building increases, especially when the increase involves a shift in locational pattern as well, building of commercial and public facilities is generally pulled along, too. Thus, a considerable portion of nonresidential construction in the district's metropolitan areas is associated with residential-suburban development.

Income growth affects nonresidential building through other channels as well. For example, the large programs for hospital building in all five of the district areas reflect, in addition to population growth, the tendency of people to request more hospital care

[2] Dorothy K. Newman, "Decentralization of Industrial and Commercial Building," *Illinois Business Review,* January, 1955.

as their living standards rise. Commercial construction has been similarly influenced by rising living standards. The motorized customer demands parking space, and even drive-in facilities in which he can make a deposit at his bank, eat, or be entertained without having to alight. The supermarket must have hundreds of cubic feet of refrigerated display cases for frozen foods which were virtually unknown before the war.

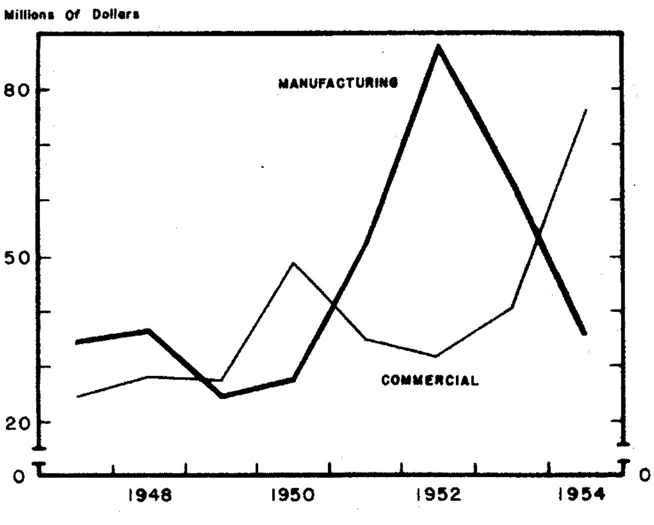
The outstanding short-run influence in the current boom is ease in financing.

The sustained strength of building demand in the postwar period can be understood in the light of long-run population and income changes. The outstanding additional influence causing the abrupt increase in construction rates which occurred last year was a change in availability of funds, which became evident in an easing of terms. In 1953, when national business activity reached its postwar peak, higher yields on other forms of investment made investment in home mortgages less attractive than it had been earlier. Housing starts in the nation declined slightly from their 1952 level and the value of residential construction contracts in the district centers declined 8 per cent. The number of residential units

CHART III

CONSTRUCTION CONTRACTS

Commercial and Manufacturing Buildings in the Five Largest Metropolitan Areas of the Eighth Federal Reserve District



Source: F. W. Dodge Corporation.

The timing of commercial and manufacturing construction was affected by the Korean War. Manufacturing construction contracts rose to a peak in 1952, reflecting expansion of defense production facilities. Commercial construction was restrained by controls and materials shortages in 1951 and 1952 and rose rapidly when controls were removed.

contracted for declined in all of the district centers except Evansville, in which the number remained approximately unchanged. In July 1953, the seasonally adjusted index of residential construction contracts awarded in the Eighth District, plotted on Chart I, reached its lowest point in five years.

In the fall of 1953 and through 1954 the supply of mortgage funds became more plentiful and building increased. The Housing Act of 1954 eased terms on FHA loans considerably, increasing the demand for them. With ample mortgage funds available, FHA and VA offices in the district centers were swamped with applications for insurance and guarantees.

At the same time long-term funds for permanent financing were plentiful, banks were able to supply short-term funds to finance construction. The typical arrangement in district centers is for a builder or mortgage broker to obtain FHA or VA approval of a proposed number of new houses and a commitment for permanent financing from an insurance company or other investor. Armed with the "take out" commitment he can then borrow construction funds from a bank, paying off the bank loans when the houses are sold and the permanent mortgage loans are made. The banks also help in the financing process by "warehousing" mortgages temporarily for mortgage brokers until they can be sold to long-term investors.

Continued strong demand for building in the district metropolitan areas appears assured . . .

This year, according to a survey by this bank of builders and lenders in major district centers during February and March, lenders generally plan to invest more in mortgages than they did in 1954, and builders plan to put up as many houses as in 1954, or more. Houses are selling well, although increasing vacancies in rental housing have been reported.

As general business activity increases, a decline in availability of funds for mortgages may occur. How much the resulting tightening of terms may reduce building demand is uncertain.

A high rate of nonresidential building for 1955 in the district centers is indicated by the large volume of contracts recently awarded and by the still existing backlog of requirements for new schoolrooms and other public facilities.

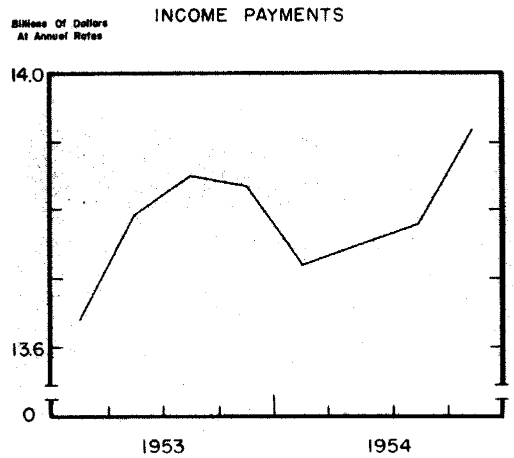
. . . by industrial development, growth of population and income, . . .

In the longer run, influences which have supported construction demand in the district centers through the postwar period should continue to do so. All five

(continued on page 49)

DISTRICT INCOME IN 1954

Total income payments to district residents dipped in the first half of 1954 but recovered to an annual rate of about $14 billion toward the year-end.



CHANGES IN DISTRICT INCOME through 1954 reflected mainly the adaptation of the district economy to the reductions in national defense expenditures and the closely related cutback in inventories which began in mid-1953. Reappraisal and re-scheduling of the defense program following the end of hostilities in Korea occasioned the most marked change in demand for district output from 1953 to 1954. In evaluating the role of the Federal Government in the recent transition, however, it is necessary to consider, in addition to Federal purchases of goods and services, changes in taxes as well as government transfer payments. The reduction in personal income taxes, as well as the increase in social security benefits, chiefly in the form of unemployment compensation, maintained disposable personal income available to consumers for spending and saving. The drop in national security expenditures and inventory investment was largely offset, therefore, by a continued rise in total civilian consumption. New private construction, state and local government outlays, a favorable shift in foreign demand for district products, all combined to further strengthen the district economy.

A large part of the decline in district output which started in mid-1953 had occurred by the end of that year, but some of it extended into the first quarter of 1954 when income payments to district residents fell to an annual rate of $13.7 billion, $150 million below the high point of the preceding year. A slight improvement characterized the next two quarters, with a sharp recovery in the final quarter when district income, at an annual rate, amounted to $13.9 billion, more than $50 million above the high point reached in 1953.

Losses in farm and labor income during 1954 were balanced by gains in other sectors of the district economy.

These aggregate district totals correspond closely to the movements of national income and product in 1954. They cover up, however, important differences in the behavior of individual district industries and income components. Losses in farm income were substantial, with the sharpest declines in Tennessee and Mississippi as a consequence of reduced cotton production. The adjustments affecting American agriculture over the last three years were of particular importance to the district economy for two reasons. First the general downward trend of prices received by farmers depressed district more than national income because of the traditional dependence of many district areas on farming as a prime source of income. Second, adverse weather conditions and acreage allotments reduced the volume of district farm output below the level maintained in other parts of the country.

The district was less affected, on the other hand, by the nationwide decline in the output of durable goods, particularly metals and metal products which carry a much heavier weight in the income structure of more industrialized regions. Nondurable manufacturing, such as the production of foodstuffs, apparel, shoes, and chemicals, is of greater importance for the district and has shown less fluctuation than the durable goods industries over the past three years, both in its rise from 1952 to 1953 and in its contraction from 1953 to 1954. District manufacturing payrolls were, therefore, maintained above the national average through much of 1954; major losses occurred only in a few district income areas of heavy industry concentration—Evansville and East St. Louis, for example. The effects of the cutbacks in hard goods production were also felt in the coal mining areas of the district, while payroll losses in transportation — notably railroads — reflected the reduced volume of shipments in both manufacturing and mining. District wages and salaries continued to advance in public utilities, finance and real estate, services, and construction. Labor income originating in government increased slightly, as a decline in Federal military and civilian payrolls was offset by a rise in the compensation of state and local employees.

Nonfarm proprietors' income in 1954 showed little change from the preceding year, as district trade and service activities were well maintained in the aggregate. Sales of small business enterprises and professional incomes were off only fractionally from 1953 to 1954. Available data indicate that profit margins of businesses, by and large, also remained stable. Auto dealers, who experienced a reduction both in sales and profit margins in the first three quarters of 1954, were the principal exception. Property income increased with larger dividend disbursements as corporate tax liabilities fell sharply and retained earnings were also reduced. Another factor supporting total district income was the growth in transfer payments. The increase of this income component was primarily in unemployment benefits which offset some of the decline in wages and salaries, but also included other social security and military benefits. Together with increased payment of government interest, transfers added more than $100 million to the flow of district income from 1953 to 1954.

With a larger district population, however, per capita income lagged somewhat behind that of the preceding year.

Though aggregate district income was thus maintained through 1954, it did not keep pace with the increase in population. The district participated in the unprecedented "baby boom" of 1954, and lessened employment opportunities elsewhere slowed somewhat the net out-migration characteristic of former years. As a result, the district gained more than 150,000 new junior residents this last year, and district per capita income has not yet fully recovered to the peak rate of $1,300 it had approached by mid-1953.

WERNER HOCHWALD.

Booming Building—District Metropolitan Construction Activity

(Continued from page 47)

of the areas are making efforts to expand the industries upon which they are based. Their industrial districts, ample labor supplies, and other advantages make them likely locations for new manufacturing plants and distribution centers which would increase employment and incomes.

In the nation, a decline in the rate of new household formations, caused by the low birth rates of the 1930's, is a potentially depressing influence upon housing demand. However, in particular areas, such as the district metropolitan areas, in-migration should more than offset the over-all decline in household formations. In a few years the babies of the 1940's will reach marriageable age and the rate of household formations will rise again. The migration from rural to urban areas of the district is certain to continue as already known methods for increasing labor productivity in agriculture become more widely applied.

Income growth with its accompanying rise in living standards should continue to support demand for housing and for new commercial and service facilities. As in the postwar period much of the demand of families for improvements in housing will be felt in suburban areas.

. . . intensified area planning, . . .

Another supporting influence on construction demand is the growing awareness in all five areas of the problems of land use, traffic control, provision of public services, and others inherent in urban growth and suburban scatter. All of the areas are intensifying their planning and zoning activities. Evansville in January 1955 and the Little Rock area in March formed new metropolitan area planning commissions to coordinate planning activities of the cities and counties of their areas. A similar step was taken in Louisville last year. Memphis and Louisville have just made complete area planning surveys.

. . . and efforts to renew the cores of the central cities.

As the metropolitan areas spread farther and farther, the necessity for renewing their centers becomes more apparent. They are all hard at work on the problems of clearing away obsolete sub-standard buildings and trying to arrest the spread of decay. Participants in the renewal effort include educational institutions—Philander Smith College in Little Rock, St. Louis University, Evansville College, the University of Arkansas, to name only a few — special redevelopment agencies and corporations, and private builders. Methods employed range from enforcement of minimum health and safety standards to use of the cities' right of eminent domain for land clearance. The demand for construction in the renewal programs of the central cities may some day compare favorably in value with suburban demand. Early results of the drive for renewal are already appearing in new brick and mortar.

A. JAMES MEIGS.

Survey OF CURRENT CONDITIONS

Business activity rose further in March, . . .

BUSINESS ACTIVITY in the Eighth Federal Reserve District continued to rise in March. Factories and mines turned out their products more rapidly during March than in February and construction activity continued to boom. Consumer spending at district department stores advanced somewhat above year-earlier levels. The rise in activity brought improvement in the district labor markets and a stronger demand for business loans. However, wholesale prices declined slightly, primarily as a result of lower prices of some farm products.

. . . but still did not equal the previous peak rate.

While activity was at a higher level in March it still had not recovered to the peak levels of 1953. Industrial production in the nation in February was at a seasonally adjusted rate of 133 per cent of the 1947-1949 average, compared with the peak rate of 137 per cent reached in 1953. Gross national product in the first quarter was probably considerably larger than the seasonally adjusted rate of $362 billion achieved in the fourth quarter of 1954, and apparently was close to the peak rate of $370 billion reached in the second quarter of 1953.

With activity below previous peak rates and with a larger labor force, unemployment in the nation, after allowance for seasonal factors, was substantially higher than it was when the economy was operating at peak activity, although below levels existing during most of 1954. Similarly, employment in nonagricultural establishments (seasonally adjusted) in February 1955 was about 1.4 million persons less than at the peak in July 1953, although 600,000 higher than at the low point in August 1954. Manufacturing employment has not kept pace with production. In fact, the physical volume of manufacturing in February was about 6 per cent larger than a year earlier, while the number of production workers employed in manufacturing was 2 per cent less. In part this divergent behavior reflects increased productivity and a longer average work week, which has risen from 39.6 hours in February 1954 to 40.5 hours in February 1955.

With industrial output increasing . . .

The output of factories and mines in the district continued strong in March. Steel ingot production in the St. Louis area averaged about 94 per cent of capacity for the two-month period February and March, up from 81 per cent in January, and well ahead of a year earlier when furnaces were operated at less than one-half capacity. Greater electric power consumption in February than January indicated that most manufacturing industries were increasing output. Nonelectrical machinery producers stepped up use of power 14 per cent; fabricated metals factories, 11 per cent; electrical machinery producers, 7 per cent, and transportation equipment plants, 5 per cent.

Lumber and wood products plants increased their use of power 47 per cent from January to February and were using 40 per cent more than during February 1954. From the forest areas, reports indicated a seasonally rising rate of lumber output in both pine and hardwoods, continuing into March.

In March, crude oil production in district states leveled off at a high rate. Coal production fell, reflecting seasonal cutbacks and, in Kentucky, the lack of coal cars caused by a railroad workers strike.

. . . and retail sales larger than a year ago, . . .

Consumer spending at district department stores in the first four weeks ending in March rose more than seasonally from February and was at a somewhat higher level than a year ago, even after allowance for a one-week-earlier date of Easter this year. In the St. Louis area, homefurnishing divisions of department stores also recorded gains over year-ago volume as stores continued to meet "discount" pricing. Sales of new autos continued at high levels.

February sales of reporting district department stores on a seasonally adjusted basis dropped below those in January reflecting in part adverse shopping weather, but were slightly larger than in February 1954. For the first twelve weeks, sales volume was 5 per cent larger than in the corresponding period of 1954.

Furniture store sales during February, for the district as a whole, were larger than in both the previous month and comparable month a year ago.

. . . unemployment declined . . .

Insured unemployment continued to decline in March as employment increased seasonally in apparel manufacturing and outdoor activity, and primary metals and transportation equipment industries recalled workers. However, insured unemployment as a percentage of covered employment in early March was well above the national average in district states of Mississippi, Tennessee, Kentucky and Arkansas.

Strikes of chemical, telephone, and railroad workers idled about 7,000 in the Louisville area in March.

. . . and bank loans to business rose.

During the four weeks ended March 23, the loan demand by businesses at district weekly reporting banks continued strong. Business loans rose moderately in contrast to normal net repayments during the corresponding periods in recent years. At banks reporting detailed information, all types of borrowers except processors and distributors of agricultural products increased their indebtedness. Real estate, security, and "other," mainly consumer, loans rose slightly, while holdings of CCC paper showed small reductions.

The average interest rate charged on short-term business loans made during the first half of March at the four reporting banks in St. Louis was 3.37 per cent—about the same as the average rate for the first half of December 1954.

Inventories were built up, . . .

Rising business activity has been due in part to the shift from inventory liquidation last year to accumulation this year, reflecting the fairly widespread opinion of businessmen that sales in 1955 will increase over their 1954 level. Nationally, business inventories were expanded on a seasonally adjusted basis in January and the recent upturn of business loans suggests that the trend continued in February and March.

. . . as consumers planned to increase their purchases of houses and durable goods, . . .

In a survey conducted by the Board of Governors of the Federal Reserve System early in the year, consumers viewed their financial situation a little more favorably than a year earlier and about as favorably as in early 1953. They were more optimistic than a year ago about their own income prospects and the general business outlook. The proportion of consumers planning to buy new cars was about the same as it was last year, but the average amount of expenditure indicated was larger. The higher rate of automobile production and sales in recent months compared with a year ago coincided with the survey finding that more new car purchases were scheduled for the first half of the year than was the case a year ago. Also, in comparison with year-earlier intentions, a larger number of consumers planned to purchase used cars, to buy furniture and appliances, and to make home improvements. Intentions to buy new and existing houses were also more frequent. The latter increase was almost entirely accounted for by veterans, who now have available easier mortgage credit terms than in early 1954.

. . . and capital outlays by business were scheduled to rise slightly.

Business expenditures for new plant and equipment in 1955 are expected to total about $27 billion, about one per cent more than in 1954, according to a survey conducted in February and early March by the Department of Commerce and the Securities and Exchange Commission. Outlays are expected to turn up in the second quarter of this year, ending a decline that began in 1953. Increased capital outlays planned by public utilities and commercial companies more than offset decreases in such investment in manufacturing, mining, and transportation industries.

Farm product prices declined . . .

Prices received for district agricultural products in mid-March were one per cent below those four weeks earlier largely as a result of a 15 per cent drop in egg prices, which was only partly offset by an 18 per cent increase in broiler prices. Prices received for other major district farm commodities changed only moderately.

. . . and farmers planned to shift production substantially.

As of March 1, farmers in district states planned to increase the total acreage planted to crops, but to reduce the land seeded to corn, rice, tobacco and cotton.

The largest reduction in district states is expected to be for corn—570 million acres. Rice, cotton, and tobacco acreages are expected to be reduced approximately 30, 15 and 8 per cent, respectively. Fall planting of wheat, a dual-purpose winter pasture and cash grain crop, was reduced only 2 per cent.

Acreage increases of approximately 400,000 each are expected for oats, soybeans, barley and hay. The amount of land planted to rye and sorghum is expected to increase 300,000 and 60,000 acres, respectively, over actual plantings last year.

The District Record

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	Feb. 1955	February 1955 compared with* Jan. 1955	Feb. 1954
Industrial Use of Electric Power (thousands of KWH per working day, selected industrial firms in 6 district cities)	13,355	+ 4%	+ 10%
Steel Ingot Rate, St. Louis area (operating rate, per cent of capacity)	95	+17	+150
Coal Production Index—8th Dist. (Seasonally adjusted, 1935-1939=100)	144 p	+ 8	+ 33
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	351.2	+ 2	+ 12
Freight Interchanges at RRs—St. Louis. (Thousands of cars—25 railroads—Terminal R. R. Assn.)	98.3	— 1	+ 1
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average)	96.5	— 8	— 3
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	203.4	— 7	+ 6
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)	88	+ [illegible]	— 6

* 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.
p Preliminary.

Banking

BANK DEBITS[1]

	Feb. 1955 (In millions)	Feb., 1955 compared with Jan. 1955	Feb. 1954
Six Largest Centers:			
East St. Louis—National Stock Yards, Ill.	$ 116.0	— 8%	-0-%
Evansville, Ind.	145.9	—16	+ 4
Little Rock, Ark.	162.0	— 6	+13
Louisville, Ky.	747.7	+ 4	+ 8
Memphis, Tenn.	644.3	—15	+ 6
St. Louis, Mo.	1,857.6	—12	-0-
Total—Six Largest Centers	$3,673.5	— 9%	+ 3%
Other Reporting Centers:			
Alton, Ill.	$ 33.4	— 5%	+ 2%
Cape Girardeau, Mo.	12.9	—22	+ 5
El Dorado, Ark.	25.7	—19	+ 2
Fort Smith, Ark.	46.6	—15	+15
Greenville, Miss.	26.6	—24	+ 6
Hannibal, Mo.	8.2	—16	+ 1
Helena, Ark.	7.7	—21	+ 2
Jackson, Tenn.	21.7	— 8	+ 9
Jefferson City, Mo.	59.8	—19	+ 6
Owensboro, Ky.	42.7	— 8	+25
Paducah, Ky.	27.7	— 2	—20
Pine Bluff, Ark.	28.7	—17	— 7
Quincy, Ill.	33.6	—12	+ 1
Sedalia, Mo.	12.8	—11	— 1
Springfield, Mo.	65.9	—16	+10
Texarkana, Ark.	16.0	—14	— 6
Total—Other Centers	$ 470.0	—14%	+ 4%
Total—22 Centers	$4,143.5	—10%	+ 3%

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

1955 Feb.	1955 Jan.	1954 Feb.
152.4	145.0	147.5

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

Agriculture

CASH FARM INCOME

(In thousands of dollars)	Jan. 1955	Jan., '55 compared with Jan., '54	Jan. 1955 compared with Jan., '53
Arkansas	$ 52,476	—11%	+50%
Illinois	179	— 4	+10
Indiana	92,751	— 8	+ 5
Kentucky	101,614	—11	—22
Mississippi	37,770	—23	—25
Missouri	73,941	—15	— 9
Tennessee	46,650	— 7	—17
7 States	584,532	—10	— [illegible]
8th District	270,358	—12	— 5

Source: State data from USDA preliminary estimates unless otherwise indicated.

Construction

INDEX OF CONSTRUCTION CONTRACTS AWARDED EIGHTH FEDERAL RESERVE DISTRICT*

(1947-1949=100)

	Jan. 1955	Dec. 1954	Jan. 1954
Unadjusted			
Total	189.0 p	176.1	141.9
Residential	303.7 p	268.6	143.6
All Other	135.7 p	133.2	141.1
Seasonally adjusted			
Total	250.5 p	226.2	186.7
Residential	410.4 p	335.8	194.1
All Other	176.2 p	175.3	183.2

* Based on three-month moving average (centered on mid-month) of value of awards, as reported by F. W. Dodge Corporation.
p Preliminary

ASSETS AND LIABILITIES EIGHTH DISTRICT MEMBER BANKS

(In Millions of Dollars)

Assets	Weekly Reporting Banks Mar. 23, 1955	Change from Feb. 23, 1955	All Member Banks Feb. 23 1955	Change from Jan. 26 1955
Loans[1]	$1,412	$— 2	$2,237	$+ 8
Business and Agricultural	718	— 6		
Security	43	+ 1		
Real Estate	281	+ 1		
Other (largely consumer)	390	+ 2		
U. S. Government Securities	1,066	—32	2,115	—115
Other Securities	243	— 2	479	+ 6
Loans to Banks	21	+17		
Cash Assets	828	—70	1,455	+ 21
Other Assets	42	-0-	59	— 1
Total Assets	$3,612	$—85	$6,345	$— 81
Liabilities and Capital				
Demand Deposits of Banks	$ 670	$—19	$ 736	$— 69
Other Demand Deposits	2,065	—44	3,866	— 28
Time Deposits	553	+11	1,182	+ 6
Borrowings and Other Liabilities	68	—33	113	+ 5
Total Capital Accounts	256	-0-	448	+ 5
Total Liabilities and Capital	$3,612	$—85	$6,345	$— 81

[1] For weekly reporting banks, loans are adjusted to exclude loans to banks; the total is reported net; breakdowns are reported gross. For all member banks loans are reported net and include loans to banks; breakdown of these loans is not available.

Trade

DEPARTMENT STORES

	Net Sales: Feb., 1955 compared with Jan., '55	Feb., 54	2 mos. '55 to same period '54	Stocks on Hand: Feb. 28, '55 comp. with Feb. 28, '54	Stock-Sales Ratio: Feb. 1955	Feb. 1954	Percentage of Accts. and Notes Receivable Outstanding Feb. 1, 1955, collected during Feb.: Instal. Accounts	Excl. Instalment Accounts
8th F.R. District Total	— 7%	-0-%	+ 5				17	48
Fort Smith Area, Ark.[1]	— 5	+ 1	+ 9	Monthly stocks and stocks-sales ratio data not available in time for publication in the *Monthly Review*. Data will be supplied upon request.			......	38
Little Rock Area, Ark.	-0-	— 8	— 3				12	41
Quincy, Ill.	— 4	— 1	+ 2				......	......
Evansville Area, Ind.	— 7	—14	— 6				......	......
Louisville Area, Ky., Ind.	+ 4	+ 7	+10				19	44
Paducah, Ky.	—14	—19	— 6				......	......
St. Louis Area, Mo., Ill.	—11	+ 2	+ 5				19	53
Springfield Area, Mo.	— 1	+26	+31				......	......
Memphis Area, Tenn.	— 4	— 2	+ 6				13	44
All Other Cities[2]	— 5	— 2	+ 5				10	38

p Preliminary

[1] In order to permit publication of figures for this city (or area), a special sample has been constructed which is not confined exclusively to department stores. Figures for any such nondepartment stores, however, are not used in computing the district percentage changes or in computing department store indexes.

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

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Feb. 1955	Jan. 1955	Dec. 1954	Feb. 1954
Sales (daily average), unadjusted[3]	90	93	193	89
Sales (daily average), seasonally adjusted[3]	113	120	118	112
Stocks, unadjusted[4]	116	107	103	108
Stocks, seasonally adjusted[4]	122	127	105	113

[3] Daily average 1947-49=100
[4] End of Month average 1947-49=100
Trading days: February, 1955—24; January, 1955—25; February, 1954—24.

OUTSTANDING ORDERS OF REPORTING STORES AT THE END OF FEBRUARY, 1955, WERE 4 PER CENT LARGER THAN ON THE CORRESPONDING DATE A YEAR AGO.

RETAIL FURNITURE STORES

	Net Sales: Feb., 1955 compared with Jan., 55	Feb., 54	Inventories: Feb., 1955 compared with Jan., 55	Feb., 54
8th Dist. Total[1]	+10%	+10%	+ 9%	+ 5%
St. Louis	+11	+10	+11	+ 2
Louisville Area[2]	+17	+ 5	+12	+14
Louisville	+19	+ 5	+12	+14
Memphis	—12	+19	*	*
Little Rock	+43	+13	*	*
Springfield	—10	-0-	+ 3	+ 6

* 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, Pine Bluff, Arkansas; Owensboro, Kentucky; Greenwood, Mississippi; and Evansville, Indiana.

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

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Feb., '55	Jan., '55	Feb., '54
Cash Sales	14%	15%	16%
Credit Sales	86	85	84
Total Sales	100%	100%	100%