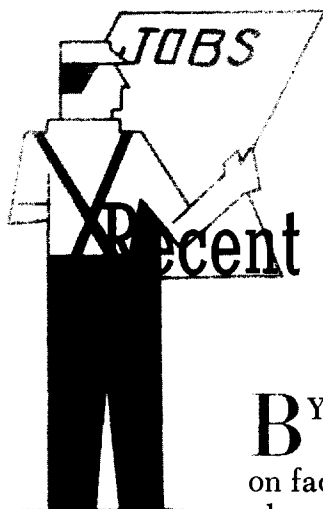


# Monthly Review

July 1955

Volume XXXVII

Number 7



## Recent Developments in Employment

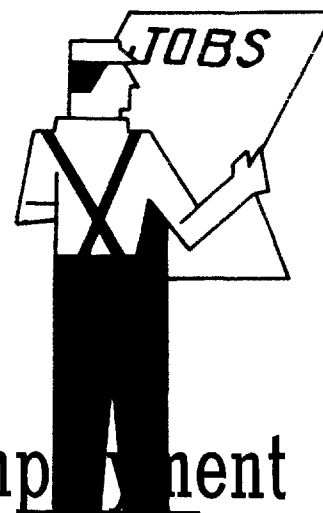
**B**Y the second quarter of 1955 economic activity in the nation and in the district had reached record levels, but as the recovery went on factory employment lagged behind production increases, and unemployment was above the lows of 1953, reflecting fuller utilization of employees' services and increased productivity.

In the Eighth District improvements in employment and employment prospects were sufficient by May to remove the St. Louis area from the surplus labor category, and the Evansville experience has been similar. Three other district metropolitan areas, while experiencing employment changes, were at no time during the recession classified as having substantial labor surpluses. On the other hand, the supply in the smaller labor markets of the district is still substantially in excess of demand despite some recent improvements.

Over-all, district employment has improved, but the growing labor supply and increasing productivity pose long-run problems.

**Federal Reserve Bank**  
*of St. Louis*

*Survey of Current Conditions—p. 85*



# Recent Developments in Employment

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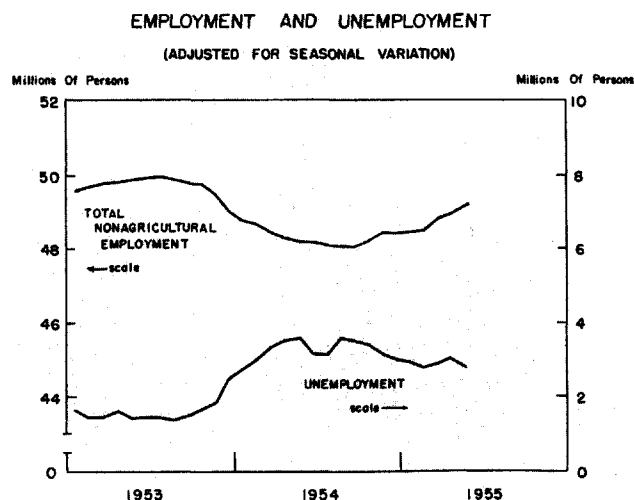
**A**T MID-1955, economic observers were speaking of recovery from the 1953-1954 slump as an accomplished fact. The business upswing which had begun nine months earlier continued, and although some analysts were concerned about possible soft spots in the latter half of 1955, nearly everyone was agreed that a vibrant prosperity would last for many months.

Preliminary figures showed clearly that a record gross national product had been achieved in the second quarter of 1955. At an estimated seasonally adjusted annual rate of \$377 billion, nearly \$7 billion higher than the previous high achieved in the second quarter of 1953, GNP was up 6 per cent from the trough rate of 1954.

The figures which measure changes in the physical volume of industrial production were perhaps even more impressive. The Federal Reserve Board's seasonally adjusted Industrial Production Index in May reached 138, an all-time high. Output of durable goods had not quite reached 1953 highs, but that of nondurable goods achieved a new peak in May; and virtually all major categories of both durable and nondurable output shared in the May gain. Over-all industrial production was up 12 per cent from its 1954 low, nondurable production was up 10.5 per cent, and durables output was up a spectacular 14 per cent from the low of 1954.

*. . . but as the recovery went on factory employment lagged behind production increases, and unemployment was above the lows of 1953, . . .*

As the recovery went on, monthly figures showed a sharp difference between the rates of increase in output and employment. Indeed, many commentators were worried over the apparent lag of factory employment behind production increases. The May esti-



Source: Employment - U.S. Bureau of Labor Statistics  
Unemployment - U.S. Bureau of Census

mates dispelled some of the concern. Between April and May, employment in nonagricultural establishments (seasonally adjusted) increased some 300,000, but was still a little below the July 1953 peak level.<sup>1</sup> Manufacturing employment in May was up about 5.5 per cent from the seasonally adjusted low of August 1954. Between April and May, unemployment (seasonally adjusted) dropped to a level of 2.7 million. At approximately 4 per cent of the civilian labor force, the unemployment figure for May 1955 was a considerable improvement over the figure of a year ago. However, unemployment so far this year has been above the levels of the first half of 1953, when the economy was at an earlier peak.

*. . . reflecting fuller utilization of employees' services and increased productivity.*

The reversal of a business downtrend is usually followed by a period of several months in which employment gains lag behind production increases. In part, this lag results from the fuller utilization of the services of employees who were not laid off during the recession but who nevertheless had idle time on their hands. Another reason for failure of employment to rise with output is the lengthening of the work week as recovery goes on. From mid-1954 to May 1955, for example, the average factory work week rose by over an hour, and in some industries the increase was much more than this. In the automobile industry, to take a single instance, the average work week rose from just under 40 hours in September 1954 to 44 hours in March 1955. Finally, and with more serious implications for particular labor markets, employment increases may lag because of productivity increases in various industries, with a consequence that occupational shifts must take place to correct the unemployment.

Whatever the future course of employment and unemployment in the aggregate may be, it is possible to discern certain clearly defined patterns of recent employment changes.<sup>2</sup> It is axiomatic that the impact of depression is always hardest on the durable goods industries. It should be no surprise to learn, therefore, that in the recent recession three-quarters of the reduction in total employment was suffered by the durable goods industries. It follows that those areas in which the number employed in durable goods man-

ufacturing was a large per cent of nonagricultural employment should show the greatest changes in total employment during the recent recession. But care must be taken to qualify this broad generalization. Areas enjoying a rapid growth were less affected, whatever their type of production, than older, slower growing areas. Nor were all the durable goods industries affected equally. Moreover, for a number of reasons, employment changes within a particular industry varied greatly from community to community.

The swings that took place nationally between mid-1953 and mid-1955 in employment and unemployment were evident in the Eighth District. Likewise, differences in the impact of employment change between areas are clearly discernible in the major metropolitan areas of the district.

*In the Eighth District improvements in employment and employment prospects were sufficient by May to remove the St. Louis area from the surplus labor category, . . .*

As production in the industrial centers of the district expanded in 1952 and the first part of 1953, the increased job opportunities attracted people into the local labor markets. Women, older workers and school-age workers were drawn into the labor force. People migrated from a wide area to St. Louis to take jobs with higher pay than at their previous homes. But even at the peak of activity, the supply of labor was approximately in balance with demand. Unemployment was estimated at about 21,000 in May 1953, approximately 2.5 per cent of the local labor force.<sup>3</sup>

After the close of the Korean War, defense production was reduced and substantial layoffs occurred at ordnance, aircraft and aircraft parts plants, and steel foundries producing tank castings. In addition, other manufacturing activity declined, reflecting the shift from inventory accumulation to liquidation and the reduction in demand for producers' and consumers' durable goods. With the decline in manufacturing activity, railroad carloadings and employment in transportation fell off.

Coincident with the reduction in St. Louis manufacturing activity caused by economic forces and Governmental decisions which affected most areas of the nation in varying degrees, some large manufacturing and warehousing operations were closed permanently or transferred to other areas. Most of the closings were shoe manufacturing operations, which were

<sup>1</sup> Census data, which include self-employed, unpaid family, and domestic service workers, indicated a somewhat better performance in comparison with previous peak levels. Total civilian employment, including agricultural workers, in May reached a high slightly above that of May 1953 and 1.6 million above the May 1954 figure.

<sup>2</sup> See Edmond L. Kanwit, "Patterns of Recent Employment Changes—Area and National," *Survey of Current Business*, June 1955, pp. 15-19.

<sup>3</sup> Unemployment figures used in this article for Eighth District areas are those supplied by the State Employment Security offices.

transferred to more efficient or lower cost locations in towns around St. Louis. Some apparel manufacturing operations have also been transferred from the metropolitan area. A large candy plant, a large machinery producer, two large warehouse operations, and several smaller distributors and producers shut down and transferred their activities elsewhere. In the past two years employment for an estimated 3,500 persons was lost through closings or transfers.

At the same time that the loss of employment opportunities from closings and transfers occurred, new jobs were created as new operations were opened in the area. A large automobile frame plant was established, and many other smaller activities were set up. But, on balance, more employment was lost than gained.

With the decline in employment in the last part of 1953 and during most of 1954, the persons most recently hired tended to be the first laid off. Many of the unemployed withdrew from the labor force or returned to their previous homes. Where there were other breadwinners in the family, many of the women laid off withdrew from the labor market at least temporarily.

The drop in employment, however, outran the reduction in the labor force, and unemployment rose in the latter part of 1953 to reach substantial levels in 1954. By May 1954 unemployment increased to more than 6 per cent of the labor force, and St. Louis was classified as an area of substantial labor surplus by the United States Bureau of Employment Security. Unemployment increased to 63,000 or 7 per cent of the labor force in July 1954. Later in the year unemployment declined somewhat, reflecting both seasonal trends and some expansion of job opportunities. The St. Louis labor market continued to improve steadily from January through May 1955. By that time unemployment had dropped to 44,000 or 5 per cent of the labor force, a figure substantially less than the 56,000 estimated unemployed in May 1954 but about twice the number of two years earlier. Shortly thereafter the area was removed from the labor surplus category.

In May 1955 total nonagricultural employment in the St. Louis metropolitan area was estimated at 700,000 persons, not including an estimated 3,000 persons involved in labor-management disputes. This was virtually the same as a year earlier although about 40,000 less than in May 1953.

The main strength in the St. Louis economy in recent months has been the increased production of automobiles and primary metals, which has more than offset some further decline in ordnance output.

In addition, construction activity has been maintained at a high level.

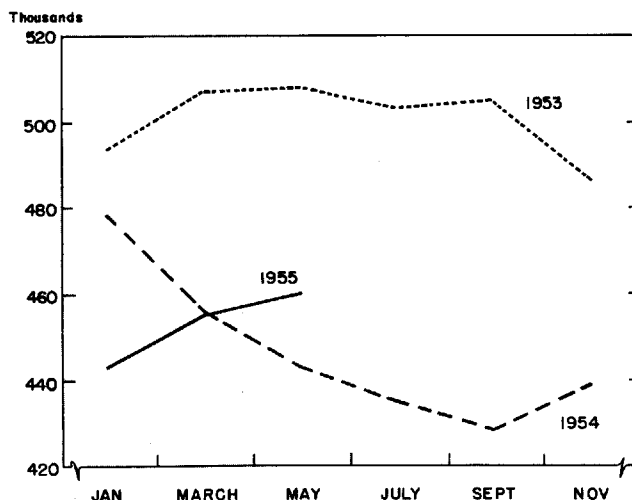
St. Louis furnishes a good example of how an area may become especially vulnerable to swings in employment as it becomes a center of durable goods manufacture, including ordnance production. Between mid-1952 and the late summer of 1953, St. Louis area employment in durable goods manufacture rose sharply; by July of 1953 nearly 25 per cent of total nonagricultural employment in the St. Louis area was accounted for by durable goods manufacturing. The subsequent percentage decline in nonagricultural employment was sharp, and at a greater rate in the Illinois portion of the St. Louis metropolitan area than in the Missouri portion, reflecting the concentration in the Illinois sector of primary metals manufacturing which suffered substantial cutbacks. In July 1954, unemployment in the Illinois portion was estimated at 10.8 per cent of the labor force compared with 7.4 per cent for the metropolitan area as a whole. While unemployment in the Illinois section has declined in recent months, the rate was still higher than for the entire area in May 1955.

*. . . and the Evansville experience has been similar.*

Evansville, too, has experienced large swings in employment primarily as a result of the concentration of its economic activity in durable goods production (refrigerators, automobiles, fabricated metal products

#### ESTIMATED MANUFACTURING EMPLOYMENT IN FIVE DISTRICT METROPOLITAN AREAS

St. Louis, Louisville, Memphis, Evansville and Little Rock



Source: State Employment Security Divisions

and furniture). From May 1952 to May 1953 employment in nonagricultural establishments there jumped 10,900, or 16 per cent, to 77,200 persons. Most of this increase was in manufacturing, as refrigerator and automobile production increased after restriction in 1952 by defense controls. As in St. Louis, many of the workers added in the 1952-1953 boom came from the surrounding region. Some preferred to commute from nearby to their new jobs in Evansville. By May 1953 unemployment in the area was reduced to 2,000 persons, or 2 per cent of the labor force. At that time, the local labor supply was classified by the Bureau of Employment Security as being in approximate balance with demand.

Between May 1953 and May 1954 total employment dropped 15,300, or 17 per cent, to 66,300, reflecting among other things output curtailment of military aircraft components and reduced production of automobiles and refrigerators. Many of those laid off withdrew from the local labor market. But unemployment rose substantially and by May 1954 was estimated at 7,200 or 9 per cent of the labor force. With unemployment in excess of 6 per cent, the area was classified as having a substantial labor surplus.

In the period from May 1954 to May 1955 the downtrend was reversed. Employment increased moderately, largely because substantial gains at automobile plants more than offset further reductions in production of aircraft components. In addition, employment in construction and trade rose slightly. Total employment in nonagricultural establishments reached 69,800, an increase of 3,500, or 5 per cent, in the year ending May 1955. With the moderate increase in employment and no net addition to the labor force, unemployment declined to 5 per cent of the labor supply in May 1955, an improvement sufficient to remove the area from the substantial labor surplus category.

*Three other district metropolitan areas, while experiencing employment changes, were at no time during the recession classified as having substantial labor surpluses.*

Changes in Louisville employment roughly paralleled the national trends, reaching a peak in 1953, declining in the latter part of that year and through much of 1954, and recovering some of the lost ground by May 1955. Unemployment in May 1955 was a little higher than two years ago, although well below the levels existing in most of 1954.

Employment was at a peak of 237,500 in July 1953, consequent upon stepped-up production at the Indiana Arsenal and other defense plants, continued

## EMPLOYMENT IN NONAGRICULTURAL ESTABLISHMENTS

(in thousands)

### Metropolitan Area

	May 1953	May 1954	May 1955
St. Louis .....	741.4	701.5	699.9*
Louisville .....	234.2	218.2	226.7*
Memphis .....	171.0	169.6	167.2*
Evansville .....	81.5	66.4	69.8
Little Rock .....	69.2	67.5	69.5

\*Reduced by strikes

### Unemployment (in thousands)

### Metropolitan Area

	May 1953	May 1954	May 1955
St. Louis .....	21.1	55.7	43.8
Louisville .....	7.0	17.6	11.4
Memphis .....	10.6	13.8	12.9
Evansville .....	2.0	7.2	3.8
Little Rock .....	3.2	5.2	3.6

Source: State Employment Security Divisions

hiring at the new General Electric Appliance Park plant and high levels of activity in most other lines. Even when employment was at its peak the supply of labor was considered approximately in balance with demand, rather than tight.<sup>4</sup> Unemployment was estimated at 7,000 and furthermore the local labor supply was being augmented by in-migration from the surrounding region.

After mid-1953 employment turned downward when production at the Indiana Arsenal and other defense plants was reduced. In addition, the demand for farm equipment declined, and employment in the manufacture of tractors was reduced substantially. Employment at Appliance Park, however, continued to increase throughout 1953 and 1954. Total non-agricultural employment declined 20,000 or about 8 per cent from the peak in 1953 through March 1954. As elsewhere, many of those laid off either withdrew from the labor force or returned to their homes outside the Louisville area. Unemployment increased substantially and in May 1954 was estimated at 17,600 persons.

In the past year large increases in farm machinery production and automobile assembly, combined with continued expansion of electric appliance manufacturing, have brought manufacturing employment to levels close to the 1953 peak. Total nonfarm employment has also increased, but the 227,000 employed in May 1955 was still about 7,000 less than two years

<sup>4</sup> *Area Classification Summary*, United States Bureau of Employment Security, July 1953.

earlier. Accompanying the rise in employment, the number of unemployed declined from 17,600 in May 1954 to 11,400 in May 1955.

In contrast to the patterns of employment change in St. Louis, Louisville and Evansville, employment in Memphis fluctuated little in the past three years and has not increased during the past year. Total nonfarm employment rose by only 2,400 or 1.4 per cent from May 1952 to May 1953, when most other cities were experiencing substantial gains and national nonfarm employment increased 3.8 per cent. In the year ending May 1954 employment in Memphis declined by only 1,400, or 1 per cent, while employment declined 3 per cent nationally. In May 1955 Memphis employment was slightly less than a year earlier.

The supply of labor in Memphis moderately exceeded labor requirements in 1952. With only small employment increases in 1953, demand never pressed hard upon supply, and the labor market classification remained unchanged. Likewise, with only minor declines in employment in the past two years, the supply of labor continued to exceed demand only moderately.

Employment changes in Little Rock in the past two years have also been moderate. After declining slightly from 1953 to 1954, employment in non-agricultural establishments increased by May 1955 to equal the level of two years earlier. In contrast, employment in the larger district metropolitan areas was still below the level of two years ago.

Defense production cutbacks and slackened furniture output reduced employment in the year from May 1953 to May 1954. In the year ending May 1955, manufacturing employment declined, although it was higher than at any other time in the intervening twelve months. Most of the loss in manufacturing was in metal products and apparel plants, offset in part by a small gain in lumber and wood products plants. Increased construction activity, largely accounted for by the building of a \$75 million air base in the Little Rock area, was chiefly responsible for an increase of 2,300 in nonmanufacturing employment from May 1954 to May 1955.

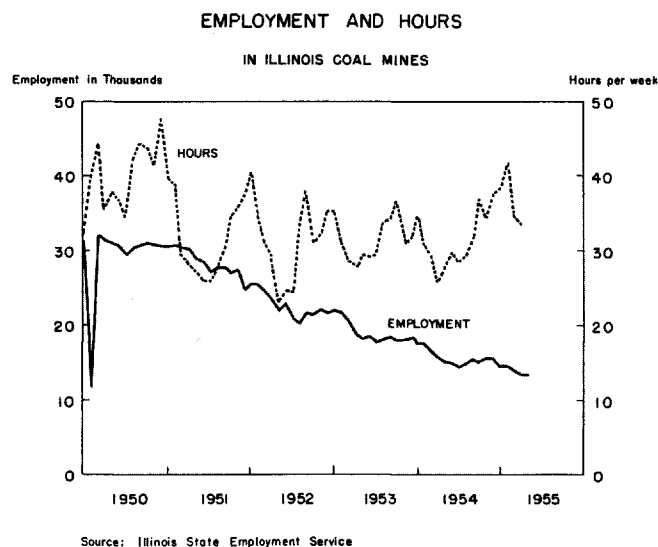
Despite the favorable employment experience in Little Rock, the supply of labor has moderately exceeded requirements from March 1953 to date.

*On the other hand, the supply in the smaller labor markets of the district is still substantially in excess of demand despite some recent improvements.*

Declining coal production in the district, combined with increased efficiency of operations, has reduced the demand for coal miners substantially over

the past several years, and other types of activity have not increased sufficiently to absorb the labor released from the mines. As a result, pools of unemployment have formed. This problem has been especially severe in the Herrin-Murphysboro-West Frankfort, Illinois, Madisonville, Kentucky, and Vincennes, Indiana, areas.

During 1953, employment in the coal mines in the Herrin-Murphysboro-West Frankfort area continued to decline and more than offset moderate increases in manufacturing employment. In the first half of 1953, unemployment was estimated at 11,800, some 19 per cent of the labor force. In the last half of 1953, employment dropped by nearly 5,000, reflecting curtailment of defense production in the area, reductions in some other types of manufacturing activity following lower demands and further losses in coal mining employment. Unemployment, which had been augmented by the return of residents from employment in the larger metropolitan areas, was estimated at 15,700, approximately 25 per cent of the labor force in February 1954. Throughout 1954 construction and manufacturing employment increased slightly, but employment at coal mines continued to ebb. By February 1955, the civilian labor force was reduced somewhat by out-migration and enlistments in the armed forces. Total employment, however, was virtually unchanged and unemployment at approximately 22 per cent of the labor force was only slightly lower than a year earlier.



Declining employment in the coal mines in Knox County (Vincennes) also has been responsible for most of the unemployment in that area. For example, in May 1950 coal mines in the area employed 1,500 workers; by May 1955 only 360 were at work, and those employed were working only three or four days each week. Manufacturing employment has also declined in the area over the past two years, offsetting a previous increase of approximately 400 in the period May 1952 to May 1953. From mid-1953 to mid-1954 employment in electrical equipment manufacturing declined by about 20 per cent, and a food processing plant was closed in early 1954. The area has continued to be classified as one of very substantial labor surplus.

With the downturn of employment in the last part of 1953 and continuing through the first half of 1954, other smaller areas in the Eighth Federal Reserve District experienced declines in employment. In addition, workers who had left the areas to seek employment in the larger industrial centers in the nation returned to their previous homes despite the lack of job opportunities there.

In the Litchfield, Illinois, area a large drop in coal mining over the two-year period ending in March 1954, combined with sizable layoffs from manufacturing establishments, caused unemployment to reach very substantial levels by March 1954. The closing of a primary metal plant and layoffs following termination of defense contracts at a fabricated metal products plant more than offset gains in the local stone, clay and glass industry. In the past year further decreases in employment occurred.

The closing of a large railroad car manufacturing plant in Mount Vernon, Illinois, in early 1954 caused unemployment to reach very substantial levels by April of that year. During the next twelve months, employment increased slightly. Reflecting this gain and out-migration, unemployment declined somewhat, but the area continued in the substantial labor surplus category in May 1955.

In January 1954, Texarkana, Texas-Arkansas, was classified as having a substantial labor surplus because of the sizable reductions in employment at two large ordnance establishments in the area. In March 1954, Henderson, Kentucky was designated an area of very substantial labor surplus as a result of the closing of Camp Breckenridge, which more than offset an increase of about one-third in coal mining employment there. Also a large number of the unemployed had recently been laid off from jobs in nearby Evansville. The Frankfort, Kentucky, area was classified as one of substantial labor surplus in May

1954. Manufacturing and nonmanufacturing employment declined markedly during the previous year. Unemployment rose to about 8 per cent of the labor force as a result of layoffs at distilleries, apparel, leather products and fabricated metals plants. Construction employment also fell sharply. In the Harrisburg, Illinois, area, coal and fluorspar mines released about 600 workers and trade establishments laid off 300 during the first three quarters of 1954. As a result, unemployment rose to 15 per cent of the labor force in October 1954. Part of the rise in unemployment was occasioned by the return of local residents after layoffs from jobs in other areas. Declines in food processing, electrical machinery, petroleum refining and construction in the Mount Carmel-Olney, Illinois, area, caused unemployment to rise substantially in late 1954. Closing of a garment plant, reductions of electrical equipment output, and reduced oil exploration and drilling also added to the number of jobless there. By December 1954 unemployment was estimated at 8 per cent of the labor force. As of May 1955, these five areas were classified as having substantial labor surpluses by the United States Bureau of Employment Security.

In Owensboro, Kentucky, layoffs from Evansville plants swelled the local unemployment rolls in early 1954. In addition, employment in electrical machinery and furniture industries was cut back and factory employment dropped by about 1,400 in the year ending April 1954. Unemployment rose to nearly 12 per cent of the labor force in that month and continued to stay at relatively high levels through May 1955.

In July 1954, Fort Smith, Arkansas, was classified as having a substantial labor surplus because of employment declines at a zinc smelter and at glass and food processing plants. Mining, construction and government employment also dropped. As a result, unemployment rose to about 8 per cent of the labor force in June 1954. Operations were subsequently resumed in zinc smelting. Furniture production, which bulks large in Fort Smith industry, continued at a high rate, and construction employment increased. Coal mining, however, remained at a low level. In May 1955 the area was still classified in the substantial labor surplus category.

Unemployment in the Springfield, Missouri, area rose above the 6 per cent mark in late 1953 and remained at relatively high levels until May 1955. Thus, notwithstanding the fact that employment has shown some increase during the past two years, primarily as a result of the expansion of construction and trade activity, the latest data available indicate that unemployment was slightly less than 6 per cent

and Springfield was still listed as an area of substantial labor surplus in May 1955.

*Over-all, district employment has improved, but the growing labor supply and increasing productivity pose long-run problems.*

The persistence of large numbers of jobless in the smaller labor markets suggest that there is in the Eighth District a certain amount of "hard-core" unemployment. The mining and transportation industries have experienced employment declines for several years now, and the older workers in these industries have had difficulty in finding new jobs. The correction of this type of unemployment comes about only as the slow and painful process of resource transfer works itself out.

Elsewhere in the Eighth District temporary problems of unemployment have more readily resolved themselves as over-all economic activity picked up

between September 1954 and May 1955. The return of prosperity should not, however, make us carelessly optimistic about future employment problems. Annual additions to the labor force mean that output should increase aside from improvement in productivity (assuming little change in the work week). And the evidence is clear that annual increases in productivity over the past few years have been sizable.

Maximum utilization of our resources may thus be expected to result in further increases in output of goods and services. If recurring spells of unemployment are to be mild and short-lived, Americans must have incomes high enough to enable them to take from the market, at prices profitable to producers, the output which fully utilized resources will produce. The recently achieved record rate of national income is encouraging.

WILLIAM H. KESTER

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#### NEW MEMBER BANKS

Three banks located within the territory of the Eighth Federal Reserve District became members of the Federal Reserve System during the first half of 1955.

The German American Bank, Jasper, Indiana, became a member bank on January 18. The bank's officers are:

LOUIS J. ECKSTEIN, *President*

P. L. KRODEL, *Vice President*

O. LEO BECKMAN, *Cashier, Secretary and Trust Officer*

HERBERT S. GRABEMAN, *Assistant Cashier*

ANDREW A. KNIES, *Assistant Cashier*

The First National Bank of Altheimer, Altheimer, Arkansas, became a member of the System on April 20. Its officers are:

CHARLES C. WILLEY, *President*

R. S. BARNETT, JR., *Vice President*

RALPH E. JUSTICE, *Cashier*

The Farmers State Bank of Sullivan, Sullivan, Indiana, became a member bank as of June 9. Officers announced officially by this bank, which plans to open in August, are:

J. H. CROWDER, *President*

WM. H. CROWDER, *Vice President and Acting Cashier*

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#### ADDITIONS TO THE PAR LIST

The following banks, located in the Eighth Federal Reserve District, were added to the Par List during the first six months of this year:

##### Arkansas

Bank of West Memphis  
West Memphis, Arkansas

Merchants and Planters Bank  
West Memphis, Arkansas

##### Mississippi

Merchants & Farmers Bank  
Kosciusko, Mississippi

Ethel Office, Branch of  
Merchants & Farmers Bank of  
Kosciusko  
Ethel, Mississippi

Sallis Office, Branch of  
Merchants & Farmers Bank of  
Kosciusko  
Sallis, Mississippi  
Weir Office, Branch of  
Merchants & Farmers Bank of  
Kosciusko  
Weir, Mississippi

##### Missouri

Bank of Gainesville  
Gainesville, Missouri

##### Tennessee

Rossville Savings Bank  
Rossville, Tennessee

# Survey OF CURRENT CONDITIONS

*District business activity in June held close to peak levels.*

**B**USINESS ACTIVITY in the Eighth Federal Reserve District held close during June to the peak levels reached in May. Production of steel and automobiles declined slightly, and department store sales showed little change. At the same time construction activity continued at a fast pace and the demand for bank loans remained strong. Insured unemployment fell, but the labor markets were flooded with June graduates and vacation job-seekers. Prices of major district farm products rose somewhat.

The rise in the nation's business activity in recent months has taken the economy to new peaks. The gross national product for the second quarter was about 2 per cent larger than the previous peak of two years earlier. Industrial production in May reached a new record after seasonal adjustment of 138 per cent of the 1947-49 average. Outlays for total new construction in May, seasonally adjusted, were at a record annual rate of \$42 billion, or nearly \$5 billion more than during all of 1954. The rise in business activity has been accompanied by improvement in the labor markets. Employment in mid-May was 700,000 higher than the previous May record reached in 1953. Unemployment fell to 2.5 million, the lowest level since 1953. Personal income has also reached record levels. With higher income augmented by substantial use of credit, consumers purchased goods in record volume in April and May, after allowance for seasonal trends.

Two important sectors of the national economy have reversed their previous rise. Automobile production was cut in June by work stoppages and to allow dealers to reduce their stocks of new cars. Residential construction contracts awarded declined from April to May and continued downward in the first half of June.

Nevertheless, the outlook for the rest of the year appeared favorable. With high and expanding income, consumer demand may well increase further.

Rising capital outlays are planned by business for the third quarter. State and local governments face a large backlog of needed public work and probably will continue to expand their outlays. Moreover, the supply of labor appears to be ample to accommodate further increases in business activity.

## *Production of some major industries declined.*

Steel poured from St. Louis area mills at full capacity rates in June in order to meet strong demands of district customers, especially for flat rolled products. However, this was down slightly from May when mills had operated at 106 per cent of rated capacity. Construction, natural gas pipelining, and increased manufacture of appliances and machinery accounted for much of the demand. Automobile assembly at district plants also lessened during June, due to interruptions by sporadic work stoppages and, toward the end of the month, reduced schedules as the close of the 1955 model season approached. Lumber output remained about the same, on balance, with mills operating at a higher rate than in 1954. Crude oil production in the first half of June was up 3 per cent from its rate in the corresponding weeks of May and was 14 per cent higher than a year earlier. Coal production continued to hold up well. The shoe production outlook for the district was brightened by an announcement of International Shoe Company that it would step up production activity in this area to meet an anticipated increase in fall sales and as a result of an expansion of facilities in the Midwest. Shoe manufacturers generally are optimistic as to the fall season, according to trade reports.

## *Department store sales showed little change.*

Sales at reporting district department stores in the first four weeks of June were about the same as in May, after allowance for seasonal factors. They lagged behind those of June 1954 when extremely hot weather aided sales of seasonal merchandise. Sales of new automobiles continued at a relatively high level, but the pace showed signs of slackening. Used car sales were somewhat higher than a year ago.

During May, district department store sales dropped contra-seasonally from April, but were considerably above those in May 1954. After allowance for seasonal factors, the adjusted index of daily average sales dropped from 122 per cent in April to 121 per cent in May. It was at 106 per cent of the 1947-49 average in May 1954. Cumulative volume for the first five months of 1955 was 7 per cent above that in the like period of 1954.

In the St. Louis area, there were indications of revived consumer interest in the apparel lines. After running at about the same level in the first four months as in 1954, sales of women's and misses' ready-to-wear apparel and accessories and in men's and boys' wear divisions recorded substantial increases over those in May 1954. Volume in the homefurnishings divisions continued at a level considerably above that a year ago in those departments where selling prices have been reduced to meet competition.

At reporting furniture stores in the district, sales during May were larger than in April and in May 1954.

The retail value of inventories held by reporting department stores and by furniture stores on May 31 for the district as a whole was not much changed from that a month earlier or on the like date of 1954. Outstanding orders, however, were considerably larger than on April 30 or a year earlier.

#### *Construction contract awards remained high . . .*

Total contract awards for new construction in the first half of June in the St. Louis territory of F. W. Dodge Corporation, which includes most but not all of the Eighth District, were at a higher rate than in May or the same period of 1954. For the June period, however, residential awards were made at about the same rate as in May.

After allowance for seasonal change, the value of residential contracts awarded in the district has declined in recent months from the extraordinarily high peak reached earlier in the year. The index of district residential contracts awarded (seasonally adjusted, three month moving average centered on middle month) declined from 419 per cent of the 1947-49 average in January to 273 per cent for April.

#### *. . . and the demand for bank loans strong.*

The demand for bank loans continued strong at district weekly reporting member banks during the five weeks ended June 22. A large part of the bor-

rowing was to finance real estate purchases and consumer buying. Real estate loans rose substantially more than in the corresponding periods of recent years. The increase in "other", largely consumer, loans was \$14 million or 3 per cent in the period and 8 per cent for the year to June 22. By comparison, these loans contracted slightly in the first five and a half months last year, and rose 6 per cent in the like period of 1953, when the demand for consumer credit was stimulated by a high level of business activity and by easier credit terms following the removal of Regulation W. The recent gain was primarily in automobile instalment paper.

Businesses made seasonal net repayments during the five weeks ending June 22. However, cumulative net repayments by commercial and industrial firms since the beginning of the year were less than 60 per cent of the average for comparable periods of the three previous years.

The average interest rate charged on short-term business loans made during the first half of June 1955 at four reporting banks in St. Louis was 3.39 per cent. During the corresponding periods in March 1955 and June 1954 the rates were 3.37 and 3.45 respectively.

Another indication of the accelerated pace of economic activity was the larger dollar amount of check payments during recent months. Debits to demand deposits of individuals, businesses and local governments at the 22 reporting centers in the district were 8 per cent greater in March, April and May than during the corresponding months of both 1954 and 1953. The increase was shared by most reporting centers with the largest gains percentagewise at Owensboro, Kentucky and Springfield, Missouri. Preliminary indications for June, based on clearings at the St. Louis banks and the number of checks handled by this Federal Reserve Bank indicate that the volume of check payments continued large.

#### *The supply of labor was still ample despite improvement in some areas.*

Rising business activity brought improvement in the principal labor markets of the district, but unemployment was still larger than in 1953 and in June the supply of labor was increased by the new graduates.

Insured unemployment in St. Louis, Louisville, Memphis, Evansville, and Little Rock was from 5 to 15 per cent lower in early June than a month before and was much lower than a year earlier.

Graduates and school-aged youngsters flooded the labor markets in June. For the graduates there were

more jobs at higher pay than last year. Temporary jobs for the vacation period were reported to be hard to find, however.

Improvement in the labor markets of the St. Louis and Evansville metropolitan areas between March and May was sufficient to remove them from the substantial labor surplus category. As of May, all five of the district's largest metropolitan areas were classified by the U. S. Bureau of Employment Security as having unemployment between 3 and 6 per cent of the total labor force, with no significant increase in non-farm employment expected for the next four months.

Fourteen smaller areas of the district, which are not included in those regularly surveyed, were still listed as having substantial labor surpluses in May.\*

### *Growing conditions were favorable for district crops.*

Farmers in the district were heartened by generally favorable growing conditions during June and somewhat higher prices for their products than in May. Still, farm income in the district in the first four months was off 8 per cent from the level of the corresponding period last year. And reduced acreages

\*Fort Smith, Arkansas; Texarkana, Arkansas-Texas; Springfield, Missouri; Greenville, Mississippi; Frankfort, Kentucky; Owensboro, Kentucky; Henderson, Kentucky; Madisonville, Kentucky; Mt. Carmel-Olney, Illinois; Harrisburg, Illinois; Herrin-Murphysboro-West Frankfort, Illinois; Litchfield, Illinois; Mount Vernon, Illinois; Vincennes, Indiana.

of the high income crops and the outlook for lower livestock prices when the spring pig crop (9 per cent larger than in 1954) is marketed offered little hope for improvement.

As of June 1, indicated wheat production in district states was 6 per cent less than in 1954. Most of the cut was due to acreage restriction, as yields per acre were only slightly less than last year. Tobacco and rice acreages harvested in district states are expected to drop 25 per cent and cotton by 15 per cent from last year.

Prices paid district farmers during June for meats and livestock products rose more than seasonally despite large marketings. The index of prices of the district's major agricultural products averaged 1 per cent higher than in May, largely as a consequence of 10 per cent higher average hog prices in June and relative stability in other major district farm commodity prices.

Rainfall at major weather reporting stations in the district during May and June varied from near normal to twice normal, compared with a generally severe deficiency during the same period a year ago. As a result, pasture and hay conditions in district states on June 1 were generally near or slightly above normal and approximately 10 per cent more favorable than they were a year ago.

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## *Advance Release Available*

A limited number of advance copies of the Survey of Current Conditions will henceforth be released on the first of the month, several days before the printed copies of the Monthly Review are ready for mailing. If you are interested in receiving one of these advance copies, please notify:

Research Department  
Federal Reserve Bank of St. Louis  
411 Locust St.  
St. Louis 2, Mo.

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### VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

Industrial Use of Electric Power (thousands of KWH per working day, selected industrial firms in 6 district cities)	May 1955	May 1955 compared with* Apr. 1955	May 1955 compared with* May 1954
Steel Ingot Rate, St. Louis area (operating rate, per cent of capacity)	13,919	+ 2%	+ 12%
Coal Production Index—8th Dist. (Seasonally adjusted, 1935-1939=100)	106	+ 9	+ 49
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	128 p	-35	+ 23
Freight Interchanges at RRs—St. Louis. (Thousands of cars—25 railroads—Terminal R. R. Assn.)	363.5	+ 2	+ 11
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average)	112.2	+ 3	+ 9
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	92.8	+ 5	+ 1
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)	218.3	+ 5	+ 17
	90	+ 1	+ 2

\* 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 DEBITS<sup>1</sup>

	May 1955 (In millions)	May, 1955 compared with Apr. 1955	May 1954
Six Largest Centers:			
East St. Louis—National Stock Yards, Ill.	\$ 124.7	+ 2%	- 5%
Evansville, Ind.	170.2	+ 3	+ 23
Little Rock, Ark.	188.9	+ 2	+ 21
Louisville, Ky.	785.8	+ 7	+ 20
Memphis, Tenn.	678.5	+ 5	+ 7
St. Louis, Mo.	2,200.1	+ 8	+ 21
Total—Six Largest Centers	\$4,148.2	+ 6%	+ 17%
Other Reporting Centers:			
Alton, Ill.	\$ 35.9	- 8%	+ 5%
Cape Girardeau, Mo.	14.4	- 4	+ 11
El Dorado, Ark.	31.0	- 6	+ 18
Fort Smith, Ark.	52.5	- 1	+ 15
Greenville, Miss.	26.8	+ 24	+ 17
Hannibal, Mo.	9.5	- 6	+ 4
Helena, Ark.	8.0	- 2	+ 10
Jackson, Tenn.	23.2	- 3	+ 10
Jefferson City, Mo.	69.6	+ 2	+ 21
Owensboro, Ky.	41.8	- 4	+ 13
Paducah, Ky.	26.9	- 11	- 15
Pine Bluff, Ark.	29.7	- 11	- 5
Quincy, Ill.	39.9	+ 9	+ 18
Sedalia, Mo.	14.6	- 3	+ 15
Springfield, Mo.	89.6	+ 19	+ 38
Texarkana, Ark.	18.9	+ 1	+ 9
Total—Other Centers	\$ 532.3	- 0%	+ 14%
Total—22 Centers	\$4,680.5	+ 6%	+ 17%

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

	1955	1954
May	156.4	149.3
Apr.	149.3	133.8

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

## Agriculture

### CASH FARM INCOME

	Percentage Change
(In thousands of dollars)	Apr. '55 from Apr. '54 compared with 1954
Arkansas	\$ 33,208 + 61% + 7% - 0%
Illinois	122,225 - 16 - 11 - 4
Indiana	74,496 - 9 - 10 - 3
Kentucky	20,994 - 2 - 10 - 16
Mississippi	22,449 + 34 - 12 - 37
Missouri	70,359 - 0 - 9 - 8
Tennessee	20,882 + 3 - 7 - 15
7 States	\$364,613 - 3 - 9 - 9
8th District	\$159,203 + 7 - 8 - 12

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

## Construction

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

	Apr. 1955	Mar. 1955	Apr. 1954
Unadjusted			
Total	238.2 p	232.1	200.2
Residential	300.4 p	314.7	221.0
All Other	209.3 p	193.7	190.6
Seasonally adjusted			
Total	217.7 p	257.6	183.2
Residential	273.1 p	338.4	200.9
All Other	192.0 p	220.1	175.0

\* 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 EIGHTH DISTRICT MEMBER BANKS

(In Millions of Dollars)	Weekly Reporting Banks		All Member Banks	
		Change from		Change from
Assets	June 22, 1955	May 18, 1955	May 25, 1955	April 27, 1955
Loans <sup>1</sup>	\$1,432	\$— 8	\$2,290	\$+ 22
Business and Agricultural	696	—24		
Security	45	— 2		
Real Estate	293	+ 5		
Other (largely consumer)	419	+14		
U. S. Government Securities	1,013	—34	2,024	—41
Other Securities	250	+ 6	488	— 2
Loans to Banks	18	+ 2		
Cash Assets	851	—44	1,342	—13
Other Assets	43	—0	62	— 4
Total Assets	\$3,607	\$—78	\$6,206	\$—38
Liabilities and Capital				
Demand Deposits of Banks	\$ 617	\$—32	\$ 645	\$—52
Other Demand Deposits	2,116	+10	3,799	+ 6
Time Deposits	564	+ 4	1,208	+ 7
Borrowings and Other Liabilities	51	—61	101	— 3
Total Capital Accounts	259	+ 1	453	+ 4
Total Liabilities and Capital	\$3,607	\$—78	\$6,206	\$—38

<sup>1</sup> 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	5 mos. '55 to same period '54	Instal. Accounts	Excl. Instalment Accounts
	May 1955 compared with Apr. '55	May, '54		
8th F.R. District Total	- 3%	+ 11%	+ 7%	17
Fort Smith Area, Ark. <sup>1</sup>	- 5	+ 13	+ 12	42
Little Rock Area, Ark.	- 7	- 2	- 0	12
Quincy, Ill.	- 20	+ 4		44
Evansville Area, Ind.	- 6	+ 15	+ 3	
Louisville Area, Ky., Ind.	- 9	+ 9	+ 7	19
Paducah, Ky.	- 18	- 14	- 6	43
St. Louis Area, Mo., Ill.	+ 1	+ 15	+ 8	19
Springfield Area, Mo.	- 9	+ 35	+ 41	55
Memphis Area, Tenn.	+ 3	+ 7	+ 6	15
All Other Cities <sup>2</sup>	- 14	+ 5	+ 6	11

<sup>1</sup> 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.

<sup>2</sup> 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

	May 1955	Apr. 1955	Mar. 1955	May 1954
Sales (daily average), unadjusted <sup>3</sup>	121	117	101	106
Sales (daily average), seasonally adjusted <sup>3</sup>	121	122	116	106
Stocks, unadjusted <sup>4</sup>	127	134	126	124
Stocks, seasonally adjusted <sup>4</sup>	121	125	123	118

<sup>3</sup> Daily average 1947-49=100

<sup>4</sup> End of Month average 1947-49=100

Trading days: May, 1955—25; Apr., 1955—26; May, 1954—25.

### RETAIL FURNITURE STORES

	Net Sales	Inventories
	May, 1955 compared with Apr., '55	May, 1955 compared with Apr., '55
8th Dist. Total <sup>1</sup>	+ 7%	+ 16%
St. Louis Area	+ 10	+ 20
Louisville Area	+ 8	+ 16
Memphis Area	+ 11	+ 13
Little Rock Area	+ 2	- 14
Springfield Area	+ 20	+ 5

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

<sup>1</sup> In addition to following cities, includes stores in Blytheville, Fort Smith, Pine Bluff, Arkansas; Owensboro, Kentucky; Greenwood, Mississippi; Evansville, Indiana.

### PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	May, '55	Apr., '55	May, '54
Cash Sales	13%	13%	14%
Credit Sales	87	87	86
Total Sales	100%	100%	100%