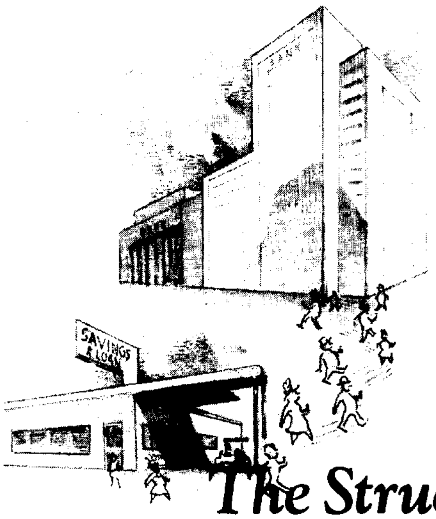

Monthly Review

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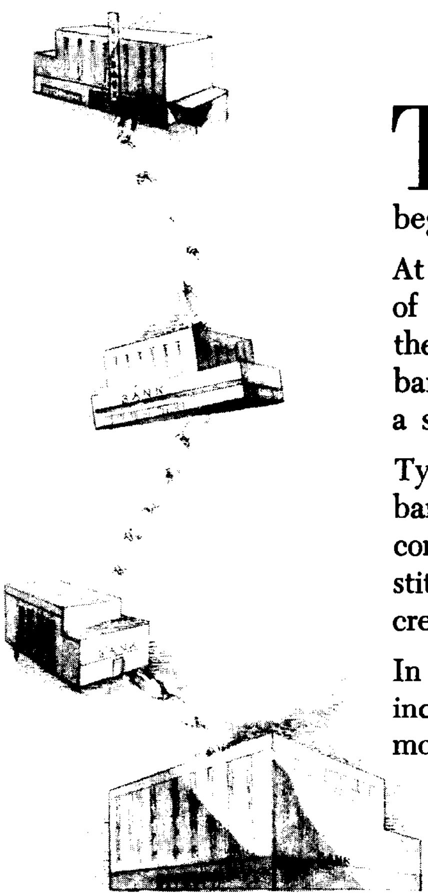
The Structure of Banking in the Eighth District:

Chains, Groups and Interindustry Competition

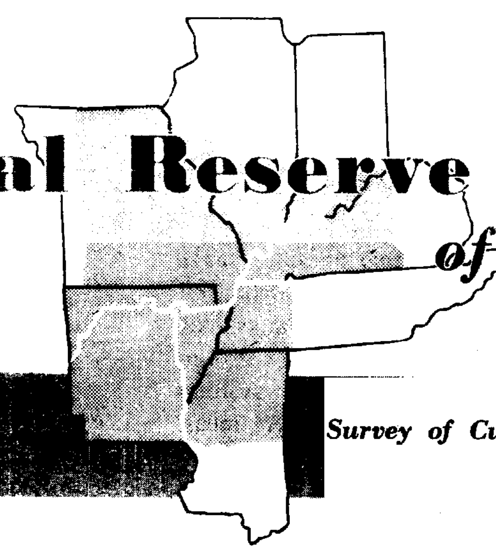


THE PRESENT ARTICLE continues an analysis of banking structure begun earlier.

At the end of 1954 controlled banks in groups contained about 6 per cent of the banking offices of the country and 8 per cent of the deposits, but in the Eighth District group banking has not involved as large a portion of banking resources as it has nationally. Neither have bank chains presented a structural problem in the Eighth District.

Typically, district towns and cities contain few banks, but competition among banks in different localities has been increasing. Of greater significance, commercial banks encounter vigorous competition from other financial institutions for loans, particularly in the fields of mortgage and consumer credit, and for time deposits.

In summary, in the Eighth Federal Reserve District there has been little increase in bank concentration, and banks have recently been faced with more intense interindustry rivalry.



Federal Reserve Bank of St. Louis

Survey of Current Conditions—p. 122

The Structure of Banking in the Eighth District:

Chains, Groups and Interindustry Competition

The present article continues an analysis of banking structure begun earlier.

IN an earlier issue of the *Monthly Review* banking structure in the Eighth Federal Reserve District was examined largely in terms of branches and mergers. It is the purpose of the present article to push the analysis of structure somewhat further. The earlier inquiry led to the conclusion that in the Eighth District such branch formations and combinations as have occurred over the past decade have had little influence on district banking structure as measured by number of institutions involved or shares of total resources controlled by large banks in particular areas. This study examines group banking and chain banking to see whether these forms have been substituted for branch systems or whether they have taken the place of mergers, consolidations, and absorptions. It also analyzes changes in the relative importance of competing institutions, particularly savings intermediaries, to see if interindustry rivalry has influenced district banking structure.

At the end of 1954 controlled banks in groups contained about 6 per cent of the banking offices of the country and 8 per cent of the deposits, . . .

A "group" of banks consists of two or more banks under the control of a holding company which itself may or may not be a bank. A group of banks may operate in several states, though some large groups are intrastate and are substitutes for branch systems in states which prohibit branch banking. As measured by the amount of banking resources controlled a group may be large or small, and the question of what constitutes effective "control" is a difficult one.[1] But the essence of the group relationship is that the corporate device be used to acquire control of banks either by direct purchase of stock (funds coming from the sale of company stock to the public) or by exchanging the stock of the company for that of individual banks.

At the end of 1954, 18 groups in the country were subject to limited regulation under Federal law, and a somewhat smaller number of groups not subject to Federal regulation were considered of comparable importance. However, if all the known cases were included in which corporations, business trusts, or associations owned or controlled 25 per cent of the stock of one or more banks, member or nonmember, there were 163 groups in 41 states, Alaska, and the District of Columbia at the end of 1954. In these groups were 1,440 banking offices with deposits of nearly $26 billion; the ratio of banking offices in the 163 groups to all commercial banks in the United States was 7.21 and the percentage of deposits was

[1] The Bank Holding Company Act of 1956 defines a "bank holding company" as "any company—

(1) which directly or indirectly owns, controls, or holds with power to vote either

(i) 25 per centum or more of the voting shares of each of two or more banks, or

(ii) 25 per centum or more of the voting shares of any other company which is or becomes a bank holding company; or

(2) which controls in any manner the election of a majority of the directors of each of two or more banks; or

(3) for the benefit of whose shareholders or members 25 per centum or more of the voting shares of each of two or more banks or of a bank holding company is held by trustees; or

(4) which is a successor to any company that falls within (1), (2) or (3) above, and any such successor shall be deemed to be a bank holding company from the date as of which its predecessor company became a bank holding company."

14.02. If from these data were excluded 50 banks which exerted control, the banks controlled numbered 1,156 banking offices with deposits of $14 billion, and the ratios of banking offices and deposits to the United States total were 5.79 and 7.75 respectively.[2]

Groups vary greatly in importance from region to region in the United States. In the Eighth Federal Reserve District not much development of this form of multi-unit banking has taken place. As measured by the total of banking resources involved, there is no particular indication of a marked amount of concentration in district group banking.

[2] See "Control of Bank Holding Companies," *Senate Hearings*, 84th Congress, First Session, on S.880, S.2350, and H.R.6227, pp. 51-52, 60.

Records indicate that there are only seven cases in the district which involve corporate control of a member bank. In three cases one bank effectively controls another through stock ownership, but the relationship in each case is akin to that of parent bank and branch. In three other cases a nonbank corporation controls only one bank. A true group exists only in the case of a nonbank corporation which holds 20 per cent or more of the voting shares of six banks. Total resources involved amount to $995 million of a total of nearly $7 billion of member bank resources in the Eighth District as of December 1, 1955. When, however, the resources of three controlling banks (two of them quite large) are excluded from the figures, the remaining banking resources of $111 million are small relative to district totals.

Data for groups involving only nonmember banks are not available in customary published sources. So far as can be determined, one large group involving only nonmember banks does business in the Eighth District. According to an unofficial source, this group, controlled by a bank holding company, consists of eight banks operating in three states, with resources in excess of $256 million.

Neither have bank chains presented a structural problem in the Eighth District.

Bank chains, under which a number of individually incorporated banks are controlled by the same individual or group of individuals, may, of course achieve results similar to those of a group. Through stock ownership by individuals or through common directors it is possible for several banks to be brought under single control as effectively as though a corporation controlled them. However, the expansion of chains is limited by the financial means of an individual or a small group of individuals, and control usually ceases upon the death of individuals or is diffused among heirs.[3]

Recent data are not presently available on either the number of bank chains operating in the United States or the total amount of resources involved. In the Eighth Federal Reserve District there are twelve chains which involve at least one member bank each, and the amount of banking resources included in the twelve chains totals nearly $158 million. Nine of the chains are two-bank chains, one is a three-bank chain, and two are four-bank chains. In addition, there may be instances in which control of an Eighth District member bank is held by individuals with major banking interests outside the district.

There are probably a few bank chains involving only nonmember banks for which data are not available, but these chains are small. In at least one instance two nonmember banks in the Eighth Federal Reserve District are known to be units in a large chain operating chiefly outside the district. In general, however, chain banking in the Eighth District does not involve a large proportion of total resources.

Typically, district towns and cities contain few banks, . . .

It seems clear, then, that no marked structural change has occurred in Eighth District banking as a consequence of growth in multiple-unit banking. In brief, district bank structure has remained in the tradition of commercial banking in the United States. The number and distribution of district banks, most of them under unit operation, are shown in Tables 1 and 2.

Most of the cities in the Eighth District having banks are either one-bank or two-bank cities. Seventy-seven per cent of the cities having banks have only one, and another 18.5 per cent have only two. Put another way, 58 per cent of Eighth District banks are in one-bank cities, and 86 per cent of the banks are in one-bank or two-bank cities.

Table 2 arranges number of banks by population of the place where banks are located. More than half the banks of the districts are located in cities of 2,500 or less, and in towns in the smallest category one bank, for understandable reasons, is typical. Two banks are typical in towns of 2,500-9,999 population, though a large proportion of cities in this category have only one bank. In cities of 10,000-24,999 two banks are again the typical number, but a high proportion have three banks. All cities having five banks or more are in the over-25,000 population category. Quincy, Illinois, and Springfield, Missouri, each have five banks, Evansville and Little Rock each have six, Memphis has seven, Louisville nine, and St. Louis twenty-seven.

. . but competition among banks in different localities has been increasing.

A strict counting of the number of banks within city limits does not, of course, indicate the degree of competition which those banks face. For one thing, modern transportation and communication facilities

TABLE I

NUMBER AND DISTRIBUTION OF BANKS IN THE EIGHTH FEDERAL RESERVE DISTRICT

SEPTEMBER 1956

Cities with banks, by classes of city	Number of cities in each class	Number of banks in cities of each class	Percentage of total cities in each class	Percentage of total banks in cities of each class
One-bank cities....	853	853	76.9	58.2
Two-bank cities....	205	410	18.5	28.0
Three-bank cities...	38	114	3.4	7.8
Four-bank cities...	6	24	0.5	1.6
Five-bank cities....	2	10	0.2	0.7
Six-bank cities.....	2	12	0.2	0.8
Seven-bank cities...	1	7	0.1	0.5
Eight-bank cities...	———	———	———	———
Nine-bank cities...	1	9	0.1	0.6
Ten-bank cities....	———	———	———	———
Cities with more than ten banks...	1	27	0.1	1.8
Totals......	1,109	1,466	100.0	100.0

[3] See "Bank Holding Legislation," *Senate Hearings*, 83rd Congress, First Session, on S.76 and S.1118, p. 35.

have brought the services of more than one commercial bank within reach of potential customers who, because of physical barriers of space, formerly had access to only a single institution. This fact is readily observable in the larger centers if the place of location is considered not a city but a standard metropolitan area. Moreover, a total of 207 branches, not included in the count of Tables 1 and 2, add to bank competition in many places, particularly in certain metropolitan areas of the district.[4]

Of greater significance, commercial banks encounter vigorous competition from other financial institutions . . .

Although, as demonstrated in this and a previous article, multiple-unit banking and mergers have not influenced district banking structure, the fact remains that commercial banks are ordinarily few in number relative to the area which they serve. The question then arises whether commercial banks are in close competition with other financial institutions. In one respect, of course, commercial banks are unique among financial institutions. They alone hold on their books much the greater part of the country's money supply and participate exclusively in the transfer of funds by check; and they alone create liabilities against themselves in the form of money so that they are the only financial institutions aside from the central bank which participate in the money-creating process. But, as both lenders of funds and as savings

TABLE II

NUMBER OF BANKS BY POPULATION OF CITY OR TOWN WHERE LOCATED, EIGHTH FEDERAL RESERVE DISTRICT, 1956

	Number of places with banks, by population				Total number of places with banks
	Less than 2,500	2,500-9,999	10,000-24,999	25,000 and over	
1 Bank.....	751	94	6	2*	853
2 Banks....	58	115	27	5	205
3 Banks....	3	16	12	7	38
4 Banks....	----	1	3	2	6
5 Banks....	----	----	----	2	2
6 Banks....	----	----	----	2	2
7 Banks....	----	----	----	1	1
9 Banks....	----	----	----	1	1
27 Banks....	----	----	----	1	1
Total number of places having banks..	812	226	48	23	1,109
Total number of banks.....	876	376	108	106	1,466

Population figures are from the 1950 Census.

* These two cities are University City, Missouri, and North Little Rock, Arkansas, which lie within standard metropolitan areas. The number of banks in the largest metropolitan areas of the district is as follows: Evansville, 10; Little Rock, 8; Memphis, 9; Louisville, 21; and St. Louis, 99.

[4] See the discussion of branch systems in the *Monthly Review*, Federal Reserve Bank of St. Louis, April, 1956.

intermediaries, commercial banks find themselves in keen competition with other institutions.

. . for loans, particularly in the fields of mortgage and consumer credit, . . .

The changing structure of commercial bank assets and the relative importance of different types of loans has been examined elsewhere.[5] Briefly, after World War I loans of commercial banks declined relative to investments until the end of World War II, but in the postwar period they have risen sharply. Until the onset of the Great Depression, however, the decline of loans relative to total assets was not pronounced, and the character of lending was largely as it had always been for commercial banks—namely, short-term loans to business and agriculture.

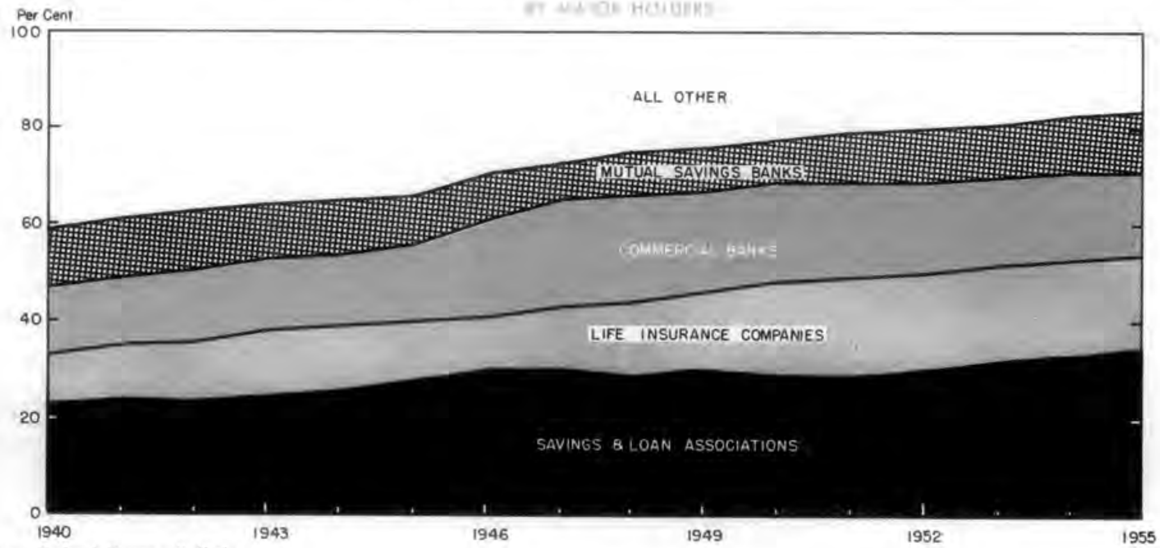
However, with the sharp decline in demand for short-term commercial loans which accompanied the economic stagnation of the 1930's bankers were compelled to seek new types of earning assets. In part, they followed a course of least resistance by buying substantial amounts of Government securities, then being created as a result of current Treasury deficits. The more enterprising, encouraged by the success of a few pioneers of the 1920's, began to make loans for the purchase of consumer goods, and their lead was quickly followed as the experience with this type of loan, even in depression years, proved favorable. At the same time, doubtless heartened by the Federally underwritten mortgage, commercial banks began to make a significant number of amortized, long-term loans on urban residences. And as recovery set in, more and more banks came to make term loans to business ranging in maturities from one to five years and even longer, repayable on an instalment basis. By the end of the 1930's loans in these three categories constituted perhaps one-half of the loan portfolios of member banks, and loans of this type were to remain an important part of bank lending into the present.

Thus, in the decade or so preceding World War II commercial banks pressed into new fields of lending activity, becoming serious competitors of sales finance companies, savings and loan associations, mutual savings banks, and life insurance companies. During World War II loans to consumers fell off as a proportion of the total, and urban real estate loans maintained nearly a constant proportion.

In the postwar decade institutions which had felt the competition of banks made vigorous efforts to recapture their share of the rapidly expanding market

[5] See, for example, "Commercial Banking in a Dynamic Economy," *Business Review*, Federal Reserve Bank of Philadelphia, June, 1956, pp. 2-11 and "Economic Expansion: How Will Commercial Banks Participate?" *Monthly Review*, Federal Reserve Bank of Kansas City, September, 1956, pp. 3-10.

PERCENTAGE DISTRIBUTION OF 1-4 FAMILY NONFARM MORTGAGE CREDIT BY MAJOR HOLDERS



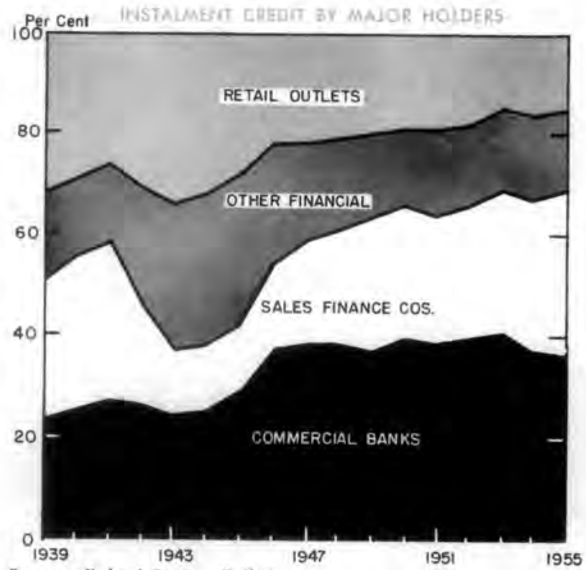
Source: *Federal Reserve Bulletin.*

for consumer and real estate loans. It is true that bank loans expanded $55 billion or 217 per cent in the ten years ending December 31, 1955, mortgage loans meantime increasing 340 per cent and loans to consumers 800 per cent.[6] But though these gains were considerable, competing financial institutions managed to hold or increase their shares of these types of loans. Commercial bank holdings of residential mortgage loans were about 18 per cent of urban mortgage credit at the end of 1945; but after rising to more than 25 per cent of the total and hovering just below that mark in the late forties, the figure gradually declined to 18 per cent again. Some banks, of course, have simply preferred other types of lending, and some have reached statutory upper limits on real estate mortgage loans. In part, however, the reduction in the portion of such loans held by banks must be attributed to the vigorous competition of savings and loan associations, mutual savings banks, and life insurance companies.

At the end of 1945 commercial banks held 30 per cent of instalment paper outstanding and increased this proportion to about 40 per cent in the early 1950's. During the past two years, however, sales finance companies have increased their share of the market by a few percentage points, largely at the expense of bank holdings, with the result that banks held 37 per cent of this type of paper and sales finance companies 32 per cent at the end of 1955.[7]

During the past decade member banks in the Eighth Federal Reserve District showed a smaller percentage gain in total loans (188 per cent) than did all commercial banks in the country. They likewise experienced somewhat smaller, though still substantial, gains in mortgage loans and consumer loans, the figures being 283 per cent and 520 per cent, respectively. But during this period mortgage loans increased from 17 per cent to 24 per cent of total loans and consumer loans increased from 12 per cent to 23 per cent of total loans, changes which indicate strong efforts on the part of Eighth District banks to secure this kind of business. During the same period, however, term loans, while growing in volume, were about the same proportion of business loans that they had been a decade earlier.

PERCENTAGE DISTRIBUTION OF CONSUMER INSTALMENT CREDIT BY MAJOR HOLDERS



Source: *Federal Reserve Bulletin.*

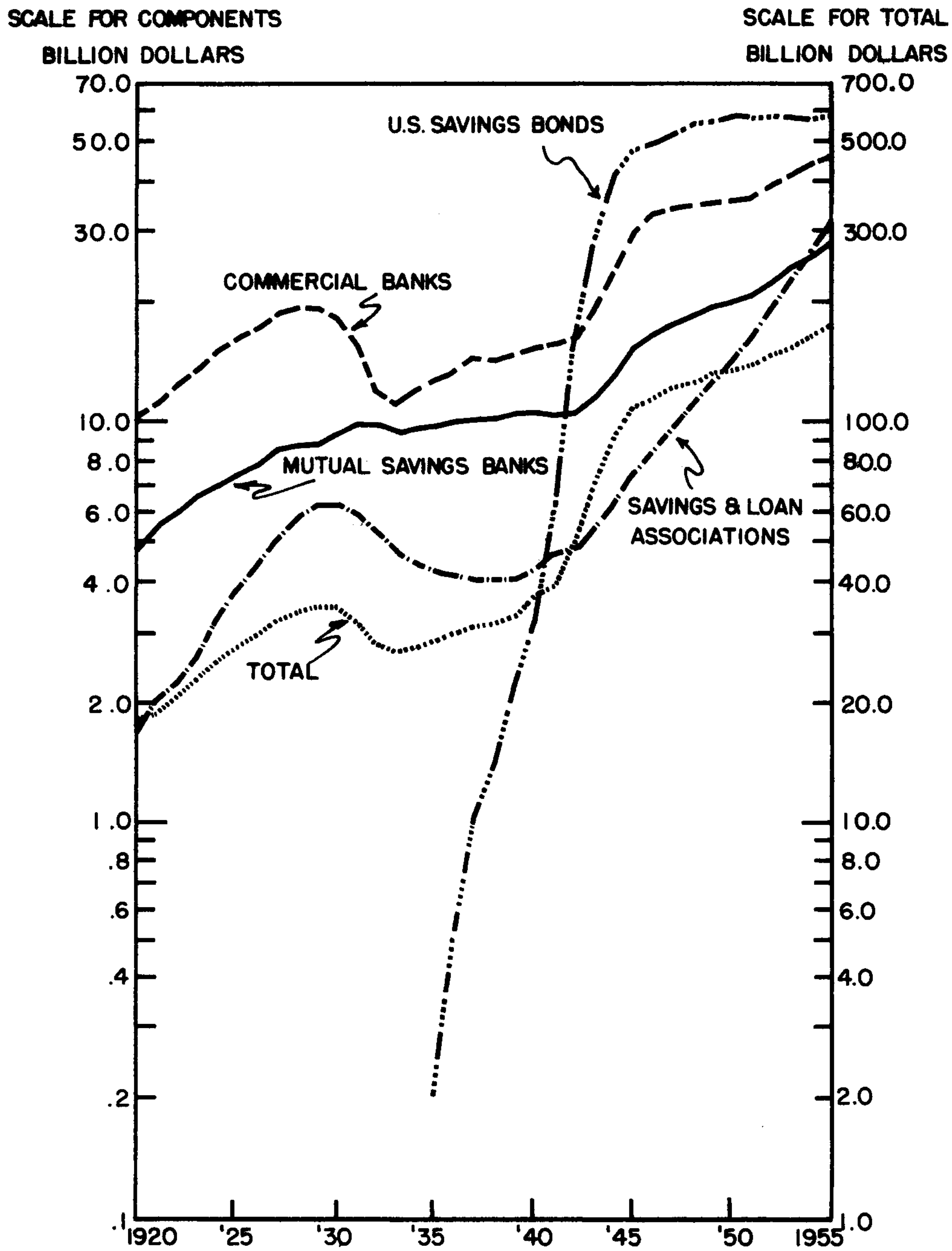
[6] Term loans of member banks a little more than doubled in about the same period to $10.4 billion but simply maintained a steady proportion of business loans.

[7] Sales finance companies have recently improved their position largely because of the great increase in automobile financing in recent years. It should be remembered, too, that banks lend to sales finance companies through their commercial loan departments and thus help to finance their competitors in the consumer credit field.

. . . and for time deposits.

Commercial bankers are today perhaps more keenly aware of interindustry competition in securing time deposits than in obtaining loan business. The basic reason for this awareness is not hard to find. During the first three decades of the twentieth century time deposits increased much more rapidly relative to the growth of the national income than they have during the past 25 years. Within the past two decades savers have been effectively persuaded to select from a wide choice of financial claims, including savings bonds, deposits in commercial banks and mutual savings banks, cash values in life insurance policies, and shares in savings and loan associations (see chart).

SAVINGS IN SELECTED TYPES OF MEDIA IN THE UNITED STATES
(In billions of dollars, at year-end)



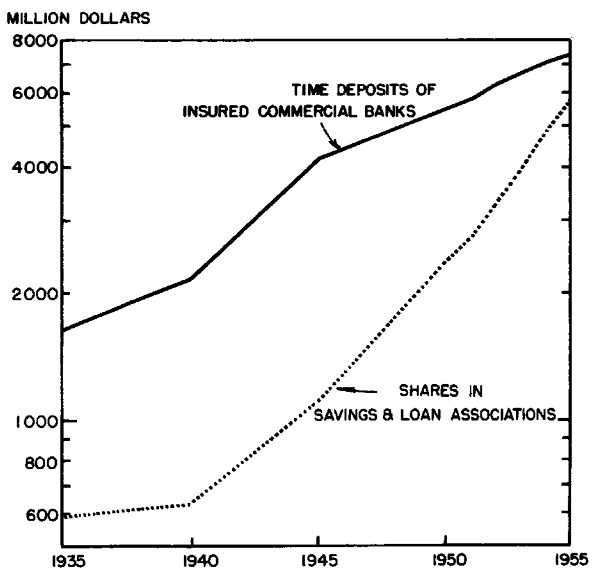
Sources:: *Federal Reserve Bulletin* and *Savings and Loan Fact Book.*

Note: On this semi-logarithmic chart, comparison of the slopes of lines gives a comparison of rates of change.

In the years just preceding World War II as well as during the war, holdings of savings bonds grew at an extremely rapid rate as the Treasury asked citizens to aid in financing the military effort and to assist in abating inflationary pressures. During the postwar decade the other savings intermediaries have shown a rather remarkable growth, but the rate of increase of shares in savings and loan associations has been greater than those of other savings institutions by a considerable margin.

Reasons for the spectacular recent performance of savings and loan associations can only be surmised. Favorable interest differentials, the convenience of saving for downpayment equities at institutions specializing in residence financing, and aggressive advertising campaigns have been strong positive influences. Whatever the reasons for savings and loan association growth, many commercial banks have felt the competition in terms of a diminished rate of increase of time deposits.

COMPARISON OF RATES OF GROWTH OF TIME DEPOSITS IN INSURED COMMERCIAL BANKS AND SAVINGS CAPITAL OF SAVINGS AND LOAN ASSOCIATIONS, EIGHTH DISTRICT STATES, 1935-1955



Sources: Federal Deposit Insurance Corporation and U. S. Savings and Loan League.

Note: Shares in savings and loan associations in district states are in part estimated. On this semi-logarithmic chart, comparison of the slopes of lines gives a comparison of rates of change.

The resource growth of the commercial banking system is not, however, necessarily retarded by competition of this nature. Money left in a savings and loan association does not remain in the till of the association. As funds are received by individual associations, they are almost at once transferred in the form of demand deposits to commercial banks. They remain as demand deposits of commercial banks until they are withdrawn in the form of real estate loans to borrowers; the proceeds of these loans are in turn re-deposited in banks as builders and other sellers of houses receive payment from buyers. To be sure, an individual bank may not receive in demand deposits what it loses in time deposits, but viewed broadly the banking system as a whole does.[8] And recent experience indicates that demand deposits can in general be put to more profitable use than can time deposits, for net profits as a percentage of capital accounts appear to decline as the ratio of time deposits to total deposits increases.[9]

In summary, in the Eighth Federal Reserve District there has been little increase in bank concentration. . . .

At the beginning of this series of two articles it was suggested that final answers to the broad questions of changing bank structure in the United States must await detailed investigation of many regional groups. In the Eighth Federal Reserve District, however, certain conclusions clearly emerge. Although district banks have accumulated branches in the jurisdictions where they are permitted at about the same rate as banks in the country as a whole, branches have been characteristically small and few in number. Since 1950 the District has fallen behind the country in number of mergers, and such combinations as have occurred have involved only a handful of large institutions. As has just been observed, group banking and chain banking have gained footholds only in certain parts of the district. It can only be concluded that multiple-unit banking and mergers have not substantially changed either the number of banking establishments or the larger banks' share of total resources.

[8] Against the demand deposits the banks will, of course, have to keep a higher percentage of reserves than they would against time deposits.

[9] See, for example, member bank operating ratios in the *Federal Reserve Bulletin*, June 1956, p. 650. It scarcely needs to be added that an individual bank, through careful management of the investment of time deposits, may find them as profitable as demand deposits. The generalization for all banks holds nevertheless.

... and banks have recently been faced with more intense interindustry rivalry.

In short, banking in the Eighth Federal Reserve District maintains its characteristic structure, with a large number of independent units under separate managements. Towns and cities ordinarily have relatively few commercial banks, but the growth of competing financial institutions has led to a vigorous rivalry which can become more intense as time goes on. The chief areas of contest have been examined, but others may be developing as financial institutions grow to meet the ever more selective demands of the rapidly expanding economy.

The fact remains that in recent years resources of banks in the Eighth District, like those of banks countrywide, have grown at about the same rate as the economy has grown. Banks have shown a remarkable ability to furnish new services and to make new types of loans, and the rise of competing savings intermediaries has chiefly had the effect of changing liabilities from time to demand obligations. Within the traditional structure of American banking both Eighth District bankers and their customers seem to be competing satisfactorily in a changing institutional environment.

Ross M. Robertson

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Survey OF CURRENT CONDITIONS

Released for publication October 1

BUSINESS ACTIVITY in the Eighth Federal Reserve District during September continued at a high level after allowance for seasonal factors. Model changeovers at automobile plants caused the usual temporary slowdowns in industrial activity and increase in unemployment. But other plants were generally busy. Department store sales continued larger than a year earlier. Increases in average wholesale prices persisted through September 25. And the harvest was well underway, with larger corn and soybean crops in prospect. On the other hand, some indicators were less encouraging. Total employment in August in three of the five largest areas in the district was less than a year earlier in contrast to a 3 per cent gain for the nation. Loan volume declined slightly compared with an increase usual at this time of year.

Industry

After a rapid recovery in August from the impact of the steel strike, district industrial activity appears to have leveled off in September, allowing for seasonal influences. Steel ingots were poured out at 91 per cent of capacity in the St. Louis area in September, reflecting a slow recovery from the Labor Day vacation period. Automobiles were assembled at a very low rate as the shift was made to the new models. Lumber output, instead of rising further in early September, held about the same as in August. Livestock slaughter was affected by a strike near month's end and a further cutback in farm machinery output was scheduled.

Mineral output, however, was on the strong side. Crude oil production increased from its already high level and coal production continued to show a strong seasonal upturn.

Labor Markets

In August employment in the nation's nonagricultural establishments, on a seasonally adjusted basis, returned to the peak June level, as activity in manufacturing, mining and railroad industries generally recovered from the effects of the steel strike. Employment was 1.3 million or nearly 3 per cent greater than a year earlier and unemployment at 2.2 million was about the same as a year ago.

In contrast to the national picture, employment in the district's larger metropolitan areas in August was less than a year earlier. Higher employment in Memphis and Little Rock was more than offset by lower employment in St. Louis, Louisville and Evansville.

EMPLOYMENT IN NONAGRICULTURAL ESTABLISHMENTS
(in thousands)

	August 1956	August 1955	Per Cent Change
St. Louis	719.9	725.5	—0.8
Louisville	245.9	247.3	—0.6
Memphis	186.0	180.6	+3.0
Evansville	67.6	74.8	—9.6
Little Rock	70.0	69.4	+0.9
Total District Areas	1,289.4	1,297.6	—0.6
United States	51,789	50,484	+2.6

Source: State Employment Security Divisions and U. S. Bureau of Labor Statistics.

In September a number of developments, most of them temporary in nature, caused unemployment to rise. The number of insured unemployed in the nation increased in the week ended September 8, largely reflecting temporary layoffs at automobile plants. In St. Louis and Evansville the number of insured unemployed increased in the four weeks ended September 22, while in Louisville and Memphis there were slight decreases. While most automobile assembly plants began recalling workers in September, layoffs were scheduled for October at two farm equipment plants in Louisville and Memphis.

Trade

Consumers bought a record amount of merchandise from the nation's stores in August. Preliminary estimates indicated that retail sales on a seasonally adjusted basis increased 1 per cent from July to August and continued about 4 per cent above a year ago. The strength was primarily in the sales of nondurable goods stores, which were 10 per cent greater than a year earlier compared with a drop of 5 per cent for durable goods stores. Automobile sales continued to run below year earlier levels; however, on a daily average basis, they declined only 6 per cent from July, about the usual change expected at that time of the year. At district department stores nondurable lines were also stronger than durables; apparel sales in August were 10 per cent larger than a year earlier compared with a 6 per cent gain for home furnishings.

In the first three weeks of September department store sales, both nationally and in the district, continued larger than a year ago. Automobile sales in the first 10 days of September in the nation were reported to have slowed further as the model year drew to a close.

With sales of nondurable goods stores rising, inventories have been built up. At the end of July stocks at nondurable goods stores were 7 per cent larger than a year earlier. At the end of August, department store stocks were 8 per cent ahead of August 1955. Inventories of durable goods stocks were about 2 per cent less than a year earlier, reflecting largely a drop in stocks at automotive, lumber, building materials and hardware stores.

Prices in the primary markets continued to rise in September. The index of spot prices of 22 sensitive commodities rose about 1 per cent from the end of August through September. The more comprehensive index of average wholesale prices also increased from mid-August to September 25. Prices of farm products and processed foods rose about 1 per cent while the average of industrial materials gained only slightly in the period. Wholesale prices of meats jumped 9 per cent in the period.

In August the consumer price index declined slightly from July largely reflecting a drop in food and apparel prices. The decrease in food prices was primarily seasonal in nature. Other components of the cost of living, however, continued to rise slowly. The total index was 2 per cent greater than a year ago.

Total loans at district banks showed a moderate decline during the four weeks ended September 19 compared with the usual rise of about 3 per cent at this time. Business loans in the aggregate contracted during the period under review reflecting sizable net reductions in outstanding loans to metal producers and sales finance companies. The continuation of net repayments from metal and metal products firms was partly due to a contraction in inventories. Sales finance companies reduced bank loans in district banks largely by borrowing in other markets. Also outstanding indebtedness of commodity dealers (normally heavy borrowers at this time) increased only slightly reflecting both net sales by banks of commodity dealer paper and some net repayments of loans made to these customers during the summer to purchase cotton from the Commodity Credit Corporation for export under the new disposal program. Consumer loans (as indicated by changes in the "other" loan category) and real estate loans declined moderately.

In addition to the decrease in the volume of loans outstanding, the district weekly reporting banks liquidated on balance $28 million of investment holdings and received a sizable net inflow of funds. The growth in deposits came from other banks, businesses and individuals. As a result, the banks were able to improve their cash assets and reduce the level of their borrowings.

Good crop harvesting conditions prevailed over most of the Eighth Federal Reserve District during the month of September. Generally there was little rainfall, however, and soil preparation and seeding of small grains were retarded. Pasture conditions also deteriorated over most of the district during the month, necessitating the early feeding of hay and silage.

Crop production estimates as of September 1 for three major district crops compared with 1955 production indicate greater outturn of corn and soybeans, but less cotton output.

	CORN Millions of Bushels		SOYBEANS Millions of Bushels		COTTON Thousands of Bales	
	1956	1955	1956	1955	1956	1955
Arkansas	16.3	19.6	24.0	21.9	1,475	1,663
Illinois	586.7	524.0	128.5	98.3	—	—
Indiana	277.4	276.1	54.3	43.8	—	—
Kentucky	79.8	79.3	2.6	2.4	—	—
Mississippi	37.1	48.4	10.5	12.0	1,620	2,023
Missouri	195.1	165.2	47.2	34.0	410	410
Tennessee	56.6	61.3	4.9	4.5	575	623
United States	3,335.7	3,241.5	461.9	371.1	13,115	14,721

Prices of most major district commodities declined during the four-week period ending September 21; however, on balance prices received by Eighth District farmers remained above that of last year.

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	Aug. 1956	Aug. 1956* compared with July 1956	Aug. 1955
Industrial Use of Electric Power (Thousands of KWH per working day, selected industrial firms in 6 district cities)	N.A.	N.A.	N.A.
Steel Ingot Rate, St. Louis area (Operating rate, per cent of capacity)	92	+ 1	— 8
Coal Production Index—8th Dist. (Seasonally adjusted, 1947-49=100)	97 p	+13	+11
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	384.6	—0—	—0—
Freight Interchanges at St. Louis. (Thousands of cars—25 railroads—Terminal R. R. Assn.)	106.9	+10	— 1
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average)	103.3	+ 5	+20
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	209.9	+ 6	+ 2
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)	96	+ 4	+ 7

* Percentage change is shown in each case. Figures for the steel ingot rate, Southern hardwood rate, and the coal production index, show the relative percentage change in production, not the drop in index points or in percents of capacity.

p Preliminary. N.A. Not available.

BANK DEBITS[1]

	Aug. 1956 (In millions)	Aug. 1956 compared with July 1956	Aug. 1955
Six Largest Centers:			
East St. Louis—National Stock Yards, Ill.	$ 142.9	+ 3%	+ 9%
Evansville, Ind.	181.2	— 7	+ 3
Little Rock, Ark.	193.4	— 3	+ 9
Louisville, Ky.	925.5	+ 6	+ 6
Memphis, Tenn.	789.4	+10	+18
St. Louis, Mo.	2,330.7	+ 1	+ 6
Total—Six Largest Centers	$4,563.1	+ 3%	+ 8%
Other Reporting Centers:			
Alton, Ill.	$ 41.1	+10%	+ 7%
Cape Girardeau, Mo.	18.2	+ 5	+20
El Dorado, Ark.	29.1	— 4	+ 7
Fort Smith, Ark.	55.7	— 3	+ 4
Greenville, Miss.	27.3	+ 6	+ 6
Hannibal, Mo.	10.6	— 2	+ 2
Helena, Ark.	8.3	+ 6	+17
Jackson, Tenn.	27.3	— 1	+14
Jefferson City, Mo.	77.4	—14	+12
Owensboro, Ky.	45.1	— 2	+ 1
Paducah, Ky.	26.9	+ 3	—0—
Pine Bluff, Ark.	65.1	+ 4	+16
Quincy, Ill.	38.1	— 4	— 3
Sedalia, Mo.	15.6	— 1	— 4
Springfield, Mo.	92.0	— 5	+ 9
Texarkana, Ark.	21.9	+ 2	+ 7
Total—Other Centers	$ 569.7	— 2%	+ 7%
Total—22 Centers	$5,132.8	+ 2%	— 8%

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

1956 Aug.	1956 July	1955 Aug.
171.5	169.4	159.0

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

CASH FARM INCOME

(In thousands of dollars)	July 1956	Percentage Change: July 1956 from July 1955	Jan. thru July 1956 compared with 1955	1954
Arkansas	$ 23,679	+11%	+30%	+19%
Illinois	170,482	+ 5	+ 8	— 3
Indiana	99,790	— 1	— 8	—13
Kentucky	29,295	+10	—17	—21
Mississippi	20,201	+20	+31	+17
Missouri	85,692	—14	— 9	—14
Tennessee	26,787	+16	+11	— 5
7 States	455,926	— 1	+ 2	— 6
8th District	183,423	— 1	+ 4	— 4

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

INDEX OF CONSTRUCTION CONTRACTS AWARDED EIGHTH FEDERAL RESERVE DISTRICT*

(1947-1949=100)

	July 1956	June 1956	July 1955
Unadjusted			
Total	249.3 p	266.8	208.6
Residential	259.7 p	297.3	293.8
All Other	244.4 p	252.6	169.0
Seasonally adjusted			
Total	194.0 p	224.3	165.1
Residential	222.0 p	254.1	251.1
All Other	181.0 p	210.5	125.2

* 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 OF EIGHTH DISTRICT MEMBER BANKS

(In Millions of Dollars)	Weekly Reporting Banks: Sept. 19, 1956	Change from Aug. 22, 1956	All Member Banks: Aug. 29, 1956	Change from July 25, 1956
Assets				
Loans[1]	$1,614	$— 8	$2,586	$+11
Business and Agricultural	827	— 6		
Security	61	+ 6		
Real Estate	281	— 1		
Other (largely consumer)	469	— 6		
U. S. Government Securities	857	—30	1,848	+44
Other Securities	225	+ 2	484	— 4
Loans to Banks	33	+14		
Cash Assets	922	+89	1,356	—50
Other Assets	46	—0—	71	+ 1
Total Assets	$3,697	$+67	$6,345	$+ 2
Liabilities and Capital				
Demand Deposits of Banks	$ 709	$+59	$ 690	$— 4
Other Demand Deposits	2,056	+19	3,815	— 1
Time Deposits	575	+ 2	1,255	+ 4
Borrowings and Other Liabilities	79	—13	101	— 1
Total Capital Accounts	278	—0—	484	+ 4
Total Liabilities and Capital	$3,697	$+67	$6,345	$+ 2

[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.

DEPARTMENT STORES

	Net Sales: Aug., 1956 compared with July, '56	Aug., '55	8 mos. '56 to same period '55	Stocks on Hand	Stocks-Sales Ratio	Percentage of Accounts and Notes Receivable Outstanding Aug. 1, '56, collected during August: Instal. Accounts	Excl. Instalment Accounts
8th F.R. District Total	+22%	+ 7%	+ 6%			15	46
Fort Smith Area, Ark.[1]	+17	+ 3	+ 3				41
Little Rock Area, Ark.	+26	+12	+ 7	Monthly stocks and stocks-sales ratio data not available in time for publication in the *Monthly Review*. Data will be supplied upon request.		13	40
Quincy, Ill.	+35	+ 1	— 6			——	——
Evansville Area, Ind.	+17	+ 8	+ 3			——	——
Louisville Area, Ky., Ind.	+16	+ 5	+ 6			18	45
Paducah, Ky.	+12	+11	+ 4			——	——
St Louis Area, Mo., Ill.	+23	+ 6	+ 7			17	55
Springfield Area, Mo.	+15	+11	+ 5			——	——
Memphis Area, Tenn.	+25	+10	+ 6			11	31
All Other Cities[2]	+15	+16	+11			——	——

[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.

Outstanding orders of reporting stores at the end of August, 1956, were 2 per cent larger than on the corresponding date a year ago.

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Aug. 1956	July 1956	June 1956	Aug. 1955
Sales (daily average), unadjusted[3]	117	104	116	109
Sales (daily average), seasonally adjusted[3]	129	135	119	120
Stocks, unadjusted[4]	N.A.	128	127	126
Stocks, seasonally adjusted[4]	N.A.	139	138	126

[3] Daily average 1947-49=100
[4] End of Month average 1947-49=100
N. A. Not available.

Trading days: Aug., 1956—27; July, 1956—25; Aug., 1955—27.

RETAIL FURNITURE STORES

	Net Sales: Aug., 1956 compared with July '56	Aug.'55	Inventories: Aug., '56 compared with July '56	Aug.'55
8th Dist. Total[1]	+23%	+ 5%	—0—%	—0—%
St. Louis Area	+24	+ 6	+ 1	— 3
Louisville Area	+26	— 3	+ 4	+ 9
Memphis Area	+27	+ 1	*	*
Little Rock Area	+11	+17	— 2	— 1
Springfield Area	+23	+ 4	— 3	+ 8

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

[1] In addition to the following cities, shown separately in the table, the total includes stores in Blytheville, Fort Smith, Pine Bluff, Arkansas; Owensboro, Kentucky; Greenwood, Mississippi; Evansville, Indiana; and Cape Girardeau, Missouri.

Note: Figures shown are preliminary and subject to revision.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Aug., '56	July, '56	Aug., '55
Cash Sales	14%	14%	13%
Credit Sales	86	86	87
Total Sales	100%	100%	100%