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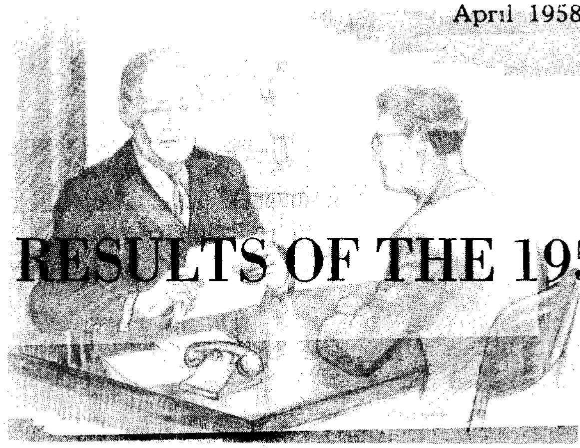


RESULTS OF THE 1957 BUSINESS LOAN SURVEY

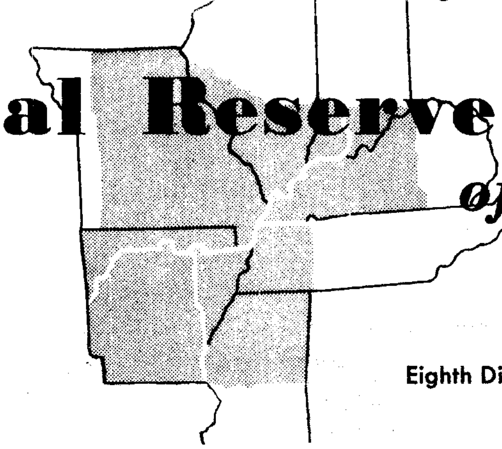
in the Eighth District

CLOSE SCRUTINY of the volume and distribution of commercial bank credit as well as the terms on which it is made available has traditionally been confined to the nation's business and financial communities. During the recent period of "tight money," however, interest in such matters extended far beyond these parochial limits, and the subject was widely discussed by the general public. This heightened interest in part reflected the rather widely publicized but generally unsubstantiated feeling that small businesses, in some significant measure, were being denied adequate access to bank credit. Without sufficient financial nourishment, it was asserted, small businesses could not thrive, if indeed they could exist at all.

However, the discussion centering about the problems of small business financing expressed but one area of public concern. There was also an intense interest in the way in which the commercial banking system, particularly in its lending policies, responded to monetary restraint. Data were eagerly sought which would provide information regarding the types of business accommodated, the costs of borrowing, the maturities of the loans extended, and so on.

Fortunately, the means for filling in some of the statistical gaps in our knowledge, particularly those which relate to the dimensions and characteristics of commercial bank loans to business, are now at hand. The recently completed Business Loan Survey provides a rather detailed snapshot of the loans which were on the books of the member banks on October 16, 1957, a date which can be roughly identified with the culmination of tight money. When this picture is

Federal Reserve Bank of St. Louis



compared with the similar overview revealed by the October 1955 Survey, the effects of two years of monetary restraint on the size and distribution of the flow of bank credit can be assessed.

The most recent Business Loan Survey is the third since World War II. These surveys represent but one part of a continuing effort by the Federal Reserve System, as the nation's central bank, to obtain the reliable information on business and financial conditions which is so essential to the proper execution of monetary management. The latest Business Loan Survey is also part of a broader inquiry which seeks to determine first, the financial needs of small business and second, how completely and by whom these needs were satisfied. Much of this material has recently become available.

The subject matter of this article is at once broader and narrower than the investigation of small business financing. It is concerned with the entire universe of business lending rather than just the portion which flows to small business. On the other hand, it explores only one source of credit available to business, that furnished by commercial banks. The contribution of financial intermediaries lies outside the scope of this article.

The Nature of the Survey

In order to facilitate comparison, the 1957 Business Loan Survey was confined, insofar as possible, to the same sample of banks utilized in the 1955 Survey. The only changes in the composition of the sample were adjustments for such structural changes as mergers, consolidations, and so on. The 1957 Survey results are based on reports submitted by 135 banks in the Eighth District. In the aggregate, loans at these banks represent roughly 90 per cent of all commercial and industrial loans extended by Eighth District banks.

The respondent banks were divided into three groups which reported as follows: Group one included the 8 largest banks in the district (those with total deposits of $100 million or more). They provided data on each loan of $1 million or more and on every tenth loan of less than $1 million. Group two comprised 51 medium-sized banks (total deposits of $10-100 million) who provided data on each loan of $100,000 or more and every eighth loan under $100,000. The remaining 76 banks were chosen from among those with total deposits of less than $10 million. They constituted group three. These smaller banks provided information on each loan outstanding as of the survey date.[1]

In general, five interrelated aspects of bank lending to business will be developed in this and a succeeding article. They are: first, the types of business which secured credit; second, the distribution of loans according to the asset size of the borrowers; third, the maturity of loans extended by banks; fourth, the size of bank which extended loans; and fifth, the effective cost of borrowing. In each case empirical data will be presented; and, wherever possible, the interrelationships between these classifications will be pointed out as will comparisons with the results of the 1955 Survey.

The Economy between the Survey Dates

The two years which elapsed between the two survey dates were strikingly prosperous both for the nation and the Eighth Federal Reserve District. By October 1955 the nation was again well embarked on the vigorous growth path from which it had been temporarily dislodged by the modest recession of 1953-1954. Aggregate output and income rose approximately 7 per cent in 1955 after adjustment for price changes. As the robust demands of consumers, business, government and the rest of the world pressed hard against the limits of the nation's productive capacity, further increases in the supply of goods were largely confined to output from additions to the nation's stock of capital. Thus, the earlier rate of increase could not be sustained through 1956 and 1957.

However, by the second quarter of 1957 the demand for consumer durable goods abated somewhat. This development was joined in the third quarter by declines in the rates of investment and government spending. Indeed, some excess capacity was already in evidence as the fourth quarter opened. Even so, the economy was still operating on a substantially higher plane than two years before.

During this two-year period of high level business activity, the Federal Reserve System attempted to restrain inflationary pressures by inhibiting the growth of the money supply. Since an expansion of commercial bank loans, whether to business, government or households, creates deposit money, control of the quantity of money necessarily involved limitations on the banks' ability to lend. A traditional means was employed to effect this financial discipline. The vol-

[1] For more detailed information regarding the sample see the May 1956 *Monthly Review* of this bank.

ume of reserves and the proportion in which they must be held against deposits, together determine the money creating power of the commercial banks. Therefore, by maintaining considerable pressure on the reserve position of the commercial banking system, the Federal Reserve exerted leverage on the money supply.

In the face of a policy which did not permit any substantial increase in their reserves, commercial banks could only accommodate the vigorous demands of their customers by adjusting their earning assets. Figure 1 indicates that they divested themselves of investments, primarily government securities, in order to free reserves with which to meet the more profitable loan demands of business. In the two years between October 5, 1955, and October 11, 1957, total investments declined from 49 per cent to somewhat less than 43 per cent of total loans and investments of member banks. During the same period the ratio of loans increased from 51 per cent to slightly over 57 per cent. The banks reduced their liquidity by exchanging the nearer-to-money short-term government securities for the less liquid IOU's of businesses. Thus, a substantial part of the rise in income and output between 1955 and 1957 which, as can be seen in Figure 2, exceeded the growth in the money supply, was achieved not by an increase in bank credit, but rather by a change in its composition. More credit was extended to the business sector by banks while government debt was shifted to others.

If we look past the sellers of these government investments, the banks, to the purchasers, the nonbank public, we find there was a decrease in liquidity here too. The holders of idle funds exchanged completely liquid cash for less liquid government securities. By drawing down its average cash balances, one part of the nonbank public, using commercial banks as an intermediary, made redundant cash available to others in the economy who wanted funds and were willing to pay a price for them. Utilization of the existing money supply was so intensified that it created a monetary demand for goods and services which was larger than a fully employed economy could satisfy. In other words, the extent of the rise in turnover, or velocity, exceeded that which was necessary to finance an expansion of output at stable prices. The result was rising prices. The declines in liquidity of both the banks and the public resulted in an increase in the rate of turnover of the money supply, i.e., velocity of circulation. The rise in speed with which cash and demand deposits moved from hand to hand permitted a relatively unchanged supply of money to finance a much larger volume of transactions.

Figure I

United States Government Securities and Commercial and Industrial Loans Held by All Member Banks in the Nation

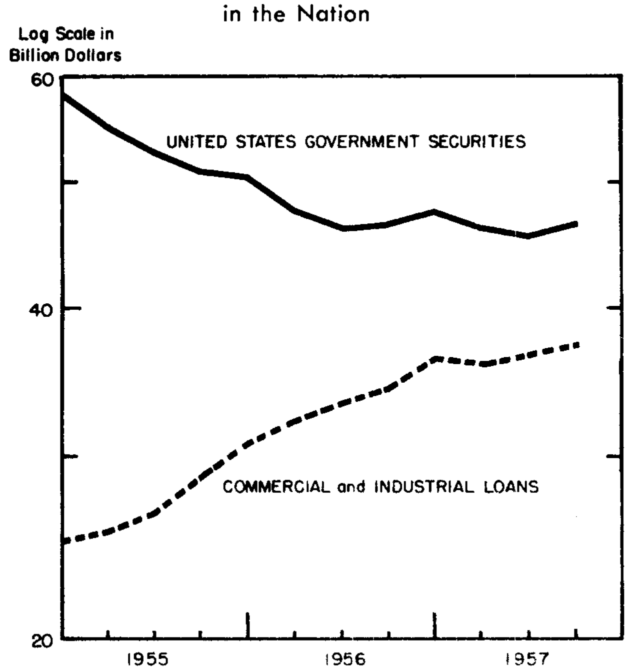
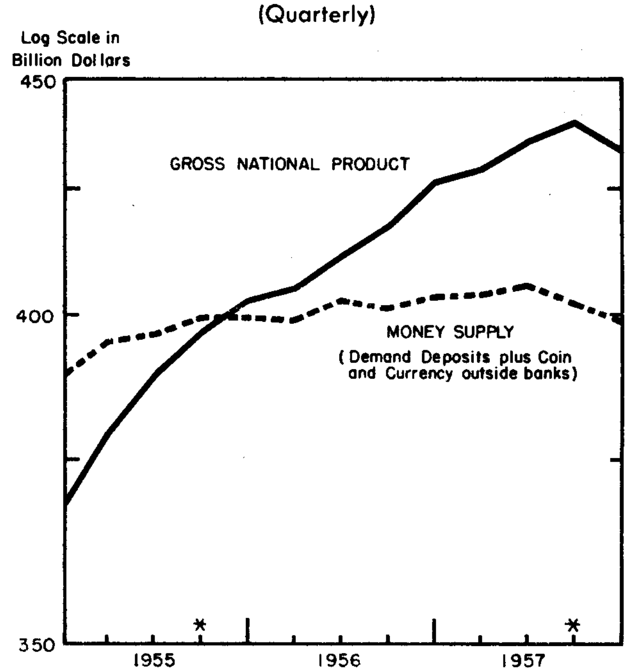


Figure II

Gross National Product and the Money Supply 1955-1957 (Quarterly)



*The seasonally adjusted annual rate of turnover of demand deposits at 6 financial centers outside New York City rose from 27.7 in September 1955 to 31.7 in September 1957.

Note: For purposes of comparison the money supply was multiplied by 3.

Table I indicates that in the period between the two survey dates of October 1955 and October 1957 the total volume of business loans extended by member banks in the Eighth District increased by $165 million or by 16 per cent, while the total number of loans fell by almost 3 per cent. Thus, the average size of loan rose from approximately $21,000 to about $25,000, an increase of 19.4 per cent. The increase in prices which took place during the period no doubt contributed to this rise in the average size of loan. It did so by making more expensive the items upon which the borrowed funds were expended. However, not all of the increase can be explained in this fashion since the wholesale price index rose by only 5.5 per cent.

A measure of the increase in the total amount of business loans between the two survey dates provides us with a springboard for further inquiries concerning the nature of the data on business loans. The changes which took place below the surface of the aggregate in the composition of loans among types of borrowers is also of interest.

TABLE I

BUSINESS LOANS BY TYPE OF BUSINESS AT EIGHTH DISTRICT MEMBER BANKS

	Amount Outstanding					Average Size of Loan	
	(Millions of Dollars)			Percentage Distribution		(In Dollars)	
Type of Business	Oct. 16, 1957	Oct. 5, 1955	Per Cent Change	Oct. 16, 1957	Oct. 5, 1955	Oct. 16, 1957	Oct. 5, 1955
MANUFACTURING AND MINING:	$ 335	$ 285	+17.5%	28.0%	27.6%	$ 51,129	$37,748
Food, liquor and tobacco	118	92	+28.3	9.8	8.9	130,966	63,933
Textiles, apparel and leather	32	39	—18.0	2.7	3.8	84,211	61,224
Metals and metal products	96	66	+45.5	8.0	6.4	51,976	37,757
Petroleum, coal, chemicals and rubber	32	30	+ 6.7	2.7	2.9	30,274	26,293
All other manufacturing and mining	57	58	— 1.7	4.8	5.6	24,081	22,437
TRADE INCLUDING COMMODITY DEALERS:	366	290	+26.2	30.5	28.0	18,131	13,136
Wholesale	125	89	+40.4	10.4	8.6	33,201	23,689
Commodity dealers	90	59	+52.5	7.5	5.7	105,386	94,703
Retail	151	142	+ 6.3	12.6	13.7	9,700	8,024
SALES FINANCE COMPANIES	95	127	—25.2	7.9	12.3	165,217	155,067
TRANSPORTATION, COMMUNICATION AND OTHER PUBLIC UTILITIES	85	46	+84.8	7.1	4.5	43,367	25,164
CONSTRUCTION	63	66	— 4.6	5.3	6.4	18,784	16,871
ALL OTHER[1]	254	219	+16.0	21.2	21.2	17,333	17,538
Real estate	116	127	— 8.7	9.7	12.3	45,995	51,066
Service firms	66	61	+ 8.2	5.5	5.9	7,948	7,803
ALL BUSINESSES	$1,198	$1,033	+16.0%	100.0	100.0%	$ 25,338	$ 21,223

	Number of Loans				
				Percentage Distribution	
Type of Business	Oct. 16, 1957	Oct. 5, 1955	Per Cent Change	Oct. 16, 1957	Oct. 5, 1955
MANUFACTURING AND MINING:	6,552	7,550	—13.2%	13.8%	15.5%
Food, liquor and tobacco	901	1,439	—37.4	1.9	3.0
Textiles, apparel and leather	380	637	—40.4	0.8	1.3
Metals and metal products	1,847	1,748	+ 5.7	3.9	3.6
Petroleum, coal, chemicals and rubber	1,057	1,141	— 7.4	2.2	2.3
All other manufacturing and mining	2,367	2,585	— 8.4	5.0	5.3
TRADE INCLUDING COMMODITY DEALERS:	20,186	22,077	— 8.6	42.7	45.4
Wholesale	3,765	3,757	+ 0.2	8.0	7.7
Commodity dealers	854	623	+37.1	1.8	1.3
Retail	15,567	17,697	—12.0	32.9	36.4
SALES FINANCE COMPANIES	575	819	—29.8	1.2	1.7
TRANSPORTATION, COMMUNICATION AND OTHER PUBLIC UTILITIES	1,960	1,828	+ 7.2	4.2	3.7
CONSTRUCTION	3,354	3,912	—14.3	7.1	8.0
ALL OTHER[1]	14,654	12,487	+17.4	31.0	25.7
Real estate	2,522	2,487	+ 1.4	5.3	5.1
Service firms	8,304	7,818	+ 6.2	17.6	16.1
ALL BUSINESSES	47,281	48,673	— 2.9%	100.0%	100.0%

[1] Includes nonfinancial businesses not shown separately.

In this connection, the survey form specified thirteen types of businesses, plus an "all other" category. It is worth noting that virtually the entire spectrum of business firms is represented. In a measure, this attests to the pivotal role played by commercial banks as purveyors of funds to business.

In the interest of simplicity these fourteen cells were combined to form six more or less homogeneous groups of businesses. They include firms engaged in: (1) manufacturing and mining; (2) trade, including commodity dealers; (3) sales finance; (4) transportation and public utilities; (5) construction, and (6) all other.[2]

Table I provides a breakdown of the dollar amount and number of loans together with the proportion of the total loan volume absorbed by each category of borrower in the Eighth District. One of the more obtrusive features of Table I involves the decline in both the dollar volume and number of loans extended to sales finance companies and construction firms since 1955. At the same time there was an increase in the dollar flow of bank credit to businesses in most other categories, although the number of loans declined in most cases.

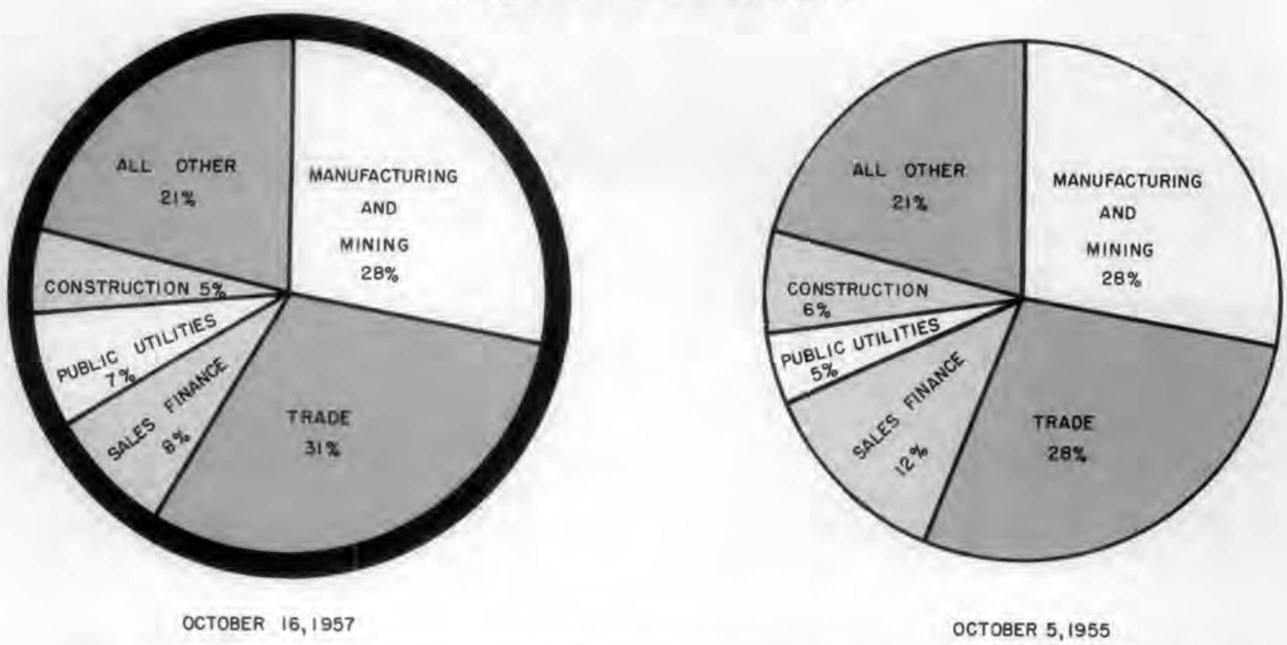
Modifications in the distribution of commercial bank loans to business, which are illustrated in Figure 3, frequently provide revealing impressions of more basic shifts in resource allocation; however, certain *caveats* attach to attempts to draw precise relationships in every case. A decline in the volume of bank loans in any given line of activity may, of course, reflect a decline in the actual rate of operations. On the other hand, it might also mean that sellers, in order to minimize borrowing costs, preserve lines of credit or for some other reason, simply do their financing in the capital markets rather than at commercial banks. In such a case, the decline in bank loans would be completely unrelated to the rate of physical activity. Furthermore, the problem is complicated when analyzing a set of regional data by the fact that, in addition to the alternatives just mentioned, firms can borrow from commercial banks outside the region. Consequently, only general impressions of the underlying changes in the pattern of resource allocation in the Eighth District in the two years prior to October 1957 emerges from the relative changes in the distribution of loans among types of borrowers.

The reductions in the dollar volume of loans to sales finance and construction companies in the district is illustrative of one of the points made above. Since the data for the entire nation indicate that the dollar amount of loans to such businesses rose during this period, the decline registered in the Eighth District probably reflected regional financial conditions

[2] "All other" firms include service establishments as well as those engaged in real estate activities.

Figure III

Distribution of the Volume of Business Loans among 6 Major Types of Borrower at Eighth District Member Banks



Note: The outer ring on the 1957 diagram represents the 16 per cent increase over 1955 in the volume of loans outstanding.

which induced these firms to borrow outside the district. Sales finance companies are particularly sensitive to marginal changes in borrowing costs. As money market conditions change their sources of funds shift between banks and non-bank investors, and among commercial banks throughout the country.

Conversely, there was a relative displacement of these firms with regard to the volume of their commercial bank borrowing, both nationally and districtwise. Borrowing by sales finance companies dropped from 12 per cent of all business loans extended in the district in 1955 to 8 per cent in 1957, while construction firms received approximately 5 per cent as compared to the earlier 6.5 per cent of total district loans. While the national data also reflect a relative decline in the amount of loans received by these two types of firms, the drop was somewhat less severe than in the district. The decline in relative positions probably reflects two developments. The first involves the reductions in consumers' outlay for such durables as automobiles, household appliances and the like, which occurred as the purchases of nondurables and services rose. In the third quarter of 1955 the public spent over $37 billion on consumer durables. This sum was almost 9.5 per cent of total output. By the third quarter of 1957, however, the dollar amount had declined to $35 billion, and the proportion had fallen to 8 per cent. Second, the reduced percentage of loans to construction firms essentially reflected the continuing decline in residential building which set in about two years ago. Private housing starts, which numbered about 990,000 in 1957, fell below one million for the first time since 1948.

Figure 3 reveals that there were other rather marked changes in the relative positions of the major types of borrowers in the Eighth District from 1955 to 1957. Transportation and public utility companies increased their share of total business loan proceeds from 4.5 per cent in 1955 to just over 7 per cent in 1957. The amount going into trade also increased modestly, while manufacturing and mining firms and the "all other" group just about held their own.

A conjuncture of factors helps explain these developments. The sizable increment in public utilities borrowing at commercial banks in the Eighth District is no doubt directly related to the acute tightness which prevailed in the capital markets during 1957. This congestion, in turn, was partly the result of the heavy demands made upon the capital markets by the utilities themselves. These companies were thus temporarily forced into commercial banks to help finance their rising expenditures on plant and equipment particularly during the first half of the year.

When we examine the components of the broad aggregate of manufacturing and mining firms, we unearth some interesting findings. Food, liquor and tobacco industries, which are important elements of the Eighth District's industrial mix, increased their relative share of commercial bank loans somewhat. This too probably reflects the increasing proportion of the consumer's dollar which is being absorbed by these products.

On the other hand, the reduced tempo of activity in the textile and apparel industries is reflected in a decline in the dollar amounts borrowed at commercial banks and, of course, by a reduction in their share of total loans. The proportion of total loans going to metal firms increased while that going to the petroleum, coal, chemicals and rubber group and other remaining manufacturing and mining firms declined. This development probably reflects differences in borrowing patterns and regional financial conditions rather than the underlying shifts in the allocation of resources.

The volume of total loans going to district firms engaged in trade increased from 28 per cent in 1955 to 30.5 per cent in 1957. This group contains three component types of firms: first, the wholesalers; second, retailers, and third, commodity dealers of whom dealers in cotton are by far the largest group. In general these types of business firms are much more dependent upon local sources for their financing than are the larger firms in other lines of activity. The data furnished by the Securities and Exchange Commission and the Department of Commerce indicate that these types of business did not substantially contribute to the capital expansion which took place in the nation during the past two years; neither did they increase to any significant degree the ratio of their inventories to sales. Thus, the increase in lending which did take place is probably attributable to an increase in the extension of trade credit by wholesalers to their customers during this period.

The relative amount of bank credit going to all other firms remained constant in the district and declined slightly in the nation during the two years from 1955 to 1957. The declining share absorbed by real estate firms reflects a decline in the actual dollar amount of lending. The latter in turn simply mirrors the reduced level of transactions in that sphere of activity which was alluded to earlier.

It is interesting to note that despite the increasing share of total expenditures allocated to consumer services, the relative borrowing position of firms which provide these services actually declined slightly during this period. Since these types of establishments are typically heavily labor intensive, that is, they use relatively small amounts of capital, increases in their output have probably been financed, in some measure, by increments in consumer credit. Other sources of funds probably include sales finance companies, trade credit and personal capital.

The Distribution of Loans by Asset Size of the Borrower

During the two years of tight money which separate the most recent Business Loan Surveys, the aggregate amount of loans outstanding at district banks increased 16 per cent. The total volume and number of loans outstanding at the time of the 1957 survey are distributed by the business and asset of borrower in Table II. It more or less confirms previous knowledge concerning the disparity in the degree of concentration

TABLE II

BUSINESS LOANS BY TYPE OF BUSINESS AND BY ASSET SIZE OF BUSINESS AT EIGHTH DISTRICT MEMBER BANKS, OCTOBER 16, 1957

		Asset Size of Business						
Type of Business	Total	100,000,000 and over	25,000,000-99,999,999	5,000,000-24,999,999	1,000,000-4,999,999	250,000-999,999	50,000-249,999	Less than 50,000
	Amount Outstanding (Millions of Dollars)							
MANUFACTURING AND MINING:	$ 335	$ 68	$36	$ 48	$ 82	$ 59	$ 34	$ 8
Food, liquor and tobacco	118	35	17	17	31	13	4	1
Textiles, apparel and leather	32	4	1	5	14	5	2	1
Metals and metal products	96	25	9	22	15	14	9	2
Petroleum, coal, chemicals and rubber	32	4	4	2	8	8	5	1
All other manufacturing and mining	57	—	5	2	14	19	14	3
TRADE INCLUDING COMMODITY DEALERS:	366	32	11	43	86	87	85	22
Wholesale	125	—	*	22	44	35	21	3
Commodity dealers	90	20	6	14	27	18	5	*
Retail	151	12	5	7	15	34	59	19
SALES FINANCE COMPANIES	95	37	18	17	12	8	3	*
TRANSPORTATION, COMMUNICATION AND OTHER PUBLIC UTILITIES	85	23	21	20	5	8	6	2
CONSTRUCTION	63	7	—	4	8	21	19	4
ALL OTHER[1]	254	1	11	23	74	66	58	21
Real estate	116	—	—	16	48	30	19	3
Service firms	66	—	9	1	10	10	23	13
ALL BUSINESSES	$1,198	$168	$97	$155	$267	$249	$205	$57

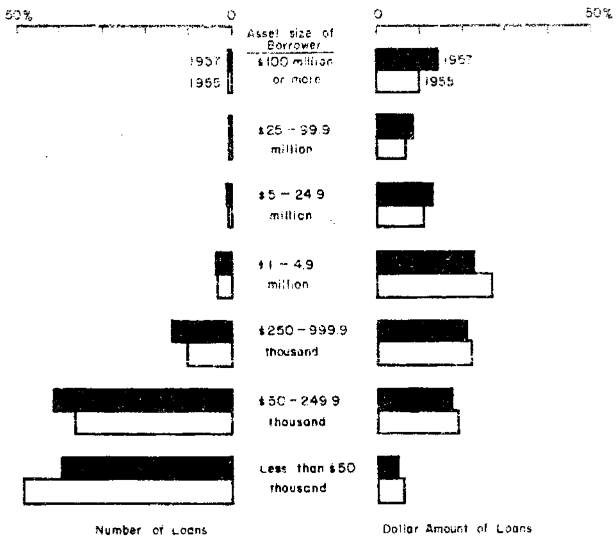
Type of Business	Number of Loans							
MANUFACTURING AND MINING:	6,552	95	49	149	546	1,636	2,506	1,571
Food, liquor and tobacco	901	43	26	55	119	203	236	219
Textiles, apparel and leather	380	6	1	7	53	87	99	127
Metals and metal products	1,847	38	8	62	123	446	763	407
Petroleum, coal, chemicals and rubber	1,057	8	3	10	108	304	442	182
All other manufacturing and mining	2,367	—	11	15	143	596	966	636
TRADE INCLUDING COMMODITY DEALERS:	20,186	24	34	116	509	2,472	9,156	7,875
Wholesale	3,765	—	1	41	213	950	1,815	745
Commodity dealers	854	9	18	46	137	258	273	113
Retail	15,567	15	15	29	159	1,264	7,068	7,017
SALES FINANCE COMPANIES	575	42	44	52	108	154	146	29
TRANSPORTATION, COMMUNICATION AND OTHER PUBLIC UTILITIES	1,960	63	30	47	61	133	618	1,008
CONSTRUCTION	3,354	4	—	9	54	509	1,613	1,165
ALL OTHER[1]	14,654	1	21	57	389	1,500	5,532	7,154
Real estate	2,522	—	—	26	195	549	1,200	552
Service firms	8,304	—	17	1	84	379	2,893	4,930
ALL BUSINESSES	47,281	229	178	430	1,667	6,404	19,571	18,802

1 Includes nonfinancial businesses not shown separately.

* Less than $500,000.

Figure IV

Number and Dollar Amount of Business Loans Outstanding By Asset Size of Borrower 1955-1957



which exists in American industry. The rise in the total was accompanied by a pronounced shift in the distribution of loans from small toward large firms. Figure 4 indicates that during this period, businesses with total assets over $5 million (the first three groups) increased their relative share from slightly over one-quarter to well over one-third of the total amount of commercial bank credit outstanding. Furthermore, it was the very largest firms, those with assets of $100 million or more, which registered the largest gains. Their share increased from 10 per cent in 1955 to 14 per cent in 1957. The shares of the other two groups comprised of large firms went up by more modest amounts.

As can be seen in Table III there were relative declines in the amounts of funds extended to firms in every other asset class. However the largest drop in the relative share of bank credit used occurred in the $1 million to $5 million asset group. The magnitude of this relative decline simply reflects the reduction in the dollar amount of loans to these businesses. This was one of the two size groups whose dollar volume of loans declined between 1955 and 1957. The smallest firms constituted the other group.

In 1955 the $1 million to $5 million asset size group, comprising businesses which can be termed medium sized, absorbed 27 per cent of the total volume of bank loans. By 1957 this figure had fallen to about 22 per cent. The remaining categories, which encompass the smaller firms, also reflect diminutions in the flow of bank credit, although none were so marked as that indicated above.

Other data indicate that there is a somewhat more even diffusion of commercial bank lending among borrowers of all sizes in the Eighth District than there is in the nation. Presumably this is because the proportion of large firms is smaller in the district than in the nation. Nationally, the largest firms alone absorbed almost 22 per cent of all commercial bank credit. This share approximately sufficed for two categories of firms in the district; those which comprised the largest and next to the largest companies.

As we have seen, both the total *amount* of loans and its distribution between large and small businesses changed markedly in the Eighth District from 1955 to 1957. When the total *number* of loans is considered, we find a decline of some 3 per cent in the district and 8 per cent in the nation. In both cases, the distribution of loans by number was largely unchanged.

In 1957 we found that the three groups comprising the largest firms in the district received one-third of

TABLE III

DISTRIBUTION OF VOLUME AND NUMBER OF BUSINESS LOANS BY ASSET SIZE OF BORROWER

OCTOBER 5, 1955 — OCTOBER 16, 1957

EIGHTH DISTRICT MEMBER BANKS

Amount of Loans Outstanding

	Million of Dollars		Per Cent of Total		Cumulative Per Cent of Total	
Asset Size of Borrower	1957	1955	1957	1955	1957	1955
$100,000,000 and over	$ 168	$ 101	14.0%	9.8%	14.0%	9.8%
25,000,000—99,999,999	97	66	8.1	6.4	22.1	16.2
5,000,000—24,999,999	155	110	12.9	10.6	35.0	26.8
1,000,000—4,999,999	267	276	22.3	26.7	57.3	53.5
250,000—999,999	249	224	20.8	21.7	78.1	75.2
50,000—249,999	205	192	17.1	18.6	95.2	93.8
Less than 50,000	57	64	4.8	6.2	100.0	100.0
Total	$1,198	$1,033	100.0%	100.0%		

Number of Loans Outstanding

	Number		Per Cent of Total		Cumulative Per Cent of Total	
Asset Size of Borrower	1957	1955	1957	1955	1957	1955
$100,000,000 and over	229	231	0.5%	0.5%	0.5%	0.5%
25,000,000—99,999,999	178	194	0.4	0.4	0.9	0.9
5,000,000—24,999,999	430	407	0.9	0.8	1.8	1.7
1,000,000—4,999,999	1,667	1,536	3.5	3.2	5.3	4.9
250,000—999,999	6,404	4,968	13.5	10.2	18.8	15.1
50,000—249,999	19,571	17,719	41.4	36.4	60.2	51.5
Less than 50,000	18,802	23,618	39.8	48.5	100.0	100.0
Total	47,281	48,673	100.0%	100.0%		

the amount of bank credit. These same firms actually made under 2 per cent of the number of loans. On the other hand, the largest number of loans outstanding belonged to the smallest firms, those whose assets were less than $250,000. They received over 81 per cent of the total number of loans but only 22 per cent of the total amount.

The years since the end of World War II have been characterized by an unprecedented volume of capital goods expenditures. The almost continuously expanding demand for goods and services during this period kept production at near capacity levels in a great many lines of activity. Although there were brief reversals in 1949 and 1954 American business has attempted to escape the inefficiencies that result from over-intensive utilization of facilities by expanding their outlays on new plant and equipment.

The period between the two surveys is typical. In 1956, for example, increased outlays for new plant and equipment accounted for almost one-third of the rise in total output of the nation. Although the ratio fell somewhat in 1957, the average for the two years indicates that approximately 20 per cent of the gain in gross national product was in the form of new capital. Thus, a large part of the impetus for the expansion in economic activity during the past two years was provided by additions to the nation's capital stock.

Businesses whose total assets measure $5 million or more are generally found either in finance or in activities which require heavy investments in plant and equipment. Steel, chemicals and automobile producers, to name a few, cannot function efficiently without very costly fixed capital. Service firms and retailers, on the other hand, make use of large amounts of labor and relatively little real capital per unit of output.

It is not surprising then, that the capital goods boom of the past two years originated primarily among large firms. The very character of this expansion caused the greatest increment in the demand for funds to come from the users of capital equipment, that is, large firms. The underlying economic forces were expanding in areas in which large firms had logically developed. Their voracious financial appetites contributed to the congested conditions which prevailed in the capital markets in the recent past. When the capital markets became temporarily clogged, some of this demand spilled over and was satisfied by the commercial banking system.

Other economic activities, particularly those which were largely inhabited by smaller businesses, did not feel the marked upsurge experienced by the heavy capital users. Therefore, they had a much less intense demand for funds on a much narrower front. Thus, the change in the distribution of bank credit supplied by commercial banks in favor of large business reflected mainly a similar shift in the demand for credit from small business to large business.

This, of course, is not to say that tight money may not have pinched some small firms relatively more than larger firms, particularly in the larger cities where large borrowers typically procured their bank financing. The Federal Reserve limited the commercial banking system's ability to expand the money supply by maintaining continued pressure on reserves. Thus, the enhanced demand for credit by large firms affected the availability of funds for smaller firms. By the same token it is less likely that small borrowers, who were serviced by small banks in areas outside the main streams of large firm financing, felt the same degree of pressure. However, even the latter statement is subject to some qualification. During the recent period of restraint, part of the efforts to more effectively utilize the existing stock of money led to a search for idle funds in the outlying areas where small banks predominate.

More important is the fact that the degree of tightness prevailing at commercial banks was probably ameliorated, insofar as small firms were concerned, by an increase in the volume of trade credit which developed during the period. While the magnitude of this expanded flow of credit from larger firms to smaller firms is not known, undoubtedly some commercial bank funds were made available through the usual trade credit channels. For example, many manufacturing firms found that the ratio of their outstanding accounts receivable to sales increased. This development typically involved the financing of small firms by larger firms. Also, in some cases producers assisted in the establishment of small independent retail stores by extending credit which was otherwise not available.

Therefore, it appears likely that the statistics pertaining to the increased proportion of commercial bank credit absorbed by large firms overstate the degree of financial starvation suffered by small firms, insofar as expanded trade credit as a source of funds is ignored. Additional knowledge will be gained when there is greater familiarity with the results of the recently released Federal Reserve survey of the subject.

David T. Lapkin
Marie C. Wahlig

District Member Bank Earnings in 1957

RISE IN INTEREST RATES had a pronounced impact on profits of district member banks during 1957. Higher yields on securities and loans were major factors in the rise in operating earnings to a new all-time high. Expenses of district banks also increased to a new peak with more liberal interest payments on time deposits playing a significant role. Salaries and wages moved up, and the cost of borrowed money was higher. Declines in the market prices of bonds and notes (a reflection of the climb in interest rates) were a cause for net losses suffered on security transactions. On balance district member banks did well; net profits after taxes rose to nearly $46 million or 11 per cent above the former record.

Interest Rates

During most of the year 1957, interest rates rose irregularly, but after mid-November they declined sharply. For the year as a whole, however, interest rates were higher than during the other postwar years.

AVERAGE INTEREST RATES

	1955	1956	1957
Government Securities:			
Treasury bills (3-month)	1.73%	2.62%	3.23%
3-5 year issues	2.50	3.12	3.62
Issues 10 years or more	2.84	3.08	3.47
Prime Commercial Paper (4-6 month)	2.18	3.31	3.81
Corporate Bonds:			
Highest grade (Aaa)	3.06	3.36	3.89
Medium grade (Baa)	3.53	3.88	4.71
State and Local Government Bonds	2.57	2.94	3.56

Higher interest rates during 1957 reflected strong demands for funds relative to the growth in savings and bank credit. Requests for capital by corporations and municipalities were probably at an all-time record high. Funds were sought to finance sizable expansions in business plant and equipment, roads, and schools, as well as to carry business inventories. The volume of security offerings and loan applications tended to run ahead of savings, while total bank reserves remained virtually unchanged. Under these circumstances interest rates were pushed up toward a higher equilibrium. Better yields attracted idle funds into use, and higher rates also caused some decline in consumer spending by making borrowing more costly and on more restrictive terms and by stimulating saving. In addition, a portion of the investment demand for funds was postponed or unsatisfied, although the volume of corporate and municipal securities marketed was at a peak level.

Earnings

During 1957, the rise in interest rates was a dominant factor causing the income of district member banks to rise. Total operating earnings for the year were $227 million, about 9 per cent higher than the former record established in 1956. About three-fourths of the gain was the result of better yields received on earning assets. On the average banks received a 1/6 of 1 percentage point higher rate on their loans and investments than in the previous year.

A shift from short-term Government securities to higher-yielding loans and other securities contributed to the rise in gross receipts at the larger banks. Also, member banks in the aggregate increased the amount of their earning assets slightly (less than 2 per cent).

Income received from trust departments, service charges on deposit balances, other charges, fees and so forth continued to expand. These miscellaneous sources of revenue accounted for 12 per cent of total income. The rise in the dollar amount of service charges collected reflected an adoption of higher schedules by some banks to avoid handling small or very active accounts at a loss.

Expenses

The cost of doing business rose more sharply than earnings. Expenses of district member banks were 12 per cent higher during 1957 than in the previous year, compared with a 9 per cent gain in earnings. However, net operating earnings continued to grow as the dollar climb in outlays ($14 million) was less than the dollar jump in income ($18 million).

The most abrupt increase in expenses (21 per cent) was in interest payments on time deposits. A number of banks, both large and small, paid a higher rate on these balances, and new funds were attracted on which payments were made. In some areas banks set rates at the maximum of 3 per cent. Average interest payments on time money rose from 1.37 per cent in 1956 to 1.60 per cent during 1957.

Most other expense items at district member banks worked up during 1957. Salaries and wages were 10 per cent higher than in the year before with the sharpest gain at banks with deposits between $1 million and $2 million. For the banks that found it necessary to borrow temporarily during the year, the interest cost was up. Banks paid more local taxes and had larger depreciation charges, partly as a result of some new buildings and remodeled quarters. Also, banks in the district spent more to advertise their services and to buy supplies.

Net Profits

Net operating earnings of district member banks during 1957 ($90 million) were partially offset by $11 million of net losses and charge-offs, which were, however, only about one-half as large as in 1956. Net profits (before taxes) of $79 million were the largest on record. Nearly all the losses were on investments and reflected: 1) a decline in most security prices (interest rates up), 2) the need for immediate funds by banks and 3) tax advantages to certain banks in taking losses on securities by shifting funds to others. Losses on bad loans were remarkably small, but charges against earnings were made to increase reserves to provide for defaults.

Net profits (before taxes) rose to 12.4 per cent of capital accounts from 11.7 per cent in the previous year. However, net profits at district member banks were still low compared with other businesses. It is estimated that the rate of profit (before taxes) on stockholders' equity of all manufacturing corporations in the nation was about 20 per cent in 1957. The lower rate of profit on bank capital reflected the smaller degree of risk in banking than in manufacturing, but profits obtained from capital invested in banking are generally considered modest.

Income taxes took 42 per cent ($33 million) of district member bank net profits during 1957, a slightly larger percentage than in the year before. From profits, these banks also paid the greatest amount of cash dividends ($18 million) in history. Thus, even though capital accounts continued to grow, the ratio of cash dividends to capital was slightly higher: 3.0 per cent as against 2.9 per cent in the previous year.

In addition, Eighth District member banks enlarged their capital structures substantially from profits. During 1957, banks retained nearly $28 million of profits to add to capital accounts; during 1956, they ploughed back $22 million. Largely through retention of profits, the three ratios of capital accounts to total assets, to "risk" assets and to total deposits improved.

NORMAN N. BOWSHER

EARNINGS AND EXPENSES
EIGHTH DISTRICT MEMBER BANKS
(In millions of dollars)

	1955	1956	1957 p
Interest and Discount on Loans	112.3	129.2	139.5
Interest on Government Securities	42.9	43.5	47.6
Interest on Other Securities	10.8	11.6	12.7
Service Charges on Deposits	7.5	8.3	9.3
Other Current Earnings	15.6	16.5	18.0
Total Current Operating Earnings	189.1	209.1	227.1
Salaries and Wages	55.0	59.5	65.5
Interest on Time Deposits	15.2	16.9	20.4
All Other Expenses	42.7	46.3	50.9
Total Current Operating Expenses	112.9	122.7	136.8
Net Current Operating Earnings	76.2	86.4	90.3
Net Losses and Charge-offs	14.5	21.7	11.5
Net Profits Before Taxes	61.7	64.7	78.8
Taxes on Net Income	24.6	25.7	33.1
Net Profits After Taxes	37.1	39.0	45.7
Cash Dividends on Common Stock	15.6	17.1	18.2

p Preliminary

SELECTED OPERATING RATIOS
EIGHTH DISTRICT MEMBER BANKS
(In per cent)

	1955	1956	1957
Net Current Earnings to Capital Accounts	14.9	15.2	14.9
Net Profits (after taxes) to Capital Accounts	8.1	7.9	8.6
Cash Dividends to Capital	2.9	2.9	3.0
Total Earnings to Total Assets	3.10	3.27	3.37
Total Expenses to Total Assets	1.93	2.05	2.18
Net Current Earnings to Total Assets	1.17	1.22	1.19
Net Profits to Total Assets	0.65	0.65	0.70
Interest on Government Securities	2.15	2.47	2.62
Interest and Dividends on Other Securities	2.64	2.57	2.66
Earnings on Loans	5.81	5.83	6.02
Capital Accounts to Total Assets	8.2	8.4	8.5
Time to Total Deposits	24.2	24.3	25.7
Interest to Time Deposits	1.28	1.37	1.60
U. S. Government Securities to Total Assets	37.4	35.8	36.4
Other Securities to Total Assets	8.0	8.3	8.6
Loans to Total Assets	31.3	32.7	31.9
Cash Assets to Total Assets	22.5	22.4	22.2

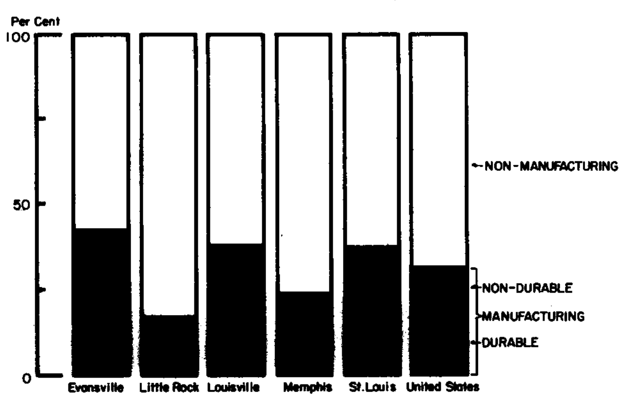
Eighth District Employment Trends

THE DOWNTURN IN BUSINESS which began last fall has had great effects on employment and unemployment in most parts of the United States, including the Eighth Federal Reserve District. Except for the seasonal upturn in December, total employment in the nation has been lower each month since September. Defense cutbacks of last fall, decline in rail freight volume, lagging sales of cars and household appliances, inventory liquidation, and the severe winter weather are among the more obvious factors affecting the employment situation.

Most of the employment shrinkage since last fall has occurred in manufacturing industries. Total employment in most types of manufacturing was below September levels in February and lower than a year earlier as well. In general, areas specializing in durable goods manufacture have been affected most seriously.

CHART I

Per Cent Distribution of Employment Between Manufacturing and Nonmanufacturing (Based on 1957 data)



Source for this and following charts: State Employment Security Divisions and United States Bureau of Labor Statistics.

In the Eighth District, St. Louis, Evansville and Louisville are in this class, and all three have now been classified by the United States Department of Labor as areas of "substantial labor surplus." Total nonfarm employment in February was below a year earlier by 4 per cent in St. Louis, 4 per cent in Louisville and 11 per cent in Evansville. In the other two major cities of the district, Memphis and Little Rock, the employment decline since last summer has been more moderate. Compared to a year ago, nonfarm employment in February was 2 per cent above February 1957 in Little Rock but 2 per cent below in Memphis. Compared with a national employment decline of 5 per cent from September to February, district areas experienced declines of 4 to 6 per cent.

Cuts in production (and resulting declines in earnings) have been brought about through reduced work weeks and temporary plant closings as well as through layoffs. The average number of hours worked per week in the nation's manufacturing plants was down from last year by 1.7 hours in February. In February 1957 all durable goods industries were averaging more than 40 hours per week, but this year only ordnance averaged over 40 hours. All nondurable goods industries have been averaging fewer hours per week this year also.

In the Eighth District, data for January showed a shorter work week in manufacturing than a year earlier in St. Louis, Little Rock and Memphis, but the average in Louisville was up slightly from a year ago. This unfavorable year-to-year comparison probably continued in February.[1]

[1] It should be noted that the estimates of the employment level and the number of hours worked per week are based on situations existing during one stipulated week during the month (the pay period ending nearest the 15th). As a result, a strike or plant close-down of one day to three weeks in duration might not be revealed in month-to-month employment changes. On the other hand, some special circumstances occurring during the week containing the 15th may serve to exaggerate or conceal the actual developments in a particular industry.

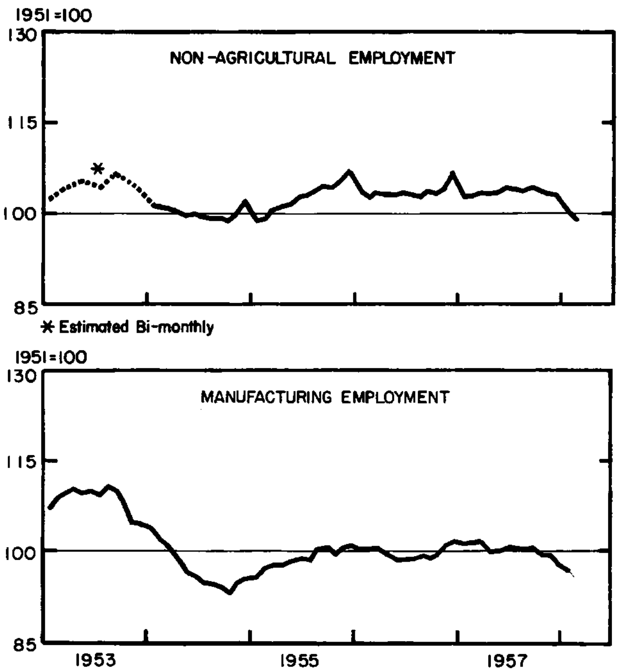
In recent months, production adjustments in autos, appliances and related industries have been made through temporary shutdowns of whole plants or departments within plants. Some closings, ranging from single days to one or more weeks, have taken place at major plants in the district during January, February and March, and more such production cutbacks have been announced for April.

Although March employment estimates are not available at this writing, developments since mid-February indicated that March will show little if any improvement over February in the nation generally or in district areas (with the possible exception of Little Rock). Unemployment usually shows some decline in the spring when weather permits construction projects and other seasonal activities to get underway.

St. Louis

CHART II

Employment in St. Louis, 1953 - Feb. 1958



Nearly one-third of the 36,300 drop in St. Louis employment between September and February was in durable goods production, with ordnance, primary metals, nonelectrical machinery, automobiles and other transportation equipment showing considerable losses. In addition to the usual September-to-February decreases in trade and construction, substantial railroad layoffs contributed to the 23,000 drop in the number of persons employed in nonmanufacturing activities.

Compared with February a year ago two-thirds of the change in employment occurred in durable goods industries. Major decreases from a year ago were 1800 in ordnance, 3100 in primary metals. 2500 in nonelectrical machinery, 1400 in electrical machinery, and 4900 in motor vehicles and motor vehicle equipment.

Further layoffs, short work weeks, and shutdowns were announced in the automobile and auto-related industries for March.

Unemployment in the St. Louis area reached 71,800 in March, compared with a low of 32,000 last September and 38,700 a year ago. As percentages of the labor force these figures amount to 8.4 per cent this March, 3.8 per cent last September and 4.5 per cent a year ago.

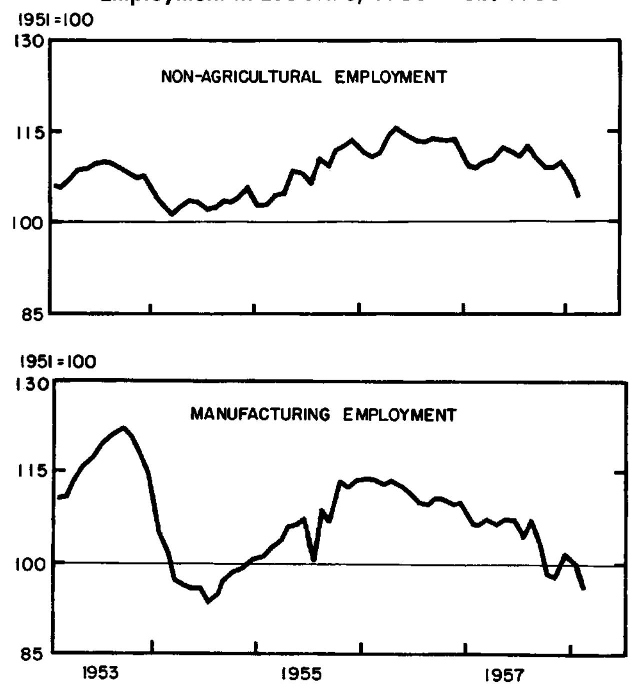
Louisville

Since last fall, several factors have contributed to employment decline in the Louisville area. In addition to the usual seasonal contractions, defense cuts have forced layoffs in chemicals, ordnance and Federal Government employment; in addition two large strikes and reduced production of motor vehicles, farm equipment and appliances have contributed to the decline.

The net loss of 14,000 employed workers between September and February was about equally divided between manufacturing and nonmanufacturing, with

CHART III

Employment in Louisville, 1953 - Feb. 1958



transportation equipment and machinery industries accounting for 4100 of the decrease. Reduced production of motor vehicles, appliances and other machinery has been accomplished through both layoffs and week-long close-downs of plants and plant divisions since last fall. Various production facilities were scheduled for week-long idleness during late February and March, and there were announcements of more layoffs.

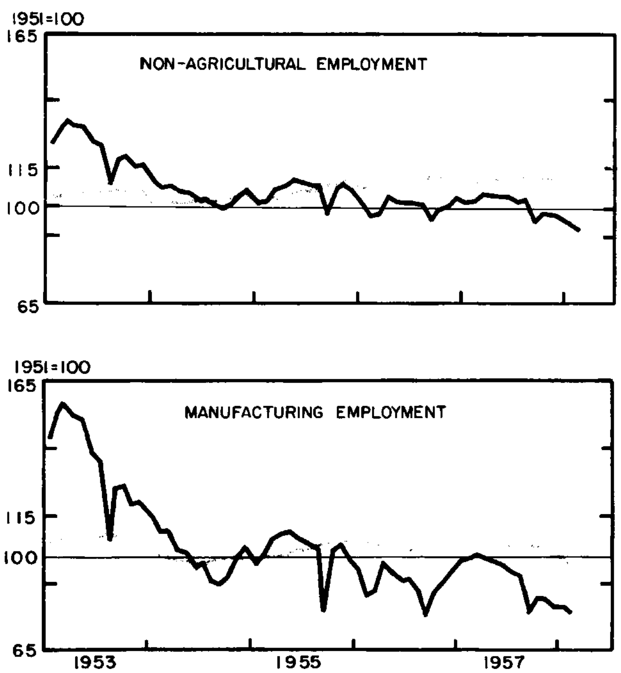
Compared to February a year ago, about 90 per cent of the employment decrease was in manufacturing, largely in chemicals, ordnance and machinery. The tobacco and fabricated metals industries showed fair increases over a year ago. Transportation equipment showed only a small change over the year as production of a new make of automobile offset other declines.

Unemployment in February was estimated at 28,800 or 9.5 per cent of the labor force. There were 19,600 unemployed a year ago.

Evansville

CHART IV

Employment in Evansville, 1953 - Feb. 1958



Note: The Evansville Metropolitan Area was redefined to include Henderson County, Kentucky, in 1955. This, however, made no significant change in the index lines above.

The Evansville area, with nearly one-fifth of its total employment in the motor vehicle and refrigerator industries, has been the most sharply affected metropolitan area of the district. However, some pick-up has occurred in refrigerator output each month since November, following a sizable layoff in October.

Employment in Evansville has been contracting gradually for several years and in February was 7600 under last year. Major decreases over the past year were 2800 in refrigerators, 1700 in motor vehicles, 900 in fabricated metals, and 500 in aircraft parts. Total unemployment in Evansville in mid-February was 3300 (53 per cent) higher than in February 1957. By mid-March claims for unemployment compensation had declined 25 per cent from early February but were still more than double a year ago.

Memphis

Memphis area employment dropped by 7850 between September and February. Two-thirds of the decline was in nonmanufacturing, with construction showing the largest drop. In manufacturing, a loss of 500 in lumber products was almost offset by a gain in nonelectrical machinery plants.

The net loss in employment from February of last year to February 1958 was almost all in manufacturing. Considerable losses occurred in paper and lumber products, while chemicals showed some gain.

CHART V

Employment in Memphis, 1953 - Feb. 1958

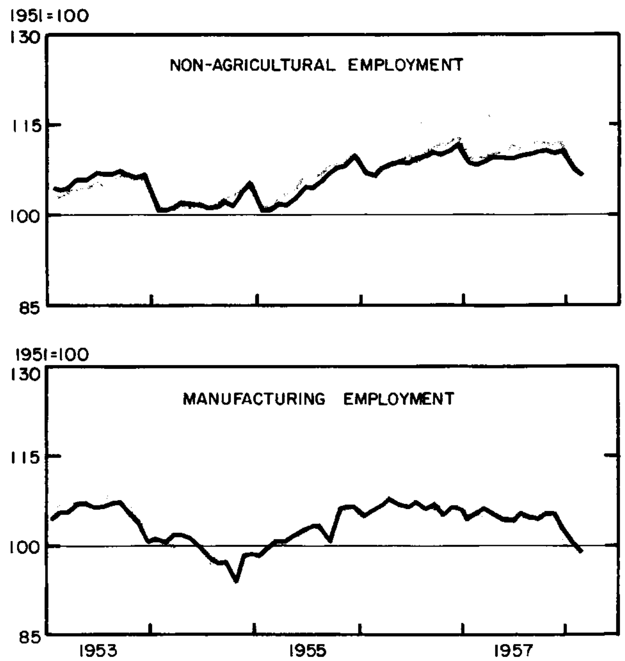
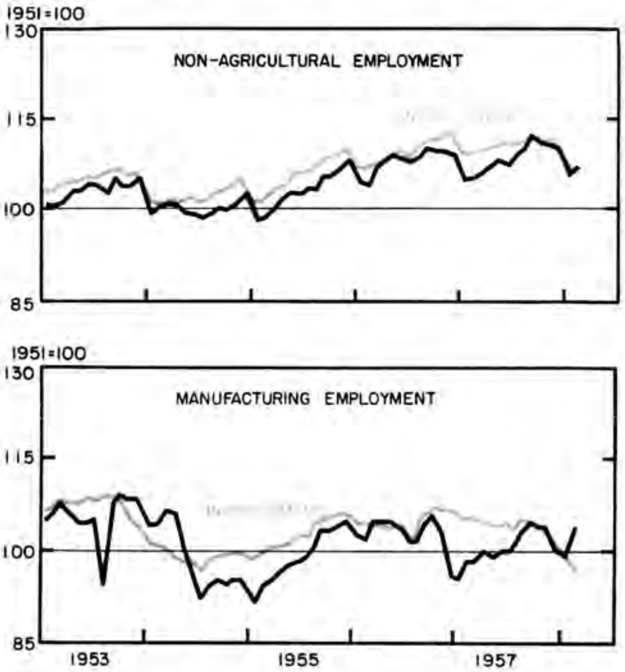


CHART VI

Employment in Little Rock, 1953 - Feb. 1958



Weather hampered the progress of construction projects early this year, and Federal Government employment was down as the result of defense-related economy programs.

Two large Memphis area manufacturers have also scheduled shutdowns and layoffs for March and April of this year.

Little Rock

Since last September when employment in Little Rock was at an all-time high of 75,600, employment has fallen by 3500, with most of the decline due to seasonal changes. A construction strike in January as well as bad weather have impeded construction more than seasonally this year. Unemployment was 1000, or 19 per cent, higher this February than last year.

The most significant change from a year ago in Little Rock was the gain of 750 employees in the metals industries, resulting partly from expansion in instrument production and the addition of an electrical equipment firm.

PHYLLIS C. ELSASS

Editor's Note

In several sections of the article, "Metropolis in Transition," which appeared in the March 1958 issue of the *Monthly Review*, the author, attempting to brief the conclusions of Raymond Vernon and Lyle C. Fitch, quoted from and paraphrased their material which appeared in the November 1957 issue of *The Annals of the Academy of Political and Social Science:* "Production and Distribution in the Large Metropolis," pp. 15-30, by Raymond Vernon and "Metropolitan Financial Problems," pp. 66-74, by Lyle C. Fitch. Through an unfortunate oversight, credit for and reference to the published work of Mr. Vernon and Mr. Fitch was omitted. Both the author of the *Monthly Review* article and the Federal Reserve Bank of St. Louis regret this oversight.

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	Feb. 1958	Feb. 1958* compared with Jan. 1958	Feb. 1957
Steel Ingot Rate, St. Louis area (Operating rate, per cent of capacity)	79	+10%	—19%
Coal Production Index—8th Dist. (Seasonally adjusted, 1947-49=100)	81.5 p	+ 9	— 9
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	390.1	—0—	— 1
Freight Interchanges RRs—St. Louis (Thousands of cars—25 railroads—Terminal R. R. Assn.)	87.2	— 3	—12
Livestock Slaughter—St. Louis area (Thousands of head—weekly average)	88.1	— 7	—25
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	200.7	+ 3	+ 1
Lumber Production—S. Hardwoods (Operating rate, per cent of capacity)	69	—0—	—18

* 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 change in index points or in percents of capacity.

p—Preliminary.

BANK DEBITS[1]

Six Largest Centers:	Feb. 1958 (In millions)	Feb. 1958 compared with Jan. 1958	Feb. 1957
East St. Louis—National Stock Yards, Ill.	$ 124.4	—20%	— 6%
Evansville, Ind.	158.8	—21	— 9
Little Rock, Ark.	187.4	—13	+ 3
Louisville, Ky.	802.8	—13	— 4
Memphis, Tenn.	734.1	—23	—0—
St. Louis, Mo.	2,091.9	—17	— 4
Total—Six Largest Centers	$4,099.4	—18%	— 3%
Other Reporting Centers:			
Alton, Ill.	$ 35.8	—10%	+ 9%
Cape Girardeau, Mo.	14.3	—28	—13
El Dorado, Ark.	26.6	—18	— 2
Fort Smith, Ark.	51.3	—17	—0—
Greenville, Miss.	27.0	—20	+ 2
Hannibal, Mo.	10.4	—16	+ 6
Helena, Ark.	8.7	—25	+ 6
Jackson, Tenn.	24.0	—10	+ 1
Jefferson City, Mo.	84.5	—31	+19
Owensboro, Ky.	46.3	—15	— 6
Paducah, Ky.	27.0	— 9	+ 5
Pine Bluff, Ark.	40.0	—23	+ 7
Quincy, Ill.	37.7	—16	+ 3
Sedalia, Mo.	15.6	—19	+ 9
Springfield, Mo.	88.8	—21	+13
Texarkana, Ark.	18.4	—16	+ 5
Total—Other Centers	$ 556.4	—20%	+ 6%
Total—22 Centers	$4,655.8	—18%	— 2%

INDEX OF BANK DEBITS—22 Centers

Seasonally Adjusted (1947-1949=100)

1958 Feb.	1958 Jan.	1957 Feb.
167.4	178.4	171.1

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

EIGHTH DISTRICT WEEKLY REPORTING MEMBER BANKS

(In millions of dollars)

Assets	Mar. 19 1958	Change from Feb. 19 1958
Loans[1]	$1,576	$+ 4
Business and Agricultural	805	—11
Security	60	+13
Real Estate	277	— 1
Other (largely consumer)	461	+ 3
U.S. Gov't. Securities	935	+28
Other Securities	236	+11
Loans to Banks	57	+18
Cash Assets	883	+ 6
Other Assets	43	— 1
Total Assets	$3,730	$+66
Liabilities and Capital		
Demand Deposits of Banks	$ 715	$— 2
Other Demand Deposits	2,035	+68
Time Deposits	625	+ 8
Borrowings and Other Liab.	54	— 9
Total Capital Accounts	301	+ 1
Total Liab. and Capital	$3,730	$+66

Principal Changes in Commercial and Industrial Loans[2]

Business of Borrower	Net Change During 4 Weeks Ended 3-19-58
Manufacturing and Mining:	
Food, liquor and tobacco	$— 9
Textiles, apparel and leather	—0—
Metals and metal products	+ 5
Petroleum, coal, chemicals and rubber	— 2
Other	+ 4
Trade Concerns:	
Wholesale	+ 1
Retail	+ 4
Commodity dealers	—16
Sales finance companies	+ 6
Public Utilities (including transportation)	— 8
Construction	— 2
All Other	+ 4
Total	$—13

[1] Loans are adjusted to exclude loans to banks; the total is reported net; breakdowns are reported gross.

[2] Changes in business loans by industry classification from a sample of banks holding roughly 90% of the total commercial and industrial loans outstanding at Eighth District weekly reporting member banks.

CASH FARM INCOME

(In thousands of dollars)	Jan. 1958	Jan. '58 from Jan. '57 p
Arkansas	$ 39,484	—14%
Illinois	190,301	— 4
Indiana	93,345	— 3
Kentucky	56,029	—21
Mississippi	38,112	+ 7
Missouri	77,954	+13
Tennessee	38,308	— 5
7 States	533,533	— 4
8th District[1]	229,147	— 4

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

[1] Estimates for Eighth District revised based on 1954 Census of Agriculture.

p Preliminary.

CONSTRUCTION CONTRACTS AWARDED IN EIGHTH FEDERAL RESERVE DISTRICT *

(Value of contracts in thousands of dollars)

	Feb. 1958	Jan. 1958	Feb. 1957
Total	$110,324	$98,913	$130,255
Residential	31,487	32,905	65,349
Nonresidential	52,926	35,479	26,315
Public Works and Utilities	25,911	30,529	38,591

* Based upon reports by F. W. Dodge Corporation.

DEPARTMENT STORES

	Net Sales Feb. 1958 compared with Jan. '58	Feb. '57	2 mos. '58 to same period '57	Percentage of Accounts and Notes Receivable Outstanding Jan. 31,'58, collected during Feb. Instl. Accounts	Excluding Instalment Accounts
8th F.R. District Total	—12%	— 9%	— 5%	15%	50%
Fort Smith Area, Ark.[1]	—12	— 8	— 5		35
Little Rock Area, Ark.	— 5	— 4	— 1		29
Quincy, Ill.	— 9	+ 3	—0—		
Evansville Area, Ind.	— 4	—18	—18		
Louisville Area, Ky., Ind.	—10	—11	— 6	15	41
Louisville (City)	— 9	—13	— 8		
Paducah, Ky.[1]	—15	—10	— 7		
St. Louis Area, Mo., Ill.	—13	— 8	— 3	15	59
St. Louis (City)	—16	—12	— 7		
Springfield Area, Mo.	—10	—18	—10		
Memphis Area, Tenn.	—11	—12	—10	11	33
All Other Cities[2]	—14	—16	—10		

[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 February 1958, were 14 per cent lower than on the corresponding date a year ago.

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Feb. 1958	Jan. 1958	Dec. 1957	Feb. 1957
Sales (daily average), unadjusted[3]	96	100	238	105
Sales (daily average), seasonally adjusted[3]	125	132	141	137
Stocks, unadjusted[4]	n.a.	127	134	145
Stocks, seasonally adjusted[4]	n.a	143	149	149

n.a. Not available.

[3] Daily average 1947-49=100

[4] End of Month average 1947-49=100

Trading days: Feb., 1958—24; Jan., 1958—26; Feb., 1957—24.

RETAIL FURNITURE STORES

	Net Sales Feb. 1958 compared with Jan. 58	Feb. 57
8th Dist. Total[1]	— 1%	—16%
St. Louis Area	— 2	—17
Louisville Area	— 6	—21
Memphis Area	— 1	— 3
Little Rock Area	+62	—12
Springfield Area	—14	— 5

[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.