Monthly Review

June 1958 Volume XXXX Number 6

Results of the 1957 Business Loan Survey in the Eighth District

Part II

THIS ISSUE of the Monthly Review contains the second and final report on the 1957 Business Loan Survey. Since it is comparable to a similar survey conducted in 1955, a means is afforded to analyze the response of commercial bank lending to rising income and employment in a period of monetary restraint.

While the economies of both the nation and the Eighth District expanded under the impact of particularly large plant and equipment outlays during these two years, they grew at markedly different tempos. The variation in pace is partially reflected by the fact that business loans at district banks increased $166 million or by 16 per cent, while the rate of increase for the nation was over twice as great.

The first article in the April issue of this *Review* dealt with the substantial increase in the share of bank credit which was absorbed by large firms. It was pointed out at that time that this development probably resulted from the massive capital formation undertaken by such firms. This issue deals with three other facets of the survey data. They are changes in the pattern of loan maturities, the distribution of business loans by size of bank and finally changes in business loan interest rates. The findings can be stated briefly:

1. Between 1955 and 1957 there was a substantial shift in the maturity preferences of district borrowers from the shortest maturities (six months or less) to term financing (over one year). The lengthening of loan portfolios was experienced by banks in all deposit sizes.

2. The largest banks in the district increased their share of business loans somewhat while the share of the smaller banks declined.

3. Interest rates on business loans rose generally in the district. However, the largest borrowers absorbed a larger increase in rates than did small firms. Furthermore, the increment in interest charges was greater at large banks than at small ones.

Federal Reserve Bank of St. Louis

Homebuilding in 1958—p. 75

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Results of the 1957 Business Loan Survey in the Eighth District

Part II

THE FLOW of commercial bank credit to commerce and industry has long been a matter of interest to the Federal Reserve System. The third post-war Business Loan Survey conducted in October 1957 represents a recent effort to measure the volume and chart the distribution of this flow. But this survey, coming as it did roughly at the end of the so-called tight money period, possessed a special interest for many. If the results of the 1957 and 1955 surveys are compared, it is possible to silhouette the general contours of commercial bank lending during the intervening two years of tight money.

Because other data were available, it was generally realized that during this period of monetary restraint, banks, by disposing of other assets, increased the total amount of credit made available to business. The effects of a changing economic environment on the composition of bank credit to business, however, were not so well known nor could they be determined without additional knowledge. What kinds and sizes of businesses acounted for the increase in loans? Which loan maturities increased and which decreased? What happened to interest rates? Were there differences in loan patterns among banks of varying deposit size? The latest Business Loan Survey helps to answer such questions by supplying information on the various characteristics of borrowing businesses and lending banks and on the maturities and interest costs of loans as well.

An article in the April 1958 *Monthly Review* filled in some of the background material associated with the latest survey and attempted to delineate certain features of the 1957 borrowing businesses as they compared with their 1955 counterparts. Some changes in the distribution of loans by business of the borrower were found. A more obtrusive shift was the substantial increase in the proportion of commercial bank credit absorbed by large firms between the two surveys both in the nation and in the district. As was pointed out in the earlier article, the nation's economic growth during this period helps to explain both these developments. There were substantial additions to the nation's productive capacity during 1956 and 1957 which occurred in industries consisting primarily of large firms.

The nature of these developments also affected other variants of bank lending which will be discussed in this, the second article dealing with the 1957 Business Loan Survey of district member banks. More specifically, three other facets of the data will be explored. They relate to: first, loan maturities; second, size of lending banks, and third, interest costs of loans. In each case comparisons with the 1955 results will be drawn.

Loan Maturities at Eighth District Banks

There appear to have been some substantive changes in the maturity preferences of Eighth District borrowers in the two years which elapsed between the surveys. In general, there was a lengthening of the business loan portfolios at commercial banks in the district and in the nation. This reflects, at least partially, the extended plant and equipment outlays which characterized the period.

The data in Table I which contain some of the findings regarding the distribution of maturities are divided into four classes. The shortest maturities, payable in six months or less including loans payable on demand, formed the first group. Loans which matured in over six months but not more than one year comprised the second group. The third and fourth maturity classes included all term loans; that is, loans which mature in over one year.

TABLE I

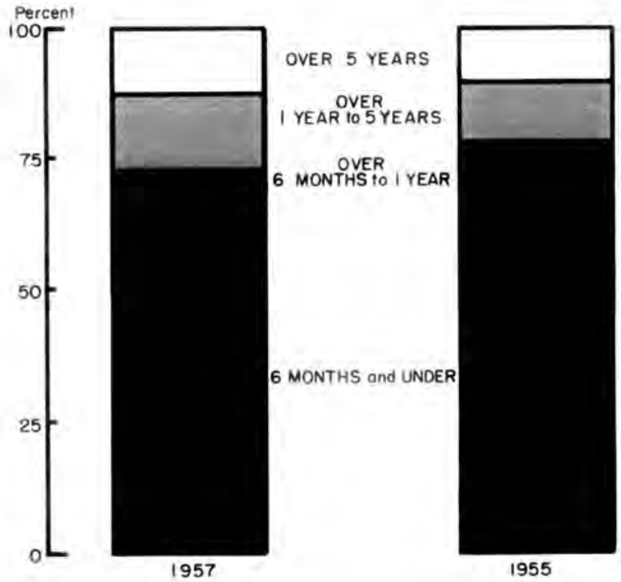
BUSINESS LOANS BY MATURITY
EIGHTH DISTRICT MEMBER BANKS

	Amount Outstanding (Millions)		Percentage Distribution	
Maturity	Oct. 16, 1957	Oct. 5, 1955	Oct. 16, 1957	Oct. 5, 1955
6 months and less	$ 739	$ 717	61.7%	69.5%
Over 6 months—1 year	132	90	11.0	8.7
Over 1 year—5 years	175	117	14.6	11.3
Over 5 years	152	108	12.7	10.5
Total	$1,198	$1,032	100.0%	100.0%

Table I indicates that the major shift in the maturity distribution of the volume of commercial bank loans in the district occurred in the shortest maturity loan category which dropped from 69 per cent of all loans in 1955 to just under 62 per cent in 1957. This substantial reduction in the amount of loans maturing in six months or less was accompanied by increases in the shares of all other maturity classes. The largest gain was registered by loans with a maturity over one year–the term loans. Of every $100 of bank credit outstanding in the Eighth District, loans with this extended maturity had grown from about $22 in 1955 to over $27 in 1957. These changes in the distribution of loan maturities at district banks between 1955 and 1957 are also revealed in Figure 1, above.

FIGURE 1

DISTRIBUTION OF BUSINESS LOAN
MATURITIES AT EIGHTH DISTRICT BANKS
1955-1957



Loan Maturities and Asset Size of Borrower

Additional light can be cast on the nature of these developments by considering not only the aggregate figures on maturity as they appeared in Table I, but the variations in the distribution of maturities for borrowers of differing size as well. Cognizance is taken, that is, of the proportions in which borrowers of each asset size distributed the maturities of their borrowings among the shortest, the intermediate and term loans.

In general, small firms tend to be much more heavily dependent on commercial banks for all their financing than do large firms. Furthermore, they tend to put a larger proportion of their bank borrowing in term loans. No doubt, these tendencies simply reflect the fact that small firms have much more limited access to capital markets than do well-known and well-established large firms. Consequently, small firms utilize commercial banks more intensively for term financing of plant and equipment than do their larger counterparts. Small firms do borrow heavily in maturities of one year or less, indeed this is the preponderant form of bank borrowing for all sizes of firms, but the proportion of short maturities to all maturities is much smaller for small firms than for large ones.

This is quite evident from the data in Table II. The smallest firms had 61 per cent of their bank loan volume in short instruments in 1955 while term loans accounted for 39 per cent. The discrepancy between the proportions of short and long term loans tended to increase with the size of firm. Thus in 1955 for firms with assets of $100 million or more, loans maturing in one year or less comprised 86 per cent while term loans were but 14 per cent of the volume of commercial bank loans. In general, the smaller the firm, the larger the proportion of its bank borrowing in term (over one year) form.

Table II indicates that in the two years between the survey dates, all firms increased the dollar amount of their term loans. However, it was only for firms with assets under $5 million that this term loan increase occurred on a percentage basis. The smallest firms expanded their share of term loans at district banks from 39 per cent in 1955 to 42 per cent in 1957. For the somewhat larger small firms, the increment was even greater. At the same time loans maturing in one year or less, as a per cent of all bank loans, decreased. An increase in the use of trade credit (credit extended by one business to another) which occurred in this period probably acted as a substitute for short term bank loans to some extent.

Large businesses, on the other hand, tended to increase their share of bank loans in shorter maturities, while reducing still further their proportion of term loans. The one exception was the increment in the share of term loans absorbed by the largest firms ($100 million and over). But this was an anomaly because, in substantial measure, it resulted from heavy term borrowing by a very few district businesses, primarily in transportation and public utilities. Were it not for this special development in a district not heavily endowed with $100 million firms, the category comprising the largest firms would have conformed to the borrowing patterns of the $5-25 million and $25-100 million businesses. They showed an increase in the per cent of short maturities and a decrease in term loans.

These variations between large and small firms in the maturities of their commercial bank borrowings are a natural outgrowth of financial developments during the two years between the surveys. An enormous volume of securities was floated in the nation's capital markets in order to finance the massive public and private development which took place during the period. Municipalities, states, and other governmental units together with private businesses, made continuous and heavy demands on investment capital. Temporary overcrowding of the capital markets was,

TABLE II

BUSINESS LOANS BY MATURITY AND BY ASSET SIZE OF BUSINESS
EIGHTH DISTRICT MEMBER BANKS

October 16, 1957 — October 5, 1955

	Asset Size of Business in Dollars													
	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	
Maturity	1957	1955	1957	1955	1957	1955	1957	1955	1957	1955	1957	1955	1957	1955
	Amount Outstanding (Millions of Dollars)													
1 year and less	$123.2	$ 89.2	$65.5	$41.6	$125.4	$ 88.5	$199.1	$239.7	$195.5	$177.9	$130.0	$133.4	$33.3	$36.3
Over 1 year—5 years	23.6	3.6	5.0	6.6	10.0	14.2	42.5	20.3	36.3	23.1	43.7	33.0	14.9	16.4
Over 5 years	21.3	10.6	26.5	19.0	19.8	7.2	24.9	17.1	17.2	21.8	31.9	26.4	8.8	6.6
Total	$168.1	$103.4	$97.0	$67.2	$155.2	$109.9	$266.5	$277.1	$249.0	$222.8	$205.6	$192.8	$57.0	$59.3
	Percentage Distribution													
1 year and less	73.3%	86.3%	67.5%	61.9%	80.8%	80.5%	74.7%	86.5%	78.5%	79.8%	63.2%	69.2%	58.4%	61.2%
Over 1 year—5 years	14.0	3.5	5.2	9.8	6.4	12.9	15.9	7.3	14.6	10.4	21.3	17.1	26.2	27.7
Over 5 years	12.7	10.2	27.3	28.3	12.8	6.6	9.4	6.2	6.9	9.8	15.5	13.7	15.4	11.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

therefore, a frequent occurrence. Under these circumstances many large firms, unwilling to postpone the implementation of their investment plans in a period of rising prices, resorted to commercial banks as a short term (a year or less) expedient until conditions were more propitious for a new security issue.

This condition, taken together with the bank borrowing that resulted from the increased volume of trade credit which competition forced large firms to extend, probably accounts for the increased proportion of loans maturing in a year or less.

Loans and the Deposit Size of Eighth District Banks

For purposes of the Business Loan Survey respondent banks were divided into four groups based upon the volume of their deposits. They ranged from the largest banks with $1 billion or more of deposits to the smallest whose deposits total less than $10 million. Since the Eighth District contains no banks with deposits of $1 billion, our survey encompasses only the three smaller groups of banks. Subsequent discussion of the largest banks should be understood to refer to the largest district banks; that is, those with deposits of $100 million or more but less than $1 billion.

In 1955 the largest banks, which constituted but 1.6 per cent of the number of district member banks, extended almost 60 per cent of all business loans. The medium size banks, numbering approximately 16 per cent of the district bank total, had about 30 per cent of the volume of business loans outstanding. The remaining 10 per cent of the loan volume was divided among the smallest banks, which comprised almost 83 per cent of the district's bank population.

Table III reveals that all three classes of banks shared in the $166 million increase in business loans in the district between 1955 and 1957. However, they did so in such varying proportions that the largest banks expanded their relative share slightly while the smaller banks sustained modest relative declines. Since large firms of necessity, do most of their bank borrowing at large banks, their increased demand for bank credit is principally reflected in the loan portfolios of those banks. On the other hand, the business of small banks is primarily confined to small firms. Since there was a relative decline in the share of all business loans absorbed by small firms, the small banks' share of business loans in the district did not keep pace with the growth in loan volume.

TABLE III

BUSINESS LOANS BY SIZE OF BANK
EIGHTH DISTRICT MEMBER BANKS

October 16, 1957 — October 5, 1955

Bank Deposit Size (Millions of dollars)	Number of Banks	Amount Outstanding 1957 (Millions of dollars)	Amount Outstanding 1955 (Millions of dollars)	Percentage Distribution 1957	Percentage Distribution 1955
100 and over	8	$ 735	$ 606	61.4%	58.7%
10—100	77	348	320	29.0	31.0
Less than 10	406	115	106	9.6	10.3
Total	491	$1,198	$1,032	100.0%	100.0%

The substantial plant and equipment outlays of 1956 and 1957 which were found to have significantly affected the structure of business loans with regard to the various matters so far discussed, also had an impact on the distribution of maturities by the deposit size of bank.

While all three sizes of banks increased the proportion of their loans in term form, the largest gains in both dollar and percentage terms were registered by the largest banks. Likewise, at all three sizes of banks, maturities of a year or less declined as a per cent of all loans, although in dollar terms the largest banks manifested an 11 per cent increase.

TABLE IV

BUSINESS LOANS BY SIZE OF BANK AND MATURITY
EIGHTH DISTRICT MEMBER BANKS

October 16, 1957 — October 5, 1955

Bank Deposit Size (Millions of dollars)	1 Year and Less 1957	1 Year and Less 1955	1 Year—5 Years 1957	1 Year—5 Years 1955	Over 5 Years 1957	Over 5 Years 1955
100 and over	$541	$488	$ 89	$ 48	$105	$ 70
10—100	255	244	60	48	33	28
Less than 10	75	75	26	21	14	10
All Banks	$871	$807	$175	$117	$152	$108
Percentage Distribution						
100 and over	73.6%	80.5%	12.1%	7.9%	14.3%	11.6%
10—100	73.3	76.3	17.2	15.0	9.5	8.7
Less than 10	65.2	70.8	22.6	19.8	12.2	9.4
All Banks	72.7%	78.2%	14.6%	11.3%	12.7%	10.5%

Interest Rates on Business Loans

During the two years between the surveys, a period of tight money and rising interest costs, the average interest rate charged on all business loans by district banks rose from 4.32 per cent in 1955 to 4.96 per cent in 1957, a gain of .64 percentage points. Perhaps the most striking feature of the changes which occurred in interest rates from 1955 to 1957 was the reduction in the spread between the rates charged the largest and smallest business borrowers at district banks.

As shown in Table V the average rate charged firms with assets of $100 million or more rose 1.12 percentage points, while the average rate to the smallest borrowers increased only .06 of a percentage point.

TABLE V

AVERAGE INTEREST RATE BY SIZE OF BUSINESS
EIGHTH DISTRICT MEMBER BANKS

October 16, 1957 — October 5, 1955

Asset Size of Business	Amount Outstanding (Millions of dollars) 1957	1955	Average Interest Rate 1957	1955
100,000,000 and over	$ 168	$ 103	4.24%	3.12%
25,000,000—99,999,999	97	67	4.40	3.36
5,000,000—24,999,999	155	110	4.73	3.75
1,000,000— 4,999,999	267	277	4.91	4.03
250,000— 999,999	249	223	5.13	4.62
50,000— 249,999	205	193	5.51	5.02
Less than 50,000	57	59	6.17	6.11
Total	$1,198	$1,032	4.96%	4.32%

For the borrowers of intervening sizes, the increment in average rates declined from the larger to the smaller firms. In addition, the requirement that borrowing firms maintain compensating balances was substantially more prevalent during this period than it had been hitherto. Since this requirement applies less to small firms than to large ones, the spread between the effective rates charged the smallest and largest borrowers probably narrowed by more than the actual rates would indicate.

TABLE VI

AVERAGE INTEREST RATE
BY SIZE OF BANK AND MATURITY
EIGHTH DISTRICT MEMBER BANKS

October 16, 1957 — October 5, 1955

Maturity	Deposit Size of Bank in Dollars: 100,000,000 and over 1957	1955	10,000,000-100,000,000 1957	1955	Less than 10,000,000 1957	1955
1 year and less	4.79%	3.87%	5.14%	4.43%	5.59%	5.39%
Over 1 year—5 years	4.92	4.62	5.64	5.81	6.17	5.95
Over 5 years	4.18	3.69	4.86	4.50	5.45	5.21
All Maturities	4.71%	3.92%	5.21%	4.70%	5.73%	5.49%

There are several factors which accounted for large borrowers having to absorb more sizable increases in interest costs than did small borrowers. First, small borrowers in many cases are already close to or at the effective maximum rates permitted by law. Thus, there is less room for increases in rates to such borrowers than is true for those who are well inside the margin. Second, monetary restraint may have acted to eliminate from loan consideration some of the smallest, least creditworthy firms. The relatively small increase in rates to small borrowers probably reflects the omission of such high cost borrowers. Third, small banks, who provide much of the financing for small borrowers, did not raise interest rates to the same degree as did large banks.

Outlying banks, more remote from the day-to-day pressures of the money market, customarily do not change their interest rates as frequently as large urban banks. In the recent period of tight money, for example, large banks felt the effects of monetary restraint to a much greater degree than did small banks. From 1955 to 1957 at the smallest banks in the district, the increase in the average rate charged was only .24 percentage points, while for the largest banks it was .79 percentage points.

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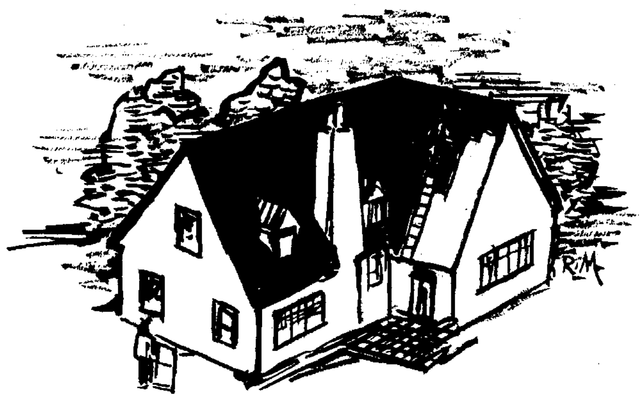


Homebuilding in 1958

MUCH uncertainty prevails regarding future trends in the residential construction industry. Some spokesmen feel that over 1.1 million homes will be started during 1958, whereas others anticipate that less than 900,000 units will be commenced. Many economic conditions which typically have a significant effect on this vast industry are undergoing change. Differences in appraisals by analysts reflect the lack of agreement on both the significant variables involved as well as the weights to be placed on each of them. Since the rate of general economic recovery depends, to some extent, upon conditions in the housing industry, a study of the economic developments influencing the industry is timely.

Residential building construction has generally been considered a "feast or famine" business. At times the demand for the industry's product seems unlimited, and at other times unemployment becomes widespread. Economic conditions, credit availability, population movements, rate of household formation, costs of production and Governmental policies have a pronounced impact on the number of houses constructed.

Favorable Factors

One of the most hopeful recent developments to the housing industry has been the easing of money. In the past lower interest rates and less restrictive credit terms have usually been conducive to an increase in the volume of homebuilding. Interest rates have moved down because the demand for funds has abated somewhat while the rate of saving and an easier monetary policy have contributed to the supply. As a result of the general decline in yields, mortgage credit has been made more readily available and on more favorable conditions to the borrower.

Interest rates on "conventional" loans have worked down substantially during the past several months. Six per cent was widely quoted as the going rate during late 1957. Now most borrowers are getting loans at rates from 5 to 5½ per cent, and a few borrowers, where the terms are short and the down payments large, have reported getting funds at rates as low as 4¾ per cent. More important for stimulating homebuilding than the lower interest rates on conventional loans has been the fact that with money in abundant supply lenders are now willing to extend credit more liberally on VA and FHA loan terms.

Another factor which should help bolster the home construction industry was the recent relaxation of terms on VA and FHA loans. The 2 per cent down-payment requirement on VA guaranteed mortgages was dropped, making no down-payment home buying possible. Down-payment requirements on FHA insured mortgages were reduced, too. The maximum interest rate that may be charged on VA loans was raised slightly from 4½ per cent to 4¾ per cent to make them more attractive to private lenders.

Other longer term influences that will tend to promote growth in housing starts include: (1) better features in new homes; (2) a migration of the population from rural to urban centers and from the central city areas to the suburbs; (3) a low vacancy rate in existing facilities; (4) new highways and other construction projects taking many homes and opening new residential areas, and (5) the vast number of families still living in substandard housing.

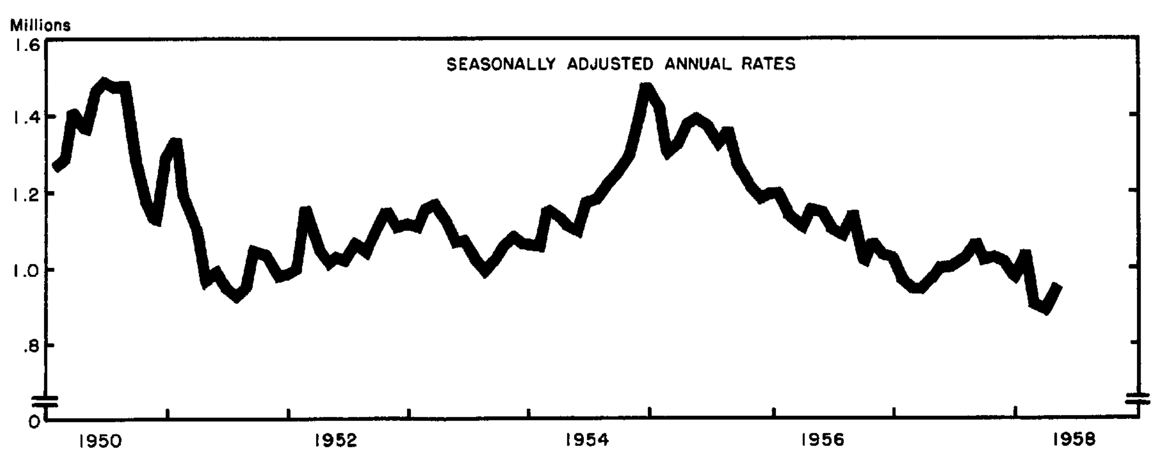
Those who are bullish about housing activity for the rest of the year point to the sharp increase in applications for appraisals and mortgage insurance that occurred in April. The number of GI home appraisal requests totaled 24,800, as against 8,400 in March and 19,400 in April last year. The FHA reported that applications for mortgage insurance on new homes, also an indication of builders' plans, totaled 31,610 in April, up 26 per cent from March and nearly double April a year ago. In addition, during April the FHA received 47,860 applications for mortgages on existing houses, up a quarter from March and 119 per cent higher than in the like month last year.

Unfavorable Factors

The housing picture, however, is not one of complete confidence and optimism, since there are strong forces at work tending to restrain activity. One of the main arguments of those building analysts who feel pessimistic about the outlook for residential construction is that business activity generally has been declining. With the decline in economic activity incomes of some families have fallen markedly, and the outlook is uncertain for many others. Under such conditions it is virtually certain that some potential buyers will hold back. The purchase of a home may be postponed when incomes decline or the outlook is cloudy.

Also, housing prices have been rising at a comparatively rapid pace over the postwar years, putting home ownership beyond the reach of some families. Incomes have risen, but year after year new home prices pull farther ahead of average earnings. The accompanying chart showing median-family income (Census Bureau data) and the average construction costs of houses built in the United States (Labor Department figures) point up the problem. In the decade from 1947 to 1957 median income rose 66 per cent, but the cost of building the average house jumped 91 per cent. Even though the average home built in 1957 was better than the typical one built a

PRIVATE HOUSING STARTS

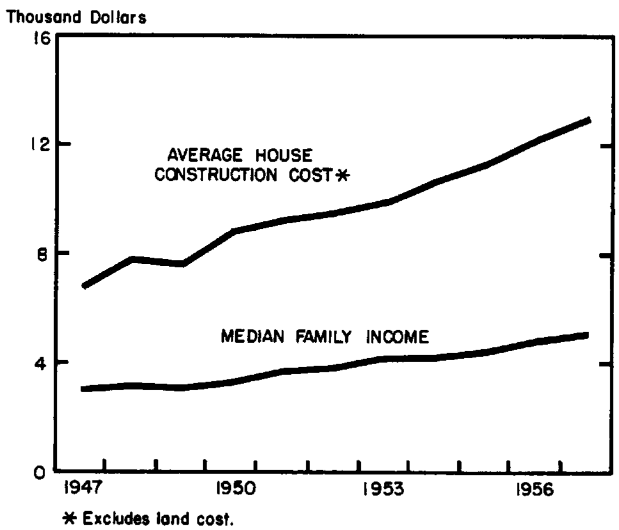


Source: Bureau of Labor Statistics.

decade earlier, the higher prices are becoming an obstacle to increased sales.

The average building construction worker early this year was getting $3.08 per hour compared with $2.91 a year earlier. The costs of many choice lots and areas suitable for subdivisions have more than doubled since 1947 and may be expected to continue rising as desirable locations become scarcer. Real estate taxes are continuing to work up.

INCOME AND CONSTRUCTION COSTS



Source: Bureau of Labor Statistics and Bureau of Census.

Although many lenders are mildly optimistic now, there is an air of caution among builders. Contractors reportedly are less anxious than formerly to build speculatively; instead they prefer to construct several model homes and take orders before venturing further. Builders in areas where unemployment is relatively high are especially concerned.

The 1958 survey of consumer finances conducted by the Board of Governors of the Federal Reserve System in conjunction with the Survey Research Center of the University of Michigan indicated that consumers planned (as of early 1958) to purchase fewer homes during the year than they had planned to buy in the early 1956 or 1957 surveys. The proportion of spending units disclosing intentions to buy homes this year was 7.1 per cent. A year before, 8.7 per cent reported plans to buy, and in 1956, 9.4 per cent expected to purchase a home.

The rapidly rising debt outstanding on existing homes may also be a deterrent to home buying. At the end of March of this year, the total mortgage debt on 1 to 4 family nonfarm residential properties was roughly $110 billion. These obligations rose about $9 billion in the previous twelve months, and they have more than doubled since 1951. Delinquencies and mortgage foreclosures reportedly are increasing, but their number is still negligible by most standards.

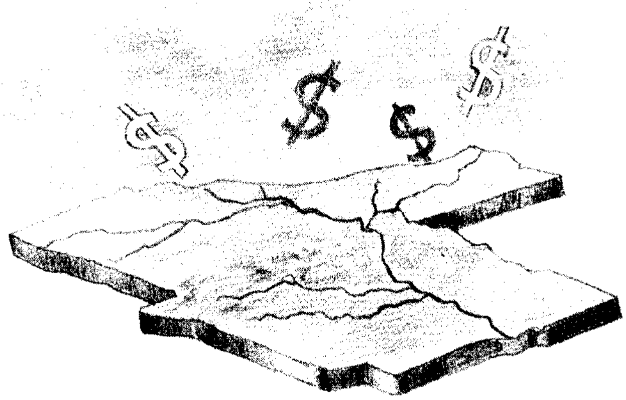
During the early postwar years, one stimulus to homebuilding was the large number of families who were forced to share a home with others. Today, however, most of the undoubling has been accomplished, and so the industry can expect less demand from this source. In addition, for some time there has been a decline in the number of new family formations reflecting the relatively low rate of births during the depression years of the thirties. Recently, the rate of decrease in marriages has apparently accelerated as personal incomes have fallen, especially among the younger people.

In Conclusion

With profound changes occurring in many of the factors that normally influence the volume of housing, forecasts of the number of houses to be commenced in 1958 are subject to a wide margin of error even at this date (late May). However, since many of the forces are expected to be offsetting in great part, neither the most optimistic nor the most pessimistic projections are apt to be correct.

With the current business situation, the high cost of construction and the attitudes of consumers it seems unlikely that housing starts will skyrocket. Easier credit terms combined with other factors mentioned above should stimulate housing somewhat from the levels experienced early this year, unless general economic conditions become decidedly worse. Thus, housing construction could become one factor of mild, but not ebullient, strength in the economy during the rest of the year.

NORMAN N. BOWSHER



DISTRICT

IN THE WELTER of pluses and minuses which characterize the current economic picture, one district indicator stubbornly resisting the slump is total dollar volume of personal income.

Preliminary figures show that total personal income in the Eighth Federal Reserve District climbed throughout most of 1957, dropping slightly in the final quarter. The total for the year was $15.9 billion, an increase of about 5 per cent over 1956. In the first quarter of this year, total district income, at seasonally adjusted annual rates, stood at $15.8 billion, virtually unchanged from the record levels reached in 1957.[1]

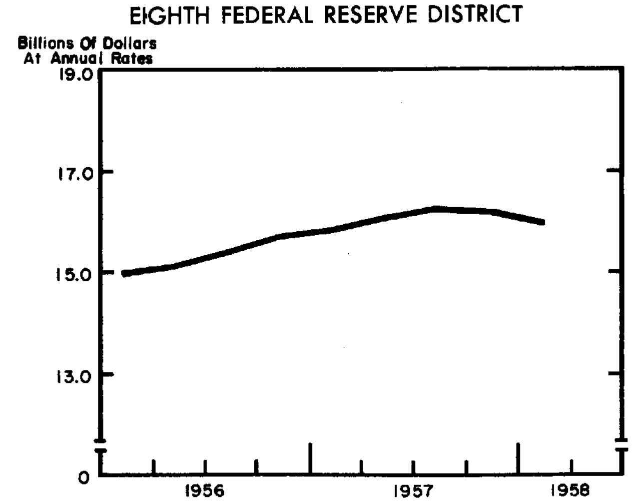
While the level of total income in the district is closely related to national developments, there are marked regional differences in the behavior of the individual income components.

In the early part of 1957 the district shared fully in the national rise in labor income when rises in both employment and wage rates swelled payrolls. The year-end leveling off of manufacturing activity, with the subsequent rise in unemployment, reduced fourth quarter payrolls, but the drop was less than in the nation. The industrial structure of the district has a relatively smaller proportion of the automobile and other heavy goods industries most affected by layoffs, despite their importance in the St. Louis and Louisville areas.

In the district as in the nation, the dip in manufacturing payrolls was cushioned by higher unemployment compensation and other transfer payments and was further offset by continued high incomes in the distributive and service categories. Tentative data indicate that in the first quarter of 1958 total district labor income was down less than 1 per cent from the

TOTAL PERSONAL INCOME

EIGHTH FEDERAL RESERVE DISTRICT



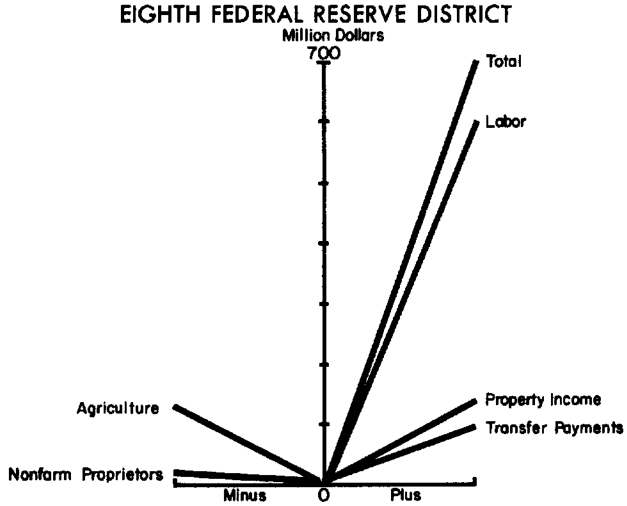
[1] Personal income figures for the Eighth District were estimated by the Federal Reserve Bank of St. Louis.

PERSONAL INCOME

same quarter a year ago, and some 7 per cent higher than first quarter 1956.

Personal income from property was higher in each quarter of 1957 than in the same months a year earlier. Rental income was up only fractionally, with most of the advance in interest and dividend payments. Despite shrinking profits, the flow of dividends collected by district residents remained strong throughout the year and continued high in the first quarter of 1958.

PERSONAL INCOME CHANGES
1956 - 1957
EIGHTH FEDERAL RESERVE DISTRICT



The sharpest departure from the national experience in 1957 was shown in the movement of farmers' total net income. For the United States as a whole, net income of farm proprietors increased from $11.6 billion in 1956 to $12.1 billion in 1957, a gain of more than 4 per cent. In contrast, district farmers suffered a drop in income of almost 10 per cent.

Abnormally bad weather was responsible for a large reduction in the cotton crop, and district production was down about one-third from 1956. In addition to the income loss in the Cotton Belt, farm income was off in large parts of the district as increased receipts from livestock and livestock products failed to offset heavy losses in crops.

Notwithstanding the weakness which has developed in some sectors of the district economy, the over-all maintenance of personal income at near record levels is having a moderating effect on the current business downturn. The sustained purchasing power of individuals is one of the "pluses" giving rise to hope of an early recovery.

LaVerne Kunz

The District Record

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	Apr. 1958	April 1958* compared with Mar. 1958	Apr. 1957
Steel Ingot Rate, St. Louis area (Operating rate, per cent of capacity)	61	—22%	—36%
Coal Production Index—8th Dist. (Seasonally adjusted, 1947-49=100)	85.1 p	+ 3	—13
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	380.7	— 1	— 2
Freight Interchanges RRs—St. Louis (Thousands of cars—25 railroads—Terminal R. R. Assn.)	85.5	— 8	—13
Livestock Slaughter—St. Louis area (Thousands of head—weekly average)	97.9	+ 9	—15
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	216.8	–0–	+ 4
Lumber Production—S. Hardwoods (Operating rate, per cent of capacity)	71	+ 3	— 3

* 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.

Banking

BANK DEBITS[1]

	Apr. 1958 (In millions)	April 1958 compared with Mar. 1958	Apr. 1957
Six Largest Centers:			
East St. Louis—National Stock Yards, Ill.	$ 148.9	+ 5%	— 2%
Evansville, Ind.	169.5	+ 1	—10
Little Rock, Ark.	216.2	+ 4	+ 9
Louisville, Ky.	841.8	–0–	— 2
Memphis, Tenn.	762.9	–0–	— 3
St. Louis, Mo.	2,293.6	— 5	— 7
Total—Six Largest Centers	$4,432.9	— 2%	— 5%
Other Reporting Centers:			
Alton, Ill.	$ 38.6	— 5%	— 2%
Cape Girardeau, Mo.	17.2	+ 4	+ 1
El Dorado, Ark.	29.8	+ 5	— 7
Fort Smith, Ark.	58.2	+ 5	— 5
Greenville, Miss.	25.5	— 2	— 3
Hannibal, Mo.	12.0	+ 1	+ 7
Helena, Ark.	9.7	–0–	+13
Jackson, Tenn.	26.5	+ 7	— 2
Jefferson City, Mo.	152.6	+ 7	+43
Owensboro, Ky.	46.6	–0–	— 2
Paducah, Ky.	27.9	— 2	— 1
Pine Bluff, Ark.	41.2	— 7	+ 6
Quincy, Ill.	43.1	+ 6	+ 1
Sedalia, Mo.	16.8	+ 7	—21
Springfield, Mo.	95.6	+ 3	+ 1
Texarkana, Ark.	19.3	–0–	–0–
Total—Other Centers	$ 660.6	+ 2%	+ 6%
Total—22 Centers	$5,093.5	— 2%	— 3%

INDEX OF BANK DEBITS—22 Centers

Seasonally Adjusted (1947-1949=100)

1958 April	1958 March	1957 April
173.6	163.2	179.4

[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	May 21 1958	Change from Apr. 16 1958
Loans[1]	$1,593	$— 3
Business and Agricultural	777	—24
Security	99	+20
Real Estate	276	— 1
Other (largely consumer)	469	+ 2
U.S. Gov't. Securities	1,023	+31
Other Securities	249	+ 1
Loans to Banks	5	—48
Cash Assets	891	—62
Other Assets	44	–0–
Total Assets	$3,805	$—81
Liabilities and Capital		
Demand Deposits of Banks	$ 697	$—77
Other Demand Deposits	2,060	—40
Time Deposits	655	+12
Borrowings and Other Liab.	87	+21
Total Capital Accounts	306	+ 3
Total Liab. and Capital	$3,805	$—81

Principal Changes in Commercial and Industrial Loans[2]

Business of Borrower	Net Change During 5 Weeks Ended 5-21-58
Manufacturing and Mining:	
Food, liquor and tobacco	$— 6
Textiles, apparel and leather	–0–
Metals and metal products	— 4
Petroleum, coal, chemicals and rubber	+ 2
Other	–0–
Trade Concerns:	
Wholesale	+ 1
Retail	–0–
Commodity dealers	—12
Sales finance companies	—11
Public Utilities (including transportation)	–0–
Construction	+ 2
All Other	+ 4
Total	$—24

[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.

Agriculture

CASH FARM INCOME

(In thousands of dollars)	Mar. 1958	Percentage Change: Mar. '58 from Mar. '57	Jan. thru Mar. 1958 compared with 1957	1956
Arkansas	$ 22,930	+25%	+ 5%	—24%
Illinois	159,008	— 2	— 5	+ 8
Indiana	80,390	+ 1	— 2	+ 5
Kentucky	23,227	+ 4	—17	—10
Mississippi	21,136	+ 7	+ 4	—30
Missouri	66,995	+ 8	+ 4	+ 9
Tennessee	23,720	+ 7	— 4	—12
7 States	397,406	+ 3	— 3	— 1
8th District[1]	154,122	+ 7	— 2	— 8

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

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

Construction

CONSTRUCTION CONTRACTS AWARDED IN EIGHTH FEDERAL RESERVE DISTRICT *

(Value of contracts in thousands of dollars)

	Mar. 1958	Feb. 1958	Mar. 1957
Total	$121,504	$110,324	$134,068
Residential	40,823	31,487	44,496
Nonresidential	54,854	52,926	53,811
Public Works and Utilities	25,827	25,911	35,761

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

Trade

DEPARTMENT STORES

	Net Sales: Apr., 1958 compared with Mar., '58	Apr.,'57	4 mos. '58 to same period '57	Percentage of Accounts and Notes Receivable Outstanding Mar. 31,'58, collected during April: Instl. Accounts	Excluding Instalment Accounts
8th F.R. District Total	+ 6%	— 8%	— 5%	15%	48%
Fort Smith Area, Ark.[1]	+ 9	—13	— 8	....	38
Little Rock Area, Ark.	+18	— 1	–0–	....	29
Quincy, Ill.	+ 9	— 5	+ 1	....	....
Evansville Area, Ind.	+11	—23	—20	....	....
Louisville Area, Ky., Ind.	+14	—10	— 6	16	38
Louisville (City)	+15	—11	— 8	....	....
Paducah, Ky.[1]	+30	+ 1	— 3	....	....
St. Louis Area, Mo., Ill.	+ 2	— 7	— 4	16	57
St. Louis (City)	+ 2	— 8	— 7	....	....
Springfield Area, Mo.	+15	–0–	— 6	....	....
Memphis Area, Tenn.	— 4	—12	— 7	12	35
All Other Cities[2]	+37	— 9	—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 April, 1958, were ten per cent lower than on the corresponding date a year ago.

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Apr. 1958	Mar. 1958	Feb. 1958	Apr. 1957
Sales (daily average), unadjusted[3]	123	117	96	134
Sales (daily average), seasonally adjusted[3]	130	134	125	136
Stocks, unadjusted[4]	n.a.	146	138	156
Stocks, seasonally adjusted[4]	n.a.	140	142	147

n.a. Not available.

[3] Daily average 1947-49=100

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

Trading days: Apr., 1958—26; Mar., 1958—26; Apr., 1957—26.

RETAIL FURNITURE STORES

	Net Sales: Apr. 1958 compared with Mar. '58	Apr. '57
8th Dist. Total[1]	+ 3%	—12%
St. Louis Area	— 3	—11
Louisville Area	+11	—18
Memphis Area	+13	+ 5
Little Rock Area	+ 8	—12
Springfield Area	—15	—14

[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.