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Federal Reserve Bank

of St. Louis 411 LOCUST STREET • ST. LOUIS, MISSOURI

The Business and Financial Situation

Most Recent Economic Developments

DURING RECENT WEEKS, measures of economic activity have on the whole indicated continuation of the improving trend which has prevailed since April. Industrial production in July was running at a rate of 133 per cent of the 1947-1949 average, after seasonal adjustment, up 7 points from the April rate. Production of durable goods increased by 10 points between April and July while nondurable goods output rose 5 points. Sales and new orders of manufacturers rose in July. Weekly data on production of steel, electric power, paperboard, petroleum, and some building materials indicate that industrial production rose further in August. Auto production, however, was at a low level in August because of model changeovers.

The upsurge of construction activity also continued through July and August. Total outlays for new construction in August were at a seasonally adjusted annual rate of \$49.4 billion, up \$2.3 billion from the May rate. Both public and private expenditures for construction have risen since May, with residential building accounting for much of the growth in private outlays.

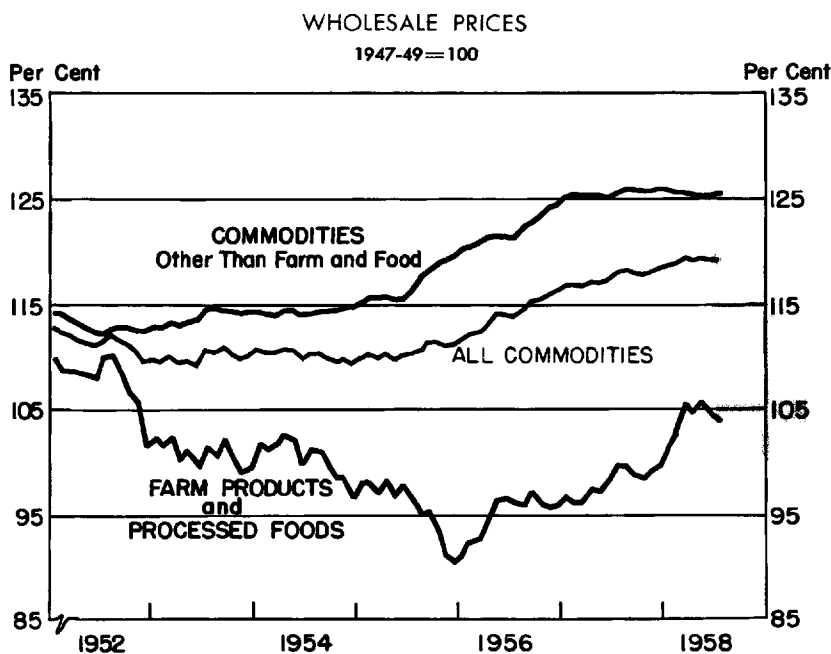
In July the dollar volume of construction contract awards reported by F. W. Dodge Corporation was 24 per cent greater than in July 1957, indicating continued support for construction activity in the near future. Contracts for residential building were 21 per cent greater than a year earlier and contracts for public works and utilities construction were up nearly 50 per cent from a year ago. Contract awards for commercial buildings and manufacturing buildings were smaller than in July 1957 by 5 and 9 per cent, respectively. Contracts for all other major types of construction exceeded their 1957 levels, both in July and in the totals for the first seven months of the year.

All of these measures suggest that the economy has experienced a substantial revival. Total gross national product, which had fallen about \$20 billion in seasonally adjusted annual rate between the third quarter of 1957 and the first quarter of 1958, rose \$3.2 billion in the second quarter of this year to a seasonally adjusted annual rate of \$429 billion. July and August production data indicate that gross national product in the current quarter will show a further increase.

By July, total nonagricultural employment, seasonally adjusted, had increased about 375,000 from the April level but was still 2 million less than it was a year earlier as gains in output have been made possible thus far mainly through lengthening of the workweek and by advances in output per man-hour. Unemployment at 5.3 million was slightly higher in July than in April, because employment growth had been insufficient to absorb all of the growth in the labor force over the period.

Unemployment compensation continued to decline in August. However, there was a rise in claims in the temporary unemployment compensation program, as workers exhausted their benefits under the regular programs. Auto workers laid off for model changeovers filed for compensation during the month.

Wholesale prices in primary markets declined slightly during August, reflecting lower prices for some farm



Latest Figure Plotted is July.

Source: Bureau of Labor Statistics.

products, processed foods, and some industrial materials. The wholesale price index for the week ended September 2 was at 118.7 per cent of the 1947-49 average, as compared to 119.3 per cent in mid-July and 118.4 per cent for the month of August 1957.

Financial Unrest of the Summer

Since June the desirable increase of industrial production, construction, and other economic measures has been accompanied by a great deal of public discussion of the possibility of rapid and extended increases in prices.

The inflationary sentiment of this past summer seems to have prevailed primarily in financial circles rather than among businesses or consumers. Manufacturers and retailers have permitted their inventories to continue to decline and there has been no rush of consumers to build up their stocks of goods. In the financial field, on the other hand, stock prices have risen at an accelerated pace, while prices of bonds have fallen as interest rates have risen.

But quite aside from anticipation of inordinate price rises it is possible to explain the summer's events in the financial markets merely by anticipation of recovery and high production. Anticipations of the future might simply have regained the position of a year earlier, thereby justifying whatever stock prices and interest rates were appropriate at that earlier time.

The inflationary sentiment during the past summer has not been manifested in any striking increase in prices of goods and services. Nor has the behavior of the price indices been such as to explain the development of such sentiment. The index of wholesale prices which stood at 119.5 in May was 119.2 in July. In late August the weekly wholesale price index was at about the June level and was virtually unchanged from a year ago. During the period from April to July the consumer price index rose at a rate of about 1½ per cent a year. This increase, while not desirable, was at a lower rate than a year earlier.

Reasons for Inflation Fears

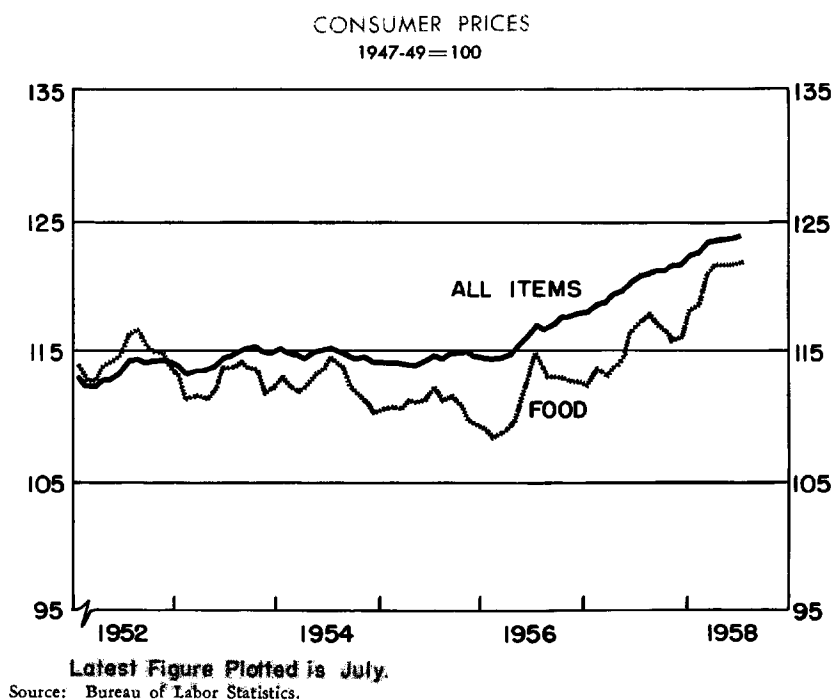
Such rise of inflationary sentiment as occurred during the summer may be due simply to the same causes that brought about this sentiment over the past several years. From this view it

may be thought that the prevalence and growth of this sentiment merely suffered a pause during the business decline of August 1957-April 1958. Such a cumulative growth of a public opinion that long-run price rises are in the cards may be based upon the fact that prices of goods and services have on the whole risen since 1939, the beginning of the war, since 1946, the end of war, and even since 1953, the end of the Korean boom.

Renewed discussion of inflation has been based partly on anticipation of a Federal deficit of some \$10 or \$12 billion during fiscal 1959. However, it is not certain that so large a deficit will develop. Control by the administration may keep expenditures below those anticipated. A rapid improvement in business activity with its accompanying increase in tax receipts might limit total demand sufficiently to prevent rapid increases in prices.

If a very substantial deficit is incurred, it may be that its financing can be carried on in such a way that it would not be inflationary. If a deficit can be financed out of saving, it need not create an excessive total demand and need not be inflationary. If the Treasury finances itself with suitable securities at appropriate interest rates, and if the central bank follows appropriate policies, a deficit may be financed out of saving and there may be little inflationary pressure from this source.

Some belief in the probability of continuous or repetitive price increases may arise from the assumption that there will be administered rises in prices of goods and services and that wages will rise more



rapidly than justified by productivity increases. While this may happen, it is not certain. Price and wage increases of the past 10 years which have appeared to be administered and negotiated may actually have been made possible in considerable measure by excessive monetary demand. It is true that, having become accustomed to price and wage increases when they were validated by excessive monetary demand, administrators and negotiators of prices and wages may be inclined to expect such increases even when monetary demand is not excessive. On the other hand, the possibility should not be ruled out that these administrators and negotiators will fairly readily adapt themselves to that limitation of monetary demand which is consistent with stable prices.

Another possibility is that an increase in prices may occur with respect to some goods and services, with increases offset by declines in the prices of others. Such a situation existed in the period 1952 through 1955 when both wholesale prices and consumer prices were on the whole remarkably stable. During that particular period, prices of farm products and processed foods declined markedly while the prices of other commodities and services drifted upward. During the forthcoming period, the increased efficiencies of agriculture may again manifest themselves in lower prices and the recent revisions in farm price support legislation may also result in price declines. Recent increases in efficiency and large additions to capacity in other industries may have similar effects on certain other prices.

History of Prices

If an idea is prevalent that, in the future, sustained prosperity and high production are likely to be accompanied by chronic and very substantial price increases, a brief examination of some earlier periods of our history may help to give some perspective to thought on the subject.

There have been sustained periods of economic prosperity in the United States when the level of prices has not increased. After an abrupt rise during the War of 1812, wholesale prices fell by 1820 to a level not more than three-quarters of the prewar average. During the subsequent forty years, a period of great economic growth in the country, prices on the whole drifted downward and in 1860 were lower than in 1820, 1830, and 1840. After the Civil War inflation, prices declined quite steadily for nearly 30 years. The period of price decline from the Civil War to about 1896 was also one of great economic growth. At the beginning of World War I wholesale prices, despite an increase since 1896, were about at the same level as in 1820, 1830, and 1880. (See chart on page opposite)

Since 1896 prices for the period as a whole have risen greatly and this experience has sometimes been used as a basis for inferring the probability or inevitability of further and chronic inflation. However, it is useful to look at the causes of price rises in various parts of this period. The greatest price rises have been associated with two world wars which in turn were characterized by large public deficits financed by the creation of credit. From 1920 to 1930, a period of growth and prosperity, wholesale prices were steady or drifted downward. From late 1952 to mid-1956 wholesale and consumer prices were stable, while for the period as a whole economic growth and prosperity prevailed.

So far as the periods of increasing prices in the past twelve years are concerned, it is not possible to discuss here in detail their causes and their implications for the future. However, we may briefly recall that the inflation of 1946-1948 was in considerable measure a manifestation of the suppressed inflation of the preceding war period, in which an unusual degree of financial liquidity was built up. Furthermore in that period the central bank was committed to a policy of maintaining a fixed pattern of low interest rates on Government securities. Such a policy inhibited the central bank from limiting the creation of new demand deposits and from counteracting an increased rate of deposit turnover. The 1950-51 inflation was associated with the Korean War and also occurred when central bank policy was inhibited from adequately restricting bank reserves.

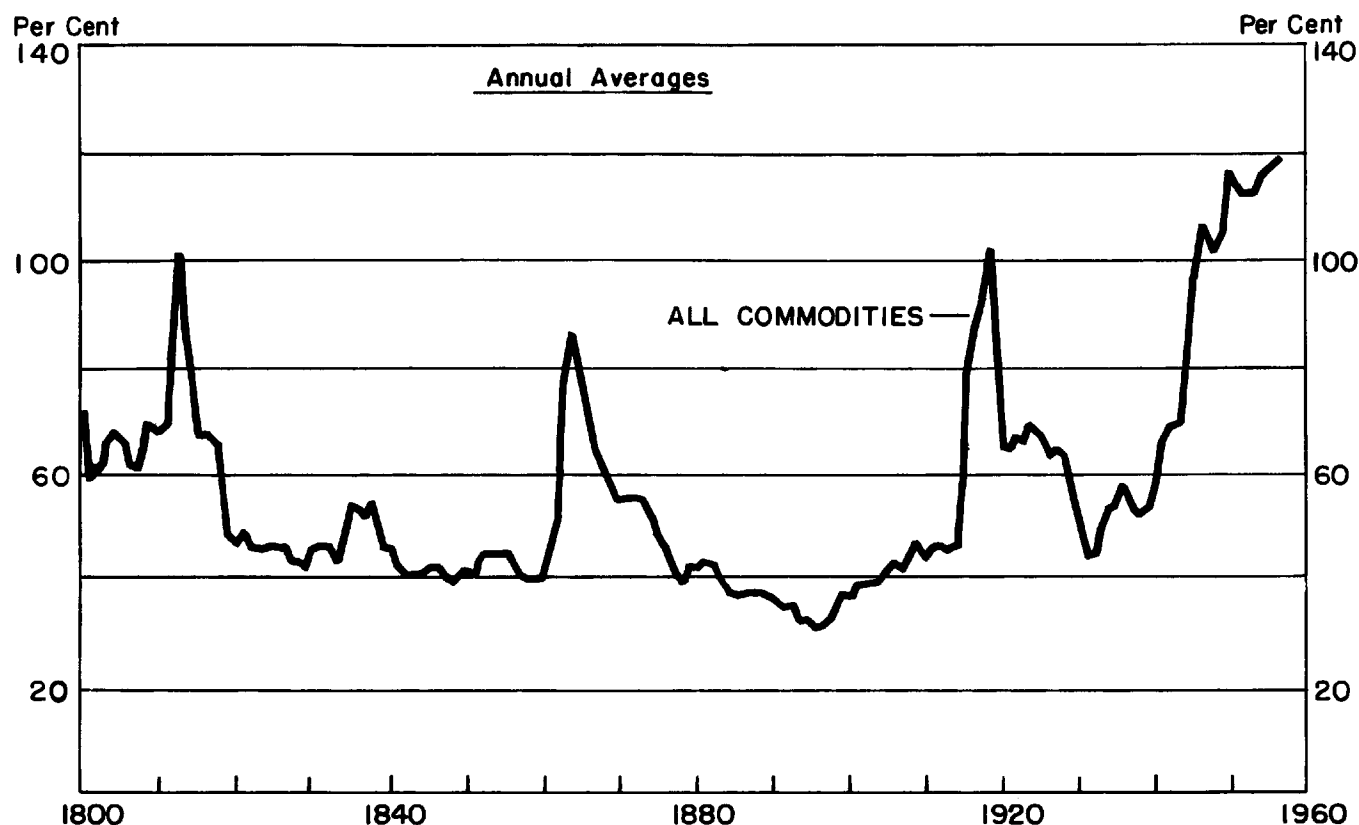
From late 1951 to late 1955 the general level of prices in the country was reasonably stable. This reassuring period included the prosperous years of 1952 and 1953, the recession of 1954, and the recovery of 1955.

These brief historical allusions do not prove that general increases in prices will not occur in the future. But they do raise some question as to whether historical experience provides any presumption of the inevitability of a long-run trend of generally increasing prices.

We find then that 1956-1958 is the one historical period when a substantial protracted price rise has occurred while we have had a central bank exercising its powers with reasonable freedom. If the historical evidence of a tendency toward a chronic price rise trend comes down in large measure to these three years, this three-year experience does not necessarily establish a continuing trend. There is no certainty that the course of the future may not be more like the period of price stability of 1952-1955 than like the period of 1956-58 when prices rose about 3 per cent a year, if sound fiscal and monetary policies prevail.

WHOLESALE PRICES, 1800-1958*

1947-49=100



* 1958 plotted on basis of first 7 months average.
Source: Bureau of Labor Statistics.

Public Liquidity

In order to see where the economic system stands in relation to the economic future, it is worthwhile to recall what has happened to some aspects of our finances during the past year.

Total demand deposits adjusted and currency amounted to \$137.6 billion in the latter part of July, the latest figure available, compared with \$136.0 billion a year earlier. This circulating medium of the country was thus well maintained during the 1957-58 recession. This was accomplished by a policy of monetary ease on the part of the central bank in the face of the growth of time deposits, and the consequent need for reserves in connection with them, an outflow of \$1.4 billion of gold, and a reduced demand for loans. The central bank has been able to foster maintenance of the supply of money by reductions of the required reserve ratios against deposits and by increasing its holdings of Government securities. At the beginning of June of this year the Federal Reserve

banks owned about \$24.2 billion of Government securities compared with \$23.0 billion 12 months earlier.

While demand deposits and currency in circulation have changed little over the past year, other liquid assets held by the public have risen substantially. Time and savings deposits in commercial and savings banks and accounts in savings and loan associations and savings bonds rose from about \$167 billion a year ago to an estimated \$182 billion at the end of June 1958. (See table) This substantial \$15 billion increase

Selected Liquid Assets

(In billions of dollars)

Assets	June 30, 1958	December 31, 1957	June 30, 1957
Time Deposits at Commercial Banks...	62.0	56.4	54.4
Time Deposits at Mutual Savings Banks	33.0	31.7	30.9
Savings and Loan Shares.....	45.1*	42.0	40.0
Savings Bonds, E and H.....	42.1	41.6	41.5
Total.....	182.2	171.7	166.8

* Estimated.

Sources: Federal Reserve Bulletin and Monthly Releases from the Fiscal Assistant Secretary, Treasury Department.

of these funds has been viewed by some as a potentially inflationary influence. As always is the case, the holders of such assets have the power to turn them into money and use them to add to total demand. But it is not evident that the 6 per cent increase in these liquid assets in the first six months of the year provided a basis for expecting great inflation. Some part of the public stocks of liquid assets is always a potential stimulative force. Whether they have particularly strong potentialities at the present time is not certain.

Individual holders of liquid assets have the power to turn them into demand deposits as they wish. But as a body they can do so only insofar as increased bank reserves come into existence. The possibility of the public undertaking to spend its liquid assets is always one of the forces which will determine how easy or strict the central bank must be. If the public undertakes to change its time and savings deposits into demand deposits, the banks will have to try to acquire more reserves and will be affected by the reserve policy of the central bank. If holders of mutual savings bank deposits or of savings and loan association accounts try to spend their funds, the same forces will be brought into play.

Some stimulative or inflationary potential may be found in the field of consumer instalment credit. Consumer instalment debt amounted to \$33 billion at the end of July, about the same as a year earlier. The rate of repayments was also about the same. The amount of debt outstanding and the monthly payments are slightly less in relation to disposable income than a year ago, about the same as in 1956 and a little greater than in 1955. As incomes increase it is quite likely that instalment debt outstanding will increase. But there appears to be little room for expansion to play such a dynamic role as in the period 1946-56 when the rate of monthly payments increased from 4 per cent to 13 per cent of disposable income.

Federal Reserve Action

During the period of recession of production and of employment last fall and winter, the Federal Reserve took major steps conducive to reversal of that movement. Those were the steps that appeared to be appropriate to that period of declining activity, a period when the problem appeared to be to stop the recession. Now it appears that the immediate problem is not to stem further recession but to foster continuance of the recovery which has recently been taking place. It may be that the monetary position which was appropriate to encourage the turn from recession to

recovery was somewhat different from that which is now appropriate to the period of early recovery.

A tightening of credit has occurred during the past three months, as evidenced by increased interest rates. The demand and supply for long-term funds would seem to bear about the same relation to each other as in 1957 during the boom. The yield on long-term U. S. Government bonds at about 3.70 per cent in early September compares with about 3.50 per cent in early August, and 3.15 per cent in early June, and is higher than at any time during the past decade except for a few months in 1957. The supply of short-term funds is apparently more restricted relative to demand than a few months ago but not so limited as a year ago. The market yield on Treasury bills at 2.35 per cent in early September compares with 1.20 in early August and .70 in early June. These yields, while not as high as in 1957, are as high as at their peak in 1953.

The Federal Reserve System has taken some tentative steps in recent weeks to limit credit availability. Margin requirements were raised on August 5 from 50 per cent to 70 per cent. The Board of Governors approved increases in discount rates from 1½ to 2 per cent at several Federal Reserve Banks as follows:

<u>Date Effective</u>	<u>District</u>
August 15	San Francisco
August 22	Dallas
August 26	Atlanta
August 29	Kansas City
September 5	Chicago
September 5	Minneapolis

The net result of borrowings from the Federal Reserve, and Federal Reserve purchase and sales of securities, gave \$128 million of free reserves in early September compared with about \$500 million in the period from early March through July of this year. This reduction in free reserves is generally interpreted as indicative of a more restrictive open market policy of the Federal Reserve. Reserve percentages required remain 18 per cent at Central Reserve City Banks, 16½ per cent at Reserve City Banks, 12 per cent at Country Banks for net demand deposits, and 5 per cent on time deposits at all Member Banks. These are the lowest rates since the 1930's. Federal Reserve holdings of Government securities amounted to \$25.4 billion on September 3 as compared to \$24.2 on June 1. The most recent figure on excess reserves is \$589 million, as compared with \$414 million a year ago while borrowings from the Federal Reserve are \$461 million, compared with \$826 million a year ago. The \$128 million of free reserves compares with \$412 million of net borrowings a year earlier.

Production and Employment Changes in the Eighth Federal Reserve District

THE ECONOMY OF THE EIGHTH DISTRICT has behaved much like that of the nation over the past year. Production and employment declined sharply in the district's metropolitan areas through last fall and winter, and unemployment rose. Signs of revival began to appear in early spring but employment in all of the five largest urban areas except Little Rock was still well below year-earlier levels in July. Construction contract awards during the first half of this year indicate that the district is participating in the national upsurge in construction. District farm income was higher in the first half of this year than in the same months of 1957, as was true for the nation. Crop prospects are good.

Industrial Production

The 1957-1958 recession affected most sharply the manufacturers of durable goods and suppliers of minerals and transportation, both in district and nation. Thus, district production of machinery, automobiles, household appliances, lumber, coal, lead, zinc, aluminum, and steel fell substantially as the nation's businesses and consumers reduced their spending for durable goods and as inventories were liquidated. Rail freight interchanges at St. Louis, one of the principal rail centers of the country, were running about 15 per cent lower in early 1958 than in the same months of last year.

District lumber production reached a low point in February. Southern pine output declined about 5 per cent between August 1957 and February of this year. By August of this year it had risen to a level 6 per cent above August of last year. Hardwood output, which was more seriously affected by the slowing of construction activity last year than pine, declined nearly 20 per cent between last August and this February and has in recent weeks returned to its year-ago level.

Coal production in the district fell about 40 per cent between last August and April of this year. With the national expansion of industrial production, district coal output rebounded by July to its August 1957 rate. In July and August of last year district crude oil production was reduced by a strike at refineries which take a considerable portion of district

output. Production recovered in September and reached a record December high. In the first 7 months of this year daily average production was sustained at a rate 1 per cent below the district record set in first-half 1957.

St. Louis area steel production has made a sharp recovery since April. The average weekly output in ingot tons during April was 20 per cent below the August 1957 rate, a decline about a third as deep as the drop in national output in the same period. August output in the St. Louis area was up 40 per cent from April and was 9 per cent larger than in the same month a year ago. An increase in aluminum production in Arkansas was announced in early September. On the other hand, lead production in the Missouri Lead Belt was curtailed further in August.

Construction

The Eighth District is apparently having an even greater increase in construction activity from a year ago than is the rest of the country. The total value of construction contracts reported by F. W. Dodge Corporation for the Eighth District was 9 per cent greater in the first half of this year than in first-half 1957. The total reported for the country as a whole in the first six months of this year was slightly smaller than the amount for the first half of last year.

The district increase over a year earlier in value of contracts is remarkable in view of the fact that awards in the first half of 1957 included very large contracts for housing at military bases in the district. Contracts for military and other public housing in first-half 1957 amounted to about \$70 million in the district, or nearly a quarter of all residential contracts in the period. In first-half 1958 on the other hand, the volume of contracts for public housing was much smaller, causing total residential contracts to be 9 per cent smaller than a year earlier. The value of contracts for privately financed housing in the district, however, exceeded the 1957 first-half amount by 5 per cent, a much larger increase in private residential contracts than was reported for the nation in the same period. The district value of contracts for all other construction was more than 20 per cent greater in the first six months of this year than in the first half of 1957, as compared to a slight decline in the national total.

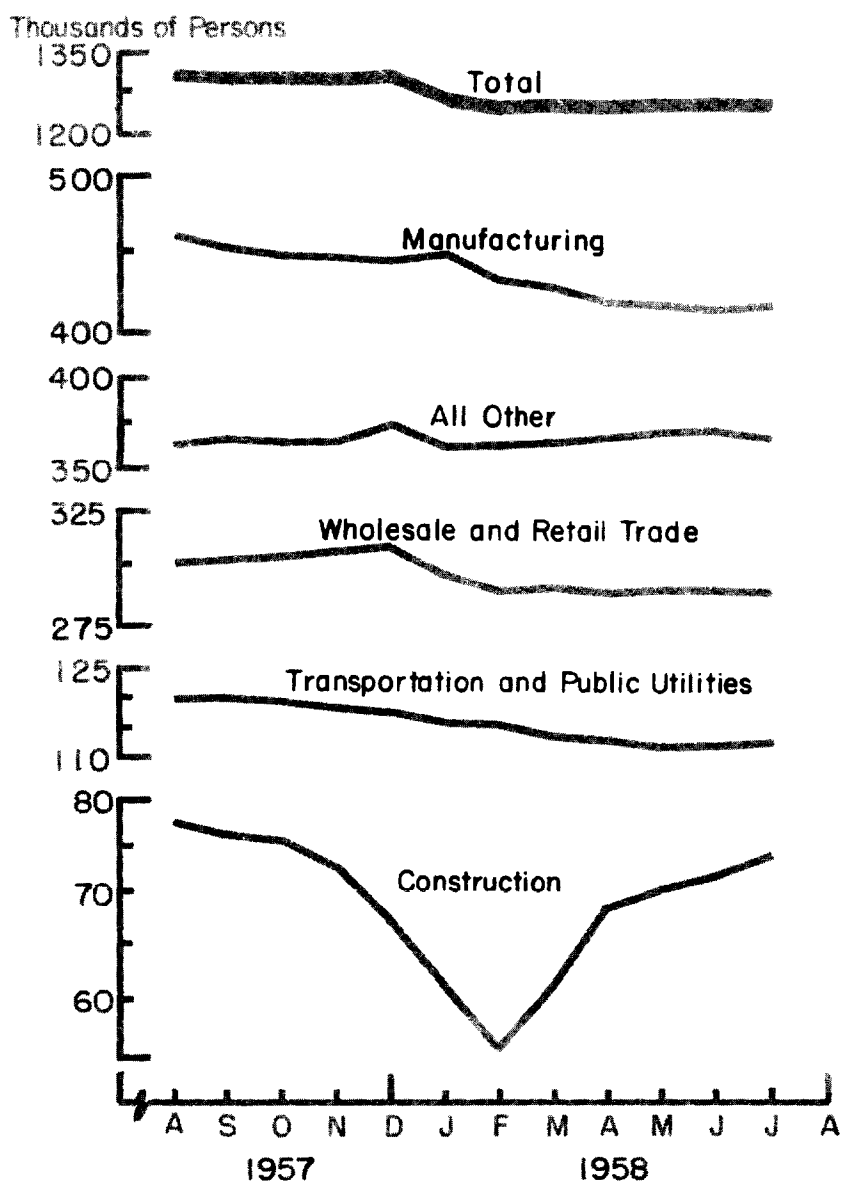
Employment

Total nonfarm employment in the five largest district metropolitan areas combined fell by 67,500, or 5 per cent, between August of 1957 and February of this year, a period in which national nonagricultural employment also declined by 5 per cent. (See chart) About two-thirds of the decline of employment in the district areas was in manufacturing. Employment in contract construction fell considerably more than is usual for the winter months, partly because of unusually severe weather which interrupted work in progress and delayed starts on other projects.

Despite some improvement in business activity, total employment in the district metropolitan areas in July was still 5 per cent below the peak of last August, and manufacturing employment was 9 per cent lower than in August. Unemployment this July was estimated to be more than 8 per cent of the labor force in all of these major centers except Little Rock where it was 5 per cent of the labor force. More than half of the reduction in manufacturing employment in the district metropolitan areas between last August and this July occurred in two industrial groups, non-electrical machinery and transportation equipment because of cuts in production of automobiles, household appliances, and railroad equipment. These two industrial groups are of particular importance to St. Louis, Louisville, and Evansville.

Employment has been increasing since January in Little Rock and since May in St. Louis. Reports of production increases and recalls at manufacturing plants suggest that the declines in the other areas may be over, after allowance for the shutdowns at auto assembly plants for model changeovers in August and early September.

NONAGRICULTURAL EMPLOYMENT IN FIVE EIGHTH DISTRICT METROPOLITAN AREAS*



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

Source: State Employment Securities Divisions.

Note: Plotted on semi-log scale so that equal vertical distances represent equal percentage changes.

Farm Income and Production

The district received support from improved farm income in the first half of 1958 as did the nation. However, a large part of the gain in national farm income this year has resulted from higher livestock prices, but livestock sales are not as important a source of farm income in this district as in the country as a whole. The cotton crop, which normally provides about a quarter of Eighth District cash farm receipts, was

(Continued on page 115)

Selected Foreign Developments

A YEAR AGO when this country was at the end of a boom and on the eve of a recession most other major countries of the free world had also been experiencing prosperity. Since that time most of them have either leveled off in activity or have, like the United States, experienced some recession.

Major developments in Canada during the past year have been similar to those in the United States. The downturn in economic activity evidently preceded that of the United States, with seasonally adjusted unemployment figures beginning to climb as early as June 1957. Total industrial production showed a slight decline in March 1957, but the major decline began in August. From June 1957 until December 1957 unemployment increased from 3.9 to 6.5 per cent of the total labor force, while comparable figures for the United States showed a rise from 4.2 to 5 per cent. However, the Canadian labor force increased much more rapidly than the labor force in this country. Industrial production declined 4.3 per cent in Canada between June and December compared with 5.5 per cent in the United States.

Recovery started earlier in Canada than in the United States. As far as industrial production and labor income are concerned, December 1957 marked the trough of the recession there. Unemployment as a percentage of the labor force seasonally adjusted, however, remained above the 6.5 per cent December level throughout the second quarter of 1958.

Canadian wholesale prices fell about 2 per cent in the three months following August 1957, and then increased about 1 per cent and maintained a virtually constant level during the first half of 1958. Retail prices showed a small decline of approximately 0.2 per cent during November and December, and then rose about 1.5 per cent during the first six months of this year. Major increases were in the food and shelter sectors.

In the United Kingdom industrial production reached a seasonally adjusted high in June 1957. A gradual downturn became apparent in the second half of the year, and continued throughout the first six months of 1958. A recession of business as a whole cannot be said to have occurred, however; total unemployment continues to be low, amounting to only 2 per cent of the labor force in June of this year, as compared to an average of 1.4 per cent for

1957. The levels of activity in the different economic sectors show wide divergences, with mining, textiles, and private building among the industries which seem to have experienced the most significant decreases in output. Unemployment figures vary widely in the different regions of the country, having reached the highest levels in the mining districts of Wales, in Scotland, and in the textile region of Northwest England. On the other hand, output in the metal and metal-using industries has continued to increase, with consequent below-average levels of unemployment in the Midlands and other regions known for their engineering industries.

Prices in the United Kingdom showed a continued increase throughout most of 1957. Wholesale prices rose by approximately 2.7 per cent during 1957, about two-thirds or 1.8 per cent occurring in the last six months of that year. The cost of living rose about 3.5 per cent in 1957. During 1958 prices seem to have stabilized; wholesale prices in June of this year were roughly of the same magnitude as in January, while the cost of living increased by less than 1 per cent during the first half of this year.

German industrial production, seasonally adjusted, leveled off after February 1957 until the end of the third quarter when there was a renewed expansion to a new level in the first quarter of 1958. Some weakness developed in April and May, but production moved back up nearly to the peak level in the first quarter. Employment increased from 18.9 million in June 1957 to 19.2 million a year later. In July 1958 the unemployed were 2 per cent of the total employed and unemployed wage and salary earners, essentially unchanged from a year earlier. Retail prices rose about 2 per cent and wholesale prices were up slightly during the past year.

Economic activity in Japan during the last year has shown a decrease in the rapid rate of growth which characterized the country's economy until the summer months of 1957. Seasonally unadjusted industrial production which rose by about 19 per cent during the first quarter last year began to level off after that, and showed a gradual decline toward the end of 1957. Compared to 1956 levels, however, economic activity remained high. Industrial production in December 1957 was 2.3 per cent higher than in December 1956, and during the first half of 1958 showed

(Continued on page 115)

Farm Financial Structure

This article is based on the fourteenth annual report on the Balance Sheet of Agriculture which will be published as an Agricultural Bulletin by the Department of Agriculture.

EQUITIES IN FARMING reached a new peak of \$167 billion on January 1, 1958, according to the United States Department of Agriculture. Farm assets rose in value by about \$10 billion in 1957. Farm debt also rose again but the increase was only about \$700 million.

The balance sheet of agriculture continues to reflect pervasive changes of the industry in the direction of larger farm operating units, fewer farmers, and larger

capital investment per farm. Nationally, over 40 per cent of the farm real estate transfers during the year ending March 1958 were for farm enlargement purposes as compared with 38 per cent for the previous year. This source of demand has no doubt been a major influence in pushing farm real estate values higher. The number of farms in 1957 was down approximately 2 per cent from the previous year. value of assets per farm rose from about \$35,000 in 1957 to about \$38,000 in 1958, an increase of 9 per

COMPARATIVE BALANCE SHEET OF AGRICULTURE UNITED STATES, JANUARY 1, 1940, 1957, AND 1958

(in billions of dollars)

				Net change ² (Per cent)		
	Item	1940	1957 ¹	1958	1940-58	1957-58
Assets						
Physical assets:						
	Real estate.....	33.6	109.5	116.3	+ 245.7	+ 6.2
Non-real estate:						
	Livestock.....	5.1	11.1	14.2	+ 175.9	+27.2
	Machinery and Motor vehicles.....	3.1	17.2	17.6	+ 473.9	+ 2.1
	Crops stored on and off farms ³	2.7	8.3	7.6	+ 185.9	— 8.6
	Household furnishings and equipment ⁴	4.3	12.4	12.8	+ 198.5	+ 2.5
Financial assets:						
	Deposits and currency.....	3.2	9.3	9.4	+ 190.7	+ 0.7
	United States savings bonds.....	.2	5.1	5.1	+1,932.9	0.0
	Investments in cooperatives.....	.8	3.5	3.7	+ 341.1	+ 5.4
	Total ⁵	53.0	176.4	186.7	+ 251.3	+ 5.7
Claims						
Liabilities:						
	Real estate debt.....	6.6	9.9	10.5	+ 59.6	+ 6.1
Non-real estate debt to:						
	Commodity Credit Corporation ⁶4	1.6	1.2	+ 175.5	—22.2
	Other reporting institutions ⁷	1.5	4.5	5.0	+ 232.0	+11.7
	Nonreporting creditors ⁸	1.5	3.5	3.5	+ 133.3	0.0
	Total liabilities ⁵	10.0	19.5	20.2	+ 101.6	+ 4.0
	Proprietors' equities.....	43.0	156.9	166.5	+ 286.2	+ 5.9
	Total ⁵	53.0	176.4	186.7	+ 251.3	+ 5.7

¹ Revised.

² Computed from unrounded data.

³ Includes all crops held on farms for whatever purpose and crops held off farms as security for Commodity Credit Corporation loans. The latter on January 1, 1958 totaled \$700 million.

⁴ Estimated valuation for 1940, plus purchases minus depreciation since then.

⁵ Total of rounded data.

⁶ Although these are nonrecourse loans, they are included as liabilities because borrowers must either repay in cash or deliver the commodities on which they were based. The values of the underlying commodities are included among the assets; hence, the loans must be included as liabilities to avoid overstating the amount of proprietors' equities.

⁷ Loans of all operating banks, the production credit associations, and the Farmers Home Administration, and discounts of the Federal Intermediate Credit Banks for agricultural credit corporations and livestock loan companies.

⁸ Loans and credits extended by dealers, merchants, finance companies, individuals, and others. Estimates based on fragmentary data.

Nearly \$7 billion of the \$10 billion increase in farm assets was in the form of higher farm real estate values.¹ The total value of farm real estate (land plus buildings) was estimated as \$116.3 billion. This was \$100.39 per acre, a new record, and 6 per cent higher than a year earlier. Farm buildings valued at \$26.9 billion, constituted a slightly higher proportion of the total farm real estate value than in the previous year.

The farm inventory of livestock and poultry on January 1, 1958 was valued at \$14.2 billion, 27 per cent higher than a year earlier. Most of the increase occurred in the value of cattle; up \$2.6 billion despite a slight decline in numbers. The 94 million cattle on January 1, 1958 were valued at \$120.00 per head compared to \$91.60 per head for the 95 million on January 1, 1957. The value of hogs, sheep, chickens, and turkeys on farms was also greater on January 1, 1958 than a year earlier.

Increases in the value of machinery, household furnishings, and financial assets were offset by a decline in the value of crop inventories. The value of crop inventories was down about 9 per cent, reflecting substantially lower prices. Farmer investments in co-operatives, and deposits and currency were up slightly. Savings bond holdings were unchanged.

Total farm debt increased about \$700 million with most of the gain in farm real estate debt. Farm debt secured by mortgages rose for the twelfth consecutive year in 1957 to an estimated \$10.5 billion on January 1, 1958. The increase for the year was about \$600 million compared with \$840 million for 1956. Non-real estate farm debt increased only slightly during the year and amounted to about \$9.7 billion on January 1, 1958. The sharp drop in loans made or guaranteed by the Commodity Credit Corporation was more than offset by increased loans by other agencies sponsored by the Federal Government and banks.

¹ Farm real estate values estimated as of March 1, 1958.

CHANGES IN THE EIGHTH DISTRICT

(Continued from page 112)

unusually small last year because of weather damage, so cash receipts from sale of cotton early this year were smaller than normal. Nevertheless, in the first six months of this year district cash receipts from farm marketings were up 4 per cent from first-half 1957. Each of the district states showed some gain except Kentucky, where reduced marketings of the 1957 tobacco crop substantially affected the total. The national gain in cash receipts was 11 per cent in the same period.

District livestock production was down substantially in the first half of 1958 compared to the first half of last year. In the major district slaughtering centers the number of cattle slaughtered was down 15 per cent, the number of hogs was down 15 per cent, and sheep declined 19 per cent. For the nation, the number of cattle slaughtered was down approximately 12 per cent, hogs were down about 5 per cent, and the slaughter rate for lambs was somewhat less than that of a year ago.

August 1 estimates of corn production in the district states are up slightly from the very good crop of 1957. Soybean production is expected to be up substantially and cotton production is expected to be somewhat higher. Latest official estimates of the Kentucky tobacco crop indicate that it may be down about 2 per cent from the relatively small 1957 crop.

PRODUCTION ESTIMATES FOR MAJOR CROPS IN THE EIGHTH DISTRICT STATES—1958 COMPARED WITH 1957 PRODUCTION

	Soybeans (million bu.)		Corn (million bu.)		Cotton (thousand bales)	
	1957 production	1958 est.	1957 production	1958 est.	1957 production	1958 est.
Arkansas	32.5	42.9	13.9	13.9	981	1,040
Illinois	126.8	140.0	529.7	550.8		
Indiana	53.0	55.0	262.6	262.6		
Kentucky	2.7	2.9	64.7	65.0		
Mississippi	11.7	14.8	37.6	43.3	1,081	1,040
Missouri	35.2	37.5	151.1	140.5	179	285
Tennessee	4.2	5.1	45.2	52.1	415	405
Totals	266.1	298.2	1,104.8	1,128.2	2,656	2,770

SELECTED FOREIGN DEVELOPMENTS

(Continued from page 113)

little change. The total number of unemployed dropped during 1957 by about 130 thousand. Unemployment remained relatively low throughout the first six months of 1958, and was comparable to the 1957 level.

Wholesale prices in Japan in 1957 showed a generally downward trend. The wholesale price level in December was the lowest since August 1956, and ap-

proximately 3 per cent below the December 1956 index. Consumer prices, however, continued to rise throughout the first 10 months of 1957, although at a modest rate. The general consumer index increased by approximately 3.3 per cent during 1957, although a rather sharp drop was experienced during November and December. Wholesale prices continued to decline throughout the first six months of 1958, while the cost of living remained more or less stable.

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	July 1958	July 1958* compared with June 1958	July 1957
Steel Ingot Rate, St. Louis area (Operating rate, per cent of capacity)	81	-11%	-0%
Coal Production Index—8th Dist. (Seasonally adjusted, 1947-49=100)	68.3 p	-27	-10
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	374.7	-0-	+21
Freight Interchanges RRs—St. Louis (Thousands of cars—25 railroads—Terminal R. R. Assn.)	82.0	-2	-18
Livestock Slaughter—St. Louis area (Thousands of head—weekly average)	74.2	-13	-25
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	212.4	-5	+5
Lumber Production—S. Hardwoods (Operating rate, per cent of capacity)	77	-6	+4

* 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 DEBITS¹

	July 1958 (In millions)	July 1958 compared with June 1958	July 1957
Six Largest Centers:			
East St. Louis—National Stock Yards, Ill.	\$ 151.8	-3%	-2%
Evansville, Ind.	189.5	+11	-4
Little Rock, Ark.	218.3	+7	+3
Louisville, Ky.	877.1	+3	+6
Memphis, Tenn.	727.4	-5	-5
St. Louis, Mo.	2,394.9	-1	-6
Total—Six Largest Centers	\$4,559.0	-0%	-6%
Other Reporting Centers:			
Alton, Ill.	\$ 40.8	-8%	-0%
Cape Girardeau, Mo.	17.8	+9	-3
El Dorado, Ark.	32.1	+6	-2
Fort Smith, Ark.	62.5	+8	+4
Greenville, Miss.	28.1	+3	+2
Hannibal, Mo.	13.1	+9	+7
Helena, Ark.	8.3	-3	-11
Jackson, Tenn.	26.5	-2	+5
Jefferson City, Mo.	135.9	+57	+21
Owensboro, Ky.	48.0	-2	+2
Paducah, Ky.	32.2	-2	+7
Pine Bluff, Ark.	42.7	+7	-1
Quincy, Ill.	44.3	-1	-1
Sedalia, Mo.	17.9	+4	+8
Springfield, Mo.	106.4	+4	+4
Texarkana, Ark.	24.4	+11	+8
Total—Other Centers	\$ 681.0	+10%	+6%
Total—22 Centers	\$5,240.0	+1%	-4%

INDEX OF BANK DEBITS—22 Centers

Seasonally Adjusted (1947-1949=100)

	1958	1957
July	178.6	169.9 R
June	169.9 R	186.6

R—Revised

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

² Percentage comparison to a year ago not strictly comparable due to an increase in the number of reporting banks.

EIGHTH DISTRICT WEEKLY REPORTING MEMBER BANKS

(In millions of dollars)

	Aug. 20, 1958	Change from July 23, 1958	Principal Changes in Commercial and Industrial Loans ² Net Change During 4 Weeks Ended Aug. 20, 1958
Assets			
Loans ¹	\$1,584	\$+30	
Business and Agricultural	774	+23	
Security	87	-1	
Real Estate	270	-1	
Other (largely consumer)	480	+9	
U.S. Gov't. Securities	1,090	+19	
Other Securities	246	-5	
Loans to Banks	16	-11	
Cash Assets	895	-1	
Other Assets	41	-3	
Total Assets	\$3,872	\$+29	
Liabilities and Capital			
Demand Deposits of Banks	\$ 742	\$+25	
Other Demand Deposits	2,086	+16	
Time Deposits	670	-0-	
Borrowings and Other Liab.	65	-13	
Total Capital Accounts	309	+1	
Total Liab. and Capital	\$3,872	\$+29	
Business of Borrower			
Manufacturing and Mining:			
Food, liquor and tobacco			\$+2
Textiles, apparel and leather			+1
Metals and metal products			-1
Petroleum, coal, chemicals and rubber			-0-
Other			-2
Trade Concerns:			
Wholesale			+4
Retail			-0-
Commodity dealers			+14
Sales finance companies			+4
Public Utilities (including transportation)			-1
Construction			-0-
All Other			+6
Total			\$+27

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

Percentage Change

	June 1958	June '58 compared with June '57 p	Jan. thru June 1958
(In thousands of dollars)			
Arkansas	\$ 29,992	+1%	+8%
Illinois	152,745	+29	+4
Indiana	74,914	+17	+7
Kentucky	30,568	+17	-7
Mississippi	28,806	+6	+11
Missouri	85,410	+5	+7
Tennessee	28,192	+9	+3
7 States	430,627	+15	+5
8th District ¹	184,042	+9	+4

Source: State data from USDA estimates. Eighth District share based on 1954 Census of Agriculture.

CONSTRUCTION CONTRACTS AWARDED IN EIGHTH FEDERAL RESERVE DISTRICT*

(Value of contracts in thousands of dollars)

	June 1958	May 1958	June 1957
Total	\$174,387	\$190,138	\$111,818
Residential	57,526	70,711	45,295
Nonresidential	47,303	62,777	44,026
Public Works and Utilities	69,558	56,650	22,321

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

DEPARTMENT STORES

	Net Sales			Percentage of Accounts and Notes Receivable Outstanding June 30, '58, collected during July.	
	July, 1958 compared with July, '57	July, '57	7 mos. '58 to same period '57	Instl. Accounts	Excluding Instalment Accounts
8th F.R. District Total	-4%	-0%	-4%	16%	52%
Fort Smith Area, Ark. ¹	+2	-4	-5	-----	40
Little Rock Area, Ark.	+10	+2	-0-	-----	29
Quincy, Ill.	+8	-1	-	-----	-----
Evansville Area, Ind.	-4	-10	-19	-----	-----
Louisville Area, Ky., Ind.	-1	-1	-4	16	40
Louisville (City)	+1	-3	-6	-----	-----
Paducah, Ky.	-8	+7	+4	-----	-----
St. Louis Area, Mo., Ill.	-12	-0-	-2	16	62
St. Louis (City)	-10	-2	-5	-----	-----
Springfield Area, Mo.	-2	-7	-5	-----	-----
Memphis Area, Tenn.	+18	+6	-5	12	37
All Other Cities ²	-4	-9	-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 July, 1958, were five per cent lower than on the corresponding date a year ago.

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	July 1958	June 1958	May 1958	July 1957
Sales (daily average), unadjusted ³	114	124	137	114
Sales (daily average), seasonally adjusted ³	139	133	136	139
Stocks, unadjusted ⁴	n.a.	138	140	142
Stocks, seasonally adjusted ⁴	n.a.	149	140	153

n.a. Not available.

³ Daily average 1947-49=100

⁴ End of Month average 1947-49=100

Trading days: July, 1958—26; June, 1958—25; July, 1957—26.

RETAIL FURNITURE STORES

	Net Sales	
	July, 1958 compared with	
	June, '58	July, '57
8th Dist. Total ¹	+ 9%	+ 6%
St. Louis Area	+ 14	- 7
Louisville Area	- 7	- 8
Memphis Area	+ 7	+ 13
Little Rock Area	- 2	- 8
Springfield Area	+ 14	- 7

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.