

**BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM**

G.20

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SALES FINANCE COMPANIES

MAY 1946

Retail financing.--The volume of automotive and other retail financing in May was higher than in April, and outstanding balances on both classes of paper continued to increase.

The rise of 10 per cent in total automotive financing, shown in the table below, reflected gains in the volume of all classes of retail automotive paper purchased, except used car paper. New passenger car financing continued to rise sharply, and constituted about 20 per cent of the dollar volume of automotive paper acquired in May compared with 16 per cent in April.

Retail financing of consumers' goods other than automotive was 9 per cent higher than that of the preceding month. The decrease in volume of paper arising from miscellaneous retail sales was more than offset by substantial increases in all other types of diversified financing.

Retail Financing by Sales Finance Companies

Class of retail instalment paper	Percentage change, April 1946 to May 1946		
	Number of cars	Volume of paper acquired during month	Outstanding balances, end of month
Automotive: Total retail	<u>+ 7</u>	<u>+ 10</u>	+ 10
Passenger cars: New	+ 54	+ 40	...
Used	- 4	- 4	...
Commercial cars: New	+102	+ 94	...
Used	+ 5	+ 17	...
Other consumers' goods: Total retail		<u>+ 9</u>	+ 12
Furniture, radios, musical instruments		+ 12	...
Refrigerators and other household appliances		+ 16	...
Residential building repair and modernization		+ 13	...
Miscellaneous retail		- 4	...

Wholesale financing.--The volume of wholesale automotive financing in May was more than one-fourth larger than that of a month earlier, but outstanding balances showed only a small rise. The decline of 2 per cent in wholesale financing other than automotive was accompanied by a small increase in outstanding balances.

Ratio of paper acquired to balances outstanding.--With reference to total sales financing, the rise in May from 40 to 43 per cent in the ratio of paper acquired during the month to balances outstanding at the end of the month reflected the increased ratio for wholesale automotive credit. The volume of wholesale automotive paper acquired during the month averaged about 158 per cent of the corresponding amount outstanding at the end of the month. The ratio for other wholesale financing was only 42 per cent, indicating a much more rapid rate of turnover for wholesale automotive credit than for the nonautomotive type.

Note: Indexes of automotive and diversified financing formerly shown as Table 3 of this report have been discontinued until they can be revised to a new base representative of postwar conditions. The base formerly used (January 1942) is unsatisfactory for measuring current trends.

SALES FINANCE COMPANIES

Table 1.--Automotive and Diversified Financing by Sales Finance Companies
Indexes of Outstanding Balances: December 31, 1939 = 100 ^{a/}

End of month and year	Total all sales financing	Retail automotive	Wholesale automotive	Wholesale other than automotive	Retail other consumers' goods	Industrial, commercial, and farm equipment
1939.....	100	100	100	100	100	100
1940.....	136	132	169	140	129	131
1941.....	152	149	175	250	148	147
1942.....	53	37	112	40	76	61
1943.....	20	13	40	8	30	27
1944.....	18	15	24	11	26	26
1945.....	22	18	27	38	39	23
1945 - May.....	18	14	25	16	28	28
June.....	18	14	24	16	29	27
July.....	18	15	20	16	30	27
August.....	18	15	18	19	31	25
September.....	18	15	17	21	33	24
October.....	19	16	18	28	35	24
November.....	21	17	24	32	37	24
December.....	22	18	27	38	39	23
1946 - January.....	23	18	28	44	41	25
February.....	25	19	36	49	44	27
March.....	26	20	36	56	46	32
April.....	29	22	35	68	51	35
May.....	31	24	37	71	57	36

^{a/} Indexes as of December 31 for the years of 1939, 1940, and 1941 are based on figures reported by sales finance companies on a supplementary report form which accompanied the regular monthly report form for January 1942. Succeeding indexes are derived by calculating the percentage changes of the outstanding balances reported by sales finance companies for each month from those reported by the same companies for the preceding month, and by linking these percentages to the indexes for the preceding month.

Table 2.--Relative Importance of Loans Made by Sales Finance Companies
During May 1946 and Outstanding Balances at End of Month

Class of paper	Paper acquired during month		Outstanding balances, end of month	
	Amount	Percentage of total	Amount	Percentage of total
Total, all classes of paper ^{a/}	\$199,517,654	100	\$469,920,565	100
Total loans.....	38,672,269	19	107,573,345	23
Small (personal) loans.....	11,187,777	5	54,832,960	12
Business loans.....	27,484,492	14	52,740,385	11
Total sales financing ^{a/}	160,845,385	81	362,347,220	77

^{a/} Included in this classification are only those firms which, in addition to their sales financing operations, reported loan activities.

SALES FINANCE COMPANIES

Table 3.--Automotive and Diversified Financing by Sales Finance Companies
Paper Acquired During May 1946 and Balances Outstanding at End of Month

Class of paper	Volume of paper acquired during May 1946		Outstanding balances May 31, 1946 <u>a/</u>	Ratio paper acquired to outstanding balances <u>b/</u>
	By all companies reporting	By companies reporting outstanding balances <u>a/</u>		
Total retail automotive.....	\$49,906,242	\$49,182,988	\$199,836,818	25
Total wholesale automotive.....	93,405,650	93,248,282	59,106,075	158
Total wholesale - other than automotive...	2,270,258	2,244,058	5,309,031	42
Total retail - other consumers' goods.....	19,051,121	18,000,820	105,244,929	17
Industrial, commercial, and farm equipment	931,044	907,313	6,204,277	15
Total sales financing.....	\$165,564,315	\$163,583,461	\$375,701,130	44

a/ Data are based on figures from sales finance companies able to report both their paper acquired and their outstanding balances.

b/ Ratios obtained by dividing paper acquired (column 2) by outstanding balances (column 3).

Table 4.--Number of Cars Financed and Volume of Paper Acquired
by Sales Finance Companies During May 1946

Class of paper	Number of cars		Paper acquired	
	Number	Percentage of total	Dollar volume	Percentage of total
Total retail automotive.....	64,867	100	\$42,661,958 <u>a/</u>	100
New passenger cars.....	11,759	18	8,309,955	20
New commercial cars.....	6,040	9	7,008,830	16
Used passenger cars.....	44,230	68	25,117,441	59
Used commercial cars.....	2,838	5	2,225,732	5
Total wholesale automotive.....	91,891	100	\$84,639,466 <u>a/</u>	100
New cars (passenger and commercial)..	78,642	86	73,579,660	87
Used cars (passenger and commercial)..	13,249	14	11,059,806	13

a/ Data are based on reports from sales finance companies providing a breakdown of their retail and wholesale automotive financing. These amounts are less than those reported in table 4 due to the exclusion of some data for which breakdowns were not available.

Table 5.--Volume of Diversified Sales Financing During May 1946

Class of paper	Dollar volume of paper acquired	Percentage of total
Retail - other consumers' goods:		
Furniture, radios, pianos, and other musical instruments..	\$1,072,069	5
Refrigerators and other household appliances.....	1,528,307	7
Residential building repairs and modernization.....	11,448,893	52
Miscellaneous retail.....	4,894,995	22
Total retail - other consumers' goods.....	\$18,944,264	86
Total wholesale - other than automotive.....	2,270,258	10
Industrial, commercial, and farm equipment.....	931,044	4
Total diversified financing.....	\$22,145,566	100

a/ Data are based on reports from sales finance companies providing a breakdown of their retail financing of other consumers' goods. This amount is less than that reported in table 4 due to the exclusion of some data for which breakdowns were not available.