

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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SALES FINANCE COMPANIES

OCTOBER 1946

Retail financing.--The volume of retail financing by sales finance companies during October was considerably larger than in the preceding month and end-of-month outstanding balances continued to increase. The 14 per cent gain in dollar volume of retail automotive paper acquired was accompanied by a further rise in the amount outstanding. Other retail instalment paper acquired during October was approximately 19 per cent larger than the volume of a month earlier and the amount outstanding rose 10 per cent.

The increase in total retail automotive financing, shown in the table below, reflected gains in all automotive transactions, particularly in commercial vehicles. New passenger car financing increased only 6 per cent in October, or at a much slower rate than in other recent months.

The sharp rise in retail financing of consumers' goods other than automotive resulted from substantial increases in all classes of paper. The largest percentage gains occurred in paper based on sales of refrigerators and other household appliances, and on sales of miscellaneous merchandise.

Retail Financing by Sales Finance Companies

Class of retail instalment paper	Percentage change, September 1946 to October 1946		
	Number of cars	Volume of paper acquired during month	Outstanding balances, end of month
Automotive: Total retail	+13	+14	+ 9
Passenger cars: New	+ 6	+ 6	...
Used	+13	+13	...
Commercial cars: New	+56	+61	...
Used	+16	+14	...
Other consumers' goods: Total retail		+19	+10
Furniture, radios, musical instruments		+10	...
Refrigerators and other household appliances		+36	...
Residential building repair and modernization		+13	...
Miscellaneous retail		+28	...

Wholesale financing.--The October volume of wholesale automotive financing was about one-fifth larger than that of September reflecting marked gains in the financing of both new and used vehicles. Other wholesale financing was also well above the volume of the preceding month.

Ratio of paper acquired to balances outstanding.--The ratio of paper purchased during the month to balances outstanding at the end of the month increased 3 percentage points to 42 for October. Ratios were somewhat higher for all classes of paper.

Note.--October data, based on returns from 159 sales finance companies, are compiled in the same manner as those shown in earlier reports. Aggregates represent only the totals for the reporting companies and, since the reporting sample is not identical from month to month, they are not comparable with totals of preceding months.

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 - 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
June.....	33	26	40	81	62	38
July.....	37	28	48	91	69	38
August.....	41	30	55	106	75	44
September.....	44	33	57	125	82	46
October.....	49	36	66	146	90	49

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 October 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 <u>a/</u>	\$283,583,639	100	\$690,549,114	100
Total loans.....	46,697,707	17	133,287,863	19
Small (personal) loans.....	13,190,864	5	66,173,140	9
Business loans.....	33,506,843	12	67,114,723	10
Total sales financing <u>a/</u>	236,885,932	83	557,261,251	81

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 October 1946 and Balances Outstanding at End of Month

Class of paper	Volume of paper acquired during October 1946		Outstanding balances October 31, 1946 ^{a/}	Ratio paper acquired to outstanding balances ^{b/}
	By all companies reporting	By companies reporting outstanding balances ^{a/}		
Total retail automotive.....	\$ 64,790,888	\$ 64,070,974	\$290,003,614	22
Total wholesale automotive.....	145,083,086	144,731,762	104,277,967	139
Total wholesale - other than automotive....	4,697,283	4,644,469	10,723,313	43
Total retail - other consumers' goods.....	28,567,160	27,299,709	163,625,452	17
Industrial, commercial, and farm equipment	1,515,909	1,317,638	7,981,675	17
Total sales financing.....	\$244,654,326	\$242,064,552	\$576,612,021	42

^{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 October 1946

Class of paper	Number of cars		Paper acquired	
	Number	Percentage of total	Dollar volume	Percentage of total
Total retail automotive.....	76,554	100	\$ 56,351,268 ^{a/}	100
New passenger cars.....	23,545	31	21,864,250	39
New commercial cars.....	5,925	8	7,192,778	13
Used passenger cars.....	43,720	57	24,889,818	44
Used commercial cars.....	3,364	4	2,404,422	4
Total wholesale automotive.....	128,548	100	\$131,163,534 ^{a/}	100
New cars (passenger and commercial)..	112,488	88	117,511,916	90
Used cars (passenger and commercial)..	16,060	12	13,651,618	10

^{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 3 due to the exclusion of some data for which breakdowns were not available.

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

Class of paper	Dollar volume of paper acquired	Percentage of total
Retail - other consumers' goods:		
Furniture, radios, pianos, and other musical instruments..	\$ 1,357,746	4
Refrigerators and other household appliances.....	1,557,293	5
Residential building repairs and modernization.....	16,049,648	47
Miscellaneous retail.....	8,756,055	26
Total retail - other consumers' goods.....	\$27,720,742 ^{a/}	82
Total wholesale - other than automotive.....	4,697,283	14
Industrial, commercial, and farm equipment.....	1,515,909	4
Total diversified financing.....	\$33,933,934	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 3 due to the exclusion of some data for which breakdowns were not available.