

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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SALES FINANCE COMPANIES

AUGUST 1950

Retail financing.--For the first time in four months, sales finance companies reported a month-to-month decline in their purchases of instalment paper arising from retail sales of motor vehicles. In contrast to the increases of the preceding three months, the August volume of retail automotive paper acquired showed a 9 per cent decline. All components of the automotive segment were reported to have decreased, although purchases of used commercial car paper were only slightly less in August than in July, as is shown in the table below. Despite record sales of new passenger cars in August, sales finance companies reported a decrease in acquisitions of retail paper for new passenger cars during the month.

Outstanding balances of retail automotive paper continued to increase during August, but at a somewhat slower rate than during July.

Purchases of paper representing the sale of other consumer goods were slightly higher in August than in July. A very large increase, 82 per cent, was recorded for furniture, radios, and musical instruments. This large increase and the substantial increases in two other categories were counterbalanced to a great extent by the 13 per cent decline in the financing of refrigerators and other household appliances. The latter category constitutes the largest part of sales finance company operations in consumer goods other than automobiles.

As was the case with retail automotive paper, outstanding balances of other consumer goods paper showed a slight increase.

Retail Financing by Sales Finance Companies

Class of retail instalment paper	Percentage change July 1950 to August 1950		
	Number of cars	Volume of paper acquired during month	Outstanding balances, end of month
Automotive: Total retail	- 9	- 9	+ 3
Passenger cars: New	- 9	- 9	...
Used	- 9	- 8	...
Commercial cars: New	-20	-16	...
Used	- 2	- 1	...
Other consumer goods: Total		+ 3	+ 2
Furniture, radios, musical instruments		+82	...
Refrigerators and other household appliances		-13	...
Residential building repair and modernization		+17	...
Miscellaneous retail		+11	...

Wholesale financing.--The amount of wholesale automotive paper acquired by reporting sales finance companies was somewhat greater in August than in July. Outstanding balances of such paper also showed a moderate increase.

Purchases of other wholesale paper rose in about the same degree as the volume of wholesale automotive paper. However, outstanding balances of other wholesale paper declined slightly during August.

Ratio of paper acquired to balances outstanding.--The turnover rate of receivables as measured by the ratio of paper acquired during the month to outstanding balances at the end of the month was maintained at the July level of 30 per cent.

NOTE.--August data, based on returns from 119 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.

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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
1946.....	59	42	90	224	105	59
1947.....	119	88	163	394	226	89
1948.....	174	151	252	454	232	116
1949.....	228	249	216	332	187	107
1949 - August.....	214	219	242	417	202	111
September.....	225	228	279	400	199	110
October.....	232	237	294	371	195	111
November.....	233	245	267	361	190	110
December.....	228	249	216	332	187	107
1950 - January.....	234	252	250	329	180	110
February.....	234	258	223	398	176	109
March.....	237	265	204	485	172	111
April.....	240	274	186	537	172	112
May.....	250	284	202	537	174	117
June.....	263	298	228	499	179	120
July.....	266	314	163	436	185	123
August.....	274	322	179	424	189	124

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 August 1950 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>	\$934,960,036	100	\$3,084,745,789	100
Total loans.....	49,233,239	5	142,313,482	5
Small (personal) loans.....	10,996,454	1	68,297,689	2
Business loans.....	38,236,785	4	74,015,793	3
Total sales financing <u>a/</u>	885,726,797	95	2,942,432,307	95

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

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Table 3.--Automotive and Diversified Financing by Sales Finance Companies
Paper Acquired During August 1950 and Balances Outstanding at End of Month

Class of paper	Volume of paper acquired during August 1950		Outstanding balances August 31, 1950 ^{a/}	Ratio paper acquired to outstanding balances ^{b/}
	By all companies reporting	By companies reporting outstanding balances ^{a/}		
Total retail automotive.....	\$304,646,897	\$304,122,306	\$2,334,680,406	13
Total wholesale automotive.....	532,265,825	532,056,096	260,656,866	204
Total wholesale - other than automotive...	20,435,973	20,391,355	31,936,580	64
Total retail - other consumers' goods.....	37,071,462	36,646,799	287,544,162	13
Industrial, commercial, and farm equipment	7,532,727	7,532,287	93,406,396	8
Total sales financing.....	\$901,952,884	\$900,748,843	\$3,008,224,410	30

^{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 August 1950

Class of paper	Number of cars		Paper acquired	
	Number	Percentage of total	Dollar volume	Percentage of total
Total retail automotive.....	268,012	100	\$295,347,240 ^{a/}	100
New passenger cars.....	102,810	38	156,550,518	53
New commercial cars.....	15,919	6	21,734,596	7
Used passenger cars.....	136,426	51	108,376,098	37
Used commercial cars.....	12,857	5	8,686,028	3
Total wholesale automotive.....	339,407	100	\$525,021,081 ^{a/}	100
New cars (passenger and commercial)..	321,272	95	505,336,494	96
Used cars (passenger and commercial)..	18,135	5	19,684,587	4

^{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 August 1950

Class of paper	Dollar volume of paper acquired	Percentage of total
Retail - other consumers' goods:		
Furniture, radios, pianos, and other musical instruments..	\$ 4,637,793	7
Refrigerators and other household appliances.....	19,223,212	30
Residential building repairs and modernization.....	3,897,227	6
Miscellaneous retail.....	8,150,941	13
Total retail - other consumers' goods.....	\$35,909,173 ^{a/}	56
Total wholesale - other than automotive.....	20,435,973	32
Industrial, commercial, and farm equipment.....	7,532,727	12
Total diversified financing.....	\$63,877,873	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.