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

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SALES FINANCE COMPANIES

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Retail financing--Sales finance company purchases of retail automotive instalment paper rose 21 per cent during August, reflecting marked increases in the financing of both new and used passenger cars. New passenger car financing reached a level just under that of August 1950, but still considerably below the peak of June and July 1950. However, the gain in purchases of used passenger car paper brought used car financing activity to a new high, considerably above the previous peak reached in June of this year and much higher than the level of mid-1950.

Outstanding balances of retail automotive paper increased 2 per cent during the month. The gain since May 1951 brought retail automotive balances outstanding on August 31 to a level equaling the high point reached in October 1950, as shown by Table 1.

Purchases of other consumer goods paper were up 41 per cent in August. A large increase in the financing of refrigerators and household appliances, 54 per cent, was exceeded by the very sharp expansion, 78 per cent, in the financing of furniture, radios, television sets, and musical instruments. The other two classes of paper purchased also increased substantially in August.

Outstanding balances of other consumer goods paper increased 1 per cent during August, the first increase since September 1950.

Retail Financing by Sales Finance Companies

Class of retail paper	Percentage change, July 1951 to August 1951		
	Number of cars	Volume of paper acquired during month	Outstanding balances end of month
Automotive: Total retail	<u>+14</u>	<u>+21</u>	<u>+ 2</u>
Passenger cars: New	+19	+25	
Used	+12	+20	
Commercial cars: New	+ 7	+ 9	
Used	+12	+14	
Other consumer goods: Total		<u>+41</u>	<u>+ 1</u>
Furniture, radios, television sets, musical instruments		+78	
Refrigerators and other household appliances		+54	
Residential building repair and modernization		+24	
Miscellaneous retail		+12	

Wholesale financing--Purchases of wholesale automotive paper were slightly above those of the preceding month. Wholesale automotive balances outstanding at the end of August were about 9 per cent below the level of July 31.

The volume of wholesale financing of goods other than automobiles was somewhat below the preceding month's volume. Outstanding balances of nonautomotive wholesale paper continued to decline moderately in August.

NOTE.--August data, based on returns from 109 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
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
1950.....	291	325	296	516	177	130
1950-August.....	274	322	179	424	189	124
September.....	282	330	192	422	192	127
October.....	288	331	240	435	188	128
November.....	291	328	280	478	182	132
December.....	291	325	296	516	177	130
1951-January.....	287	320	291	648	171	132
February.....	286	315	306	759	166	134
March.....	290	312	356	906	161	125
April.....	294	311	382	943	156	136
May.....	298	316	401	899	153	138
June.....	302	321	405	824	150	140
July.....	298	324	372	737	146	143
August.....	299	331	339	638	148	146

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 1951 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/.....	\$978,994,234	100	\$3,674,136,202	100
Total loans.....	90,183,212	9	236,691,152	6
Small (personal) loans.....	29,183,296	3	119,530,538	3
Business loans.....	60,999,916	6	117,160,614	3
Total sales financing a/.....	888,811,022	91	3,437,445,050	94

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 August 1951 and Balances Outstanding at End of Month

Class of paper	Volume of paper acquired during August 1951		Outstanding balances August 31, 1951 ^{a/}	Ratio paper acquired to outstanding balances ^{b/}
	By all companies reporting	By companies reporting outstanding balances ^{a/}		
Total retail automotive.....	\$404,004,366	\$400,492,286	\$2,591,820,636	15
Total wholesale automotive.....	447,164,449	444,374,323	526,334,753	84
Total wholesale - other than automotive...	11,245,588	10,880,126	47,781,942	23
Total retail - other consumers' goods.....	32,256,777	29,095,209	219,758,533	13
Industrial, commercial, and farm equipment	10,332,784	10,121,634	108,952,742	9
Total sales financing.....	\$905,003,964	\$894,963,578	\$3,494,648,606	26

^{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 1951

Class of paper	Number of cars		Paper acquired	
	Number	Percentage of total	Dollar volume	Percentage of total
Total retail automotive.....	384,474	100	\$393,898,563 ^{a/}	100
New passenger cars.....	111,549	29	160,493,595	41
New commercial cars.....	17,667	5	25,078,483	6
Used passenger cars.....	236,604	61	194,719,301	49
Used commercial cars.....	18,654	5	13,607,184	4
Total wholesale automotive.....	276,086	100	\$441,083,843 ^{a/}	100
New cars (passenger and commercial)..	231,486	84	396,928,332	90
Used cars (passenger and commercial)..	44,600	16	44,155,511	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 August 1951

Class of paper	Dollar volume of paper acquired	Percentage of total
Retail - other consumers' goods:		
Furniture, radios, pianos, and other musical instruments..	\$ 5,645,850	11
Refrigerators and other household appliances.....	13,009,820	25
Residential building repairs and modernization.....	4,404,599	8
Miscellaneous retail.....	7,564,778	15
Total retail - other consumers' goods.....	\$30,625,047 ^{a/}	59
Total wholesale - other than automotive.....	11,245,588	21
Industrial, commercial, and farm equipment.....	10,332,784	20
Total diversified financing.....	\$52,203,419	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.