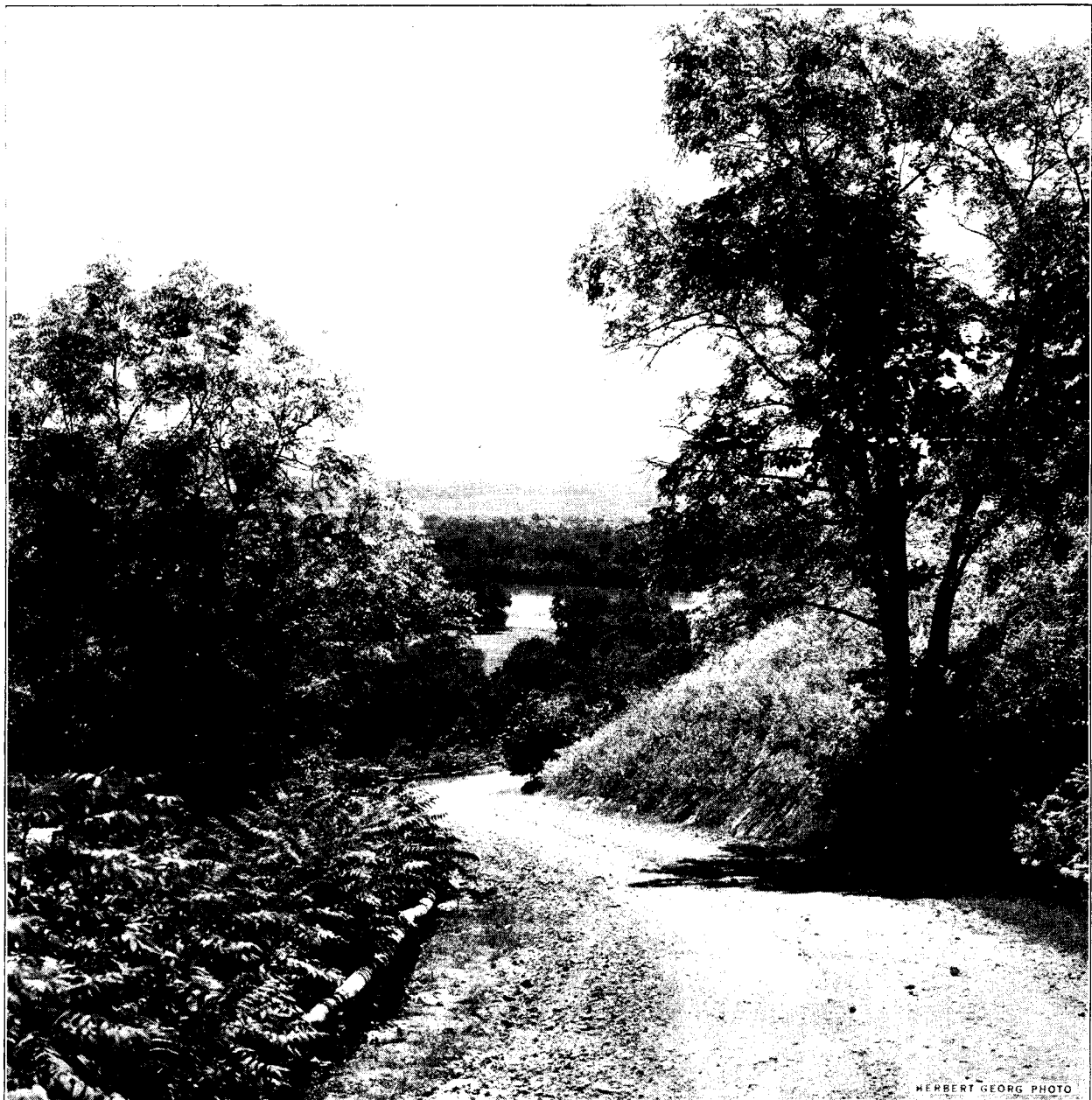




# BUSINESS CONDITIONS

*Monthly Review of Agriculture, Industry, Trade and Finance*  
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FEDERAL RESERVE BANK OF ST. LOUIS



*View of Illinois River from Pere Marquette State Park near Grafton, Illinois.*

## SUMMARY OF EIGHTH DISTRICT

<b>Agriculture:</b>	Sept. 1, 1940 1939	comp. with Av. 1923-'39	
Estimated yield of 7 crops.....	—	9.8%—	8.7%
<b>Livestock</b>	Aug. 1940, July, 1940	comp. with Aug., 1939	
Receipts at National Stock Yards.....	—	10.9%—	2.4%
Shipments from aforesaid Yards.....	—	11.1	+ 2.9
<b>Production and Distribution:</b>			
Sales by mfrs. and wholesalers.....	+ 9.9	+ 6.0	
Department store sales.....	+ 23.7	+ 11.9	
Car loadings.....	+ 5.5	+ 0.5	
<b>Building and Construction:</b>			
Bldg. permits, incl. repairs {	Number... + 4.3	+ 20.1	
Cost.....	+ 46.1	— 11.6	
Value construction contracts awarded..	+ 19.8	+ 24.4	
<b>Miscellaneous:</b>			
Commercial failures {	Number..... + 27.3	+ 44.8	
Liabilities.....	+ 52.3	+ 107.8	
Consumption of electricity.....	— 0.9	+ 6.6	
Debits to individual accounts.....	— 8.7	+ 5.2	
Life Insurance Sales.....	— 6.9	+ 22.9	
<b>Member Banks (24):</b>	Sept. 11, '40 Aug. 14, '40	comp. with Sept. 13, '39	
Gross deposits.....	+ 0.5%	+ 5.6%	
Loans.....	+ 1.0	+ 3.6	
Investments.....	— 1.8	+ 5.4	

**T**HROUGH August industry and trade in the Eighth District continued the improvement which took place in greater or lesser degree during the three months immediately preceding, and reports covering the first half of September indicate the upswing has proceeded at an accelerated pace. The expected seasonal expansion began earlier and was more pronounced in business as a whole than has been the case in a number of years. Demand for many descriptions of merchandise was more diversified than heretofore, with volume measurably above that at the same time a year ago.

In the rural areas good crops and prospects for larger farm income have had a stimulating effect on trade, while in the large cities the pickup in industrial activity has reacted favorably upon both retail and wholesale distribution. Department store sales in the principal cities during August increased 23.7 per cent over July, which was considerably more than the expected seasonal gain, and were 11.9 per cent above the August, 1939, total. For the first eight months cumulative total exceeded that of the like interval in 1939 by 6.9 per cent. Indicating the response to special sales held in St. Louis and other cities, the volume of business in the week ended September 7 was 44.4 per cent larger than for the same week a year ago, and for the four weeks ending on that date an increase of 18.7 per cent over a year earlier was shown.

Reflecting heavy routine requirements and actual and anticipated orders for the national defense program, production of durable and nondurable goods

rose during August to the highest levels since last December. Of the manufacturing lines investigated by this bank, relatively the most favorable showing was made by those producing heavy materials, notably iron and steel, engines, machine tools, electrical supplies, railroad equipment and the general run of building materials. Production of ingots at steel mills in the area rose to the highest point since last January. Shipments of pig iron to district industries and total melt in August were reported the largest for the month since 1937.

Output of bituminous coal at mines in this general area during August was 23 per cent and 19.6 per cent greater, respectively, than a month and a year earlier. Petroleum production declined somewhat, but owing to contributions from new Illinois fields was still in large volume and considerably greater than for August in any previous year. After receding in July, lumber production increased sharply in August and the upward trend extended through the first half of September. As in recent months, new orders and shipments of lumber continued well above current output.

Reflecting the higher rate of industrial activity, initiation of several major Government defense projects, increased numbers of workers in agriculture incident to fall harvests and in mining operations, district employment as a whole showed marked improvement between the first of August and mid-September.

As elsewhere in the country, Eighth District agricultural prospects underwent distinct improvement during August and, according to the U. S. Department of Agriculture's September 1 report, outlook is for ample to abundant yields for all the principal crops. Prospective yields of cotton, corn, hay, potatoes, legumes and many less important productions, increased from July to August. An exception was tobacco, combined yield of all types of which is expected to be below average, and in the case of burley, the smallest in a number of years. The condition of livestock generally maintained the high average which has obtained in the past eighteen months or more. Recent precipitation has put the soil in good condition, and preparation for planting fall crops is up to seasonal schedule.

Commercial failures in the Eighth Federal Reserve District in August, according to Dun and Bradstreet, numbered 42 with liabilities of \$638,000, as against 33 defaults in July with liabilities of \$419,000 and 29 insolvencies for a total of \$307,000 in August, 1939.

## DETAILED SURVEY OF DISTRICT

### MANUFACTURING AND WHOLESALING

Lines of Commodities Data furnished by Bureau of Census, U. S. Dept. of Commerce.	Net Sales		Stocks
	August, 1940 compared with July, '40	Aug., '39	Aug. 31, 1940 comp. with Aug. 31, 1939
Automotive Supplies.....	+ 9.8%	+ 6.1%	+26.9%
Boots and Shoes.....	-15.4	+ 1.5	—
Drugs and Chemicals.....	+12.6	+ 0.1	— 8.4
Dry Goods.....	+84.5	— 5.5	—
Electrical Supplies.....	— 0.3	+28.8	+30.6
Furniture.....	+17.6	— 1.5	+ 5.6
Groceries.....	+ 9.4	— 8.2	+ 4.7
Hardware.....	+10.9	+27.7	+49.2
Tobacco and its Products.....	— 3.1	+ 5.4	—
Miscellaneous.....	+ 9.9	+ 6.0	+ 2.3

**Automobiles**—Combined passenger car, truck and taxicab production in the United States in August totaled 75,873, as against 218,746 in July and 99,868 in August, 1939.

**Iron and Steel Products**—Activities in the iron and steel industry during August and the first half of September continued the upward trend of recent months, and were at the highest rate for any similar period since 1937. In spite of the high rate of production and shipments at mills and foundries, backlogs of orders continued to augment, and in the case of some commodities delivery delays were further lengthened. While ordering of defense materials, direct and indirect, increased moderately, bulk of improvement was attributable to current domestic demands, which are reported well diversified, both as to users and commodities.

Schedules at steel casting plants, particularly those working on orders from railway equipment, engine, machinery and machine tool builders, were advanced to the highest point of the year. Manufacturers of stoves and heating apparatus report August and early September shipments well above those of the same time a year and two years earlier. Jobbing foundries increased operations, and as of mid-September averaged four to five days per week.

Shipments and the melt of pig iron at district foundries in August were approximately 8 per cent higher than in July. While books of blast furnace interests were opened for fourth quarter, little iron was bought for that period, purchases being mainly for spot delivery. Current steel prices were also extended into the fourth quarter. With the exception of a sharp advance in scrap iron early in September, the general price structure showed little change during the past thirty days. At mid-September steel ingot production at mills in this area was at 80 per cent of capacity, highest since last January, and comparing with 77.5 per cent a month earlier and 66.5 per cent a year ago.

For the entire country, production of pig iron in August, according to the magazine "Steel," was

4,234,576 tons, the largest monthly total since July, 1929, when 4,236,412 tons were produced. Output in July aggregated 4,060,513 tons and in August, 1939, a total of 2,979,774 tons was produced. Steel ingot production in the United States during August was 6,033,037 tons, as against 5,595,070 tons in July and 4,241,994 tons in August, 1939.

### RETAIL TRADE

**Department Stores**—The trend of retail trade in the Eighth District, as reflected in statistics of department stores in the principal cities which report to this bank, is shown in the following comparative statement:

	Net Sales		Stocks on Hand	Stock Turnover
	August, 1940 compared with July, '40	8 mos. '40 to same period '39	Aug. 31, '40 comp. with Aug. 31, '39	Jan. 1, to Aug. 31, 1940 1939
Ft. Smith, Ark. . . . .	+34.8%	+29.4%	+ 0.1%	1.81 1.71
Little Rock, Ark. . . . .	+25.8	+12.3	+ 8.5	2.19 2.01
Louisville, Ky. . . . .	+18.5	+12.2	+ 7.7	2.80 2.68
Memphis, Tenn. . . . .	+18.7	+ 9.2	+ 6.2	2.19 2.24
Pine Bluff, Ark. . . . .	+21.1	— 2.1	+ 0.7	1.63 1.88
Quincy, Ill. . . . .	+51.0	+ 9.8	+ 1.4	2.58 2.52
St. Louis, Mo. . . . .	+25.2	+11.4	+ 6.5	2.84 2.89
Springfield, Mo. . . . .	+15.3	+34.2	+16.1	2.41 2.00
All Other Cities. . . . .	+15.1	+27.2	+14.2	2.16 2.12
8th F. R. District	+23.7	+11.9	+ 6.9	2.64 2.64

Percentage of accounts and notes receivable outstanding August 1, 1940, collected during August, by cities:

Installment Accounts	Excl. Instal. Accounts	Installment Accounts	Excl. Instal. Accounts
Fort Smith. . . . . %	37.6%	Quincy . . . . . %	46.8%
Little Rock. . . . . 12.0	35.5	St. Louis. . . . . 17.9	52.4
Louisville . . . . . 16.9	48.9	Other Cities. . . . . 14.8	41.6
Memphis . . . . . 23.6	41.4	8th F. R. District 17.7	47.4

**Specialty Stores**—August results in men's furnishings and boot and shoe lines are shown in the following table:

	Net Sales		Stocks on Hand	Stock Turnover
	August, 1940 compared with July, '40	8 mos. '40 to same period '39	Aug. 31, '40 comp. with Aug. 31, '39	Jan. 1, to Aug. 31, 1940 1939
Men's Furnishings	+11.1%	+24.5%	+ 6.3%	1.59 1.65
Boots and Shoes.	+20.4	+11.0	+20.5	4.85 4.72

Percentage of accounts and notes receivable outstanding August 1, 1940, collected during August:

Men's Furnishings. . . . . 33.9%	Boots and Shoes. . . . . 36.3%
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### MINING AND OIL

**Coal**—Responding to continued heavy industrial demands, seasonal contracting by retail distributors and a disposition in many quarters to accumulate inventories, production of bituminous coal in August and early September was at an unusually high rate. As indicating the desire of industrialists to provide for future requirements, bituminous coal on industrial stock piles on August 1, the latest date for which figures are available, amounted to 37,538,000 tons, an increase of 8.6 per cent over a month earlier and of 52.2 per cent over a year ago.

Production of bituminous coal in the United States in August increased measurably over the

month before and a year ago. According to preliminary estimates of the Bituminous Coal Division, U. S. Department of the Interior, output amounted to 39,240,000 tons, as against 36,080,000 tons in July and 35,016,000 tons in August, 1939. Cumulative tonnage for the first eight months this year was 295,345,000 tons, comparing with 225,242,000 tons for the like interval in 1939. At mines in this general area production during August was 22.9 per cent and 19.6 per cent greater, respectively, than a month and a year earlier. Cumulative tonnage to September 1 was 7.4 per cent larger than during the like period a year ago.

Output of Illinois mines in August was 3,496,144 tons, against 2,797,266 tons in July and 2,884,255 tons in August, 1939. There were 87 mines in operation during August, with 23,776 men on payrolls, which compares with 81 active mines and 22,295 operatives in July.

**Petroleum**—July output of crude oil in states of the Eighth District was 6.6 per cent less than in June and 50.2 per cent greater than in July, 1939. Cumulative total for the first seven months this year was 94.5 per cent in excess of the corresponding period in 1939. Stocks on July 31 were 2.5 per cent and 4.9 per cent greater, respectively, than a month and a year earlier. Detailed production and stocks by states are given in the following table:

(In thousands of barrels)	Production			Stocks			
	July, 1940	June, 1940	July, 1939	Cumulative		July 31, 1940	July 31, 1939
				1940	1939		
Arkansas.....	2,242	2,119	1,881	14,906	11,645	1,812	2,025
Illinois.....	13,805	15,194	8,737	92,550	42,452	14,067	13,612
Indiana.....	379	347	115	2,111	517	3,658	3,172
Kentucky.....	454	419	503	3,004	3,255	1,648	1,377
Totals.....	16,880	18,079	11,236	112,571	57,869	21,185	20,186

#### TRANSPORTATION

The St. Louis Terminal Railway Association, which handles interchanges for 28 connecting lines, interchanged 77,298 loads in August, as against 79,920 loads in July and 76,969 loads in August, 1939. During the first nine days of September the interchange amounted to 21,358 loads, comparing with 22,114 loads during the corresponding interval in August and 22,991 loads in the first nine days of September, 1939. For the first eight months this year a total of 641,836 loads was interchanged, an increase of 1.9 per cent over the similar period a year ago. For the entire country loadings of revenue freight for the first 36 weeks this year, or to September 7, totaled 24,145,755 cars, which compares with 21,846,065 cars during the corresponding period in 1939 and 20,112,380 cars in 1938.

Estimated tonnage of the Federal Barge Line between St. Louis and New Orleans in August was 217,200 tons, as against 198,464 tons in July and

227,887 tons in August, 1939. Cumulative tonnage for the first eight months this year totaled 1,349,038 tons, comparing with 1,243,460 tons during the like period a year ago.

#### WHISKEY

Trade reports indicate a general feeling of optimism and greater confidence in the whiskey industry. Because of recent mergers and consolidations of distilling interests, it is believed a stronger position has been created and comparatively little distress liquor is now on the market. Largely as a result of this situation, prices are reported to have stiffened in the recent past. A number of important distillers are planning to increase production during the late fall and winter, both because of anticipated improvement in demand and possibility of increased costs of manufacture and restriction in use of grain. Both production and consumption of Kentucky bourbon whiskey so far in 1940 are somewhat ahead of the like period in 1939.

#### AGRICULTURE

Combined receipts from the sale of principal farm products and Government benefit payments to farmers in states including the Eighth District during the period January-July, 1938, 1939 and 1940, and during July, 1939 and 1940, are given in the following table:

(In thousands of dollars)	July		Cumulative for 7 months		
	1940	1939	1940	1939	1938
Indiana.....	\$27,890	\$25,120	\$163,923	\$145,767	\$149,762
Illinois.....	46,476	44,341	314,755	288,442	295,708
Missouri.....	29,384	24,847	151,068	134,945	131,757
Kentucky.....	11,891	10,355	88,889	82,454	100,177
Tennessee.....	9,237	7,962	67,883	66,913	71,836
Mississippi.....	3,605	2,679	53,901	55,669	59,193
Arkansas.....	6,448	6,981	53,225	50,397	51,228
Totals.....	134,931	122,285	893,644	824,587	859,661

**Farming Conditions**—Under more favorable weather in August, crop prospects generally in the Eighth District underwent distinct improvement, according to reports of the U. S. Department of Agriculture, agricultural departments of the several states and other informed sources. This upward trend in the agricultural position continued during the first half of September, so that the outlook as a whole is considerably more promising than earlier in the season. Quite general precipitation in late August served to break the drouth over wide areas and bettered prospects to the extent of about 5 per cent. Yields per acre of the chief productions are now expected to be about 1 per cent higher than last year and 16 per cent above the 10-year (1929-1938) average.

Although several important crops, including cotton, corn and legumes, are in danger from early frosts and wet weather, extensive areas have passed the danger point, and abundant harvests seem al-

most assured. The tonnage of hay and forage saved may be a new record and will be in excess of current needs. Cotton is expected to yield above half a bale per acre and total yield in this district will be only slightly below the average of the preceding seventeen years. Fruit crops will be below a year ago, but probably ample. Commercial vegetable production will be large, and in this area equal to or slightly higher than in 1939. An exception to the general improvement in August was tobacco which deteriorated during the month, the September 1 estimate being for a crop of all types about 20 per cent below the average of the preceding 17 years.

Quite generally through the district farm schedules as of mid-September were well up to the seasonal average. Soil preparation for planting fall cereals has made good progress, particularly since the recent rains. Despite the fact that the number of persons employed on farms increased more sharply than usual during August, farm labor is adequate for all requirements. Prices of farm products were stationary during August, but during the final week of that month and in early September the trend was quite sharply upward. As of September 7, the farm products group of the U. S. Bureau of Labor Statistics' price index stood at 67.6 per cent of the 1926 average as compared with 65.2 per cent on August 10 and 68.1 per cent on September 9, 1939.

**Corn**—After receding in July, corn prospects improved markedly in August. Based on September 1 conditions, the U. S. Department of Agriculture estimates the Eighth District yield at 302,378,000 bushels, an increase of 5,026,000 bushels over the August 1 forecast, and comparing with 342,860,000 bushels harvested in 1939 and the 17-year (1923-1939) average of 331,104,000 bushels. To the south the crop is free from frost damage, but in the northern counties a considerable acreage is subject to damage from early cold weather.

**Cotton**—As elsewhere in the country, prospects for cotton in this area improved markedly during August, and scattered reports covering the first half of September indicate continuance of the betterment. In its report as of September 1, the U. S. Department of Agriculture estimates the Eighth District crop at 3,326,000 bales, an increase of 326,000 bales over the August 1 forecast, and comparing with 3,429,000 bales produced in 1939 and the 17-year (1923-1939) average of 2,954,000 bales.

The month of August was exceptionally favorable for growth and development of the cotton crop and the September 1 condition in all states of this district, with the exception of Mississippi, was above

the 10-year average for that date. Rains in the early part of August were timely, and particularly beneficial in the northern stretches of the area. To the south precipitation was somewhat too abundant, causing shedding, and prospects there are relatively less favorable than elsewhere. Picking has become general in lower Arkansas and Mississippi.

There continued to be little trading in old cotton in this territory, which was limited largely to medium grades and staples. However, greater interest was exhibited in new crop cotton for early fall delivery. Owing to lateness of the crop, relatively little actual new crop cotton has appeared in local markets. Prices of spot cotton declined during the first half of September. In the St. Louis market the middling grade ranged from 9.40c to 10.35c between August 15 and September 16, closing at 9.40c on the latter date, which compares with 10.35c on August 15 and 8.70c on September 15, 1939.

As indicating lateness of the crop, combined receipts at Arkansas and Missouri compresses from August 1 to September 13 totaled only 16,830 bales, as against 241,509 bales during the corresponding period a year earlier. Shipments during the same interval were 48,161 bales, compared with 83,994 bales a year ago. Stocks on hand as of September 13 totaled 869,891 bales against 1,551,989 bales on the corresponding date in 1939.

**Fruits and Vegetables**—Except for moderate improvement in apples, white potatoes, sweetpotatoes and some lesser productions, prospects for fruits and vegetables underwent little change during August. The apple crop in states of the district is officially estimated at 5,790,000 bushels, against 9,588,000 bushels in 1939 and the 5-year (1934-1938) average of 6,967,000 bushels; peaches, 3,772,000 bushels, against 8,999,000 bushels last year and 10-year (1929-1938) average of 6,985,000 bushels; grapes, 36,490 tons, against 39,580 tons in 1939 and 10-year average of 33,816 tons; sweetpotatoes 18,005,000 bushels, against 16,451,000 bushels in 1939 and 10-year average of 19,050,000 bushels. In the district proper the white potato crop is forecast at 13,329,000 bushels, comparing with 12,048,000 bushels in 1939 and 17-year (1923-1939) average of 13,446,000 bushels.

**Livestock**—Under ideal weather conditions and ample supplies of all descriptions of feed; the condition of livestock maintained the high average which has obtained during the past eighteen months or more. The condition of pastures varied rather broadly, but as of mid-September was well above that obtaining earlier in the season, except in the

dry areas. Production of tame hay in the Eighth District is estimated by the U. S. Department of Agriculture in its September 1 report at 7,758,000 tons, which compares with 7,643,000 tons in 1939 and the 17-year average of 6,585,000 tons.

During August prices of all livestock advanced substantially, the gains being ascribed to better consumer demand and reduced supplies. As compared with the preceding month, hog prices were up 15 per cent; beef steers, 9 to 13 per cent; calves, about 21 per cent, while lambs advanced to a lesser degree. Wholesale meat prices were also higher. Production of meat was slightly higher than in August last year, and with the exception of hogs, marketings of livestock were not greatly different.

Receipts and shipments at St. Louis as reported by the National Stock Yards were as follows:

	Receipts			Shipments*		
	Aug., 1940	July, 1940	Aug., 1939	Aug., 1940	July, 1940	Aug., 1939
Cattle and Calves.....	122,761	131,325	134,071	56,195	62,683	63,382
Hogs .....	215,704	219,256	203,260	96,799	100,280	77,569
Horses and Mules....	1,116	733	2,729	1,186	1,207	2,629
Sheep .....	77,099	116,350	86,673	24,052	36,280	29,627

Totals.....416,680 467,664 426,733 178,232 200,450 173,207

\*Includes only stock shipped from yards for slaughter in other markets or to farms for feeding purposes.

**Tobacco**—Owing to dry weather and other handicaps, condition of the tobacco crop in this area declined sharply during August, and as a result production will be the smallest in a number of years. In its September 1 report, the U. S. Department of Agriculture estimates the Eighth District yield of all types at 228,959,000 pounds, a decrease of 16,098,000 pounds from the August 1 forecast, and comparing with 282,074,000 pounds harvested in 1939 and the 17-year (1923-1939) average of 285,401,000 pounds.

More or less severe drouth conditions obtained during most of August and many crops began firing in the fields. As a result numerous growers began harvesting, even though plants were still immature. During the latter part of the month there was general precipitation, which benefited that part of the crop remaining in the field. Approximately 45 per cent of the burley crop had been harvested by mid-September, and about the same proportion of the one sucker crop, and weather has been fairly favorable for first stages of curing. As a whole, prospects are rather unfavorable for burley, both as to quantity and quality. However, higher prices are looked for because of the current estimate for burley, smallest in thirteen years, or about 65 per cent of normal for Kentucky. Recent activity in old crop stocks has measurably reduced quantities held by dealers.

As forecasting prices, initial sales of Eastern Carolina flue cured tobacco were held on September 3, and with good-sized offerings average price for the first day was \$18.36 per cwt. compared with \$17.11 per cwt. for the opening day last season.

### COMMODITY PRICES

Range of prices in the St. Louis market between August 15 and September 16, 1940, with closing quotations on the latter date and on September 15, 1939, follows:

	High	Low	Close	
			Sept. 16, 1940	Sept. 15, 1939
Wheat				
*Sept.....per bu.	\$ .73¾	\$.65¼	\$ .72¾	\$ .82½
*Dec....."	.75	.67	.73¾	.83½
*May....."	.75¾	.68	.74	.84¾
No. 2 red winter "	.84¾	.71	.83½	.89
No. 2 hard "	.80	.78	.78¾	.88½
Corn				
*Sept....."	.61½	.57½	.60¾	.55¾
*Dec....."	.55½	.51¾	.53¾	.54¾
*May....."	.56¾	.52¾	.54¾	.57¾
No. 2 mixed...."	.65¾	.64½	.64¾	.57
No. 2 white...."	.73¾	.72¾	.73¾	.72
Oats				
*Sept....."	.29	.25¾	.28¾	.35¾
*Dec....."	.29	.26½	.28¾	.34¾
*May....."	.29¾	.27¾	.29	.35¾
No. 2 white...."	.32	.29¾	.31½	.40
Flour				
Soft patent....per bbl.	5.60	4.50	4.90 @ 5.60	5.75 @ 6.50
Spring "....."	5.05	4.50	4.90 @ 5.05	5.75 @ 6.05
Middling Cotton per lb.	.1035	.0940	.0940	.0870
Hogs on Hoof . . . per cwt.	7.45	6.35	6.49	7.74

\*Nominal quotations.

### BUILDING

The dollar value of permits issued for new construction in the five largest cities of the district in August was 68.3 per cent greater than in July and 3.6 per cent less than in August, 1939. According to statistics compiled by the F. W. Dodge Corporation, construction contracts let in the Eighth District in August amounted to \$25,170,000, which compares with \$21,016,000 in July and \$20,226,000 (revised figure) in August, 1939. Building figures for August follow:

(Cost in thousands)	New Construction				Repairs, etc.			
	Permits		Cost		Permits		Cost	
	1940	1939	1940	1939	1940	1939	1940	1939
Evansville.....	43	19	\$ 119	\$ 60	118	135	\$ 73	\$ 90
Little Rock....	40	31	134	71	87	139	72	53
Louisville.....	159	134	504	1,910	50	42	23	33
Memphis.....	547	288	757	369	177	181	134	370
St. Louis.....	340	285	1,813	1,041	199	212	205	340
Aug. Totals....	1,129	757	3,327	3,451	631	709	507	886
July ".....	964	668	1,977	2,777	723	634	647	417
June ".....	808	758	1,866	1,610	628	748	560	428

### CONSUMPTION OF ELECTRICITY

Public utilities companies in six large cities of the district report consumption of electric current by selected industrial customers in August as being 0.9 per cent less than in July and 6.6 per cent more than in August, 1939. Detailed figures follow:

(K.W.H. in thous.)	No. of Custom-ers	Aug., 1940		August, 1940 compared with		
		K.W.H.	K.W.H.	K.W.H.	July, 1940	Aug., 1939
Evansville.....	40	4,361	4,353	3,957	+ 0.2%	+10.2%
Little Rock....	34	2,467	2,210	2,467	+11.6	- 0 -
Louisville.....	82	11,963	11,284	9,737	+ 6.0	+22.9
Memphis.....	31	2,738	2,625	2,462	+ 5.1	+12.0
Pine Bluff....	20	529	611	658	-13.4	-19.6
St. Louis.....	233	30,112	31,597	29,679	- 4.7	+ 1.5
Totals.....	440	52,190	52,680	48,960	- 0.9	+ 6.6

## BANKING AND FINANCE

In the Eighth District the banking and financial situation was marked by a further moderate increase in demand for credit, which extended quite generally through all the principal borrowing groups. Commitments of mercantile and manufacturing interests were larger in the aggregate, reflecting the usual seasonal borrowing to finance merchandise for late fall and winter consumption. Requirements for funds to move crops increased noticeably over the preceding thirty days, particularly in the cotton and tobacco producing areas. In numerous instances country banks were reported to be increasing their loans from city correspondents to tide over until crops are marketed. Owing to the large quantities of wheat going into the Government loan, however, borrowing by grain handling and flour milling interests is relatively less than at the same time in many past seasons. Thus far interest rates have failed to respond to the better credit demand, and remained at, or about the low levels which have obtained in recent months. Inquiry for funds to condition livestock for market continued in substantial volume, being stimulated by the relatively high price of meat animals.

**Member Banks**—In the four-week period ended September 11, total loans of reporting member banks in the principal cities increased 1.0 per cent and were 3.6 per cent greater than at the corresponding time a year ago. Gross deposits showed little change, but throughout the period continued measurably higher than a year earlier. Total reserve balances increased 3.9 per cent and as of September 11 were about one-fifth larger than on the corresponding report date in 1939. There was a slight decrease in the due to banks item, reflecting mainly withdrawals of funds by country correspondents to accommodate agricultural borrowers.

Statement of the principal resource and liability items of the reporting member banks follows:

(In thousands of dollars)	Change from		
	Sept. 11, 1940	Aug. 14, 1940	Sept. 13, 1939
Commercial, industrial, agricultural loans . . .	\$182,849	+ 769	— 5,738
Open market paper . . . . .	9,790	+ 348	+ 4,872
Loans to brokers and dealers . . . . .	4,003	+ 634	— 1,036
Other loans to purchase and carry securities . . .	12,383	— 184	— 1,344
Real Estate loans . . . . .	55,407	+ 281	+ 4,202
Loans to banks . . . . .	1,995	+ 547	— 774
Other loans . . . . .	63,163	+ 888	+ 11,191
Treasury bills . . . . .	10,800	— 5,989	+ 8,338
Treasury notes . . . . .	38,622	— 942	— 11,643
U. S. bonds . . . . .	147,846	+ 455	+ 6,751
Obligations guaranteed by U.S. Government . . .	71,770	+ 545	+ 6,506
Other securities . . . . .	108,386	+ 169	+ 9,502
Balances with domestic banks . . . . .	178,240	+ 1,164	— 4,242
Demand deposits—adjusted* . . . . .	505,939	+ 9,643	+ 39,845
Time deposits . . . . .	190,323	— 606	+ 694
U. S. Government deposits . . . . .	15,143	— 36	— 5,800
Inter-bank deposits . . . . .	345,809	— 1,180	+ 31,259
Borrowings . . . . .			

\*Other than inter-bank and Government deposits, less cash items on hand or in process of collection.

Above figures are for 24 member banks in St. Louis, Louisville, Memphis, Little Rock and Evansville. Their resources comprise approximately 63.3% of the resources of all member banks in this district.

The aggregate amount of savings deposits held by selected member banks as of September 4 was 0.3 per cent less than on August 7 and 0.4 per cent smaller than on September 6, 1939.

**Federal Reserve Operations**—The volume of the major operations of the Federal Reserve Bank of St. Louis, during August, 1940, is indicated below:

(Incl. Louisville, Memphis, Little Rock branches)	Pieces	Amounts
Checks (cash items) handled . . . . .	5,231,820	\$1,475,451,221
Collections (non-cash items) handled . . . . .	53,944	27,292,793
Transfers of funds . . . . .	4,517	284,139,734
Currency received and counted . . . . .	8,508,027	27,317,475
Coin received and counted . . . . .	11,640,857	1,243,659
Rediscounts, advances and commitments . . . . .	11	440,000
New issues, redemptions, and exchanges of securities as fiscal agent of U. S. Govt., etc.	13,913	37,266,325
Bills and securities in custody—coupons clipped	8,090	

Changes in the principal assets and liabilities of this bank appear in the following table:

(In thousands of dollars)	Change from		
	Sept. 19, 1940	Aug. 19, 1940	Sept. 19, 1939
Industrial advances under Sec. 13b . . . . .	\$ 20	— 0 - 20	+ 79
Other advances and rediscounts . . . . .	90	— 0 - 20	— 2
Bills bought (including participations) . . . . .	112,870	— 372	— 12,233
U. S. securities . . . . .	112,980	— 392	— 12,312
<b>Total earning assets . . . . .</b>	<b>470,849</b>	<b>— 6,239</b>	<b>+ 68,592</b>
Total reserves . . . . .	379,778	+ 7,699	+ 38,652
F. R. Notes in circulation . . . . .	200,458	+ 1,380	+ 17,504
Industrial commitments under Sec. 13b . . . . .	368	— 6	— 56
Ratio of reserve to deposit and F. R. Note liabilities . . . . .	81.1%	— 0.2%	+ 4.3%

Following are the rates of this bank for accommodations under the Federal Reserve Act:

Advances to banks, secured by direct obligations of the United States, under paragraph 13 of Section 13 . . . . .	1	%	per annum
Advances to member banks, under paragraph 8 of Section 13, secured by direct obligations of the United States or by such Government guaranteed obligations as are eligible for collateral thereunder . . . . .	1	%	per annum
Rediscounts and other advances to member banks under Sections 13 and 13a . . . . .	1½	%	per annum
Advances to member banks under Section 10b . . . . .	2	%	per annum
Advances to individuals, firms, and corporations, other than banks, secured by direct obligations of the United States, under paragraph 13 of Section 13 . . . . .	4	%	per annum
Rediscounts, purchases, and advances to member banks, nonmember banks, and other financing institutions, under Section 13b:			
(a) On portion for which such institution is obligated	3½	%	per annum
(b) On remaining portion . . . . .	4	%	per annum
Commitments, not exceeding 6 months, to member banks, nonmember banks, and other financing institutions, to rediscount, purchase, or make advances, under Section 13b . . . . .	½	%	flat
Advances to established industrial or commercial businesses under Section 13b . . . . .	5	%	per annum

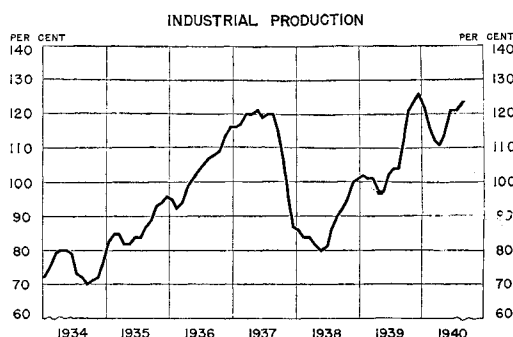
Since the last issue of this review, the State Bank of Lebanon, Lebanon, Mo., has been admitted to membership in the Federal Reserve System.

**Debits to Individual Accounts**—The following comparative table of debits to individual accounts reflects spending trends in this district:

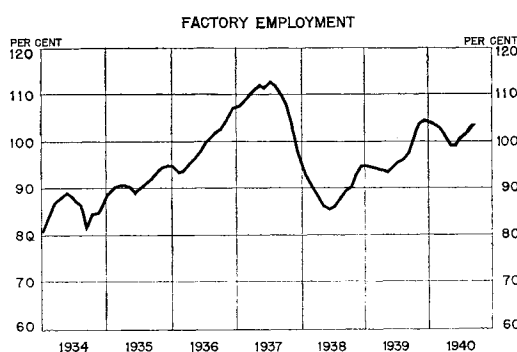
(In thousands of dollars)	Aug., 1940	July, 1940	Aug., 1939	Aug., '40 July, '40	comp. with Aug., '39
El Dorado, Ark. . . . .	\$ 5,339	\$ 5,295	\$ 5,055	+ 0.8%	+ 5.6%
Fort Smith, " . . . . .	11,672	11,343	10,721	+ 2.9	+ 8.9
Helena, " . . . . .	1,170	1,369	1,478	— 14.5	— 20.8
Little Rock, " . . . . .	33,997	37,357	38,096	— 9.0	— 10.8
Pine Bluff, " . . . . .	6,296	7,197	6,217	— 12.5	+ 1.7
Texarkana, Ark. Tex. . . . .	6,916	6,617	6,191	+ 4.5	+ 11.7
E. St. L. Nat. S. Y., Ill. . . . .	40,928	41,193	36,170	— 0.6	+ 13.2
Quincy, " . . . . .	8,733	8,572	7,631	+ 1.9	+ 14.4
Evansville, Ind. . . . .	31,993	35,751	28,303	— 10.5	+ 13.0
Louisville, Ky. . . . .	155,143	169,795	143,696	— 8.6	+ 8.0
Owensboro, " . . . . .	6,072	6,026	8,501	+ 0.8	— 28.6
Greenville, Miss. . . . .	4,285	4,081	3,736	+ 5.0	+ 14.7
St. Louis, Mo. . . . .	548,980	612,450	528,573	— 10.4	+ 3.9
Sedalia, " . . . . .	2,155	2,062	1,910	+ 4.5	+ 12.8
Springfield, " . . . . .	15,553	16,484	13,592	— 5.7	+ 14.4
Memphis, Tenn. . . . .	115,099	123,769	105,381	— 7.0	+ 9.2
<b>Totals . . . . .</b>	<b>994,331</b>	<b>1,089,361</b>	<b>945,251</b>	<b>— 8.7</b>	<b>+ 5.2</b>

# NATIONAL SUMMARY OF BUSINESS CONDITIONS

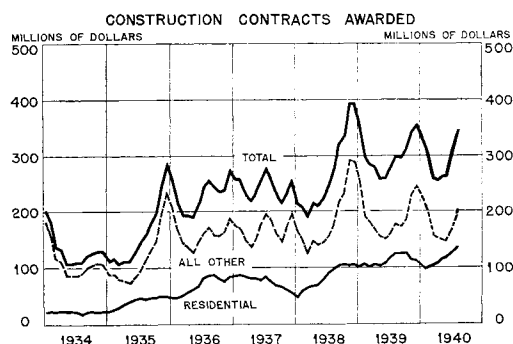
BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM



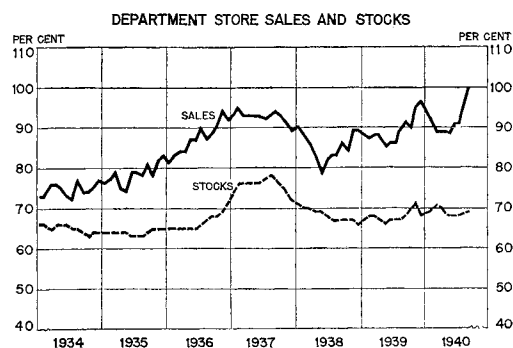
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 = 100. By months, January, 1934, to August, 1940. Latest figure 123.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to August, 1940.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for July and August and estimate for September.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to August, 1940.

Production and employment in August showed a further rise from the level maintained in June and July and distribution to consumers also increased. Prices of industrial materials were somewhat higher in the middle of September than a month earlier.

**Industrial Production**—The Federal Reserve index of industrial production is estimated at 123 in August as compared with 121 in June and July and 111, the low point for the year, in April. This rise has reflected chiefly the direct and indirect effects of the defense program on industries producing durable goods and textiles. Steel production rose further in August as new orders for steel continued in large volume, and for the month as a whole mills operated at 90 per cent of capacity. Following a temporary decline over the Labor Day week, the rate of output advanced to 93 per cent of capacity in the third week of September. In most branches of the machinery industries activity showed a continued expansion in August and there were further sharp increases in shipbuilding and the manufacture of aircraft. With the growth in production of finished durable goods, consumption of nonferrous metals advanced to the highest levels since last winter.

Output of automobiles was in small volume in August owing to the seasonal change-over to 1941 model cars. The low point in production was reached early in August; there was a gradual rise later in that month followed by a sharp advance in the first two weeks of September as most companies began volume production on new models. Lumber production, which had declined in July, rose considerably in August.

Textile mill activity continued to increase in August and was at the highest level since last January. Cotton consumption advanced considerably further and silk deliveries rose from the small volume of recent months. Activity at wool textile mills increased seasonally, following a sharp rise in July, while at rayon mills activity showed a less than seasonal increase but continued at a high level.

Mining of bituminous coal in August was maintained in large volume for the season, while production of anthracite declined. Output of crude petroleum declined somewhat further.

Value of new construction work undertaken in August was at about the same level as in July, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. The volume of contracts for public projects continued unusually large and the amount of new private work started was larger than in July. Residential building was at the highest level in recent years, on a seasonally adjusted basis, reflecting further increases in both private and public contracts.

**Distribution**—Distribution of commodities to consumers increased considerably from July to August. Sales at department stores and by mail order houses showed a sharp rise and there was a less than seasonal decline in variety store sales. In the early part of September department store sales continued to increase. Freight-car loadings advanced from July to August when little change is usual. Shipments of coal and miscellaneous freight increased while loadings of grain showed more than a seasonal decline.

**Commodity Prices**—Prices of several industrial materials, including copper, zinc, steel scrap, lumber, hides, and print cloth, advanced somewhat from the middle of August to the middle of September and, owing partly to seasonal developments, prices of foodstuffs were also higher. Prices of most other commodities showed little change in this period, although some paper items were reduced and several new models of automobiles were announced at advanced prices.

**Agriculture**—Production prospects for most major crops increased during August, according to the Department of Agriculture. On the basis of September 1 conditions the cotton crop was estimated at 12,772,000 bales, about 1,340,000 bales more than was indicated at the beginning of August. Preliminary estimates by the Department indicate that cash farm income, including Government payments, will be about \$8,900,000,000 for the calendar year 1940 as compared with \$8,540,000,000 last year.

**Bank Credit**—Commercial loans increased somewhat at banks in New York City and in 100 other leading cities during the four weeks ending September 11, while their holdings of investments showed little change.

**United States Government Security Prices**—United States Government security prices increased in the last half of August and the first week in September and were steady in the second week in September.