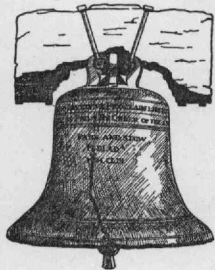


THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

OCTOBER 1, 1941

Trade and industrial activity in the Third Federal Reserve District has risen further from the high levels prevailing in earlier months. Operating rates are increasing to new records in many lines. The movement of goods to producers and consumers is the heaviest in several years. The demand for credit continues to expand.

Tendencies toward price advances are increasingly evident, and efforts to curb these influences are being made in a greater variety and upon a broader scale. Price limitations are being extended to more lines of goods. Priorities schedules are being adjusted to requirements for generally heavier production.

Industrial operations are still expanding, but the rate of increase has slackened as many lines are at or near capacity. Heavy production schedules have necessitated frequent shutdowns for repairs, and supplies of labor and materials are increasingly scarce in the light of current needs. Stocks of finished goods have been reduced substantially, and supplies of raw materials, while still larger than a year ago, are being drawn upon heavily.

Defense requirements are expanding month by month, and expenditures are reaching new highs. Civilian buying in wholesale channels is heavy in those lines where goods are available. Retail buying in August was at a record level for the season, and the volume of sales has continued heavy in September.

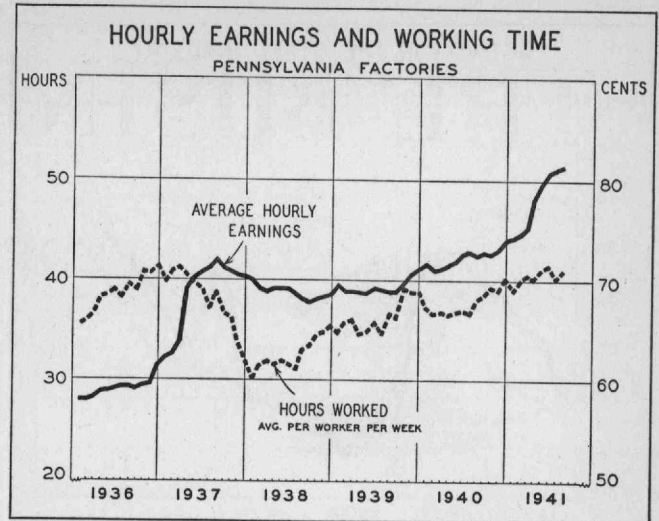
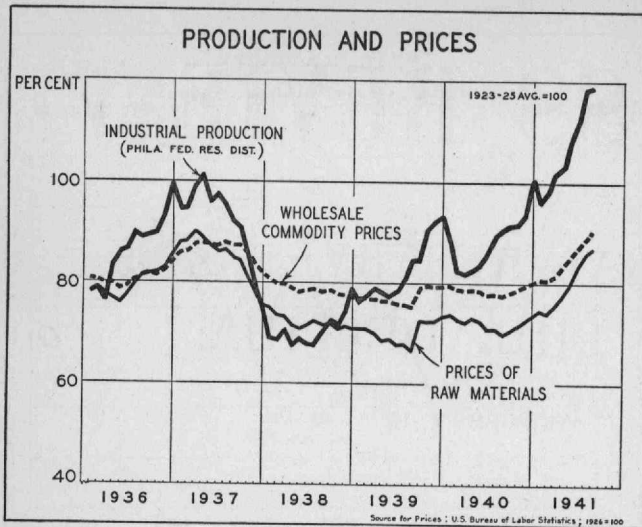
Manufacturing activity has increased in most major lines although in many cases the gains were smaller than seasonal, owing to earlier high rates

of operation. The output of mines has expanded, in spite of active operations in the summer. Production of crude oil and electric power has increased.

Employment and payrolls increased in August except in some trade and service industries. Manufacturing showed greater activity, and further gains were reported in September at plants producing heavy goods. Hourly earnings have advanced to a new high level and weekly earnings approximate the record reached last June. Incomes are substantially above a year ago.

As a further step in combating inflationary developments, the Board of Governors of the Federal Reserve System on September 23, 1941 increased reserve requirements of member banks to the limit of its statutory power. This increase becomes effective on November 1, 1941, and will amount to about one-seventh. In spite of this action, the supply of funds will still be large to meet the defense needs for bank credit and all legitimate requirements of business. The direct effect upon bank operations will be negligible, as reserves in the aggregate are about twice requirements and large balances are carried with correspondents. Bank reserves in this District reached a record high in September.

Commercial loans continued to expand, showing an increase of nearly two-thirds since the war started. Investments in Government securities have also expanded. Trading in the security markets has been light and price fluctuations for the most part narrow. Quotations on corporate securities generally have weakened somewhat since early September.



Manufacturing. The demand for goods manufactured in this District is increasing further with expanding defense requirements and heavy civilian buying. Orders already placed call for a larger volume of goods than can be shipped over the next several months, and because of increasing difficulties in getting delivery purchases by the regular trade are tapering off. Trading interest is still keen whenever goods are available within a reasonable time. Prices generally continue to advance.

Operations are at high levels in nearly all industries, the principal exceptions being at silk fabric and hosiery mills, where supplies of substitute yarns have been insufficient to sustain production at recent high rates. Inventories of finished products have declined further in both durable and consumers' goods industries. Stocks of raw materials are substantially larger than a year ago at most plants, but they are being drawn upon heavily and it is increasingly difficult to replenish supplies.

Factory employment in Pennsylvania continues to expand. In August the number of workers increased about 1 per cent to a new peak of nearly 1,150,000, and further gains were reported in the heavy industries in September. Wage disbursements advanced 4 per cent in August to nearly \$35,000,000 a week. Payrolls expanded in all the principal lines of manufacturing except leather and paper and printing, where there was virtually no change in the month. Employment and payrolls respectively were 23 and 48 per cent above a year ago and 33 and 76 per cent above August 1939.

The greatest gains have been in heavy goods industries, where employment was 32 per cent and payrolls 64 per cent above a year ago. Particularly

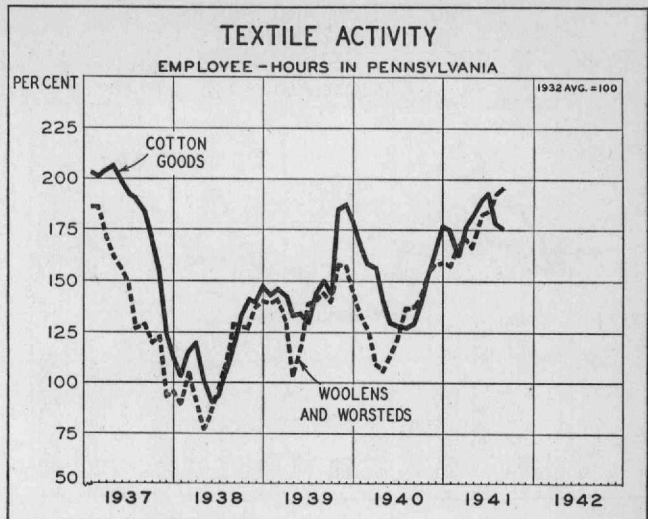
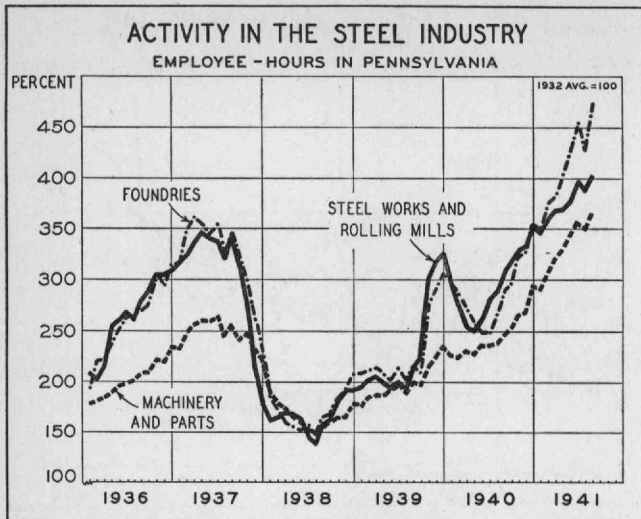
sharp increases occurred at plants making primary iron and steel, brass and bronze products, electrical apparatus, engines and pumps, and transportation equipment. In the case of nondurable goods, employment has risen about 9 per cent and wage disbursements 20 per cent in the past year.

Earnings of factory workers in Pennsylvania increased slightly in August to a new high average of nearly 81½ cents an hour, as against 72½ cents a year ago and 57½ cents in 1929. Working time also increased in the month from an average of 40 to 41 hours a week, and average weekly income advanced 81 cents to \$33.07, or nearly \$6.00 a week more than at this time last year.

In Delaware factories employment and payrolls showed gains from July to August of 4 and 5 per cent respectively. The number employed in southern New Jersey increased 11 per cent and the volume of wage disbursements 13 per cent.

The output of manufactured products in this District increased in August, owing chiefly to expansion in the metal products and transportation equipment industries. On a seasonally adjusted basis, production in the past two months has been the highest on record. Operations in August were 32 per cent above a year ago, reflecting principally sharp gains in such durable goods lines as motor vehicles, shipbuilding, electrical apparatus, and primary iron and steel. Expansion over the twelve months in the output of consumers' goods in general has been less pronounced than in the heavy industries, although in certain lines, such as cotton and wool textiles, leather, and canning, sharp gains were reported.

The production of electric power increased some-



what in August and was considerably larger than in the late summer of 1940. Total sales and sales to industry were respectively 21 and 31 per cent greater than a year ago.

Coal and other fuels. Sales of fuels have been well sustained. The demand for bituminous coal continues heavy, reflecting the high rate of consumption by manufacturing plants and railroads. Purchases of anthracite remain substantial, although buying was unusually active during the summer months. Prices of hard coal have increased.

Production of Pennsylvania anthracite increased from 180,000 tons a day in July to 202,000 tons in August, when activity usually declines. Output was the largest for the month since 1930, but operations slackened somewhat in September owing to stoppages in some areas. The volume mined during the first eight months of 1941 was 5 per cent larger than a year ago.

Operations at bituminous mines declined contraseasonally in August. Output was reduced from 461,000 tons a day in July to 440,000 tons, but was still the largest for any August since 1929. The volume produced thus far this year has amounted to more than 77,000,000 tons, the largest in eleven years.

Production of by-product coke in July and August was the largest on record, and for the year to date has increased 11 per cent over 1940.

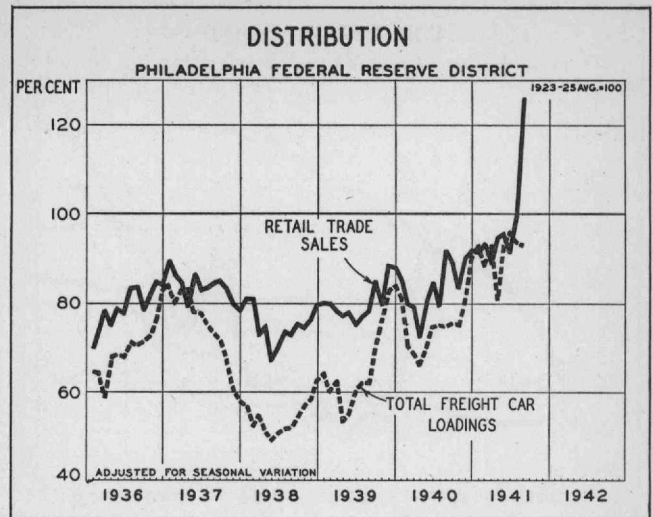
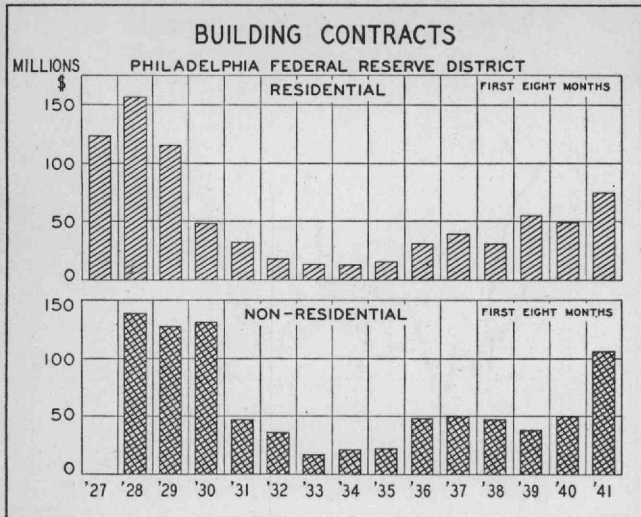
Building. Construction in this District continued exceptionally active in August, although awards of new contracts declined substantially from the unusually high level reached in July. Operations against existing contracts for manufacturing plants

and other facilities to meet the expanding needs of the defense program continue sharply above a year ago. Residential construction is also active, particularly in the erection of low-cost housing units in defense production areas. Prices of building materials have increased further and are now 18 per cent above the pre-war level.

Awards of new contracts declined 48 per cent in August to \$26,437,000 but were the largest for the month since 1928. This decrease was caused largely by a decline in factory awards which in July included a contract for the erection of a dry-dock. Substantial reductions were also reported in the case of commercial and miscellaneous structures and public works and utilities. The only increase in the month was a slight expansion to a new twelve-year peak in contracts for houses. Compared with a year ago the most pronounced increases were in awards for residences and industrial structures. In the first eight months of this year awards were 53 per cent greater than in 1940.

Agriculture. Markets for farm products in this District have improved further, reflecting the expanding incomes of workers in defense and other industries. The shortage of labor has grown more acute with the approach of the principal harvest season, particularly in the vicinity of the larger industrial centers. Wage rates for agricultural workers are advancing and have partly offset increases in farm cash income resulting from rising prices for crops and livestock products.

Growing conditions for late crops were unsatisfactory after the middle of September, because of insufficient moisture. Harvesting operations, however, were facilitated by the unusually large num-



ber of clear days throughout the month. Production of tobacco and oats this season will be larger than in 1940, and above the five-year average, but declines are expected in several other leading field crops, including wheat, hay, and white potatoes.

Wholesale prices of farm products increased nearly 6 per cent further in the month ended the middle of September to a level 37 per cent above a year ago, and 50 per cent above August 1939, according to the United States Bureau of Labor Statistics. Farm cash income in Pennsylvania, New Jersey, and Delaware through July totaled \$256,773,000, or 14 per cent more than in the first seven months of 1940.

The value of farm land in this District has increased considerably in recent years, owing to expanding markets and rising prices for agricultural commodities. General economic uncertainties have stimulated interest in land ownership, but there has been little, if any, speculative buying.

Trade. The movement of goods through trade channels in this District has been substantially heavier than a year ago and in some lines has reached record levels. Retail sales expanded unusually sharply in August and were the largest for the season in records back to 1923. Further seasonal increases occurred in September, although the gain over a year ago was less marked than in previous months. A high rate of activity also prevails in wholesale lines, where spot demand is large and forward purchases are limited chiefly by inability to assure delivery within reasonable periods. Rail freight traffic continues heavy.

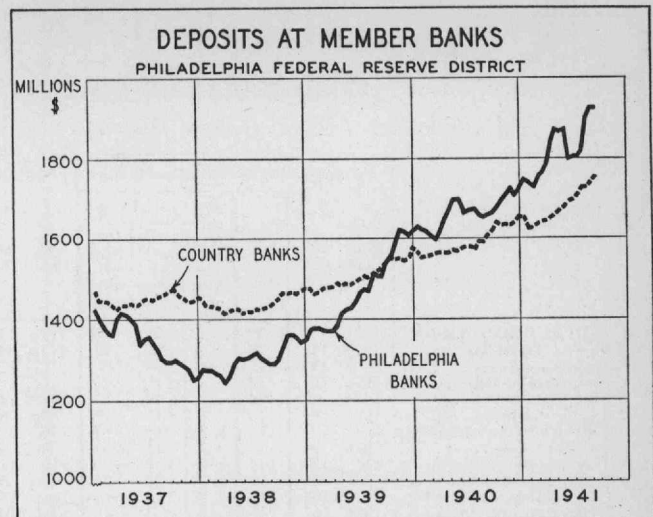
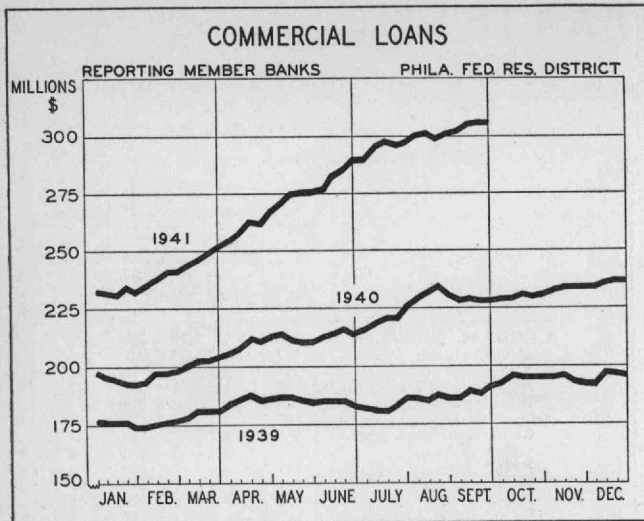
The exceptionally active turnover of goods at retail establishments in August continued to reflect greatly expanded consumer incomes and apparently was due partly to a certain amount of an-

ticipatory buying, stimulated by the reports of growing scarcities in some lines of civilian supply. Sales sharply exceeded seasonal expectations in all reporting lines; on an adjusted basis increases ranged from 18 per cent at department stores to 51 per cent at shoe stores.

Sales at credit stores handling durable consumers' goods in August were about one-half again as large as a year ago. Gains in the year at department, men's apparel, and shoe stores exceeded 30 per cent, and the increase at women's specialty shops was only slightly less. In the first eight months, the greatest improvement over 1940 was at department, credit, and shoe stores.

Distribution at wholesale increased moderately from July to August, reflecting sharp seasonal gains in the sales of shoes and jewelry and substantial increases in sales of dry goods and hardware. The aggregate volume of wholesale business was 50 per cent larger than a year ago, owing partly to higher price levels. Increases were reported in all lines, especially electrical supplies, dry goods, hardware, and paper. The smallest expansion over 1940 was 12 per cent in drugs. Stocks declined slightly in the month and showed a much smaller increase over a year ago than did sales.

The movement of rail freight in this section in August was the heaviest for any month since 1929. There was little change from July in shipments of merchandise and miscellaneous materials; loadings of ore and forest products were heavier than was to be seasonally expected; while the movement of grain declined considerably. Sharp gains over a year ago were reported in most classifications, with increases exceeding 20 per cent in carload shipments of merchandise and miscellaneous freight, coke, coal, and forest products.



Banking conditions. Loans and investments of the reporting banks have increased moderately in the past month, chiefly through the extension of additional credit to business concerns and purchases of Government securities. As a result of this expansion in bank credit and funds gained in interdistrict transactions, deposits advanced to record high levels.

By action of the Board of Governors of the Federal Reserve System reserve requirements against deposits will rise to the legal maxima on November 1. Requirements in general will be increased by about one-seventh over those now in effect. This change will have virtually no effect upon the volume of earning assets held by banks as reserves total more than twice current requirements and in addition large amounts of readily available funds are being carried with correspondent institutions.

Reserves increased to an all-time peak of \$807,400,000 on September 20 and at the slightly reduced level of \$804,100,000 on the 24th showed a net gain of \$16,600,000 over a period of five weeks. The District gained \$84,000,000 in interdistrict transactions; a substantial part of this reflected transfers from other areas for the purchase of tax anticipation notes or the collection of income tax checks deposited here and payable elsewhere. Funds made available through payments from miscellaneous deposits at the Federal Reserve Bank are also believed to have gone largely into the Treasury's balance. Treasury disbursements for defense, interest on debt, and other purposes were large in the aggregate, but fell short of receipts by \$62,000,000. Among the receipts were very substantial amounts in payment of income taxes and purchases of tax and savings securities. Currency

demand continued active, considerably exceeding the amount called for a year ago, and was a further factor tending to limit the increase in reserve balances.

Outstanding credit of the reporting banks increased \$11,000,000 in the five weeks ended September 24 to \$1,348,000,000. The largest change was an increase of \$7,000,000 in commercial loans to a new peak of \$306,000,000. These loans have expanded by about one-third in the past year in response to the increased working capital needs of trade and manufacturing establishments, reflecting higher material and wage costs and larger inventories, and over the entire war period have shown an increase of 64 per cent. Small increases also were reported in other types of loans. Holdings of direct obligations of the Federal Government were increased \$6,000,000, chiefly through purchases of Treasury notes. The only material reduction in any class of loans and investments was a decline of \$4,000,000 in holdings of corporate and municipal securities.

At the record level of \$2,046,000,000 late in September deposits at the reporting banks show an increase of 16 per cent over a year ago. Expansion of \$28,000,000 in the past five weeks has been principally in funds carried for individuals and business concerns and in balances held for other domestic banks. A moderate reduction was shown in state and municipal deposits.

The growth of \$281,000,000 in deposits over the past twelve months was nearly twice as large as the expansion in loans and investments. Balances carried with the Federal Reserve Bank are much heavier than a year ago.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Aug. 1941 from		1941 from 8 mos. 1940
	Month ago	Year ago	
Sales			
Total of all lines.....	+ 6	+52	+37
Boots and shoes.....	+41	+45	+59
Drugs.....	- 3	+12	.....
Dry goods.....	+18	+75	+37
Electrical supplies.....	- 4	+86	+76
Groceries.....	- 2	+33	+19
Hardware.....	+10	+62	+55
Jewelry.....	+46	+45	+48
Paper.....	+ 3	+56	+25
Inventories			
Total of all lines.....	- 1	+17	.....
Dry goods.....	- 1	+ 5	.....
Electrical supplies.....	+ 5	+37	.....
Groceries.....	- 5	+22	.....
Hardware.....	- 1	+25	.....
Jewelry.....	- 3	+ 2	.....
Paper.....	+ 5	+10	.....

Source: U. S. Department of Commerce.

Commodity prices Index: 1926=100	Aug. 1941	Per cent change from		
		Month		Aug.
		ago	ago	1939
Basic commodities				
7 industrial.....	90	0	+15	+27
7 agricultural.....	77	+4	+51	+60
Wholesale (813)*.....	90	+2	+17	+20
Raw materials.....	87	+1	+25	+31
Finished products.....	91	+2	+13	+16
Farm.....	87	+2	+33	+43
Food.....	87	+3	+24	+30
Other.....	91	+1	+11	+13
Retail food*				
(1935-9=100).....	108	+1	+12	+16
Philadelphia.....	105	+1	+11	+13
Scranton.....	109	+2	+14	+18

* Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	Aug. 1941	July 1941	Aug. 1940	Per cent change			Aug. 1941	July 1941	Aug. 1940
				Aug. 1941 from		1941 from 8 mos. 1940			
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	154p	130	115	+ 18	+ 33	+19	115p	89	86
Philadelphia.....	147	130	111	+ 13	+ 32	+19	107	84	81
Women's apparel.....	149	112	117	+ 34	+ 28	+12	110	65	86
Men's apparel.....	144p	114r	110	+ 27	+ 31	+16	109p	88r	83
Shoe.....	168p	112	123	+ 51	+ 37	+20	101p	93	74
Credit.....	185p	137	125	+ 35	+ 48	+20	155p	100	105
Inventories									
Department stores—District.....	124p	116	96	+ 7	+ 30	.....	115p	103	89
Philadelphia.....	122	109	91	+ 13	+ 34	.....	113	98	84
Women's apparel.....	135	113r	103	+ 19	+ 31	.....	127	88r	97
Shoe.....	107p	100	96	+ 7	+ 11	.....	109p	87	98
Credit.....	150p	150	110	0	+ 36	.....	145p	138	106
FREIGHT-CAR LOADINGS									
Total.....	144	145	116	0	+ 24	+24	151	150	122
Merchandise and miscellaneous.....	139	139	113	0	+ 23	+25	144	143	117
Merchandise—l.c.l.....	109	109	98	0	+ 11	+12	107	108	97
Coal.....	158	157	119	+ 1	+ 33	+16	152	139	115
Ore.....	158	150	141	+ 5	+ 12	+38	275	282	245
Coke.....	202	203	165	0	+ 23	+36	178	187	145
Forest products.....	141	133	104	+ 6	+ 35	+47	148	138	109
Grain and products.....	93	143	91	- 35	+ 2	+ 6	110	161	108
Livestock.....	91	89	100	+ 2	- 9	- 5	95	80	104
MISCELLANEOUS									
Life insurance sales.....	114	104	99	+ 10	+ 16	+ 6	96	99	83
New passenger auto. registrations.....	.....	.....	.....	- 36*	+ 23*	+26*	105	164	86
Hotels—(1934=100).....	.....	.....	.....	+ 3*	+ 12*	+ 8*	106	103	93
Occupancy.....	.....	.....	.....	+ 3*	+ 14*	+ 9*	93	91	82
Income, total.....	.....	.....	.....	+ 12*	+ 10*	- 9*	101	91	93
Business liquidations.....	.....	.....	.....	+199*	+112*	+10*	103	34	48
Number.....	.....	.....	.....	+ 13	+ 42	+26	135	136	95
Amount of liabilities.....	159	140	112						
Check payments.....									

* Computed from unadjusted data.

p—Preliminary.

r—Revised.

BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

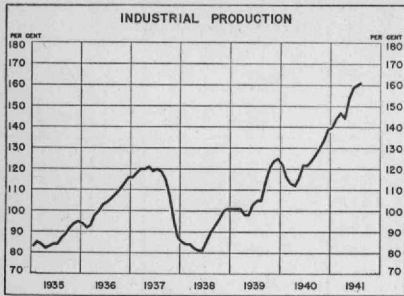
Reporting member banks (000,000's omitted)	Sept. 24, 1941	Changes in—	
		Five weeks	
		Five weeks	One year
Assets			
Commercial loans.....	\$ 306	+\$ 7	+\$ 77
Open market paper.....	43	- 1	+ 6
Loans to brokers, etc.....	27	+ 1	+ 5
Other loans to carry secur.....	32	+ 1	+ 1
Loans on real estate.....	52	+ 1	+ 2
Loans to banks.....	.....	.....	.....
Other loans.....	111	0	+ 7
Total loans.....	\$ 571	+\$ 9	+\$ 97
Government securities.....	\$ 414	+\$ 6	+\$ 56
Obligations fully guar' teed.	96	0	+ 1
Other securities.....	267	- 4	- 8
Total investments.....	\$ 777	+\$ 2	+\$ 49
Total loans & investments	\$1,348	+\$11	+\$146
Reserve with F. R. Bank ..	601	+ 8	+ 124
Cash in vault.....	26	+ 1	+ 5
Balances with other banks.....	231	+ 12	+ 15
Other assets—net.....	77	- 2	- 2
Liabilities			
Demand deposits, adjusted	\$1,268	+\$16	+\$259
Time deposits.....	257	- 1	- 4
U. S. Government deposits.....	19	+ 2	- 28
Interbank deposits.....	502	+ 11	+ 54
Borrowings.....	.....	.....	.....
Other liabilities.....	20	+ 4	+ 4
Capital account.....	217	- 2	+ 3

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ended—					Changes in five weeks
	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24	
	Source of funds:					
Reserve bank credit extended in district.....	-2.1	+ 3.2	- 0.0	- 6.7	+6.2	+ 0.6
Commercial transfers (chiefly interdistrict).....	+2.8	+46.9	+ 4.4	+25.4	+4.6	+84.1
Treasury operations.....	-0.1	-52.8	+12.0	-12.8	-8.4	-62.1
Total.....	+0.6	- 2.7	+16.4	+ 5.9	+2.4	+22.6
Uses of funds:						
Currency demand.....	+3.0	+ 7.0	+ 0.8	+ 1.1	+2.3	+14.2
Member bank reserve deposits.....	+4.4	- 8.1	+14.7	+ 3.3	+2.3	+16.6
"Other deposits" at Reserve Bank.....	-6.8	- 1.5	+ 1.0	+ 0.7	-2.2	- 8.8
Other Federal Reserve accounts.....	-0.0	- 0.1	- 0.1	+ 0.8	-0.0	+ 0.6
Total.....	+0.6	- 2.7	+16.4	+ 5.9	+2.4	+22.6

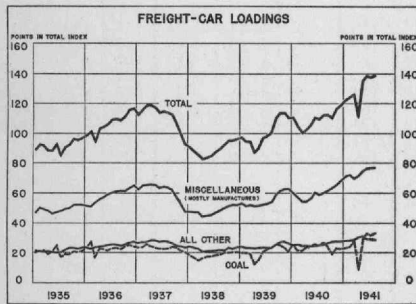
Member bank reserves (Daily averages; dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired	
Phila. banks:					
1941: Aug. 1-15....	\$564.4	\$259.6	\$304.8	117%	
Aug. 16-31....	581.2	263.9	317.3	120 "	
Sept. 1-15....	578.3	264.1	314.2	119 "	
1940: Sept. 1-15....	463.0	221.9	241.1	109 "	
Country banks:					
1941: Aug. 1-15....	203.7	111.0	92.7	83 "	
Aug. 16-31....	211.4	112.4	99.0	88 "	
Sept. 1-15....	219.7	113.3	106.4	94 "	
1940: Sept. 1-15....	193.3	99.7	93.6	94 "	

Federal Reserve Bank of Phila. (Dollar figures in millions)	Sept. 24, 1941	Changes in—	
		Five weeks	One year
Bills discounted.....	\$0.2	-\$0.0	-\$0.1
Bills bought.....	0	0	0
Industrial advances.....	3.7	- 0.0	+ 1.3
U. S. securities.....	171.8	0	-21.2
Total.....	\$175.7	-\$0.0	-\$20.0
Note circulation.....	501.0	+ 16.4	+127.0
Member bk. deposits.....	804.1	+ 16.6	+152.3
U. S. general account.....	32.3	- 28.7	-12.9
Foreign bk. deposits.....	105.7	- 9.2	+ 39.2
Other deposits.....	14.3	- 8.8	-11.1
Total reserves.....	1305.5	-13.2	+315.9
Reserve ratio.....	89.6%	0%	+ 4.5%

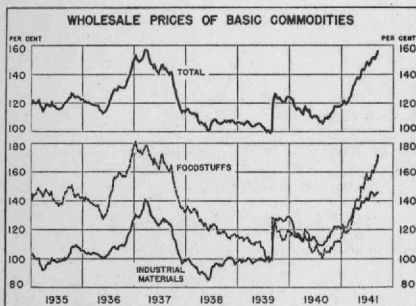
National Summary of Business Conditions



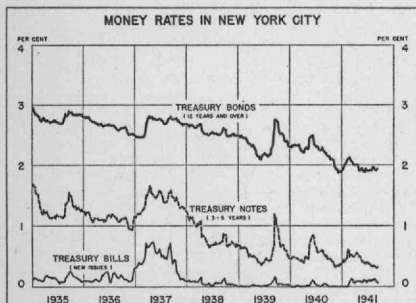
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. By months, January 1935 to August 1941.



Federal Reserve index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average=100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to August 1941.



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939=100. Thursday figures, January 3, 1935 to September 11, 1941.



Weekly averages of daily yields of 3 to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to September 13, 1941.

Industrial activity increased further in August and the first half of September, and commodity prices continued to advance. Distribution of commodities to consumers expanded considerably.

PRODUCTION

In August industrial output increased somewhat more than seasonally and the Board's adjusted index advanced from 160 to 161 per cent of the 1935-39 average. There were sharp further advances in activity in the machinery, aircraft, shipbuilding, and railroad equipment industries. Lumber production also increased, while furniture production, which had been unusually large in July, showed less than the customary seasonal rise in August. Output of steel and nonferrous metals continued at near-capacity rates.

In the automobile industry output of finished cars declined sharply as plants were closed during the changeover to new model production and output in factories producing bodies and parts also was reduced considerably. In the first half of September automobile assemblies increased as production of new models was begun but from now on, owing to Government restriction on passenger car production, output will be considerably below that during the previous model year.

In most nondurable goods industries production in August continued around the high levels reached earlier this year. At cotton mills activity declined slightly from the record level reached in July, while at woolen mills there was some increase. Rayon output continued at peak levels. In the silk industry operations were curtailed sharply, as the Government requisitioned all supplies of raw silk, and deliveries of silk to mills declined from 28,000 bales in July to 2,000 in August. Rubber consumption also decreased, owing to a Government curtailment program. Shoe production, which had been unusually large, increased less than seasonally in August, and output of manufactured food products and chemicals showed seasonal increases from the high levels prevailing in June and July.

At mines coal production in August, as in other recent months, was unusually large for the season, and output of crude petroleum rose to a record level of 4,000,000 barrels daily in the latter part of the month. Iron ore shipments down the Lakes amounted to 11,500,000 tons, the largest monthly total on record.

Value of construction contract awards showed a further sharp increase in August and was about four-fifths larger than a year ago, according to F. W. Dodge Corporation reports. The rise from July was substantial for all general types of construction but was most pronounced for publicly-financed projects. Awards for residential building continued to increase.

DISTRIBUTION

Sales of general merchandise rose sharply in August and were at an extremely high level for this time of year. The Board's seasonally adjusted index of department store sales advanced to 133 per cent of the 1923-25 average as compared with 115 in July and an average of 103 in the first half of this year. In the early part of September department store sales declined from the peak reached in the latter part of August.

Railroad freight-car loadings in August were maintained in the large volume reached in June and July. Coal shipments increased, following some reduction in July, while loadings of grain, which had been large since last spring, declined.

COMMODITY PRICES

Wholesale prices of most groups of commodities continued to advance from the middle of August to the middle of September. Prices of grains, other foodstuffs, and cotton showed large increases and there were advances also in prices of a number of industrial commodities not covered by Federal price ceilings. Fragmentary data available indicate that retail prices of foods and other commodities rose further during this period.

AGRICULTURE

The outlook for agricultural production in 1941 showed little change during August. Crop prospects were reduced slightly by drought but aggregate crop production is expected to be two per cent larger than last year and the largest for any year except 1937. Total marketings of livestock and livestock products will probably be the largest on record. Preliminary estimates of the Department of Agriculture indicate that cash farm income, including Government payments, will be about \$10,700,000,000, compared with \$9,120,000,000 in 1940.

BANK CREDIT

Commercial loans at reporting member banks in 101 cities continued to rise substantially during the four weeks ending September 10. Bank holdings of United States Government securities showed little net change, while holdings of other securities increased somewhat at New York City banks. As a result of the expansion in loans and investments bank deposits continued to increase.

UNITED STATES GOVERNMENT SECURITY MARKET

Prices of Treasury bonds increased in the latter part of August but subsequently declined somewhat in the first part of September. On September 15, the partially tax-exempt 2½ per cent 1960-65 bonds were yielding 2.06 per cent compared with the record low yield of 2.02 per cent. Yields on Treasury notes showed little change in the period.