

THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

FEBRUARY 1, 1943

RATION BANKING

THE general objective of rationing is to secure an equitable distribution of scarce commodities. A prospective buyer is required to surrender authorizations to purchase, as well as money, when he purchases rationed articles. These authorizations or coupons are distributed free by the rationing authority on such bases as equality for all, for example, coffee and sugar; or relative need, as in the case of gasoline and fuel oil; rather than on such bases as ability to pay or "first come, first served."

The straight coupon system, with which the country is familiar in purchasing sugar, is a reasonably satisfactory method for rationing commodities (1) of which almost everyone is a consumer, (2) of which the supply is adequate for everyone to have a share large enough to be useful, and (3) for which no widely-used substitute is available.

If, however, straight rationing were used on other types of commodities, such as canned peaches, the results would be (1) that everyone, including those who had not used them regularly, would receive allotments, (2) that everyone, including those who had used them in large quantities, would receive only a small share, and (3) that there would be a rush to buy substitute products such as canned apricots, pears, etc.

Point rationing is designed to insure a fair distribution and as much variety as possible of scarce articles by rationing related or interchangeable commodities as a group. Under this

plan, each commodity in a group is given a point value based on its scarcity, permitting some adjustment of demand to supply. Everyone is given a specified number of ration points in a book of stamps. Each holder of a ration book is entitled to use a certain number of points each month. He may use them for any commodity in the group. If he chooses to buy scarce articles with high point values he may not buy as many units as if he chooses more plentiful articles with lower point values. War Ration Book Two contains 96 blue stamps worth 384 points in the purchase of certain processed foods, and an equal number of red stamps to be used in the purchase of the second group of commodities— as yet undetermined—to be rationed.

Ration banking. The Ration Banking plan which began operation on a nation-wide basis on January 27 was established by the Office of Price Administration in cooperation with representative bankers and federal and state supervisory agencies. It enlisted the administrative facilities, the accounting knowledge, and the integrity of the commercial banks in receiving deposits and handling exchanges by check. It enables the Office of Price Administration to ascertain the effective amount of coupons outstanding at any time and to prevent kiting and counterfeiting. It is an efficient method of disposing of the immense quantities of coupons that will be in existence.

The magnitude of this last feature may be envisioned when it is recalled that more than 100,000,000 people hold sugar ration cards,

each of which covers 10 periods—a total of over a billion coupons. Over 100 carloads of safety paper are required to print War Ration Book Two in connection with point rationing. The public is not directly affected by the program, which will use the commercial banking system to handle ration coupons after they have passed from the hands of consumers into trade channels. At present, it applies only to certain transactions in gasoline, sugar and coffee.

In principle the procedure will parallel that of ordinary checking accounts. Separate accounts must be maintained for each article included in the program, but the units of account are pounds of sugar, gallons of gasoline, and the like, instead of dollars. When point rationing becomes effective, additional accounts in point units will have to be opened.

Tradespeople and others who come under the program will open ration accounts by filling out signature cards similar to those used in ordinary banking operations. Ration deposit slips in terms of pounds or gallons will be made in duplicate, the original to be kept by the bank for its record, the duplicate, initialed by the teller, to serve as a receipt for the depositor. Non-transferable ration checks may then be written against the account.

The operation of the system is illustrated in the following example. The grocer builds up his account by depositing coffee coupons in his bank. He then draws a check against this coffee coupon account covering the exact quantity he orders from his supplier. Receipt of this check authorizes the supplier to furnish so many pounds of coffee to the retailer; actual payment of course is in dollars. The supplier deposits the check with his bank and receives credit in his coffee account. If the grocer happens to have his deposit at the same bank, it will debit his account. If, as is usually the case, the grocer has his deposit at another bank, the check travels back to his bank. Local items, drawn on banks participating in a local, state, town, county, or group clearing arrangement, are to be cleared through the same channels as regular dollar checks. Ration checks drawn on correspondent banks may be sent directly to such correspondents. All other ration checks must be forwarded by every bank, whether or not a member of the Federal Reserve System, to the Federal Reserve Bank or branch in the district in which the sending bank is located. The Federal Reserve Bank, in turn, sees that the check is

returned to the bank upon which it is drawn. When the grocer's bank receives the check through the clearing, it will debit his coffee account.

This procedure will eliminate the work of exchanging coupons for certificates now being handled by some 5,500 local ration boards, manned for the most part by voluntary, part-time personnel. Banks are specifically authorized to destroy accumulated coupons twice a month. No minimum balance is required and no charge is to be made to the depositors, but an overdraft is a serious federal offense. Ration credits are valid at any time after the deposit is made.

Banks are not required to open ration accounts, but almost all are expected to render this public service. In the field of foods all primary distributors, wholesalers, chain stores, and retailers whose December 1942 sales of all foodstuffs totaled \$5,000 or more **must** open ration bank accounts. Retailers whose sales totaled less than \$5,000 may do so. In the field of gasoline, all wholesalers, distributors, and distributing refiners must open accounts.

The Office of Price Administration will compensate banks in accordance with the following schedule:

For opening a ration bank account . . .	\$.30
For each additional account opened for the same depositor at the same bank office . . . . .	.05
Monthly service fee for each account	.10
For each deposit made . . . . .	.05
For each item included in the deposit.	.005
For each ration check charged . . . . .	.04

Each coupon sheet or stamp card is considered one deposit item.

BUSINESS SUMMARY

Rapid progress was made during 1942 in transforming the economy of the country from peace to war. Many new plants were built and equipped, and existing facilities were converted. Before the close of the year, however, building activity declined somewhat. Industrial production expanded sharply, as increases in the output of heavy industries, largely for war, more than compensated for declines in the output of consumer's goods.

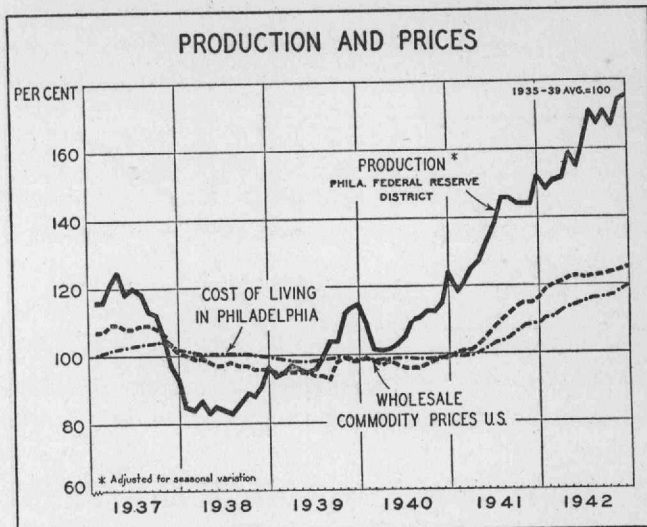
It is clear, however, that the transition is not complete. Retail trade increased considerably in the year as employment and wage payments continued to advance almost without interruption. Among the more important adjustments still to be made are those relating to an equitable distribution of the decreasing supply and production of essential civilian goods.

Manufacturing. Expanding war requirements are largely responsible for the continued heavy demand for the manufactures of this district. In the early weeks of 1943, orders for most durable goods approximated the peak levels reached last year, and sales of certain textiles and leather products increased. A further decline in new commitments for building materials reflected renewed efforts of the Government to conserve supplies of critical items for direct war needs.

Factory operations generally showed only temporary declines at the turn of the year, and in some lines new production records have been established through increases in working time and completion of additional manufacturing facilities. Unfilled orders for the products of both durable and consumers' goods industries remain heavy.

Employment and wage payments in Pennsylvania factories advanced slightly further from November to December. The number of wage earners, estimated at a new high of over 1,200,000, was 5 per cent greater than a year earlier. Payrolls, which reached a record level of \$46 million a week, showed an increase of 25 per cent over December 1941. Working time has been rising steadily since last spring, and increased about 12 per cent during 1942. Throughout the year, gains in employment, wage disbursements, and total employee-hours were due chiefly to expanding activity in munitions and other heavy industries.

Weekly income of factory workers in Pennsylvania increased to a new high in December, averaging \$41.73, as against \$41.40 in November, and \$34.87 a year earlier. In the two and one-half years of defense and war activity, average weekly income advanced about 57 per cent. Hourly earnings rose to an average of 96 cents, from 95½ in November, and 85 in December 1941. Working time increased slightly in the month to an average of 44 hours a week, the highest reported since the middle of 1930.

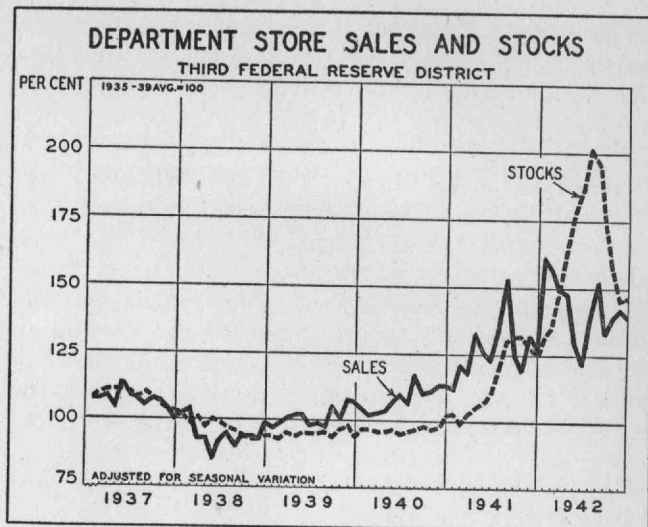
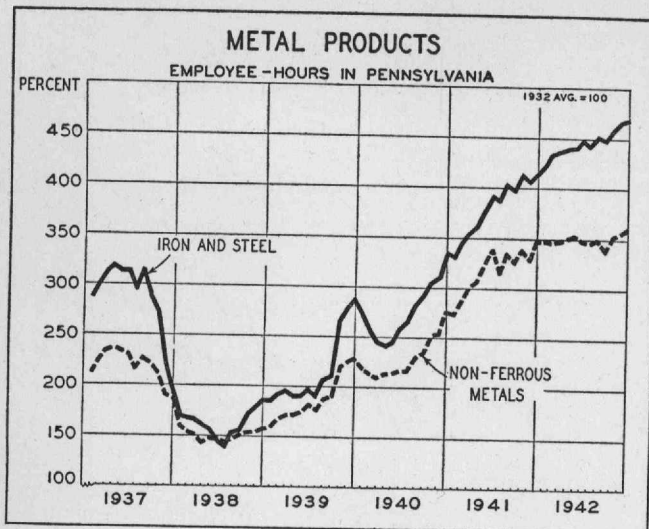


Output of factory products in this district was unusually well maintained in December and was 17 per cent above 1941. Operating for some time past at near-capacity levels, the durable goods industries did not show the usual seasonal gain, but in the case of lighter products an increase of 7 per cent on an adjusted basis was reported. Over the past twelve months, output in the heavy industries has shown an average gain of 45 per cent, as against a decline of 4 per cent in consumers' goods lines.

Coal and other fuels. The market for all fuels remains exceptionally strong. Sales of anthracite were large throughout December, but declined in early January, when suspension of operations at a number of mines as a result of labor disputes reduced the supply. Purchases of bituminous coal by manufacturing plants have increased further, and takings of other industrial consumers continue heavy.

Production of anthracite declined sharply in December, but remained above the 1941 level. A substantial increase anticipated in early January, when operations at the mines were extended to six days a week, did not materialize, as many collieries were closed down by strikes. The total output of nearly 60 million tons in 1942 was 6 per cent greater than in 1941 and the largest since 1930. Requirements for 1943 have been set tentatively at 65 million tons.

Output of bituminous coal in Pennsylvania declined more than seasonally from November to December and was substantially smaller than a year earlier. Production increased somewhat in the first half of January, when considerable



quantities of the fuel were required to meet the needs of those who were unable to secure anthracite. Colliery output in 1942 reached a thirteen-year peak of 140 million tons and was 10 per cent greater than in the preceding year.

Building. Activity in the construction industry in this district was above 1941 levels over most of last year. Operations against contracts for war facilities and essential nonmilitary projects rose steeply throughout the first six months, more than offsetting substantial declines in other types of construction resulting from restrictions on the use of critical materials. Building declined toward the close of the year, when further efforts were made to conserve materials, manpower, and facilities for direct war needs.

Contracts awarded in December decreased only 10 per cent from the thirteen-year peak in November, and were the largest for the month in records back through 1923. Placements totaling more than \$57 million were 72 per cent greater than in December 1941, reflecting substantial gains in contracts for all types of construction except small houses, commercial structures, and educational buildings.

Aggregate awards in 1942 exceeded \$423 million, were one-fourth greater than in 1941, and the largest since the all-time high of \$503 million reported in 1928. Contracts for factories, public works and utilities, multiple-family dwellings, and unclassified construction related to the war effort showed exceptionally large increases during the year.

Trade. Heavy Christmas buying raised the

value of retail sales in this district to an all-time high in December. At department stores the gain over 1941 was 10 per cent, and in other reporting lines increases were substantial. For the year 1942 sales exceeded those of a year earlier by more than 10 per cent in all lines except men's apparel.

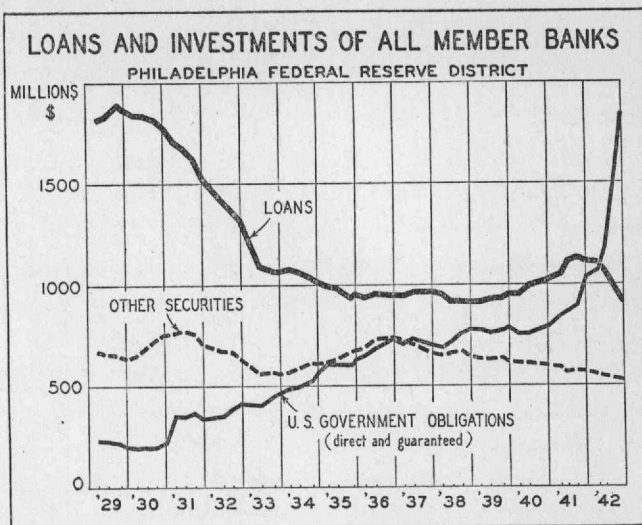
Retail inventories decreased considerably in December, but at the end of the month were substantially larger in dollars than a year earlier at both department and women's apparel stores. Outstanding orders for merchandise by department stores decreased slightly further in December, but were much larger than at the close of 1941.

The rate of collections on charge and installment accounts at department stores showed a pronounced increase during the second half of 1942, reflecting in part the influence of measures taken in the spring to broaden the scope of Regulation W and tighten certain restrictions already in force. Collections on charge accounts were unusually well maintained in the heavy selling month of December, and were much more rapid than a year earlier; substantial improvement over December, 1941 also was shown in the case of installment accounts, reflecting larger down payments and shorter maturities.

Aggregate sales in eight branches of wholesale trade in December were 6 per cent smaller than a month ago and a year earlier. The only increases over 1941 were in shoes and groceries; declines of over 10 per cent were reported in sales of paper, hardware, electrical supplies, and jewelry. Despite this unfavorable comparison for December, total dollar volume in

1942 was 12 per cent greater than a year earlier. Inventories at wholesale establishments decreased somewhat further in December and were substantially below the 1941 level.

Banking conditions. The investment portfolios of member banks in this district reflect active support of the Treasury's financing program. Preliminary figures show that these banks held \$1,840 million of Governments at the end of December, an amount equal to 56 per cent of their earning assets. The increase during 1942, in which Philadelphia banks and country banks participated about equally, was in excess of \$800 million. In other classes of loans and investments the trend was downward last year. Loans were reduced \$203 million to \$915 million as commercial borrowing declined, less consumer credit was extended, and supplies of open market paper shrank. Holdings of securities other than Governments also decreased somewhat, continuing the decline that has been in progress since 1936. Changes in earning assets since 1929 are shown in the chart.



Member banks have gained reserves in the past month. Balances totaling \$673 million on January 20 were \$20 million larger than on December 23; at Philadelphia banks reserves exceeded requirements by an estimated 18 per cent and at banks outside of the city by about 38 per cent. Funds came principally from operations of the Treasury; expenditures were \$37 million more than receipts, despite substantial withdrawals from Government depositaries. Currency demand declined somewhat in this period. A moderate loss was sustained in transactions with other districts, and expansion in reserves was further restricted by a decline in float.

Treasury finances. Final figures for the Victory Fund drive of December show that \$596 million of securities was allotted in the Third Federal Reserve District. This comprised \$186 million of bonds and certificates and \$80 million of Treasury bills taken by commercial banks, and \$330 million of securities purchased by others. This participation in the efforts of the Treasury to meet its financial requirements is encouraging in view of the outlook for increasing war costs in the next fiscal year. Expenditures of the Federal Government and its corporations are expected to total \$109 billion in the year beginning next July; in the absence of a change in the tax laws, net public borrowing may reach \$70 billion, according to the budget message of the President.

Treasury bills held by the Reserve Bank under the repurchase option increased somewhat in the month, but borrowings of member banks continued very light. The investment in Governments was further increased by a larger participation in securities held by the System.

Major financing requirements temporarily were met by the Victory Fund drive, but certain classes of securities are continuously on sale. Offerings of Treasury bills were raised from \$600 million to \$700 million a week during January; the weekly average of about \$18 million allotted in this district was larger than in December. Sales of savings bonds totaled \$58 million, maturity value, in the first 25 days of the month, as compared with \$46 million in the corresponding period of December, while sales of tax savings notes declined. The district subscribed \$220 million and was allotted \$73 million of an issue of certificates of indebtedness, offered primarily to provide funds for the redemption of certificates maturing February 1.

Expanding deposits of individuals and business concerns at reporting member banks reflected the disbursements of the Treasury. Total deposits, including Government balances, have been at record high levels recently. Investments of these banks were increased \$45 million to \$1,327 million in the four weeks ended January 20, chiefly by the delivery of a new issue of certificates of indebtedness toward the close of De-

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Dec. 1942 from		1942 from 12 mos. 1941
	Month ago	Year ago	
Sales			
Total of all lines.....	- 6	- 6	+12
Boots and shoes.....	+26	+63	+25
Drugs.....	- 6	- 1	+11
Dry goods.....	-22	- 2	+27
Electrical supplies.....	-10	-28	-12
Groceries.....	+1	+ 3	+15
Hardware.....	-16	-14	+13
Jewelry.....	-10	-41	- 2
Paper.....	+ 2	-34	+22
Inventories			
Total of all lines.....	- 5	-17	.....
Dry goods.....	- 9	- 9	.....
Electrical supplies.....	0	-25	.....
Groceries.....	- 2	-18	.....
Hardware.....	- 2	-30	.....
Jewelry.....	-12	-33	.....
Paper.....	+ 2	+ 5	.....

Source: U. S. Department of Commerce.

Prices	Dec. 1942	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100)...	172	+ 1	+ 8	+72
Wholesale				
(1926 = 100).....	101	+ 1	+ 8	+35
Farm.....	114	+ 3	+20	+87
Food.....	104	+ 1	+15	+55
Other.....	96	0	+ 2	+20
Living costs (1935-1939 = 100)...				
United States.....	120	+ 1	+ 9	+22
Philadelphia.....	120	+ 1	+10	+22
Food.....	130	+ 2	+19	+40
Clothing.....	126	0	+10	+27
Rent.....	107	0	+ 1	+ 4
Fuels.....	104	0	0	+ 7
Housefurnishings.....	122	0	+ 6	+22
Other.....	114	0	+ 5	+13

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	Dec. 1942	Nov. 1942	Dec. 1941	Per cent change		Dec. 1942	Nov. 1942	Dec. 1941	
				from					
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	139p	142	127	- 2	+10	+11	261p	182	237
Philadelphia.....	138	138	123	0	-12	+13	263	184	235
Women's apparel.....	128p	131	106	- 2	+20	+13	211p	147	174
Men's apparel.....	145	128	136	+14	+ 7	+ 7	242	141	227
Shoe.....	145p	141	129	+ 3	-12	+22	173p	137	154
Inventories									
Department stores—District.....	146p	145	125	+ 1	+17	.....	134p	176	114
Philadelphia.....	145p	148	113	- 2	+28	.....	136p	180	106
Women's apparel.....	148p	151	121	- 2	+23	.....	144p	178	117
Shoe.....	113p	105	108	+ 7	+ 5	.....	105p	112	100
FREIGHT CARLOADINGS									
Total.....	143	136	163	+ 5	-13	0	121	136	136
Merchandise and miscellaneous.....	139	129	162	+ 8	-15	- 4	119	127	140
Merchandise—L.C.I.....	80	79	111	+ 1	-28	-20	76	82	106
Coal.....	118	127	121	- 7	- 2	+ 6	125	138	128
Ore.....	339	295	446	+15	-24	+12	81	230	107
Coke.....	193	195	187	- 1	+ 3	+ 8	203	201	196
Forest products.....	106	127	125	-16	-15	0	93	121	110
Grain and products.....	118	104	120	+14	- 1	+ 1	121	118	122
Livestock.....	132	112	102	+18	+29	+14	141	129	109
MISCELLANEOUS									
Life insurance sales.....	86	86	152	- 1	-43	-17	90	92	159
Hotels—(1934 = 100).....	.....	.....	.....	- 5*	+22*	+10*	120	127	98
Occupancy.....	.....	.....	.....	+ 6*	+29*	+14*	155	146	119
Income, total.....	.....	.....	.....	-43*	-75*	-39*	24	42	97
Business liquidations.....	.....	.....	.....	- 9*	-66*	-58*	15	16	44
Number.....	.....	.....	.....	+ 4	- 3	+ 4	171	162	176
Amount of liabilities.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Check payments.....	158	152	163	+ 4	- 3	+ 4	171	162	176

*Computed from unadjusted data. p—Preliminary. r—Revised.

BANKING STATISTICS

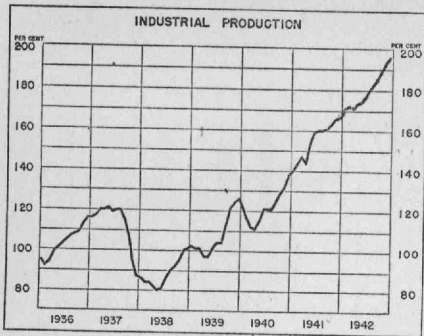
MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (000,000 omitted)	Jan. 20, 1943	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 244	-\$ 1	-\$ 45
Open market paper.....	18	- 4	- 24
Loans to brokers, etc.....	27	- 2	+ 1
Other loans to carry secur.....	29	- 1	- 4
Loans on real estate.....	46	- 1	- 3
Loans to banks.....	.....	.....	.....
Other loans.....	80	- 2	- 30
Total loans.....	\$ 444	-\$11	-\$105
Government securities.....	\$1022	+\$47	+\$530
Obligations fully guar ^{teed}	69	+ 4	- 35
Other securities.....	236	- 6	- 31
Total investments.....	\$1327	+\$45	+\$464
Total loans & investments.....	\$1771	+\$34	+\$359
Reserve with F.R. Bank.....	444	+ 17	- 22
Cash in vault.....	26	- 4	+ 1
Balances with other banks.....	108	+ 1	*
Other assets—net.....	63	+ 2	- 5
Liabilities			
Demand deposits, adjusted.....	\$1479	+\$38	+\$225
Time deposits.....	168	+ 12	- 32
U. S. Government deposits.....	163	- 2	+ 132
Interbank deposits.....	371	+ 3	*
Borrowings.....	.....	.....	.....
Other liabilities.....	11	- 2	- 2
Capital account.....	220	+ 1	+ 4

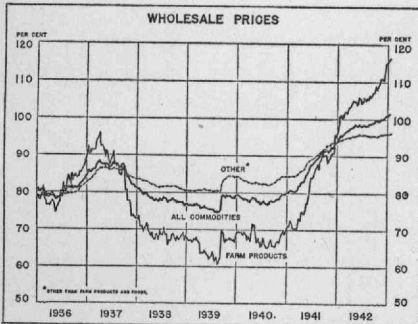
*Reciprocal bank balances now reported net.

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—				Changes in four weeks
	Dec. 30	Jan. 6	Jan. 13	Jan. 20	
Sources of funds:					
Reserve Bank credit extended in district.....	- 0.9	- 8.4	+ 0.9	- 5.0	-13.4
Commercial transfers (chiefly interdistrict).....	- 6.1	- 2.0	-15.9	+ 5.3	-18.7
Treasury operations.....	+ 7.7	+26.0	+ 1.5	+ 2.1	+37.3
Total.....	+ 0.7	+15.6	-13.5	+ 2.4	+ 5.2
Uses of funds:					
Currency demand.....	- 0.6	- 5.5	- 2.7	+ 1.2	- 7.6
Member bank reserve deposits.....	- 1.0	+28.3	- 8.1	+ 0.8	+20.0
"Other deposits" at Reserve Bank.....	+ 2.4	- 6.1	- 2.6	+ 0.4	- 5.9
Other Federal Reserve accounts.....	- 0.1	- 1.1	- 0.1	- 0.0	- 1.3
Total.....	+ 0.7	+15.6	-13.5	+ 2.4	+ 5.2
Federal Reserve Bank of Phila. (Dollar figures in millions)					
	Jan. 20, 1943	Changes in—			
		Four weeks	One year		
Bills discounted.....	\$ 0.4	-\$ 0.6	-\$ 0.4		
Bills bought.....	0	0	0		
Industrial advances.....	4.3	- 0.7	+ 0.7		
U. S. securities.....	442.2	+ 21.4	+ 264.5		
Total.....	\$446.9	+\$20.1	+\$264.8		
Note circulation.....	849.2	- 3.2	+ 274.3		
Member bk. deposits.....	672.9	+ 20.0	+ 4.5		
U. S. general account.....	23.0	+ 22.1	- 3.8		
Foreign deposits.....	70.4	+ 1.2	+ 2.6		
Other deposits.....	7.5	- 5.9	- 19.5		
Total reserves.....	1185.3	+ 29.9	- 19.5		
Reserve ratio.....	73.0%	+ 0.3%	- 15.4%		
Member bank reserves (Daily averages: dollar figures in millions)					
		Held	Re- quired	Ex- cess	Ratio of excess to re- quired
Phila. banks:					
1942: Jan. 1-15.....	\$449	\$294	\$155	53%	
Dec. 1-15.....	424	347	77	22	
Dec. 16-31.....	410	351	59	17	
1943: Jan. 1-15.....	418	358	60	17	
Country banks:					
1942: Jan. 1-15.....	\$224	\$145	\$ 79	55%	
Dec. 1-15.....	241	174	67	39	
Dec. 16-31.....	246	180	66	37	
1943: Jan. 1-15.....	256	184	72	39	

National Summary of Business Conditions



Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for December 1942.



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending January 16, 1943.

Industrial activity continued at a high level in December and the first half of January and distribution of commodities to consumers was sustained. Prices of farm products and retail foods advanced further, while prices of most other commodities showed little change.

Production. Industrial production in December showed less than the usual decline from November and the Board's seasonally adjusted index rose two points further to 196 per cent of the 1935-39 average. Munitions output continued to increase, raising total durable goods production to a level 33 per cent higher than in December a year ago, while for the same period production of nondurable goods was only 4 per cent larger and mineral output was somewhat lower.

Steel production in December and the first half of January averaged 97 per cent of capacity, down slightly from the October and November levels. Total steel production for the year showed a 4 per cent increase over 1941 while the output of steel plate, important in shipbuilding and tank production, rose 90 per cent over the previous year. This increase over a year ago was largely obtained by conversion of existing facilities. Output of lumber, and stone, clay and glass production in December showed larger declines than are usual at this time of year.

Output of nondurable goods showed little change from November to December. Textile production continued at the high level which has prevailed for the past year and a half. Meat packing increased sharply, reflecting exceptionally large hog slaughter and output of most other manufactured foods was maintained at a high level.

Mineral production was lower in December, reflecting a decline in coal output from the peak reached in November. Bituminous coal production in 1942 was the second largest in the history of the industry, averaging 13 per cent greater than 1941. Crude petroleum production in December continued at the level of earlier months and for the entire year was slightly lower than 1941, reflecting transportation shortages. In the first half of January production of bituminous coal and petroleum was maintained, but a number of anthracite mines were closed by an industrial dispute.

Value of construction contracts awarded in December, according to the F. W. Dodge Corporation, was somewhat higher than in November. Contracts for apartment-type buildings for housing war workers continued to rise and public works increased sharply, while awards for manufacturing buildings declined further.

The value of construction was 3.2 billion dollars in the fourth quarter of 1942, according to preliminary estimates of the Department of Commerce. This was about 25 per cent lower than the peak of 4.3 billion reached in the fourth quarter of 1941. Installations for direct military use and residential building contributed somewhat less than half of the remainder. For the year as a whole, construction is valued at 13.6 billion dollars—of which almost four-fifths was publicly financed—an increase of one-fifth over 1941. The increase took place entirely in military and industrial projects, which rose 4.4 billion dollars. All other types of construction declined.

Distribution. Distribution of commodities to consumers was maintained at a high level in December and the first half of January, after allowance for the sharp fluctuations that are customary at this time of year. The 1942 Christmas buying season exceeded that of any previous year, value of sales at department stores, for example, being about 15 per cent larger in November and December than in the corresponding period of 1941. The increase over the year period reflected in part price advances but there was also an increase in the volume of goods sold.

Freight carloadings declined about the usual seasonal amount in December, and the Board's adjusted index remained at 134 per cent of the 1935-39 average. Grain, livestock, and miscellaneous loadings rose somewhat on a seasonally adjusted basis, while coal and other products declined slightly.

Commodity prices. Prices of agricultural commodities advanced sharply from the early part of December to the middle of January. Maximum prices designed to restrict further increases were issued for some of these commodities, including corn and mixed feeds. For certain other products, however, like potatoes and truck crops, Federal price supports were increased. Wholesale prices of most other commodities continued to show little change.

From mid-November to mid-December retail food prices advanced 1.6 points to about 133 per cent of the 1935-39 average. Further increases in these prices are indicated in January as a result of advances permitted recently in maximum levels for such items as flour, milk, and poultry.

Bank credit. Excess reserves of member banks declined sharply in the last week of December, and during the first half of January they averaged about 2.2 billion dollars, as compared with 2.5 billion for most of December. Large payments to the Treasury for new securities, some increase in currency, and other end-of-year requirements were responsible for drains on reserves during the last week of December. There were, however, substantial sales of Treasury bills to Federal Reserve Banks under options to repurchase. In the early part of January, reduction in Treasury balances at the Reserve Banks and a return flow of currency supplied banks with additional reserves, and some of the bills sold to the Reserve Banks were repurchased. During this period Reserve Bank holdings of Government securities, which had increased to 6.2 billion dollars by December 31, declined to below 6 billion.

Reflecting largely purchases of the $\frac{7}{8}$ per cent certificates of indebtedness delivered in the week of December 30, holdings of direct and guaranteed Government obligations at reporting member banks in 101 cities increased by 1.8 billion dollars to 28 billion over the four weeks ending January 13. New York City banks took 640 million of the 1.5 billion dollars of certificates sold to reporting banks. Commercial loans in New York City declined by 90 million dollars; outside New York there was little change. Loans to brokers and dealers rose sharply in December during the Victory Fund campaign, but declined correspondingly in the following weeks. Other loans continued to decline.

United States Government security prices. Subsequent to the close of the Victory Fund Drive in December prices of United States Government securities increased. Long-term taxable bonds are yielding 2.32 per cent on the average, and long-term partially tax-exempt bonds 2.06 per cent.