MONTHLY REVIEW

Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

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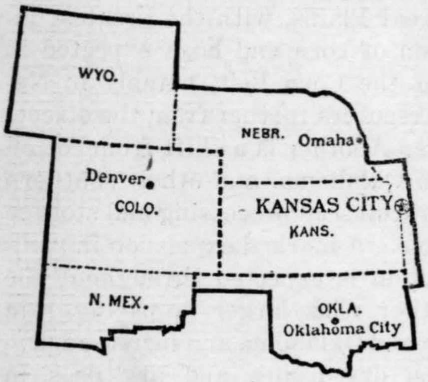
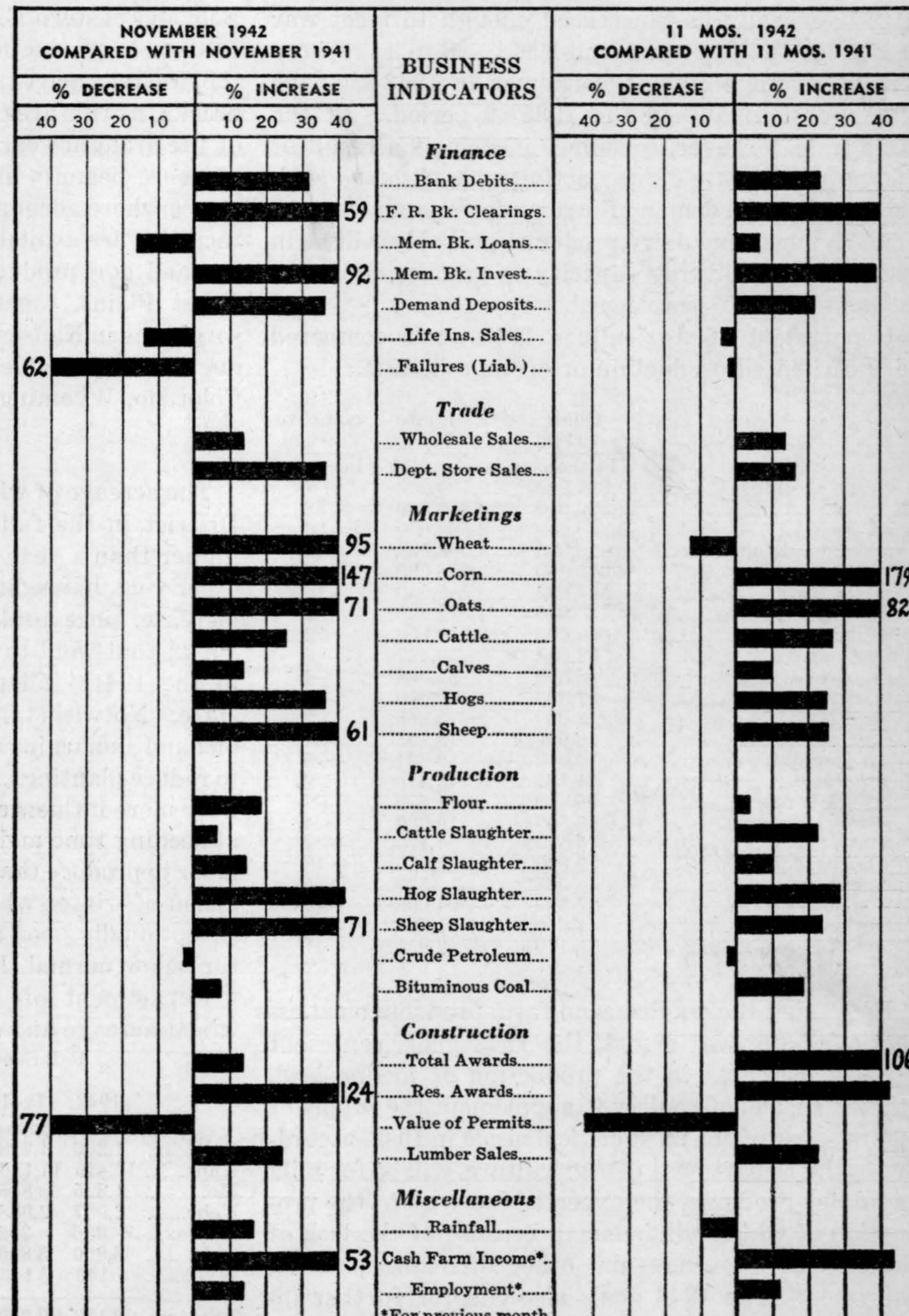
Business in the Tenth Federal Reserve District





Winter wheat acreage for the country is about 2% under a year ago but in this District it is little changed. The condition of the crop is exceptionally good in Kansas, Nebraska, and Colorado.

Grain movements are large, wheat going into storage and corn into feeding channels. Livestock slaughter also is heavy. The slaughter of hogs is nearly a half larger than a year ago but, even so, it is not so large as had been expected.

The holiday shopping season started unusually early this year and has been very active. Department store sales have been nearly 30% larger, only about 5% of this gain being due to higher retail prices.

Bank deposits are a half larger and bank investments more than double what they were this time last year. Employment is up 14% and, with the exception of crude petroleum, nearly all production figures are showing large gains over last year.

AGRICULTURE

1943 Production Goals

The United States Department of Agriculture has announced farm production goals for 1943 calling for the highest general level of production in the history of American agriculture in order to fulfill the rapidly expanding wartime needs of the United Nations. The Department of Agriculture estimates that military and lend-lease purchases in 1943 may absorb as much as 20 to 25 per cent of this country's food production as compared with 13 per cent in 1942 and 4 per cent in 1941. Food production—already at a record level in 1942—generally has increased enough to meet war needs, both military and lend-lease, and to leave more for the average civilian consumer in 1943 than he consumed annually in the 1935-39 period. At the same time, however, consumer income as a result of the very high rate of war activity has risen to such heights that the demand for some farm products, particularly meat and dairy products, probably will be in excess of agriculture's capacity to produce and some foods will have to be rationed.

Department of Agriculture 1943 goals compared with estimated production or acreage in 1942:

	Goal 1943	Estimate 1942	1943 comp. to 1942
	(In thousands of units)		(Per cent)
Beef and veal, lbs.	10,910,000	10,160,000	+7
Pork, lbs.	13,800,000	10,800,000	+28
Lard, lbs.	3,400,000	2,500,000	+36
Lamb and mutton, lbs.	990,000	1,009,000	−2
Chickens, lbs.	4,000,000	3,118,000	+28
Turkeys, lbs.	560,000	485,000	+15
Eggs, doz.	4,780,000	4,414,000	+8
Milk, lbs.	122,000,000	120,000,000	+2
Wheat, acres	52,500	53,427	−2
Corn, acres	95,000	91,098	+4
Oats, acres	37,300	40,600	−8
Rye, acres*	3,600	3,868	−7
Barley, acres	18,000	18,193	−1
Grain sorghums, acres	10,000	9,221	+8
Hay, acres*	71,100	72,710	−2
Flaxseed, acres	5,000	4,675	+7
Soybeans, acres*	10,500	10,900	−4
Peanuts, acres*	5,500	4,173	+32
Dry beans, acres	2,800	2,376	+18
Dry peas, acres	665	530	+25
Cotton, acres	22,500	24,005	−6
Sugar beets, acres	1,050	1,061	−1
Potatoes, acres	3,160	2,845	+11

*Harvested acres.

Reflecting the emphasis on farm products most essential to the war effort, the 1943 goals represent further increases in the production of meats, lard, milk, eggs, and of poultry to supplement the supply of meats. One of the most critical needs in 1943, according to the Department of Agriculture, will be for milk and dairy products, the expected increase in the production of which will be small because of the lack of skilled dairy workers and other difficulties facing dairymen. The 1943 goals also call for further increases in output of dry beans and peas for their protein value, of potatoes, of flaxseed and peanuts for oil, of corn and grain sorghums to support increased livestock production, and of long-staple cotton. No further increase is sought for plantings of soybeans and sugar beets since the acreage for these crops in 1942 far exceeded the goal set for that year. Farmers have been asked to reduce their plantings of wheat, short-staple cotton, and certain feed grains of which there are ample supplies.

The projected goals for 1943 involve several important regional shifts in farm production. One is a shift from wheat and oats to more corn in the Corn Belt and eastern Great Plains, with the greatest increases in production of corn and hogs expected in the western part of the Corn Belt, notably in Nebraska, as this area recovers further from the effects of the drought years. Another is a shift from cotton to more peanuts in Oklahoma and other southern states where adequate oil seed processing and storage facilities are available. A marked expansion in poultry and egg production is expected throughout the Great Plains, together with larger crops of grain sorghums in Kansas and Oklahoma and increased production of potatoes, dry beans, and dry peas in Colorado, Wyoming, and New Mexico.

Crops

The acreage of winter wheat seeded in states in this District in the fall of 1942 was about the same or higher than a year earlier. An apparent decrease of 6 per cent in seedings in Kansas is actually a small increase, since a relatively large acreage of volunteer wheat that went to harvest in 1942 has been included in the 1941 "fall planted" acreage figure for that state. Notwithstanding the record supplies of wheat on hand and urgings of the Department of Agriculture to reduce plantings, farmers in many areas apparently were more influenced by excellent moisture conditions at seeding time and the fact that wheat requires less labor to produce than almost any other crop. The condition of winter wheat, now in the dormant stage, is exceptionally good although November moisture was far below normal throughout most of the District.

Department of Agriculture estimates of winter wheat acreage and condition:

	Fall Seeded Acreage				Condition Dec. 1			
	1942	1941	1940	Aver. '30-'39	'42	'41	'40	Aver. '30-'39
	(Thousand acres)				(Per cent)			
Colo.	1,206	1,218	1,321	1,159	93	94	90	64
Kans.	10,449	11,116	13,064	14,045	91	88	88	68
Mo.	1,225	845	1,856	2,091	86	66	72	80
Nebr.	2,967	2,938	3,368	3,570	91	93	81	70
N. Mex.	326	302	335	380	83	89	50	72
Okla.	3,800	3,800	5,030	4,908	86	80	77	67
Wyo.	140	143	160	148	92	93	92	70
7 States	20,113	20,362	25,134	26,301	....	....	....	....
U. S.	37,482	38,339	45,663	48,039	88	87	84	74

Cash grain prices continued to rise sharply in December to new high levels since 1937. Wheat prices are about 26 cents a bushel above their low point last July and about 10 cents above their highest level in the September 28-October 3 base period for the ceiling on flour prices, while corn prices have advanced about 14 cents from their recent low of early November. The rise in wheat prices has carried them appreciably above the Government loan rate but not enough to cause any considerable liquidation of wheat stocks under loan. Receipts of grains at principal District markets are very heavy because of the inflow of wheat to terminals for storage and the movement of corn and other feed grains from surplus producing areas to importing areas for use in livestock feeding. Open market offerings of both wheat and corn, however, continue relatively small. Farmers are holding their wheat either for loans or for higher prices, and very favorable feeding ratios are encouraging the feeding of corn to livestock rather than marketing it as a cash crop. Industrial utilization of corn has been large and probably will remain large.

The lower range of Kansas City cash grain prices:

	Dec. 28 1942	Nov. 30 1942	Oct. 31 1942	Nov. 29 1941
No. 1 hd., dk. wheat, bu.	$1.32½	$1.24¼	$1.19½	$1.14
No. 2 mixed corn, bu.	.88	.81	.74¾	.69¾
No. 2 white oats, bu.	.57½	.53½	.46½	.46

Rainfall

	Nov. 1942 Total	Nov. 1942 Normal	11 Mos. 1942 Total	11 Mos. 1942 Normal
	(In inches)			
COLORADO				
Denver	0.23	0.55	16.10	13.32
Leadville	1.65	0.93	17.36	17.55
Pueblo	0.07	0.36	17.87	11.17
Lamar	0.06	0.53	19.20	14.79
Alamosa	Trace	0.20	7.04	6.55
Steamboat Springs	2.45	1.49	21.55	21.16
KANSAS				
Topeka	1.33	1.52	37.85	32.57
Iola	2.23	2.22	40.82	36.78
Concordia	0.64	0.99	26.56	25.75
Salina	0.70	1.43	41.23	26.50
Wichita	0.68	1.39	38.05	29.07
Hays	0.09	1.01	28.39	23.07
Goodland	0.65	0.72	24.92	18.14
Dodge City	0.06	0.73	23.66	20.01
Elkhart	Trace	0.79	27.39	17.07
MISSOURI				
St. Joseph	1.60	1.58	35.96	34.27
Kansas City	2.74	1.83	38.59	35.78
Joplin	2.34	2.77	49.68	41.83
NEBRASKA				
Omaha	0.18	1.07	26.14	26.84
Lincoln	0.25	1.07	27.16	27.14
Norfolk	0.37	1.12	23.99	27.43
Grand Island	0.41	1.04	24.70	25.44
McCook	0.60	0.78	22.89	19.13
North Platte	0.25	0.47	29.59	17.86
Bridgeport	0.41	0.43	22.68	15.71
Valentine	0.28	0.56	21.18	17.73
NEW MEXICO				
Clayton	0.00	0.39	21.95	14.86
Santa Fe	0.00	0.68	9.45	12.70
Farmington	Trace	0.86	4.59	9.01
OKLAHOMA				
Tulsa	1.72	2.48	45.07	36.63
McAlester	2.46	2.84	41.01	40.66
Oklahoma City	0.73	1.87	33.71	29.65
Pauls Valley	2.49	2.32	43.83	33.10
Hobart	0.17	1.66	34.39	26.97
Enid	0.17	1.60	32.22	29.48
Woodward	0.05	1.67	24.93	25.00
WYOMING				
Cheyenne	1.91	0.52	23.47	14.44
Casper	1.83	0.99	10.65	14.45
Lander	2.35	0.60	16.79	12.05
Sheridan	2.23	0.63	15.96	14.42

Livestock

Available supplies of cattle, according to the Department of Agriculture, indicate that cattle feeding in the Corn Belt could be on a larger scale this winter than last. The movement of feeder cattle into both the Corn Belt and western feeding areas has been later than usual this year, owing in part to the confused price situation which tended to make feeders hesitate to buy high priced feeder cattle for finishing and to delays in the harvest of corn and sugar beets because of labor shortages. The continued advance in fat cattle prices up to December, however, apparently gave feeders more confidence, and there was a record movement of stocker and feeder cattle into the Corn Belt in October and November to utilize the large supplies of hay and roughage available and probably to be finished on grain later. Moreover, the demand for feeder cattle continued rather heavy in December despite a marked decline in beef cattle prices. Indications still point to a decrease in cattle feeding this winter in Colorado, particularly in the northern part of the state, while the number of cattle on feed in Oklahoma may be little changed from a year earlier.

Unusually large shipments of feeder lambs and sheep into the Corn Belt in November have changed the lamb feeding situation somewhat, according to the Department of Agriculture, and it now seems probable that the number of lambs fed in the Corn Belt during the winter feeding season of 1942-43 will be larger than a year earlier. The largest increases are indicated for Nebraska and Kansas, with some decrease in Missouri. The number of lambs fed in the important Scottsbluff area of Nebraska may be less than last year but for the state as a whole lamb feeding may reach near record volume this season. In Kansas, a record number of lambs was being finished on wheat pastures at the first of December, but shipments to Oklahoma wheat pastures have been much smaller this year than last. Lamb feeding in Colorado, the most important of all lamb feeding states, is expected to be about 25 per cent below last year and back to the low level of two years ago.

The condition of range feed is generally good east of the Rocky Mountains, particularly in the eastern parts of Wyoming, Colorado, and New Mexico and in

Nebraska, Kansas, and Oklahoma. Recent rains and snows have improved water and grazing conditions west of the main range, where feed is rather short because of dry weather during the late summer and fall. Although covered by snow in some areas in December, wheat pastures are very good in most sections of the southwest, and supplies of hay and other feeds generally are plentiful for supplemental feeding when necessary. Cattle and sheep in range areas have entered the winter in good condition. Demand for breeding stock is strong in some localities but this tendency to increase livestock numbers appears to be offset by heavy sales in other areas to take advantage of present favorable prices.

Livestock marketings continue in large volume. Marketings of range cattle in November were especially heavy from Kansas, Oklahoma, and New Mexico, and there was also a heavy movement of range lambs from western states. The shortage of skilled farm labor in many areas and relatively high market prices have contributed to the heavy receipts of cattle and sheep at District markets, especially cows and heifers and mature breeding sheep and ewe lambs which normally would be held back for replacement purposes. The average weights of cattle being marketed are appreciably lighter than a year ago, owing to the smallest proportion of heavy beef steers in recent years and an unusually large proportion of cows and heifers. There has been some liquidation in sheep numbers in the District but reports seem to indicate that so far there has probably been no serious reduction in cattle numbers on farms and ranches. After considerable delay, marketings of hogs from the 1942 spring pig crop had reached sizable proportions by late November. The average weight of hogs is heavier than a year ago, farmers apparently having tended to hold their hogs for additional feeding because of an exceptionally favorable feeding ratio and the relatively high prices obtainable for heavy hogs.

Prices of beef steers declined rather sharply during the forepart of December, dropping to about $14.75 a hundredweight near the middle of the month from a peak of about $16.50 in both of the two preceding months, when beef steer prices had been at their highest point since 1937 and with that exception the highest since 1929. This downturn reflected to some extent a marked expansion in cattle receipts early in December, when heavy snows had covered grass and grain pastures, and was also influenced, in part at least, by revised wholesale beef price ceilings on a flat dollars and cents basis by grades and by zones, effective December 16, which forced some packers to lower former individual ceilings on the better grades of beef. Prices of the lower grades of slaughter cattle, some of which had been at their highest level since the last war, also declined but to a lesser extent. Lamb prices have continued to rise and by late December were little below their thirteen-year high of early last summer. Sheep prices also are strong. The wholesale ceiling on dressed lamb and mutton was revised downward on December 18 when new maximum prices were announced for specific grades by zones on a basis similar to that used in the wholesale beef price regulation. Hog prices in December have recovered very strongly after declining from a twenty-two year high of $15.15 a hundredweight early in October to $13.30 near the first of December under the influence of seasonally increased marketings and the impact on live hog values of the meat restriction order effective October 1 and of revised pork price ceilings effective November 2. As supplies have increased, Government purchases of pork and pork products recently have expanded greatly and this buying for military and lend-lease purposes has tended to strengthen hog prices.

Top carlot livestock prices at Kansas City:

	Dec. 28 1942	Nov. 1942	Oct. 1942	Nov. 1941	Nov. 1940	Nov. 1939
	(In dollars per hundredweight)					
Beef steers	14.70	16.60	16.50	12.75	13.75	11.25
Stocker cattle	14.25	14.50	14.00	11.25	10.50	10.00
Feeder cattle	13.75	14.75	14.25	10.90	10.50	9.35
Calves	14.50	14.50	14.00	12.50	11.00	10.10
Hogs	14.80	14.20	15.15	10.50	6.15	6.65
Sheep	13.50	12.75	12.60	10.25	7.90	7.90
Lambs	15.40	15.10	14.65	11.50	9.75	9.75

TRADE

Retail Sales

Department store sales in this District in the first three weeks of December were about 23 per cent larger than a year earlier, following an increase of about 36 per cent in both November and October. The somewhat smaller year-to-year gain for December probably reflected the fact that Christmas buying in 1942 started in October, much earlier than usual, and consequently was spread over a longer period instead of being concentrated as in 1941 in the month just preceding Christmas. Trade reports indicate that there has been no lag in sales, with gift buying accompanied by purchases of staple items far in excess of actual needs. The huge volume of consumer buying power that has been generated by wartime expansion apparently is being spent on goods while they are still available.

Stocks of merchandise at department stores are about as large as a year earlier but are considerably below the record level of last summer, inventories in November having declined contraseasonally for the third successive month. Moreover, inventories at the end of November represented only 2.7 months' supply at the current rate of sales as compared with 3.7

months' supply one year previous. As inventories have declined, the volume of merchandise on order in recent months has tended to increase and on November 30 was 68 per cent above the preceding year.

Department store sales and stocks in leading cities:

		SALES		STOCKS
	No. of Stores	Nov. '42 comp. to Nov. '41	11 Mos. '42 comp. to 11 Mos. '41	Nov. 30, '42 comp. to Nov. 30, '41
		(Per cent increase or decrease)		
Denver	7	+34	+15	+3
Hutchinson	3	+31	+7	....
Topeka	3	+52	+12	....
Wichita	4	+58	+34	....
Kansas City	8	+33	+18	−4
St. Joseph	3	+24	+6	....
Omaha	4	+33	+15	....
Oklahoma City	6	+42	+15	−4
Tulsa	5	+28	+23	+4
Other cities	32	+33	+8	+2
District	75	+36	+16	0

Wholesale Sales

The value of wholesale sales in this District in November, as reported by the Bureau of the Census, was 13 per cent larger than a year earlier. Of the principal lines, sales of drugs, dry goods, and groceries showed an increase and of furniture and hardware a decrease from the preceding year. Trade reports indicate that sales, on the whole, would have been much larger except for the fact that shortages in wholesale stocks are becoming increasingly acute, urgent reorders of retailers for holiday goods in many instances going unfilled. Wholesale inventories have dropped 26 per cent under a year earlier and are being reduced not only by heavy purchases of retailers but also by the inability of wholesalers to secure replacements.

PRODUCTION

Meat Packing

Cattle slaughter at meat-packing plants in the District was considerably less heavy in November than in other recent months, owing chiefly to strong competition between feeder buyers and packers for available market supplies following the broad upturn in country demand for stocker and feeder cattle that had taken place in the preceding month. Slaughter supplies of hogs and sheep, however, were in large volume and hog and sheep slaughter was correspondingly heavy, that of hogs exceeding the November average of the past ten years by 34 and sheep by 53 per cent.

Livestock slaughter for the whole country continues at record or near-record levels. Despite this high level of production, total meat supplies are not large relative to total wartime requirements, since military and lend-lease needs are absorbing most of the increase in production during the past two or three years while civilian demand for meats also has expanded greatly as a result of increases in employment and wage rates. For the coming year, increasing military and lend-lease requirements for meats will leave fewer pounds available for civilian consumers on a per capita basis as well as less than the amount of meat which civilians would like to buy at ceiling prices. During the last quarter of 1942, a form of rationing was effected by OPA regulations which limited packer deliveries of meats into civilian consumption to the following percentages of such deliveries in the last quarter of 1941: beef, first 80 and later revised to 70 per cent; veal, 100 per cent; pork, 75 per cent; and lamb and mutton, 95 per cent. Pending formal rationing, which the OPA has indicated will be instituted early in 1943, packer deliveries in the first quarter of 1943 will be further curtailed to 70 per cent of the beef, veal, and pork and 75 per cent of the lamb and mutton delivered in the first quarter of 1941. At the same time, consumers have been urged to restrict meat consumption voluntarily.

Flour Milling

Southwestern flour milling operations are at a very high rate as bakers and jobbers order delivery on previous contracts to satisfy a heavy consumer demand for flour and bakery products. Early in December, the emergency flour price ceilings of October 3 were extended indefinitely until permanent ceilings on a dollars and cents basis could be formulated. The emergency ceilings were based on the highest price at which mills sold or offered to sell flour during the period from September 28 to October 2. A sharp rise in wheat prices since late November, however, left many mills with insufficient operating margins under the flour price ceilings, and flour trade in December was almost completely stalemated as mills increasingly were forced to withdraw quotations. Buyers, on the other hand, anticipating that the ceiling would be raised, were eager to contract flour to replenish dwindling inventories. On December 29, the Government authorized an average increase of 10 per cent in flour prices at mills.

Petroleum

Crude oil production in Kansas in 1942 reached its highest level on record following widespread field development in the preceding year, while output in Oklahoma continued to decline. At the same time, stocks of crude above ground in these states have been drawn upon heavily, indicating that demand has been considerably in excess of production. The cutting off of tanker shipments from the Gulf Coast to the Atlantic seaboard early in 1942 and the subsequent rapid expansion in tank car shipments of petroleum and its products overland greatly increased the demand for crude oil from Oklahoma and Kansas. According to reports of the petroleum industry, production quite generally is at the highest rate consistent with conservation practices and in some cases is now being drawn from less substantial reserves. The reports emphasize the growing need for finding new reserves to offset current withdrawals and the serious threat to future petroleum supplies resulting from a sharp decrease in drilling and exploratory operations in 1942. Drilling operations in the first ten months of 1942 were reduced about 25 per cent from the preceding year in Kansas and about 40 per cent in Oklahoma, and the volume of new production was down fully 60 per cent in Kansas and 30 per cent in Oklahoma. The problem of developing new production hinges on three main factors: prices, manpower, and supplies. Operators in Oklahoma suggest that a price of $1.75 a barrel for mid-continent crude is necessary to stimulate drilling as compared with present posted schedules carrying a top price of $1.25 a barrel. Expert drilling crews in many instances have had to be disbanded as trained workers were inducted into the army or were attracted by higher wages to war plants. In addition, the petroleum industry like many others has had difficulty in securing equipment and supplies involving critical materials.

Employment

Nonagricultural employment in the District has continued to increase, recently rising 14 per cent above a year earlier. Employment in manufacturing industries alone is about 30 per cent greater than a year ago, reflecting in large part activity on war projects. This substantial increase in manufacturing employment, together with a larger number of civilian employees in governmental services and of workers engaged in transportation, accounts for most of the gain in total employment. The number of workers engaged in trade, construction, and mining, particularly crude oil production, generally is below last year. In this District, Kansas, Colorado, and Nebraska show the largest gains in employment, while in New Mexico employment has dropped slightly under a year earlier.

Department of Labor employment estimates:

	Oct.* 1942	Sept. 1942	Change from 1941 Oct.*	Change from 1941 Sept.
	(Number)		(Per cent)	
Colorado	323,000	318,000	+21	+20
Kansas	435,000	427,000	+32	+29
Missouri	963,000	962,000	+5	+6
Nebraska	271,000	265,000	+21	+17
New Mexico	83,600	84,700	−1	−2
Oklahoma	374,000	373,000	+11	+11
Wyoming	68,700	66,500	+9	+2
Seven states	2,518,300	2,496,200	+14	+13
United States	38,555,000	38,348,000	+7	+6

*Preliminary.

CONSTRUCTION

Construction awards in the Kansas City area (Nebraska, Kansas, Oklahoma, and western half of Missouri) in November were appreciably higher than in the preceding year but had dropped substantially under the peak level reached earlier in 1942. The current downtrend in awards reflects principally a shift in emphasis from new construction to a more intensive use of existing facilities. Moreover, most of the larger projects essential to the war effort, such as manufacturing plants, cantonments, and air and army bases, have already been completed or are under way. Total construction in 1943, according to the F. W. Dodge Corporation, consequently will probably show a decline of about 50 per cent from the all-time high in 1942 although, because of continuing war needs, it will still be larger than in the average peacetime year.

Construction figures of F. W. Dodge Corporation:

	Nov. 1942	11 Mos. 1942	Change from 1941 Nov.	Change from 1941 11 Mos.
	(Thousand dollars)		(Per cent)	
Residential building	14,197	99,035	+124	+41
Nonresidential bldg.	26,996	307,432	+212	+218
Public wks. construction	4,828	93,186	−51	+82
Utility construction	2,515	77,267	−86	+26
Kansas City area	48,536	576,920	+12	+106
37 Eastern states	654,184	7,546,345	+43	+35

FINANCE

War Financing

In December, the Treasury raised about 12 billion dollars through the sale of Government securities in order to meet the heavy financial requirements of the war. The amount raised exceeded the goal announced in November by about 3 billion dollars and represented the collective and intensive effort of banks and other financial institutions, of the Victory Fund Committees, and of the War Savings Staff of the Treasury. The necessity for such large-scale borrowing is clear. According to latest estimates of the Bureau of the Budget, expenditures of the Federal Government for the fiscal year ending June 30, 1943, will total about 85 billion dollars, of which amount about 63 billion must be borrowed. War expenditures alone are expected to approximate 78 billion dollars for this period, having risen from about 28 billion in the fiscal year ended last June.

Aside from its hugeness, the significant feature of the December financing was that about 60 per cent of the total was borrowed from nonbank investors and only about 40 per cent from commercial banks. In the December drive, primary emphasis was placed upon the sale of war obligations to investors other than commercial banks—individuals, trust funds, corporations, insurance companies, savings institutions, public bodies, etc.—in order to obtain the widest possible public distribution and particularly increased individual participation out of current income and savings. To this end, the December financing was especially designed to fit the needs of all types of investors. Banks were not eligible to purchase the new 2½ per cent Victory bonds of 1963-68 until ten years after the date of issue and bank purchases of the new 1¾ per cent Treasury bonds of 1948 and of the one-year ⅞ per cent Treasury certificates of indebtedness were limited to about 2 billion dollars each.

It is recognized that banks can and must play a very large part in financing the war. Holdings of Government securities at weekly reporting member banks in this District have risen from 289 million dollars early last April to 744 million late in December. The Treasury, however, recognizes the utmost importance of financing the war as far as possible outside the banks, not only to prevent an unnecessarily large increase in consumer spending power that heavy bank purchases of Government securities entail but also, by selling Government securities elsewhere, to absorb the vast amount of new consumer spending power that has been generated by wartime expansion. It is a well-known fact that bank purchases of Government securities, in much the same way as loans, tend to cause an expansion in bank deposits and thus to augment consumer spending power. Owing in large part to the sharp increase in holdings of Government securities, adjusted demand deposits at weekly reporting member banks in this District have risen from 665 million dollars early in June to 945 million by late December. At the same time, consumer income is increasing rapidly and is greatly in excess of the amount necessary to meet essential consumer needs and tax payments because the supply of civilian goods available for purchase is decreasing as materials and productive facilities have been diverted to war purposes. Unless this excess buying power is saved and invested in Government securities, it remains to exert an upward pressure on prices and to complicate further the problems of rationing.

Member Bank Credit

Investments at weekly reporting member banks in the Tenth District increased sharply during the four weeks ending December 16, reflecting chiefly active participation in the weekly offerings of Treasury bills and large purchases of the new 1¾ per cent Treasury bonds which were available to banks from November 30 to December 2. The new ⅞ per cent Treasury certificates of indebtedness were not available to banks until later in the month. Adjusted demand deposits continued to rise rapidly between the middle of November and the middle of December, while loans showed little change. Investments have more than doubled in the past year and adjusted demand deposits have increased by 44 per cent, but the volume of loans is 19 per cent less.

Principal items of condition of 50 member banks:

	Dec. 16 1942	Change from Nov. 18 1942	Change from Dec. 17 1941
	(In thousands of dollars)		
Loans and investments—total	1,251,658	+87,048	+369,087
Loans—total	380,731	−1,421	−88,245
Coml., indust., agric.	241,708	+1,352	−58,067
Open market paper	19,498	−2,586	−8,579
To security brokers and dealers.	2,668	+345	−1,197
Other to purchase or carry secur.	8,625	+54	−2,197
Real estate loans	33,617	−346	+717
Loans to banks	30	+14	−271
All other loans	74,585	−254	−18,651
Investments—total	870,927	+88,469	+457,332
U. S. Treasury bills	157,553	+33,929	+127,546
U. S. Treas. certif. of indebt.	101,676	+576	+101,676
U. S. Treasury notes	142,014	−7,165	+94,375
U. S. Govt. bonds	283,098	+58,591	+161,904
Oblig. guar. by U. S. Govt.	60,082	+589	−28,819
Other securities	126,504	+1,949	+650
Reserve with F. R. Bank	349,551	+4,497	+110,997
Balances "due from" banks—net.	335,186	−10,898	*
Demand deposits—adjusted	944,638	+25,715	+288,503
Time deposits	142,595	−703	+4,389
U. S. Govt. deposits	85,413	+40,694	+55,050
Deposits "due to" banks—net	685,125	+18,063	*

*Comparable data not available.

Bank Debits

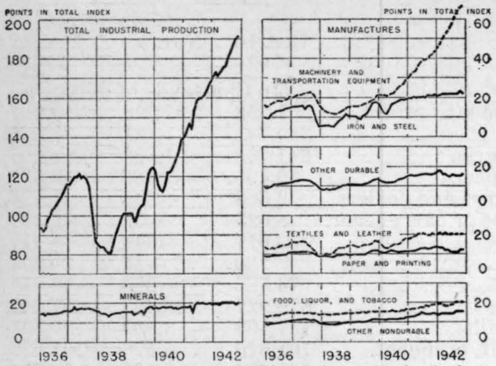
Bank debits in this District in November were 31 per cent greater than a year earlier, a rate of gain two and one-half times that for the country as a whole. Outstandingly large increases were reported for centers in Kansas and for Colorado Springs, Colorado; Fremont, Nebraska; and Muskogee, Oklahoma.

Debits to deposit accounts at banks:

	Nov. 1942	11 Mos. 1942	Change from 1941 Nov.	Change from 1941 11 Mos.
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo.	27,025	261,753	+57	+62
Denver, Colo.	283,443	2,573,654	+31	+21
Gr. Junction, Colo.	4,831	46,190	+21	+12
Greeley, Colo.	7,372*	....	....	....
Pueblo, Colo.	29,521	239,087	+40	+27
Atchison, Kans.	4,313	47,285	+31	+25
Emporia, Kans.	6,438	52,038	+53	+25
Hutchinson, Kans.	19,758	181,812	+63	+22
Independence, Kans.	4,754	40,527	+71	+20
Kansas City, Kans.	31,683	300,597	+52	+32
Lawrence, Kans.	5,705	51,028	+63	+17
Pittsburg, Kans.	7,236	72,620	+61	+49
Salina, Kans.	17,681	174,029	+77	+45
Topeka, Kans.	29,648	278,939	+70	+24
Wichita, Kans.	109,082	1,082,851	+65	+49
Joplin, Mo.	11,996	168,870	−16	+36
Kansas City, Mo.	500,555	5,135,720	+32	+20
St. Joseph, Mo.	41,666	437,526	+28	+24
Fremont, Nebr.	6,612	52,312	+112	+42
Grand Island, Nebr.	12,582*	....	....	....
Lincoln, Nebr.	37,055	384,702	+28	+19
Omaha, Nebr.	261,453	2,576,813	+45	+33
Albuquerque, N. M.	29,682	270,289	+19	+13
Bartlesville, Okla.	30,568	343,030	−2	+4
Enid, Okla.	12,538	148,973	0	+4
Guthrie, Okla.	2,156	20,300	+14	+10
Muskogee, Okla.	16,402	181,388	+64	+72
Okla. City, Okla.	153,749	1,469,481	+29	+18
Okmulgee, Okla.	3,383	31,702	+12	+2
Tulsa, Okla.	173,685	1,907,471	+1	+14
Casper, Wyo.	8,460	87,598	+3	+9
Cheyenne, Wyo.	13,458	134,239	+18	+13
District, 30 cities	1,884,536	18,752,824	+31	+23
U.S., 274 cities	50,673,000	542,134,000	+12	+13

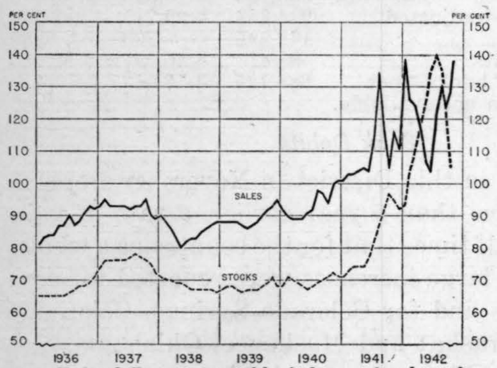
*New reporting center; not included in total.

INDUSTRIAL PRODUCTION



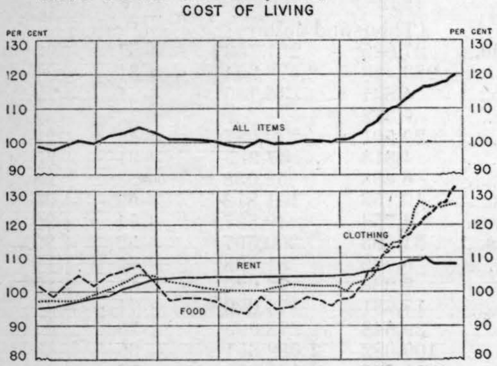
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for November, 1942.

DEPARTMENT STORE SALES AND STOCKS



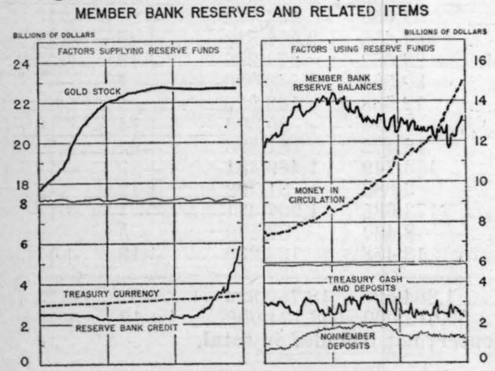
Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average=100. Latest figures shown are for November, 1942.

COST OF LIVING



Bureau of Labor Statistics' indexes, 1935-39 average=100. Fifteenth of month figures. Last month in each calendar quarter through September, 1940; monthly thereafter. Latest figures shown are for November, 1942.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. Latest figures shown are for December 9, 1942.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Aggregate industrial production in November was maintained close to the October level, reflecting a continued growth of output in war industries and a seasonal decline in production of civilian goods. Distribution of commodities to consumers rose further in November and the first half of December, reducing somewhat the large volume of stocks on hand. Retail food prices continued to advance.

PRODUCTION

Maintenance of industrial production in November when the seasonal tendency is downward was reflected in a rise of the Board's seasonally adjusted index from 189 to 191 per cent of the 1935-1939 average. This rise was largely accounted for by a further advance in output of durable manufactures. Nondurable manufactures declined seasonally, while output of minerals showed less than the usual seasonal decrease. In all groups of products the proportion of output for war purposes was considerably larger than a year ago.

The increase reported for durable manufactures from October to November was in finished munitions and industrial equipment for new plants which will be completed in large number over the next few months. Steel production, at 98 per cent of capacity in November and the first three weeks of December, was down slightly from the October peak, but the reduction appeared temporary as the scrap supply situation had been relieved and as further progress was being made on construction of additional iron and steel capacity. Supplies of iron ore on hand are regarded as sufficient for operations at capacity until movement of ore down the lakes is resumed in the spring. Shipments from Upper Lake ports this year totaled 92 million tons and were 15 per cent above the record established in 1941.

Construction contract awards in November were 10 per cent below the level of the three preceding months, according to data of the F. W. Dodge Corporation, but were still about 40 per cent higher than in November of last year. As in other recent months, publicly-financed work accounted for over 90 per cent of all awards.

DISTRIBUTION

Distribution of commodities to consumers increased further in November and December with active Christmas buying. At department stores, variety stores, and mail-order houses serving rural areas, sales in November expanded more than seasonally. In the first half of December department store sales continued to rise sharply and were considerably larger than a year ago.

COMMODITY PRICES

Grain prices advanced from the middle of November to the middle of December, while most other wholesale commodity prices showed little change.

Retail food prices increased further by 1 per cent in the five weeks ending November 17 to a level 16 per cent higher than in November, 1941. Prices of such fresh foods as are uncontrolled—fruits, vegetables, and fish—showed the largest advances from October to November, but price increases in controlled items contributed about two-fifths of the total rise.

BANK CREDIT

During the period of large-scale Treasury financing in December, total excess reserves of member banks were generally above 2.5 billion dollars. Substantial purchases of Government securities for the Federal Reserve System offset the effect of drains on reserves by the continued heavy currency outflow and further increases in required reserves resulting from a rapid growth in bank deposits.

Reserve Bank holdings of Government securities showed an increase of 850 million dollars in the four weeks and reached a total of 5.5 billion on December 16.

At reporting member banks in 101 leading cities holdings of United States Government securities increased by 800 million dollars in the four weeks ending December 9. Treasury bills accounted for practically the entire increase, with almost two-thirds of the amount going to New York City banks. In the week ending December 16, bond holdings rose sharply as banks received their allotments of the new 1¾ per cent bonds subscribed on November 30-December 2; allotments of this issue to all banks totaled 2 billion dollars, representing 85 per cent of subscriptions.

Total loans showed little change over the four weeks ending December 9. Commercial loans declined by 200 million dollars, with about half the decline at New York City banks, while loans to brokers and dealers increased over the period, reflecting largely advances made to security dealers in New York in connection with the Victory Fund drive.

Payments by bank depositors for new Government security issues resulted in a decline of adjusted demand deposits and a rise of U. S. Government deposits to 5.8 billion dollars in mid-December, the largest total on record.

UNITED STATES GOVERNMENT SECURITY PRICES

Prices of United States Government securities have been steady in the past three weeks following an adjustment in the latter part of November when the Treasury announced the drive to sell 9 billion dollars of securities in December. Long-term taxable bonds are selling on a 2.36 per cent yield basis on the average and long partially tax-exempt bonds on a 2.09 per cent basis.