



BUSINESS CONDITIONS

Monthly Review of Agricultural, Industrial, Trade and
Financial Conditions in Eighth Federal Reserve District

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FEDERAL RESERVE BANK OF ST. LOUIS

DISTRICT SUMMARY

TRADE and industry in the Eighth District during the past thirty days continued the uninterrupted downward trends which have been in effect since early last fall. While in the case of certain activities the declines were seasonal, their extent was too great to be entirely accounted for in this way. In virtually all lines investigated by this bank, May volumes were substantially under those of the same month a year ago, and in some important classifications fell below levels recorded at the most acute period of the 1932 business depression. The downward movement extended to wholesaling, retailing and manufacturing, but was somewhat more pronounced in the production than distribution of merchandise. Except in a very few classifications, affected by seasonal factors, output of manufactures was smaller in May than April, and a number of lines which ordinarily increase their operations at this time of year, failed to show the usual expansion. Owing to lack of orders booked for future delivery, manufacturers are unwilling to make up any considerable stocks of their products and inventory position shows quite general improvement. The continued lower drift of commodity prices served to emphasize the conservative attitude of both merchants and ultimate consumers in the matter of commitments for goods of all descriptions.

No marked change took place in the employment situation as contrasted with the preceding

thirty days, recessionary trends still being in evidence. The increased number of workers employed in agriculture was more than offset by defections in industrial and other occupations. There were noticeable declines from a year earlier in the number employed at district coal mines and in transportation. The production index of the Board of

Governors of the Federal Reserve System, adjusted for seasonal variation, stood at 75 per cent of the 1923-1935 average in May, as against 77 per cent in April and 118 per cent in May, 1937. Consumption of electricity by industrial consumers in the principal cities in May recorded a slight gain over April, but was more than 17 per cent less than a year ago. Output of bituminous coal for the entire country and at mines in this district in May showed decreases under a month and a year earlier. The lumber situation improved slightly in

late May, both with reference to demand and prices, reflecting reduced retail inventories and some expansion in building. May production, however, was about one-third less than a year ago. Automobile sales continued to decline, and total for the first five months this year was the smallest for any similar period since 1932.

As reflected in the U. S. Department of Agriculture's report based on conditions as of June 1, prospects for Eighth District crops are in the main more promising than on that date since 1929. There was some deterioration in winter wheat during May,

Agriculture:		June 1, 1938 comp. with 1937 Av. 1927-36
Estimated produc. of Winter Wheat.....	-12.1%	+37.6%
Livestock:		May 1938 comp. with April, 1938 May, 1937
Receipts at National Stock Yards.....	+30.7%	- 8.1%
Shipments from aforesaid Yards.....	+27.9	-16.8
Production and Distribution:		
Sales by mfrs. and wholesalers.....	+ 0.02	-18.6
Department store sales.....	-12.5	-13.7
Car loadings.....	+ 6.5	-25.1
Building and Construction:		
Bldg. permits, incl. repairs { Number.....	- 9.3	-21.5
Cost.....	+12.9	-45.6
Value construc. contracts awarded.....	+20.4	+30.0
Miscellaneous:		
Commercial failures { Number.....	-37.5	+ 7.1
Liabilities.....	-30.4	+11.0
Consumption of electricity.....	+ 2.3	-17.4
Debits to individual accounts.....	+ 6.7	-14.5
Member Banks (24):		June 15,'38 comp. with May 18,'38 June 16,'37
Gross deposits.....	+ 1.6%	+ 3.7%
Loans.....	- 3.5	- 0.5
Investments.....	- 2.4	+ 0.6

and adverse weather conditions since June 1 have resulted in further lowering of prospects; withal the yield will be considerably above the 10-year (1927-1936) average. Throughout the district there has been abundant spring rainfall which has had the effect of promoting growth of all vegetation and restoring depleted moisture supplies incident to recent drouth years. In some sections preparations for and planting of spring crops was hampered by wet fields, and as a whole the season is from ten days to two weeks late. Planting of cotton has been completed in the southern sections and with few exceptions the plant has made excellent growth. Fruit and vegetable crops are for the most part of average proportions. The condition of livestock is reported exceptionally good, and outlook for feed and forage crops is the best in recent years.

The volume of retail trade in May, as reflected in sales of department stores in the principal cities, showed a decrease of 12.5 per cent as compared with April, and of 13.7 per cent as compared with May, 1937; for the first five months cumulative total was 6.8 per cent less than for the comparable period in 1937. Combined sales of all wholesaling and jobbing firms whose statistics are available to this bank in May showed practically no change from the preceding month and were 18.6 per cent smaller than a year earlier; for the first five months cumulative total was 15.5 per cent under that of a year ago. The dollar value of building contracts issued for new

construction in the principal cities in May was about one-fourth greater than in April, but 27.5 per cent less than in May, 1937; for the first five months this year cumulative total was smaller by 32 per cent than during the same interval last year. Dollar value of construction contracts let in the Eighth District in May was larger by 20.4 per cent and 30 per cent, respectively, than a month and a year earlier; for the first five months the cumulative was 13 per cent less than for the same period in 1937.

Reports relative to collections in the district during the past thirty days reflect a further slight slowing down, both in the large urban centers and the country. June 1 settlements with wholesalers and jobbers were somewhat spotty, with the stronger accounts paying promptly, and quite a number taking advantage of discounts. Questionnaires addressed to representative interests in the several lines scattered through the district showed the following results:

	<u>Excellent</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
May, 1938.....	1.0%	28.2%	42.8%	28.0%
April, 1938.....	1.8	30.2	40.5	27.5
May, 1937.....	5.5	50.0	36.5	8.0

Commercial failures in the Eighth Federal Reserve District in May, according to Dun and Bradstreet, numbered 30, involving liabilities of \$343,000, which compares with 48 defaults in April with liabilities of \$493,000, and 28 insolvencies for a total of \$309,000 in May, 1937.

DETAILED SURVEY OF DISTRICT

MANUFACTURING AND WHOLESALING

Lines of Commodities	Net Sales		Stocks	
	May, 1938 compared with April '38	May '37	5 months 1938 comp. with same period 1937	May 31, 1938 comp. with May 31, 1937
Boots and Shoes.....	- 4.8%	-25.1%	-11.8%	-11.9%
Drugs and Chemicals..	+ 2.1	- 7.0	-10.5	-14.0
Dry Goods.....	+ 6.0	-10.6	-20.9	-28.8
Electrical Supplies.....	0	-22.4	-17.4	-12.1
Furniture.....	- 3.3	-27.4	-24.0	-19.6
Groceries.....	- 0.3	-12.8	-13.8	-17.4
Hardware.....	- 0.2	-23.9	-16.3	-28.4
All above lines.....	+ 0.02	-18.6	-15.5	-24.0

Automobiles — Combined passenger car, truck and taxicab production in the United States in May totaled 192,068, as against 219,314 in April and 516,899 in May, 1937.

Boots and Shoes — Production in this area during May showed little change from the preceding month, factories operating on an average of from three days to four days per week. A slight upward trend, seasonal in character, has been noted since June 1. As has been the case for a number of months, advance buying is in negligible volume. Retail inventories are light, but there is a general disposition to postpone replenishment as long as possible.

Clothing — According to the reporting clothiers, interest in merchandise for fall and winter distribution is less in evidence than at this particular time during the past several years. The movement of summer apparel through retail channels has been below expectations, owing chiefly to lateness of the season and generally reduced purchasing power. The trend of prices was lower in sympathy with declines in raw materials. May sales of the reporting clothiers were 31.1 per cent less than in April and 2.4 per cent greater than May, 1937.

Drugs and Chemicals — Continued slack demand for heavy drugs and chemicals from the general manufacturing trade was the outstanding influence in the unfavorable showing made by May sales in this classification as contrasted with a year ago. Reordering of insecticides and spraying materials since the end of April was reported in considerable volume. The movement of luxury goods, including cosmetics, perfumes and soda fountain supplies, continued in limited volume.

Dry Goods — Extreme dullness was reported in ordering of staple lines, especially blankets, sweaters, underwear, etc. Declines in the prices of raw materials, coupled with uncertainty relative to fall and winter business, is holding advance business at a minimum. In the immediate past, slight betterment has taken place in women's ready-to-wear garments and work clothes.

Electrical Supplies — May sales in this classification were unchanged from April, whereas a slight increase is the usual seasonal experience. There were noticeable declines in electrical installations in new buildings as contrasted with recent seasons, also in the volume of goods taken by public utilities companies. Price trends continued downward.

Furniture — Declines indicated in the above table extended to virtually all lines of furniture. Office equipment was reported moving in the smallest volume in late years, and considerably more than the usual seasonal contraction was noted in household furniture and furnishings. Ordering for fall and winter distribution was negligible.

Groceries — Price changes during the past thirty days were seasonal in character and affected mainly by the movement of country produce and fluctuations in values of farm products. The average was approximately 12 per cent below a year ago, according to the reporting firms.

Hardware — With the exception of 1935, May sales of the reporting firms were the smallest for the month since 1931. Demand for seasonal merchandise, including sporting and outing goods, was considerably below a year and two years earlier. Builders' tools and hardware were reported quiet, but slight betterment has taken place in the immediate past for paints, varnishes and the general run of building items.

Iron and Steel Products — According to interests reporting to this bank, activities in the iron and steel industry in the district during May and the first half of June receded to the lowest point of the year. The usual slowing down, incident to seasonal factors, was accentuated by the general business depression and the policy of consumers to refrain from making commitments beyond immediate or well defined requirements. This was true particularly, of the more important consuming groups, including the railroad, automotive and building industries. Absence of buying by these interests has had the effect of removing large tonnage demand by collateral industries depending upon them. Manufacturers of railroad accessories, automobile parts and building materials report a dearth of new orders, except for replacements and

repairs. Fabricators of structural steel report a further shrinkage in backlogs of unfinished orders and as of the first week in June operations at the principal yards averaged below 25 per cent of capacity, as against about 55 per cent a year ago. Shipments of pig iron to district melters during May were slightly below the April total and less than one-half as large as in May, 1937. The melt, however, showed little change from April to May, owing principally to an increase at stove and heating apparatus plants and some jobbing foundries, which served to offset decreases elsewhere. Production of steel ingots in this general area increased slightly between May 15 and June 15, being at 39.3 per cent of capacity on the latter date, which compares with 33.3 per cent a month earlier and 93 per cent on June 15, 1937. Distribution of iron and steel from warehouses and by jobbers in May was about on a parity with April, but approximately 38 per cent less than in May, 1937. Demand for farm implements, wire fencing and other commodities used chiefly in the country continued the steady recession of recent months. Prices of finished and raw materials underwent no notable changes as compared with the preceding thirty days, an exception being scrap iron and steel, which declined further to the lowest levels of the present downward movement. Reaffirmation of current prices on most finished steel commodities and on pig iron for third quarter were announced in early June by leading producers. For the entire country, pig iron production in May fell sharply to a point near the 1934 levels. The total, according to the magazine "Steel," was 1,260,937 tons, against 1,388,008 tons in April and 3,545,180 tons in May, 1937. Steel ingot production in the United States in May amounted to 1,806,805 tons, against 1,925,166 tons in April and 5,151,909 tons in May, 1937.

TRANSPORTATION

According to officials of railroads operating in this district, freight traffic in May and early June showed considerably less than the ordinary seasonal increase, and volume continued below that during the like period during all years since 1932. With the exception of grain and grain products, the movement of all classes of freight was smaller than a year ago, with heaviest declines in miscellaneous freight, coal, ore and merchandise L. C. L. Extensive preparations have been made by all roads for handling the bumper winter wheat crop. The St. Louis Terminal Railway Association, which handles interchanges for 28 connecting lines, interchanged 72,388 loads in May, against 67,958 loads in April and 96,646 loads in May, 1937. During the first nine days

of June the interchange amounted to 21,474 loads, which compares with 21,102 loads during the same interval in May and 25,526 loads during the first nine days of June, 1937. Passenger traffic of the reporting lines in May decreased 7.85 per cent in the number of passengers carried and 8.35 per cent in revenue as compared with the same month last year. Estimated tonnage of the Federal Barge Line between St. Louis and New Orleans in May was 217,800 tons, as against 186,495 tons in April and 178,858 tons in May, 1937; cumulative tonnage for the first five months exceeded that of the comparable period in 1937 by 42.5 per cent. For the entire country, loadings of revenue freight for the first 22 weeks this year, or to June 4, totaled 11,973,078 cars, against 15,964,597 cars for the same period last year and 13,951,070 cars in 1936.

RETAIL TRADE

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

	Net Sales			Stocks on Hand		Stock Turnover		
	May, 1938 compared with			May 31, '38 comp. with		Jan. 1, to May 31, 1938		
	April 1938	May 1937	period '37	May 31, '37	1938	1937	1938	1937
Ft. Smith, Ark.....	+16.2%	+7.4%	+0.7%	-13.1%	1.14	.99		
Little Rock, Ark.....	-4.9	-13.9	-7.7	-12.5	1.14	1.11		
Louisville, Ky.....	-16.0	-27.3	-10.7	-4.9	1.56	1.66		
Memphis, Tenn.....	+14.0	-5.3	-4.7	-5.5	1.24	1.29		
Pine Bluff, Ark.....	+5.3	-18.6	-20.0	-0.7	.95	1.06		
Quincy, Ill.....	-2.0	-16.8	-6.7	-2.6	1.22	1.36		
St. Louis, Mo.....	-19.2	-13.6	-6.7	-12.2	1.64	1.63		
Springfield, Mo.....	-13.2	-10.5	-2.2	-18.9	1.13	1.01		
All Other Cities.....	-6.8	-9.0	-7.5	-14.9	1.13	1.09		
8th F. R. District.....	-12.5	-13.7	-6.8	-10.4	1.50	1.50		

Percentage of account and notes receivable outstanding May 1, 1938, collected during May, by cities:

Installment Accounts		Excl. Instal. Accounts		Installment Accounts		Excl. Instal. Accounts	
Fort Smith.....%	41.7%	Quincy.....%	47.4%				
Little Rock.....15.4	35.1	St. Louis.....21.5	57.0				
Louisville.....11.9	51.1	Springfield.....28.4	28.4				
Memphis.....26.5	42.1	Other Cities.....12.9	57.1				
Pine Bluff.....	41.2	8th F. R. Dist..19.0	50.6				

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

	Net Sales			Stocks on Hand		Stock Turnover		
	May, 1938 compared with			May 31, '38 comp. with		Jan. 1, to May 31, 1938		
	April 1938	May 1937	period '37	May 31, '37	1938	1937	1938	1937
Men's Furnishings.....	-18.6%	-28.4%	-15.1%	-12.1%	.94	1.11		
Boots and Shoes.....	-25.1	-14.7	+1.6	+6.4	2.84	2.77		

Percentage of accounts and notes receivable outstanding May 1, 1938, collected during May:

Men's Furnishings.....	31.4%	Boots and Shoes.....	39.1%
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MINING AND OIL

Coal — Except for a further fairly substantial decrease in inventories from April to May, conditions generally in the coal industry developed no

signs of betterment. Production declined in April, demand from all consuming groups is slow and failure of costs to decrease with production has narrowed profit margins, according to mine operators. In April stocks of soft coal held by industrial consumers declined from 30,259,000 tons to 28,943,000 tons on May 1, with all classes of users sharing in the decrease. Consumption as a whole also declined sharply in April when compared with the preceding month and a year ago. Output of soft coal in the United States during May was estimated by the National Bituminous Coal Commission at 21,995,000 tons, against 22,380,000 tons in April and 30,077,000 tons in May, 1937; cumulative total for the first five months this year was 129,413,000 tons, which compares with 191,141,000 tons during the same period in 1937. At mines in this general area production in May was 3.9 per cent and 19.5 per cent smaller, respectively, than a month and a year earlier, and cumulative output for the year to June 1 was 27.2 per cent less than for the comparable interval in 1937. Illinois mines produced 1,874,332 tons in May, against 2,167,039 tons in April and 2,067,090 tons in May, 1937. There were 81 mines in operation in May and 22,020 men on payrolls, which compares with 95 active mines and 25,226 operatives in April.

Petroleum — April output of crude oil in states of the Eighth District was 1.4 per cent greater than in March and 99.7 per cent above that of April, 1937. Cumulative total for the first four months this year exceeded that of the like period in 1937 by 89.9 per cent. Stocks on May 1 were 1.2 per cent greater and 2.8 per cent smaller, respectively, than a month and a year earlier. Detailed production and stock figures by states are given in the following table:

(In thousands of barrels)	Production			Cumulative		Stocks	
	Apr., 1938	Mar., 1938	Apr., 1937	1938	1937	Apr., 1938	Apr., 1937
	1938	1938	1937	1938	1937	1938	1937
Arkansas.....	1,576	1,562	807	5,759	3,144	2,673	3,355
Illinois.....	1,388	1,330	386	4,954	1,507	11,357	11,336
Indiana.....	73	73	68	282	258	3,198	3,144
Kentucky.....	432	457	476	1,706	1,779	1,116	1,034
Totals.....	3,469	3,422	1,737	12,701	6,688	18,344	18,869

AGRICULTURE

Combined receipts from the sale of principal farm products and Government payments to farmers in states including the Eighth District during the period January-April, 1936, 1937, 1938 and during April, 1937, and 1938 are given in the following table:

(In thousands of dollars)	April		Cumulative for 4 months		
	1938	1937	1938	1937	1936
	1938	1937	1938	1937	1936
Indiana.....	\$ 22,822	\$ 26,717	\$ 79,643	\$ 96,028	\$ 75,889
Illinois.....	38,434	40,780	141,204	156,929	129,422
Missouri.....	16,763	19,167	63,530	69,400	65,502
Kentucky.....	7,109	7,474	67,485	68,482	36,050
Tennessee.....	7,855	7,747	43,847	46,468	28,095
Mississippi.....	6,581	6,794	35,834	43,262	21,039
Arkansas.....	6,640	8,137	31,735	34,245	17,594
Totals.....	106,204	116,816	463,278	514,814	373,591

Farming Conditions — Viewing the situation as a whole, growing conditions in the Eighth District and prospective yields for early crops appeared better on June 1 this year than on the same date in any year since 1929, according to reports of the United States Agricultural Department, agricultural departments of the several states and unofficial advices received by this bank. Following a succession of dry seasons which adversely affected sections of the area, a wet spring has made up deficiencies of moisture and promoted growth of all descriptions of vegetation. Throughout the area subsoil conditions are reported the most favorable in a number of years. In the lowlands, however, excessive rains in late May and early June have resulted in broad areas being covered with standing water and a certain amount of damage to growing crops. Considerable transplanting of corn, cotton and other field crops will be necessary, but the extent of these operations is no greater than has been experienced in many past years. The wet weather, particularly in the first half of June, hampered farm work, and in the northern tiers of the district such work is from a week to ten days behind the usual seasonal schedule. Proper cultivation of row crops has been hampered, and quite generally in the rich river and creek bottoms, weeds and grass have gained headway. At mid-June sunshine and higher temperatures were much needed to obtain best results.

Employment on farms during early June showed somewhat greater than the usual seasonal increase, owing to the relative early maturity of a large wheat crop. The number employed, however, is reported smaller than a year ago. Prices of farm products continued to decline during May, but since June 1 there has been a rather sharp recovery in a number of commodities, notably wheat. As of June 4, the farm products group of the Bureau of Labor Statistics Index stood at 67.2 per cent of the 1926 average, a decline of 2.3 per cent under the preceding week, and comparing with 67.4 per cent on May 7; 89.3 per cent on June 5, 1937; 76.5 per cent on June 6, 1936 and 60.7 per cent on June 9, 1934.

Corn — Despite the handicap of wet weather, planting of corn had been about completed at mid-June, except in lowlands where soil preparation and seeding was held up by high water. Typical of conditions in other important corn producing states of the district were reported in Illinois, where planting started early this season and was about half completed by May 15 and 80 per cent by June 1. Field work has been hampered part of the time in some areas and all the time in others. Considerable re-

planting has been necessitated by cutworm damage, flooding of lowlands and washing of upland farms.

Cotton — Reports from scattered sections of Arkansas and Mississippi indicated that planting of the cotton crop had been about completed by June 1, with more than one-half the acreage chopped and plowed. Stands, generally speaking, are somewhat above average; the color is good and the plant healthy. Owing to favorable weather during planting time, germination has been good, and plant pests have not been in sufficient numbers to cause apprehension. In the immediate past, that is since the first week in June, there has been too much rainfall, and most nights were cool. From what can be learned, acreage in all states of the district will be just about equal to the Government allotment. The crop as a whole is ten days to two weeks late. Reflecting slack demand, both for domestic consumption and export, and effects of the business depression, prices of raw cotton in late May declined to a new low for the season. In the St. Louis market the middling grade ranged from 7.15c to 8c per pound between May 16 and June 15, closing at 7.4c on the latest date, which compares with 8c on May 16 and 12c on June 15, 1937. Receipts at Arkansas compresses from August 1, 1937, to May 30, 1938, totaled 1,779,655 bales, against 1,300,011 bales during the same period a year earlier. Stocks on hand as of May 1 amounted to 671,006 bales, against 176,504 bales on the corresponding date in 1937.

Fruits and Vegetables — Eighth District prospects for fruits and vegetables underwent no change worthy of note from April to May, and outlook as of mid-June was for about average crops for most species. Early reports indicate that acreages of certain vegetables for manufacturing purposes will be under last year, due to intentions of packers to curtail production this season. Apple prospects in some commercial districts were lowered during May and early June by heavy drop incident to excessive moisture and poor pollination. In its report based on conditions as of June 1, the U. S. Department of Agriculture estimates the peach crop in states of the district at 6,258,000 bushels, against 10,238,000 bushels harvested in 1937 and the 10-year (1927-1936) average of 6,552,000 bushels; pears, 1,717,000 bushels, against 3,379,000 bushels last year and 10-year average of 1,900,000 bushels.

Livestock — The movement of livestock to market in May increased in about the usual seasonal amount but in this area was smaller than in May a year ago. The high average condition of herds generally through the district, which has obtained since last fall, continued during the past thirty days.

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

	Receipts			Shipments		
	May, 1938	April, 1938	May, 1937	May, 1938	April, 1938	May, 1937
Cattle and Calves.....	104,385	87,000	131,894	62,074	53,254	83,580
Hogs.....	201,684	188,121	145,880	124,670	107,764	89,944
Horses and Mules.....	2,572	2,409	3,077	2,430	2,412	2,868
Sheep.....	122,233	52,014	187,937	39,020	14,984	97,882
Totals.....	430,874	329,544	468,788	228,194	178,414	274,274

Tobacco—Aside from too much rain in sections of the burley district, weather has been favorable for transplanting, and about three-fourths of the burley acreage had been set at mid-June, with relatively little replanting necessary. Rains were also heavy in the dark air-cured district, but planting there has been completed, except in lowlands where the ground was too wet to work. In the eastern fired district the crop has been planted and stands are reported fine. There have been scattered reports of cutworm damage, however, there are sufficient plants to supply all missing hills and complete allotted acreage. Good stands are reported general in the western district.

COMMODITY PRICES

Range of prices in the St. Louis market between May 16, 1938 and June 15, 1938, with closing quotations on the latter date and on June 15, 1937, follows:

	High	Low	Close	
			June 15, 1938	June 15, 1937
Wheat				
*July.....per bu..	\$.81½	\$.70	\$.81½	\$ 1.09½
*Sept.....	.82½	.71½	.82½	1.10½
*Dec.....	.83½	.73½	.83½	1.12
*No. 2 red winter	.86	.68½	.86	1.23½
*No. 2 hard	.87	.69½	.87	1.22
Corn				
*July.....	.60½	.54½	.57½	1.16½
*Sept.....	.61½	.54½	.58½	1.06½
*Dec.....	.59½	.52½	.57	.74½
*No. 2 mixed	.58	.53½	.56	1.19
*No. 2 white	.59¾	.54½	.57	1.25
Oats				
*July.....	.26½	.23½	.25¾	.39½
*Sept.....	.26½	.23	.25¾	.35½
*Dec.....	.27½	.26½	.26¾	.37
*No. 2 white	.31¼	.28	.29½	.49
Flour				
Soft patent.....per bbl.	4.40	3.75	4.10@4.40	5.65@ 6.15
Spring ".....	6.15	5.45	5.75@6.15	7.35@ 7.75
Middling Cotton...per lb.	.0715	.08	.074	.12
Hogs on Hoof.....per cwt.	9.15	7.10	7.50@9.05	8.75@11.50

*Nominal quotations.

Winter Wheat—In its report of June 1 the U. S. Department of Agriculture estimates output of winter wheat in states of the Eighth District at 122,116,000 bushels, a decrease of about 6,000,000 bushels from the May 1 forecast, and comparing with 138,851,000 bushels harvested in 1937, and the 10 year (1927-1936) average of 88,721,000 bushels. The decrease from the preceding month was attributed to a number of causes, among them excessive moisture, more apparent effects of the early April frost and damage from insects and rust. Harvesting of the crop is under way, but has been delayed in many sections by heavy rains. Early threshing re-

turns are disclosing rather spotty quality, and from some sections, less than expected yields. Wheat prices, which had declined to the lowest levels in more than four years during May, recovered a considerable part of the loss during the second week in June. The rise was ascribed to disappointing threshing returns, and less favorable crop reports in this country and abroad.

BUILDING

The dollar value of permits issued for new construction in the five largest cities of the district in May was 20.1 per cent greater than in April and 27.5 per cent less than in May, 1937. According to statistics compiled by the F. W. Dodge Corporation, construction contracts let in the Eighth Federal Reserve District in May amounted to \$17,318,000 which compares with \$14,384,000 in April and \$13,332,900 in May, 1937. Building figures for May follow:

(Cost in thousands)	New Construction				Repairs, etc.			
	Permits 1938	Permits 1937	Cost 1938	Cost 1937	Permits 1938	Permits 1937	Cost 1938	Cost 1937
Evansville.....	20	35	\$ 50	\$ 136	118	220	\$ 59	\$ 81
Little Rock....	16	18	35	51	80	148	20	39
Louisville.....	94	79	428	380	65	61	18	50
Memphis.....	210	256	362	296	193	256	115	137
St. Louis.....	284	293	474	998	210	277	215	1,096
May Totals.....	624	681	1,349	1,861	666	962	427	1,403
April ".....	632	861	1,123	2,167	790	900	450	534
March ".....	706	789	1,494	1,519	745	873	380	551

CONSUMPTION OF ELECTRICITY

Public utilities companies in six large cities of the district report consumption of electric current by selected industrial customers in May as being slightly greater than in April and 17.4 per cent less than in May, 1937. Detailed figures follow:

(K.W.H. in thous.)	No. of Custom-ers	May, 1938 K.W.H.	April, 1938 K.W.H.	May, 1937 K.W.H.	May, 1938 compared with April, 1938	May, 1937 compared with May, 1938
Evansville.....	40	2,185	2,195	3,612	— 0.5%	—39.5%
Little Rock....	35	1,904	1,880	1,890	+ 1.3	+ 0.7
Louisville.....	82	7,370	7,453	10,080*	— 1.9	—26.9
Memphis.....	31	1,912	1,958	2,254	— 2.3	—15.2
Pine Bluff.....	20	604	678	932	—10.9	—35.2
St. Louis.....	199	22,036	21,030	24,833	+ 4.8	—11.3
Totals.....	407	36,011	35,194	43,601	+ 2.3	—17.4

*Revised.

LIFE INSURANCE

Sales of new, paid-for, ordinary life insurance in states including the Eighth District during May, the preceding month, and a year ago, together with the cumulative totals for the first five months this year and the comparable period in 1937 are shown in the following table:

(In thousands of dollars)	May, 1938	April, 1938	May, 1937	Cumulative Totals 1938	Cumulative Totals 1937	Cumul. change
Arkansas.....	\$ 3,358	\$ 3,159	\$ 4,175	\$ 16,507	\$ 19,710	—16.3%
Illinois.....	38,144	39,552	48,865	208,640	257,487	—19.0
Indiana.....	10,996	11,477	15,351	57,801	73,200	—21.0
Kentucky.....	5,465	6,225	6,934	31,358	30,670	+ 2.2
Mississippi.....	3,432	3,158	4,081	15,378	18,432	—16.6
Missouri.....	15,486	15,701	19,498	82,178	97,469	—15.7
Tennessee.....	6,938	7,055	8,547	34,143	43,020	—20.6
Totals.....	83,819	86,327	107,451	446,005	539,988	—17.4
United States...	490,658	499,656	630,690	2,541,305	3,170,356	—19.8

BANKING AND FINANCE

Demand for credit from all the borrowing groups in the Eighth District continued to decline, and at mid-June reached the lowest levels so far recorded in the present depression. Inquiries for funds to finance agricultural operations, notably the harvest of winter wheat and movement of early fruits and vegetables, while showing the usual seasonal expansion, were in smaller aggregate volume than at the same time in any recent year. At commercial banks routine liquidation of mercantile and industrial loans was in considerable volume, and more than counterbalanced new commitments and renewals, so that total loans and discounts of these institutions fell below the month before, and were measurably smaller than a year ago. Reflecting scant demand for credit and the overplus of loanable resources of the banks, interest rates remained at or about the record low levels which have obtained in recent months.

Member Banks—Between May 18 and June 15, total loans of the reporting member banks in the principal cities decreased sharply, reaching a new low point for the year. Gross deposits also dropped to a new low for the year during the first part of the period, but turned as rapidly upward during the final week, and on June 15 were slightly higher than a month earlier. There were broad fluctuations in holdings of Government securities, which, with variations in deposits, reflected large shifts in St. Louis around June 1, the date on which personal-property tax assessments are made. Reserve balances moved upward and at \$160,636,000 on June 8 were the largest of record.

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

(In thousands of dollars)	June 15, 1938	May 18, 1938	June 16, 1937
Loans—total	\$281,778	\$291,949	\$283,321
Commercial, industrial, and agricultural:			
On securities.....	41,463	42,999	42,571
Otherwise secured and unsecured.....	125,064	128,183	120,646
Open market paper.....	6,994	8,903	10,909
Loans to brokers and dealers.....	5,098	5,204	6,064
Other loans to purchase or carry securities...	12,577	12,564	12,551
Real Estate loans.....	47,870	47,659	44,938
Loans to banks.....	6,757	7,252	8,393
Other loans:			
On securities.....	10,059	11,000	12,276
Otherwise secured and unsecured.....	25,896	28,185	24,973
Investments—total	359,345	368,106	357,154
U. S. Gov't obligations.....	204,401	220,300	205,388
Obligations guaranteed by U. S. Gov't.....	60,294	56,385	48,826
Other securities.....	94,650	91,421	102,940
Gross deposits	905,546	891,299	873,072
Demand deposits.....	718,344	703,730	688,896
Time deposits.....	187,202	187,569	184,176
Borrowings			1,000

Above figures are for 24 member banks in St. Louis, Louisville, Memphis, Little Rock and Evansville. Their resources comprise approximately 62.0 per cent of the resources of all member banks in this district.

Aggregate amount of savings deposits held by selected banks on June 1 was 0.2 per cent smaller than on May 4, and 2.2 per cent greater than on June 2, 1937.

At downtown St. Louis banks, as of the week ended June 15, interest rates charged were as follows: Customers' prime commercial paper, 1½ to 5 per cent; collateral loans, 2 to 5½ per cent; loans secured by warehouse receipts, 1½ to 5¼ per cent; interbank loans, 2¾ to 5 per cent and cattle loans, 4½ to 5½ per cent.

Federal Reserve Operations—The volume of the major operations of the Federal Reserve Bank of St. Louis (including its Louisville, Memphis and Little Rock branches) during May, 1938, is indicated by the following figures:

	Pieces	Amounts
Checks (cash items) handled.....	4,927,440	\$ 981,634,696
Collections (non-cash items) handled.....	131,849	28,655,540
Transfers of funds.....	4,703	287,451,298
Currency and coin received and counted.....	19,276,805	31,358,548
Rediscounts, advances and commitments.....	11	377,000
New issues, redemptions, and exchanges of securities as fiscal agent of U. S. Gov't., etc.	12,493	34,488,670
Bills and securities in custody—coupons clipped	11,737
Totals	24,365,038	1,363,965,752

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

(In thousands of dollars)	June 18, 1938	May 18, 1938	June 18, 1937
Industrial advances under Sec. 13b.....	\$ 204	\$ 205	\$ 328
Other advances and rediscounts.....	30	40	151
Bills bought (including participations).....	2	2	86
U. S. securities.....	118,568	119,220	111,385
Total earning assets	118,804	119,467	111,950
Total reserves	347,609	310,997	312,072
Total deposits	286,687	249,225	239,983
F. R. Notes in circulation	174,019	175,797	178,119
Industrial commitments under Sec. 13b.....	569	508	1,143
Ratio of reserve to deposit and F. R. Note liabilities.....	75.5%	73.2%	74.6%

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

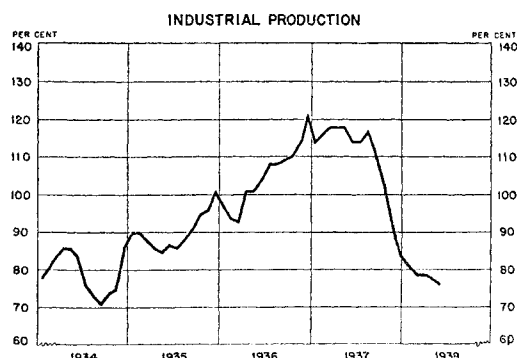
- (1) Rediscounts and advances to member banks, under Sections 13 and 13a.....1½ % per annum
- (2) Advances to member banks, under Section 10b.....2 % per annum
- (3) Rediscounts, purchases, and advances to member banks, nonmember banks and other financing institutions, under Section 13b:
 - (a) On portion for which such institution obligated.....3½ % per annum
 - (b) On remaining portion.....4 % per annum
- (4) Commitments not exceeding six months to member banks, nonmember banks and other financing institutions, to rediscount, purchase, or make advances, under Section 13b.....½ % flat
- (5) Advances to established industrial or commercial businesses, under Section 13b.....4 % to 5½ % per annum
- (6) Advances to individuals, firms and corporations, including nonmember banks, secured by direct obligations of United States under Section 13.....4 % per annum

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

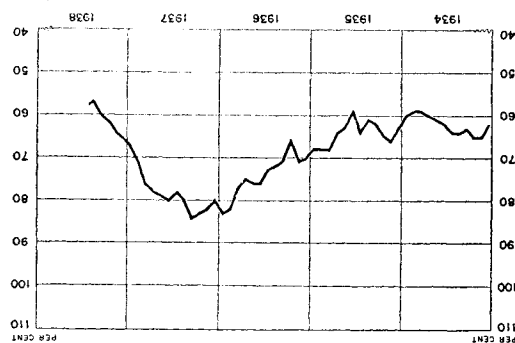
(In thousands of dollars)	May, 1938	April, 1938	May, 1937	May, 1938 comp. with April, 1938	May, 1937
East St. Louis and Natl.					
Stock Yards, Ill. \$ 30,758	\$ 28,916	\$ 32,829	+ 6.4%	— 6.3%	
El Dorado, Ark.....	4,907	4,579	— 15.5	+ 7.2	
Evansville, Ind.....	24,237	26,620	— 9.0	— 25.5	
Fort Smith, Ark.....	10,268	10,480	— 2.0	— 9.3	
Greenville, Miss.....	3,823	4,131	— 6.7	— 18.2	
Helena, Ark.....	1,477	1,435	+ 2.9	— 12.6	
Little Rock, Ark.....	31,888	32,237	— 1.1	— 10.9	
Louisville, Ky.....	135,577	137,035	— 1.1	— 20.3	
Memphis, Tenn.....	91,026	102,579	— 11.3	— 19.0	
Owensboro, Ky.....	5,052	5,074	— 0.4	— 10.6	
Pine Bluff, Ark.....	6,551	7,647	— 14.3	— 16.5	
Quincy, Ill.....	6,958	7,353	— 5.4	— 20.1	
St. Louis, Mo.....	590,250	513,450	+ 15.0	— 12.3	
Sedalia, Mo.....	1,797	1,783	+ 0.8	— 11.2	
Springfield, Mo.....	13,638	12,636	+ 7.9	— 18.8	
Texarkana, Ark-Tex.	5,889	6,476	— 9.1	— 26.9	
Totals	964,096	903,657	1,127,900	+ 6.7	— 14.5

NATIONAL SUMMARY OF BUSINESS CONDITIONS

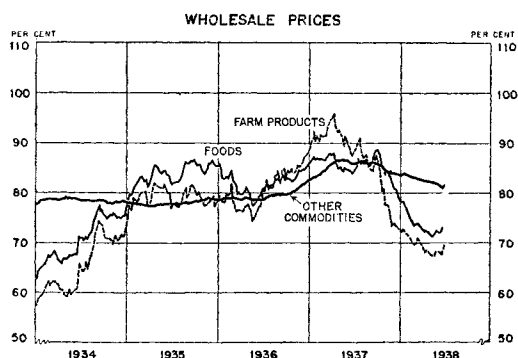
BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM



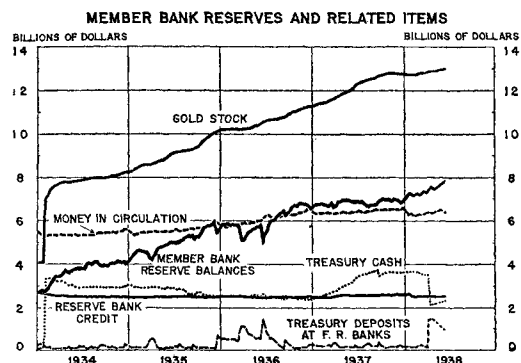
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, through May, 1938. Latest figure, May, 1938, 76.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, through May, 1938. Latest figure, May, 1938, 58.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 through week ending June 18, 1938. Latest figure, farm prices, 69.7; foods, 73.5; other commodities, 81.5.



Wednesday figures, January 3, 1934, through June 15, 1938.

In May and the first three weeks of June, industrial activity showed little change from the April level. Wholesale commodity prices generally declined further, but in June wheat and cotton prices advanced and at the end of the period some other staple commodities showed increases.

Production—In May the Board's seasonally adjusted index of industrial production was at 76 per cent of the 1923-1925 average, as compared with 77 in April and an average of 79 in the first quarter of the year. Steel ingot production, which in March and April had been at a rate of 33 per cent of capacity, averaged about 31 per cent in May, and automobile output also showed a decrease. Textile production increased in May. Activity at woolen mills rose sharply and there was some increase at cotton mills, while silk mills showed a decline. Changes in output in most other manufacturing industries were largely seasonal in character. Output of crude petroleum was curtailed sharply in May, and bituminous coal production declined somewhat, while anthracite production increased considerably. Lake shipments of iron ore were in very small volume, reflecting both the low rate of activity in the iron and steel industry and the large supply of ore remaining from the previous season.

In the first three weeks of June output of steel and petroleum increased somewhat, but the rate of activity in these industries remained below the average for May. Automobile production showed a further decline and continued below sales, so that stocks of new cars were further reduced. Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a substantial increase in May, reflecting chiefly a marked rise in awards for publicly-financed projects. Contracts for residential building increased moderately and were in about the same amount as in May a year ago. Other privately financed work remained in small volume.

Employment—Factory employment and payrolls continued to decline from the middle of April to the middle of May. There were further decreases in employment in the machinery, steel, and automobile industries and a sharp decrease in the number employed in the men's clothing industry. In most other manufacturing lines changes in employment were small in amount. The number employed at mines and on the railroads continued to decline.

Distribution—Department store sales declined considerably in May and the Board's seasonally adjusted index was at 79 per cent of the 1923-1925 average, as compared with 83 in April. Sales at variety stores and by mail order houses also decreased from April to May. Reports for the first half of June indicate about the usual seasonal decline in department store sales. The volume of railroad freight traffic showed little change in May following sharp declines in previous months.

Commodity Prices—Prices of both agricultural and industrial commodities decreased in the latter part of May. In the first three weeks of June wheat and cotton prices advanced, while prices of industrial products generally continued to decline.

Bank Credit—Reserves of member banks continued to increase in May and June, largely as the result of Treasury disbursements from its deposits with the reserve banks. Excess reserves increased chiefly at city banks, reflecting retirement of treasury bills and further expansion of bankers' balances.

Demand deposits at reporting member banks in 101 leading cities increased further during the first half of June, and total loans and investments, which had declined in May, also increased, reflecting substantial purchases of United States Government obligations by New York City banks.

Money Rates—Yields on Treasury bonds declined further in the four weeks ending June 18, and those on Treasury notes reached new low levels. Rates on open-market commercial paper declined somewhat about the middle of June.