



BUSINESS CONDITIONS

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FEDERAL RESERVE BANK OF ST. LOUIS



State Capitol, Springfield, Ill.

SUMMARY OF EIGHTH DISTRICT

Agriculture:	Sept. 1, 1939, comp. with 1938	Av. 1923-38
Estimated yield of 7 crops.....	+ 0.1%	- 3.6%
Live Stock:	Aug., 1939, comp. with July, 1939	Aug., 1938
Receipts at National Stock Yards.....	- 0.3%	- 2.6%
Shipments from aforesaid Yards.....	+ 2.9	+ 9.0
Production and Distribution:		
Sales by mfrs. and wholesalers.....	+16.1	+ 3.7
Department store sales.....	+21.7	+ 12.1
Car loadings.....	- 5.8	+ 4.3
Building and Construction:		
Bldg. permits, incl. repairs {	Number +12.6	+ 18.9
Cost	+35.8	+ 80.1
Value construction contracts awarded..	- 8.6	- 15.5
Miscellaneous:		
Commercial failures {	Number.....-25.6	- 3.3
Liabilities.....	-33.7	+ 81.7
Consumption of electricity.....	+ 1.8	+ 8.9
Debits to individual accounts.....	- 6.9	+ 9.3
Life Insurance Sales.....	+ 4.9	+ 3.9
Member Banks (24):	Sept. 13, '39, comp. with Aug. 16, '39	Sept. 14, '38
Gross deposits.....	+ 3.2%	+ 11.1%
Loans.....	+ 3.5	+ 10.7
Investments.....	- 4.6	- 3.1

AS was the case elsewhere in the United States, there has been a sweeping upward surge in industry and commerce in the Eighth District as a result of the outbreak of war in Europe. An immediate development was the most active buying movement in commodities experienced in recent years, accompanied by sharp advances in prices of both durable and nondurable goods. On all sides there have been unusual efforts to build up inventories and to cover future requirements of manufactured goods and raw materials. Almost over night the policy of cautious buying which had obtained for the past eighteen months or more has been reversed. Orders for merchandise of all descriptions have arrived in such volume as to tax existing stocks, and in the case of iron and steel, textile, and a number of other important commodities, manufacturers' deliveries have been considerably lengthened, whereas two months back ability to make prompt shipments on incoming orders was the general rule.

Through August the steady improvement in general business in this area which had been in progress since last spring, was carried further forward. The betterment extended to virtually all lines of activity, including several which ordinarily undergo a seasonal decline at this time of year. Production of manufactured goods increased, and distribution through both wholesale and retail channels expanded in more than the seasonal amount. At steel plants ingot production during the final week of August advanced to 63.5 per cent of capacity, a

new high for the year and the best rate since September, 1937.

Petroleum output in August in the Eighth District continued the increases of recent months as a result of unrestricted production in Illinois. Output of bituminous coal during August of mines in this area was 23 per cent greater than in July and 9.2 per cent in excess of the August, 1938, tonnage. Consumption of electricity by industrial users in the principal cities in August was 1.8 per cent and 8.9 per cent greater, respectively, than a month and a year earlier. Production of lead and zinc at district mines reached the highest point of the year in August, and has been further increased since September 1. The employment situation underwent further noticeable improvement, both in manufacturing and other lines of activity.

The volume of retail trade in the district during August, as measured by sales of department stores in the principal cities, was 21.7 per cent greater than in July and 12.1 per cent in excess of that of August, 1938; for the first eight months cumulative total was greater by 6.2 per cent than for the corresponding period in 1938. Inventories on September 1 were 1.4 per cent less than on the same date a year ago. Combined sales in August of all wholesaling and jobbing firms whose statistics are available to this bank, were greater by 16.1 per cent and 3.7 per cent, respectively, than a month and a year earlier.

Under mainly favorable weather and general conditions in August, Eighth District crop prospects showed improvement, and the betterment has continued in most sections during the first half of September. The U. S. Department of Agriculture in its report based on conditions as of September 1, shows specific improvement over a month earlier in cotton, corn, hay, tobacco, and certain fruits and vegetables. Indications point to abundant supplies of feed and forage crops. Livestock generally throughout the district maintained the high average condition which has marked earlier months this year. Late crops were harvested under ideal conditions, and with a minimum loss of quality and quantity. Prices of farm products have moved sharply upward since the last week in August.

Commercial failures in the Eighth Federal Reserve District in August, according to Dun and Bradstreet, numbered 29, involving liabilities of \$307,000, as against 39 defaults in July with liabilities of \$463,000 and 30 insolvencies for a total of \$169,000 in August, 1938.

DETAILED SURVEY OF DISTRICT

MANUFACTURING AND WHOLESALING

Lines of Commodities Data furnished by Bureau of Census U. S. Dept. of Commerce.	Net Sales		Stocks
	August, 1939 compared with July, '39 Aug., '38		Aug. 31, 1939 comp. with Aug. 31, 1938
Automotive Supplies.....	+11.2%	+11.2%	- 6.9%
Boots and Shoes.....	- 6.2	-14.7
Dry Goods.....	+63.8	+ 8.2	+ 5.4
Electrical Supplies.....	- 5.4	+22.7	+10.7
Furniture.....	+26.9	+31.3	+32.2
Groceries.....	+13.9	+ 5.9	+ 3.1
Hardware.....	+ 5.4	+ 8.0	+ 4.5
Plumbing Supplies.....	+13.3	+11.9
Tobacco and its Products.....	- 0.3	- 2.7
Miscellaneous.....	+ 4.1	+ 3.4	-13.1

Total August sales of all wholesaling groups, whose statistics are available to this bank, increased 16 per cent over July, and were greater by 3.7 per cent than in August, 1938. In a number of classifications shown in the above table, the increase from July to August was seasonal in character, but in the case of dry goods, furniture, groceries and plumbing supplies, was considerably larger than the experience during the past decade. The contraseasonal decrease from July to August in sales of boots and shoes is attributable to the unusually large volume of business reported for July. Following an almost uninterrupted decline during late months, the trend of inventories in a majority of lines turned upward in August.

Reports covering the first half of September indicate a sharp increase in sales of all lines, reflecting partly activity incident to the war in Europe. Officials of certain important firms interviewed report volume for the first half of September to be as great, or approximately as great, as that for the full month a year ago. The sharp uptrend in prices has had a tendency to stimulate building up of inventories of both raw and finished materials.

Automobiles — Combined passenger car, truck and taxicab production in the United States in August totaled 99,868 as against 209,343 (revised figure) in July and 90,484 in August, 1938.

Iron and Steel Products—Stimulated by the war in Europe and the usual seasonal influences, activities in the iron and steel industry in this area during August and the first half of September continued at a more rapid pace the improvement which began last spring. Virtually all sections of the industry shared in the betterment, but most notable expansion took place in output of steel mills and certain specialty manufacturers, including engine and machinery builders and makers of stoves and heating apparatus.

Ingot production at district mills in the final week of August advanced to 63.5 per cent of capacity, a new high for the year and the best since Sep-

tember, 1937. Pig iron shipments to melters in the area during August were the largest in more than eighteen months, and about 12 per cent in excess of the July total. The movement was partly due to insistence on the part of producers that low-priced tonnage under contract be taken at once, and partly to avoid shortage against demands which may possibly arise from the European situation. Sales and shipments of iron and steel scrap since mid-August have been unusually large, and have resulted in a sharp advance in prices of all grades.

Producers of sheets, plates, strip and other flat rolled steel commodities report heavy specifications on old contracts, also a substantial volume of new orders. Jobbing foundries have increased their operating schedules to five days per week, with several important plants working full time. While new lettings of structural steel have been below expectations, fabricating yards have sufficient backlogs to maintain operations at about 40 per cent of capacity. August sales of warehouse and jobbing interests whose statistics are available to this bank exceeded those of the preceding month by 8.5 per cent and were 12 per cent in excess of the August, 1938, total.

August production of pig iron for the entire country, according to the magazine "Steel", totaled 2,672,542 tons, the largest monthly figure since October, 1937, and comparing with 2,356,036 tons in July and 1,495,514 tons in August, 1938. Steel ingot production in the United States in August amounted to 3,763,718 tons, against 3,162,534 tons in July and 2,537,102 tons in August, 1938.

MINING AND OIL

Coal—Production of bituminous coal at mines in this general area in August continued the expansion which commenced with the reopening of mines in May. The rate of increase has been accelerated during the first half of September, being stimulated by the usual seasonal factors and the war in Europe. Demand from industrial users is reported the most active so far this year. Retailers have been ordering freely from the mines, and contracting by municipalities and public institutions is reported in substantial volume.

For the entire country, output of bituminous coal in August, according to the U. S. Department of the Interior, totaled 34,470,000 tons, against 29,135,000 tons in July and 28,665,000 tons in August, 1938; cumulative tonnage for the first eight months this year was 224,862,000 tons, as compared with 202,666,000 tons for the corresponding period a year

ago. Output of mines in this district in August was 23.1 per cent greater than in July and 9.2 per cent in excess of the August, 1938, total.

At Illinois mines August output totaled 2,884,255 tons, against 2,167,579 tons in July and 2,760,098 tons in August, 1938. There were 84 mines in operation in August, with 24,221 men on payrolls, as against 77 active mines and 22,263 operatives in July.

Petroleum—July output of crude oil in states of the Eighth District was 19.0 per cent more than in June and 187.0 per cent greater than in July, 1938. Cumulative total for the first seven months this year was 149.7 per cent in excess of the corresponding period in 1938. Stocks on August 1 were 1.8 per cent and 10.3 per cent greater, respectively, than a month and a year earlier. Detailed production and stocks by states are given in the following table:

(In thousands of barrels)	Production			Cumulative		Stocks	
	July, 1939	June, 1939	July, 1938	1939	1938	July, 1939	July, 1938
Arkansas.....	1,881	1,764	1,680	11,645	9,988	2,025	2,291
Illinois.....	8,737	7,083	1,642	42,452	9,498	13,612	11,725
Indiana.....	115	90	87	517	531	3,172	3,127
Kentucky.....	503	503	506	3,255	3,158	1,377	1,155
Totals.....	11,236	9,440	3,915	57,869	23,175	20,186	18,298

TRANSPORTATION

The volume of freight traffic handled during August and the first half of September by railroads operating in this district, according to officials of the reporting lines, further extended the gains over 1938 achieved earlier this year. Aside from livestock and grain and grain products, increases were shown in all classifications, with particularly large gains in miscellaneous freight and coal.

The St. Louis Terminal Railway Association, which handles interchanges for 28 connecting lines, interchanged 76,969 loads in August, against 81,694 loads in July and 73,766 loads in August, 1938. During the first nine days of September the interchange amounted to 22,991 loads, which compares with 21,995 loads during the corresponding interval in August and 21,297 loads during the first nine days of September, 1938. Passenger traffic of the reporting lines in August showed a slight decrease in the number of passengers carried, but an increase of 5 per cent in revenue as compared with the same month a year ago.

For the entire country, loadings of revenue freight for the first 36 weeks this year, or to September 9, totaled 21,970,466 cars, against 20,112,380 cars for the corresponding period in 1938 and 26,642,409 cars in 1937. Estimated tonnage of the Federal Barge Line between St. Louis and New Orleans in August was 233,100 tons, against 190,787

tons in July and 258,389 tons in August, 1938; for the first eight months this year, cumulative tonnage was 1,248,673 tons, or 22.2 per cent, less than for the like period in 1938.

RETAIL TRADE

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

	Net Sales		Stocks on Hand		Stock Turnover	
	August, 1939 compared with July, 1939	Aug., 1938	8 mos. 1939 to same period 1938	Aug. 31, 1939 comp. with Aug. 31, 1938	Jan. 1, to Aug. 31, 1939	Aug. 31, 1938
Ft. Smith, Ark.....	+12.9%	-2.5%	-1.2%	-0.9%	1.71	1.73
Little Rock, Ark.....	+12.8	+10.9	+8.2	+8.8	2.01	1.80
Louisville, Ky.....	+16.3	+10.8	+5.7	+6.5	2.68	2.38
Memphis, Tenn.....	+18.0	+16.6	+9.3	+5.3	2.24	1.96
Pine Bluff, Ark.....	+13.3	+44.0	+23.8	-5.6	1.88	1.41
Quincy, Ill.....	+37.5	+20.5	+8.5	-6.3	2.52	1.96
St. Louis, Mo.....	+25.3	+11.5	+5.3	-4.2	2.89	2.55
Springfield, Mo.....	+3.9	+8.5	+6.4	+4.9	2.07	1.85
All Other Cities.....	+4.3	+11.6	+13.7	+6.2	2.12	1.84
8th F. R. District.....	+21.7	+12.1	+6.2	-1.4	2.64	2.33

Percentage of accounts and notes receivable outstanding August 1, 1939, collected during August, by cities:

	Installment Accounts	Excl. Instal. Accounts		Installment Accounts	Excl. Instal. Accounts
Fort Smith.....%		36.1%	Quincy.....%		41.9%
Little Rock.....	14.8	33.7	St. Louis.....	18.5	51.7
Louisville.....	14.5	50.5	Other Cities.....	13.0	47.9
Memphis.....	20.2	42.0	8th F. R. Dist....	17.6	47.4

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

	Net Sales		Stocks on Hand		Stock Turnover	
	August, 1939 compared with July, 1939	Aug., 1938	8 mos. 1939 to same period 1938	Aug. 31, 1939 comp. with Aug. 31, 1938	Jan. 1, to Aug. 31, 1939	Aug. 31, 1938
Men's Furnishings..	-1.0%	-0.6%	+5.0%	+16.7%	1.65	1.46
Boots and Shoes...	+11.8	+7.9	+2.1	-0.02	4.72	4.56

Percentage of accounts and notes receivable outstanding August 1, 1939, collected during August:

Men's Furnishings.....	35.1%	Boots and Shoes.....	33.0%
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WHISKEY

Of the 60 distilleries in Kentucky, only 8 are in operation, 3 more than were in production a month ago. The Kentucky Distillers Association reports a stock of over 4,000,000 barrels of bourbon whiskey of all ages held in bonded warehouses in the state. Of this stock 15 per cent was produced in 1939, 18 per cent in 1938, 38 per cent in 1937 and 23 per cent in 1936; the remaining 6 per cent was produced prior to 1936, but represents mainly 1935 output. Price trends continue downward, with highly competitive conditions prevailing in the industry with regard to retail prices. The belief prevails in the trade that because of top-heavy production stocks of 1936-1937, no real strides in price stabilization can be made before 1942.

AGRICULTURE

Combined receipts from the sale of principal farm products and Government benefit payments to farmers in states including the Eighth District during the period January-July, 1937, 1938 and 1939, and during July, 1938 and 1939, are given in the following table:

(In thousands of dollars)	July		Cumulative for 7 months		
	1939	1938	1939	1938	1937
Indiana.....	\$ 21,845	\$ 26,002	\$137,945	\$148,064	\$171,166
Illinois.....	37,474	44,196	270,115	264,090	286,125
Missouri.....	23,016	27,296	129,076	130,946	143,244
Kentucky.....	9,543	11,558	78,556	96,053	97,635
Tennessee.....	7,229	8,065	64,218	67,967	71,650
Mississippi.....	2,362	3,763	50,414	51,232	61,226
Arkansas.....	4,208	4,828	43,073	46,484	53,767
Totals.....	\$105,677	\$125,708	\$773,397	\$804,836	\$884,813

General Farming Conditions—Weather and conditions generally during August were mainly favorable for agriculture in the Eighth District, and, according to the U. S. Department of Agriculture, agricultural departments of the several states and other informed sources, prospects for all the principal crops improved during the month. Insofar as this district is concerned, the outlook is for ample to large feed grain and hay supplies. Yields of corn per acre in several district states are the largest of record, which fact, coupled with a liberal carryover from 1938, accounts for the major part of the large reserves of grain feeds on farms. Hay is a large crop and the favorable feed supplies for three successive years are reflected in increasing numbers of farm animals. Fruit and vegetable crops were for the most part above average. Tobacco production will be outstanding with likelihood that it may exceed the 1930 record. Prospects for cotton improved about 8 per cent between August 1 and September 1.

Since September 1, weather has been unseasonably hot and dry, and ideal for corn and harvesting late crops, which in most sections have been garnered with a minimum loss of quality and quantity. Plowing for wheat and other fall sown crops has made good progress as a rule, though interfered with in some sections by the recent hot weather. Employment on farms increased more than seasonally in August, and the September 1 total was about the same as a year ago, though still somewhat below the 1939 seasonal peak established June 1.

Following the outbreak of the war in Europe, prices of farm commodities advanced sharply, though the average still remained considerably below the similar period in recent years. As of the week ended September 9, the farm products group of the U. S. Bureau of Labor Statistics index stood at 68.1 per cent of the 1926 average, which compares with 62.7 per cent a week earlier; 61.4 per

cent on August 12; 67.7 per cent on September 10, 1938; 84.5 per cent on September 11, 1937; 84.6 per cent on September 12, 1936, and 81.2 per cent on September 14, 1935.

Corn—An exceptionally fine corn crop is maturing in Illinois, Indiana, Missouri and other Eighth District states. Virtually the entire crop is past danger from frost. Record yields of from 48 to 50 bushels per acre are indicated for Indiana and Illinois. For the entire district the U. S. Department of Agriculture in its September 1 report estimates the 1939 corn crop at 334,722,000 bushels, an increase of about 10,000,000 bushels over the August 1 forecast, and comparing with 332,179,000 bushels harvested in 1938 and the 16-year (1923-1938) average of 330,136,000 bushels.

Cotton—Based on September 1 conditions, the U. S. Department of Agriculture estimates cotton production in the Eighth District at 3,479,000 bales, which is 256,000 bales greater than the August 1 forecast, and compares with 3,386,000 bales harvested in 1938 and the 16-year (1923-1938) average of 2,924,000 bales. Conditions affecting the crop during August and the first half of September were quite favorable. Picking and ginning made rapid progress generally and in the recent past offerings of cotton for sale from the country have increased in volume.

Markets for both spot cotton and cotton goods have been active since September 1, reflecting reactions to the war in Europe. Domestic mill activity continues at a comparatively high rate and prices advanced to the highest levels of the present season in the second week of September. In the St. Louis market, between August 15 and September 15, the middling grade ranged from 8.25¢ to 9.15¢ per pound, closing at 8.70¢ on the latter date, which compares with 8.55¢ on August 15 and 7.49¢ on September 15, 1938.

Combined receipts at Arkansas and Missouri compresses from August 1 to September 15 totaled 241,509 bales, which compares with 295,076 bales during the corresponding period a year earlier. Shipments during the same period were 83,994 bales, against 44,716 bales in the same interval last year. Stocks on hand as of September 15 amounted to 1,551,989 bales, against 1,040,355 bales on the corresponding date in 1938. The U. S. Bureau of Census report shows 1,401,756 running bales ginned from the crop of 1939 prior to September 1, compared with 1,335,643 bales for 1938 and 1,874,320 bales for 1937.

Fruits and Vegetables—Above average yields and quality are indicated for virtually all the principal

fruit and vegetable crops produced in this district. Based on September 1 conditions, in states including the Eighth District the apple crop is estimated at 8,670,000 bushels, which compares with the practical failure of 3,275,000 bushels produced in 1938 and the 10-year (1928-1937) average of 6,975,000 bushels; peaches, 9,684,000 bushels, against 6,214,000 bushels in 1938 and 10-year average of 7,195,000 bushels; pears, 2,743,000 bushels, against 1,784,000 bushels in 1938 and 10-year average of 2,112,000 bushels; grapes, 41,240 tons against 23,730 tons in 1938 and 10-year average of 34,768 tons; sweet potatoes, 20,242,000 bushels, against 20,720,000 bushels in 1938 and 10-year average of 18,413,000 bushels; peanuts, 35,050,000 pounds, against 32,490,000 pounds in 1938 and 10-year average of 31,481,000 pounds. In the district proper the white potato crop is forecast at 12,212,000 bushels, against 13,978,000 bushels last year and 16-year (1923-1938) average of 13,535,000 bushels.

Livestock—Stimulated by relatively moderate receipts and higher wholesale meat prices, the livestock markets in early September responded to the war urge and prices moved sharply upward. The better prices, however, served to bring out heavier offerings, and part of the advance was lost. Pastures have declined slightly since September 1, being affected by lack of rainfall. Milk production per cow in states of the district on September 1 averaged 12.6 pounds, an increase of 1.6 per cent over a year ago and of 10.5 per cent over the 10-year (1928-1937) September 1 average.

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

	Receipts			Shipments		
	Aug., 1939	July, 1939	Aug., 1938	Aug., 1939	July, 1939	Aug., 1938
Cattle and Calves.....	134,071	120,726	159,441	87,228	78,974	97,682
Hogs.....	203,260	195,554	181,713	130,926	129,773	102,205
Horses and Mules.....	2,729	1,087	2,747	2,629	958	2,500
Sheep.....	86,673	110,568	94,234	32,536	36,472	30,049
Totals.....	426,733	427,935	438,135	253,319	246,177	232,436

Tobacco—Prospects for tobacco improved during August, the U. S. Department of Agriculture in its September 1 report estimating total Eighth District production at 260,143,000 pounds, an increase of 5,676,000 pounds over the August 1 forecast and comparing with 241,254,000 pounds harvested in 1938 and the 16-year (1923-1938) average of 285,704,000 pounds. Generally the burley crop is reported in healthy condition. Opening prices in the South have resulted in pessimistic opinions as to prices to be realized by the Kentucky and Tennessee crops.

The Green River crop as a whole is reported backward in growth, but recent rains have served to correct this condition to a large extent. Late rains

have also benefited the one sucker crop. The present outlook for dark fired tobacco, about 80 per cent of which has been topped, is favorable. Weather conditions during the remainder of the season will largely determine ultimate results.

COMMODITY PRICES

Range of prices in the St. Louis market between August 15, 1939, and September 15, 1939, with closing quotations on the latter date and on September 15, 1938, follows:

	High	Low	Close	
			Sept. 15, 1939	Sept. 15, 1938
Wheat				
*Sept.....per bu...	\$.85½	\$.62½	\$.82½	\$.64½
*Dec....."	.84½	.62	.83½	.65½
*May....."	.86½	.62	.84½	.66½
No. 2 red winter....."	.95½	.68½	.89½	.68
No. 2 hard....."	.94½	.67½	.88½	.69
Corn				
*Sept....."	.57½	.40½	.55½	.52
*Dec....."	.57½	.39½	.54½	.50
*May....."	.60½	.42½	.57½	.52½
No. 2 mixed....."	.58	.44½	.57	.53½
No. 2 white....."	.81	.54	.72	.54
Oats				
*Sept....."	.38½	.28½	.35½	.26½
*Dec....."	.37½	.27½	.34½	.25½
*May....."	.38½	.27½	.35½	.26½
No. 2 white....."	.44	.32	.40	.28½
Flour				
Soft patent.....per bbl.	7.00	4.50	5.75 @ 6.50	3.40 @ 3.70
Spring....."	6.05	5.25	5.75 @ 6.05	5.10 @ 5.40
Middling Cotton.....per lb.	.0915	.0825	.0870	.0749
Hogs on Hoof.....per cwt.	9.50	4.50	6.75 @ 7.90	7.25 @ 9.10

*Nominal quotations.

BUILDING

The dollar value of permits issued for new construction in the five largest cities of the district in August was 24.3 per cent more than in July and 69.9 per cent greater than in August, 1938. According to statistics compiled by the F. W. Dodge Corporation, construction contracts let in the Eighth District in August amounted to \$19,163,000, which compares with \$20,961,000 in July and \$22,666,000 in August, 1938. Building figures for August follow:

(Cost in thousands)	New Construction				Repairs, etc.			
	Permits		Cost		Permits		Cost	
	1939	1938	1939	1938	1939	1938	1939	1938
Evansville.....	19	15	\$ 60	\$ 73	135	103	\$ 90	\$ 43
Little Rock.....	31	20	71	315	139	98	53	30
Louisville.....	134	92	1,910	196	42	44	33	33
Memphis.....	288	280	369	461	181	139	370	91
St. Louis.....	285	295	1,041	986	212	147	340	180
Aug. Totals.....	757	702	3,451	2,031	709	531	886	377
July.....	668	573	2,777	1,360	634	529	417	287
June.....	758	638	1,610	1,738	748	580	428	311

CONSUMPTION OF ELECTRICITY

Public utilities companies in six large cities of the district report consumption of electric current by selected industrial customers in August as being 1.8 per cent more than in July and 8.9 per cent greater than in August, 1938. Detailed figures follow:

(K. W. H. in thous.)	No. of Customers	Aug., 1939	July, 1939	Aug., 1938	August, 1939 compared with	
		K. W. H.	K. W. H.	K. W. H.	July, 1939	Aug., 1938
Evansville.....	40	3,233	3,444	2,043	+ 6.1%	+58.2%
Little Rock.....	34	2,467	2,319	2,364	+ 6.4	+ 4.4
Louisville.....	82	9,725	9,175	8,880	+ 6.0	+ 9.5
Memphis.....	31	2,462	2,249	1,976	+ 9.5	+24.6
Pine Bluff.....	20	658	519	763	+26.8	-13.8
St. Louis.....	214	28,782	28,794	27,432	+ 0.04	+ 4.9
Totals.....	421	47,327	46,500	43,458	+ 1.8	+ 8.9

BANKING AND FINANCE

The banking and financial situation in the Eighth District during the past thirty days was marked by quite a noticeable pickup in demand for credit. Seasonal requirements of mercantile and manufacturing interests were considerably augmented by a general disposition to build up inventories since the outbreak of hostilities in Europe. A number of banks report that certain customers who have not borrowed for many months are inquiring for substantial credit accommodations. Reports also indicate an increased volume of loans for the movement of tobacco and other crops. Owing to the advance in grain prices and a desire to increase their wheat holdings, elevator and flour milling interests have appreciably extended their commitments. Meanwhile, however, deposits and excess reserves continued to increase, both items reaching new record high levels in the third week of September. Bankers' dollar acceptances outstanding in the Eighth District as of August 31 were 11.1 per cent less than a month earlier and 21.8 per cent greater than on August 31, 1938.

Member Banks—Between August 16 and September 13, loans and investments of reporting member banks in the principal cities decreased 1.0 per cent, the loss being entirely due to smaller investment portfolios, total loans showing an increase of 3.5 per cent during the period and a gain of 10.7 per cent over a year ago. Deposits moved sharply upward as did reserves. As of September 13 reserve balances were 4.5 per cent and 14.2 per cent greater, respectively, than a month and a year earlier.

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

(In thousands of dollars)	Sept. 13, 1939	Change from	
		Aug. 16, 1939	Sept. 14, 1938
Commercial, industrial, and agricultural loans	\$188,587	+10,469	+11,128
Open market paper	4,918	+ 168	+ 258
Loans to brokers and dealers	5,059	+ 401	+ 202
Other loans to purchase and carry securities	13,727	+ 21	+ 1,060
Real estate loans	51,205	+ 363	+ 3,386
Loans to banks	2,769	+ 406	+ 3,983
Other loans	51,972	+ 179	+19,103
Treasury bills	2,462	+ 920	
Treasury notes	50,265	+13,951	-14,011
U. S. bonds	141,095	+ 2,044	+ 3,809
Obligations guaranteed by U. S. Government	65,264	+ 2,304	+ 1,314
Other securities	98,884	+16,567	+58,523
Balances with domestic banks	182,482	+ 6,154	+46,877
Demand deposits—adjusted*	466,094	+ 291	+ 4,143
Time deposits	189,629	+ 896	+ 6,183
U. S. Government deposits	20,943	+15,434	+42,895
Inter-bank deposits	314,550		
Borrowings			

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

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

At downtown St. Louis banks, as of the week ended September 15, rates charged were as follows: Customers' prime commercial paper, 1½ to 5½ per cent; collateral loans, 2¼ to 6 per cent; loans secured by warehouse receipts, 2 to 5½ per cent.

The aggregate amount of savings deposits held by selected member banks on September 6 was slightly less than on August 2, but 2.5 per cent more than on September 7, 1938.

Federal Reserve Operations—The volume of the major operations of the Federal Reserve Bank of St. Louis, during August, 1939, is indicated below:

(Incl. Louisville, Memphis, Little Rock branches)	Pieces	Amounts
Checks (cash items) handled	5,188,300	\$1,087,211,365
Collections (non-cash items) handled	78,677	28,444,621
Transfers of funds	4,430	278,900,948
Currency received and counted	7,494,463	26,208,722
Coin received and counted	9,202,118	975,221
Rediscounts, advances and commitments	2	150,000
New issues, redemptions, and exchanges of securities as fiscal agent of U. S. Gov't., etc.	23,295	23,040,260
Bills and securities in custody—coupons clipped	9,295	

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

(In thousands of dollars)	Sept. 19, 1939	Aug. 19, 1939	Change from Sept. 1938
Industrial advances under Sec. 13b	\$ 18	-0-	- 41
Other advances and rediscounts	169	+ 50	- 176
Bills bought (including participations)	2	-0-	-0-
U. S. securities	125,103	+12,661	+ 9,006
Total earning assets	125,292	+12,711	+ 8,789
Total reserves	402,257	+ 6,374	+58,066
Total deposits	341,126	+17,401	+60,147
F. R. Notes in circulation	182,954	+ 2,443	+ 8,854
Industrial commitments under Sec. 13b	424	- 6	- 215
Ratio of reserve to deposit and F. R. Note liabilities	76.8%	- 1.7%	+ 1.2%

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

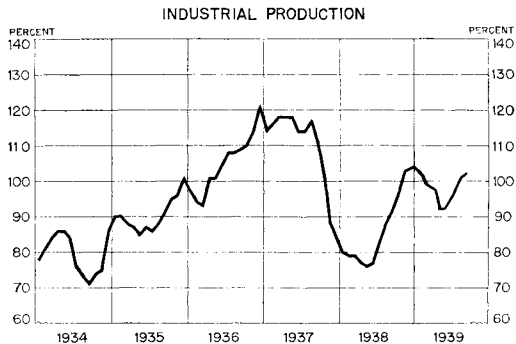
Advances to banks, secured by direct obligations of the United States, under paragraph 13 of Section 13	1 % per annum
Advances to member banks, under paragraph 8 of Section 13, secured by direct obligations of the United States or by such Government guaranteed obligations as are eligible for collateral thereunder	1 % per annum
Rediscounts and other advances to member banks under Sections 13 and 13a	1½% per annum
Advances to member banks under Section 10b	2 % per annum
Advances to individuals, firms, and corporations, other than banks, secured by direct obligations of the United States, under paragraph 13 of Section 13	4 % per annum
Rediscounts, purchases, and advances to member banks, nonmember banks, and other financing institutions, under Section 13b:	
(a) On portion for which such institution is obligated	3½% per annum
(b) On remaining portion	4 % per annum
Commitments, not exceeding 6 months, to member banks, nonmember banks, and other financing institutions, to discount, purchase, or make advances, under Section 13b	½% flat
Advances to established industrial or commercial businesses under Section 13b	4 % to 5½% per annum

On September 7 the Farmers Bank, Clay, Ky., became a member of the Federal Reserve System.

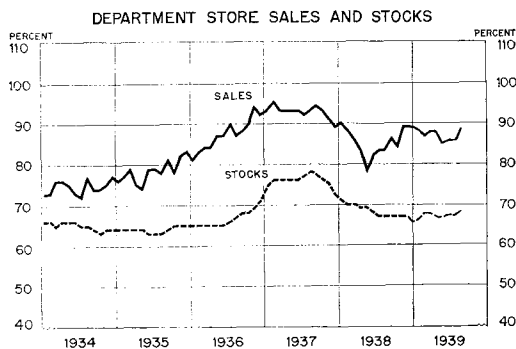
Debits to Individual Accounts—The following comparative table of debits to individual accounts reflects spending trends in this district:

(In thousands of dollars)	Aug., 1939	July, 1939	Aug., 1938	Aug., 1939, comp. with July, 1939	Aug., 1938
East St. Louis and Nat'l					
Stock Yards, Ill.	\$ 36,170	\$ 35,301	\$ 36,249	+ 2.5%	- 0.2%
El Dorado, Ark.	5,055	5,025	5,730	+ 0.6	-11.8
Evansville, Ind.	28,303	32,004	24,202	-11.6	+16.9
Fort Smith, Ark.	10,721	10,658	10,250	+ 0.6	+ 4.6
Greenville, Miss.	3,736	4,054	3,646	- 7.8	+ 2.5
Helena, Ark.	1,478	1,401	1,363	+ 5.5	+ 8.4
Little Rock, Ark.	38,096	42,641	29,260	-10.7	+30.2
Louisville, Ky.	143,696	156,947	138,161	- 8.4	+ 5.5
Memphis, Tenn.	105,381	123,379	86,312	-14.6	+22.1
Owensboro, Ky.	8,501	7,900	5,587	+ 7.6	+52.1
Pine Bluff, Ark.	6,217	7,302	6,462	-14.9	- 3.8
Quincy, Ill.	7,631	7,884	7,591	- 3.2	+ 0.5
St. Louis, Mo.	528,573	558,027	491,080	- 5.3	+ 7.6
Sedalia, Mo.	1,910	1,916	1,747	- 0.3	+ 9.3
Springfield, Mo.	13,592	14,545	12,816	- 6.6	+ 5.4
Texarkana, Ark.-Tex.	6,191	6,624	6,069	- 6.5	+ 0.5
Totals	\$ 945,251	\$1,015,608	\$ 864,525	- 6.9	+ 9.3

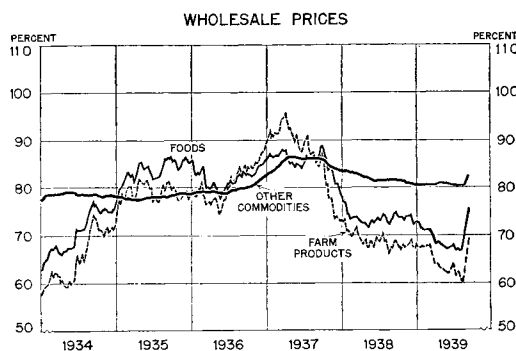
NATIONAL SUMMARY OF BUSINESS CONDITIONS
BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM



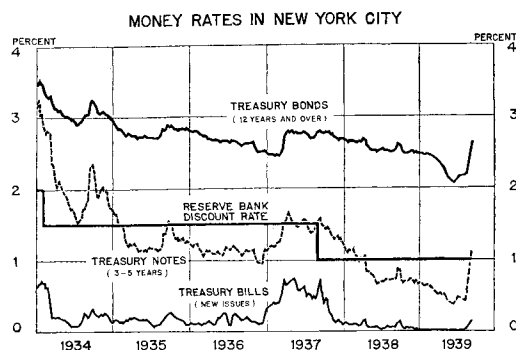
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to August, 1939. Latest figure 102.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to August, 1939. Latest figures, sales 89, stocks 68.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending September 16, 1939.



For weeks ending January 6, 1934, to September 16, 1939.

Industrial activity, which had increased substantially during the summer, showed a sharp advance in the first half of September after the outbreak of war in Europe.

Production—In August, the Board's seasonally adjusted index of industrial production was at 102 per cent of the 1923-1925 average as compared with 101 per cent reached in July. Volume of manufacturing production increased further, but mineral production declined, owing to a temporary curtailment in output of crude petroleum. In the iron and steel industry output increased somewhat further in August and rose sharply in the first half of September, steel ingot production reaching a rate of 70 per cent of capacity in the week ending September 16 as compared with about 63 per cent at the beginning of the month. Automobile production showed about the usual sharp seasonal changes in this period as the shift to new model production was being made. Output of plate glass increased sharply. Production of nondurable manufactures advanced in August, reflecting chiefly increased activity at cotton and woolen textile mills. At meat-packing establishments activity declined less than seasonally, while at flour mills, where output has been at a high rate in recent months, there was not the usual large seasonal increase. Shoe production advanced seasonally. At coal mines output increased by about the usual seasonal amount and shipments of iron ore were at the highest rate of this season. Petroleum production declined sharply during the latter half of August, reflecting shutdowns of wells in most of the principal oil producing states, but increased rapidly in the first half of September when the wells were reopened.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased somewhat in August, owing to larger awards for publicly-financed projects, including several large dams and an increased volume of United States Housing Administration projects. Private residential building showed little change, although there is usually some seasonal decline. Other private construction, which in July had been the highest for any month in two years, declined in August.

Distribution—Department store sales increased more than seasonally from July to August. The Board's adjusted index advanced from 86 to 89 per cent of the 1923-1925 average and was at about the level reached in the latter part of last year. Sales at variety stores showed little change in August.

Freight-car loadings rose somewhat further in August, reflecting chiefly continued increases in shipments of coal and miscellaneous freight.

Commodity Prices—Prices of most basic foodstuffs and industrial materials advanced sharply in the first half of September. Prices of wheat, corn, sugar, cocoa, and vegetable oils as well as of hides, rubber, wool, zinc, and tin showed the largest increases. The general level of wholesale commodity prices as measured by the Bureau of Labor Statistics index rose 3.1 points, and in the week ending September 9 was at 78.4 per cent of the 1926 average, about the same level as a year ago.

Agriculture—Crop prospects showed some improvement on September 1 over a month earlier, according to the Department of Agriculture. Indications are that production of all leading crops except cotton will be average or above average in volume. A cotton crop of 12,380,000 bales, about 10 per cent below the 1928-1937 average, is forecast. This compares with a crop of 11,940,000 bales in 1938 and an estimated world consumption of 11,265,000 bales of American cotton during the past season.

Government Security Market—Average yields on long-term Treasury bonds, which had advanced fractionally since last June, increased sharply by about $\frac{1}{2}$ of 1 per cent in the latter half of August and early September. In pursuance of the System's policy of endeavoring to maintain orderly conditions in the money market, the Federal Reserve banks during the first half of September increased their holdings of Government securities by about \$400,000,000. On September 1 the Board of Governors of the Federal Reserve System announced that the Federal Reserve banks are prepared at this time to make advances on Government obligations to member and nonmember banks at par and at the same rate of discount.

Bank Credit—Total investments held by reporting member banks in 101 leading cities declined during the first half of September. At New York City banks the decline represented the redemption at maturity of Federal Farm Mortgage Corporation bonds and at banks in other leading cities it represented the sale of Treasury bills and bonds. Commercial loans of city banks showed a substantial growth during August and the first half of September.