

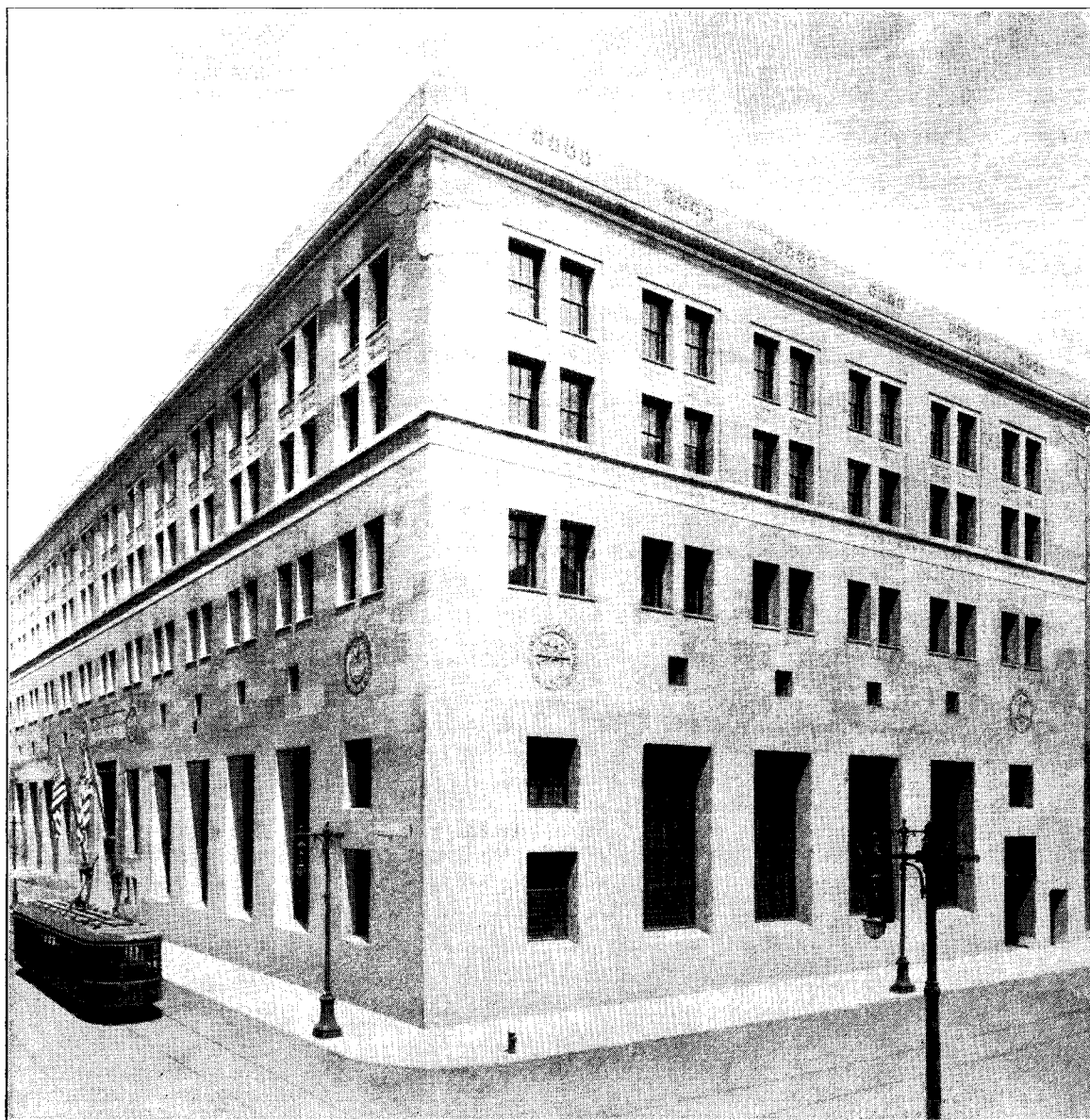


BUSINESS CONDITIONS

Monthly Review of Agriculture, Industry, Trade and Finance
Released for Publication on Morning of October 31, 1939

FEDERAL RESERVE BANK OF ST. LOUIS

Twenty-fifth Anniversary



Federal Reserve Bank of St. Louis

Opened November 16, 1914. Above building occupied since June 1, 1925.

SUMMARY OF EIGHTH DISTRICT

Agriculture:		Oct. 1, 1939, comp. with 1938 Av. 1923-38	
Estimated yield of 7 crops.....	— 0.4%	— 4.1%	
Live Stock:		Sept., 1939, comp. with Aug., 1939 Sept., 1938	
Receipts at National Stock Yards.....	+ 7.1%	+ 9.1%	
Shipments from aforesaid Yards.....	+10.9	+ 13.1	
Production and Distribution:			
Sales by mfrs. and wholesalers.....	+12.8	+ 13.3	
Department store sales.....	+29.4	+ 5.2	
Car loadings.....	+12.7	+ 13.6	
Building and Construction:			
Bldg. permits, incl. repairs {	Number —10.7	+ 7.6	
Cost	—50.1	— 11.8	
Value construction contracts awarded..	+11.0	+ 1.9	
Miscellaneous:			
Commercial failures {	Number.....—10.3	— 31.6	
Liabilities.....	— 2.0	— 52.2	
Consumption of electricity.....	— 2.8	+ 7.6	
Debits to individual accounts.....	+14.1	+ 13.5	
Life Insurance Sales.....	—11.3	+ 1.4	
Member Banks (24):		Oct. 18, '39, comp. with Sept. 20, '39 Oct. 19, '38	
Gross deposits.....	+ 3.4%	+ 11.9%	
Loans.....	+ 3.7	+ 8.4	
Investments.....	+ 1.1	— 2.0	

THE upward trends in Eighth District trade and industry, which began last spring, continued at a greatly accelerated rate through September and the first half of October. While the war in Europe had the effect of stimulating buying of merchandise of all descriptions and was responsible for speculative purchasing of both raw materials and finished goods, the expanded volume of demand in many lines emanated largely from domestic sources. While inquiries from abroad were in considerable volume, both from neutral countries and those at war, relatively few orders for export have actually been placed. Buying in a large measure reflected efforts on the part of manufacturers and distributors to augment inventories and to provide for real and prospective requirements prior to anticipated price advances.

In point of incoming orders, September volumes booked in many important lines were the largest since the fall of 1937. While continuing substantially greater than a year ago, the rate since October 1 has declined noticeably, and there has been a tendency in commodity prices to level off subsequent to the drastic advances which took place immediately following the outbreak of hostilities on September 1. Declines were recorded in prices of foodstuffs and the general run of farm products in late September from the levels attained earlier in that month. On the other hand, prices of iron, steel and some other industrial commodities, which participated in the general upward movement, have been maintained and in some instances, bettered.

Production of manufactured goods, both durable and nondurable, which rose sharply under impetus of the war in September, continued to increase during the first half of October. The expansion was in response to heavily increased unfilled orders, and was accompanied by a corresponding advance in employment and payrolls, which in a number of industries were the highest in more than two years. Outstanding was the increase in activities in the iron and steel industry and in manufactures based largely on steel, such as machinery, railway equipment, machine tools, engines, etc. Steel ingot production at mid-October had advanced to 77 per cent of rated capacity, which compares with 66.5 per cent and 45.5 per cent, respectively, a month and a year earlier.

At mines in this area, production of bituminous coal in September increased in considerably more than the seasonal amount, and was 10.7 per cent greater than in September, 1938. Reflecting principally heavy production in the new Illinois oil fields, output of petroleum in September and early October continued the steady increases of earlier months this year. Activities at lead and zinc mines expanded noticeably in response to higher prices and broader demand, September output being about 12 per cent larger than in August, and the best since the fall of 1937. Production at textile mills increased, while output of flour at district mills was the highest for any month since August, 1936. Lumber production underwent sharp expansion, and orders booked in September were the highest for the month since 1929. Consumption of electric power by industrial users in the principal cities in September was greater by 7.6 per cent than for the same month last year.

Despite the handicap of unseasonably high temperatures throughout the month, retail trade in both the large urban centers and country during September carried further the gains recorded earlier in the year. Sales of department stores in the principal cities in September were 29.4 per cent greater than in August and 5.2 per cent larger than in September, 1938; cumulative total for the first three quarters this year was larger by 6.1 per cent than for the comparable period a year ago.

Commercial failures in the Eighth Federal Reserve District in September, according to Dun and Bradstreet, numbered 26, involving liabilities of \$301,000, as against 29 defaults in August with liabilities of \$307,000 and 38 defaults for a total of \$630,000 in September, 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
	September, 1939 compared with Aug., '39	Sept., '38	Sept. 30, 1939 comp. with Sept. 30, 1938
Automotive Supplies.....	+10.6%	+4.4%	+20.8%
Boots and Shoes.....	+3.0	+1.3	-8.5
Drugs and Chemicals.....	+11.4	-5.0	-2.3
Dry Goods.....	+3.6	+12.4	+10.2
Electrical Supplies.....	+11.1	+29.5	+13.2
Furniture.....	+48.4	+49.0	+50.5
Groceries.....	+26.2	+25.1	+13.9
Hardware.....	+16.4	+14.7	-4.9
Tobacco and its Products.....	-0.4	+5.8
Miscellaneous.....	+25.2	+22.1	+14.0

Subsequent to the heavy rush of buying in virtually all important lines resultant to the outbreak of war in Europe, wholesaling and jobbing trade in late September and the first three weeks of October assumed a more orderly and normal character. In the initial wave of purchasing requirements were fairly well covered and depleted inventories replenished. While the activity largely reflected the situation abroad, a considerable part of it was accounted for by expansion in domestic business, which had been consistently on the upgrade since last spring. While there has been a substantial volume of inquiries, actual orders received in this district from foreign Governments so far have been relatively light, but numerous interests have fortified their reserves of raw and finished materials in anticipation of such business.

With the single exception of drugs and chemicals, September sales of all lines whose statistics are available to this bank, were greater than a year earlier, and increases from August to September were in most instances measurably greater than the average during the past decade. For all groups combined, the September total was larger by 12.8 per cent and 13.3 per cent, respectively, than a month and a year earlier. Part of the increase in the comparison with a year ago is attributable to higher prices.

Automobiles—Combined passenger car, truck and taxicab production in the United States in September totaled 188,751 as against 99,868 in August and 83,534 in September, 1938.

Iron and Steel Products—Activities in the iron and steel industry continued to expand rapidly in late September and during the first half of October. The heavy buying movement, which commenced with the outbreak of hostilities in Europe, apparently reached its crest in the first week of October, and since that time mills, foundries, machine shops and other ferrous working establishments have increased production in response to sharp customer pressure for delivery of commodi-

ties purchased. Certain mills and specialty makers have disposed of their capacity for balance of this year, and are accepting no new business calling for shipment prior to December 31. Ingot production at district mills at mid-October had advanced to 77 per cent of capacity, an increase of 11 per cent and 32 per cent, respectively, over a month and a year earlier, and, incidentally, the best rate since the first week of September, 1937.

The movement of pig iron to district melters in September was approximately 80 per cent greater than in August and the highest for more than two years. Indications point to a total movement in October equal to that of the preceding month. New buying of pig iron has subsided since the recent advance of \$2 per ton, users having pretty thoroughly covered their requirements before the rise. Despite the sharp advance in scrap iron and steel prices, sales during September and the first half of October represent the largest total since the peak of the buying movement in 1937.

September production of pig iron for the entire country, according to the magazine "Steel," was 2,872,649 tons, the highest for any month since October, 1937, and comparing with 2,660,513 tons in August and 1,683,097 tons in September, 1938. Steel ingot production in the United States in September was 4,231,310 tons, against 3,763,418 tons in August and 2,647,129 tons in September, 1938.

MINING AND OIL

Coal—Reflecting marked improvement in industrial and export demand and heavy deliveries to retail yards and public institutions, the trend of coal prices has been noticeably upward during the past six weeks. Consumption of heating sizes, however, was considerably curtailed by the almost unprecedented warm weather through September and early October.

September output of bituminous coal at mines in this general area was 10,892,000 tons, 17.8 per cent and 10.7 per cent greater, respectively, than a month and a year earlier. For the entire country, production of soft coal in September totaled 37,695,000 tons, against 34,688,000 tons in August and 32,286,000 tons in September, 1938; output for the first nine months totaled 262,775,000 tons, as against 234,952,000 tons for the first three quarters of 1938.

At Illinois mines production in September amounted to 3,476,518 tons, against 2,884,255 tons in August and 3,329,526 tons in September, 1938. There were 97 mines in operation in September,

with 27,003 men on payrolls, as against 84 active mines and 24,221 operatives in August.

Stimulated by the sharp upturn in prices and demand, production of lead and zinc ore and shipments of concentrates during the six weeks ended October 14 were the largest for any similar period since 1937.

Petroleum—August output of crude oil in states of the Eighth District was 6.3 per cent more than in July and 170.0 per cent greater than in August, 1938. Cumulative total for the first eight months this year was 153.0 per cent in excess of the corresponding period in 1938. Stocks on September 1 were 2.4 per cent and 11.9 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	
	Aug., 1939	July, 1939	Aug., 1938	1939	1938	Aug., 1939	Aug., 1938
	1939	1939	1938	1939	1938	1939	1938
Arkansas.....	1,419	1,881	1,718	13,064	11,706	1,783	2,415
Illinois.....	9,852	8,737	2,062	52,304	11,560	14,026	11,608
Indiana.....	136	115	92	653	623	3,449	3,231
Kentucky.....	539	503	553	3,794	3,711	1,422	1,221
Totals.....	11,946	11,236	4,425	69,815	27,600	20,680	18,475

WHISKEY

Reflecting seasonal activity, 18 of the 60 Kentucky distilleries are in operation, an increase of 10 as compared with a month earlier. Owing to the European imbroglio, certain sections of the trade expect less competition from foreign whiskies. Older inspections, it is reported, have stiffened in price because of reduced inventories of Scotch whiskies. August output of Kentucky whiskey was reported considerably in excess of August, 1938, when production reached its lowest point since the repeal of the Prohibition Amendment. This is not necessarily significant because during August relatively little liquor is manufactured. On the other hand, tax-paid withdrawals in Kentucky showed a 15 per cent gain in August this year over the same month in 1938, the gallonage represented being 1,610,000 compared with 1,400,155.

TRANSPORTATION

According to officials of the reporting lines, freight traffic handled by railroads operating in this area during September showed considerably more than the usual seasonal increase. The movement during the first two weeks of October was measurably greater than for the same period a year ago, and for the first time this year the volume exceeded that in 1937.

The St. Louis Terminal Railway Association, which handles interchanges for 28 connecting lines, interchanged 86,729 loads in September, against 76,969 loads in August and 76,337 loads in September,

1938. During the first nine days of October the interchange amounted to 27,102 loads, which compares with 22,991 loads during the corresponding interval in September and 23,249 loads during the first nine days of October, 1938. Passenger traffic of the reporting lines in September showed a decrease of 6 per cent in number of passengers carried and of 3 per cent in revenue, as compared with the same month in 1938.

Estimated tonnage of the Federal Barge Line between St. Louis and New Orleans in September was 154,700 tons, as against 227,887 tons in August and 227,654 tons in September, 1938; cumulative tonnage for the first nine months this year was 1,398,160 tons, or 23.7 per cent less than for the like period in 1938. For the entire country, loadings of revenue freight for the first 40 weeks this year, or to October 7, totaled 25,260,361 cars, against 22,841,771 cars for the same period in 1938 and 29,958,208 cars in 1937.

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
	September, 1939 compared with Aug., 1939	Sept., 1938		
	Aug., 1939	Sept., 1938	Sept. 30, 1939	Jan. 1, to Sept. 30, 1939
Ft. Smith, Ark.....	+47.2%	+3.2%	—0.6%	1.97
Little Rock, Ark.....	+31.9	+6.0	+7.9	2.31
Louisville, Ky.....	+16.2	+6.1	+5.8	3.03
Memphis, Tenn.....	+20.8	+8.2	+9.1	2.52
Pine Bluff, Ark.....	+4.2	+18.7	+23.1	2.12
Quincy, Ill.....	+5.9	+11.0	+8.8	2.83
St. Louis, Mo.....	+34.1	+4.1	+5.1	3.34
Springfield, Mo.....	+18.1	+6.5	+6.4	2.35
All Other Cities.....	+20.0	+15.2	+13.9	2.36
8th F. R. District....	+29.4	+5.2	+6.1	3.02

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

	Installment Accounts	Excl. Instal. Accounts		Installment Accounts	Excl. Instal. Accounts
	%	%		%	%
Ft. Smith.....	41.4%	47.6%	Quincy.....	18.5	50.6
Little Rock.....	14.7	36.2	St. Louis.....	14.6	43.7
Louisville.....	14.1	47.8	Other Cities.....	17.9	46.9
Memphis.....	23.3	42.8	8th F. R. Dist....		

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

	Net Sales		Stocks on Hand	Stock Turnover
	September, 1939 compared with Aug., 1939	Sept., 1938		
	Aug., 1939	Sept., 1938	Sept. 30, 1939	Jan. 1, to Sept. 30, 1939
Men's Furnishings....	+70.3%	—4.0%	+3.7%	1.86
Boots and Shoes.....	+46.2	—2.7	+1.4	5.40

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

Men's Furnishings.....	34.4%	Boots and Shoes.....	34.7%
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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-August, 1937, 1938 and 1939, and during August, 1938 and 1939, are given in the following table:

(In thousands of dollars)	August		Cumulative for 8 months		
	1939	1938	1939	1938	1937
Indiana.....	\$ 21,941	\$ 26,538	\$159,886	\$174,602	\$198,003
Illinois.....	35,547	41,195	305,662	305,285	332,025
Missouri.....	21,769	21,904	150,845	152,850	172,644
Kentucky.....	9,012	10,439	87,568	106,492	108,515
Tennessee.....	6,384	6,887	70,602	74,854	78,389
Mississippi.....	5,248	4,140	55,662	55,372	66,347
Arkansas.....	4,152	4,469	47,225	50,953	57,349
Totals.....	\$104,053	\$115,572	\$877,450	\$920,408	\$1,013,272

Farming Conditions—Weather conditions during September and early October in the Eighth District were varied in their effect on actual and prospective crop production. Taken as a whole, however, there was relatively little change in the outlook for yields as of October 1 as contrasted with a month earlier. In the case of the principal crops and many lesser ones, according to the U. S. Department of Agriculture, agricultural departments of the several states and other informed sources, the year has been characterized by bountiful production, fully ample for all normal food, feed, fibre, and other needs supplied by the soil.

The abnormally high temperatures and dearth of rainfall in September resulted in some injury to field crops and tree fruits. Pastures suffered more or less severely, and prospects for pasturing wheat this fall and for winter wheat production next year also declined. Maturing of late crops was inordinately rushed, but fortunately they were too far advanced to be seriously injured by the late season drought. Drying of pastures was reflected in a rather general drop in milk production from the high levels earlier in the year. In some sections progress of wheat seeding is the most backward since 1925. Rains which fell over wide areas in early October improved the wheat situation. An offset to damage wrought by the hot, clear September weather, was the ideal conditions it furnished for harvesting late crops, and obviating the danger of killing frosts.

Following the outbreak of war in Europe, prices of farm products advanced at a speedy rate. As of September 23, the farm products group of the U. S. Bureau of Labor Statistics index reached 69.5 per cent of the 1926 average, an advance of 8.4 points from the August 26 level. More recently restoration of greater stability in all markets resulted in a loss of part of the increase, the recorded figure as of October 7 being 66.8 per cent of the 1926 average.

Corn—With harvesting of the crop in progress

at an unusually early date, and virtually no frost damage, Eighth District production of corn is estimated by the U. S. Department of Agriculture in its October 1 report at 333,400,000 bushels, about equal to last year's crop and comparing with the 16-year (1923-1938) average of 330,136,000 bushels. Quality is in the main good, with unusually low moisture tests reported for this early in the season. In states of this district the October 1 carryover of corn is the largest of record, 179,094,000 bushels, against 150,750,000 bushels last year and the 10-year (1928-1937) average of 54,470,000 bushels, but about half of the total is sealed corn on which a Government loan has been made.

Cotton—Eighth District cotton prospects declined somewhat during September, the U. S. Department of Agriculture in its report based on conditions as of October 1 estimating the yield at 3,338,000 bales, a decrease of 141,000 bales under the September 1 forecast, and comparing with 3,386,000 bales harvested in 1938 and the 16-year (1923-1938) average of 2,924,000 bales. Deterioration was caused by the extremely hot and dry weather. Bolls opened prematurely and plants threw off practically all small fruit, with the result that there will be little or no top crop in many localities. It appears, also, that boll weevil damage was heavier than indicated earlier in the season. Picking in the southern counties has been completed, and only a small part of the crop remains in fields of the northern stretches.

Demand for raw cotton, both for domestic consumption and export, continued active. Trade reports indicate that domestic mill activity increased more than usual during late September and the first half of October. Prices of middling cotton for the week ended October 7 averaged 9.03¢ per pound as compared with 8.99¢ in the preceding week and 8.74¢ a year ago.

Combined receipts at Arkansas and Missouri compresses from August 1 to October 13 totaled 1,004,497 bales, as against 1,115,635 bales during the corresponding period last year. Shipments during the same period amounted to 391,921 bales, against 236,201 bales for the same interval in 1938. Stocks on hand as of October 13 were 1,976,572 bales, which compares with 1,551,989 bales on September 15 and 1,686,022 bales on the corresponding date in 1938. This accumulation is causing no apprehension, as practically all cotton reaching the compress points is purchased cotton, and heavy forwardings during the balance of October and in November are anticipated. Bureau of the Census report shows, for the entire country, 6,686,712 bales

ginned from the 1939 crop prior to October 1, compared with 6,577,109 bales for 1938 and 8,260,071 bales for 1937.

Livestock—Wholesale prices of beef, fresh pork and lamb declined rather sharply during the last three weeks of September and early October from the peak levels reached following the outbreak of the war in Europe. The decline was incident to the return of more normal supplies and orderly purchasing by consumers. The movement to market in September was considerably greater than in the preceding month and a year ago.

Generally throughout the district the condition of herds maintained the high average which marked the past eighteen months or more. There is a minimum of disease and for the most part all species are in good flesh. The drought in late August and September heavily reduced pasture efficiency, and in some areas, stock water was scarce. The droughty conditions caused a reduction in milk production from the record high levels of the preceding several months.

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

	Receipts			Shipments		
	Sept., 1939	Aug., 1939	Sept., 1938	Sept., 1939	Aug., 1939	Sept., 1938
Cattle and Calves.....	160,437	134,071	153,385	112,858	87,228	98,596
Hogs.....	194,583	203,260	185,305	119,841	130,926	110,698
Horses and Mules.....	1,479	2,729	2,885	1,520	2,629	2,880
Sheep.....	100,550	86,673	77,418	46,803	32,536	36,231
Totals.....	457,049	426,733	418,993	281,022	253,319	248,405

COMMODITY PRICES

Range of prices in the St. Louis market between September 15, 1939, and October 16, 1939, with closing quotations on the latter date and on October 15, 1938, follows:

	High	Low	Close	
			Oct. 16, 1939	Oct. 15, 1938
Wheat				
*Dec.....per bu...\$.83½	.77½	.80½	.63½
*May.....	.84½	.77½	.80	.64½
*July.....	.82½	.75½	.78	.63½
No. 2 red winter.....	.91½	.86	.90	.70½
No. 2 hard.....	.90½	.85	.86½	.66½
Corn				
*Dec.....	.54½	.46½	.46½	.42½
*May.....	.57½	.48½	.49½	.45½
*July.....	.55½	.49½	.50½	.47
No. 2 mixed.....	.61½	.49	.49½	.43½
No. 2 white.....	.64	.58	.60	.46
Oats				
*Dec.....	.34½	.30½	.33½	.22½
*May.....	.35½	.31½	.32½	.22½
*July.....	.34	.30	.30½	.22½
No. 2 white.....	.39	.33½	.35½	.27
Flour				
Soft patent.....per bbl..	6.70	5.85	5.85 @ 6.15	3.45 @ 3.75
Spring.....	6.55	6.15	6.15 @ 6.45	5.15 @ 5.45
Middling Cotton.....per lb...	.0885	.0810	.0870	.0805
Hogs on Hoof.....per cwt...	8.00	5.75	6.35 @ 7.15	7.40 @ 7.55

*Nominal quotations.

Tobacco—Eighth District tobacco prospects declined slightly in September, the October 1 estimate of the U. S. Department of Agriculture being 257,902,000 pounds, which is 2,241,000 pounds less than the September 1 forecast, and compares with 241,254,000 pounds harvested in 1938 and the 16-year (1923-1938) average of 285,704,000 pounds. Absence of rain in September caused rapid drying of burley tobacco in barns, the ultimate effect of which is yet to be determined in the final curing. Owing to delay in sales of the eastern flue-cured crop, there has been talk of delaying opening of the burley markets until after the Christmas holidays.

In the Green River and stemming district the crop has been harvested, but hot, dry weather has retarded curing. Harvesting has also been completed in the one sucker and dark fired districts. In all districts, as of mid-October, wet weather was needed to accomplish best curing results.

BUILDING

The dollar value of permits issued for new construction in the five largest cities of the district in September was 52.3 per cent less than in August and 4.9 per cent under September, 1938. According to statistics compiled by the F. W. Dodge Corporation, construction contracts let in the Eighth District in September amounted to \$21,274,000, which compares with \$19,163,000 in August and \$20,880,000 in September, 1938. Building figures for September follow:

(Cost in thousands)	New Construction				Repairs, etc.			
	Permits 1939	Permits 1938	Cost 1939	Cost 1938	Permits 1939	Permits 1938	Cost 1939	Cost 1938
Evansville.....	37	24	\$ 118	\$ 123	115	115	\$ 62	\$ 29
Little Rock.....	34	24	95	160	83	82	36	27
Louisville.....	134	103	248	552	44	49	43	152
Memphis.....	279	241	496	318	172	158	160	387
St. Louis.....	235	271	688	576	176	149	220	131
Sept. Totals.....	719	663	1,645	1,729	590	553	521	726
Aug. ".....	757	702	3,451	2,031	709	531	886	377
July ".....	668	573	2,777	1,360	634	529	417	287

CONSUMPTION OF ELECTRICITY

Public utilities companies in six large cities of the district report consumption of electric current by selected industrial customers in September as being 2.8 per cent less than in August and 7.6 per cent greater than in September, 1938. Detailed figures follow:

(K.W.H. in thous.)	No. of Customers	Sept., 1939	Aug., 1939	Sept., 1938	September, 1939 compared with	
		K.W.H.	K.W.H.	K.W.H.	Aug., 1939	Sept., 1938
Evansville.....	40	2,455	3,233	2,116	-24.1%	+16.0%
Little Rock.....	34	2,443	2,467	2,355	-1.0	+3.7
Louisville.....	82	10,279	9,725	8,886	+5.7	+15.7
Memphis.....	31	2,470	2,462	2,552	+0.3	-3.2
Pine Bluff.....	20	689	658	910	+4.7	-24.3
St. Louis.....	214	27,672	28,782	25,947	-3.9	+6.6
Totals.....	421	46,008	47,327	42,766	-2.8	+7.6

POSTAL RECEIPTS

Returns from the five largest cities of the district show an increase of 2.8 per cent in combined postal receipts for the third quarter this year over the corresponding period in 1938 and a decrease of 5.6 per cent under the quarter ended June 30, 1939. Detailed figures follow:

Quarter Ending:	Sept. 30, 1939	June 30, 1939	Sept. 30, 1938	Comp. 3rd Qtrs. 1939 and 1938
Evansville.....	\$ 175,268	\$ 178,941	\$ 151,988	+15.3%
Little Rock.....	216,560	244,701	219,883	-1.5
Louisville.....	687,714	720,030	658,114	+4.5
Memphis.....	648,666	676,685	624,890	+3.8
St. Louis.....	2,526,044	2,687,797	2,482,005	+1.8
Totals.....	\$4,254,252	\$4,508,154	\$4,136,880	+2.8

BANKING AND FINANCE

Seasonal requirements of commercial interests and for financing agricultural operations, plus stimulation resulting from the impact of war in Europe, were reflected in a noticeable expansion in demand for credit in the Eighth District through September and the first half of October. According to officials of banks, both in the large cities and country, demands are more diversified as to classes of borrowers and purposes for which funds will be used than has been the case in a number of years. The upturn in purchasing of commodities for advance requirements and to augment inventories has resulted in the increasing of their credit lines by numerous merchants and manufacturers.

On the other hand, loanable resources of the commercial banks continued the upward trend of recent months, and no appreciable change in interest rates was in evidence, though a slightly firmer tone was noted in certain quarters. Routine liquidation of commercial and industrial loans was in considerable volume, reflecting generally good collections, particularly in industries with which October is an important settlement month.

Member Banks—In the four-week interval, September 20-October 18, total loans and investments of reporting member banks in the principal cities increased 2.4 per cent, loans reaching the highest point since the spring of 1932. Gross deposits continued to mount and at \$1,088,773,000 on October 18 established an all time high record. Reserve balances also moved further upward and at the end of the period were 23.5 per cent over last year.

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

(In thousands of dollars)	Oct. 18, 1939	Change from Sept. 20, 1939	Oct. 19, 1938
Commercial, industrial, and agricultural loans	\$199,502	+10,837	+ 4,347
Open market paper	7,307	+ 1,149	+ 3,439
Loans to brokers and dealers	4,399	— 711	— 1,655
Other loans to purchase and carry securities	13,429	— 298	+ 780
Real estate loans	51,564	+ 74	+ 3,318
Loans to banks	2,735	+ 51	+ 2,456
Other loans	52,768	+ 806	+17,813
Treasury bills	8,496	+ 5,990	—
Treasury notes	52,076	+ 1,841	— 9,069
U. S. bonds	139,923	— 1,265	—
Obligations guaranteed by U. S. Government	64,731	— 1,136	+ 2,021
Other securities	98,816	— 1,357	— 307
Balances with domestic banks	185,687	+ 8,887	+50,705
Demand deposits—adjusted*	475,247	+ 7,018	+40,400
Time deposits	190,016	+ 250	+ 3,597
U. S. Government deposits	19,787	+ 1,077	+ 1,882
Inter-bank deposits	339,494	+20,734	+59,108
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.

The aggregate amount of savings deposits held by selected member banks on October 4 was a shade less than on September 6, but 2.7 per cent greater than on October 5, 1938.

As of the week ended October 15, interest rates charged at downtown St. Louis banks were as follows: Customers' prime commercial paper, $1\frac{3}{4}$ to $5\frac{3}{4}$ per cent; collateral loans, $2\frac{1}{2}$ to 6 per cent; loans secured by warehouse receipts, 2 to $5\frac{1}{2}$ per cent and interbank loans, $2\frac{1}{2}$ to $5\frac{3}{4}$ per cent.

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

(Incl. Louisville, Memphis, Little Rock branches)	Pieces	Amounts
Checks (cash items) handled	5,216,723	\$1,149,937,086
Collections (non-cash items) handled	142,772	33,543,277
Transfers of funds	4,738	298,734,119
Currency received and counted	8,027,664	25,510,797
Coin received and counted	9,725,629	1,387,607
Rediscounts, advances and commitments	17	759,000
New issues, redemptions, and exchanges of securities as fiscal agent of U. S. Gov't., etc.	15,034	20,184,128
Bills and securities in custody—coupons clipped	22,341	

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

(In thousands of dollars)	Oct. 19, 1939	Change from Sept. 19, 1939	Oct. 19, 1938
Industrial advances under Sec. 13b	\$ 22	+ 4	— 36
Other advances and rediscounts	206	+ 37	— 49
Bills bought (including participations)	—	— 2	— 2
U. S. securities	92,002	—33,101	—14,789
Total earning assets	92,230	—33,062	—14,876
Total reserves	426,919	+24,661	+71,244
Total deposits	328,440	—12,686	+52,106
F. R. Notes in circulation	187,210	+ 4,256	+ 6,740
Industrial commitments under Sec. 13b	415	— 9	— 209
Ratio of reserve to deposit and F. R. Note liabilities	82.8%	+ 6.0%	+ 4.9%

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

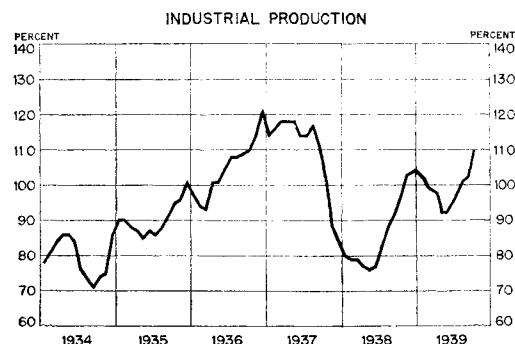
Advances to banks, secured by direct obligations of the United States, under paragraph 13 of Section 13	1	% per annum
Advances to member banks, under paragraph 8 of Section 13, secured by direct obligations of the United States or by such Government guaranteed obligations as are eligible for collateral 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 rediscount, purchase, or make advances, under Section 13b	½	% flat
Advances to established industrial or commercial businesses under Section 13b	5½	% per annum

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

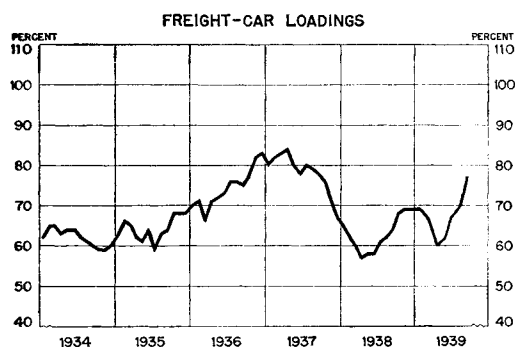
(In thousands of dollars)	Sept., 1939	Aug., 1939	Sept., 1938	Sept., 1939, comp. with Aug., 1939	Sept., 1938
East St. Louis and Nat'l Stock Yards, Ill.	\$ 41,103	\$ 36,170	\$ 36,407	+13.6%	+12.9%
El Dorado, Ark.	5,469	5,055	5,962	+ 8.2	— 8.3
Evansville, Ind.	30,907	28,303	25,135	+ 9.2	+23.0
Fort Smith, Ark.	12,575	10,721	12,606	+17.3	— 0.2
Greenville, Miss.	6,173	3,736	5,024	+65.2	+22.9
Helena, Ark.	2,412	1,478	2,158	+63.2	+11.8
Little Rock, Ark.	40,396	38,096	35,061	+ 6.0	+15.2
Louisville, Ky.	154,517	143,696	143,092	+ 7.5	+ 8.0
Memphis, Tenn.	161,911	105,381	124,315	+53.6	+30.2
Owensboro, Ky.	8,943	8,501	5,984	+ 5.2	+49.4
Pine Bluff, Ark.	10,599	6,217	11,173	+70.5	— 5.9
Quincy, Ill.	8,218	7,631	7,382	+ 7.7	+11.3
St. Louis, Mo.	569,110	528,573	502,100	+ 7.7	+13.3
Sedalia, Mo.	2,167	1,910	1,872	+13.5	+15.8
Springfield, Mo.	15,276	13,592	13,766	+12.4	+11.0
Texarkana, Ark.-Tex.	8,393	6,191	7,616	+34.0	+ 8.9
Totals	\$1,078,169	\$ 945,251	\$ 939,653	+14.1	+13.5

NATIONAL SUMMARY OF BUSINESS CONDITIONS

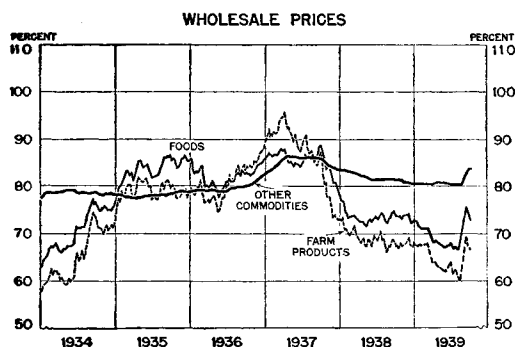
BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM



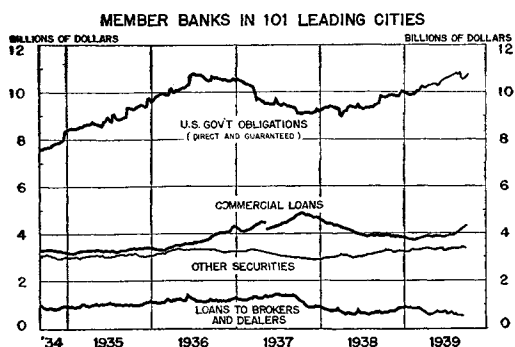
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to September, 1939. Latest figure 110.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to September, 1939. Latest figure 77.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending October 14, 1939.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to October 11, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.

Volume of industrial production, which had turned up sharply last summer, advanced still more rapidly in the six weeks after the outbreak of war. Employment also increased but at a less rapid rate. Consumption of goods by industry and by individuals has not expanded so rapidly as production and orders. Buying of basic commodities, after a burst of activity in early September, has slackened considerably, but orders for many semi-finished goods and for finished products, particularly machinery and railroad equipment, have continued in large volume. Most orders have come from domestic sources. Prices of basic commodities advanced sharply in the early part of September, but in recent weeks prices of foodstuffs have declined while prices of industrial materials in most instances have been maintained. Prices of finished goods have shown a much smaller advance.

Production—In September the Board's seasonally adjusted index of industrial production advanced to 110 per cent of the 1923-1925 average as compared with 103 in August and 92 last spring. Increases in output of iron and steel, flour, sugar, meat products, and petroleum were particularly marked in September. In the steel industry ingot production rose from an average rate of 61 per cent of capacity in August to 71 in September. In the first three weeks of October the rate advanced further to 90 per cent and actual volume of output was at the highest level on record. Flour production rose to near record levels and at meat-packing establishments activity was at the highest rate reached in several years. The sharp increase in output of crude petroleum followed a considerable reduction in the previous month and currently production is at about the high rate prevailing before wells were closed in the latter half of August.

In other industries increases in activity, though quite general, were not so marked. Automobile production showed a sharp seasonal rise as volume production of new model cars was begun at most plants, and in related lines, such as plate glass, activity also increased. Textile production increased somewhat further from the high level reached earlier. Shoe production, however, which had been in large volume in the first eight months of the year, decreased in September. Mineral production advanced generally and iron ore shipment schedules were expanded to build up stocks at lower lake ports before the close of the shipping season.

Value of construction contracts, as reported by the F. W. Dodge Corporation, rose further in September, reflecting a contraseasonal increase in private residential building. Other private construction showed little change and there was some reduction in the volume of new public projects, both residential and nonresidential.

Distribution—In September and the early part of October department store sales increased considerably. Freight-car loadings also advanced sharply, with the most marked increases reported in shipments of coal and of miscellaneous freight, which includes most manufactured products.

Commodity Prices—Wholesale prices of foodstuffs declined after the middle of September, following sharp advances earlier in the month. Prices of industrial commodities, which rose considerably until the third week in September, subsequently were generally maintained, although prices of some materials, such as steel scrap, hides, and rubber, declined from earlier peak levels.

Bank Credit—Following reductions during the early part of September, Government security holdings by member banks in 101 leading cities increased somewhat during the three weeks ending October 11, reflecting largely the purchase of Treasury bills. Commercial loans continued to increase, but at a less rapid rate than in late August and early September. The volume of demand deposits at city banks also increased further. Excess reserves, which had increased sharply at member banks during the first half of September, showed further moderate increases during the four weeks ending October 11.

Money Rates and Bond Yields—Prices of United States Government securities increased in the latter part of September and the first half of October, following sharp declines early in September. Average yields on long-term Treasury bonds declined from 2.79 per cent on September 21 to 2.62 per cent on October 16. Yields on Treasury notes declined to 0.78 per cent from 1.30 per cent early in September.