To help finance America's great defense efforts and to maintain our internal economic stability, the Treasury Department placed three types of Defense Savings Bonds on sale to the public on May 1 of this year. They are known as Series E, Series F, and Series G Bonds. Series F and G Bonds may be purchased upon application to a Federal Reserve Bank or the Treasurer of the United States. Banking institutions generally may submit applications for account of customers. Series E Bonds may be purchased from banks, post offices, and other qualified agencies, as well as from the Federal Reserve Bank and its branches.

From the beginning of May through the third week in September, about $1,500,000,000 of Defense Savings Bonds and Stamps were sold in the nation.

Through September 23, sales of Defense Savings Bonds of all series (E, F, and G) by the Federal Reserve Bank of St. Louis and other qualified issuing agents (other than post offices) in the Eighth Federal Reserve District amounted to $67,442,000. Of this total the St. Louis reserve bank sold $46,511,000 Series F and G Bonds and $3,333,000 Series E Bonds. During the period there were $17,033,000 Series F and G Bonds sold in St. Louis and vicinity alone. There were 945 qualified issuing agents (other than post offices) in the Eighth District for Series E Bonds. These included 862 banks, 72 building and loan associations, and 11 credit unions. The number of banks qualified as issuing agents represents more than 57 per cent of all banks in the District and is increasing daily.

Series E Bonds can be bought at cost prices from $18.75 up to $750, and ten years from the date of purchase they will have a maturity value one-third greater than their cost price; that is, they will be worth from $25 to $1,000. If these bonds are kept until maturity they will yield 2.9 per cent.

Series E Bonds are intended for the smaller investor. They provide a splendid opportunity to put away a part of his income where it will earn a good return. Should an emergency arise whereby the purchaser is obliged to use part or all of the money that he has invested in these securities, he can get back his money with interest as shown on bond.

A growing number of companies are adopting salary deduction plans, under which their employees may voluntarily authorize the deduction of a fixed amount from their pay each pay-day, to accumulate money for the purchase of Series E Bonds.

To facilitate the purchase of Defense Savings Bonds, the Treasury issues Defense Savings Stamps, which range in price from 10c to $5 and are sold by post offices, banks and a large number of cooperating private concerns including many retail stores. As enough of the stamps are accumulated they may be exchanged for interest-bearing Series E Bonds. Many individuals purchase the stamps at regular intervals as a part of their running budgets.

A purchaser hesitating as to the amount of money to invest in Series E Bonds may be guided in his choice by this fact: Should he, at any time, desire to turn in a bond and receive part of its equivalent in cash and part in a bond of lesser denomination, a new bond for the lesser amount will be issued to him, and it will be dated with the date of issue of the original bond. Thus, he has nothing to lose by buying a bond for the larger amount.

Much the same conditions prevail with regard to Series F Bonds, except that these are also available for purchase by corporations and associations and they provide an opportunity for persons with larger incomes to make investments in excess of the limit set for Series E Bonds.

Series F and G Bonds are issued in denominations of $100 to $10,000 maturity value. Their yield is about 2.5 per cent a year, and they mature in twelve years. The chief difference between them is that the Series F Bond is for individuals who wish to let the interest accumulate, and the Series G Bond is for those who prefer to draw the interest every six months.

The Series G Bonds provide an unusually attractive opportunity for investment by corporations or individuals. They are especially suited for sinking funds or comparable situations. These bonds provide an exceptional opportunity, also, for the investment of trust funds and were, in fact, created largely for that purpose. They pay interest every six months by check from the Treasury Department. They may be redeemed on a month's notice at any time after six months from issue date.

An attractive feature for individuals possessing Series G Bonds is that in case of death, the bonds are redeemable at par, regardless of any interest that has been paid. In such case, they will provide the means for paying inheritance or other taxes, or debts of the estate, thereby safeguarding the estate and avoiding the possible necessity of liquidating other assets at a sacrifice to meet obligations.
ACTIVITIES in Eighth District industry and trade remained at very high levels during August and the first half of September, with some lines moving to new highs. The defense program continued to create near boom conditions in sections where its projects are developing. Commodity prices rose further indicating continued strong consumer demand coupled with actual and anticipated shortages and rising costs. Shortages of certain materials needed in defense production and the possibility of greater priority restrictions tended to create some apprehension concerning production of consumer goods and advanced prices in the face of probable price control legislation.

During August the rate of industrial production increased slightly more than seasonally. The Federal Reserve Board's index adjusted for seasonal variation advanced to 161 per cent of the 1935-1939 average as compared with 160 per cent for July and 159 per cent for June. Characteristic of activities in the defense program sharp increases were evidenced in machinery, aircraft, and railroad equipment industries, with chemicals, leather goods, and explosives also showing large gains. Production continued to be considerably behind orders.

Output of bituminous coal at mines in this area in August increased 10 per cent over July and 18 per cent over August, 1940. Steel ingot production at mills in the district remained at the near capacity rate of 98 per cent. There has been virtually no change in this rate for the past five months. Pig iron production was begun at Granite City, Ill., in September marking the first time in nine years that pig iron has been produced in this area. August consumption of electricity by industrial users was 1 per cent less and 24 per cent more, respectively, than a month and a year earlier. Production of lumber at mills in the district was at or near capacity during August. New orders and shipments continued to exceed production. Building activity, as reflected by permits granted and contracts let, showed a decrease for August from July and from a year ago. Tonnage moved by the Federal Barge Lines on the Mississippi River in August decreased 2 per cent from July but was 24 per cent greater than a year ago, and cumulative tonnage during the first eight months of this year exceeded that of the comparable period in 1940 by 11 per cent. Load interchanges for 25 connecting lines handled by the Terminal Railroad Association of St. Louis during August were 2 per cent less than in July but 41 per cent greater than in August, 1940. Cumulative total of interchanges for eight months of this year exceeded the similar period in 1940 by 28 per cent.

Both wholesale and retail distribution of merchandise during August increased over July and was considerably greater in volume than a year ago. This bank's index of department store sales, seasonally adjusted, reached a new high for the second month in a row. August sales of department stores in the principal cities of the district were 28 per cent more than in July and 36 per cent greater than a year earlier. Cumulative total for the first eight months of the year was 21 per cent greater than for the similar period in 1940. Sales in August of all wholesaling and jobbing firms whose statistics are available to this bank were 12 per cent more than in July and 40 per cent above a year ago.

Debts to individual accounts in August were 9 per cent less than in July and 32 per cent greater than in August, 1940. Gross deposits increased to a new record high reflecting increased loans and investments. General agricultural prospects in this district declined by about 1 per cent in August. Prices of farm products continued to rise and prospects for an excellent farm income for 1941 are indicated. Farm labor shortages are developing in some sections but production is being maintained at very high levels through more efficient operation of farms.

In States wholly or partly within the Eighth District employment in non-agricultural industries in July was 0.9 per cent greater than in June and 14.1 per cent greater than in July, 1940. In non-agricultural industries in the United States employment increased 1.0 per cent from June to July and 10.7 per cent from July, 1940 to July, 1941.
IRON AND STEEL

The continued pressure of defense requirements and civilian demand sustained activities in the iron and steel industry in this area at extremely high levels during August and the first half of September. As expected the greatest pressure came from classifications filling orders for the defense program, notably engines, machinery, airplanes, railroad equipment, etc.

Demand for sheets, strip, plates, and other flat rolled materials continued strong. In past weeks warehouse stocks have shrunk considerably. Almost all production of sheets is for defense needs. Plates remain very tight although some sources look for a slight easing in the next few months. Scrap moved somewhat better in the St. Louis area in late August with the character of material indicating more intensive efforts in collection, but the situation has tightened materially in the past two weeks.

A new blast furnace for pig iron has been blown in at Granite City, Ill., and for the first time since 1932 pig iron will be produced in the St. Louis area. The new plant will have a capacity of 700 tons daily, and is expected to produce about 250,000 tons annually. The plant will use northern iron ore at present, but it is expected that ore found in southern Missouri may be used to some extent in the future. A second furnace may be rehabilitated and be put in operation later this fall. This pig iron production should lessen somewhat the demand for scrap in the Granite City section.

As of mid-September steel ingot production at mills in this section was at 98 per cent of capacity, the same as during the preceding five months, and comparing with 80 per cent a year ago, and 66.5 per cent in September, 1939.

Production of pig iron in August for the entire country, according to the magazine "Steel," was the highest of record with a tonnage of 4,784,639. This was slightly greater than July production of 4,766,216 tons and 13 per cent above August, 1940, production of 4,234,576 tons. Steel ingot production in the United States in August was 7,000,957 tons, compared with 6,821,682 tons in July and 6,186,383 tons in August, 1940.

MINING

Coal — Both industrial and domestic demand for bituminous coal remained strong during August. At mines in this area production in August was 10 per cent more than in July and 18 per cent greater than in August, 1940. For the first eight months of this year output exceeded that of the correspond-
sections of this area the crop was benefited by rain-
fall in the latter part of August and early Septem-
ber. Lack of moisture damaged corn in Missouri
more than any other crop. Corn is maturing rapidly
throughout the District with most of the harvest
now safe from frost.

Cotton—An Eighth District cotton crop of 3,-
214,000 bales is forecast by the U. S. Department
of Agriculture as of September 1. This represents
a decrease of 9 per cent from the August 1 estimate
of 3,546,000 bales, and of 2 per cent from 1940 pro-
duction of 3,277,000 bales.

During August and the first part of September
weather conditions were not unfavorable for cotton
growing but weevil infestation increased and fre-
quently showers made poisoning difficult. Certain
sections reported plant defoliation by leaf worm
activity. The crop is two to three weeks earlier than
last year with receipts and shipments at compres-
ses in much greater volume than at the same time a
year ago. Picking and ginning are well advanced
in most sections of the District.

Cotton prices advanced strongly during August
and the first part of September reaching the highest
point in 12 years at mid-September. Despite the
high levels trade reports indicate that a large pro-
portion of the crop will go into Government loans.
Domestic mill activity during the past month de-
clined somewhat from the record high of July but
was substantially greater than a year ago. Demand
remained brisk for finished goods but slackened for
unfinished goods, and offerings by mills were few.
Mill margins narrowed further. In the St. Louis
market prices on middling grade cotton ranged from
15.60c per pound on August 16 to 18.10c on Sep-
tember 15, which compares with 15.55c on August
15 and 9.40c on September 15, 1940.

Fruits and Vegetables—Owing to somewhat
more favorable weather, growing conditions for
vegetables improved during the past month. How-
ever, cool temperatures and light showers which
prevailed in some sections were insufficient for the
best development of certain crops, such as snap
beans, sweet corn and tomatoes. Prospects for the
Eighth District indicate smaller supplies of white
tomatoes, sweet potatoes and truck crops for market, but larger sup-
plies of sweet potatoes and truck crops for process-
ing. Throughout this area fruit crop prospects are
considerably better than in 1940.

Livestock—Production of feed grain this year
in the United States will be above average but not
equal to prospective feeding requirements, accord-
ing to the September 1 report of the U. S. Depart-
ment of Agriculture. It is anticipated that some of
the large stocks accumulated in past years will be
utilized. In this area estimated production of tame
hay is somewhat lower than last year but consider-
ably greater than the 18-year (1923-1940) average.

Livestock prices moved sharply upward in August
and early September but declined slightly at mid-
September. Hog prices reached the highest point
since September, 1937. Average prices on hogs at
St. Louis between August 16 and September 15
ranged from $11.33 to $12.15 per cwt., closing on
the latter date at $11.94. For the same period in 1940
the range was from $6.35 to $7.45, closing at $6.49.

Rice—Prospects for the Arkansas rice crop im-
proved during August. The report of September 1
indicates a crop of 11,128,000 bushels, an increase
of 642,000 bushels over the August 1 forecast. Both
yield per acre and acreage planted are estimated
above 1940 and the 10-year (1930-1939) average.
Weather during August was generally favorable for
growing and early varieties are reaching maturity
in all sections. While rains have delayed harvest-
ing, cutting of early rice is under way with threshing
expected to begin shortly.

Tobacco—The U. S. Department of Agriculture
estimate of September 1 indicates virtually no
change in the prospective yield of the tobacco crop
in the Eighth District. For all types of tobacco the
forecast is 233,008,000 pounds, compared with 232,-
975,000 pounds a month earlier.

More favorable weather conditions in late August
and early September hastened the growth of early
tobacco and advanced the growth of late tobacco.
Recent activities in old crop stocks have measurably
reduced quantities held by dealers. An indication of
considerably higher prices for this year's crop was
evidenced by opening week sale prices for Eastern
Carolina flue cured tobacco. The general average
price per cwt. for the week was $29.51 compared
with $17.96 per cwt. in the opening week of 1940.

COST OF LIVING AND PRICES

The cost of living in 20 cities in the United States
rose 0.8 per cent from July 15 to August 15 and
7.7 per cent from June 15, 1940 to August 15, 1941,
according to the Bureau of Labor Statistics. Living
costs in St. Louis, the only Eighth District city for
which monthly indexes are available, rose 0.4 per
cent and 5.5 per cent, respectively, in the same
intervals.

Food costs in 51 cities in the United States rose
1.2 per cent between July 15 and August 12, and
12.3 per cent from August 13, 1940 to August 12,
1941. In the year ending August 12 food costs in
the four Eighth District cities covered by the in-
dexes rose more than the United States average.
with Memphis showing the most pronounced gain, 16 per cent. For the month ending August 12, food costs in Louisville declined slightly, those in St. Louis rose less than the national average, while those in Little Rock and Memphis increased more than the average.

Wholesale prices of all commodities have advanced 17.6 per cent in the past year with a rise of 2.2 per cent in the last month. Farm products and foods show the greatest rises with the former advancing 37.1 per cent in a year and 6.0 per cent in the last month, and the latter 25.0 per cent and 2.8 per cent, respectively, for the same intervals.

**BANKING AND FINANCE**

During August and the first half of September the upward trend in demand for credit in the Eighth District continued, with some irregularities with regard to geographic sections. Requirements remained well diversified. Part of the increased demand is attributed to construction activities in defense areas and to the desire of business institutions, particularly smaller ones, to increase inventories. A few localities report that loans are slightly down from recent levels, or at least have shown very small increases. There is some apprehension regarding the effect of priorities restrictions on industries with the consequent possibility of reduced credit demand. Interest rates were virtually unchanged from the low levels of recent months.

**Member Banks**—Between August 20 and September 17 total loans and investments of reporting member banks in the principal cities of the Eighth District increased 3 per cent, and on the latter date were 25 per cent greater than a year ago. Investments were up only 1 per cent in the four-week period but loans increased 6 per cent. Loan volume of reporting banks is one-third greater than last year. Gross deposits continued to rise sharply, and at $1,339,446,000 on September 17 reached a new peak. Total reserve balances declined slightly and at the close of the four-week period were 1 per cent and 2 per cent less, respectively, than a month and a year ago. The aggregate amount of savings deposits in selected member banks on September 3 was 0.2 per cent less than on August 6, and 0.4 per cent greater than on September 4, 1940.

Since the preceding issue of this review the following banks have become members of the Federal Reserve System: The State Bank of Salem, Salem, Ind.; Community Bank, Steelville, Mo.; The Farmers and Merchants Bank of Vandalia, Vandalia, Ill.; Teutopolis State Bank, Teutopolis, Ill.; Bank of Lincoln County, Elsberry, Mo., and The Union Savings Bank of St. Charles, St. Charles, Mo.
WHOLESALE
Lines of Commodities | Net Sales | Stocks
--- | --- | ---
Data furnished by Bureau of Census, U.S. Dept. of Commerce. | | |
Automobiles | +16% | +49% |
Boots and Shoes | 1 | +25 |
Dry Goods | +33 | +47 |
Electrical Supplies | +16 | +12 |
Furniture | 6 | 40 |
Groceries | +29 | +29 |
Hardware | +11 | —20 |
Machinery, Equipment and Supplies | —23 | +14 |
Plumbing Supplies | —11 | —13 |
Tobacco and its Products | +3 | +26 |
Total all lines | +12 | +40 |
Retail Trade
Department Store Sales
| Net Sales | Stocks on Hand | Stock Turnover |
--- | --- | ---
August, 1941 | 8 mos. ’41 compared with July, ’41 | Aug., ’40 |
Pt. Smith, Ark... | +32% | +30% | +16% | +20% | 2.13 | 1.61 |
Little Rock, Ark... | +35 | +35 | +32 | +16 | 1.59 | 1.63 |
Pine Bluff, Ark... | +35 | +35 | +32 | +16 | 1.59 | 1.63 |
E. St. Louis, Ill... | +30 | +30 | +30 | +16 | 1.59 | 1.63 |
Quincy, Ill... | +31 | +34 | +13 | 2.69 | 2.58 |
Evansville, Ind... | +19 | +19 | +19 | 2.18 | 2.30 |
Louisville, Ky... | +35 | +38 | +39 | 2.18 | 2.30 |
St. Louis, Mo... | +29 | +30 | +16 | 2.82 | 2.82 |
Springfield, Mo... | +31 | +31 | +16 | 2.47 | 2.47 |
Jackson, Tenn... | +6 | +48 | +44 | 2.45 | 2.45 |
Memphis, Tenn... | +16 | +20 | +16 | 2.25 | 2.19 |
*All other cities... | +21 | +21 | +19 | 2.02 | 2.01 |
8th F. R. Dist. | 19,810 19,810 19,931 — 1 -27 | 1,407 1,498 1,170 — 6 -20
INDEXES OF DEPARTMENT STORE SALES AND STOCKS
8th Federal Reserve District (1923-1925 = 100)
| | Aug., ’41 | Aug., ’41 |
Sales (daily average), Unadjusted | 106 | 82 | 92 | 78 |
Sales (daily average), Seasonally adjusted | 141 | 119 | 100 | 94 |
Stocks, Adjusted | 83 | 77 | 90 | 80 |
Stocks, Seasonally adjusted | 90 | 81 | 80 | 67 |
PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS
(Change from)
Sept. 17, 1941 | Aug. 20, 1941 | Sept. 18, 1940
Commercial, industrial, agricultural loans | $256,313 | +20,132 | $74,370 |
Open market paper | 21,240 | 21,240 |
Loans to brokers and dealers... | 4,206 | +353 | 4,457 |
Other loans to purchase and carry securities... | 4,088 | 74 | 985 |
Real estate loans | 60,041 | 377 | 4,359 |
Other loans... | 80,684 | 5,086 | 17,320 |
Treasury bills | 1,174 | 1,099 | 7,436 |
Treasury notes... | 16,414 | 16,414 |
U. S. bonds | 220,386 | +81 | 71,437 |
Obligations guaranteed by U. S. Government | 79,671 | —4 | 7,906 |
Other securities... | 110,632 | 221 | 2,159 |
Balances with domestic banks... | 201,933 | —239 | 25,160 |
Demand deposits adjusted | 110,632 | 221 | 2,159 |
Time deposits... | 16,414 | 16,414 |
U. S. Government deposit... | 17,909 | 2,094 | 46,066 |
Interbank deposits... | 443,764 | 22,434 | 54,809 |
Other than interbank and Government deposits, less cash items on hand or in process of collection... | 91,743 | 21,940 | 91,743 |
Above figures are for 24 member banks in St. Louis, Louis, Memphis, and El Dorado, Fayetteville, Ark., Altus, Harrisburg, Mo., Vinton, Ia., Vincennes, Ind., Danville, Hopkinsville, Ky., Chillicothe, Mo.

FEDERAL RESERVE OPERATIONS DURING AUGUST, 1941
(Incl. Louisville, Memphis, Little Rock branches)
| Net Sales | Stocks on Hand | Stock Turnover |
--- | --- | ---
Checks (cash items) handled... | 5,800,945 | $1,531,477,399 |
Collections (non-cash items) handled... | 56,537 | 35,334,833 |
Treasury advances under Sec. 13b... | 362,587 | 362,587 |
Currency received and counted... | 9,912,077 | 33,283,177 |
Cost received and counted... | 11,270,821 | 11,270,821 |
Rediscounts, advances and commitments... | 16 | 381,200 |
New issues, redemptions, and exchanges of securities as fiscal agent of U. S. Government... | 55,341 | 34,676,059 |
Bills and securities in custody—coupons clipped... | 8,304 |

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, secured by direct obligations of the United States or by such Government guaranteed obligations as are eligible for collateral, under paragraph 8 of section 13... 1% per annum
Rediscounts and other advances to member banks under sections 12 and 13... 1 1/2% per annum
Advances to member banks under section 10(b)... 2% per annum
Advances to banks, individuals, firms, and corporations, other than banks, secured by direct obligations of the United States, under paragraph 13 of section 13... 1 1/2% per annum
Industrial advances to nonmember banks, other financing institutions under section 13... 2 1/2% per annum
Industrial advances to member banks, nonmember banks, and other financing institutions under section 13... 1 1/2% per annum

COMMERCIAL FAILURES IN EIGHTH F. R. DISTRICT
(Completed September 23, 1941)
Industrial activity increased further in August and the first half of September, and commodity prices continued to advance. Distribution of commodities to consumers expanded considerably.

**Production** — In August industrial output increased somewhat more than seasonally and the Board's adjusted index advanced from 160 to 161 per cent of the 1935-39 average. There were sharp further advances in activity in the machinery, aircraft, shipbuilding, and railroad equipment industries. Lumber production also increased, while furniture production, which had been unusually large in July, showed less than the customary seasonal rise in August. Output of steel and nonferrous metals continued at near a year-ago pace.

In the automobile industry output of finished cars declined sharply as plants were closed during the changeover to new model production and output in factories producing bodies and parts also was reduced considerably. In the first half of September automobile assemblies increased as production of new models began but from now on, owing to Government restrictions on passenger car production, output will be considerably below that during the previous model year.

In most nondurable goods industries production in August continued around the high levels reached earlier this year. At cotton mills activity declined slightly from the record level reached in July, while at woolen mills there was some increase. Rayon output continued at peak levels. In the silk industry operations were curtailed sharply, as the Government requisitioned all supplies of raw silk, and deliveries of silk to mills declined from 28,000 bales in July to 2,000 in August. Rubber consumption also decreased, owing to a Government curtailment program. Shoe production, which had been unusually large, increased less than seasonally in August, and output of manufactured food products and chemicals showed seasonal increases from the high levels prevailing in June and July.

At mines coal production in August, as in other recent months, was unusually heavy for the season, and output of crude petroleum rose to a record level of 4,000,000 barrels daily in the latter part of the month. Iron ore shipments down the Lakes amounted to 11,500,000 tons, the largest monthly total on record. Value of construction contract awards showed a further sharp increase and was about four-fifths larger than a year ago, according to F. W. Dodge Corporation reports. The rise from July was substantial for all general types of construction but was most pronounced for publicly-financed projects. Awards for residential building continued to increase.

**Distribution** — Sales of general merchandise rose sharply in August and were at an extremely high level for this time of year. The Board's seasonally adjusted index of department store sales advanced to 133 per cent of the 1923-25 average as compared with 115 in July and an average of 103 in the first half of this year. In the early part of September department store sales declined from the peak reached in the last part of August.

Railroad freight-car loadings in August were maintained in the large volume reached in June and July. Coal shipments increased, following some reduction in July, while loadings of grain, which had been large since last spring, declined.

**Commodity Prices** — Wholesale prices of most groups of commodities continued to advance from the middle of this month to the end of August. Prices of grains, other foodstuffs, and cotton showed large increases and there were advances also in prices of a number of industrial commodities not covered by Federal price ceilings. Fragmentary data available indicate that retail prices of foods and other commodities rose further during this period.

**Agriculture** — The outlook for agricultural production showed little change during August. Crop prospects were reduced slightly by drouth but aggregate crop production is expected to be two per cent larger than last year and the largest for any year except 1937. Total marketings of livestock and livestock products will probably be the largest on record. Preliminary estimates of the Department of Agriculture indicate that cash farm income, including Government payments, will be about $10,700,000,000, compared with $9,120,000,000 in 1940.

**Bank Credit** — Commercial loans at reporting member banks in 101 cities continued to rise substantially during the four weeks ending September 10. Bank holdings of United States Government securities showed little net change, while holdings of other securities increased somewhat at New York City banks. As a result of the expansion in loans and investments bank deposits continued to increase.

**United States Government Security Market** — Prices of Treasury bonds increased in the latter part of August but subsequently declined somewhat in the first part of September. On September 15, the partially tax-exempt 2% per cent 1960-65 bonds were yielding 2.06 per cent compared with the record low yield of 2.02 per cent. Yields on Treasury notes showed little change in the period.