



# BUSINESS CONDITIONS

*Monthly Review of Agriculture, Industry, Trade and Finance  
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FEDERAL RESERVE BANK OF ST. LOUIS

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*Skyline View of Memphis, Tennessee*

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## SUMMARY OF EIGHTH DISTRICT

CONTINUED high levels of industry and trade were maintained in the Eighth District throughout October and early November. The tapering off of defense plant construction is being compensated for in large measure by actual production of defense goods. Commodity prices declined slightly in October, but by mid-November had reached a new high and were moving up. Prices of farm products and foods were still below the peaks reached in September. Apprehension over priorities unemployment continued to exist, although actual volume of non-agricultural employment reached an all-time high level in September.

During October industrial production for the United States continued to increase. The Federal Reserve Board's index, adjusted for seasonal variation, stood at 164 per cent of the 1935-1939 average, as compared with 161 in September and 160 in August. Production dropped farther behind new orders, especially in lines producing for the defense program. In September, order backlogs of producers' durable machinery and equipment represented eight months' capacity operations, and other lines such as aircraft, ordnance, chemicals, etc., presented the same general picture.

The rate of increase of industrial production has slowed down in recent months. In many lines seasonal factors affecting output have changed and in some cases have disappeared. Thus production in certain industries, at or near capacity for some months, cannot show autumn gains that have been customary in past years. Further advances are likely to be uneven with regard to type of industry as capacity is expanded in defense lines and as contraction of operations is required of non-essential industries.

Output of bituminous coal at mines in this area in October increased 7 per cent over September and was 30 per cent over October, 1940. Steel ingot production at mills in the District returned to 98 per cent of capacity and held that rate as of mid-November although acute scrap shortages threaten curtailment in the near future. October consumption of electricity by industrial users was 2 per cent and 23 per cent greater, respectively, than a month and a year ago. Production of lumber continued at near capacity rates, while orders and shipments exceed production. Building permits granted in October showed sizable increases over September and October, 1940. However, construction contracts let declined from a month and a year ago.

According to preliminary reports, October shoe production in the Eighth District is estimated at

10 per cent above September. Sales of ordinary life insurance in Eighth District states in October were 9 per cent greater than in September and 12 per cent above October, 1940. Revenue freight carloadings of railroads operating in the Eighth District during the four weeks ending October 25 were 3 per cent above a month earlier and 9 per cent above the similar period last year. Load interchanges for 25 connecting lines handled by the Terminal Railroad Association of St. Louis during October were 8 per cent above September and 29 per cent greater than in October, 1940. Cumulative total of interchanges for ten months of this year exceeded the similar period in 1940 by 29 per cent. Estimated tonnage moved by the Federal Barge Lines on the Mississippi River between St. Louis and New Orleans in October was 19 per cent and 38 per cent, respectively, above a month and a year ago. Cumulative tonnage for the first ten months of this year exceeded that of the comparable period last year by 13 per cent.

Both wholesale and retail distribution of merchandise during October increased less than seasonally over September but was considerably greater in volume than a year ago. October sales of department stores in the principal cities of the District were 3 per cent more than in September and 20 per cent greater than a year earlier. Cumulative total for the first ten months of this year was 21 per cent above that of the similar period in 1940. Sales in October of all wholesaling and jobbing firms whose statistics are available to this bank were slightly above the preceding month and 40 per cent above a year ago.

Debits to individual accounts in October were 18 per cent above September and 37 per cent greater than in October, 1940. Gross deposits declined by a small amount as loans rose slightly and investments fell off. General agricultural prospects increased by about 2 per cent in October as several crops showed indicated yields somewhat above the previous month's forecasts. Cash farm income plus Government payments for 1941 is expected to exceed the 1924-1929 average. Farm employment on November 1 was at the lowest point for any comparable date since the 16-year old series was inaugurated. With much of the harvest in, however, there is no serious shortage of farm labor.

The cost of living in the Eighth District, as indicated by the index for St. Louis, continued to rise, with the impact of higher wholesale prices making itself more evident as inventories accumulated at lower prices are being exhausted.

## DETAILED SURVEY OF DISTRICT

### IRON AND STEEL

Activity in the iron and steel industry in this area in late October and early November was restored to near capacity level. Those furnaces which had been out of production because of scrap deficiencies and repairs were put back in operation. At mid-November the rate of operations in this area was at 98 per cent of capacity.

The scrap situation in the St. Louis district grows more tight. The Department of Commerce recently estimated that the average scrap inventory of steel mills throughout the country was equal to about one month's supply. In this area trade reports indicate that scrap inventories are somewhat shorter than the national average. Deliveries from the country have been in very small volume recently partly because extremely wet weather has made collection difficult. Foundries are reported to be in worse shape than mills with regard to scrap. The allocation plan for scrap is not yet in operation, and, consequently, has been of no help in relieving the tight situation. Trade sources fear that a sharp curtailment in operations may result soon unless the scrap situation improves markedly in the very near future.

Demand for all steel products remains strong. Plates represent the tightest situation with shipyards, ordnance manufacturers, railroad equipment builders, etc., taking practically all production. Sheet and strip demand, expected to be eased somewhat by curtailment of production in certain lines, remains heavy as manufacturers take up slack in production of civilian goods with defense orders.

For the entire country production of pig iron in October, according to the magazine "Steel," was 4,855,746 tons, a new peak. This compares with 4,721,337 tons in September and 4,437,725 tons in October, 1940. Average daily production in October declined slightly from that of September. Tonnage of pig iron produced in the first ten months of 1941 was almost 22 per cent above that of the similar period in 1940.

Steel ingot production for October also reached a new high with 7,242,683 tons produced, compared with 6,819,706 tons in September and 6,644,542 tons a year ago. Production for the first ten months of 1941 amounted to 68,793,571 tons, or 2.7 per cent above the 66,981,662 tons produced in the entire year of 1940.

### WHISKEY

Of the 58 distilleries in Kentucky 42 were in operation on October 31 as compared with 38 on September 30. Production schedules call for capacity operations during the coming months. Prices of

cooperage continue to rise and some difficulty is encountered in obtaining barrels. Prices of bulk whiskey have advanced more rapidly than those of bottled goods, and it is increasingly difficult to obtain bulk whiskey. Further sales of smaller distillery units are anticipated as larger distilleries and distributors desire to obtain increased production capacity and additional stocks of aged whiskey.

### MINING AND OIL

**Coal**—Production of bituminous coal expanded during October. At mines in this general area output was 7 per cent above September and 30 per cent greater than October, 1940. During the first ten months of this year output was 9 per cent over production for the like period a year ago. At Illinois mines 4,446,480 tons were lifted in October, against 4,257,226 tons in September and 3,723,842 tons in October, 1940. There were 99 mines in operation in October with 26,018 men on payrolls as against 96 mines and 27,573 operatives in September.

**Petroleum**—September output of crude oil in Eighth District states amounted to 15,841,000 barrels, which was 3 per cent greater than August production of 15,345,000 barrels and 12 per cent above September, 1940 production of 14,063,000 barrels. Cumulative total for the first nine months this year, however, was 12 per cent lower than in the corresponding period in 1940. Stocks on September 30 were 4 per cent lower than both a month and a year earlier.

### AGRICULTURE

**Farming Conditions**—Eighth District crop prospects improved generally throughout October and early November. Higher yields are estimated for most crops, despite the heavy rainfall occurring in many sections of this area. The wet weather has retarded appreciably the progress of fall farm routine. Two to three weeks of favorable weather conditions are needed to finish seeding, to germinate sown winter wheat, and to complete the harvest of late crops before heavy frosts set in.

The total number of persons employed in agriculture declined to 10,420,000 on November 1, according to the U. S. Department of Agriculture. This compares with 11,532,000 estimated for October 1, and is almost 500,000 under the total for November 1, 1940. While the reduction in employment from a year earlier follows the 1941 trend, the November decline is much more pronounced than for any preceding month this year, and the level of employment is at the lowest point for any November in the 16-year period for which records are avail-

able. As an indication of advancing farm wages, rates this year for picking seed cotton ranged from \$1.10 to \$1.40 per hundred pounds in the four major cotton producing states of the District, as compared with a range from 57c to 77c in 1940.

Cash income from farm marketings and Government payments for Eighth District states in September was 38 per cent above August and 67 per cent above September, 1940. Greatest increases in income came from marketings of cotton, cottonseed, tobacco and hogs. For the United States, the Bureau of Agricultural Economics estimates a cash farm income including Government payments of \$11,200,000,000 for 1941. With indicated higher demand for, and increased production of farm products in 1942, cash farm income for next year is estimated at \$13,000,000,000, an amount that has been exceeded only in the years 1918 and 1919.

**Corn**—The Eighth District corn crop this year will be 350,854,000 bushels, according to the November 1 forecast of the U. S. Department of Agriculture. This represents an increase of 3 per cent over the October 1 estimate and of 6 per cent over the 1940 crop. Indicated yields per acre are well above a year ago except in Missouri where a slight decline is forecast.

Abnormally wet weather in west central Illinois, Missouri, and northern Arkansas has hampered husking operations. Rainfall and warm temperatures have kept the moisture content of corn high and have caused some damage by sprouting to ears on the ground. In general, however, stalks have stood remarkably well. While present quality of corn is lower than for the last three years, final quality will be determined by weather prevailing for the remainder of the harvest period. Extensive planting of hybrid corn is believed responsible for increased yields and withstanding of adverse weather.

**Cotton**—The U. S. Department of Agriculture, in its report based on conditions of November 1, estimates the Eighth District cotton yield at 3,563,000 bales, an increase of 9,000 bales over the October 1 forecast, and comparing with 3,277,000 bales produced in 1940 and with the 18-year (1923-40) average of 2,972,000 bales. Indicated per-acre production is heavy, ranging from 288 pounds in Mississippi to 583 pounds in Missouri.

Despite the extremely wet weather of recent weeks, most of the crop has been picked and ginned. Flood waters caused some losses of cotton in certain low areas, but the total loss from this source appears to have been relatively small. As indicating the earlier movement of the crop combined receipts at Arkansas and Missouri compresses from August

1 to November 14 totaled 1,433,558 bales, as against 1,259,916 bales during the similar period in 1940. Shipments during the period totaled 633,582 bales, compared with 628,706 bales a year earlier.

Reports indicate that there is a strong holding movement in cotton, with little from this area going into loan. The Commodity Credit Corporation report through November 8 for the United States shows loans on 553,836 bales of the 1941 crop, as compared with loans on approximately three times as many bales for the similar period in 1940.

National cotton marketing quotas for the marketing year beginning August 1 have been announced by the U. S. Department of Agriculture. The acreage allotment will be approximately 27,400,000 acres, about the same as last year. Cotton is one of the surplus crops for which no acreage increase is asked in 1942 under the Farm Defense Program.

Prices of cotton fluctuated somewhat from mid-October to mid-November with very little net change. In the St. Louis market 15/16 middling ranged from 16.05c to 17.25c per pound between October 16 and November 15, closing at 16.70c on the latter date, which compares with 16.75c on October 15 and 9.10c on November 15, 1940. Sales of cotton have recently declined somewhat as shipments from the country have fallen off. Buyers are reported to be seeking higher grades which are proving scarce this year. Domestic mill operations are well-maintained, and it is believed that consumption is at as high a level as is practicable under present conditions. Some apprehension is evident concerning possible curtailment of operations in the Southeast because of power shortage.

**Fruits and Vegetables**—Greater consumer demand coupled with Government purchases is expected to raise fruit prices despite increased supplies in the 1941-42 marketing season. The same demand factors should also increase prices of vegetables. Smaller yields are anticipated for white potatoes and truck crops for market, while increased supplies of sweet potatoes and vegetables for canning are in prospect.

For states partly or wholly contained within the Eighth District, the U. S. Department of Agriculture on November 1 estimated crop yields as follows: Apples, 9,536,000 bushels comparing with 1940 production of 6,006,000 bushels and the 1934-1939 average crop of 7,404,000 bushels; pears, 3,069,000 bushels comparing with 1940 production of 2,667,000 bushels and the 1930-1939 average of 1,977,000 bushels; grapes, 31,050 tons comparing with 1940 yield of 27,790 tons and the 1930-1939 average of 25,194 tons; white potatoes, 21,895,000 bushels com-

paring with 22,775,000 bushels in 1940, and the 1930-1939 average of 20,870,000 bushels; sweet potatoes, 16,365,000 bushels comparing with 12,731,000 bushels in 1940 and the 1930-1939 average of 16,022,000 bushels.

**Livestock**—Abundant rainfall in October and early November encouraged growth of green feed and benefited pastures throughout most of this area, while the absence of severely cold weather enabled livestock to make good use of fall pastures. The improved condition of pastures and the adequate moisture reserves present a favorable prospect for a good start next season.

Receipts of livestock at National Stock Yards in October were 13 per cent above those of September but 15 per cent below October, 1940. Shipments in October were 20 per cent more and 21 per cent less, respectively, than a month and a year ago. Livestock prices were generally lower at mid-November than a month earlier as heavier supplies flowed to market. Average prices of hogs at National Stock Yards ranged from \$10.00 to \$10.67 per cwt. between October 16 and November 15, closing at \$10.28 on the latter date. This compares with \$10.61 on October 15 and \$6.00 a year ago.

**Rice**—The report of November 1 indicates an Arkansas rice crop of 11,342,000 bushels compared with the October 1 forecast of 11,128,000 bushels, the 1940 crop of 9,741,000 bushels and the ten-year (1930-1939) average of 8,368,000 bushels. Arkansas is the only major producing state that did not suffer some indicated reduction in yield during the past month. Threshing of the crop has been unusually slow because of unfavorable weather which has also caused a high moisture content and consequent lowering of quality. Prices of rice have advanced substantially in recent weeks with an active milling inquiry for rough rice and a good demand for small offerings of milled rice.

**Tobacco**—Prospects for the Eighth District tobacco yield improved slightly during October. The U. S. Department of Agriculture estimate of November 1 for all types of tobacco in the District is 240,834,000 pounds, comparing with 234,630,000 pounds forecast on October 1, and the 1940 crop of 277,570,000 pounds.

Weather conditions in Kentucky have been generally satisfactory for curing burley, but stripping was behind schedule on November 1. During the early part of November, however, intermittent rains fell over most of the tobacco district, and good progress was made in stripping and making ready for market. It is believed that a larger portion of the burley crop will be suitable for smoking purposes despite the presence of much common to medium

grades in the crop. Green River and stemming district tobacco is curing satisfactorily with stripping well underway. The dark-fired crop is somewhat defective due to heat and insect damage, and dry weather in October delayed fire-curing. A one-sucker crop of good body and quality is in prospect, with curing making good progress.

Burley tobacco markets open in Kentucky on December 1, and much better prices than obtained in 1940 are anticipated due to the smaller 1941 crop, a parity loan rate of \$18.53 per cwt., and an increase of about 13 per cent in the manufacture of cigarettes for the first nine months of this year. The extraordinarily large movement of old crop burley has almost exhausted dealers' stocks.

### COST OF LIVING AND PRICES

For 21 large cities in the United States, the cost of living rose 1.2 per cent between September 15 and October 15, and 8.7 per cent since the outbreak of war. The rate of increase for the monthly period was smaller than for the preceding month. The cost of living customarily lags behind increases in wholesale prices, which showed little change during the past two months. Living costs in St. Louis advanced 0.9 per cent and 8.4 per cent, respectively, in the same periods. In the past month the greatest advances have been in prices of house furnishings.

Between September 16 and October 14 food costs in the United States rose 0.8 per cent. Only Little Rock, of the Eighth District cities covered by the index, showed a greater rise than the United States average. Food prices in Little Rock were 1.3 per cent above September 16 and 19.9 per cent above a year ago. St. Louis food costs were virtually unchanged in the month, but were 18.1 per cent above October 15, 1940. Louisville and Memphis both showed increases of 0.6 per cent from September 16 to October 14, and were 17.6 per cent and 19.3 per cent, respectively, above a year ago.

Wholesale prices of all commodities moved within fairly narrow ranges during the past month. On November 15 the index for all commodities was 0.7 per cent above a month ago and 16.4 per cent more than a year ago. The variation during the month was due primarily to the irregular movement of food and farm product prices. Prices of metals, metal products and textiles increased somewhat.

### EMPLOYMENT

For the sixth consecutive month total civil non-agricultural employment rose to a new peak in September. For the United States, the September level of 40,065,000 employed was 1.1 per cent greater than

the August total and 9.7 per cent above a year ago. For states in the Eighth District, non-agricultural employment in September totaled 5,722,000 as compared with 5,662,000 in August and 5,047,000 in September, 1940. Increases were 1.1 per cent and 13.4 per cent, respectively. Substantial employment gains over the past year were reported by all major industrial groups in the nation, with the most pronounced gain in manufacturing.

Employment changes in manufacturing industries in metropolitan areas within the Eighth District showed considerable geographic variation between July and August. Louisville employment declined 1.3 per cent, while Evansville and Memphis advanced 1.6 per cent and 1.9 per cent, respectively. St. Louis showed a tendency to flatten out at present high levels, although as more defense industries move into actual production, a rather sizable increase is expected in St. Louis in coming months. All areas showed gains over a year ago, with Memphis leading with an increase of 30.7 per cent.

#### BANKING AND FINANCE

General credit demand in the Eighth District continued strong throughout October and early November. Almost all sections report increased demand which is well diversified. Several banks indicate that individual credit lines are larger than has been customary and that various large industrial concerns that have not borrowed for years are now using their credit lines. The building up of inventories and higher prices have been important factors responsible for the increased amount of credit extended. Despite some concern about the future, the priorities program, as yet, has caused practically no curtailment in credit demand.

**Member Banks**—On November 12 total loans and investments of reporting member banks in the principal cities of the District were unchanged from October 15, but were 23 per cent above a year ago. Loans were up 1 per cent while investments decreased 1 per cent during the period. Loan volume of reporting banks was 32 per cent above last year. Gross deposits on November 12 were slightly off the peak of October 15, standing at \$1,412,000,000, as compared with \$1,418,000,000 a month ago. Total reserve balances increased 6 per cent in the four-week period and were 11 per cent above a year ago. Excess reserves declined due to increased reserve requirements effective November 1. The aggregate amount of savings deposits in selected member banks on November 5 was 0.7 per cent greater than on October 1 and 0.3 per cent above November 6, 1940.

#### FARM INCOME INCLUDING GOVERNMENT BENEFIT PAYMENTS

(In thousands of dollars)	September		Cumulative for 9 months		
	1941	1940	1941	1940	1939
	Arkansas.....	\$36,416	\$16,836	\$116,020	\$ 75,600
Illinois.....	61,711	45,775	488,127	412,179	371,555
Indiana.....	40,379	27,878	269,295	220,526	197,635
Kentucky.....	14,710	9,517	125,767	109,098	103,468
Mississippi.....	38,935	15,679	108,684	75,368	88,369
Missouri.....	45,428	27,911	265,953	204,922	190,375
Tennessee.....	18,518	9,693	110,824	84,752	87,017
Totals.....	256,097	153,289	1,484,670	1,182,445	1,122,434

#### RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Oct., 1941	Sept., 1941	Oct., 1940	Oct., 1941	Sept., 1941	Oct., 1940
	Cattle and Calves.....	154,277	144,457	162,285	67,311	52,690
Hogs.....	228,449	198,688	298,906	53,424	43,302	78,609
Horses and Mules.....	2,171	1,519	1,600	1,506	1,161	1,484
Sheep.....	87,634	74,564	91,672	19,158	20,830	25,989
Totals.....	472,531	419,228	554,463	141,399	117,983	180,103

#### WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Nov. 15,'41	Nov. 8,'41	Oct. 18,'41	Nov. 16,'40	Nov. 15,'41	Oct. 18,'41	comp. with Nov. 16,'40
	All Commodities..	92.3	91.7	91.7	79.3	+ 0.7%	+ 16.4%
Farm Products..	90.7	89.6	89.8	68.4	+ 1.0	+ 32.6	
Foods.....	89.6	88.8	88.4	72.6	+ 1.4	+ 23.4	
Other.....	93.6	93.1	93.1	84.1	+ 0.5	+ 11.3	

#### COST OF LIVING

Bureau of Labor Statistics (1935-39=100)	Oct. 15, 1941	Sept. 15, 1941	Sept. 15, 1939	Oct. 15,'41	Sept. 15,'41	comp. with Sept. 15,'39
	United States.....	109.4	108.1	100.6	+ 1.2%	+ 8.7%
St. Louis.....	108.8	107.8	100.4	+ 0.9	+ 8.4	

#### COST OF FOOD

Bureau of Labor Statistics (1935-39=100)	Oct. 14, 1941	Sept. 16, 1941	Oct. 15, 1940	Oct. 14,'41	Sept. 16,'41	comp. with Oct. 15,'40
	U. S. (51 cities)...	111.6	110.7*	96.2	+ 0.8%	+ 16.0%
St. Louis.....	114.6	114.5	97.0	+ 0.1	+ 18.1	
Little Rock.....	111.3	109.9*	92.8	+ 1.3	+ 19.9	
Louisville.....	111.6	110.9	94.9	+ 0.6	+ 17.6	
Memphis.....	111.3	110.6	93.3	+ 0.6	+ 19.3	

\*Revised

#### INDEXES OF EMPLOYMENT IN MANUFACTURING INDUSTRIES BY METROPOLITAN AREAS

Bureau of Labor Statistics (1937=100)	August, 1941	July, 1941	August, 1940	August,'41	July,'41	comp. with Aug.,'40
	Evansville.....	88.1	86.7	82.7	+ 1.6%	+ 6.5%
Louisville.....	114.4	115.9	95.8	+ 1.3	+ 19.4	
Memphis.....	115.7	113.5	88.5	+ 1.9	+ 30.7	
St. Louis.....	119.1	118.6	93.2	+ 0.4	+ 27.8	

#### BUILDING PERMITS

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1941	1940	1941	1940	1941	1940	1941	1940
Evansville.....	31	34	\$ 194	\$ 120	126	112	\$ 94	\$ 37
Little Rock.....	99	46	321	191	113	108	56	58
Louisville.....	256	147	590	251	198	41	54	83
Memphis.....	581	489	835	546	319	213	309	115
St. Louis.....	227	365	1,809	743	153	190	364	490
Oct. Totals....	1,194	1,081	3,749	1,851	909	664	877	783
Sept. ".....	856	964	2,637	2,023	771	623	635	762

#### VALUE CONSTRUCTION CONTRACTS LET

(In thousands of dollars)	Oct., '41	Sept., '41	Oct., '40	Oct., '41	Sept., '41	comp. with Oct., '40
	Total 8th Dist....	\$24,640	\$99,462	\$27,373	—75%	— 10%

Source: F. W. Dodge Corporation.

#### CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	Oct., 1941	Sept., 1941	Oct., 1940	October, 1941 compared with	
		K.W.H.	K.W.H.	K.W.H.	Sept., 1941	Oct., 1940
Evansville.....	40	4,845	4,858	4,022	- 0%	+ 20%
Little Rock.....	35	2,898	3,019	2,386	+ 4	+ 21
Louisville.....	82	15,177	14,976	11,462	+ 1	+ 32
Memphis.....	31	4,792	4,624	3,148	+ 4	+ 52
Pine Bluff.....	20	1,477	1,116	863	+ 32	+ 71
St. Louis.....	125	59,648	58,531	50,637	+ 2	+ 18
Totals.....	333	88,837	87,124	72,518	+ 2	+ 23

\*Selected industrial customers.

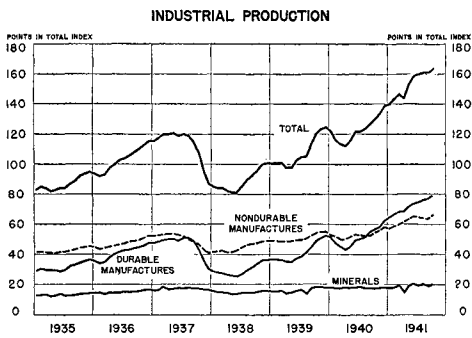
#### PRODUCTION OF BITUMINOUS COAL

(In thousands of tons)	Oct., '41	Sept., '41	Oct., '40	Oct., '41	Sept., '41	comp. with Oct., '40
	United States.....	49,800	46,880	38,700	+ 6%	+ 29%
Illinois.....	4,446	4,257	3,724	+ 4	+ 19	

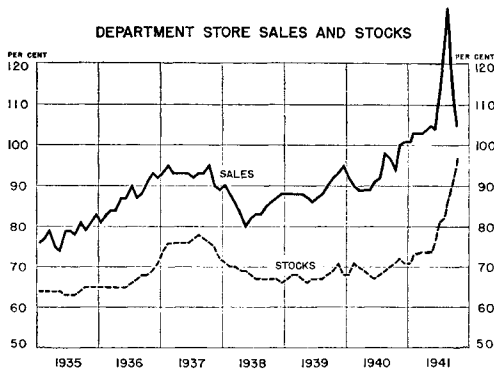


## NATIONAL SUMMARY OF CONDITIONS

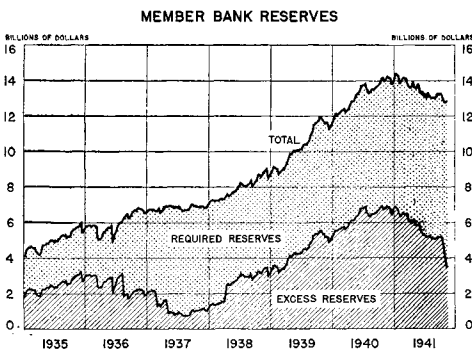
### BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM



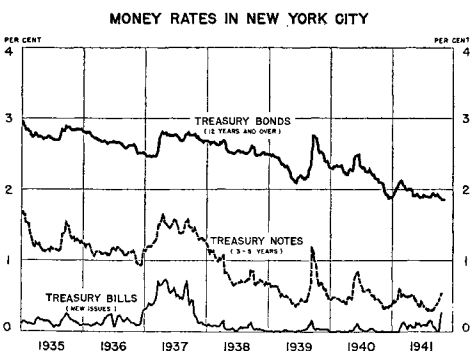
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January, 1935 to October, 1941.



Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January, 1935 to October, 1941.



Wednesday figures, January 2, 1935 to November 12, 1941. Required and excess reserves, but not the total, are partly estimated.



Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to November 15, 1941.

**Production**—Volume of industrial production increased further in October and the Board's seasonally adjusted index advanced from 161 to 164 per cent of the 1935-39 average. Increases in activity occurred mainly in industries producing machinery, armament, and other durable manufactures required under the defense program. In the meat packing industry activity also advanced considerably and output of other manufactured food products, which has been unusually large in recent months, declined less than seasonally.

Automobile production increased during October and in the first half of November was sustained at about the rate reached at the beginning of the month. Production in October approximated the quota permitted for the month, whereas in August and September output had been considerably below the quotas set, owing in part to delays incident to the changeover to new model production and to difficulties in obtaining certain materials. Since the beginning of the model year production has been substantially in excess of retail sales and dealers' stocks have risen sharply. Output of cars and trucks in October was about one-fourth smaller than in October last year; in the industry as a whole, however, activity, as measured by manhours worked, was about the same as a year ago, apparently reflecting a shift to armament production.

In most other manufacturing industries output in October was maintained at or near the rates prevailing in other recent months. At cotton mills activity increased, following some reduction in the previous month, while at wool mills there was a slight decline from the peak reached in September. Steel production rose to an average rate of about 99 per cent of capacity during October but declined slightly in the first half of November.

Coal production declined somewhat in October and early November, while output of crude petroleum increased further to new record levels. Iron ore shipments down the Lakes were maintained at a high rate and through the end of October amounted to 71,600,000 gross tons, a larger volume than had previously been transported in any complete shipping season.

Value of construction contract awards decreased slightly in October, according to figures of the F. W. Dodge Corporation. Declines in awards for publicly-financed work were partly offset in the total by an increase in privately-financed projects. Awards for residential building showed little change, although an increase is customary in this month. Contract awards in October continued in larger volume than a year ago. Total awards were 60 per cent larger, reflecting increases of 13 per cent in private construction and of 112 per cent in public work.

**Distribution**—Distribution of commodities to consumers declined in October following an unusually large volume of trade in the preceding three months. During the third quarter sales had been stimulated considerably by several factors, notably apprehension that there might be shortages and higher prices of many consumers' goods later on, as well as desire to avoid stricter instalment credit terms, effective September 1, and higher taxes on many products effective October 1.

Railroad freight-car loadings declined somewhat from September to October, owing principally to decreased shipments of grain products and coal. Shipments of livestock increased and ore loadings showed less than the usual seasonal decline.

**Commodity Prices**—Prices of agricultural commodities, which had declined from the early part of September to the middle of October, have advanced somewhat since that time and prices of industrial commodities have increased further. Recent advances for industrial raw materials and finished products have been more restricted than in earlier periods, reflecting partly an extension of Federal maximum price action particularly to petroleum products and to selected metal, chemical, and textile products.

Prices in retail markets have continued to advance sharply. In September the cost of living, as measured by the Bureau of Labor Statistics' index, increased 2 points to 108 per cent of the 1935-39 average and was 7 per cent above the level of last March. Since September retail food prices, which usually decline at this season, have increased further and preliminary data indicate that retail prices of other commodities have continued to rise.

**Bank Credit**—Total loans and investments at reporting member banks rose further during October and the first two weeks in November. Holdings of United States Government securities increased and commercial loans continued to advance.

Excess reserves of member banks declined from 4.7 billion dollars to 3.5 billion on November 1, reflecting the increase in reserve requirements previously announced by the Board to be effective on that date.

**United States Government Security Market**—Long-term Treasury bonds declined slightly in price during the early part of November, following a relatively sharp increase after the middle of September to a record high level around November 1. Yields on short-term issues have firmed since early in September, the yield on Treasury notes of December 1945 advancing from 0.62 per cent on September 15 to 0.83 on November 15, and the bill rate rising to 0.258 per cent.