



BUSINESS CONDITIONS

A REVIEW OF 1942

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FEDERAL RESERVE BANK OF ST. LOUIS



Winter Scene, University of Mississippi

COURTESY COFIELD STUDIO

INDUSTRY AND EMPLOYMENT

THE YEAR 1942 witnessed profound and far-reaching changes in the industrial portion of the Eighth District economy. As 1943 begins industry in this section is rapidly approaching a complete war basis. In the district as a whole commitments totaling close to \$1 billion have been made for constructing and equipping new plants to produce ammunition, explosives, guns, planes, ships and motorized vehicles. Most of this dollar amount has gone into ammunition and explosives manufacturing facilities. Even such relatively industrially-undeveloped areas as northwest Tennessee, western Kentucky, and Arkansas have received substantial new war manufacturing facilities. Virtually all of these new plants are now in some stage of production, although construction work on many continues. With but one or two exceptions, however, none are as yet at peak output so that their volume of manufactures is expected to rise throughout the coming year.

Less spectacular, but probably more significant to the district economy, has been the conversion of existing plants to war production. Civilian goods output in December, 1942 was considerably less than a year earlier, and will slacken further in the months to come. Complete curtailment of manufacture of automobiles, refrigerators, washing machines, etc., freed such facilities for the production of plane accessories, shells, bombs, and combat vehicles. Inasmuch as this action cut directly into civilian output, its impact has been more severe than the super-imposition of new production facilities upon the economy.

Some indication of the general rise in manufacturing activity in this district during 1942 is shown by the 30 per cent increase in consumption of industrial electricity in major industrial centers. Since this series covers an identical sample of plants each month, the gain does not fully reflect the increased activity arising from new war production facilities.

A glance at four important Eighth District industries shows in some degree the impact of war upon this area. During 1942, production of steel ingots and castings was in greater volume than ever before. The steel industry operated at or above rated capacity for most of the year. Lumber production at district mills was heavy with orders and shipments exceeding production in most weeks. An important limiting factor on lumber output has been the difficulty encountered in securing adequate labor as many former employees have been absorbed by war plants.

Whiskey production was in large volume during the first nine months in 1942. The number of Kentucky distilleries operating in this period averaged 12 more per month than in the comparable period in 1941. Since October 7 no whiskey has been produced and distilleries are now making industrial alcohol for the war program.

The shoe industry in this area produced less pairs in 1942 than in 1941. Preliminary figures indicate that the decrease was about 2 per cent. Shortage of sole leather, derived primarily through import, was a major factor contributing to the decline, although difficulties in obtaining labor and replacements of machinery also accounted for part of the slackening. Output of shoes for the armed forces increased sharply in 1942.

Eighth District employment during 1942 registered pronounced gains. The latest available figures for states contained in this district cover November, 1942 when total civil non-agricultural employment was 6,324,000 as compared with 6,064,000 a year earlier. A steady increase was shown during the first eleven months of 1942 and preliminary reports indicate a further gain in December. Over-all employment continues to rise even as construction tapers off. Labor demand increases as the new and converted facilities expand their output and as many male workers are drained off from the labor pool by Selective Service. While the prospective decline in construction and contraction in non-essential industry will supply part of the requirements, 1943 should see an increasing number of women and youths not normally available for work, employed in industry. No Eighth District industrial center is at present faced with an acute general labor shortage, but the district pool grows appreciably shorter, particularly in the smaller cities whose workers have migrated to war work centers.

Primary distribution of goods during 1942 was in appreciably greater volume than during 1941. Carloadings of all railroads operating in this district were 6 per cent greater than a year earlier. Load interchanges for 25 connecting lines at St. Louis during 1942 exceeded those of 1941 by 35 per cent. Since cars are now loaded much more heavily and as longer hauls are being made, the carloading figures tend to understate actual volume of goods moved. Ton-mile figures are not available on a district basis, but nationally in 1942 the railroads hauled freight 630 million ton-miles, or 33 per cent more than the 475 million ton-miles of 1941. Actual carloadings for the nation were up only 1 per cent.

RETAIL AND WHOLESALE TRADE

Reflecting the high level of consumers' incomes retail trade in the Eighth Federal Reserve District in 1942 as measured by dollar value of sales showed a considerable gain over the preceding year. The year ended with relatively large but declining inventories in the hands of retailers. Dollar volume of department store sales for the year increased 11 per cent over 1941. Price ceilings established in May stabilized retail prices in most lines at March levels. Thereafter, month to month fluctuations in dollar value of sales closely corresponded to changes in the physical volume of sales but increases over the corresponding month in the preceding year partly reflected higher retail prices.

The year 1942 opened with a less than seasonal decline in department store sales and the adjusted index for January rose to 138 per cent of the 1923-25 average, highest for the month in many years. The sizable volume of trade early in the year was largely attributed to heavy consumer buying in anticipation of shortages. Following a more than seasonal drop in value of sales for February a sharp gain was recorded in March. April was the first month in the year in which unit volume of trade fell below that of the corresponding month in 1941. Slightly more than seasonal declines in the value of sales were registered during the following three months. An even greater decline in physical volume during that period reflected merchandise shortages, tightening of credit terms under Regulation W, and freezing of stocks of certain types of consumer goods. For the seven months of the year through July, dollar value of sales was 13 per cent greater than in the corresponding period of 1941 but unit volume was about equal in the two periods.

Department store sales rose sharply in August and continued to gain seasonally during the next two months. During the last quarter the physical volume of sales exceeded that of the corresponding period a year earlier. Sales in October were up 19 per cent for the year. The trend of purchases was toward soft lines as stocks of durables became more and more limited. A small contra-seasonal decline in sales in November partly reflected the earlier Christmas shopping season in order to mail packages to the armed services abroad. December sales showed a more than seasonal upturn.

Cash sales gained relative to credit sales during the year. Collection ratios were higher, especially during the latter half of the year after institution of increased restrictions on instalment credit and new regulations governing charge accounts.

Dollar value of retail furniture sales in the first four months of 1942 increased over the corresponding period in 1941 but fell below the levels of the preceding year during the subsequent six-month period. Small gains as compared with a year earlier, were reported for November and December. Depletion of irreplaceable inventories, price ceilings effective at March levels, and imposition of stricter instalment credit terms in May largely accounted for the gradual decline in dollar value of sales. Unit volume of retail furniture sales in the first quarter of 1942 averaged somewhat higher than a year earlier but ran consistently below the corresponding levels of 1941 during the balance of the year. Due to the instalment credit regulations, collection ratios of retail furniture stores rose steadily during the second half of the year. Cumulative sales of retail shoe stores in this district in 1942 were 29 per cent greater than in the preceding year. This involved drawing appreciably on stocks which were large but difficult to replenish in the face of declining production of shoes for civilian use. Sales of reporting men's furnishing stores exceeded 1941 volume by 16 per cent.

Inventories of department stores at retail prices as of December 31 were 9 per cent above the levels of a year ago with virtually all of the increase due to higher prices. Stocks rose steadily during the early part of 1942 to peak levels in May and declined each month thereafter during the rest of the year. Retail furniture inventories were up 1 per cent in the year, while stocks of men's furnishing stores and shoe stores rose 25 per cent and 18 per cent respectively. Since retail prices were generally higher, the physical volume of civilian goods inventories at the end of 1942, was somewhat below that of a year earlier. Successive reductions in output of civilian goods to meet the rising needs of war production together with a strong consumer demand, accounted for this moderate decline.

Dollar value of wholesale trade in the Eighth District during 1942 was 15 per cent above that of 1941, due in large measure to the higher levels of wholesale prices. Compared with the corresponding periods in the preceding year, dollar volume of sales in 1942 was higher during the first seven months and slightly lower in the period August through October, with small gains reported for the last two months. Inventories of wholesalers and jobbers declined 25 per cent during the year from the peak volume of January, 1942. Declines occurred in every month except July.

BANKING AND FINANCE

Eighth District banking in 1942 followed a pattern similar to that of the nation which was characterized by sharply rising deposits, greatly expanded Government security holdings and declining loans. The peak level of loans at 24 weekly reporting banks in the principal cities of this district was reached late in December, 1941. Thereafter, outstanding loans dropped steadily. During the first seven months of the year loan levels remained above the corresponding periods in 1941, but from July on the volume of loans fell below that of the comparable weeks a year earlier and continued to lose ground relative to 1941 for the rest of the year. At the close of 1942 outstanding loans at the weekly reporting banks in this district were \$61 million less than at the end of 1941.

Several factors accounted for the pronounced drop in loans. In the first place there was a decrease due to liquidation of inventories and the consequent retirement of credit used to build up stocks of goods. The general upward trend in inventory volume beginning with the defense era in the spring of 1940 had resulted in large loans from banks to finance the growing stocks of all types of manufacturers', wholesalers', and retailers' goods. Intensive consumer buying this year, however, has resulted in the liquidation of irreplaceable stocks. Intensifying the decline in inventory loans has been the higher collection ratios and stronger cash position of the manufacturer, wholesaler and retailer. The curtailment of manufacturing, sales stoppages, and stricter credit terms to consumers, brought about a strong decline in the volume of consumer credit at banks.

In agriculture, high prices and strong markets have created a strong cash position for the farmer. These funds have been employed in normal farm production activities, resulting in less borrowing from banks, and in actual repayment of outstanding loans, particularly on farm land and equipment. Also a smaller portion of crops have gone into government loan, thus lessening the volume of Commodity Credit Corporation loans held by banks.

In marked contrast to declining loan volume bank investments have increased sharply. For the 24 reporting banks in this district total investments at the close of 1942 were \$420 million greater than at the close of 1941, almost doubling in the year. Virtually all of this increase was in Government securities. Although the return on investment in Government securities is considerably below that on loans the great increase in dollar volume of securities held should offset any loss in bank earnings resulting from declining loans.

In general, earnings in city banks probably have not suffered as much as earnings in rural banks inasmuch as most metropolitan banks keep their funds more fully invested. Country banks on the other hand have been slower to invest funds arising from increased deposits and since loan rates in rural communities are generally higher than in the cities they have suffered a greater loss of income through shrinking loan volume than have city banks.

As of January 19 War Loan Deposit Accounts at banks in this district totaled \$136 million reflecting a movement toward greater utilization of book credit payments for Government securities. However, of the 1500 banks in this district only 258 have qualified as special depositories and many of those qualified are not at present using their war loan accounts.

Investments of banks increased much more rapidly in the later months of 1942 due to the fact that Government financing requirements became much heavier as the armament program swung into extensive production. The major financing undertaken by the Treasury in December brought forth a total of almost \$13 billion and was the largest monthly financing operation in the history of this or any other country. This campaign was conducted by the Victory Fund Committees, and involved the sale of Treasury bonds, certificates, and bills, tax savings notes and war savings bonds. The table below shows a breakdown of the financing operation for the United States and the Eighth District.

DECEMBER WAR FINANCING (In millions of dollars)		United States	Eighth District	Percentage of total
Funds from non-banking sources:				
2½ per cent Victory Bonds of 1963-68.....		\$ 2,830	\$ 28.5	1.0%
1¾ per cent Treasury Bonds due 6-15-48.....		1,003	13.9	1.4
¾ per cent Certificates due 12-1-43.....		1,681	23.2	1.4
Tax Savings Notes.....		1,312	36.0	2.7
U. S. Savings Bonds (Series E, F, and G).....		1,014	45.5	4.5
		\$ 7,840	\$147.1	1.9
Funds from commercial banking sources:				
1¾ per cent Treasury Bonds.....		\$ 2,058	\$ 84.2	4.1
¾ per cent Certificates.....		2,117	100.3	4.7
Treasury Bills (new money).....		897	12.1	1.3
		\$ 5,072	\$196.6	3.9
Funds from all sources.....		\$12,912	\$343.7	2.7

AGRICULTURE

Agricultural production in the Eighth District reached an all-time high in 1942, surpassing by 2 per cent the previous record output of the preceding year. Increases were reported for all of the district's principal crops except tobacco, wheat, and fruit. The decreases in production of winter wheat and fruit were due to extremely adverse weather conditions in the late winter and early spring, while excessive moisture during the growing season reduced the tobacco yield. Although acreage of some crops was increased in 1942 the high level of total production was primarily accounted for by greater crop yields per acre.

Spring planting of many Eighth District crops was delayed by frequent rains and much replanting was necessary. Continued rainfall in June and early July handicapped cultivation and was adverse for harvesting small grains and hay, but proved beneficial to pastures. Flood damage was also heavy in certain localities. More favorable weather during August and September, however, aided rapid maturing of most crops. Harvesting proceeded at a satisfactory pace throughout most of October but rains at the end of the month and in early November delayed gathering of late crops to some extent. The latter part of November saw a return of favorable harvesting weather. December snowfall coupled with abnormally low temperatures found harvesting, except for soybeans, about completed in this district, but curtailed routine outdoor work.

Livestock production in the Eighth District established new records in 1942. The pig crop was nearly one-third larger than that of the preceding year, and the number of sows to farrow in the spring of 1943 is indicated to be about one-fourth greater than last spring. Total receipts of livestock at National Stock Yards during 1942 were 9 per cent greater than last year. Receipts of cattle were 19 per cent, sheep 14 per cent and hogs 4 per cent above respective totals for 1941. Inspected slaughter at St. Louis for 1942 exceeded that of 1941 by 14 per cent.

Production of corn in the Eighth District was 13 per cent above 1941 output and 28 per cent higher than the ten-year (1931-40) average. The oats crop was 7 per cent greater than in the preceding year and 65 per cent above the ten-year average. Wheat production was 54 per cent below that of 1941 and 59 per cent under the ten-year average. The 1942 cotton crop in this district was 12 per cent larger than in 1941 and was of generally higher quality. The rice crop was 24 per cent above 1941 production and 61 per cent above the ten-year (1930-39)

average. Output of tame hay exceeded 1941 tonnage by 13 per cent and was 57 per cent above the ten-year (1931-40) average. White potato production in 1942 was 13 per cent above the previous year and 14 per cent higher than the ten-year average.

The fruit crop in Eighth District states fell considerably short of 1941 record production. The commercial apple crop is placed at 6,586,000 bushels compared with 9,473,000 bushels in 1941; peaches at 5,509,000 bushels compared with 12,479,000 bushels in 1941; pears at 2,494,000 bushels compared with 2,650,000 bushels in 1941; and grapes at 27,590 tons against 31,170 tons in the preceding year. The pecan crop was indicated to be 9,900,000 pounds as compared with 1941 production of 13,777,000 pounds.

Prices of farm products rose steadily throughout 1942, and sharp advances at the end of the year raised prices to the highest levels since October, 1920. The index of prices received stood at 178 per cent of the 1909-14 average on December 15, an increase of 24 per cent during the year. A gain of 9 points, or 5 per cent, was recorded for the month. The index of prices paid by farmers, including interest and taxes, was unchanged in the month but rose 8 per cent during 1942. The parity ratio was 115 at mid-December compared with 109 a month earlier and 100 at the beginning of the year. The average index of prices received for the entire year was 157, the index of prices paid, including interest and taxes, was 152 and the parity ratio 103. Principal price increases for the year were registered by truck crops, followed by fruit, meat animals, poultry and eggs, dairy products and grains, in that order.

Prices of livestock at St. Louis moved upward during the year 1942 with average hogs at National Stock Yards selling at levels above \$14 per cwt. in the last half of December and top beef ranging between \$16.00 and \$16.50 per cwt. during the month. Price gains for livestock were sufficiently greater than for grains and favorable feed ratios were maintained throughout the year. Price increases during the current marketing season for all types of Eighth District tobacco more than offset a 3 per cent decrease in output. Consequently, the 1942 crop had a considerably greater cash value than the 1941 crop. Market prices of burley tobacco for the season through January 15, 1943 averaged \$42.29 per cwt., an increase of \$12.65 over the corresponding period last season. Green River and stemming district tobacco sold at an average of \$13.42 per cwt. through January 11, as compared with \$11.92 per cwt. for the same period a year ago. One-sucker sales through January 11, were made at an average

price of \$4.34 per cwt. above the corresponding period last year. Dark-fired markets opened between January 5 and 9. Prices for the season through January 15 averaged \$2.73 per cwt. higher in the Eastern District and \$1.42 higher in the Western District than in the corresponding period of last season. Middling 15/16 cotton sold on the Memphis spot market in December in a range between 19.25c per pound and 20.00c per pound, averaging slightly higher than at the beginning of the year.

Cash farm income in Eighth District states for the year 1942 is indicated to be in excess of \$3 billion, approximately one-third greater than in 1941. Income from farm marketings in district states in the first ten months of the year nearly equaled 1941 total income. Farm income in November was \$362 million compared with \$258 million in November, 1941 and for the first eleven months of the year totaled \$2,763 million compared with \$1,998 million in the corresponding period of 1941. The increase in cash farm income in 1942 is largely due to the substantial price gains for nearly all of the district's crops.

Total agricultural employment in the United States at the end of 1942, according to the U. S. Department of Agriculture, was 8,861,000, virtually unchanged from a year earlier. The farm labor situation continues unsettled in the district with shortages evident in certain areas and contemplated in others. Despite rising farm wage rates, which in this district at the close of 1942 averaged 31 per cent over a year earlier, the constant flow of farm labor into war industry and military service together with the possibility of adverse weather, create the most important threats to achievement of the 1943 agricultural production goals in this district.

The U. S. Department of Agriculture recently announced that farmers failing to plant within 90 per cent of their 1943 crop allotments would be subject to penalties in the form of reductions in federal crop subsidies at a rate five times the rate of payment. Thus a farmer who plants only 70 per cent of his allotment would forfeit the entire subsidy payment. The regulation applies specifically to wheat, corn, tobacco, cotton, rice and peanuts, although provision is made for substitution of certain other war crops in some instances. As a stimulus to the production of additional feed grain to meet the increased needs of livestock in 1943 farmers are permitted to overplant corn allotments without penalty, provided their quotas of other war crops are planted.

Since the last issue of this review the Farmers' State Bank of Camp Point, Illinois, has become a member of the Federal Reserve System.

(In thousands of dollars)	CASH FARM INCOME				
	November		Cumulative for 11 months		
	1942	1941	1942	1941	1940
Arkansas	\$64,238	\$42,374	\$270,385	\$208,521	\$128,521
Illinois	86,189	64,279	855,673	618,540	484,828
Indiana	50,547	37,995	491,428	337,494	258,215
Kentucky	16,075	12,304	191,995	140,382	116,996
Mississippi	56,955	34,391	261,203	183,800	102,112
Missouri	54,235	41,737	481,798	348,720	253,415
Tennessee	34,005	25,300	210,338	160,644	107,945
Totals	362,244	258,380	2,762,820	1,998,101	1,452,032

	RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS					
	Receipts			Shipments		
	Dec., 1942	Nov., 1942	Dec., 1941	Dec., 1942	Nov., 1942	Dec., 1941
Cattle and Calves	110,236	153,937	105,076	49,711	81,814	39,852
Hogs	296,285	273,301	297,985	79,856	54,859	80,456
Horses and Mules	1,606	3,220	2,014	1,708	3,120	1,970
Sheep	63,392	62,557	44,493	6,615	5,179	4,568
Totals	471,519	493,015	449,568	137,890	145,512	126,846

Bureau of Labor Statistics (1926=100)	WHOLESALE PRICES IN THE UNITED STATES					
	Jan. 16, '43	Jan. 9, '43	Dec. 19, '42	Jan. 17, '42	Jan. 16, '43 comp. with Dec. 19, '42	Jan. 17, '42
	All Commodities	101.6	101.4	100.7	95.6	+ 0.9%	+ 6.3%
Farm Products	116.6	116.1	113.3	100.8	+ 2.9	+ 15.7
Foods	104.8	104.4	104.2	94.1	+ 0.6	+ 11.4
Other	96.3	96.2	96.2	94.4	+ 0.1	+ 2.0

Bureau of Labor Statistics (1935-39=100)	COST OF LIVING				
	Dec. 15, 1942	Nov. 15, 1942	Sept. 15, 1939	Dec. 15, '42 comp. with Nov. 15, '42	Sept. 15, '39
	United States	120.4	119.8	100.6	+ 0.5%	+ 19.6%
St. Louis	119.8	118.4	100.4	+ 1.1	+ 19.3
Memphis	122.3	*	100.4	....	+ 21.8

Bureau of Labor Statistics (1935-39=100)	COST OF FOOD				
	Dec. 15, 1942	Nov. 17, 1942	Dec. 16, 1941	Dec. 15, '42 comp. with Nov. 17, '42	Dec. 16, '41
	U. S. (51 cities)	132.7	131.1	113.1	+ 1.2%	+ 17.3%
St. Louis	134.4	130.8	117.5	+ 2.7	+ 14.3
Little Rock	131.1	130.3	115.5	+ 0.6	+ 13.5
Louisville	128.0	126.5	113.7	+ 1.1	+ 12.5
Memphis	137.1	134.4	113.1	+ 2.0	+ 21.2

(Cost in thousands)	BUILDING PERMITS							
	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
Evansville	23	27	\$ 74	\$ 104	16	67	\$ 11	\$ 60
Little Rock	9	54	1	109	37	87	11	35
Louisville	34	109	65	206	28	26	16	42
Memphis	33	364	260	586	150	163	86	102
St. Louis	38	149	49	293	86	148	54	133
Dec. Totals	137	703	449	1,298	317	491	178	372
Nov. "	200	787	2,080	2,249	406	528	200	281
Year "	5,503	12,493	18,393	36,253	6,740	8,326	4,582	7,625

(In thousands of dollars)	VALUE CONSTRUCTION CONTRACTS LET				
	Dec., '42	Nov., '42	Dec., '41	Dec., '42 comp. with Nov., '42	Dec., '41
	Total 8th Dist.	\$ 86,766	\$ 59,695*	\$ 35,271	+ 45%	+ 146%

(K.W.H. in thous.)	CONSUMPTION OF ELECTRICITY				
	No. of Custom-ers*	Dec., 1942	Nov., 1942	Dec., 1941	December, 1942 compared with Nov., 1942
	Evansville	40	7,541	6,521	4,336	+ 16%
Little Rock	35	3,032	3,170	2,426	+ 4
Louisville	82	16,175	16,089	15,112	+ 1
Memphis	31	5,534	5,275	4,497	+ 5
Pine Bluff	20	2,574	2,076	1,355	+ 24
St. Louis	133	87,964	87,896	60,122r	- 0
Totals	341	122,820	121,027	87,848r	+ 1

*—Selected industrial customers. r—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

First nine days						
Dec., '42	Nov., '42	Dec., '41	Jan., '43	Jan., '42	12 mos., '42	12 mos., '41
152,234	154,554	110,959	38,143	29,379	1,713,982	1,269,640

Source: Terminal Railroad Association of St. Louis.

Lines of Commodities	WHOLESALE Net Sales		Stocks
	December, 1942 compared with Nov., '42	December, '41	
Automotive Supplies.....	+ 6%	+ 26%%
Electrical Supplies.....	+ 8	+ 55	....
Furniture.....	+ 43	+ 57	+ 4
Groceries.....	+ 8	+ 14	+ 19
Hardware.....	+ 1	+ 31	+ 48
Plumbing Supplies.....	+ 4	+ 20	....
Tobacco and its Products.....	+ 10	+ 17	....
Miscellaneous.....	+ 13	+ 26	+ 4
Total all lines*.....	+ 5	+ 8	+ 25

*Includes certain lines not listed above.

	DEPARTMENT STORES Net Sales		Stocks on Hand	Stock Turnover		
	December, 1942 compared with Nov., '42	12 mos.'42 to same period '41				
Ft. Smith, Ark.	+54%	+19%	+33%	+19%	3.57	3.60
Little Rock, Ark.	+45	+30	+26	+7	4.19	4.15
E. St. Louis, Ill.	+47	+7	+9	....	....	....
Quincy, Ill.	+39	+2	+7	+7	3.78	4.24
Evansville, Ind.	+37	+32	+23	....	....	....
Louisville, Ky.	+50	+8	+3	+3	3.98	5.28
St. Louis, Mo.	+48	+7	+10	+16	3.50	4.38
Springfield, Mo.	+45	+4	+4	+11	2.93	3.25
Jackson, Tenn.	+47	+3	+6	....	....	....
Memphis, Tenn.	+35	+12	+19	+8	3.73	3.74
*All other cities..	+42	+10	+6	+5	4.00	3.45
8th F. R. District..	+45	+10	+11	+9	3.66	4.31

*El Dorado, Fayetteville, Pine Bluff, Ark.; Alton, Harrisburg, Mt. Vernon, Ill.; Vincennes, Ind.; Danville, Hopkinsville, Mayfield, Ky.; Chillicothe, Mo.

Trading days: Dec., 1942—26; Nov., 1942—24; Dec., 1941—26.

Outstanding orders of reporting stores at the end of December, 1942, were 51 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding December 1, 1942, collected during December, by cities:

	Instalment Accounts		Excl. Instal. Accounts	
	Accounts	Accounts	Accounts	Accounts
Fort Smith... ..%	69%	Quincy.....	26%	82%
Little Rock... 27	60	St. Louis... 37	75	75
Louisville... 30	66	Other cities... 24	75	75
Memphis... 46	67	8th F. R. Dist. 35	71	71

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District (1923-1925 average = 100)

	Dec., 1942	Nov., 1942	Dec., 1942	Dec., 1941
Sales (daily average), Unadjusted.....	212	158	145	190
Sales (daily average), Seasonally adjusted..	129	135	129	115
Stocks, Unadjusted.....	94	108	105	86
Stocks, Seasonally adjusted.....	101	96	94	92

SPECIALTY STORES

	Net Sales		Stocks on Hand	Stock Turnover		
	December, 1942 compared with Nov., '42	12 mos.'42 to same period '41				
Men's Furnishings..	+51%	+9%	+16%	+25%	2.87	3.19
Boots and Shoes...+	+27	+16	+29	+18	7.84	8.46

Percentage of accounts and notes receivable outstanding December 1, 1942, collected during December:

Men's Furnishings.....	61%	Boots and Shoes.....	50%
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CHANGES IN PRINCIPAL ASSETS AND LIABILITIES

FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Change from		
	Jan. 20, 1943	Dec. 23, 1942	Jan. 21, 1942
Industrial advances under Sec. 13b.....	\$ 7	— 54	— 93
Other advances and rediscounts.....	90	— 105	+ 90
U. S. securities.....	284,780	+16,104	+178,494
Total earning assets.....	284,877	+15,945	+178,491
Total reserves.....	720,842	+17,123	+ 74,676
Total deposits.....	515,511	+25,270	+ 86,993
F. R. Notes in circulation.....	511,190	+ 936	+188,614
Industrial commitments under Sec. 13b..	1,633	— 54	+ 493

FEDERAL RESERVE OPERATIONS DURING DECEMBER, 1942

(Incl. Louisville, Memphis, Little Rock branches)

	Pieces	Amounts
Checks (cash items) handled.....	6,303,538	\$2,376,599,433
Collections (non-cash items) handled.....	152,710	45,275,678
Transfers of funds.....	5,134	605,737,624
Currency received and counted.....	15,329,935	60,403,898
Coin received and counted.....	13,088,178	1,203,717
Rediscounts, advances and commitments	2	24,000
New issues, redemptions, and exchanges of securities as fiscal agent of U. S. Govt., etc.	680,969	389,684,700
Bills and securities in custody—coupons clipped	28,891	.....

RATES OF THIS BANK FOR ACCOMMODATIONS UNDER THE FEDERAL RESERVE ACT

Advances to member banks, secured by direct obligations of the United States or by such Government guaranteed obligations as are eligible for collateral, which have one year or less to run to call date or to maturity if no call date, under paragraphs 8 and 13 of section 13.....	1/2 % 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, which have more than one year to run to call date or to maturity if no call date, under paragraphs 8 and 13 of section 13.....	1 % per annum
Advances to non-member banks, secured by direct obligations of the United States, under paragraph 13 of section 13.....	1 % per annum
Rediscounts and other advances to member banks under sections 13 and 13a.....	1 % per annum
Advances to member banks under section 10(b).....	1 1/2 % per annum
Advances to individuals, partnerships, and corporations other than banks, secured by direct obligations of the United States, under paragraph 13 of section 13.....	2 % per annum
Industrial advances to member banks, nonmember banks, and other financing institutions under section 13b:	
(a) On portion for which such institution is obligated	{ 1 % to 1 1/2 % per annum
(b) On remaining portion—No charge to financing institution. Federal Reserve Bank will retain interest collected from borrower.	
Advances to established industrial or commercial businesses under section 13b.....	{ 2 1/2 % to 5 % per annum
Commitments to established industrial or commercial businesses under section 13b.....	10% to 25% of the loan rate charged borrower with a minimum rate of 1/2 % per annum.
Commitments to member banks, nonmember banks, and other financing institutions, under section 13b.....	10% to 25% of the loan rate charged borrower with minimum rate of 1/4 % per annum provided: that no commitment will be given on loan on which borrower is charged over 5% per annum.

PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS

(In thousands of dollars)	Change from		
	Jan. 20, 1943	Dec. 23, 1942	Jan. 21, 1942
Total loans and investments.....	\$1,336,494	+70,317	+397,409
Commercial, industrial, agricultural loans	238,276	—10,379	— 46,049
Open market paper.....	9,768	— 627	— 14,319
Loans to brokers and dealers in securities	3,303	— 372	— 932
Other loans to purchase and carry securities	9,322	— 1,735	— 1,148
Real estate loans.....	64,322	— 851	+ 5,057
Loans to banks.....	325	— 1,014	— 468
Other loans.....	65,908	— 2,452	— 10,796
Total loans.....	391,224	—17,430	— 68,655
Treasury bills.....	119,956	+21,690	+102,593
Certificates of indebtedness.....	186,965	+49,272	+186,965
Treasury notes.....	107,173	+ 1,204	+ 64,872
U. S. bonds.....	372,957	+16,217	+129,594
Obligations guaranteed by U. S. Govt.	35,214	— 469	— 28,818
Other securities.....	123,005	+ 2,241	+ 10,858
Total investments.....	945,270	+87,747	+466,064
Balances with domestic banks.....	135,947	—15,223	— 85,607
Demand deposits—adjusted*.....	847,816	+34,796	+217,905
Time deposits.....	193,403	+ 3,288	+ 7,459
U. S. Government deposits.....	93,563	+ 2,149	+ 66,011
Interbank deposits.....	570,193	+13,882	+ 54,642

*Other than interbank 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 75% of the resources of all member banks in this district.

DEBITS TO INDIVIDUAL ACCOUNTS

(In thousands of dollars)	Dec., 1942	Nov., 1942	Dec., 1941	Dec., '42, comp. with Nov., '42	Dec., '41
El Dorado, Ark. \$	12,936	\$ 10,354	\$ 9,076	+ 25%	+ 43%
Fort Smith, " "	21,627	20,905	22,909	+ 3	— 6
Helena, " " "	3,340	3,826	3,096	+ 13	+ 8
Little Rock, " " "	80,565	75,102	62,208	+ 7	+ 30
Pine Bluff, " " "	20,434	22,337	15,291	— 9	+ 34
Texarkana, Ark.-Tex.	17,264	14,778	25,362	+ 17	— 32
E. St. L.-Nat. S. Y., Ill.	76,528	71,950	65,640	+ 6	+ 17
Quincy, " " "	13,588	12,441	12,967	+ 9	+ 5
Evansville, Ind.	68,626	62,814	48,786	+ 9	+ 41
Louisville, Ky.	328,855	267,194	313,091	+ 23	+ 5
Owensboro, " " "	12,470	10,089	11,221	+ 24	+ 11
Greenville, " Miss.	12,414	10,873	9,057	+ 14	+ 37
St. Louis, Mo.	1,026,146	842,813	926,502	+ 22	+ 11
Sedalia, " " "	3,241	2,932	3,068	+ 11	+ 6
Springfield, " " "	24,982	29,989	21,737	— 17	+ 15
Memphis, " Tenn.	267,949	281,785	267,765	— 5	— 0-
Totals.....	1,990,965	1,740,182	1,817,776	+ 14	+ 10
Alton, Ill.	13,076	9,960	.....	+ 31	.....
Paducah, Ky.	9,195	8,084	.....	+ 14	.....
Cape Girardeau, Mo.	4,776	4,036	.....	+ 18	.....
Hannibal, " " "	4,277	4,046	.....	+ 6	.....
Jefferson City, " "	26,445	17,561	.....	+ 51	.....
Jackson, Tenn.	9,515	9,760	.....	— 3	.....

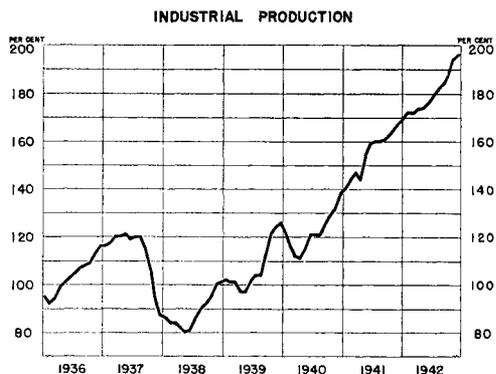
COMMERCIAL FAILURES IN EIGHTH F. R. DISTRICT

	Dec., '42	Nov., '42	Dec., '41	Dec., '42 comp. with Nov., '42	Dec., '41
Number.....	12	13	25	— 8%	— 52%
Liabilities.....	\$122,000	\$132,000	\$224,000	— 8	— 36

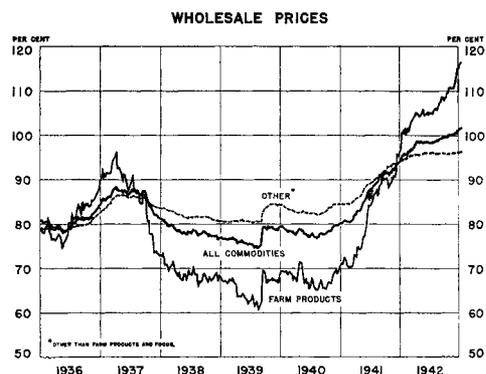
Source: Dun and Bradstreet.

NATIONAL SUMMARY OF CONDITIONS

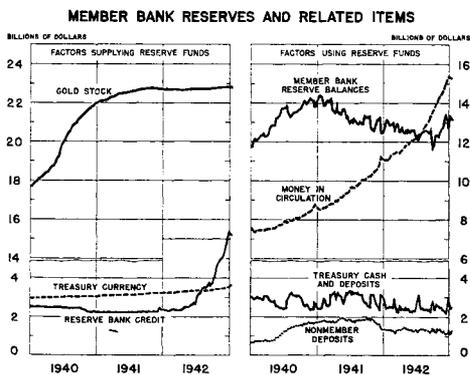
BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM



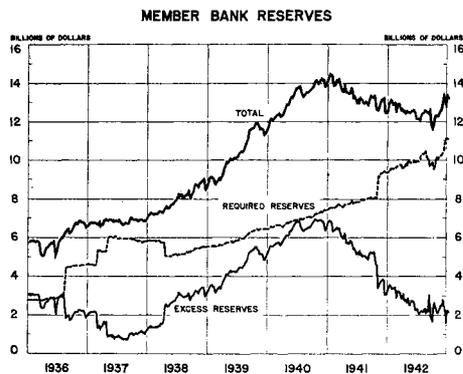
Federal Reserve monthly index of physical volume of production adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for December, 1942.



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending January 16, 1943.



Wednesday figures. Latest figures shown are for January 13, 1943.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for January 13, 1943.

Production—Industrial production in December showed less than the usual decline from November and the Board's seasonally adjusted index rose two points further to 196 per cent of the 1935-39 average. Munitions output continued to increase, raising total durable goods production to a level 33 per cent higher than in December a year ago, while for the same period production of nondurable goods was only 4 per cent larger and mineral output was somewhat lower.

Steel production in December and the first half of January averaged 97 per cent of capacity, down slightly from the October and November levels. Total steel production for the year showed a 4 per cent increase over 1941 while the output of steel plate, important in shipbuilding and tank production, rose 90 per cent over the previous year. This increase over a year ago was largely obtained by conversion of existing facilities. Output of lumber, and stone, clay and glass production in December showed larger declines than are usual at this time of year.

The value of construction was 3.2 billion dollars in the fourth quarter of 1942, according to preliminary estimates of the Department of Commerce. This was about 25 per cent lower than the peak of 4.3 billion reached in the previous quarter, but slightly higher than that of the fourth quarter of 1941. Installations for direct military use and industrial facilities accounted for almost three-quarters of the total, and residential building contributed somewhat less than half of the remainder. For the year as a whole, construction is valued at 13.6 billion dollars—of which almost four-fifths was publicly financed—an increase of one-fifth over 1941. The increase took place entirely in military and industrial projects, which rose 4.4 billion dollars. All other types of construction declined.

Distribution—Distribution of commodities to consumers was maintained at a high level in December and the first half of January, after allowance for the sharp fluctuations that are customary at this time of year. The 1942 Christmas buying season exceeded that of any previous year, value of sales at department stores, for example, being about 15 per cent larger in November and December than in the corresponding period of 1941. The increase over the year period reflected in part price advances but there was also an increase in the volume of goods sold.

Freight carloadings declined about the usual seasonal amount in December, and the Board's adjusted index remained at 134 per cent of the 1935-39 average. Grain, livestock, and miscellaneous loadings rose somewhat on a seasonally adjusted basis, while coal and other products declined slightly.

Commodity prices—Prices of agricultural commodities advanced sharply from the early part of December to the middle of January. Maximum prices designed to restrict further increases were issued for some of these commodities, including corn and mixed feeds. For certain other products, however, like potatoes and truck crops, Federal price supports were increased. Wholesale prices of most other commodities continued to show little change.

From mid-November to mid-December retail food prices advanced 1.6 points to about 133 per cent of the 1935-39 average. Further increases in these prices are indicated in January as a result of advances permitted recently in maximum levels for such items as flour, milk, and poultry.

Bank credit—Excess reserves of member banks declined sharply in the last week of December, and during the first half of January they averaged about 2.2 billion dollars, as compared with 2.5 billion for most of December. Large payments to the Treasury for new securities, some increase in currency, and other end-of-year requirements were responsible for drains on reserves during the last week of December. There were, however, substantial sales of Treasury bills to Federal Reserve Banks under options to repurchase. In the early part of January, reduction in Treasury balances at the Reserve Banks and a return flow of currency supplied banks with additional reserves, and some of the bills sold to the Reserve Banks were repurchased. During this period Reserve Bank holdings of Government securities, which had increased to 6.2 billion dollars by December 31, declined to below 6 billion.

Reflecting largely purchases of the $\frac{7}{8}$ per cent certificates of indebtedness delivered in the week of December 30, holdings of direct and guaranteed Government obligations at reporting member banks in 101 cities increased by 1.8 billion dollars to 28 billion over the four weeks ending January 13. New York City banks took 640 million of the 1.5 billion dollars of certificates sold to reporting banks. Commercial loans in New York City declined by 90 million dollars; outside New York there was little change. Loans to brokers and dealers rose sharply in December during the Victory Fund campaign, but declined correspondingly in the following weeks. Other loans continued to decline.

United States Government security prices—Subsequent to the close of the Victory Fund drive in December prices of United States Government securities increased. Long-term taxable bonds are yielding 2.32 per cent on the average, and long-term partially tax-exempt bonds 2.06 per cent.