Frederick L. Deming

FEDERAL RESERVE DISTRICT 8

Monthly Review

OF AGRICULTURE, INDUSTRY, TRADE AND FINANCE

FEDERAL RESERVE BANK OF ST LOUIS

JULY 1, 1945

Survey of Current Conditions

In the few weeks that have elapsed since the end of the war in Europe no drastic changes have occurred in the economic life of the nation. While cutbacks have resulted in shutdowns or severe curtailment of operations in a few major war plants, the workers laid off have readily found job opportunities elsewhere or have been content to withdraw from the labor market. In this district, at least, the applications for unemployment compensation have continued at a minimum level.

Speculation as to the course of economic activity over the next few months largely centers around statements by responsible Government officials about requirements for the war with Japan, and Government orders authorizing resumption or expansion of civilian production. It takes some time for the full effects of cutbacks and revisions of military procurement programs to be felt throughout the industrial structure. This is likewise true of the abrogation of controls over civilian production.

INDUSTRY

As was expected, cutbacks in war contracts have been announced with greater frequency since May 8, but in general the volume of cutbacks to date has not reached substantial proportions. According to the statement of Mr. J. A. Krug, W.P.B. Chairman, on May 28, further cutbacks as the year goes on may be expected to reduce the rate of munitions output by December, 1945 to about 20 per cent under that at the time war ended in Europe. This operating rate is based on present procurement schedules which, of course, are subject to change in the light of Pacific war developments.

The effect of prospective cutbacks upon the economy of a particular region has become, if anything, more obscure on the basis of experience to date. For example, cancellation of some aircraft contracts has led to a considerably greater reduction of subcontracts in the district, and the complete abandonment of two district plants, one of which was firmly established before the war. While it was expected that contract cancellation would result in substantial reduction of aircraft work in the region, the rapidity and magnitude of the decline came as a surprise.

This experience serves to focus attention upon the fact that a particular region or area with substantial manufacturing facilities that are branches of concerns operating on a national scale may be much more adversely affected by contract cancellations than its pro rata share of production would indicate. In this district, the three large manufacturing centers, St. Louis, Evansville and Louisville, are particularly vulnerable to shocks of this type.

Manufacturing — The immediate effects of the end of the war in Europe are not yet fully reflected in production indicators. This is partly due to the inevitable lag involved in reporting and publication of the statistical data used for analyses of economic developments. During May, consumption of industrial electric power in the major cities of the district was up slightly from April and was sharply higher than in May, 1944. Most of the increase was due to increased activity at St. Louis. Transportation volume is rising seasonally, as is construction activity.

During the wartime period there has been a tendency to reduce seasonal fluctuations in manufactur-

(Continued on Page 9)

Some Factors In the Construction Outlook

Achievement of a high national income in the postwar period will depend to an important extent upon high construction activity. Normally about 10 to 12 per cent of gross national product is accounted for by direct construction activity. In addition, substantial income is derived from industries which feed supplies to the construction industry.

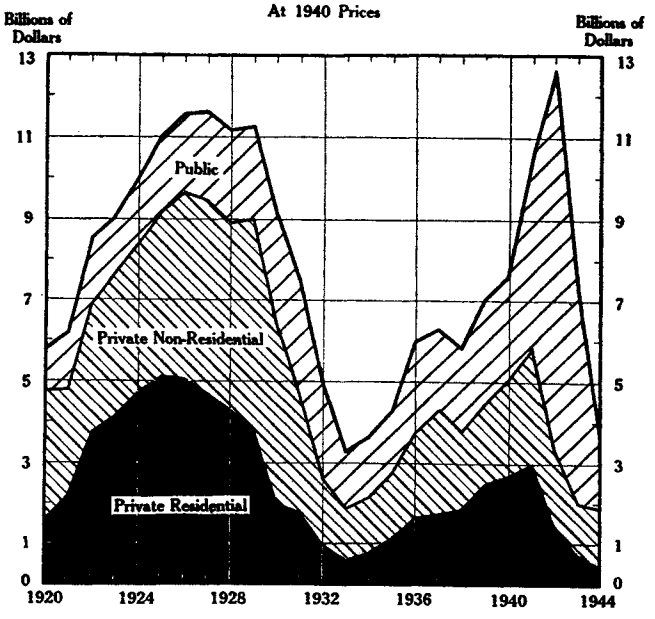
The importance of construction in the postwar outlook is brought out in the recently published "National Budgets For Full Employment" issued by the National Planning Association. This study indicates that by 1950, say, a fully employed labor force would produce $170 billion (at 1941 prices) in gross national product. At this full employment level some $16 to $19 billion would be spent on construction to employ about 3.4 million workers. Under varying assumptions, Government would spend from $2.5 to $7.0 billion on construction, while private expenditures under the same conditions might run $12 to $15.5 billion depending on the level of the Government program.

These figures on gross national product and construction volume for 1950 do not represent forecasts. They merely attempt to translate into dollar terms the production that would result if the available labor force were fully employed. Lower income and construction would mean unemployment unless the structure of production or prices were materially altered.

CHART I

NEW CONSTRUCTION ACTIVITY IN THE UNITED STATES, 1920-1944

At 1940 Prices



SOURCE: Monthly Labor Review, February, 1945;
Dept. of Commerce Industry Report (Construction), Jan. 1945

Since the volume of postwar construction looms so large in the national income picture, it is desirable to explore, from both a national and regional viewpoint, the outlook for construction so as to determine the possibilities of reaching the level which is regarded as necessary for full employment. This exploration involves consideration of the characteristics of the construction industry, analysis of the demand and supply factors, and consideration of actual forecasts of postwar construction.

CHARACTERISTICS OF THE INDUSTRY

The construction industry embraces the loosely organized group of builders, general contractors, special trade contractors, architects, building trades workers, suppliers, and other elements engaged in construction. In addition to lack of centralized organization, its major characteristics are general instability in activity (as shown in Chart I), pronounced seasonality, and resistance to change.

Total value of contract construction[1] in 1939 was $4.5 billion. It was produced by 215,000 separate establishments, each of which did work amounting to at least $500 in value in that year. The average establishment had one active proprietor and four or five employees, but there were large differences among types of contractors.

Generally speaking the industry has felt that it was necessary to establish and hold a price structure high enough to make its active periods pay for time lost in inactive periods. This policy has been accompanied inevitably by consistent effort to maintain the status quo, and to keep outsiders from entering the field in good times.

The maintenance of a high price and high cost structure in the residential construction industry is the result primarily of lack of advance in labor productivity. In most durable goods lines sharp gains in productivity, improved methods of management, and increased application of capital have led to lower unit costs and at the same time higher wages and larger profits. In the construction industry in the last 25 years, higher wages and larger profits have not stemmed as much from increased productivity as from rising prices.

Technological advances in equipment and utilization of labor have been greater in non-residential

[1]Contract construction covers work done for others or for contractors themselves for speculative or investment purposes. Force account work includes construction done for their own account by institutions, Government agencies, home owners, public utilities, industry, agriculture, real estate operators, and property managers. A considerable share of force account work is maintenance and repairs.

than in residential construction. The reluctance to adopt new methods in the residential building segment of the industry and the relatively slow rate of increase in labor productivity reflect partly the internal characteristics of a long established activity. These characteristics have been reinforced by the deliberate action of the industry itself and by the tacit approval of the financing agencies. The prevalence of small scale enterprise, lack of central organization, and the policies of the building trades unions have made it relatively easy for the industry to resist and retard changes that might have lowered costs on new construction.

SUPPLY OF LABOR AND MATERIALS

Wartime restrictions on building, necessitated by the short supplies of labor and materials, resulted in a decline in the physical volume of new construction in 1944 to about the very low level of 1933. The situation with regard to labor and some materials is easing, however, and Government restrictions have been modified appreciably since the end of the war in Europe.

Although some building materials, particularly lumber, are in very short supply and promise to continue so for the next few months, they may be expected to become easier as war demand slackens. By the time large scale reconversion occurs, supplies of materials should be adequate to support a substantial building program.

Within one year after the end of the Japanese war, the construction industry is expected to reach an annual capacity in men, materials and machinery to support $11 billion of building, and be capable of further expansion almost at will.[2] Thus, aside from the very immediate future, physical supplies should not prove a barrier to a large volume of building.

POTENTIAL DEMAND FOR NEW CONSTRUCTION

A number of factors point to a large potential demand for construction after the war. Major among these are: 1. All construction, but particularly residential construction, was badly depressed during the 1930's. 2. In the war years, labor and materials scarcities restricted construction (except for essential industrial and military facilities) to a minimum consonant with the necessities of the war effort. 3. Much of the wartime construction will not be usable under peacetime conditions. 4. Both businesses and individuals have accumulated a large amount of liquid savings during the war period. 5. Public opinion appears favorable to a well-conceived public works program.

Within the Eighth District proper there exists a large need for both residential and non-residential building. The 1940 Census of Housing listed 2.8 million dwelling units in this district. More than 850,000 or some 29 per cent needed major repairs in 1940, and probably this number has increased during the war years.

In the six major metropolitan areas of the district, the proportion of dwelling units needing major repairs ranged from 9 per cent in St. Louis to 22 per cent in Little Rock. More than half of the dwelling units in Memphis had no inside bath, and in St. Louis, which showed up better than any of the other areas in this respect, almost one-third of the units had no inside bath.

Almost one-fourth of all dwelling units in the six metropolitan areas combined were built prior to 1900. Almost one-half of these were fifty years or more and one-fourth were at least sixty years old in 1940. The Bureau of Internal Revenue estimates that the average useful life of a dwelling unit is sixty years. This means that in 1940 about 170,000 dwellings in the Eighth District were past the average useful life span and probably should have been replaced. In the past five years perhaps another 100,000 units have been added to this group.

These conditions indicate a tremendous potential demand for replacement and repair. In addition there will be strong demand for new housing. War developments shifted a considerable body of people from rural areas to urban centers. A better balance in the district economy would be achieved if through expansion of peacetime industry these population increases in the urban centers could be held there, and even increased further as the cities absorb the overflow of population from the rural regions.

In 1940, the vacancy rate in the entire district was 9 per cent. In the six metropolitan areas it averaged only 5 per cent, which is considered "normal", varying from 1.9 per cent in Evansville to 5.9 per cent in St. Louis. By 1944, despite considerable war housing developments, the vacancy rate had shrunk to 0.4 per cent in Louisville, 0.8 per cent in Evansville, 0.9 per cent in St. Louis, and 1.2 per cent in Little Rock. In 1940, about one-tenth of the metropolitan area dwellings had more than 1.5 persons living per room, a condition regarded generally as undesirable. This situation has been aggravated during the war years. Both shrinking vacancy rates and over-crowding in dwellings have occurred in urban centers despite large withdrawals

[2]Postwar Capacity and Characteristics of the Construction Industry, Bulletin 779, Bureau of Labor Statistics.

for the armed services. The return of servicemen, new marriages, and a probable increased birth rate, will accentuate these conditions unless there is a large volume of new housing construction.

Demand for non-residential construction is also high. Surveys conducted in various cities of the district indicate that industry is expecting to embark on a sizeable construction program in the immediate postwar period. In St. Louis, for example, a current survey points to expenditures of $40 or $50 million for new industrial construction for established plants, and almost as much for buildings for incoming concerns. Other city surveys also indicate sizeable postwar industrial construction.[3]

FORECASTS OF POSTWAR CONSTRUCTION

A number of forecasts by private and public agencies indicate high dollar volume of construction after the war. The recent estimate published by the Department of Labor places new construction expenditures at an annual average of $10.9 billion, with an additional $4.4 billion for maintenance and minor repairs, in the first five postwar years. Expenditures for new construction are expected to be $4.7 billion in the year prior to the defeat of Japan and to rise to $7.8 billion in the first full peacetime year. From then on they would rise to $12.1 billion in the fifth peacetime year, presumably 1950 or 1951. Private construction is expected to average $7.9 billion and public construction $3.0 billion in the five-year period.[4] These dollar estimates are expressed in terms of 1940 prices.

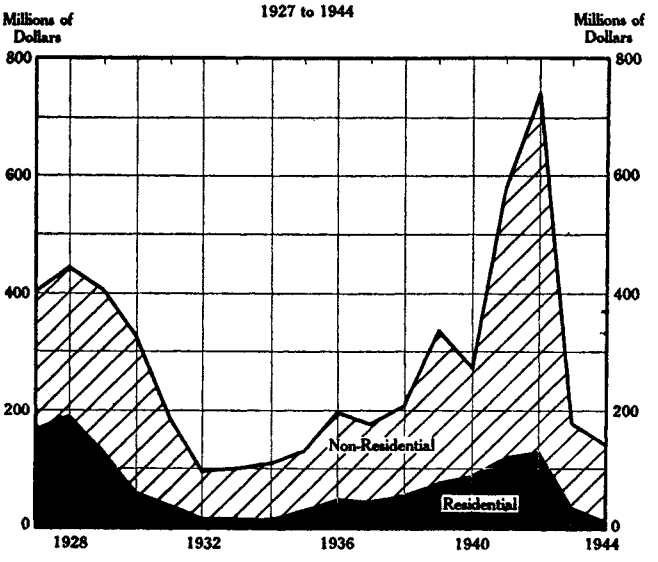
In terms of dwelling units, the forecast would mean an average of about 900,000 nonfarm units in the five postwar years. Of these, 850,000 would be privately financed and 50,000 publicly financed. The average cost of a privately-financed dwelling unit (excluding land cost) is placed at $3,750 and that of a publicly-financed unit at $3,200.

The peak year in construction of nonfarm dwelling units was 1925 when 937,000 were built. During the Thirties the largest number built in any one year was 515,000 in 1939. In 1941, the biggest residential building year since 1928, some 715,000 units were erected and in 1944, when construction was at a minimum under wartime restrictions, 160,000 units were built.

This forecast is in fairly close agreement with those by private sources. The F. W. Dodge Corporation has estimated a $9.6 billion average volume of new construction for ten postwar years. This would involve building 820,000 nonfarm dwelling units per year. Engineering News-Record forecasts a postwar construction peak of $12.4 to $18.7 billion. This figure presumably includes expenditures for maintenance and repairs. The American Builder expects 750,000 new dwelling units to be constructed in the third postwar year.

CHART II

CONSTRUCTION CONTRACT AWARDS EIGHTH FEDERAL RESERVE DISTRICT
1927 to 1944



SOURCE: F. W. Dodge Corporation

Chart II shows the volume of construction contract awards in the Eighth District from 1927 through 1944.[5] On the basis of the average relationship of district contract awards to national construction volume, an $11 billion annual average expenditure for country-wide construction would lead to an average annual volume of contract awards of about $400 million in this district in the first five postwar years. About $140 million would be residential construction involving perhaps 35,000 to 40,000 new dwelling units per year.

As the chart shows, the district had a larger volume than this in the late Twenties and in 1941 and 1942. Total awards in 1942 were almost double

[3]Industrial construction in this district has been exceptionally high during the war years and because of this situation it might be expected that demand in the immediate postwar period would be slack. Actually, however, dollar figures on wartime building are illusory on several counts. They are inflated far beyond normal replacement cost, they include many structures not particularly usable except for war output, and in some cases they include plants well located under wartime standards but badly located for profitable peacetime production. In this district total large industrial facility awards, both private and public, placed from June, 1940 through October, 1944 were valued at $1.5 billion. Less than half of this amount, $700 million, was for structure, the balance for equipment. Only $46 million was for privately financed structure, and, generally speaking, it is the publicly financed plant that will have to be written off after the war. About 70 per cent of total structure (in dollars) was designed for ordnance production and much of the remainder was for very specialized war work.

[4]A. C. Findlay, "Probable Volume of Postwar Construction", Monthly Labor Review, February-April, 1945.

[5]The F. W. Dodge figures used differ from actual work performed in that they represent awards and hence work started in a particular year regardless of completion date. They also do not cover any farm construction and exclude small projects. A notable example of the effect of these differences is the high volume shown for 1939, which reflects a construction contract award for more than $100 million, or almost one-third of the year's total, in December of that year. Work done on this project carried over several years.

this amount. Because of War Department policy early in the war of putting munitions plants inland the wartime facility awards in the district ran above what might have been expected on the basis of previous industrialization. The Government ordnance plants, which were important in this district, cost considerably more than the average industrial establishment.

CONSTRUCTION COSTS AND EFFECTIVE DEMAND

Despite the apparent large potential demand and the generally rosy forecasts for heavy construction activity after the war, the situation is not without some question marks. Whether or not the large potential demand that exists for construction will become effective in the early postwar years probably will depend in large measure upon the level of construction costs. This applies in both the residential and nonresidential construction fields. In the residential field a prospective builder or purchaser measures the cost of a new house against the cost or rental price of existing properties. The standard of shelter acceptable is surprisingly flexible particularly in respect to lower-priced units.

At the present time construction costs are higher than in the boom period of the 1920's. Prices of building materials are currently about 15 per cent above 1926 and wage rates have shown a rise of about 30 per cent. Labor costs have increased about as much as wage rates. Studies indicate that on-site work performed per man-hour has declined sharply during the war years.

While there are reports that the building industry is experimenting with methods designed to lower costs, especially through broader application of prefabrication, past performance would suggest some skepticism. There is already considerable prefabrication of items going into construction jobs and the war has accentuated the trend toward more off-site work. Despite this, total construction costs have continued to show rising tendencies.

If the building industry is going to absorb a significant number of the persons displaced by the decline in manufacturing employment and provide jobs for returning servicemen who may seek to enter the industry, cost reductions must be fairly general throughout the industry. As far as labor is concerned this means either more output per worker at current wage rates or lower rates for the same amount of output. In achieving increased productivity, emphasis should be placed in so far as possible upon annual take-home pay through a more stable level of building activity, including further progress toward eliminating the marked seasonal variations which characterize the industry.

OUTLOOK FOR PUBLIC CONSTRUCTION

In some quarters considerable store is being laid on a prompt expansion of public construction to cushion the effects of unemployment due to curtailment in manufacturing activity in the immediate postwar period and to compensate for whatever lag may develop in private construction. Historically the public works programs of states and municipalities have tended to expand in periods of prosperity and contract in periods of depression, thus intensifying the cyclical swings in private construction. By better planning this situation may be improved in the future.

Unfortunately it is not a simple matter to time public construction programs so as to attain important stabilizing effects. Public construction programs generally require public authorization of appropriations or bond issues and unless there is sufficient discretion given to administrative authorities to permit long range planning it is difficult to obtain prompt action that will assure proper timing of the actual construction work in light of the needs of the general economic situation.

At present it appears doubtful that much reliance can be placed on public construction to bridge the period of conversion from war to full peacetime activity. Projects under discussion involve expenditures of billions of dollars. Most of these projects are only in the discussion stage and many of them also are long range projects which would, even if begun promptly, provide relatively little employment to cushion the shock of the transition period.

Within the Eighth Federal Reserve District the situation with regard to public construction is not very different from the national picture. In St. Louis, for example, a $64 million bond issue has already been voted for postwar construction. According to estimates, projects developed from this bond issue would employ 12,000 men for one year.

If the problem of providing employment in the transition period falls primarily upon private construction, it behooves the industry to watch costs carefully so as not to resrict demand. Perhaps in the first flush of unrestricted construction there may be sufficient demand regardless of cost to provide substantial activity. Sharply rising prices, however, might dampen this demand very quickly. All in all some healthy skepticism regarding the absorption of workers by the construction industry in the transition period would not be amiss.

Frederick L. Deming

Farm Credit Programs That Get Results

Recently the writer had the opportunity to spend three days in two country banks that have developed outstanding programs of service to farm communities.

In these days when many country bankers are experiencing a decline in farm loan volume, it was interesting and refreshing to observe the operations of these country banks which have adopted progressive farm service programs. They not only have been able to maintain their volume of farm loans but have actually shown a steady increase during recent months. Other country bankers may be interested in some of the activities that have resulted in improved working relationships between these bankers and their farm customers.

The first bank visited had inaugurated its new farm service program in the fall of 1944. The president of the bank had become alarmed at the constantly declining loan volume, and the problem had become a major topic of discussion at board meetings. Various ideas were advanced from time to time as to what might be done to reverse the trend, but by mid-summer of 1944 loan volume had declined to a level that dictated immediate action. The board decided that the problem was one of merchandising bank services. The bank did not have on its staff a man with proper background or sufficient time to take bank services into the country. Therefore, a man with farm background and wide experience working with farmers was employed as farm representative for the bank. About thirty days prior to the time the farm man came to the bank, an attractive illustrated circular was prepared that strikingly told the story of bank services available to farm people, using the question and answer method. This circular was given boxholder distribution in the area served by the bank.

PROMPTLY PASS NEW LOAN GOAL

At the meeting of the board when the farm program was adopted, $100,000 of new farm loans was established as the goal for the first year of operation under the new plan. The immediate response to the program amazed the officials of the bank. The public reaction to the first publicity was that of pleasant surprise to learn that this country bank was anxious to provide funds to meet the reasonable credit requirements of the community. Many farmers apparently had come to believe that banks did not want to make farm loans. This reaction was verified by the flow of new credit requests to the bank following the circular announcement. At the end of five months' operation under the new program, loans made to borrowers who had never before been customers of the bank totalled over $170,000, or almost twice the goal originally established for the first twelve months. The result was that this bank service program, which the officers had calculated to be a non-profit operation for the first year, in five months was not only paying its way but also showing a nice margin above the added cost of the new service.

The farm man employed by the bank does not make final credit decisions. His entire time is spent outside the bank contacting farmers, explaining bank services, and working in close cooperation with the county extension agent, the soil conservation service, and other agricultural agencies. The amazing flow of new farm loans to the bank is a tribute to the good will being created in the community by the activity of this farm representative working outside the bank. Credit decisions are made by the president of the bank up to a certain dollar limit laid down by the board. The board, however, is so located that the members are on call at any time to review loan applications for amounts in excess of the president's limitation. This bank has discarded the old slide-rule basis of credit extension and has assumed an attitude of seeking reasons for making a loan rather than attempting to find faults to justify a rejection. Each application is considered on its individual merit, and the amount of credit extended is determined by the capacity of the individual farm unit to repay. All loans are made at a flat rate of five per cent. Repayment plans are timed to coincide with probable marketing dates of the farmer's various production programs.

CREDIT FROM FARMER VIEWPOINT

Loan rejections are handled carefully. The officer outlines for the applicant the reasons why his request cannot be granted. An attempt is made to show the applicant how he might adjust his affairs to qualify. If there are other local lenders who handle the type of loan requested, this bank official aids the applicant to contact the proper lender. This bank is considering credit from the farmer's viewpoint, and adapting its services to the peculiar needs of the individual.

The bank has endeavored to prevent its farm program from creating what might be regarded as unfair competition by other banks in the community. Before the program was started the president met

with representatives of other banks in the county and attempted to organize them as a group to take a keener interest in improving services to farmers. The bank's farm program was adopted only after the efforts for joint action were unsuccessful. A policy is followed, however, of not soliciting the refinancing of loans currently outstanding with other banks in the county. The new program of this bank, therefore, has not affected its good working relationship with other banks in the area. A considerable amount of the new volume of credit is originating from new borrowers, or from farmers who for the past several years have financed their operations through Government credit agencies. These farmers express their preference for bank credit service when their applications are considered from the farmer's viewpoint and the credit accommodations keyed to the needs of the individual operation.

That is the story of a new farm program, a program that even in its infancy is proving profitable and one that is laying a groundwork of good will that will pay greater dividends for years to come.

STARTED SERVICE YEARS AGO

The other country bank visited has had an aggressive community service program for many years. Upon entering the bank one is impressed with the pleasant atmosphere which prevails and the convenient arrangements which the bank has planned for maximum customer comfort.

The president and his farm representative outlined to the author their many interests in the agriculture of the area they serve, and the numerous programs which they are actively sponsoring to promote better farming. The farm representative was formerly county agent of the county in which the bank is located, and with his excellent background in agriculture and his ability to work with the farm people he has proven a great asset to the bank.

This bank not only works with the farmers of the county, but for years has given financial support to constructive agricultural programs. The bank first sponsored a pasture improvement program, which was worked out with the cooperation of the county agricultural organizations, and the county extension agent. In encouraging the adoption of better pasture programs the bank helped organize meetings and prepared special notices urging farm people to attend. When all-day meetings were held the bank furnished meals for those in attendance. The pasture improvement program has contributed materially to better farming in the community, and it has led to many sound loan opportunities that otherwise would not have been available.

The bank has also sponsored the organization of livestock breeder associations over a rather wide area. Both the president of the bank and the farm representative feel that in this way they have encouraged the improvement of all breeds of livestock common to the area. A Shorthorn Breeders Association is already well under way. This will be followed with other breeds of cattle, hogs and sheep. Groundwork is now being laid for a Hampshire Sheep Breeders Association. The idea is to organize breeders throughout the area and hold annual sales of breeding stock at the bank's home town. It is hoped that this will result in a distribution of good breeding stock at reasonable prices to all farmers in the community.

Some time ago an effort was made to organize a soil conservation district in the county. The association was voted down. The bank has assumed responsibility for doing demonstrational work which they hope will eventually lead to a soil conservation district in the county. Using the pasture program as a basis they have worked out with many farm customers excellent demonstrations that encourage complete soil conservation practices. A number of farms were visited that at the bank's suggestion have adopted improved methods and have developed some very fine pastures and conservation programs.

This bank's constructive efforts to improve agriculture have brought recognition from farmers many miles outside its normal trade territory. Many of these farmers because of the bank's efforts to promote better farming have transferred their accounts to the bank and are transacting business by mail in preference to dealing with local institutions that have shown little interest in the welfare of local agriculture.

The farm agent spends most of his time outside the bank. He does not directly solicit loan business, but through these field contacts and services rendered farmers, he has been very effective in bringing new business to the bank. It was interesting to observe that many farmers who are not customers of the bank regularly call to see the farm representative for information normally supplied by various agricultural agencies. The farm representative does not make credit decisions except on special occasions such as sales where immediate decisions are required. The president, however, has three men besides himself who are fully trained and have the authority to make credit commitments. This means that when a farmer calls at the bank someone is always available to give immediate consideration to a request for credit.

The president of this bank believes that the failure

of many country banks to serve the credit needs of their communities is due to inability or unwillingness to consider credit from the farmer's viewpoint. As an integral part of judging credit from the farmer's standpoint the bank supplies extra services that are highly appreciated by farm people. It has found that many farm loans formerly considered unsound for banks can be soundly handled by providing a little managerial supervision in those instances where the farmer may be weak in management. In the past it has handled a good many accounts for this type of farmer with excellent success.

The services of a well-trained farm representative give much needed help to this type of borrower. However, before making a loan to a farmer who is weak in management the loan officer spends considerable time in discussing the individual needs of the applicant and making it clear that if the bank goes into a credit program with him it expects to exercise a certain amount of supervision which will not only strengthen the bank's position but will help build a more profitable unit for the borrower with the view of ultimately enabling him to become free of debt. The bank maintains a reasonable interest rate, but has not placed particular emphasis on rates as a means of attracting new business.

The farm representative also offers various other services to the farm community. In addition to working closely with the farm organizations in the area he has a rather complete consultation service for farmers, which is widely used. He gives help to farmers, in his office or on the farm, on feeding, breeding, crop production, and other problems. He helps develop better farm operating programs, attends shows and sales, gives assistance to farmers in the selection of breeding stock, and is called on for a wide variety of other informational services.

LAND USE MAP AN ASSET

An example of an extra community service provided by the bank is a specially prepared map of the county. This is a land use map superimposed on a farm ownership map of the county. In addition to farmers, these maps were distributed to practically every business office in the county, and a copy was presented to all schools along with an explanation of how it might be put to practical use within the school system. The map is very useful to the bank officers in connection with farms in which they are interested; they refer to it for immediate information about the soil resources and the type of farming most likely to be successful. The broad interest shown in the map has repaid many times its cost of preparation.

The farm representative is not the only one on the staff of this bank who invades the country. On the last afternoon of the visit, which was spent in the country with the farm representative, the president of the bank and one of the junior officers were also in the field and returned late in the evening with two new farm real estate loans totaling $21,800.

This bank isn't worried about a declining volume of sound farm loans. **Darryl R. Francis**

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	April		Cumulative for 4 months		
	1945	1944	1945	1944	1943
Arkansas	$ 12,653	$ 16,100	$ 75,533	$ 66,833	$ 67,387
Illinois	88,816	91,077	353,635	391,220	341,065
Indiana	49,733	53,245	190,322	212,252	191,145
Kentucky	15,904	16,013	194,638	147,098	116,133
Mississippi	12,166	13,182	80,508	57,789	52,115
Missouri	45,354	48,948	189,137	202,983	170,485
Tennessee	18,214	17,645	102,587	98,937	82,844
Totals	242,840	256,210	1,186,360	1,177,112	1,021,174

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	May, 1945	Apr., 1945	May, 1944	May, 1945	Apr., 1945	May, 1944
Cattle and Calves	126,479	115,475	105,384	86,437	69,025	53,739
Hogs	167,842	149,411	349,735	53,174	48,767	49,125
Horses and Mules	3,089	3,806	1,914	3,069	3,828	1,907
Sheep	168,517	33,107	77,745	101,919	11,395	29,656
Totals	465,927	301,799	534,778	244,599	133,015	134,427

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	May, 1945	Apr., 1945	May, 1944	May,'45 comp. with Apr.,'45	May,'45 comp. with May,'44
All Commodities	106.0	105.7	104.0	+0.3%	+ 1.9%
Farm Products	129.9	129.0	122.9	+0.7	+ 5.7
Foods	107.0	105.8	105.0	+1.1	+ 1.9
Other	99.4	99.3	98.5	+0.1	+ 0.9

COST OF LIVING

Bureau of Labor Statistics (1935-39=100)	May 15, 1945	Apr. 15, 1945	Sept. 15, 1942	May 15,'45 comp. with Apr. 15,'45	May 15,'45 comp. with Sept. 15,'42
United States	128.0	127.1	117.8	+ 0.7%	+ 8.7%
St. Louis	126.3	125.2	116.6	+ 0.9	+ 8.3
Memphis	*	*	119.3	.....	.....

*Not available.

COST OF FOOD

Bureau of Labor Statistics (1935-39=100)	May 15, 1945	Apr. 15, 1945	Sept. 15, 1942	May 15,'45 comp. with Apr. 15,'45	May 15,'45 comp. with Sept. 15,'42
U. S. (51 cities)	138.8	136.6	126.6	+ 1.6%	+ 9.6%
St. Louis	141.7	139.0	126.7	+ 1.9	+11.8
Little Rock	138.0	137.6	129.2	+ 0.3	+ 6.8
Louisville	131.9	130.6	124.2	+ 1.0	+ 6.2
Memphis	146.9	145.2	129.7	+ 1.2	+13.3

CURRENT CONDITIONS

(Continued from Page 1)

ing activity, but certain industries still show marked seasonal movements. Meat packing activity in the district in May was considerably below the level of January and February, 1945 and, because of small marketings of meat animals, was well below a year earlier. Lumber output at district mills is expanding somewhat, although it is still not sufficient to meet demand and is off considerably from the peak levels of 1941 and 1942.

Among important district industries which now exhibit little seasonal variation, May output of shoes, chemicals, electrical machinery, steel and industrial alcohol was not much changed from April. As compared with a year ago, production of electrical machinery and industrial alcohol was higher in May, 1945.

During May the operating rate of steel ingot producing furnaces dropped somewhat from the April level, but actual production of finished steel remained fairly stable. The reduced operating rate reflected primarily the accumulation of a surplus of ingots and slabs, since rolling capacity in this district is not sufficient to keep up with ingot production at a high operating level. Steel orders at district mills and foundries are still backlogged several months into the future.

A third monthly holiday on whiskey production has been authorized for July. The War Food Administration has prohibited sales of corn for whiskey production, and output at Kentucky distilleries may be further reduced because most rural distilleries depend upon natural water supply to cool the mash and in mid-summer water is usually low and warm.

Mining and Oil—May output of oil at district fields was up appreciably from April with the daily average rate of production increase amounting to about 3,000 barrels. May production, however, was well below the level of a year earlier. Exploratory activity in the district continues to run below 1944. During the first six months of this year 1,020 new wells were drilled in this district in contrast to 1,182 in the comparable period of 1944. Most of the decline resulted from reduced drilling activity in Kentucky.

Coal production at district mines in May was 10 per cent above April and unchanged from May, 1944. Nonferrous metal mining activity holds fairly steady at a point well below wartime peak. Supplies of most nonferrous metals have been built up considerably in the past year.

Employment—In May total employment in the Eighth District was somewhat higher than in April. Major war plant employment in the district, however, has dropped appreciably since the beginning of the year with most of the decline occurring in shipbuilding activity. The decline in such employment from January, 1945 levels has affected primarily Evansville and Louisville. In St. Louis employment in major war plants in May was higher than in January. War plant employment throughout the district is far below the peak level reached about eighteen months ago.

INDUSTRY

COAL PRODUCTION

(In thousands of tons)	May,'45	Apr.,'45	May,'44	May,'45 comp. with Apr.,'45	May,'45 comp. with May,'44
Illinois	5,590	5,710	5,912	— 2%	— 5%
Indiana	2,178	1,747	2,151	+ 25	+ 1
Kentucky	5,790	5,037	5,314	+ 15	+ 9
Other dist. states	1,484	1,232	1,673	+ 20	—11
Totals	15,042	13,726	15,050	+ 10	- 0 -

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	May, 1945 K.W.H.	Apr., 1945 K.W.H.	May, 1944 K.W.H.	May, 1945 compared with Apr., 1945	May, 1945 compared with May, 1944
Evansville	40	10,259	10,349†	6,742	- 0 - %	+ 52%
Little Rock	35	3,045	3,105†	2,892	— 2	+ 5
Louisville	82	18,084	17,495	16,780	+ 3	+ 8
Memphis	31	6,947	6,650	6,722	+ 4	+ 3
Pine Bluff	19	6,572	7,418	7,841	— 11	— 16
St. Louis	141	106,520	103,717	91,925	+ 3	+ 16
Totals	348	151,527	148,634†	132,902	+ 2	+ 14

*Selected industrial customers. †Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

May,'45	Apr.,'45	May,'44	First nine days June,'45	June,'44	5 mos.'45	5 mos.'44
3,952	164,110	158,800	47,695	48,062	814,941	798,972†

Source: Terminal Railroad Association of St. Louis. †Revised.

DEBITS TO INDIVIDUAL ACCOUNTS

(In thousands of dollars)	May, 1945	April, 1945	May, 1944	May,'45 comp. with Apr.,'45	May,'45 comp. with May,'44
El Dorado, Ark.	$ 10,037	$ 9,250	$ 9,034	+ 9%	+11%
Fort Smith, Ark.	22,983	20,375	21,841	+13	+ 5
Helena, Ark.	4,242	3,749	3,629	+13	+17
Little Rock, Ark.	90,420	86,294	67,769	+ 5	+33
Pine Bluff, Ark.	15,001	14,815	15,082	+ 1	— 1
Texarkana, Ark.-Tex.	11,855	10,950	10,008	+ 8	+18
Alton, Ill.	14,812	13,988	12,460	+ 6	+19
E.St.L.-Nat.S.Y.,Ill.	68,059	67,568	80,582	+ 1	—16
Quincy, Ill.	18,400	17,306	16,607	+ 6	+11
Evansville, Ind.	104,129	93,346	107,509	+12	— 3
Louisville, Ky.	373,520	338,104	318,749	+10	+17
Owensboro, Ky.	16,872	16,962	16,374	— 1	+ 3
Paducah, Ky.	9,080	8,022	8,128	+13	+12
Greenville, Miss.	9,060	8,343	8,689	+ 9	+ 4
Cape Girardeau, Mo.	5,789	5,245	4,746	+10	+22
Hannibal, Mo.	5,163	4,826	4,535	+ 7	+14
Jefferson City, Mo.	20,277	30,743	23,911	—34	—15
St. Louis, Mo.	1,235,956	1,028,190	1,305,286	+20	— 5
Sedalia, Mo.	6,935	6,151	6,160	+13	+13
Springfield, Mo.	35,276	29,495	34,801	+20	+ 1
Jackson, Tenn.	9,527	8,792	8,546	+ 8	+11
Memphis, Tenn.	275,954	251,472	225,255	+10	+23
Totals	2,363,347	2,073,986	2,309,701	+14	+ 2

RETAIL TRADE

DEPARTMENT STORES

	Net Sales: May, 1945 compared with Apr.,'45	Net Sales: May, 1945 compared with May,'44	Net Sales: 5 mos.'45 to same period '44	Stocks on Hand: May 31,'45 comp. with May 31,'44	Stock Turnover: Jan. 1 to May 31, 1945	Stock Turnover: Jan. 1 to May 31, 1944
Ft. Smith, Ark..	+24%	— 1%	+10%	+ 25%	1.80	1.83
Little Rock, Ark.	+15	+ 5	+16	+ 12	2.34	2.06
Quincy, Ill.....	+10	+ 3	+11	.....	...	...
Evansville, Ind..	— 5	—14	+ 2	.....	...	...
Louisville, Ky...	+ 1	+ 3	+13	+ 4	2.74	2.26
St. Louis, Mo...	+ 7	+ 1	+13	+ 17	2.08	1.89
Springfield, Mo..	+ 6	+11	+21	.....	...	...
Memphis, Tenn..	+20	+ 9	+14	+ 5	2.38	2.13
*All other cities.	- 0 -	— 8	+10	+ 11	2.09	1.82
8th F.R. Dist..	+ 9	+ 2	+13	+ 14	2.21	1.98

*El Dorado, Fayetteville, Pine Bluff, Ark.; Alton, East St. Louis, Harrisburg, Mt. Vernon, Ill.; Vincennes, Ind.; Danville, Hopkinsville, Mayfield, Paducah, Ky.; Chillicothe, Mo.; Jackson, Tenn.

Trading days: May, 1945—25; April, 1945—25; May, 1944—26.

Outstanding orders of reporting stores at the end of May, 1945, were 28 per cent greater than on the corresponding date a year ago.

Percentages of accounts and notes receivable outstanding May 1, 1945, collected during May, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith... ..%		65%	Quincy	32%	74%
Little Rock ..	32	64	St. Louis....	47	74
Louisville....	39	63	Other cities..	27	63
Memphis	48	61	8th F.R. Dist.	43	68

INDEXES OF DEPARTMENT STORE SALES AND STOCKS
8th Federal Reserve District

	May, 1945	Apr., 1945	Mar., 1945	May, 1944
Sales (daily average), Unadjusted[1]	209	192	233	197
Sales (daily average), Seasonally adjusted[1]	209	188	235	197
Stocks, Unadjusted[2]	114	109	100	101
Stocks, Seasonally adjusted[2]	113	106	98	100

[1]Daily average 1935-39=100.
[2]Monthly average 1923-25=100.

SPECIALTY STORES

	Net Sales: May, 1945 compared with Apr.,'45	Net Sales: May, 1945 compared with May,'44	Net Sales: 5 mos.'45 to same period '44	Stocks on Hand: May 31,'45 comp. with May 31,'44	Stock Turnover: Jan. 1 to May 31, 1945	Stock Turnover: Jan. 1 to May 31, 1944
Men's Furnishings	+25%	—17%	+ 6%	— 9%	1.62	1.30
Boots and Shoes	+21	+ 5	+11	— 1	4.04	3.45

Percentages of accounts and notes receivable outstanding May 1, 1945, collected during May:

Men's Furnishings.....65% Boots and Shoes.....54%

Trading days: May, 1945—25; April, 1945—25; May, 1944—26.

RETAIL FURNITURE STORES

	Net Sales: May, 1945 compared with Apr.,'45	Net Sales: May, 1945 compared with May,'44	Inventories: May 31, 1945 compared with Apr.30,'45	Inventories: May 31, 1945 compared with May 31,'44	Ratio of Collections: May,'45	Ratio of Collections: May,'44
St. Louis Area[1]..	+ 2%	+ 3%	+ 1%	— 4%	37%	40%
St. Louis.....	+ 4	+ 5	+ 1	— 4	37	39
Louisville.....	+ 7	+ 1	- 0 -	+29	30	31
Memphis.....	+ 5	— 9	+ 4	+ 4	26	27
Little Rock.....	+10	- 0 -	+ 7	+10	31	33
Springfield.....	+22	+ 3	*	*	*	*
Pine Bluff.....	+12	—27	*	*	35	38
Fort Smith.....	— 5	—13	*	*	*	*
8th Dist. Totals[2].	+ 5	— 2	+ 2	+ 5	34	36

*Not shown separately due to insufficient coverage, but included in Eighth District totals.

[1]Includes St. Louis, Missouri; East St. Louis, and Alton, Illinois.

[2]In addition to above cities, includes stores in Blytheville, Arkansas; Evansville, Indiana; Henderson, Hopkinsville, Owensboro, Kentucky; Columbus, Greenville, Greenwood, Starkville, Mississippi; and Hannibal, Missouri.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	May,'45	Apr.,'45	May,'44
Cash Sales.....	22%	22%	20%
Credit Sales.....	78	78	80
Total Sales.....	100	100	100

TRADE

Dollar sales of retail lines reporting to this bank were generally larger than in April and in May, 1944. The most pronounced increases from a month earlier were at men's furnishings, shoe and department stores; furniture stores showed moderate gains in the month while women's store sales were virtually unchanged from those of April. As compared with May, 1944, department and furniture store sales were about the same, women's wear store sales were up slightly, and shoe store sales were also higher. Dollar volume of men's furnishings store sales was off substantially from the comparable period last year.

May dollar sales showed a smaller gain over the like period in 1944 than any month to date in 1945. This situation was somewhat unexpected in view of generally higher prices due primarily to shortages of cheaper merchandise lines. Probable factors which account for the small increase over May, 1944 include: the Seventh War Loan, fear of curtailed income due to prospective cutbacks, one less trading day (most stores closed on V-E Day) and the fact that May, 1944 sales were unusually high.

AGRICULTURE

After a few days of favorable weather, heavy rains began again about the middle of June, and further delay is being experienced in an already late crop planting season. Considerable flooding has occurred in Arkansas and Missouri, and it appears likely that much fertile bottom-land will not contribute greatly to total farm production in those states. Many areas of the district suffered soil loss and crop damage from heavy rains of flash flood proportions during the mid-June period.

The season is late generally over the district but with great variation between areas. Corn planting in much of Missouri and southern Illinois was probably not more than 40 per cent complete when further delayed by the mid-June rains. In other areas corn planting is complete with fairly good progress, even though considerable replanting will be required in some localities. Soybean planting has followed a similar pattern. Some corn that is up with good stands is suffering from lack of cultivation due to wet ground.

The national crop and planting situation appears to be more favorable than general conditions within the Eighth District. Apparently this region has received more than its share of low temperatures and heavy rains. Nationally, progress has been fairly satisfactory. The winter wheat crop promises

to be a record breaker and the tame hay crop close to the all-time peak. Spring truck crops are about one-fifth greater than average.

BANKING AND FINANCE

Banking developments in May and June were dominated by the effects of the Seventh War Loan drive. Over-all drive quotas will be exceeded in all Eighth District states. Sales figures to date indicate that quotas for total sales to individuals will also be reached, but sales of E bonds in most states are lagging considerably behind the quotas. During the course of the drive banking institutions appear to have acquired substantial amounts of securities from nonbank investors which were acquired during previous drives.

Bank loans rose somewhat during the past five weeks, mainly reflecting borrowings to purchase drive securities. The volume of such borrowings, however, was not as large as in previous drives, indicating that banks generally were complying with the Treasury request that they assist in confining the purchase of drive securities to the investment needs of the subscribers.

Beginning the first of June, the Treasury has required banks to keep records of and to report unusual currency transactions, particularly those involving large denomination bills. The purpose of this move was to obtain information that will assist in curbing income tax evasion which is frequently linked with black market and other illicit activities in which large amounts of currency are used. Many taxable transactions which may be covered up by the use of currency, can be checked into only as currency flows through financial institutions.

Thus far little evidence is available as to the possible broader monetary effects of the action. During the early part of June there seems to have been some return of large denomination bills from circulation. During the three weeks ending June 20 money in circulation showed an increase of only $36 million, which is unusually low for this period. In the comparable period of last year money in circulation rose by $181 million.

NEW MEMBER BANKS

Since the last issue of this Review the Newburg State Bank, Newburg, Indiana, and the Switz City Bank, Switz City, Indiana, have become members of the Federal Reserve System.

WHOLESALING

Lines of Commodities — Data furnished by Bureau of Census, U. S. Dept. of Commerce*	Net Sales: May, 1945 compared with Apr.'45	Net Sales: May, 1945 compared with May,'44	Stocks: May 31, 1945 compared with May 31, 1944
Automotive Supplies	— 4%	+ 21%	+22%
Boots and Shoes	+ 9	+ 22	....
Drugs and Chemicals	— 5	+ 2	....
Dry Goods	— 2	— 17	—31
Electrical Supplies	— 4	+ 19	+38
Furniture	+ 26	— 9	....
Groceries	+ 14	+ 7	—19
Hardware	+ 10	- 0 -	— 8
Machinery, Equipment and Supplies	— 10	— 11	—11
Plumbing Supplies	- 0 -	+ 31	....
Tobacco and its Products	+ 9	— 16	....
Miscellaneous	— 4	+ 16	—19
Total all lines**	+ 6	- 0 -	—18

*Preliminary.
**Includes certain lines not listed above.

CONSTRUCTION

BUILDING PERMITS

(Cost in thousands)	New Construction: Number 1945	Number 1944	Cost 1945	Cost 1944	Repairs, etc.: Number 1945	Number 1944	Cost 1945	Cost 1944
Evansville	40	14	$ 252	$ 84	135	111	$ 82	$ 22
Little Rock	53	28	132	21	187	253	104	57
Louisville	62	59	161	99	38	60	14	50
Memphis	384	333	767	277	243	242	183	78
St. Louis	78	111	238	239	219	192	213	148
May Totals	617	545	1,550	720	822	858	596	355
Apr. Totals	526	661	978	970	840	739	460	480

VALUE CONSTRUCTION CONTRACTS LET

(In thousands of dollars)	May, 1945	April, 1945	May, 1944
Total 8th District	$ 57,595	$ 19,074	$ 5,194

Source: F. W. Dodge Corporation.

BANKING

CHANGES IN PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	June 20, 1945	Change from May 23, 1945	Change from June 21, 1944
Industrial advances under Sec. 13b	$	.....	.....
Other advances and rediscounts	22,950	— 17,830	— 14,750
U. S. securities	832,816	— 19,515	+256,217
Total earning assets	855,766	— 37,345	+241,467
Total reserves	557,674	+ 12,131	+102,173
Total deposits	621,401	+ 7,088	+103,472
F. R. notes in circulation	963,253	+ 1,986	+168,413
Industrial commitments under Sec. 13b	50	- 0 -	+ 2

PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS

(In thousands of dollars)	June 20, 1945	Change from May 23, 1945	Change from June 21, 1944
Total loans and investments	$1,943,029	+ 97,052	+387,149
Commercial, industrial, agricultural loans*	234,681	+ 15,829	+ 37,305
Loans to brokers and dealers in securities	7,707	+ 165	+ 2,551
Other loans to purchase and carry securities	54,816	+ 22,592	+ 33,718
Real estate loans	65,634	— 329	+ 1,788
Loans to banks	2,045	— 409	— 562
Other loans	86,629	— 4,641	+ 9,164
Total loans	451,512	+ 33,207	+ 83,964
Treasury bills	60,356	+ 7,489	+ 14,376
Certificates of indebtedness	278,165	— 21,226	+ 1,189
Treasury notes	327,616	+ 66,971	+101,438
U. S. Bonds	696,312	+ 20,168	+186,327
Obligations guaranteed by U. S. Govt.	613	— 12,468	— 21,090
Other securities	128,455	+ 2,911	+ 20,945
Total investments	1,491,517	+ 63,845	+303,185
Balances with domestic banks	114,658	+ 12,853	+ 897
Demand deposits — adjusted**	1,034,371	— 56,823	+115,289
Time deposits	306,571	+ 4,036	+ 64,848
U. S. Government deposits	342,461	+163,962	+158,214
Interbank deposits	589,991	+ 16,143	+100,654
Borrowings	23,000	— 15,825	— 14,450

*Includes open market paper.
**Other than interbank and Government deposits, less cash items on hand or in process of collection.
Above figures are for selected member banks in St. Louis, Louisville, Memphis, Little Rock and Evansville.

National Summary of Conditions

BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM

Industrial activity and factory employment continued to decline slightly in May. Value of department store sales increased in May and the early part of June, following the sharp decline in April.

Industrial production — As a result of further decreases in activity at munitions plants, the Board's seasonally adjusted index of industrial production declined in May to 227 per cent of the 1935-39 average as compared with 231 in April.

A further reduction in operations at shipyards accounted for most of the decrease in activity at munitions plants, although there were small decreases in activity in the machinery and aircraft and other transportation equipment industries. The decline in aircraft was in accordance with reductions in schedules made prior to VE day. At the end of May the Army Air Forces announced a cutback in procurement which will reduce total military aircraft production in the last quarter of the year to a level 30 per cent below that of March.

Steel production was maintained at a high level in May but declined somewhat during the first three weeks of June. Production of nonferrous metal products showed a sharp drop in May following a large rise earlier this year. In June brass mill products and aluminum were made available for general civilian use and after July 1 some steel also will be released.

Production of textile, leather, paper, chemical, and petroleum products showed little change in May and total output of nondurable goods was at a level 3 per cent above that of a year ago.

Coal production declined 8 per cent in May as anthracite output dropped sharply due to interruptions in mine operations in the first three weeks of the month. In the early part of June, production of both anthracite and bituminous coal increased to about the level that prevailed earlier in the year but was still somewhat below the rate of output in June, 1944. Output of crude petroleum was maintained in record volume in May and the early part of June.

Distribution — Department store sales, which had declined sharply in April, increased in May and the first half of June, after allowance is made for the usual seasonal change. In May sales were 4 per cent larger than in May, 1944, while sales during the first two weeks of June were 16 per cent greater than in the corresponding period last year.

Most classes of freight carloadings showed seasonal increases in May and the early part of June and remained at a level slightly above last year's high level. Railroad shipments of manufactured goods, which reached a record volume in March of this year, have declined only slightly since that time.

Commodity prices — Wholesale prices of consumer goods continued to advance from the middle of May to the middle of June. Anthracite was raised $1 a ton, food prices increased somewhat further, and various miscellaneous products were higher. On the other hand, it was announced that maximum prices on used cars would be reduced 4 per cent on July 1 and additional new regulations have been issued recently covering prices of clothing, automobile repairs, and some consumer durable goods.

Agriculture — Prospects for major crops have deteriorated somewhat in the past month, but still compare favorably with the past three years of generally abundant harvests. A record wheat crop of over a billion bushels was indicated by June 1 conditions; cold, wet weather in May has delayed most other crops.

Milk production was at a record level in May and 6 per cent larger than last year, while marketings of meat animals and poultry products were in smaller volume.

Bank credit — During the four weeks ending June 13, covering the period of intensified sales of securities to individuals in the Seventh War Loan, loans and investments at reporting banks in leading cities increased by close to 1.7 billion dollars. Loans for purchasing and carrying Government securities rose by 620 million dollars, as investors adjusted their portfolios in anticipation of security purchases. Advances to brokers and dealers accounted for 360 million of the increase and loans to others for 260 million. Government security holdings of reporting banks rose by 825 million dollars, reflecting continued purchases of bonds.

In the week ending June 20, when large payments were made by corporations and others for securities purchased in the Drive, there was a shift of deposits from private accounts to reserve-free war loan accounts and a consequent reduction of 440 million dollars in required reserves of member banks. Member bank borrowings declined in the week by nearly 550 million dollars. Reserve bank holdings of Government securities, however, increased further.