FEDERAL RESERVE DISTRICT 8

Monthly Review

FEDERAL RESERVE BANK OF ST. LOUIS

NOVEMBER 1, 1945

Survey of Current Conditions

During the first two months of peace, industry has made considerable progress in shifting from war to civilian production. Unemployment has not risen to the levels that many predicted. During the next few months, however, millions of returning veterans will be added to the displaced war workers seeking re-employment in civilian activities. The problems of attaining an orderly and rapid expansion of production and employment in the period ahead should not be minimized.

After four years and more of war work, the problems involved in scheduling civilian goods production, in re-establishing markets for such goods, and in setting up satisfactory cost and price relationships present many difficulties. The wave of labor unrest which has swept the country has further slowed up the reconversion process. Although the number of persons on strike is not large relative to total employment, labor disputes have occurred in a number of key industries so that their effect has been greater than the mere number of workers involved would indicate.

There is no evidence that declining incomes of industrial workers have set in motion deflationary forces that would tend to affect the decisions of businessmen with respect to employment. Confidence in the future, backed up by the large volume of liquid savings accumulated during the war by both businesses and individuals, unemployment benefits, and mustering-out pay are major contributing factors in the maintenance of high sales levels and in the urge to expand production.

For some time demands for goods and services promise to out-run supplies. Until the flow of goods begins to measure up to purchasing power, we will be faced with the threat of inflation. The general public must continue to exercise self-restraint in the use of its expanded buying power with the support of appropriate Government controls, if we are to avoid an inflationary spiral similar to that which followed World War I.

EMPLOYMENT

Civilian employment is probably lower today than at any time since the war program got under way after Pearl Harbor. Some layoffs still are expected, but the great bulk of displacements already has occurred. Mid-September employment at large district plants which were mostly on war work, was 35 per cent of peak in St. Louis, 40 per cent in Louisville, and 20 per cent in Evansville.

Full peacetime employment will not be reached for many months. The number of workers holding civilian jobs may be expected to increase during this period. Unemployment, however, is likely to increase somewhat, or at best hold stable, because of large numbers of returning service personnel entering the civilian labor market and the natural slowness of many presently in the labor market to leave, even though they may eventually do so.

There appears to be a widespread opinion that the receipt of unemployment compensation benefits is keeping workers from accepting jobs in industry. Generally speaking, this seems to be an exaggerated view. In this district only one of every three unemployed is filing claims for benefits, although virtually all of the displaced workers are eligible for such benefits.

More reasonable explanations for the current

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Employment Outlook in the Eighth District

The volume of total unemployment resulting from the abrupt and widespread cancellation of war contracts at the end of the war has not been as serious as was expected. The next few months, however, will constitute a more severe test of industry's ability to absorb workers. This is because the armed services have rapidly stepped up their demobilization schedules. Almost 700,000 veterans were discharged in September as compared with 200,000 in August. When the October figures are in, they may well reach 1,200,000 and by July probably 10,000,000 veterans will have been demobilized.

Despite current uncertainties, particularly with respect to materials supply and the price-wage question, industry generally appears quite optimistic about its ability to expand output rapidly and within a relatively short period reach production and employment levels substantially above those ever before attained in peacetime. These expectations are based upon surveys covering thousands of industries in hundreds of communities scattered throughout the country. Some of these surveys have been conducted by Government agencies, and during the past two years much data have been collected by the local organizations of the Committee for Economic Development composed of private business groups.

In this district some 35 to 40 cities and industrial areas have conducted surveys to develop information on postwar manufacturing employment. Several of these cities also studied the nonmanufacturing segment of their community economies. Some of these reports were published, but most of them were for the information of the local community and have received little publicity outside the region involved. Perhaps the most elaborate and most publicized postwar survey in the district was conducted in the Fort Smith, Arkansas, trading area. This study dealt with all types of employment and also developed information upon the area's prospective demand for goods and upon its financial resources and requirements. Other comprehensive surveys were made in the St. Louis, Louisville, Memphis, Evansville, and Little Rock areas. This article is based largely upon the data gathered in these various surveys.

It should be stressed that the employment estimates given in this article are predicated upon resumption of full peacetime activity. When this will be reached is necessarily indefinite and will vary as between individual companies and different industries. Some of the factors, which will be important in determining the length of the so-called transition period through which we are now passing, are discussed later in this article.

THE METROPOLITAN AREAS

The Eighth Federal Reserve District has five major metropolitan areas. These are St. Louis, Louisville, Memphis, Little Rock, and Evansville.[1] In 1940 these five metropolitan areas contained 2.6 million people or about 25 per cent of the 10.2 million population of the Eighth District. Since war production tended to be concentrated in major industrial centers, there was considerable migration from rural areas to these centers during the war years. By November, 1943, the population of the five areas had grown by some 200,000 persons despite the fact that perhaps 250,000 of their young men had entered military service. As a result of this migration, the metropolitan areas at present contain approximately 30 per cent of the district's population.

Manufacturing Employment—Manufacturing employment in 1940 in the five metropolitan areas combined totaled about 270,000 with some 170,000 in the St. Louis area alone. Nonmanufacturing employment amounted to about 670,000.

As increasing military demands called for more and more war output, manufacturing employment in the metropolitan centers more than doubled during the war years and at peak totaled about 555,000. The greatest percentage gains occurred in Evansville and Little Rock where manufacturing employment more than tripled. The peak in employment for the cities in combination was registered in the fall of 1943. By July, 1945, employment was off appreciably from the peak, and it fell very sharply after the Japanese surrender.

On the basis of surveys which have been completed in the five cities and their adjacent territories, manufacturing employment after full reconversion will be 425,000. While this would be about 23 per cent less than the areas' wartime peak, it would represent a 57 per cent gain over their 1940 employment. It should be noted that this future level of manufacturing employment does not take into

[1] For the purpose of this article the metropolitan areas are defined as containing the following full counties: St. Louis - St. Louis City, St. Louis and St. Charles Counties, Missouri, and Madison and St. Clair Counties, Illinois; Louisville-Jefferson County, Kentucky, and Floyd and Clark Counties, Indiana; Memphis-Shelby County, Tennessee; Little Rock-Pulaski County, Arkansas; Evansville-Vanderburgh County, Indiana, and Henderson County, Kentucky.

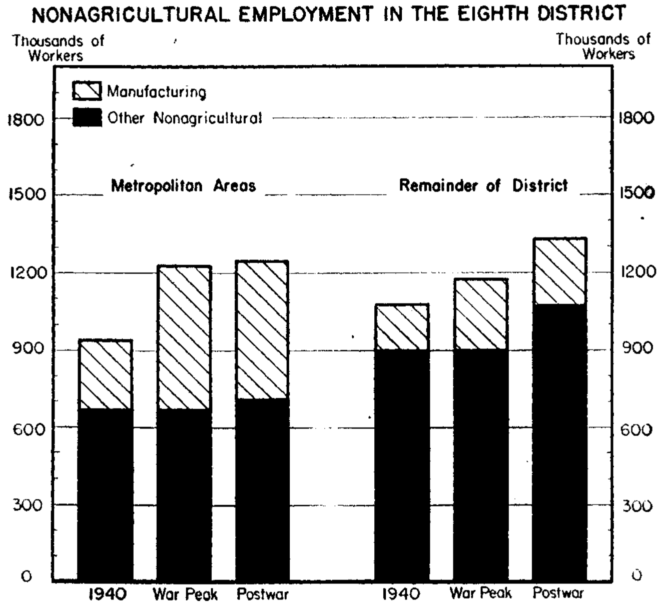
account any new establishments that may come into the areas. Several very large manufacturing plants are scheduled for location in the district's urban centers. For example, in the St. Louis area, Ford and International Harvester have purchased land and are beginning construction of large new plants. Employment resulting from such new establishments may add 15,000 more workers to metropolitan area manufacturing payrolls.

Nonmanufacturing Employment—At the wartime employment peak total nonmanufacturing employment in the metropolitan areas was very little changed from its 1940 level. Certain nonmanufacturing lines suffered employment declines, but on the whole these were offset by employment increases in other lines.

Assuming large scale demand for goods and services in the period after full reconversion, since industrial employment will be high, most nonmanufacturing employers should add appreciably to their working staffs. During the war years many customary services rendered by retailers, wholesalers, service establishments and the like disappeared. Competition may be expected to force reinstatement of many of these services and perhaps new ones which will require additional employees. Since 1942, construction activity in the district has been severely curtailed because of wartime restrictions. The pent-up demand for industrial, commercial and residential buildings, as well as public works, should provide a substantial volume of employment in the construction industry.

Perhaps 150,000 new nonmanufacturing jobs will be opened up in the five urban centers combined.

NONAGRICULTURAL EMPLOYMENT IN THE EIGHTH DISTRICT



This would mean that the over-all future employment level in the five areas would be about the same as the wartime employment peak, with perhaps 1,250,000 persons being employed as compared with some 940,000 in 1940.

Prospective Decline in Income—The effect upon worker income of the post-reconversion shift of employment from manufacturing to nonmanufacturing will be substantial unless wage rates rise appreciably. A decline in manufacturing employment of some 130,000 from the wartime peak would of itself produce a considerable decrease in manufacturing payrolls. The mere comparison of number of workers, however, far understates the actual payroll decrease that might occur.

In the first place, the number of hours worked per week in wartime manufacturing averaged about 46 in the major district cities. Future plans generally call for a return to a 40 hour work week. On a straight-time wage rate basis this would mean a decrease of 33 per cent in manufacturing payrolls as against a 25 per cent drop in employment. The elimination of overtime premium pay would mean a further loss of about 5 per cent. Additional reductions in income probably would result from necessary downgrading, loss of incentive pay and premium pay for night shift work, and shifts to lower paid jobs in peacetime manufacturing. Taken together, manufacturing payrolls in the post-reconversion period might be some 45 per cent less than at wartime peak on the basis of present wage rates.

Income from the new jobs in nonmanufacturing lines will tend to offset in some measure the decrease in manufacturing payrolls. Even so, total worker income in the post-reconversion period probably will not be as high as at the wartime peak even assuming some increase in basic wage rates. In general, nonmanufacturing jobs pay less money than manufacturing jobs, and even with nonmanufacturing lines absorbing all displaced manufacturing workers, there would still be income losses. Just how substantial these would be depends primarily upon the pattern of nonmanufacturing employment. If the major increases in nonmanufacturing lines occur in construction, transportation and public utilities, and in Government service, income would be maintained much better than if they occur in the trade and services. In this connection, it is noteworthy that a large Government payroll will come to the St. Louis area with the establishment of an Army records office in the St. Louis Small Arms Plant buildings.

SMALLER DISTRICT CITIES

In 1940 about 190,000 manufacturing workers and about 900,000 nonmanufacturing workers (exclusive of agriculture) were employed in areas in the district outside the five metropolitan regions. On the basis of some 25 surveys of postwar manufacturing employment potentials in the smaller cities of the district, manufacturing employment in those cities after reconversion should be about 30 per cent higher than in 1940. Ten smaller city studies of nonmanufacturing employment in the post-reconversion era indicate an increase of about 20 per cent over 1940. The smaller cities, like the major urban centers, showed little change in total nonmanufacturing employment during the war period.[2]

These surveys indicate that some 250,000 workers will be employed in manufacturing outside the metropolitan areas. This would be only slightly below the wartime peak despite the closing of several major war plants which have been located in some of the smaller cities and towns of the district. Nonmanufacturing employment outside the major urban centers may approximate 1,080,000. With this level of total nonagricultural employment, there should be some population growth in the smaller cities of the area, most of it coming from the rural sections. The major metropolitan areas may be expected to hold most of their wartime population growth.

From the standpoint of over-all district income it would be a healthy development if the urban areas could provide the indicated level of employment in the postwar period. It would prevent a return of people to the farming areas of the district and permanently reduce the district's farm population. In view of the technological progress that may now be made in farming, it is doubtful that district agriculture, with the further mechanization that may be expected after the war, will require even the present reduced number of people on farms to maintain the present volume of production, although those who continue farming, with improved methods, should be able to earn a more satisfactory level of per capita income.

PHYSICAL RECONVERSION OF PLANT

For the most part, district industry is in a very favorable situation as far as physical reconversion of plant and machinery is concerned. In the St. Louis area, for example, only 29 of 791 concerns surveyed needed any time at all to reconvert. For most industries which are important in the district, conversion to war manufacture meant a change of market rather than a change in production process. Among industries in this position were the processors of food, tobacco, textiles and apparel, basic and finished lumber, paper and printing, leather, and stone, glass and clay.

Certain other important manufacturing lines in the district have only minor reconversion problems. These include chemicals, petroleum, steel, nonferrous metals products, and electrical machinery producers. Industries which are expected to face the most difficult physical reconversion problems, machinery (other than electrical), automobiles, and other transportation equipment, are relatively minor factors in the district industrial structure. For the most part, such plants as do exist in the district are located in St. Louis and Evansville, and surveys of individual manufacturers in those cities indicate that even in these lines the district reconversion problem is not particularly difficult.

FINANCING RECONVERSION

The financing of reconversion and the resumption of civilian business also is not expected to be a problem in this district. Such surveys as have been conducted on the financial needs of manufacturers indicate that very few industrial concerns need any outside financing at all. For those that do need financing, bank credit is available in more than sufficient volume to satisfy their needs.

Indications of the volume of long term financing necessary have been developed by surveys which asked for information on postwar construction and equipment expenditures and the volume of financing needed for such expenditures. In the St. Louis area, for example, a recent survey of the larger manufacturers revealed that $100 million was earmarked for postwar construction and equipment in the first two years after the war. Of this total $83 million would be paid for with funds owned by the concerns involved, including those obtained from liquidation of Government securities. Of the $17 million to be financed, borrowing would be divided almost equally between banks and other sources. A survey conducted in Evansville showed a considerable volume of projected construction and equipment purchase, but less than $1 million of this was to be financed by borrowing. Similar surveys in Little Rock and Fort Smith indicate approximately the same situation.

OTHER RECONVERSION PROBLEMS

Other factors appear more important in delaying the transition to full peacetime production. With the virtual elimination of military production, the

[2] The 25 industrial surveys cover more than one-fourth of all manufacturing employment outside the metropolitan regions and include cities and surrounding areas with a population of about 700,000. The ten nonindustrial surveys cover about 25,000 workers and include cities and areas with a total population of about 270,000.

supply situation has eased to such an extent that basic raw materials, with a few exceptions, should soon be available in sufficient volume to support almost any reasonable level of output. Nevertheless, certain of the materials in which shortages threaten, such as tin, rubber, and lumber, may be important deterrents to the rapid expansion of production of durable goods. Moreover, because the entire industrial structure is interdependent and interlocking, delays in the earlier stages of production may hold up expansion throughout the finished goods industries. This is particularly true with respect to essential component parts which are needed in a number of industries. Bottlenecks of this type occurred during the drive for war production, and in the face of this experience we may expect similar bottlenecks to impede expansion of civilian production in the months ahead. In recent weeks, for example, production schedules of certain durable consumers' goods have been curtailed because labor disputes shut down plants of parts manufacturers.

Another factor that may tend to slow down expansion of manufacturing is the difficulty involved in setting up satisfactory selling and marketing organizations. Some companies that have been largely engaged in war production will have to re-establish their position in the trade. The possible market for new products will have to be tested before full-scale production is undertaken. Production of certain items may also be held up pending settlement of pricing problems.

The rate of expansion of civilian production is also dependent upon the manpower situation. At the present time some employers are finding difficulty in obtaining sufficient workers, particularly skilled workers, even in the face of widespread layoffs by war plants. During the next few months there will be large additions to the labor force from the discharge of veterans. How well the qualifications of returning veterans and displaced war workers will fit the needs of civilian production is a moot question. Undoubtedly the large shifts that will occur between areas, between plants, and between occupations will tend to delay the expansion of production. It took a long time to establish the pattern of production which we had at the end of the war. It would be unrealistic to assume that the quite different pattern needed for peacetime activity can be achieved in a short period of time.

Interest on Time Deposits

During the war years many banks have reduced the rate of interest paid on savings and other types of time deposits. These reductions have been due largely to the decline in yields on investments regarded as appropriate for bank portfolios. In late 1942 the Treasury indicated that it would issue no securities eligible for bank purchase which carried a coupon rate of more than two per cent. In recent years also direct offerings of Government securities to banks have been small and the banks have had to acquire securities in the market at a premium. Some banks reduced interest rates on time deposits in the early war years in an effort to reduce expenses. At this time profits were dropping at many banks, particularly those located in small towns and rural sections of the country, as a result of declining loan volume.

The following table shows the interest rates paid on time and savings deposits at Eighth District member banks in June, 1942, and June, 1945. Savings deposits continue to be the most important form of time deposits in district banks. On June 30, 1945, savings deposits at member banks in the district amounted to $620 million, or 85 per cent of all time deposits.

INTEREST RATES PAID ON TIME AND SAVINGS DEPOSITS AT EIGHTH DISTRICT MEMBER BANKS

Rate Paid (Per Cent)	Savings Deposits (Number of Banks) June, 1942	June, 1945	Certificates of Deposit (Number of Banks) June, 1942	June, 1945
2½	1	......	16	......
2	31	15	55	25
1½	47	19	91	33
1	226	257	192	271
Less than 1	10	27	7	29
No interest*	139	169	93	129

*Includes the banks which do not accept these types of time deposits.

As shown by the table, slightly over one-half of the banks pay 1 per cent interest on both savings and time certificates of deposit. A surprisingly large number of banks either pay no interest or offer no time deposit facilities. In 1942, 32 banks, or 7 per cent of the banks which were members at the time, paid 2 per cent or more on savings deposits as compared with only 15 banks, or 3 per cent of the total, in 1945. There were 47 banks which paid 1½ per cent in 1942 as against only 19 banks which paid that rate in 1945.

The same general trend toward lower interest rates was also true in the case of time certificates of deposit. Rates on time certificates of deposit, however, tended to average somewhat higher than on savings deposits at district banks on both dates.

In addition to lower rates of interest, banks generally have discouraged savings deposits in other ways. Most banks place a limit on the amount of deposits they will accept in a new account, and many banks stop paying interest on deposits in excess of a given amount. Also, banks have encouraged savings depositors to invest in Series "E" and other Government securities during the war.

Growth in Time and Savings Deposits—Despite reductions in interest rates and other efforts to discourage time and savings deposits, the volume has increased considerably during the war years. From June, 1942, to June, 1945, total time deposits of all member banks in the United States rose from slightly over $12 billion to nearly $22 billion, a gain of 79 per cent. Most of this growth occurred in the last two years. Prior to that time, individuals and businesses tended to accumulate liquid funds in the form of demand deposits, currency, and Government securities.

The increase in total time deposits at Eighth District member banks from June, 1942, to June, 1945, amounted to 71 per cent, which was somewhat less than the national average. As was true of the country as a whole, the growth at district banks has occurred largely during the past two years.

The substantial growth in time and savings deposits during the war reflects the same basic factors that produced the tremendous increases in all forms of liquid assets. Cash receipts of both businesses and individuals increased more rapidly than expenditures, including taxes and purchases of Government securities. The lag in the growth of time deposits is partly accounted for by the fact that the large growth of savings by individuals did not start as early as that for businesses. During the defense and early war period, individuals were using a substantial part of their increased income to pay off debt, particularly instalment credit. In later years the major share of the growth in both demand deposits and currency has been accounted for by individuals. Since time deposits are only slightly less liquid than currency and demand deposits, individuals have been placing an increasingly important share of their savings in time deposits.

In general, the increase in time deposit totals in this district has been greater at banks in the metropolitan areas than at those in rural regions. Over the three-year period from 1942 to 1945, time deposits at banks in the five major cities of the district increased by 75 per cent, in contrast to a rise of 55 per cent in the remainder of the district. As has been pointed out in previous issues of this Review, this is in contrast to the growth in demand deposits where the most pronounced increases have occurred in small towns and rural areas. This different pattern for time deposit growth tends to corroborate a recent survey indicating that farmers and people in small towns prefer to hold their cash balances in the form of demand deposits rather than in time deposits.

Effect of Interest Rates on Time Deposits—Since time and savings deposits have been rising sharply while interest rates have declined, it would appear that the rate of interest has had little effect on growth. During the war the increase in savings has been so large and the outlets so restricted both in terms of goods and services and of investments other than Government securities which were at rates that appeared low to many individuals, that savings tended to accumulate in liquid forms without much regard to possible return. The tremendous increase which has occurred in currency in circulation is certainly evidence that many individuals prefer liquidity at all costs.

Even during the war, however, interest rate changes have had some effect on the growth of time deposits. Banks which decreased their rates during the period tended to have smaller increases in time deposits than those which made no change in rate.

This was especially noticeable in areas where some banks reduced interest rates while others maintained their rates. In one town, for example, a bank which maintained its customary 1 per cent rate experienced an increase in time deposits of 118 per cent, in contrast to gains of 71 per cent and 86 per cent at the two banks which lowered their rates from 1 to ½ per cent. In another town, the banks which continued to pay 1 per cent on time deposits registered gains two to three times as large as that for the bank which discontinued paying interest on time deposits.

The elimination of interest payments entirely has, of course, had some effect in discouraging time deposit growth. At 30 rural banks where no interest is paid, time deposits rose by 7 per cent between June, 1942, and June, 1945, while at 255 similarly located banks, all of which paid some interest, time deposits rose by 64 per cent on the average. It is surprising, however, that savings deposits did not decline but continued to increase in banks which stopped paying interest. This was probably due largely to inertia and to the absence of attractive opportunities for investment.

Some people undoubtedly were accumulating funds in savings accounts for a specific purpose which could not be accomplished under wartime conditions. Others wished to segregate their funds for one reason or another, and savings or time deposits offered a convenient medium for this purpose. In some cases perhaps time deposits were used to avoid service charges that would be incurred if the funds were transferred to checking accounts. From the standpoint of safety, time deposits have definite advantages over holding funds in the form of currency.

With the return of more normal conditions, banks may wish to review their policies with respect to payment of interest on time deposits. With the possibility of greater opportunities of alternative forms of investment, the low rates which have been established may over a period of time tend to divert savings into other channels. Bank profits have increased substantially since the rates were placed into effect, and the Treasury has offered banks the opportunity to invest a portion of their time deposits in higher yield Government securities to put them more nearly on a par with other savings institutions.

CURRENT CONDITIONS

(Continued from Page 1)

relatively high level of unemployment include: the temporary delays in job openings attendant upon solution of the problems of materials supply, scheduling of production and distribution of goods; the relative immobility of labor in shifting to new types of work; lack of qualifications for many of the jobs on file at the employment offices; and unwillingness to accept jobs paying lower wages and with indifferent working conditions. An additional factor that will tend to hold down employment this winter is the usual seasonal decline in such important activities as construction, agriculture, and certain service industries.

INDUSTRY

Despite the retarding effects of labor disputes that are general throughout the nation, physical reconversion of industry is proceeding fairly rapidly, and the outlook for civilian hard goods production is fairly bright. In this district a fair amount of durable consumer goods is already moving off production lines in factories where work stoppages have not occurred.

Manufacturing—September data relating to industrial activity in this district indicate the pronounced decline that took place in manufacturing as a result of war contract cancellation. September was the first full month of nonwar activity. Consumption of industrial electric power in the major cities of the district in September was off 21 per cent from August and down 25 per cent from a year ago. Among the cities, reductions in power consumption were particularly noticeable at St. Louis, Louisville, Evansville, and Pine Bluff.

The primary factor making for a decline in industrial activity was the complete shutdown of most major war plants and the very sharp curtailment of work at others. Aside from those plants strictly on munitions production, other district industries for the most part continued to operate in September at about the same level as in August, after due allowance for seasonal movements.

Output of steel at district mills and foundries in September was about the same as in August although down from a year earlier. Ingot producing furnaces in the St. Louis district operated at 68 per cent of capacity in September as compared with 66 per cent in August and 81 per cent in September, 1944. Steel plants in general seem to be experiencing difficulty in obtaining sufficient labor for their needs, but it is not anticipated that this condition will hold for a very long period.

At the close of September, only 33 of Kentucky's 60 whiskey distilleries were in operation as compared with 50 a year earlier. The distilleries are again producing whiskey and neutral spirits for blending purposes. Operations are currently curtailed because of lack of corn, which is used in making bourbon whiskey. In October, distilleries were allotted only 750,000 bushels of corn, which will allow only a few days operation at capacity. They were allotted three million bushels of grain of other types, which can be used to manufacture whiskey other than bourbon, but even this volume will not permit anything like capacity operations. In view of the large corn crop in prospect this year, however, there is some possibility that distilleries will be able to produce more bourbon whiskey when the grain moves into supply channels.

Production of shoes in September, according to preliminary reports, totaled 6,427,321 pairs, 11 per cent less than in August and 8 per cent less than in September, 1944. Raw materials for shoe manufacture have been somewhat easier this year, and producers are attempting to reach high output levels to meet the pent-up demand for footwear. A noticeable movement toward the further decentralization of shoe production is taking place in this district with a number of the region's smaller nonindustrial cities and towns earmarked for branch shoe factories.

Lumber output in the district continues to run well below demand. Lumber is currently proving to be one of the major supply bottlenecks in rapid expansion of construction activity. Southern hardwood mills in September operated at 82 per cent of capacity as compared with 88 per cent a year earlier. Southern pine production in September was down about 5 per cent from August and 10 per cent from a year ago.

Construction—Construction activity continues to pick up in this district. In terms of dollar value, building permits granted in the major cities of the district in September were almost three times as large as in September, 1944, and more than four times as much as in the same month in 1943. According to F. W. Dodge figures, value of construction contract awards of all types in this district in the first eight months of 1945 totaled $226 million, or 222 per cent more than the $70 million in awards in the comparable period of 1944.

TRADE

Despite considerable unemployment in this district, due to mass layoffs at war plants and the influx of returning servicemen, retail sales continue at exceptionally high levels. In September, department store sales in this district were 9 per cent more than in August and 5 per cent larger than a year earlier. Men's and women's clothing shops reported gains over a year ago of 15 per cent and 12 per cent, respectively. As compared with August, men's clothing store sales were up 49 per cent, reflecting in large measure demand of returning service personnel for civilian clothing, and women's apparel sales were 11 per cent higher. Sales at district shoe stores and furniture stores registered increases over a year earlier, but were down fractionally from August.

For the first nine months of this year the increase in department store sales over the like period in 1944 has been fairly uniform among major district cities with the notable exception of Evansville, where the sales level this year has barely held that of 1944. Evansville has perhaps suffered more industrial dislocation as a result of the abrupt end of the war than any other major district city. For the district as a whole, sales in the first nine months of 1945 averaged 12 per cent more than in the comparable period in 1944. So far there are no indications that this gain will be cut in the last quarter. In the first three weeks of October, sales gains over comparable weeks last year averaged about as high as the year to date gain.

Stores are attempting to build up inventories as rapidly as possible and in general goods are becoming easier, but stocks are still badly out of balance and heavy buying makes it difficult to maintain desired levels.

AGRICULTURE

Cool weather and intermittent rains have been rather general over much of the country in recent

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	August 1945	August 1944	Cumulative for 8 months 1945	Cumulative for 8 months 1944	Cumulative for 8 months 1943
Arkansas	$ 11,069	$ 13,599	$ 136,647	$ 132,678	$ 130,284
Illinois	96,360	88,597	738,610	770,905	722,743
Indiana	60,054	59,634	421,686	439,444	410,199
Kentucky	23,851	23,523	280,830	233,545	203,836
Mississippi	11,865	10,808	125,979	107,560	119,685
Missouri	63,628	55,266	429,122	429,319	389,395
Tennessee	17,829	18,613	185,831	184,893	159,357
Totals	284,656	270,040	2,318,705	2,298,344	2,135,499

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts Sept., 1945	Receipts Aug., 1945	Receipts Sept., 1944	Shipments Sept., 1945	Shipments Aug., 1945	Shipments Sept., 1944
Cattle and Calves	202,582	208,067	211,271	106,352	123,404	108,273
Hogs	75,389	86,136	188,105	26,876	30,072	47,843
Horses and Mules	2,972	1,870	2,452	2,972	1,870	2,446
Sheep	103,507	109,471	75,613	49,288	49,342	11,455
Totals	384,450	405,544	477,441	185,488	204,688	170,017

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926-100)	Sept., 1945	Aug., 1945	Sept., 1944	Sept., '45 comp. with Aug., '45	Sept., '45 comp. with Sept., '44
All Commodities	105.2	105.7	104.0	— 0.5%	+ 1.2%
Farm Products	124.3	126.9	122.7	— 2.0	+ 1.3
Foods	104.9	106.4	104.2	— 1.4	+ 0.7
Other	99.8	99.9	98.6	— 0.1	+ 1.2

COST OF LIVING

Bureau of Labor Statistics (1935-39=100)	Aug. 15, 1945	July 15, 1945	Sept. 15, 1942	Aug. 15,'45 comp. with July 15,'45	Aug. 15,'45 comp. with Sept. 15,'42
United States	129.2	129.4	117.8	—0.2%	+ 9.7%
St. Louis	127.5	126.9	116.6	+0.5	+ 9.3
Memphis	*	*	119.3	....	....

*Not available.

COST OF FOOD

Bureau of Labor Statistics (1935-39=100)	Aug. 15, 1945	July 15, 1945	Sept. 15, 1942	Aug. 15,'45 comp. with July 15,'45	Aug. 15,'45 comp. with Sept. 15,'42
U. S. (51 cities)	140.9	141.7	126.6	—0.6%	+11.3%
St. Louis	144.0	142.9	126.7	+0.8	+13.7
Little Rock	140.4	141.0	129.2	—0.4	+ 8.7
Louisville	135.0	134.3	124.2	+0.5	+ 8.7
Memphis	150.9	150.7	129.7	+0.1	+16.3

weeks. Killing frost occurred in many of the northern and north-central areas during the week of October 9. Growth was stopped and maturity of crops aided in regions in which frost occurred. Cool weather and rain, however, have retarded maturity in sections free from frost. The unfavorable weather which has existed recently may tend to lower some of the earlier prospects for 1945 crops.

Corn maturity has been retarded by cool weather in many areas but stepped up by frost in others. Reports coming from most sections indicate that the corn crop is from 75 per cent to 90 per cent mature. Corn harvest in some of the southern areas has been slowed by the wet weather.

General conditions in much of the cotton area have not been favorable to maturing and picking. The crop is late and in many areas considerable damage from boll rot and seed sprouting has occurred. This has been particularly true in the central and western sections of the Cotton Belt. Picking has advanced rather well in the eastern section. The rice crop has been ripening well and harvesting is well under way. Soybean harvest has been held back in some areas by the lateness of the crop and the unfavorable weather, but good progress is now being made. Pastures are generally good.

In the Eighth District the unfavorable weather that has prevailed during most of 1945 has continued into the fall season. Cool weather and too much tain in much of the district has retarded maturity of crops and is causing much damage to the yield and quality of cotton in particular. Fall seeding of grain crops has likewise been retarded. Tobacco cutting is nearing completion with a small acreage still out. The weather has been cool but satisfactory drying is being accomplished.

Outlook—The 1945 crop outlook for the United States continued generally good as of October 1, and estimated over-all production compares very favorably with the record output of 1944. Cotton production will suffer a greater decline as compared with 1944 than any other major crop. The October 1 estimate of 9,779,000 bales is 2,450,000 bales less than was produced in 1944. Corn is indicated currently at 3,078 million bushels as compared to 1944 production of 3,228 million bushels. Total wheat production in 1945 stands at 1,150 million bushels as contrasted to 1944 production of 1,079 million bushels. The prospective oats harvest is estimated at 1,583 million bushels, which is considerably larger than the 1,166 million bushels produced in 1944. Tame hay production of 90 million tons is indicated for 1945 as compared to 84 million tons in 1944. The estimate of tobacco production of all types is 2,037 million pounds, or about 90 million pounds more than was cut in 1944.

The Eighth District suffered unusually unfavorable weather conditions throughout most of 1945, but despite this and the general shortage of labor and farm equipment, total farm production in the district apparently will rank with the record crops of recent years. Production of cotton is estimated at 3,167,000 bales, which is considerably under the

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	Sept. 1945 K.W.H.	Aug. 1945 K.W.H.	Sept. 1944 K.W.H.	Sept., 1945 compared with Aug., '45	Sept., '44
Evansville	40	4,664	8,242	7,959	—43%	—41%
Little Rock	34	3,239	3,524	3,281	— 8	— 1
Louisville	82	14,074	16,484	17,668	—15	—20
Memphis	31	5,316	5,629	6,491	— 6	—18
Pine Bluff	19	3,215	6,426	7,647	—50	—58
St. Louis	139	68,664	85,848	89,976	—20	—24
Totals	345	99,172	126,153	133,022	—21	—25

*Selected industrial customers.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Sept., '45	Aug., '45	Sept., '44	First nine days Oct., '45	Oct., '44	9 mos. '45	9 mos. '44
114,748	130,813	148,479	34,123	44,479	1,364,836	1,432,461*

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

COAL PRODUCTION

(In thousands of tons)	Sept., '45	Aug., '45	Sept., '44	Sept., '45 comp. with Aug., '45	Sept., '44
Illinois	5,717	5,591	5,685	+ 2%	+ 1%
Indiana	2,076	2,111	2,217	— 2	— 6
Kentucky	5,548	5,316	5,597	+ 4	— 1
Other Dist. States	1,408	1,486	1,726	— 5	— 18
Totals	14,749	14,504	15,225	+ 2	— 3

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Sept. 1945	Aug. 1945	Sept. 1944	Sept., '45, comp. with Aug., '45	Sept., '44
El Dorado, Ark.	$ 10,428	$ 11,004	$ 9,582	— 5%	+ 9%
Fort Smith, Ark.	24,387	22,520	22,145	+ 8	+10
Helena, Ark.	5,273	5,183	4,329	+ 2	+22
Little Rock, Ark.	81,226	79,415	73,426	+ 2	+11
Pine Bluff, Ark.	16,331	13,702	18,351	+19	—11
Texarkana, Ark.-Tex.	7,492	8,041	11,540	— 7	—35
Alton, Ill.	13,290	14,239	13,642	— 7	— 3
E.St.L.-Nat.S.Y.,Ill.	73,146	73,097	77,652	- 0 -	— 6
Quincy, Ill.	16,832	17,777	16,689	— 5	+ 1
Evansville, Ind.	73,568	88,986	99,742	—17	—26
Louisville, Ky.	315,018	363,233	327,356	—13	— 4
Owensboro, Ky.	17,785	18,299	16,768	— 3	+ 6
Paducah, Ky.	8,612	8,011	7,916	+ 8	+ 9
Greenville, Miss.	7,964	6,496	9,521	+23	—16
Cape Girardeau, Mo.	5,289	5,248	4,856	+ 1	+ 9
Hannibal, Mo.	5,180	4,914	4,784	+ 5	+ 8
Jefferson City, Mo.	28,378	20,752	25,845	+37	+10
St. Louis, Mo.	946,257	991,613	968,492	— 5	— 2
Sedalia, Mo.	6,014	5,879	5,560	+ 2	+ 8
Springfield, Mo.	34,797	33,541	33,552	+ 4	+ 4
Jackson, Tenn.	9,706	7,993	11,487	+21	—16
Memphis, Tenn.	216,526	211,408	244,024	+ 2	—11
Totals	1,923,499	2,011,351	2,007,259	— 4	— 4

RETAIL TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Sept., 1945 compared with		9 mos. '45 to same period '44	Sept. 30, '45 comp. with Sept. 30, '44	Jan. 1, to Sept. 30,	
	Aug., '45	Sept., '44			1945	1944
Ft. Smith, Ark....	+21%	+14%	+10%	—11%	3.32	3.26
Little Rock, Ark	+10	+ 6	+14	— 9	4.04	3.58
Quincy, Ill..........	+13	+ 9	+12	+20	4.27	3.80
Evansville, Ind...	— 1	—13	+ 1	....	....	..
Louisville, Ky.....	+ 5	— 1	+12	+ 1	4.43	3.80
St. Louis Area[1]...	+10	+ 8	+13	+ 9	3.50	3.31
St. Louis, Mo..	+10	+ 8	+14	+ 9	3.50	3.31
E. St. Louis, Ill...	+17	+ 2	+ 5	....	....	..
Springfield Mo....	+ 5	+ 4	+18	— 4	3.78	3.12
Memphis, Tenn..	+ 6	+ 3	+11	0 -	3.88	3.61
*All other cities..	+19	+11	+ 8	+ 9	3.54	3.36
8th F.R. District	+ 9	+ 5	+12	+ 4	3.70	3.44

*El Dorado, Fayetteville, Pine Bluff, Ark.; Alton, Harrisburg, Jacksonville, Mt. Vernon, Ill.; New Albany, Vincennes, Ind.; Danville, Hopkinsville, Mayfield, Paducah, Ky.; Chillicothe, Mo.; and Jackson, Tenn.

[1]Includes St. Louis, Mo., East St. Louis and Belleville, Ill.

Trading days: September, 1945—24; August, 1945—27; September, 1944—25.

Outstanding orders of reporting stores at the end of September, 1945, were 27 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding September 1, 1945, collected during September, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith.....	..%	66%	Quincy	41%	76%
Little Rock........	35	61	St. Louis..........	42	72
Louisville	37	63	Other cities......	38	59
Memphis	49	62	8th F.R. Dist.	41	67

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Sept., 1945	Aug., 1945	July, 1945	Sept., 1944
Sales (daily average), Unadjusted[1]............	234	194	185	212
Sales (daily average), Seasonally adjusted[1]	213	225	250	193
Stocks, Unadjusted[2]	118	120	118	113
Stocks, Seasonally adjusted[2]........................	112	121	126	107

[1]Daily Average 1935-39 = 100

[2]Monthly Average 1923-25 = 100

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Sept., 1945 compared with		9 mos., '45 to same period, '44	Sept. 30, '45 comp. with Sept. 30, '44	Jan. 1, to Sept. 30	
	Aug., '45	Sept., '44			1945	1944
Men's Furnishings...	+49%	+15%	+13%	—20%	2.81	2.16
Boots and **Shoes**	+ 1	+15	+17	—17	8.11	6.28

Percentage of accounts and notes receivable outstanding September 1, 1945, collected during September:

Men's Furnishings ....82%   Boots and Shoes..........................62%

Trading days: September, 1945—24; August, 1945—27; September, 1944—25.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	Sept., 1945 compared with		Sept., 1945 compared with			
	Aug., '45	Sept., '44	Aug., '45	Sept., '44	Sept., 1945	Sept., 1944
St. Louis Area[1]	— 6%	— 7%	- 0 -%	+ 1%	40%	41%
St. Louis........	— 7	— 7	- 0 -	+ 1	41	41
Louisville Area[2]	+29	+27	+ 4	+23	39	33
Louisville	+33	+20	+ 6	+29	37	31
Memphis	— 5	+17	+ 2	+26	25	28
Little Rock........	+17	+31	— 6	+ 4	31	28
Fort Smith........	+21	+26	*	*	*	*
8th Dist. Total[3]..	- 0 -	- 0 -	- 0 -	+ 3	37	37

*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]Includes Louisville, Kentucky; and New Albany, Indiana.

[3]In addition to above cities, includes stores in Blytheville, Pine Bluff, Arkansas; Evansville, Indiana; Henderson, Hopkinsville, Owensboro, Kentucky; Greenville Greenwood, Mississippi; Cape Girardeau, Hannibal and Springfield, Missouri.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Sept., '45	Aug., '45	Sept., '44
Cash Sales..	24%	20%	19%
Credit Sales...	76	80	81
Total Sales......	100	100	100

3,741,000 bales produced in 1944. District corn crop prospects are now much more favorable than anticipated earlier this year with an indicated production of 362 million bushels as compared with 367 million bushels produced in 1944. District wheat production in 1945 totaled 71 million bushels as against 65 million bushels last year. Farmers in this region have harvested 62 million bushels of oats as contrasted to 54 million bushels produced in 1944. Tame hay production in 1945 is 1 million tons in excess of the 8 million tons produced last year. Contrary to the national picture, the prospective district production of 363 million pounds of tobacco is slightly under the 384 million pounds produced in 1944.

BANKING AND FINANCE

Banking changes in the Eighth District during the past month were characteristic of an interdrive period with the further influence of the September quarterly income tax date. On October 17, demand deposit totals were only slightly higher than five weeks earlier, but substantial shifts occurred within that period. At weekly reporting banks demand deposits of individuals, partnerships, and corporations declined $42 million in the two weeks following September 12 as income tax payments were made. In the next three weeks, however, private deposits were built up as the Government paid out funds to meet expenses. War Loan accounts at the reporting banks on October 17 were $40 million less than on September 12.

To counteract deposit withdrawals, mostly for tax purposes, at rural banks, these banks temporarily drew down their correspondent balances at the urban banks. By mid-October, however, bankers' balances at the reporting banks had largely been restored to their pre-tax date level. Time deposits continued to show a steady increase throughout the five-week period.

Total loans rose slightly in the past five weeks with the increase concentrated in commercial, industrial, and agricultural loans. The gain occurred almost entirely at Memphis banks and reflected financing of the cotton crop. Loans for purchasing and carrying Government securities declined in the five weeks, a normal development in periods between large scale Treasury financing.

Weekly reporting member bank investment portfolios on October 17 were about $40 million less than on September 12. Decreases occurred in holdings of all types of Government securities except Treasury bonds which rose some $10 million.

MANAGING DIRECTOR OF MEMPHIS BRANCH TO RETIRE

William H. Glasgow, Managing Director of the Memphis Branch of the Federal Reserve Bank of St. Louis, will retire December 31, 1945, under provisions of the Federal Reserve Retirement System.

Mr. Glasgow began his career with the Federal Reserve Bank of St. Louis at the parent bank on December 14, 1914, shortly after it opened. In 1919 he was elected an assistant cashier supervising the Credit Department. Since March 1, 1926, he has served as Managing Director of the Memphis Branch. During this period of nearly 20 years, the number of employees at the Memphis Branch has increased from only 25 to nearly 200. As a matter of policy, the functions of the Reserve Bank branches have expanded considerably in recent years.

To succeed Mr. Glasgow, the Board of Directors of the bank elected William B. Pollard as Managing Director of the Memphis Branch, effective January 1, 1946. He was born near Chester, Choctaw County, Mississippi, on July 23, 1896. He graduated from the Ackerman High School, Ackerman, Mississippi, in 1914, and attended the Mississippi State College at Starkville.

Mr. Pollard began his business career with the First National Bank, Hattiesburg, Mississippi, and subsequently was employed by the Capital National Bank, Jackson, Mississippi. In 1927 he joined the State Banking Department of Mississippi as an examiner, with headquarters at New Albany. In 1933 he became an assistant examiner for the Board of Governors of the Federal Reserve System, was promoted to examiner in 1934, and has been Assistant Director of its Division of Examinations since 1942.

NEW MEMBER BANK

On October 1 the Merchants and Farmers Bank, Columbus, Mississippi, became a member of the Federal Reserve System.

Columbus is located in Lowndes County in the northeastern part of Mississippi. The Merchants and Farmers Bank was chartered July 15, 1902, and has a capital of $100,000, surplus of $130,000, and deposits of approximately $3,650,000. Its officers are C. H. Reeves, President; T. H. Henry, Vice-President; J. O. Slaughter, Vice-President, and D. D. Patty, Cashier. It is the fifteenth State bank in the Eighth District to join the System in 1945.

WHOLESALING

WHOLESALING

Lines of Commodities	Net Sales		Stocks
Data furnished by Bureau of Census, U. S. Dept. of Commerce.*	September, 1945 compared with Aug., '45	Sept., '44	Sept. 30, 1945 compared with Sept. 30, 1944
Drugs and Chemicals	+ 6%	+ 6%	....%
Dry Goods	—17	—17	—10
Electrical Supplies	+ 2	+24	+14
Groceries	- 0 -	+ 1	—16
Hardware	— 4	— 2	+ 1
Plumbing Supplies	— 7	+30	....
Tobacco and its Products	— 3	+ 8	+12
Miscellaneous	—17	—12	—13
Total all lines**	— 8	— 5	— 7

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

CONSTRUCTION

BUILDING PERMITS

(Cost in thousands)	New Construction Number 1945	1944	Cost 1945	1944	Repairs, etc. Number 1945	1944	Cost 1945	1944
Evansville	32	23	$ 476	$ 37	122	122	$ 67	$ 42
Little Rock	55	26	179	57	198	215	71	55
Louisville	87	61	543	182	44	32	28	73
Memphis	360	234	770	231	168	225	120	68
St. Louis	152	80	1,240	283	195	184	275	272
Sept. Totals	686	424	3,208	790	727	778	561	510
Aug. Totals	1,065	441	3,223	823	769	792	748	442

BANKING

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

(In thousands of dollars)	Oct. 17, 1945	Change from Sept. 19, 1945	Change from Oct. 18, 1944
Industrial advances under Sec. 13b	$.	....	....
Other advances and rediscounts	15,790	— 14,760	+ 7,790
U. S. Securities	1,050,462	+ 4,618	+452,591
Total earning assets	1,066,252	— 10,142	+460,381
Total reserves	582,239	+ 11,316	—237,453
Total deposits	638,100	— 5,674	+ 66,894
F. R. notes in circulation	1,022,056	+ 11,848	+149,032
Industrial commitments under Sec. 13b	. ....	....	....

PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS

(In thousands of dollars)	Oct. 17, 1945	Change from Sept. 19, 1945	Change from Oct. 18, 1944
Total loans and investments	$1,938,037	+ 8,884	+231,912
Commercial, industrial, agricultural loans*	252,714	+ 8,141	+ 16,939
Loans to brokers and dealers in securities	11,913	+ 3,522	+ 4,590
Other loans to purchase and carry securities	44,085	— 519	+ 17,354
Real estate loans	68,166	+ 919	+ 2,402
Loans to banks	3,197	+ 602	+ 2,084
Other loans	87,831	— 363	+ 10,294
Total loans	467,906	+ 12,302	+ 53,663
Treasury bills	38,578	+ 5,424	— 11,666
Certificates of indebtedness	227,922	— 19,121	—106,526
Treasury notes	320,689	— 7,823	+ 85,231
U. S. Bonds	746,097	+ 16,407	+206,706
Obligations guaranteed by U. S. Govt.	362	— 162	— 23,638
Other securities	136,483	+ 1,857	+ 28,142
Total investments	1,470,131	— 3,418	+178,249
Balances with domestic banks	112,033	— 331	— 4,304
Demand deposits—adjusted**	1,131,903	+ 33,172	+ 87,225
Time deposits	333,969	+ 5,883	+ 70,133
U. S. Government deposits	220,974	— 26,916	+ 43,704
Interbank deposits	599,709	+ 13,050	+ 44,435
Borrowings	13,090	— 15,610	+ 6,090

*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

Output and employment at factories producing war products declined further in September but production and incomes in most other sectors of the economy were maintained or increased somewhat. Retail buying in September and the first half of October continued above year ago levels.

Industrial production—Industrial production declined eight per cent in September, reflecting mainly the continued rapid liquidation of output for war purposes, and the Board's seasonally adjusted index was 172 per cent of the 1935-39 average as compared with 187 in August and 210 in July.

Reduced activity in the machinery and transportation equipment industries continued to account for most of the decline in the total index. Output in these industries during September was about one-fifth below the August average and one-half of the rate at the beginning of the year. Steel production, on the other hand, was five per cent larger in September than in August. In the first three weeks of October, however, steel mill operations declined substantially owing largely to a temporary reduction in coal supplies. Output of nonferrous metals, lumber, and stone, clay and glass products decreased somewhat in September.

Production of nondurable goods, as a group, showed little change in September, as further reductions in output of war products in the chemical, petroleum, and rubber products industries were offset by increases in output of most civilian-type products. Output of textile yarns and fabrics, shoes, meats, beverages, cigarettes, and paper products increased.

Output of minerals declined in September due mainly to an eight per cent decrease in crude petroleum production. Coal production increased in September but in the first three weeks of October dropped sharply as a result of work interruptions at bituminous coal mines.

Contracts awarded for private construction, according to the F. W. Dodge Corporation, increased further in September, reflecting the largest volume of awards for nonresidential building in many years. Private residential awards showed little change and publicly-financed construction declined further.

Employment—Employment at factories showed a decline of about 600,000 during the month of September, as compared to a decrease of 1,600,000 workers during August, reflecting a much smaller reduction of munitions employment in September and some increases in other industries. Employment in most nonmanufacturing lines, except Government service, was maintained or increased slightly, after allowing for seasonal changes.

Distribution—Department store sales in September showed about the usual sharp seasonal increase and the Board's adjusted index was 199 per cent of the 1935-39 average. This was at the same high level as the average for the first half of 1945 and was seven per cent above that for September, 1944. In the first two weeks of October sales were 11 per cent larger than in the corresponding period last year.

The total volume of railroad revenue freight was maintained in September at the August rate and was only eight per cent lower than last year's high level. In the early part of October shipments of coal and coke declined substantially as a result of the drop in coal production.

Commodity prices—Prices of cotton, grains, and most other farm products increased somewhat from the middle of September to the middle of October, following decreases in the previous six weeks. Prices of most industrial products continued to be maintained at Federal maximum levels.

Bank credit—Rising reserve requirements, resulting from expanded deposits of businesses and individuals, and an increase in currency in circulation accounted for continuing needs for reserve funds by banks between the middle of September and the middle of October. These needs were supplied through decreases in Treasury and nonmember deposits at Federal Reserve Banks. The amount of Reserve bank credit outstanding showed little change in the period. Money in circulation increased by $175 million during the four weeks ended October 17; this was a smaller growth than has been customary in recent years reflecting in part some currency inflow following the mid-September tax date. Holdings of Government securities and member bank borrowing at the Reserve banks increased fairly substantially in the latter part of September concurrent with a temporary rise in Treasury deposits, but both were later reduced. This reduction in security holdings was in Treasury bills and accompanied an increase in member bank holdings of bills.