



Monthly Review

F E D E R A L R E S E R V E B A N K O F S T . L O U I S

JUNE 1, 1946

Survey of Current Conditions

The prolonged loss of production in the soft coal industry, coupled with the effects of many lesser difficulties, will seriously delay the achievement of full-scale industrial operations which are so vital to the nation's economic welfare. Continuation of the current buying boom looks more and more like a symptom of inflation, and a wage-price spiral seems to be setting in to some degree.

Nevertheless, these conditions should not lead to an overpessimistic discounting of the future. They are perhaps characteristic of periods of transition and other conditions far more than offset them in the outlook. Employment holds at a level never before approached in peacetime. Unemployment is far below expectations. Current income remains high, almost at wartime peak level. Demand for all types of goods is tremendous and is backed up by equally tremendous purchasing power, both current income and savings. Great productive capacity exists to turn out the goods and as supply increases, the danger of unrestrained inflation decreases. Fiscal and credit policies are acting to put other brakes on potential inflationary pressures through decreasing the money supply.

This does not mean that unfavorable developments like those cited earlier should be ignored. They have delayed full scale output and distribution of goods and thus have made more difficult the job of restraining inflation by the other approaches. The major attack on inflationary pressure must come through rapidly increasing supplies of goods in the market place and every effort should be made to promote this end.

One result of the current disruption of produc-

tion will be to further delay rebuilding manufacturers' inventories to a level consistent with anticipated sales volume. At the end of February, the total value of manufacturers' inventories (seasonally adjusted) was \$300 million higher than at the end of the war, despite the huge liquidation of war goods. This level was, however, considerably below that probably required to support the expanded sales volume expected during the foreseeable future.

The necessity for additional increases in inventories is suggested by the fact that in terms of the 1929-39 relationship between manufacturers' inventories and sales, current stocks are well below the amounts needed to establish a smooth flow of goods to consumers. The inventory deficit at the end of the year, based on the prewar relation of inventories to sales and computed on the basis of fourth quarter shipments, was estimated at nearly \$1.5 billion.

EMPLOYMENT

In April, total employment in this district increased slightly, as gains in nonmanufacturing lines, particularly trade, service and construction, more than offset a small decrease in manufacturing employment. Anticipated factory employment increases have not materialized, largely because of manufacturers' uncertainties engendered by the coal strike and the threat of a railroad strike. The truce between operators and miners brought recalls to most district factory workers who had been laid off temporarily, but few firms are expanding employment at the moment.

Following the post-V-J Day low, employment in

(Continued on Page 6)

Lumber: A Key Factor in the Economic Outlook

Attainment of capacity production in the lumber industry would be a major contribution to the solution of two critical domestic problems—housing and inflation. The volume of lumber produced for construction during the next two years will be a determining factor in achieving the national housing goal of 2.7 million dwelling units started in 1946-1947. Availability of lumber for non-construction purposes will have considerable bearing upon the speed and efficiency with which large-scale production and distribution of many consumer goods is reached. To that extent it will be an important factor in restraining inflationary pressures resulting from goods shortages.

From a longer range viewpoint the lumber industry itself is most concerned about reaching capacity operations, for its success in meeting production quotas will have an important effect upon the long-term demand for lumber. The critical nature of the current housing and industrial needs could well lead to development of many substitute materials, both for construction and industrial use, unless adequate supplies of lumber are produced.

The current production goals in the lumber industry, however, can be achieved only if some conditions which have led to curtailed output throughout the war period are changed. Lumber production declined sharply during the war years; 1945 output was almost 25 per cent less than that of 1941. Current production is now at an annual rate somewhat higher than in 1945, but most of the adverse factors of the war period persist. If they continue, there is little likelihood that quotas will be made and there seems to be small promise that conditions can be changed soon enough or to a sufficient extent to bring prompt relief.

CURRENT PRODUCTION REQUIREMENTS

The major problem confronting the lumber industry is to raise output to a level which will provide sufficient lumber for current needs. In addition, a substantial increase in inventories is almost imperative to assure a reasonably smooth flow of lumber from the mills to the consumer.

The magnitude of the production job confronting the industry is indicated by the fact that total lumber requirements during 1946 and 1947 are estimated at 36.7 billion and 39.6 billion board feet respectively. These will average 36 per cent more than estimated actual production in 1945 and 6 per

cent more than in 1941 when the industry operated at the highest level since the late 1920's.

While industrial demand is expected to reach new peaks this year, the bulk of the lumber produced, as usual, will be channeled into the construction industry. In 1946, the value of total construction is estimated at \$14.0 billion, including \$8.9 billion for new construction and \$5.1 billion for essential maintenance of existing structures. Preliminary estimates indicate that in 1947 total construction will amount to \$19.5 billion, of which \$13.4 billion will represent new construction and \$6.1 billion maintenance and repair expenditures. These amounts become comprehensible only when compared with the peak years of the 1920's when dollar volume of total construction amounted to \$14.7 billion and new construction reached a peak of \$11.1 billion.

Translated into terms of board feet of lumber, the construction program is expected to consume 19.0 billion board feet in 1946 and about 26.3 billion board feet the following year. New residential construction alone in 1946 will require about 6.6 billion board feet and in 1947 is expected to call for almost 11.0 billion board feet.

Added to the construction demand, which accounted for about 57 per cent of total domestic consumption in the decade preceding the war, are the requirements for non-construction use. Box and crating requirements normally take about 17 per cent of total consumption. Other manufacturing, including the furniture, automobile and ship-building industries, requires approximately 11 per cent, while railroads take about 10 per cent of the total. The remainder, averaging before the war 5 per cent, represents the volume for exports.

In addition to producing sufficient lumber to meet the estimated construction and industrial demands during 1946 and 1947, the lumber industry also is confronted with the necessity of rebuilding inventories, which at the end of 1945 were 52 per cent lower than at the close of 1941. Faced with a tremendously expanded wartime domestic consumption rate, which averaged almost 8 per cent greater than estimated production during the past six years, mills and dealers were forced to make increasingly deep inroads into lumber stocks. Wholesalers' inventories declined 68 per cent and retail dealers' stocks 80 per cent from the beginning of 1942 to the end of 1945. In district states, mill

stocks were reduced 57 per cent during 1944 and 1945. The seriousness of the decline in total stocks is accentuated by the gross disbalance which exists between various types and sizes of lumber.

THE EIGHTH DISTRICT LUMBER INDUSTRY

Logging and lumbering are important economic activities in this district. In 1940, some 65,000 people worked in district establishments of this type, about 13 per cent of total manufacturing employment in this area. In 1942, the latest year for which detailed regional statistics on the lumber industry are available, the district contained about one-sixth of all the sawmills in the United States. It should be noted that the average district mill was appreciably smaller, in terms of output, than the national average—the district had 17 per cent of the nation's mills but only 8 per cent of national output.

Production of lumber in the Eighth District is heavily concentrated in Arkansas, which accounts for more than half of total district output. The district portion of Mississippi is also an important lumber center with about one-fifth of the region's production. Other important district areas are in Missouri where walnut is the leading item, and in Kentucky and Tennessee. Soft woods, especially various species of pine, are the predominant form of lumber found in the district, but there are numerous valuable hardwood stands, including oak, gum, poplar and hickory. These latter are important sources of materials for the furniture and other finished lumber products industries.

PRODUCTION DURING WORLD WAR II

Despite the pressure to increase lumber output as part of the war effort, production which was very high in 1941 and 1942 declined steadily in the ensuing years. During the four war years, 1942-45 inclusive, it averaged 32.9 billion board feet annually, 10 per cent less than in 1941 and 1942. Last year only 28 billion board feet were produced. It should be noted, however, that output in the war years averaged about 20 per cent more than in the 1936-39 period.

Compared with the 1936-39 period, district production in the war years was up considerably more than that for the entire country. The ratio of output in the seven states partly or wholly contained in the Eighth District to national production averaged 12.5 per cent from 1936 through 1941, with each year's ratio almost identical with the average ratio. In 1942, however, when national production held about the same as a year earlier, district production rose sharply and was 14.3 per cent of the nation's

total. It maintained this share in 1943, lost relatively in 1944, and came back somewhat in 1945. This means that the district output decline in 1943 was proportionate to the national decrease, was relatively greater in 1944, and relatively less in 1945.

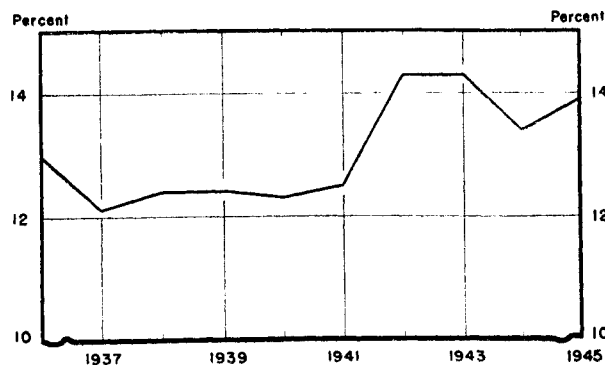
As noted earlier, the district contains a large number of small sawmills. During the war years the major part of the national production decline apparently occurred in large sawmills. A study made in the eastern region indicated that the large producers (those cutting 10 million or more board feet per year) accounted for only 13.5 per cent of total output in 1945 as compared with 15.3 per cent in 1943. The small mills (those cutting less than 1 million board feet per year) had 40.3 per cent of total production in 1945 and but 35.4 per cent in 1943.

FACTORS IN THE PRODUCTION DECLINE

The sharp reduction in output during the period when demand was at peak levels reflects a combination of adverse conditions which prevailed through most of the war years and which persist in 1946. Shortages of manpower, particularly skilled labor, and equipment shortages, which were especially critical in the logging industry, made it difficult to maintain operations at a high level. Many areas were hampered by local shortages of readily accessible merchantable timber, a condition generally of more importance to large mill operations than to the very small mills capable of being moved into more productive timber stands. Adverse weather conditions were a primary factor in the low production rate during 1945 and the first quarter of 1946. Finally, output undoubtedly suffered from the general dissatisfaction with cost-price relationships because while ceiling prices were placed on finished lumber, the cost of stumpage and labor and other expenses increased sharply from prewar levels.

Manpower Problems—As early as 1942, mill and logging operations were retarded by labor short-

LUMBER PRODUCTION, 1936-1945
RATIO OF 8th DISTRICT STATES TO UNITED STATES



ages, particularly of skilled workmen, although total employment that year in the lumber industry averaged 560,000, the highest level reached during the war. In subsequent years total employment declined and in 1945 averaged 20 per cent less than in 1942.

Attracted by the comparatively higher wages available in the war production plants and by the fact that working conditions generally were more attractive than in the logging and lumber camps, large numbers of workers left the industry. Loss of personnel for this reason and as a result of inductions into the armed forces were offset in part by employment of women and unskilled workers. Such replacements were unsuited to logging operations, however, and there was a consequent loss of productivity. In any event, the number of new workers was not equal to the number leaving the industry.

Some improvement occurred late in 1945, and in the fourth quarter new employment was at a higher rate than separations. The return of experienced workmen is expected to continue, stimulated by the discharge of former woods workers from the armed forces and the return of war workers to their farms or jobs. These additions, however, are relatively slow in coming and are offset in part by the loss of seasonal workers to their normal agricultural jobs. The total working force is still far from sufficient to permit full-time or multiple-shift operations of most mills.

Considerable production was lost in 1945 and early this year in the West Coast region as a result of work stoppages. Recent settlement of these disputes, however, has returned most of the affected mills to production.

Equipment Shortages—Modern logging operations are virtually impossible without trucks, tractors and other heavy equipment. Shortages of such items appeared early in the war period and still exist today. The importance of equipment shortages will probably become more apparent later this year if improvement occurs in the other factors which have retarded output. Although priorities assistance in the purchase of equipment has been established for the industry, the availability of such equipment has been set back considerably by the recent strikes in the steel, automobile and coal industries. Thus, production during most of 1946 probably will be affected adversely by continued shortages of equipment.

Weather Conditions—A promising factor in the immediate outlook is that the industry is entering

the season when weather conditions are most favorable for a high operating rate. Logging operations should increase during the coming months, but percentage gains in lumber output over fourth quarter 1945 and first quarter 1946 are apt to be misleading. Production during 1945 was seriously handicapped by extremely bad weather conditions which prevailed during the most important production periods of the year. The effect carried over into 1946 because it is customary, especially in the southern states, to accumulate a supply of logs during the last quarter in order to maintain milling operations during the first part of the following year when normally poor weather conditions prevent logging operations. Bad weather late in 1945 resulted in the accumulation of a very limited supply of logs for first quarter 1946 lumber production.

Depletion of Timber Stands—Often minimized in explaining the recent decline in output but a factor that threatens to become increasingly significant in the future is the growing scarcity of merchantable timber stands readily available to existing mills in many important producing areas. Such timber scarcities are particularly important at present because the necessity of logging longer distances over poor roads will accentuate any adverse effects of bad weather and manpower and equipment shortages.

During 1945, shortages of available timber for winter operations were reported in Washington and Oregon and were a major factor in the decline in output in the New England area. Although less serious in the South, local shortages of high quality stumpage for winter operations were reported late in 1945, and the rapid expansion of production in this area during recent years has resulted in large reductions in timber reserves.

COST-PRICE RELATIONSHIPS

The precise extent to which production has been and is retarded by the general dissatisfaction over cost-price relationships cannot be measured, but there is general agreement that this factor is important not only in terms of total output but with respect to specific types and sizes of lumber.

Ceiling lumber prices are based on the assumption that they will enable the industry to earn a return on capital investment comparable with that earned during the period 1936-39. The industry contends that the established prices do not compensate sufficiently for cost increases since that period, especially higher stumpage and labor costs.

The average sale price of all softwood stumpage

in 1943 was 36 per cent higher than in the 1936-39 period. Second growth stumpage registered a price increase of 65 per cent during that time. The increase in sale price of lumber logs was even more pronounced. Since 1943 the cost of stumpage has shown further gains and timber in parts of this district, for example, which before the war cost from \$3 to \$5 per thousand board feet now costs from \$10 to \$12 with some sales of high quality timber stands running as high as two to three times that price.

In addition to the increase in raw material costs, payrolls in the lumber industry moved upward rapidly during the war period. In mid-1943, when employment reached its wartime peak, payrolls were almost 50 per cent higher than at the beginning of the war, according to the Bureau of Labor Statistics indexes. However, with the decrease in employment during the following years, total payroll payments declined steadily and in 1945 averaged only 3 per cent above 1942, the first full war year. Average hourly earnings (including overtime and other payments) in the lumber and timber basic products industry increased during the entire war period and in 1945 averaged 24 per cent higher than in 1942, while average weekly earnings, computed on the same basis, were almost 27 per cent higher than in 1942. Except on the West Coast, wage rates in the industry generally are below those available in many other manufacturing lines, and increases from present levels probably will be necessary in many lumbering areas in order to attract sufficient labor into the industry. These would further increase costs.

Part of the increase in costs has been recovered through higher average prices which, measured by the Bureau of Labor Statistics index of wholesale lumber prices, in 1945 were 69 per cent and currently are about 80 per cent higher than in 1936-39. More than one-fifth of this increase has come since early 1942 when price controls were put into effect.

During the war years the profit record of the lumber industry was very good relative to that of the 1936-39 base period, but was unfavorable relative to that of 1941 when net profits after taxes were higher than in any year since the late 1920's. As noted, production in 1941 was also higher than in any year since the 1920's and unit costs had not yet advanced in any great degree. Estimates made by the Department of Commerce indicate that the industry's total net profits between 1942 and 1945 averaged 2.8 times those in the base period. The ratio of net profits to sales in 1942 through 1945 averaged 5.7 per cent or 50 per cent higher

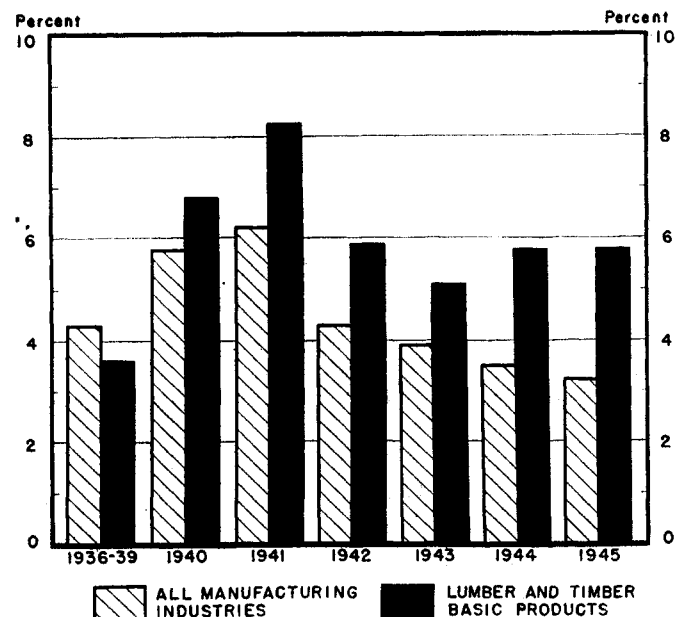
than in 1936-39. In 1941, however, net after taxes relative to gross sales was 8.2 per cent.

The profit record of the war years thus can be read to indicate either favorable or unfavorable experience. There is no question that the industry wants higher profits, perhaps as high as in 1941. To get them it would be necessary to increase prices sharply, in view of the improbability of immediately increased productivity in the industry. The proponents of continued price control contend that present prices, or at best small price increases to adjust inequities among various items, insure adequate profits.

Some of the pertinent facts in the situation are as follows. After the initial decline from the 1941 peak, profits fluctuated only slightly from year to year between 1942 and 1945, inclusive, but average profits relative to sales during those years were 30 per cent below 1941 as compared with a 10 per cent decline in average volume of production. Net income was unchanged in 1944 and 1945 and in those years was higher than in 1943 even though production continued to decline. The fact that profits were maintained while production dropped was due partly to higher prices which enabled mills to sell off at substantial gains lumber made from low-cost timber acquired during the 1930's.

The decline in output during the war years undoubtedly was due in part to the pressure of increased costs against ceiling prices. This factor

RATIOS OF NET PROFITS AFTER TAXES TO GROSS SALES, 1936-1945



SOURCE: DEPARTMENT OF COMMERCE

apparently was more important in the larger mills than in the very small units although it has resulted in a number of small mills closing.

The extent to which profits have been maintained by black market sales is difficult to estimate in view of the mixed trends in production and costs during 1944-45. Except for a 10 per cent decline in payroll payments in 1945, most costs were higher that year than in 1944. Average legal prices in 1945 were only 3 per cent more than 1944. Yet, despite a 12 per cent decline in production, estimated profits in 1945 were unchanged from the preceding year, a fact undoubtedly due in part to the widespread activity of the black market in lumber.

Known to exist in practically every lumber-producing area of the country, the illegal marketing of lumber at above-ceiling prices is estimated to account for from one-half to as much as nine-tenths of all lumber sales, depending on the area in question. Various devices are used, including bonus payments, applying price allowable on the best grade of lumber to shipments of mixed grades, and billing customers for quantities in excess of the amounts actually shipped. Considerable difficulty is experienced in application of requirements which permit mills to sell direct to consumers, at prices above those allowed on sales to distributors, provided the lumber is consumed within a radius of 25 miles of the mill and provided the sale is less than 5,000 board feet. Obviously, mill operators are not able to and probably do not care to determine the ultimate destination of all such sales, and in view of the large number of mills in operation,

which totaled almost 40,000 in 1942, adequate policing of the industry is virtually impossible. Thus, with current demand at record levels many mills and distributors are able to maintain profits well above their earnings during 1936-39 and considerably higher than might be expected from the production record.

The black market problem has become increasingly important from an angle not directly concerned with high prices and high profits. In a period when demand far exceeds the probable supply, the efficiency with which available lumber is distributed will have a significant influence on the extent to which volume production in housing and industry generally is achieved.

Regardless of the equity of a particular price and profit level, the fact is that production has declined and there is every evidence that it will not increase sufficiently to meet requirements without some legal increase in prices and profits. It may be also that to increase output sufficiently to meet current needs would result in so much higher costs that without price reassurance the industry could not reach and maintain the necessary scale of production. However substantial increases in lumber prices might well provide additional stimulus to the further development of substitute materials, particularly those most adaptable to mass production. Thus, it is possible that while higher prices may result in short-term benefits to the industry, such increases might, in the long run, affect the industry adversely due to increased competition from newer materials.

WELDON A. STEIN

CURRENT CONDITIONS

(Continued from page 1)

the Eighth District increased rapidly until January, but since that month the rate of increase has been fairly slow. This development was expected in part but not in the degree experienced. Many lines where employment had been curtailed in the war period made up much of this deficiency by the beginning of 1946, and other lines where substantial continuing expansion was scheduled ran into materials problems, price-cost difficulties and labor disputes. The latter, in the eight months from September, 1945, to May, 1946, have cost 2.8 million lost work days in this district. Most of these lost work days came in the highly important steel and coal industries.

Despite the less-than-anticipated employment

gain since January and the increasing influx of veterans into the labor force, unemployment has not risen greatly, although there has been some increase. Regular unemployment compensation claims in the district have been declining in numbers and recently the volume of Servicemen's Readjustment Allowances has leveled off. The decrease in the former probably understates the amount of unemployment, since some workers' benefits have been exhausted, but it does indicate some increase in employment of displaced civilian workers and substantial retirements from the labor force. The number of G.I. claims paid, on the other hand, tends to overemphasize veterans' unemployment, since more liberal administration of such claims has led to payments to veterans not actively in the labor force. The problem of re-employing veterans is still serious, however, and apparently

there are many abuses in the on-the-job training program.

Immediate employment opportunities remain better for women than for men because of the return of many war-worker housewives to their homes. Actual shortages of women workers still exist in clerical and service occupations.

INDUSTRY

The general level of industrial activity in the Eighth District in April averaged somewhat higher than in the preceding month. The bituminous coal strike began to exercise its depressing effect late in April, however, and by mid-May, despite the return of most miners under the truce agreement, district activity was below the April average. Industrial electric power consumption in the five major district cities in April was almost 10 per cent higher than in the preceding month, continuing the upward trend that carried through the first quarter. Gains were reported from each of the cities, ranging as high as 22 per cent in Evansville. Industrial power consumption in the five cities combined was only 19 per cent below the corresponding month last year when production schedules, particularly in the heavy goods industries, were still geared to the war production program. In Little Rock, consumption was higher than a year ago and in Louisville was only 4 per cent below April, 1945. In the St. Louis area only 13 per cent less power was consumed by industry last month than in April of last year.

Manufacturing—Total manufacturing activity in this district generally was higher in April than in March, although output was curtailed late in the month as a result of the coal strike and in some lines due to continued scarcities of materials. The fuel shortage was not critical during much of April since coal inventories had been built up in anticipation of the strike and were sufficient to permit continued operations at scheduled levels. In the durable goods industries, further gains were indicated in the automobile accessories, stone, clay and glass, metal fabricating, and electrical equipment groups. Steel operations were reduced during the month and were equal to only about 29 per cent of capacity as compared with 38 per cent during March. The low operating rate mostly reflects continuation of a strike at one leading producer. A contributing factor was the necessity for repairs to some other furnace units which kept them out of production during part of the month.

Output of lumber is increasing seasonally but continues below the rate hoped for earlier this

year and is substantially less than current requirements. The southern hardwood industry operated at 63 per cent of capacity during April as compared with 55 per cent during March and 51 per cent in April, 1945. This was the highest level reached since last November and was substantially above the average during the first quarter of this year. Production of southern pine was slightly higher than in March and about equal to output during April of last year.

Continuation of inventory restrictions as well as controls on the use of grains resulted in further reductions in operations of district distilleries and breweries during April. At the end of April, 45 of the 60 distilleries in Kentucky were operating as compared with 46 at the close of March and 51 a year ago. Greater restrictions on grain use limit production in May to about nine 8-hour days as compared with fifteen in March and April. Whiskey inventories in the United States at the end of March totaled 286 million gallons as compared with a prewar normal of 425 million gallons.

Mining and Oil—The shutdown in the soft coal industry, which began April 1, brought mining operations in the district fields to a virtual standstill. There was some output in April, however, since a number of district mines are worked by Progressive Mine Workers which went on strike later than did United Mine Workers locals. In Illinois, production amounted to 1.2 million tons in April, only one-fifth of March output. Some increase in production is anticipated in the current month as a result of the two-week truce between the miners and operators, but May output will be entirely inadequate to meet needs. Most coal users will have to operate on a hand-to-mouth basis for some time to come.

Average daily output of crude oil in the district showed a slight increase in April over the previous month and was almost 8 per cent larger than in April of last year. Production averaged almost 338,000 barrels daily as compared with 337,000 barrels in March and 314,000 barrels in April, 1945.

Construction—Despite the pressure to alleviate the housing shortage, construction activity in the district, although at a relatively high level, continues well below requirements. Persistent shortages of critical building materials continue to be reported in many parts of the district, with the result that initial construction on a substantial amount of projected residential building, as well as completion of a large number of partly finished dwelling units, has been delayed.

The value of building permits awarded in the five major district cities during April dropped sharply from the previous month to the lowest point this year, in part reflecting restrictions on nonresidential construction. Many of the March permits probably were applied for in an attempt to beat the nonresidential restriction deadline, and consequently the decline from the March high of \$16.5 million to \$4.3 million in April is misleading.

Transportation—The decline in the number of freight cars interchanged in April among railroads operating in St. Louis was less than seasonal and amounted to only 2 per cent. During the first nine days of May, an increase of more than 8 per cent over April was registered, resulting in large part from heavier shipments of goods in anticipation of the freight embargo which was scheduled for May 10 as a result of the coal strike. Passenger traffic in St. Louis in April was off 9 per cent in terms of number of ticket sales and 20 per cent in terms of passenger revenue.

TRADE

Continuance of record levels of consumer spending in the Eighth District in April resulted in most retail lines reporting substantial sales gains over both the preceding month and the comparable month of 1945. Dollar sales in the 1946 Easter shopping period were considerably larger than in the corresponding period of 1945. Preliminary reports for the first half of May indicate the record volume of sales is continuing. Apparently current income, despite wages lost through strikes, plus wartime savings is more than adequate to support present sales levels.

INDUSTRY

CONSUMPTION OF ELECTRICITY						
(K.W.H. in thous.)	No. of Cus-tomers*	Apr., 1946	Mar., 1946	Apr., 1945	Apr., 1946 compared with	
		K.W.H.	K.W.H.	K.W.H.	Mar., '46	Apr., '45
Evansville	40	6,506	5,325	10,249	+22%	-37%
Little Rock...	35	3,189	2,998	3,105	+ 6	+ 3
Louisville	82	16,783	15,240	17,495	+10	- 4
Memphis	31	5,287	4,629	6,650	+14	-20
Pine Bluff.....	19	1,496	1,328	7,418	+13	-80
St. Louis.....	96	57,789	53,454	66,758	+ 8	-13
Totals	303	91,050	82,974	111,675	+10	-18

*Selected industrial customers.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS						
First nine days						
Apr., '46	Mar., '46	Apr., '45	May, '46	May, '45	4 mos. '46	4 mos. '45
121,329	123,986	164,110	36,677	51,355	478,525	640,989

Source: Terminal Railroad Association of St. Louis.

INDEXES OF EMPLOYMENT IN MANUFACTURING INDUSTRIES BY METROPOLITAN AREAS					
Bureau of Labor Statistics (1937 = 100)					
	Feb., 1946	Jan., 1946	Feb., 1945	Feb., '46 comp. with Jan., '46	Feb., '45
Evansville	83.1	83.1	245.2	-0.-%	-66%
Louisville	119.1	124.9	170.7	-5	-30
Memphis	118.1	122.2	154.7	-3	-24
St. Louis	103.5	110.1	151.0	-6	-31

Much of the increase in sales over the comparable period of 1945 reflects higher prices paid for the amount of goods sold. This is due partly to some direct price increases, partly to lack of cheaper merchandise and partly to consumer preference for more expensive goods. Also inventories have increased somewhat this year. The overall inventory gain, however, overemphasizes goods availability since most stocks are badly out of balance with some items plentiful and others almost unobtainable.

At reporting district department stores, dollar sales volume during April was 5 per cent more than in March and 53 per cent more than in April, 1945. Sales volume for the first four months of 1946 was at an all time record level, 24 per cent above that of the like period last year. In the first two weeks in May, sales continued to show very large increases over last year, with gains of 26 per cent and 44 per cent, respectively.

Department store inventories at the end of April were 8 per cent and 15 per cent higher respectively, than a month and a year earlier. Some lines of merchandise are in fair supply, but others such as men's wear, leather goods, floor coverings and certain major furniture lines are still very short relative to demand. Some of these items may not be in supply sufficient to meet market demands for some time.

Dollar sales at men's apparel stores in April gained 19 per cent over the previous month and 123 per cent over the same month last year. This large gain reflects chiefly efforts of returned servicemen to replenish civilian wardrobes. It also reflects

AGRICULTURE

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS						
	Receipts			Shipments		
	Apr., 1946	Mar., 1946	Apr., 1945	Apr., 1946	Mar., 1946	Apr., 1945
Cattle and Calves.....	115,913	103,895	115,475	93,801	79,354	69,025
Hogs	184,181	155,406	149,411	72,841	66,615	48,767
Horses and Mules..	7,534	9,202	3,806	7,534	9,202	3,828
Sheep	59,228	31,758	33,107	26,442	6,011	11,395
Totals	366,856	300,261	301,799	200,618	161,182	133,015

CASH FARM INCOME					
(In thousands of dollars)	March		Cumulative for 3 months		
	1946	1945	1946	1945	1944
Arkansas	\$ 17,709	\$ 16,513	\$ 62,223	\$ 62,880	\$ 50,733
Illinois	88,210	89,233	264,873	264,819	300,143
Indiana	47,269	48,339	138,992	140,589	159,007
Kentucky	14,453	22,239	136,679	178,734	131,085
Mississippi	15,140	20,185	57,829	68,342	44,607
Missouri	42,139	43,810	138,721	143,783	154,035
Tennessee	18,145	16,105	82,558	84,373	81,292
Totals	243,065	256,424	881,875	943,520	920,902

higher prices and some buying of certain available items of men's apparel in excess of actual needs. At women's apparel stores, sales declined 14 per cent from the previous month, but were 43 per cent above the comparable month last year. Stocks at men's apparel stores were 14 per cent greater than at the end of the preceding month but were 22 per cent less than at the end of April, 1945. Women's apparel store inventories, down 5 per cent from the end of March, were up 13 per cent as compared to the same time last year.

At district furniture stores, April sales volume was virtually unchanged from March, but was 53 per cent higher than in April, 1945. Because of duplicate ordering, demand may not be as large as indicated by waiting lists for merchandise either in short supply or unavailable but it undoubtedly is sufficient to support very high sales levels for some time to come. There was little change in furniture store inventories during April but at the end of the month stocks were 25 per cent higher than on the same date last year.

AGRICULTURE

Farm work continues to be considerably ahead of schedule, both in this district and in the country as a whole, despite considerable rainfall and cold weather in early May. Very favorable weather conditions during March and April led to such progress in planting and growth that the more recent unfavorable weather merely slowed down developments somewhat. Continuation of such conditions, however, probably would necessitate considerable replanting of crops already in the

ground. To date, no more than normal replanting has been required.

In general, the farm production outlook is very favorable. Farm machinery is still very short, but that in existence is being kept in fairly good condition and there will be some additions as the year advances. The farm labor situation is better than last year, although most farmers probably would like even greater improvement than has occurred. On May 1, 1946, the total number of farm workers was about 10,366,000, according to the U. S. Department of Agriculture. This total was 350,000 or 3 per cent more workers than were on farms a year ago. The number of farm operators and family workers was 3 per cent larger than on May 1, 1945, while the increase in hired farm workers was 6 per cent. The gain in number of hired farm workers between April 1 and May 1 was considerably greater than seasonal in the north central regions, and somewhat less than seasonal in the south.

Winter wheat prospects in the United States deteriorated somewhat between April 1 and May 1, 1946. In view of the necessity for food in the war-ravaged nations of the world and the great dependence upon the United States wheat crop, the latest report is discouraging. On May 1 total United States production was indicated at 743 million bushels or 10 per cent less than last year's record crop of 823 million bushels. Anticipated production this year, however, will be 20 per cent more than the ten year (1935-44) average.

Winter wheat acreage for 1946 is 4 per cent more than in 1945 and 11 per cent more than in the

PRICES

COST OF LIVING

Bureau of Labor Statistics (1935-39=100)	Apr. 15, 1946	Mar. 15, 1946	Sept. 15, 1945	Apr. 15, '46 Mar. 15, '46	Comp. with Sept. 15, '42
United States.....	130.9	130.2	117.8	+ 0.5%	+11.1%
St. Louis.....	129.1	128.4	116.6	+ 0.5	+10.7
Memphis	*	*	119.3	*	*

*Not available.

COST OF FOOD

Bureau of Labor Statistics (1935-39=100)	Apr. 15, 1946	Mar. 15, 1946	Sept. 15, 1945	Apr. 15, '46 Mar. 15, '46	Comp. with Sept. 15, '42
U. S. (51 cities).....	141.7	140.1	126.6	+ 1.1%	+11.9%
St. Louis.....	143.4	142.6	126.7	+ 0.6	+13.2
Little Rock.....	141.2	137.9	129.2	+ 2.4	+ 9.3
Louisville	133.8	132.9	129.7	+ 0.7	+ 3.2
Memphis	149.8	148.8	129.7	+ 0.7	+15.5

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Apr., '46	Mar., '46	Apr., '45	Apr., '46 Mar., '46	Comp. with Apr., '45
All Commodities.....	110.2	108.9	105.7	+ 1.2%	+ 4.3%
Farm Products.....	135.4	133.4	129.0	+ 1.5	+ 5.0
Foods	110.8	109.4	105.8	+ 1.3	+ 4.7
Other	103.3	102.2	99.3	+ 1.1	+ 4.0

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Apr., 1946	Mar., 1946	Apr., 1945	Apr., '46 comp. with Mar., '46 Apr., '45
El Dorado, Ark.....	\$ 12,582	\$ 13,879	\$ 9,250	- 9% +36%
Fort Smith, Ark.....	32,185	32,490	20,375	- 1 +58
Helena, Ark.....	5,567	6,457	3,749	-14 +48
Little Rock, Ark.....	90,047	100,564	86,294	-10 + 4
Pine Bluff, Ark.....	19,343	21,774	14,815	-11 +31
Texarkana, Ark.-Tex.	8,079	9,542	10,950	-15 -26
Alton, Ill.	16,252	17,547	13,988	- 7 +16
E. St. L.-Nat. S. Y., Ill.	66,358	69,561	67,568	- 5 - 2
Quincy, Ill.	20,820	24,856	17,306	-16 +20
Evansville, Ind.	68,081	74,423	93,346	- 9 -27
Louisville, Ky.....	365,277	385,482	338,104	- 5 + 8
Owensboro, Ky.	22,507	23,607	16,962	- 5 +33
Paducah, Ky.	11,446	11,473	8,022	-0- +43
Greenville, Miss.	14,215	13,421	8,343	+ 6 +70
Cape Girardeau, Mo.	7,560	7,749	5,245	- 2 +44
Hannibal, Mo.	5,679	6,440	4,826	-12 +18
Jefferson City, Mo...	38,952	38,125	30,743	+ 2 +27
St. Louis, Mo.....	1,138,103	1,152,634	1,028,190	- 1 +11
Sedalia, Mo.	7,979	8,234	6,151	- 3 +30
Springfield, Mo.	42,251	41,442	29,495	+ 2 +43
Jackson, Tenn.	13,459	12,301	8,792	+ 9 +53
Memphis, Tenn.	371,524	350,790	251,472	+ 6 +48
Totals	2,378,266	2,422,791	2,073,986	- 2 +15

RETAIL TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand		Stock Turnover	
	Apr., 1946 compared with Mar., 1946		4 mos. 1946 to same period 1945	Apr. 30, 1946 comp. with Apr. 30, 1945		Jan. 1, to Apr. 30, 1945	
	Apr., 1946	Apr., 1945	1945	1945	1946	1945	1945
Ft. Smith, Ark...	+ 4%	+53%	+25%	- 5%	1.99	1.45	
Little Rock, Ark.	+11	+52	+20	+10	2.17	1.88	
Quincy, Ill.	+ 2	+52	+23	+16	1.93	1.68	
Evansville, Ind.	+ 6	+40	+17	+ 1	1.42	1.31	
Louisville, Ky.	+12	+48	+24	+13	2.29	2.14	
St. Louis Area ¹	+ 2	+54	+24	+17	1.90	1.72	
St. Louis, Mo.	+ 2	+54	+24	+17	1.90	1.72	
E. St. Louis, Ill.	+ 6	+60	+27	.....	.....	.....
Springfield, Mo.	+10	+54	+36	- 5	1.98	1.40	
Memphis, Tenn.	+ 6	+56	+26	+17	2.14	1.91	
*All other cities.	+ 2	+53	+34	+22	1.93	1.67	
8th F. R. District	+ 5	+53	+24	+15	2.00	1.79	

¹Includes St. Louis, Mo., East St. Louis and Belleville, Ill.
²Trading days: April, 1946—26; March, 1946—26; April, 1945—25.

Outstanding orders of reporting stores at the end of April, 1946, were 32 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding April 1, 1946, collected during April, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith.....	.....%	65%	Quincy	38%	79%
Little Rock	34	68	St. Louis	44	72
Louisville	40	63	Other cities	35	66
Memphis	54	63	8th F. R. Dist.	43	69

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Apr., 1946	Mar., 1946	Feb., 1946	Apr., 1945
Sales (daily average), Unadjusted ¹	281	264	236	222
Sales (daily average), Seasonally adjusted ¹ ..	267	286	281	246
Stocks, Unadjusted ²	193	180	158	169
Stocks, seasonally adjusted ²	193	185	175	169

¹ Daily Average 1935-39=100.

² Monthly Average 1923-25=100.

SPECIALTY STORES

	Net Sales			Stocks on Hand		Stock Turnover	
	Apr., 1946 compared with Mar., 1946		4 mos. 1946 to same period 1945	Apr. 30, 1946 comp. with Apr. 30, 1945		Jan. 1, to Apr. 30, 1945	
	Apr., 1946	Apr., 1945	1945	1945	1946	1945	1945
Men's Furnishings	+19%	+123%	+39%	-22%	2.69	1.20	
Boots and Shoes	+35	+ 82	+24	+23	3.79	3.11	

Percentage of accounts and notes receivable outstanding April 1, 1946, collected during April:
 Men's Furnishings..... 67% Boots and Shoes..... 64%

Trading days: April, 1946—26; March, 1946—26; April, 1945—25.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	April, 1946 compared with Mar., '46		April 30, 1946 compared with Mar. 31, '46		Apr., '46 Apr., '45	
	Apr., '46	Apr., '45	Apr. 30, '46	Apr. 30, '45	Apr., '46	Apr., '45
St. Louis Area ¹	2%	+ 42%	+ 4%	+29%	64%	50%
St. Louis	3	+ 43	+ 4	+29	65	52
Louisville Area ²	7	+ 58	+ 1	+ 6	36	31
Louisville	8	+ 54	+ 1	+ 8	34	31
Memphis	3	+ 86	*	*	38	27
Little Rock.....	+14	+ 80	+ 2	+55	38	33
Fort Smith.....	+ 9	+107	*	*	*	*
8th Dist. Total ³	+ 1	+ 53	+ 2	+25	49	40

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

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

²Includes Louisville, Kentucky, and New Albany, Indiana.

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

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Apr., '46	Mar., '46	Apr., '45
Cash Sales	28%	29%	23%
Credit Sales	72	71	77
Total Sales	100	100	100

1935-44 period. The crop was seeded last fall under very favorable conditions and came through the winter with an unusually small amount of winter killing. Yields this year are expected to be lower than last, however, particularly in the southwest where dry weather in April caused a very sharp reduction in prospects. Recently fairly heavy Hessian fly infestation has been reported in certain scattered localities.

The condition of the district winter wheat crop ranges all the way from very good to very poor. The district crop was seeded under less favorable conditions than those for the nation as a whole and current developments were not unexpected. Fly damage in this region is greater than usual and apparently will lead to further deterioration in prospects.

Outlook for 1946 crop plantings in the district is good. As noted, work is ahead of schedule and in most areas good stands are being obtained. Grain and hay crops are in good condition. Pastures are in good to excellent shape in all but a very small portion of Mississippi. Condition of live-stock is good.

The early potato crop in the United States is expected to be record breaking. On May 1 condition was the best of record. In this district, condition of the crop in Arkansas and Mississippi averaged about 85 per cent of normal as compared with a long-term average of 77 per cent. On the same date last year, condition in Arkansas was but 60 per cent.

The peach crop in the ten southern producing states is indicated at 26 million bushels, second only to the 1945 record crop of 27 million bushels. Reports from Arkansas and Mississippi indicate a 1946 crop of 4.2 million bushels as compared with 4.4 million bushels in 1945 and a ten year (1935-44) average of 2.9 million bushels.

Milk production per cow in the United States as of May 1 was the highest of record for that date; 17.5 pounds as compared with 16.9 pounds a year earlier and 15.5 pounds for the ten year (1935-44) average on May 1. With one million less milk cows on farms than a year earlier, April production was only 2 per cent below last April's record. Total egg production in the first four months of this year was 22.6 billion eggs as compared with 22.2 billion in the like period of 1945.

BANKING AND FINANCE

As in the past two months, the mid-May condition statements of reporting member banks in

the Eighth District reflected the effects of the Treasury redemption policy. On May 1, the Treasury redeemed \$1.5 billion in maturing certificates of indebtedness. In preparation for this redemption, War Loan accounts were drawn down. In the two weeks ending May 1, those at weekly reporting banks in this district decreased about \$33 million. Withdrawals continued after May 1 and in the following two weeks such deposits dropped another \$7 million.

Since most of the maturing certificates were held by the commercial banks or the Federal Reserve System, the redemption had little effect upon private demand deposits. These deposits showed some gain, rising about 3 per cent, mostly at reporting banks in St. Louis. Time deposits continued to increase at the rate of approximately \$1 million per week. On May 15, such balances in the reporting banks in this district totaled almost \$360 million.

The reporting member banks' portfolios also showed the effects of the Treasury redemption policy. On May 15, the banks' holdings of certificates were \$37 million less than a month earlier. Treasury note and bond holdings were also off slightly for the month, while bill holdings increased \$22 million.

Other banking changes during the past four weeks were relatively unimportant. Business loans of reporting member banks were down approximately \$24 million. Much of this was seasonal; during the same period last year business loans declined about \$12 million. There was also some liquidation of loans to others than brokers and dealers for purchasing or carrying United States Government securities. Real estate loans continued to rise slowly in all reporting cities, the increase for the month being approximately \$3 million, which brings the total to nearly \$11 million above that of a year ago.

Consumer loan volume continues to increase. Nearly all types of reporting consumer credit agencies in the Eighth District extended more credit during the month of April than during the preceding month. The total volume of loans made during April was \$14 million as compared to approximately \$8 million during April, 1945. Consumer loans made by 22 reporting commercial banks was \$4 million as compared to \$2 million during April last year. Total consumer credit outstanding at all Eighth District reporting agencies was up 4 per cent for the month, and at the end of April was 42 per cent higher than at the end of April last year.

WHOLESALE

Lines of Commodities	Net Sales		Stocks
	April, 1946 compared with Mar., '46 Apr., '45		April 30, 1946 compared with Apr. 30, 1945
Drugs and Chemicals.....	— 3%	+ 16%%
Dry Goods	+ 8	+ 46	+46
Electrical Supplies	+ 5	+ 62	....
Groceries	+ 7	+ 26	- 0 -
Hardware	+ 8	+ 64	+ 6
Machinery, Equipment and Supplies	+ 4	+ 53	....
Tobacco and its Products.....	+ 3	+ 65	....
Miscellaneous	+ 9	+ 8	+24
Total all lines**.....	+ 4	+ 38	+27

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

CONSTRUCTION

(Cost in thousands)	BUILDING PERMITS				Repairs, etc.			
	New Construction							
	Number	Cost	Number	Cost	Number	Cost	Number	Cost
Evansville	50	22	\$ 106	\$ 14	171	162	\$ 71	\$ 61
Little Rock.....	99	30	405	53	227	167	93	42
Louisville	210	63	680	149	69	63	34	27
Memphis	625	348	1,158	621	225	240	147	104
St. Louis.....	253	63	1,307	141	287	208	300	226
Apr. Totals.....	1,237	526	3,656	978	979	840	645	460
Mar. Totals.....	1,901	455	14,305	886	1,259	795	2,161	455

BANKING

CHANGES IN PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS			
(In thousands of dollars)	Change from		
	May 15, 1946	Apr. 17, 1946	May 16, 1945
Industrial advances under Sec. 13b.....	\$.....	—	—
Other advances and rediscounts.....	13,045	— 5,515	— 6,760
U. S. securities.....	1,055,681	+ 3,452	+183,739
Total earning assets.....	1,068,726	— 63	+176,979
Total reserves	612,986	+ 5,739	— 62,092
Total deposits	641,831	+ 7,981	+ 29,457
F. R. notes in circulation.....	1,043,113	— 914	+ 79,002
Industrial commitments under Sec. 13b.....	3	- 0 -	— 47

PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS			
(In thousands of dollars)	Change from		
	May 15, 1946	April 17, 1946	May 16, 1945
Total loans and investments.....	\$2,102,650	— 36,155	+259,854
Commercial, industrial, and agricultural loans*	311,272	— 24,397	+ 87,658
Loans to brokers and dealers in securities	12,336	+ 2,528	+ 4,087
Other loans to purchase and carry securities	73,998	— 2,406	+ 43,213
Real estate loans.....	76,908	+ 3,066	+ 10,926
Loans to banks.....	2,557	+ 758	+ 149
Other loans	110,723	+ 1,787	+ 18,590
Total loans	587,794	— 18,664	+164,623
Treasury bills	49,106	+ 21,710	+ 3,853
Certificates of indebtedness.....	238,386	— 36,810	— 58,588
Treasury notes	258,883	— 2,335	— 616
U. S. Bonds	831,393	+ 1,349	+150,327
Obligations guaranteed by U. S. Govt.	366	+ 4	— 12,713
Other securities	136,722	+ 1,289	+ 12,968
Total investments	1,514,856	— 17,491	+ 95,231
Balances with domestic banks.....	114,792	+ 4,684	+ 6,808
Demand deposits—adjusted**	1,116,937	+ 31,849	— 5,152
Time deposits	359,170	+ 4,098	+ 57,102
U. S. Government deposits.....	376,324	— 39,341	+210,061
Interbank deposits	586,552	— 15,927	+ 4,733
Borrowings	10,300	— 5,700	— 8,350

*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

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Industrial output declined somewhat in April and the early part of May owing to the coal strike. Employment in the economy as a whole, however, continued to expand in April. The value of retail trade was maintained at record levels and commodity prices rose further.

Industrial production—The Board's seasonally adjusted index of industrial production declined 2 per cent in April and was at 164 per cent of the 1935-39 average. The drop in coal output after April 1 and the resultant curtailment in operations in some industries were offset in part by substantial increases in activity in the automobile and electrical machinery industries following settlement of wage disputes in the latter part of March.

Production of durable manufactures as a group rose 3 per cent in April. Iron and steel production declined about 6 per cent; decreased output of pig iron and open hearth and bessemer steel was partly offset by a sharp rise in electric steel production. In May activity at steel mills continued to decline as a result of coal shortages and during the past two weeks has averaged only about 50 per cent of capacity.

The number of passenger cars and trucks assembled in April was 80 per cent greater than in March, and there also were substantial increases in activity in the railroad equipment industry and in output of many types of electrical equipment. Production of lumber and stone, clay, and glass products was maintained at the March level, which was above the same period last year.

Output of most nondurable goods was maintained in April at about the March level. Activity at cotton mills declined slightly, owing to reduced coal supplies, but output at other textile mills advanced further. The number of animals slaughtered under Federal inspection continued to decline sharply in April. Output of flour and bakery products decreased somewhat in April and is expected to decline substantially in May as a result of the stringent wheat supply situation.

Minerals production declined by a fourth from March to April, reflecting primarily the drop in bituminous coal output. There was also a further reduction in output of metals, while crude petroleum production increased in April and early May. On May 13 bituminous coal production was resumed under a temporary work agreement, and

during the week ending May 18 output was 70 per cent of the pre-strike weekly rate.

Value of construction contracts awarded rose sharply in April, according to reports of the F. W. Dodge Corporation. The increase reflected a very large expansion in awards for private residential construction to a record level; awards for most other types of private construction were maintained at recent high levels.

Employment—Nonagricultural employment continued to gain in April notwithstanding the bituminous coal strike, and unemployment decreased by about 350,000. Manufacturing employment rose by about 400,000 largely because of settlement of major labor disputes, and construction employment showed a further large gain.

Commodity prices—Price ceilings on grains were increased substantially on May 13 and ceilings for a number of nonagricultural products have also been raised during the past month. Recent price increases for industrial products have usually been between 10 and 20 per cent. Recent advances announced for automobiles were smaller than these amounts but they were in addition to price increases made earlier this year.

Distribution—Retail sales continued at a high rate in April and the first half of May. During the past four weeks department store sales have been one-third larger in value than in the corresponding period of 1945.

Freight carloadings declined sharply in April, reflecting chiefly the drop in coal shipments. Shipments of most manufactured products continued to increase until the week ending May 18. In that week interruptions in freight service resulted in large decreases in loadings of manufactured products but bituminous coal shipments were resumed, and total loadings increased slightly.

Bank credit—Treasury deposits declined, reflecting disbursements in excess of receipts, and deposits subject to reserve requirements increased during April and the first three weeks of May. Reserve balances increased less than required reserves, and excess reserves declined to about 700 million dollars on May 22. Federal Reserve holdings of Government securities, which declined substantially in the early months of the year, have increased somewhat since the middle of April.