



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

SEPTEMBER 1, 1946

Survey of Current Conditions

The recent controversy over price control extension tended to obscure the strong resurgence in production that was occurring simultaneously, and to relegate to a secondary position the fact that overall output is at a postwar peak, well above any previous peacetime level. Current indicators point to the likelihood that production increases will continue during the remainder of the year provided the economic machine can remain free from stoppages due to industrial strife.

Income payments to individuals are at an annual rate only fractionally below that of the record high of last year, with disbursements by private industry at an all-time high. Despite reported buyers' strikes in scattered areas in reaction to the steadily rising price level, retail sales volume continues at a near-record level. Whether determined consumers' resistance to further price increases will develop when the full effect of recent advances is felt by consumers is not yet apparent. If prices can be held within reasonable limits, there is little likelihood that consumer buying will slump seriously during the remainder of the year.

The fact that dividend payments in the second quarter were nearly 4 per cent larger than in the same quarter of last year, and in June were only slightly less than in the peak June of 1945 is some indication of business management's estimate of future operating levels.

Housing continues to be a major domestic problem. While progress has been made toward achieving the nation's goal, the record to date indicates that substantial increases in residential construction must be secured during the remainder of the year

if the objectives are to be fully attained. Shortages of many building materials persist, resulting in a decrease in the number of new dwelling units started and virtually doubling the required completion time as compared with that under normal pre-war conditions.

EMPLOYMENT

The high level of industrial production is reflected in Eighth District employment. Nonagricultural employment increased sharply in July with appreciable gains reported in all industrial groups except transportation and public utilities. In addition to a continued seasonal rise in the number of workers in the construction industry, a substantial increase occurred in manufacturing employment in response to the generally higher level of industrial activity. Employment in the trades and service industries continued to increase but at a lesser rate than in recent months.

Current forecasts indicate a substantial increase in the demand for labor through the remainder of the year. In the St. Louis area, total employment by mid-October is expected to be almost 10 per cent above present levels while in other parts of the district increases of from 5 to 10 per cent are anticipated. Most of the increase will probably occur in manufacturing industries, barring another wave of work stoppages late this year, and in the construction trades.

Increased employment in metal-working establishments was general throughout the district, accounting for a substantial part of the rise in manufacturing employment in the St. Louis area. Gains were also reported in woodworking, stone, clay and

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The Industrial Structure of the Eighth Federal Reserve District

An increasing awareness of the desirability of bringing the relationship between industry and agriculture into better balance is developing in many parts of the Eighth Federal Reserve District. There is also increased recognition that a substantially higher level of community and district income could be achieved through the conversion of a greater proportion of its own raw materials into finished goods in manufacturing plants located within the district.

In order to accomplish these objectives, many communities are attempting to put into operation plans for industrial development which were interrupted by the war. The development of such plans has been stimulated, in areas where war manufacturing was superimposed upon what was traditionally a nonindustrial community, by the desire to regain income benefits suddenly lost at the end of hostilities. Idle war plant facilities in some areas have also provided a stimulus to such programs.

Successful plans for the future industrial development of the district must of necessity take into consideration the present structure of industry. A knowledge of industry as it now exists is the starting point in fashioning a long-range program of industrial development designed to give the people of this district a better balanced economic life and a higher standard of living.

CHARACTERISTICS OF DISTRICT INDUSTRY

The Eighth District is essentially rural in character with about two-thirds of its population in rural communities in 1940. However, industry generally and manufacturing specifically are important to the district economy. In 1940 there were 3.3 million workers employed in the district. Of this total, 484,000 or 15 per cent were in manufacturing, 192,000 or 6 per cent were employed in transportation and public utilities, 128,000 or 4 per cent were engaged in construction work and 70,000 or about 2 per cent were in mining activities. Combined employment in these industries amounted to 876,000 or 27 per cent of total employment. Agriculture, however, employed 2.5 times as many persons as manufacturing and 40 per cent more than the combined total of all industries listed above.

In terms of national production, the output of district manufacturing establishments is relatively small. In 1939, about \$2.5 billion of manufactured

goods were produced in the area according to Census of Manufactures figures, of which approximately \$1.0 billion represented value added by manufacture. The value of production in that year amounted to some 4 per cent of the United States total. During the war period, the value of output increased sharply, reaching a peak estimated at \$7.7 billion in 1944 followed by a decline in 1945 to about \$6.7 billion. In terms of physical volume of production, output in 1945 probably was more than twice as great as in 1939.

Eighth District industry is typically small business. Manufacturing establishments, measured either in terms of number of employees or value of output, are somewhat smaller on the average than in the nation as a whole. They employ fewer wage earners with wages tending to run below the national average. The value of production and the value added to the cost of materials by the manufacturing process are somewhat less, per wage earner, than in the rest of the nation.

A rather well-defined distinction exists between the average plant located in one of the four major industrial areas of St. Louis, Louisville, Memphis and Evansville and those operating in other parts of the district.* In the industrial areas, average employment per plant is larger than in the remainder of the district, amounting to 48 wage earners per plant in 1939 as compared with 33 in the rest of the district and 43 in the nation as a whole. The value of goods produced in the industrial centers as well as the value added by manufacture averaged 80 per cent greater per wage earner than in the plants outside the leading cities.

CONCENTRATION OF INDUSTRY

As indicated in the accompanying chart district manufacturing is heavily concentrated in the four industrial areas. In 1939, about 45 per cent of the manufacturing establishments were in these centers and they accounted for more than one-half of the total manufacturing employment and for 70 per cent of the value of district manufacturing production. By far the largest is the St. Louis area whose plants in 1939 employed 35 per cent of the manu-

* As used in this article the St. Louis industrial area consists of St. Louis City and County, Missouri and Madison and St. Clair Counties, Illinois; the Louisville area of Jefferson County, Kentucky, and Floyd County, Indiana; the Evansville area of Vanderburg County, Indiana; and the Memphis area of Shelby County, Tennessee.

facturing wage earners and accounted for 45 per cent of the value of manufactured goods produced in the district. Louisville factories produced 13 per cent of the district's output, Memphis 7 per cent and Evansville 5 per cent.

In general, district manufacturing is quite well diversified, although employment as well as the value of goods produced in the nondurable industries is somewhat larger than in the heavy industries.

EIGHTH DISTRICT MANUFACTURING EMPLOYMENT BY INDUSTRY GROUPS—1940

	Number of Employees	Per Cent of Manufacturing Employment
All Manufacturing	484,000	100%
Durable Industries	213,000	44
Basic and Finished Lumber	93,000	19
Machinery	36,000	8
Iron and Steel	35,000	7
Stone, Clay and Glass	20,000	4
Automobiles and Accessories	14,000	3
Non-ferrous Metals	10,000	2
Transportation Equipment	5,000	1
Nondurable Industries	271,000	56
Food Processing	71,000	15
Textiles and Apparel	55,000	11
Leather and Products	46,000	10
Printing and Publishing	27,000	6
Chemicals	22,000	4
Products of Petroleum and Coal	11,000	2
Paper and Products	9,000	2
Miscellaneous	30,000	6

Source: Bureau of the Census.

The nondurable industries employed more than one-half of the manufacturing workers in the district according to the 1940 census of population. Food processing, textiles and leather goods industries were most important and accounted for almost two-thirds of the total nondurable industries' employment. In the heavy industry group, almost 44 per cent of the workers were engaged in the manufacture of lumber and finished lumber products. Production of iron and steel and their products and various types of machinery accounted for 33 per cent of total durable industries' employment.

Most of the production (in terms of value) in the industrial areas is accounted for by the manufacture of nondurable goods. In 1939, from 55 to 60 per cent of the value of output was in the nondurable group. In Evansville, the value of durable goods production was larger than that of nondurable goods, reflecting the relatively large output of machinery, refrigerators, automobiles and other heavy items. Approximately 65 per cent of Evansville's production was in the durable group as compared with about 35 per cent in the St. Louis area and roughly 30 per cent in Louisville and Memphis.

There are some indications, however, that durable goods industries are becoming relatively more important in the district economy. In the St. Louis area, for example, estimated future employment in the heavy industries is expected to account for about 55 per cent of total manufacturing employment as

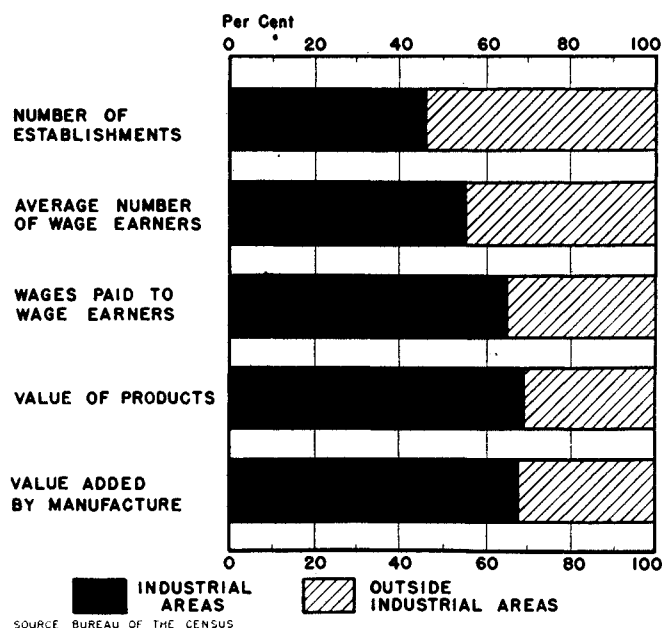
compared with less than 50 per cent in the prewar period. In Memphis, the largest new industrial concern locating in the area is an agricultural equipment manufacturing plant with estimated peak employment requirements of 3,000 workers.

During the war period, the district received new facility awards totaling about \$2.2 billion in cost, of which approximately \$1.6 billion in cost was for new industrial plant facilities. About 47 per cent of the \$1.6 billion represented expenditures for structure and about 53 per cent those for equipment.

The expansion of the district's industrial plant during the war was considerable, more than in any other comparable length of time in history. The net addition to the district's prewar manufacturing capacity, however, tends to be overstated when measured in terms of construction costs, which in wartime were inflated far beyond normal replacement costs. Also the potential usefulness of the increased capacity is less than deflated cost figures would indicate for much of it was designed for straight munitions output and has little peacetime use. A fair amount of the new capacity is, however, useful for peacetime production, either as it exists or as it can be converted.

There has been some progress made in disposing of a portion of the district's major war plants, although the dollar value of assets sold or leased to date is a negligible portion of the total value of such plants constructed. In some instances, for example the alumina plants in Arkansas and the aluminum products plant in Louisville, the adaptation to

ESTIMATED DISTRIBUTION OF MANUFACTURING IN THE EIGHTH DISTRICT—1939



peacetime production involved no major reconversion problems. The former Republic Aviation plant in Evansville has been converted into a plant for the production of milk coolers, and one part of the Wolf Creek Ordnance Plant in Milan, Tennessee, has been purchased to be used for the production of footwear. While a large part of the district's war-built plants will find no peacetime use, the availability of idle plants should tend to facilitate the efforts of some communities to develop the industry of their areas.

INDUSTRIAL DECENTRALIZATION AND THE FUTURE

In attempting to appraise the outlook for the future development of industry in this district, some attention must be given to the potential benefits that might result from an increase in decentralization of industry. During recent months there has been some indication that at least a part of the initiative with respect to the establishment of new manufacturing plants in the district has come from within industry itself. Although the evidence is insufficient to conclude that a major resumption of the trend toward decentralization is under way, there are indications that during the next few years more companies will attempt to locate production and distribution points in closer proximity to raw materials and consumer markets in an effort to offset rising costs.

Decentralization of industry is not a new idea. In this district its effect has been apparent in several industries for some time. Small factories for the manufacture of shirts, dresses and various other types of garments sprang up throughout the district during the decade prior to the war. The number of shoe factories has increased sharply in recent years, especially outside the major industrial areas. In Arkansas, for example, there are now nine shoe manufacturing plants in operation or under construction as compared with none in 1939. Similar developments also have occurred in the food processing industry; canning factories and, in recent years, frozen food processing plants have been built in increasing numbers in many of the leading agricultural sections of the district.

During the war, the ban on construction of all but essential war production facilities abruptly curtailed expansion plans for most industries. However, the many new plants which were constructed in scattered parts of the country as a part of the war production program as noted led to considerable expansion of prewar productive capacity. Subcontracting to smaller firms frequently resulted in an increase in capacity of existing plants or the con-

struction of new facilities in communities located well outside the nation's industrial centers. To the extent that such war-constructed plants can be adapted to the production of civilian goods, the war plant construction program may prove to be of considerable importance in promoting further decentralization of industry.

Probably the most important incentive to industry to decentralize its operations is the pressure to reduce costs in order to maintain profit margins. Although temporary relief may be sought through higher finished goods prices, industry in the long run is faced with the major problem of protecting profit margins through lower costs. Most of the current emphasis appears to be focused on increased output per man-hour as the primary source of cost reductions, but many companies also are examining distribution costs in an effort to achieve this objective. There are some indications that a considerable shifting of shipping and sales centers may occur as manufacturers strive for reductions in their distribution costs.

The district economy may benefit considerably by an increase in industrial decentralization, particularly in industries that are closely related to the resources of this area and which typically involve relatively small-scale production. Conditions generally seem to be more favorable to the operation of smaller manufacturing plants than of very large establishments in the areas outside the large metropolitan regions. In most parts of the district population concentrations are not sufficient to support manufacturing operations on the large-scale, mass production, long assembly line basis characteristic of major industrial centers.

This does not mean, of course, that no more big industrial plants can be located advantageously in the district. The urban areas, both large and medium-sized, may reasonably be expected to grow, partly through natural increase and partly by migration from rural regions, and thus build up larger pools of industrial labor. At the same time, improved transportation facilities should make it possible to draw on a labor supply scattered over a considerable area. The record of the war years shows that workers from small towns and rural areas can be drawn into large-scale operations at a central manufacturing location and that they can be absorbed with relative ease in training. Where other factors are favorable to industry location, lack of a completely adequate labor supply at that immediate location should not necessarily preclude establishment of relatively large-scale industry.

CONCLUSIONS

The prospects for industry in this district appear bright. The most encouraging factor, perhaps, is that community leaders throughout the district are becoming increasingly aware of the potential advantages which would accrue from a more balanced

relationship between industry and agriculture. Particularly in the south is recognition of these advantages growing and in the coming years there should be seen a steady growth of industry, mostly small-scale manufacturing, in that area.

Weldon A. Stein

International Bank Securities

The International Bank for Reconstruction and Development formally began operations on June 25, 1946. Under the Articles of Agreement, 20 per cent of the subscribed capital was to be paid in or be subject to call as needed for operations. Calls for 10 per cent of subscribed capital have already been announced. Two per cent payable in gold or United States dollars was due on or before August 24, and the other 8 per cent payable in the member countries' own currencies is due by November 25, 1946. The Bank has stated that early consideration will be given to calling up the remaining 10 per cent (also payable in the members' currencies) authorized for operations.

The authorized capital of the International Bank is \$10 billion (United States dollars), of which \$9.1 billion is reserved for the countries that were represented at the Bretton Woods conference which drew up the Bank's Articles of Agreement. At the present time, the International Bank has 38 members and a subscribed capital of \$7,670 million, the subscription of the United States being \$3,175 million. On the basis of this membership, paid-in capital by November 25 will amount to \$767 million, \$407.4 million in gold and United States currency, and the equivalent of \$359.6 million in currencies of the other member nations.

Actual lending operations probably will begin this fall. The Bank may make or facilitate loans in any of three ways. It may make or participate in direct loans out of its own funds, corresponding to its unimpaired paid-in capital, surplus and available reserves. Since only 20 per cent of its subscribed capital may be called for the purpose of making or participating in direct loans, and since it now has no surplus or reserves, total loans by this method are at present limited to a maximum of \$1,534 million. The Bank may also make or participate in direct loans out of funds borrowed in the market. Finally, the Bank may guarantee, in whole or in part, loans made by private investors through the usual investment channels.

It is anticipated that borrowers will desire and

the Bank will prefer to make direct loans rather than guarantee private issues. Since demand for loans is likely to be much greater than funds available from paid-in capital, an offering of the Bank's own securities seems likely soon after lending operations begin. Most of these securities probably will be sold in the United States because this nation is about the only member country able to afford large capital exports at present and because general conditions in the capital market here seem to be favorable. Therefore the regulations and principles governing the operation of the Bank which affect the investment status of its securities are of prime interest.

Purposes of the Bank—The purposes of the International Bank may be summarized as follows:

1. To assist in economic reconstruction and development in member countries by facilitating investments for productive purposes.

2. To promote private foreign investment by guaranteeing or participating in loans made by private investors and, when private capital is not available on reasonable terms, to provide financing out of its own resources and from funds raised in the market.

3. To promote the long-range, balanced growth of international trade and the maintenance of equilibrium in balances of payment by encouraging international investment for the development of the productive resources of member nations.

4. To coordinate its financing with international loans made through other channels so that the more useful and more urgent projects will be taken care of first.

5. To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members.

Procedure in Making and Guaranteeing Loans—Additional safeguards have been provided in establishing certain procedures to be followed in making and guaranteeing loans. Applications must be reviewed by a competent committee, which shall include an expert selected by the Governor repre-

senting the member in whose territory the proposed project is located and one or more members of the technical staff of the Bank. This committee must make a careful study of the merits of the proposed project and submit a written report recommending it before a loan or guarantee can be granted.

In considering applications, the Bank must give due regard to the prospects of the borrower being able to meet his obligations under the loan, and must act prudently in the interests both of the borrower and of the member countries as a whole. The Bank is not to grant or guarantee a loan until it is satisfied the borrower could not otherwise secure the funds on reasonable terms. Moreover, the Articles of Agreement provide that "only economic considerations shall be relevant to their (the Bank and its officers) decisions, and these considerations shall be weighed impartially in order to achieve the purposes . . . " of the Bank.

There are other miscellaneous regulations regarding the granting or guaranteeing of loans. If the borrower is other than a member government, both the principal and interest of the loan must be fully guaranteed by the Government, the central bank, or a comparable agency of the member country in which the project is located. No restrictions shall be imposed to the effect that the proceeds of a loan are to be spent in the territory of any particular member. Neither shall the Bank guarantee loans made by others without receiving suitable compensation for its risk.

Restrictions on Use of Funds—The Articles of Agreement place a number of restrictions on the use of the Bank's funds. These restrictions relate mainly to the purposes of the loans and guarantees and the total of loans and guarantees which may be outstanding at any one time.

The purposes of the Bank as listed in the Articles of Agreement, limit loans and guarantees to member nations for productive purposes. A still further restriction, however, is that loans and guarantees are to be made only for specific projects of reconstruction and development, except in special circumstances. To make effective this principle of loans for specific projects only, the Bank must make arrangements to insure that the proceeds of each loan are used only for the purposes intended. In case of direct loans made by the Bank, the proceeds are to be credited to the account of the borrower and are to be drawn on only to meet expenses as they are actually incurred in carrying out the project.

The total amount of direct loans, participations

in loans, and guarantees outstanding at any time can not exceed the total unimpaired subscribed capital, reserves and surplus. On the basis of present membership, total outstandings are limited to \$7,670 million since the Bank has no reserve or surplus as yet. There is no limitation on the amount of loans and guarantees to individual members, the Articles of Agreement merely stating that the facilities of the Bank shall be used "exclusively for the benefit of members" with "equitable consideration" being given to projects for development and reconstruction. The Bank is to give special consideration to "lightening the financial burden and expediting the completion" of the reconstruction and restoration of the economy of members whose metropolitan centers suffered great devastation from enemy action.

Methods of Meeting Defaults—If defaults on loans made, or participated in, or guaranteed by the Bank should occur, provision has been made for meeting them. If the default is the result of a temporary exchange stringency and it appears that relaxation of the conditions of the terms of payment would be in the interest of the parties concerned the Bank may, upon application of the borrower, either modify the terms of payment or make arrangements to accept payment in the member's own currency for a period not to exceed three years. In the latter case, appropriate arrangements must be made regarding the use of such currency and the maintenance of its exchange value.

If such adjustments do not enable the borrower to meet the payments, and the Bank is called upon to meet its liabilities arising from the default, first resort for funds is a special reserve set up for the purpose. The special reserve will consist of commissions received by the Bank from its loans and guarantees. During the first 10 years of its operation the commission charged on the amount of outstanding loans, participations, and guarantees shall not be less than 1 per cent nor more than 1½ per cent per annum. After 10 years the commission rate may be reduced if the accumulated reserve is considered sufficient to justify reduction, or may be raised, if such action is deemed necessary. The special reserve is to be held in liquid form such as the executive directors may decide.

If, or when, the special reserve is exhausted, the Bank may, at its discretion, use other reserves and surplus available to it. This provision will not afford any protection until the Bank has accumulated a reserve and surplus from its loans and guarantees.

Next, the Bank may call an appropriate amount

of the unpaid capital subscriptions; the Articles of Agreement provide for such calls, limited only by the total amount of each country's share subscription, when necessary to meet the Bank's liabilities for interest, other charges, or amortization. Payments may be made at the option of the member either in gold, in United States dollars, or in the currency required to discharge the obligation for which the call was made. Protection against loss from currency depreciation is provided in that payments shall be made in amounts equal in value to the member's liability under the call, regardless of the then existing value of the member's currency. If bank officials believe the default may be of long duration, the Bank may call an additional amount of the unpaid subscriptions not to exceed in any one year 1 per cent of the total subscriptions to: (1) redeem prior to maturity all, or part of, the outstanding principal of any loan in default guaranteed by the Bank, or (2) to repurchase all or part of its own outstanding borrowings.

Security Underlying Own Obligations—To meet its own liabilities the Bank will have the unpaid capital subscriptions which are subject to call to meet defaults and its own assets which will consist primarily of loans made to or guaranteed by member countries.

The relationship between the Bank's resources and liabilities can best be illustrated by a simplified, hypothetical balance sheet. Demand for loans is likely to be so great that it may be anticipated the Bank will lend the maximum amount allowed; and its balance sheet is drawn up as of a time (necessarily several years hence) when such loans are outstanding. If it is assumed:

1. The total subscribed capital is \$7,670 million, that of present membership;

2. That the Bank will call the maximum of 20 per cent of its subscribed capital (\$1,534 million) and that not more than \$1,000 million will be used for making direct loans, since part of the paid-in funds will be in currencies for which there is little demand, and part will be held in reserve;

3. That it will make the maximum loans permitted, namely \$7,670 million (assuming no surplus or reserves will have been accumulated); and

4. That it secures funds for loans, except for \$1,000 million of its paid-in capital, by selling its own bonds; then a simplified balance sheet would appear as follows:

(In millions of U. S. Dollars)	
The Bank Would Own	The Bank Would Owe
Cash (mostly foreign currencies)\$ 534	Bonds Outstanding .....\$6,670
Loans .....7,670	Capital (paid-in) .....1,534
Total Resources .....\$8,204	Total Liabilities and Capital .....\$8,204

In addition, as a contingent asset, the Bank would have the right to call on member countries, in case of need, for the unpaid 80 per cent of their capital subscriptions; amounts totaling \$6,136 million, including \$2,540 million callable from the United States Treasury.

It is now possible to point out some relationships between the Bank's resources, both actual and potential, and its liabilities under the conditions assumed above. The amount of the Bank's unpaid capital, callable only to meet liabilities, is of course the most important safety factor. The ratio of the Bank's total resources (including this amount), to its liabilities other than to stockholders would be more than two to one. The unpaid subscription of the United States, amounting to \$2,540 million, would be equal to 38 per cent of the \$6,670 million of bonds outstanding. To meet the other \$4,130 million of its own bonds outstanding (\$6,670 million—\$2,540 million) the Bank would have available (1) loans amounting to \$7,670 million; (2) cash equivalent to \$534 million; and (3) unpaid capital subscriptions of the other members totaling \$3,596 million. This represents a total of \$11,800 million as compared to its remaining bond liabilities of \$4,130 million—a ratio of 2.9 to 1. These relationships would not be disturbed if the Bank should guarantee or participate in some loans instead of using all of its available funds in direct loans since this would only change the composition of its liabilities and not the total.

If the Bank should suspend permanently its operations, which may be authorized by a majority of the total voting power of the Board of Governors, all activities must cease, except those incident to orderly liquidation of its assets and settlement of its obligations. In this event, direct and contingent claims of creditors must be paid before any distribution can be made to members on account of their capital subscriptions. The liability of all members for uncalled capital subscriptions and for depreciation of their own currencies, shall continue until all claims of creditors, direct and contingent, have been paid.

Market for the Securities—In general, the securities are expected to enjoy a good market. The specific nature and terms of the securities are not yet known, but it seems likely that most of them will be long-term maturities. Prospective purchasers include insurance companies, savings banks, commercial banks, trust funds, and charitable and educational institutions. For the time being, the first two types of investor will be largely out of the

market since their investments usually are limited to a list prescribed by state law or state supervisory bodies, and so far only New York State has placed securities of the International Bank on its eligible list for savings banks. While it is believed that all or most states will make the securities eligible for investments of insurance companies and savings banks, such action will take some time. In cases where the state legislatures have to pass on eligibility, it is likely to be 1947 before action can be taken, since most legislatures are not now in session. As soon as the securities are declared eligible, however, it is expected that both types of institutions will provide an active demand for them.

Commercial banks also provide a potential mar-

ket for the International Bank's securities but most of the banks are subject to the legal limitation that investment in the issues of a single maker, other than the United States and its political subdivisions, are limited to 10 per cent of capital and surplus. This requirement would limit commercial bank purchases to about \$600 million.

Investments of trust funds and nonprofit institutions normally are not prescribed by state law and they may provide an early market for relatively large quantities of International Bank securities as their cash holdings are large and the pressure for investment outlets is strong.

Clay J. Anderson

CURRENT CONDITIONS

(Continued from page 1)

glass products, and in meat packing establishments.

A definite upward trend in the number of employed women is apparent in many parts of the district, even in manufacturing industries where the employment of women had declined steadily since the end of the war. While a part of the increase is due to the temporary summer employment of young girls, the need to supplement family income in order to meet the rising cost of living is probably a factor also.

During July, the number of non-veterans receiving unemployment compensation payments as well as the number of Servicemen's Readjustment payments declined from the previous month. Employment of veterans increased but many employers

continue to report a considerable turnover among employed veterans, particularly those in the younger age group.

INDUSTRY

Total industrial activity in the Eighth District in July averaged somewhat higher than in June, primarily as a result of over-all gains in manufacturing operations. The higher level of activity appeared to be general throughout the district and current evidence indicates a continuation of the trend through August.

The increase in manufacturing activity was reflected in a sharp advance in the consumption of electric power by industrial consumers in the major district cities. Total consumption in these cities in July reached a new 1946 peak, 14 per cent higher than in June and only 10 per cent below the

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	July, 1946	June, 1946	July, 1945	July, 1946 compared with June, '46	July, '45
K.W.H.	K.W.H.	K.W.H.	K.W.H.	K.W.H.		
Evansville	40	7,359	6,504	10,500	+13%	-30%
Little Rock..	35	3,442	3,334	3,316	+3	+4
Louisville	82	20,167	16,652	18,076	+21	+12
Memphis	31	4,195	4,925	6,642	-15	-37
Pine Bluff....	19	1,382	1,146	6,657	+21	-79
St. Louis.....	96	64,173	55,736	67,137	+21	-0-
Totals	303	100,718	88,297	112,328	+14	-10

*Selected industrial customers.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

First nine days

July, '46	June, '46	July, '45	Aug., '46	Aug., '45	7 mos. '46	7 mos. '45
125,825	125,012	147,534	38,770	42,140	843,792	1,119,275

Source: Terminal Railroad Association of St. Louis.

COAL PRODUCTION

(In thousands of tons)	July, '46	June, '46	July, '45	July, '46 comp. with June, '46	July, '45
Illinois	5,391	5,816	5,460	-7%	-1%
Indiana	2,149	2,062	2,309	+4	-7
Kentucky	6,646	6,216	5,259	+7	+26
Other Dist. States.....	1,416	1,261	1,378	+12	+3
Totals	15,602	15,355	14,406	+2	+8

AGRICULTURE

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	July, 1946	June, 1946	July, 1945	July, 1946	June, 1946	July, 1945
Cattle and Calves..	239,544	135,187	153,765	153,179	121,541	97,339
Hogs	191,552	77,337	105,174	69,047	37,181	37,748
Horses and Mules..	7,653	8,049	2,829	7,653	8,049	2,429
Sheep	145,499	165,887	112,250	62,493	91,484	41,871
Totals	584,248	386,460	374,018	292,372	258,255	179,387

CASH FARM INCOME

(In thousands of dollars)	June		Cumulative for 6 months		
	1946	1945	1946	1945	1944
Arkansas	\$ 15,881	\$ 14,152	\$ 111,209	\$ 104,699	\$ 98,178
Illinois	71,928	88,552	532,348	538,912	583,671
Indiana	40,803	51,344	288,852	295,499	318,138
Kentucky	18,127	20,086	188,997	232,698	185,657
Mississippi	13,422	11,385	97,244	104,100	85,440
Missouri	39,096	52,403	269,515	295,010	309,454
Tennessee	24,929	23,536	145,464	142,671	143,189
Totals	\$224,186	\$261,458	\$1,633,629	\$1,713,589	\$1,723,737

amount consumed in July a year ago. The increase over June was the sharpest month-to-month gain this year and the first advance since April.

Manufacturing — Production of manufactured goods in the district was larger than in June with increased schedules indicated in the stone, clay and glass, textiles, automobile and accessories, rubber and rubber products industries. Output in the food processing industry, particularly meat packing, rose considerably as increased supplies became available. Work stoppages in the St. Louis area curtailed production of chemicals, shoes and certain lines of iron and steel products but, in general, manufacturing was uninterrupted by labor disputes during the month.

The steel industry operated at about 29 per cent of capacity in July, fractionally below the rate maintained in June and considerably less than in July of last year. The strike which kept one district plant out of production for five months was settled in August, a development of major importance to a number of steel products manufacturers in the area who normally obtain a considerable portion of their supplies from this plant.

District lumber production remained relatively unchanged from June. Total United States output during the five months ran substantially higher than had been anticipated, resulting in an upward revision in official estimates of total production this year from 30 to 32 billion board feet. Anticipated requirements, however, remain at an estimated 37 billion board feet, including 33 billion for consumption and 4 billion for urgently needed inventory replacement.

The number of whiskey distilleries operating in the district at the end of July totaled 26 as compared with 31 at the end of June. No substantial change in production is anticipated as a result of the revisions in grain allocations which were made early in August. Under the new directive, grain allocations in August are on a basis of mashing capacity of a company for a three-day period, based on an average of the five highest consecutive mashing days since January 1, 1945. A minimum of 6,000 bushels for any one company is provided. Total United States production in the fiscal year ending June 30 amounted to 147.5 million gallons as compared with 41.6 million in 1945 and a peak output of 223.7 million gallons in 1936. Approximately 40 per cent of the nation's output normally is accounted for by district distilleries.

Meat packing operations increased sharply in July as a flood of livestock arrived at district stockyards. Temporary suspension of price ceilings at the end of June resulted in a large increase in the marketing of livestock through normal channels. The number of animals slaughtered under Federal inspection at St. Louis in July was 41 per cent higher than in June and was the largest since last December. Slaughter of cattle increased 56 per cent while the number of hogs and calves killed increased 70 per cent and 8 per cent, respectively.

Mining and Oil—Total district coal production increased 2 per cent in July and amounted to 15.6 million tons as compared with 15.4 million tons in June and 14.4 million tons in July, 1945. The increase was substantially greater than that in the nation as a whole. Preliminary estimates indicate

PRICES

COST OF LIVING

Bureau of Labor Statistics (1935-39 = 100)	July 15 1946	June 15 1946	July 15 1945	July 15, '46 Comp. with June 15, '45	Comp. with July 15, '45
United States....	141.0	133.3	129.4	+ 5.8%	+ 9.0%
St. Louis.....	139.5	131.2	126.9	+ 6.3	+ 9.9
Memphis	*	134.5	*	*	*

* Not available.

COST OF FOOD

Bureau of Labor Statistics (1935-39 = 100)	July 15 1946	June 15 1946	July 15 1945	July 15, '46 Comp. with June 15, '45	Comp. with July 15, '45
U. S. (51 cities)	165.7	145.6	141.7	+13.8%	+16.9%
St. Louis.....	169.7	147.4	142.9	+15.1	+18.8
Little Rock....	159.3	139.1	141.0	+14.5	+13.0
Louisville	155.2	135.6	134.3	+14.5	+15.6
Memphis	174.6	153.6	150.7	+13.7	+15.9

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926 = 100)	July, '46	June, '46	July, '45	July, '46 Comp. with June, '46	Comp. with July, '45
All Commodities.....	124.3	112.9	105.9	+10.1%	+17.4%
Farm Products.....	157.0	140.1	129.0	+12.1	+21.7
Foods	140.2	112.9	106.9	+24.2	+31.2
Other	108.8	105.6	99.7	+ 3.0	+ 9.1

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	July, 1946	June, 1946	July, 1945	July, '46 comp. with June, '46	July, '45
El Dorado, Ark.....	\$ 15,249	\$ 13,238	\$ 10,167	+15%	+50%
Fort Smith, Ark.....	30,610	39,303	23,116	-22	+32
Helena, Ark.	4,363	4,525	5,003	- 4	-13
Little Rock, Ark.....	93,179	90,787	84,521	+ 3	+10
Pine Bluff, Ark.....	18,099	19,007	14,848	- 5	+22
Texarkana, Ark.-Tex.	8,722	8,336	8,354	+ 5	+ 4
Alton, Ill.	18,211	19,051	15,524	- 4	+17
E. St. L.-Nat.S.Y., Ill.	87,363	62,724	70,708	+39	+24
Quincy, Ill.	20,736	21,634	16,942	- 4	+22
Evansville, Ind.	85,181	76,045	91,445	+12	- 7
Louisville, Ky.	398,948	404,461	384,769	- 1	+ 4
Owensboro, Ky.	23,071	20,268	18,641	+14	+24
Paducah, Ky.	11,464	12,289	8,038	- 7	+43
Greenville, Miss.	12,925	12,406	7,306	+ 4	+77
Cape Girardeau, Mo..	8,353	7,735	5,311	+ 8	+57
Hannibal, Mo.	6,359	5,875	5,184	+ 8	+23
Jefferson City, Mo....	42,575	29,129	33,963	+46	+25
St. Louis, Mo.....	1,261,606	1,202,051	1,030,392	+ 5	+22
Sedalia, Mo.	8,709	8,327	5,945	+ 5	+46
Springfield, Mo.	52,759	45,952	35,421	+15	+49
Jackson, Tenn.	13,095	12,611	8,849	+ 4	+48
Memphis, Tenn.	361,632	323,178	233,105	+12	+55
Totals	2,583,209	2,438,932	2,117,552	+ 6	+22

RETAIL TRADE

DEPARTMENT STORES

	Net Sales		Stocks on Hand		Stock Turnover	
	July, 1946 compared with June, 1946		7 mos. 1946 to same period 1945		July 31, 1946 comp. with July 31, 1945	
	June, 1946	July, 1945	July 31, 1946	July 31, 1945	Jan. 1 to July 31, 1946	July 31, 1945
Ft. Smith, Ark.....	13%	+ 8%	+20%	+30%	2.96	2.46
Little Rock, Ark.....	6	+25	+23	+27	3.38	3.04
Quincy, Ill.	14	+26	+25	+19	3.09	2.83
Evansville, Ind.	7	+32	+23	+11	2.37	2.04
Louisville, Ky.	18	+32	+27	+34	3.68	3.50
St. Louis Area ¹	14	+34	+29	+29	2.99	2.75
St. Louis, Mo.	14	+37	+29	+29	2.99	2.75
E. St. Louis, Ill.	9	+47	+41	.....	.....	.....
Springfield, Mo.	9	+32	+38	+10	3.28	2.40
Memphis, Tenn.	9	+31	+28	+26	3.32	3.07
*All other cities.....	7	+35	+37	+27	3.14	2.72
8th F. R. District.....	12	+32	+28	+28	3.15	2.88

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

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

Trading days: July, 1946—26; June, 1946—25; July, 1945—25.

Outstanding orders of reporting stores at the end of July, 1946, were 63 per cent greater than on the corresponding date a year ago.

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

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Ft. Smith.....	.....%	61%	Quincy	30%	73%
Little Rock.....	31	64	St. Louis	41	69
Louisville	40	59	Other cities.....	37	59
Memphis	42	59	8th F.R. Dis.	40	65

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

	July, 1946	June, 1946	May, 1946	July, 1945
Sales (daily average), Unadjusted ²	234	274	272	185
Sales (daily average), Seasonally adjusted ²	300	305	277	225
Stocks, Unadjusted ³	240	222	211	181
Stocks, Seasonally adjusted ³	231	222	211	174

²Daily Average 1935-39 = 100.

³End of Month Average 1935-39 = 100.

SPECIALTY STORES

	Net Sales		Stocks on Hand		Stock Turnover	
	July, 1946 compared with June, 1946		7 mos. 1946 to same period 1945		Jan. 1 to July 31, 1946	
	June, 1946	July, 1945	July 31, 1946	July 31, 1945	Jan. 1 to July 31, 1946	July 31, 1945
Men's Furnishings.....	33%	+25%	+35%	+ 1%	3.88	2.09
Boots and Shoes.....	24	+16	+23	+65	6.33	6.13

Percentage of accounts and notes receivable outstanding July 1, 1946, collected during July:

Men's Furnishings.....	63%	Boots and Shoes.....	53%
Trading days: July, 1946—26; June, 1946—25; July, 1945—25.			

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	July, 1946 compared with June, 1946		July 31, 1946 compared with June 30, 1946		July, 1946	
	June, 1946	July, 1945	June 30, 1946	July 31, 1945	July, 1946	July, 1945
St. Louis Area ¹	7%	+46%	+ 7%	+46%	61%	46%
St. Louis	6	+47	+ 7	+46	64	48
Louisville Area ²	16	+23	+16	+48	27	26
Louisville	14	+32	+15	+50	25	24
Memphis	0-	+49	+12	+61	35	30
Little Rock	+ 8	+48	+ 6	+64	35	32
Springfield	+ 9	+60	*	*	*	*
8th Dist. Total ³	5	+44	+10	+56	45	37

*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, Fort Smith and Pine Bluff, Arkansas; Henderson, Hopkinsville, Owensboro, Kentucky; Greenville, Greenwood, Mississippi; Hannibal, Missouri, and Evansville, Indiana.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	July, '46	June, '46	July, '45
Cash Sales	24%	25%	21%
Credit Sales	76	75	79
Total Sales	100	100	100

United States output in July totaled 50.8 million tons as compared with 50.7 million tons in June.

Crude oil production increased slightly in July and was 4 per cent larger than a year ago. Daily average output from district fields amounted to 339,000 barrels in July as compared with 338,000 barrels in June and 326,000 barrels in July, 1945. The number of completions rose during the month but the ratio of producing wells to the total completed was slightly less than in June.

District lead mine output continued at the low level of earlier months, although a slight increase over June production is indicated by preliminary estimates. Total demand for lead is considerably in excess of available supplies. August requests to the Office of Metals Reserve amounted to 67,000 tons while only about 17,000 tons were available for distribution. Under the Government's stockpile program, 25 per cent of domestic output and all imports are taken by the Government.

Construction—The value of building permits awarded in the five major district cities in July totaled \$6.9 million as compared with \$6.4 million in June. However, the increase in July was due to a sharp gain in the value of permits in Louisville and Memphis; all other cities showed a decline. In general, the value of residential permits authorized increased in July while additional curbs on commercial construction produced a sharp drop in authorizations in that class. In St. Louis, permits were issued for residential structures accommodating 166 families as compared with 95 families in June. In Little Rock, residential permits rose more than 67 per cent in value while in Memphis the increase was about 20 per cent.

Transportation—The number of freight cars interchanged among railroads at the St. Louis terminal in July was virtually the same as in June. In the first nine days of August, however, a greater than seasonal increase occurred. Most carriers are experiencing considerable difficulty in lowering the turn-around time on practically all types of freight cars, a factor which has led to a general tightening of the car supply. Shortages are developing in many areas in the country which may begin to have a serious effect on the distribution of goods from producers to consumers unless the trend is reversed. On the west coast, lumber shipments, for example, have been sharply curtailed due to the unavailability of freight cars.

TRADE

The high level of sales during the first half of 1946 was maintained in July with most reporting retail trade lines registering substantial increases

in sales volume over the comparable month a year ago. While the dollar volume of sales for July was below June, the decline was less than seasonal and was due mostly to decreases in nondurable lines. Increasing prices, recently rising at an accelerated rate, are accounting for a greater portion of dollar sales volume. The lapse of price control apparently had little effect on the volume of consumer buying, but the trend toward discriminatory buying is becoming more evident, with retailers experiencing increasingly stiff resistance to unknown brand merchandise. Inventories, in terms of dollar value, increased slightly from the month previous but continue unbalanced and below their normal relation to sales volume.

Reporting department store dollar sales in July, reflecting the usual seasonal trend, declined 12 per cent below the previous month but were 32 per cent greater than in July, 1945. For the first seven months of 1946 sales volume has averaged 28 per cent above the comparable period in 1945. Preliminary reports for the first and second weeks of August indicate the year-to-date gain will be maintained and may be exceeded slightly during the month. Inventories at reporting department stores were up 6 per cent for the month and were 28 per cent greater than at the end of July, 1945, but continue unbalanced. Growing consumer resistance to substitute merchandise readily sold during the war years, plus rising production in many lines, have resulted in some "clearance sales" in an effort to dispose of such goods. Outstanding orders of reporting department stores, still in large volume, are returning to more normal levels in relation to sales.

Record production of women's and men's wearing apparel is beginning to filter to retail outlets, relieving the shortages that developed in some lines of merchandise. The better quality of goods recently appearing in many lines has led to more selective buying. Dollar sales volume at women's apparel stores in July, while 13 per cent less than in June, 1946, was 17 per cent greater than for July, 1945. At men's wear stores July sales volume was 33 per cent under the previous month and 25 per cent more than for the comparable month last year. Declines from June to July at both types of store reflected seasonal factors. Inventories at women's apparel stores, up 10 per cent from the end of the month previous, were 16 per cent more than for the same date last year, while at men's wear stores inventories were 10 per cent and one per cent larger than at the end of the previous month and the same month last year.

WHOLESALE

Lines of Commodities	Net Sales		Stocks
	July, 1946 compared with June, '46 July, '45		July 31, 1946 compared with July 31, 1945
Data furnished by Bureau of Census, U. S. Dept. of Commerce.*			
Automotive Supplies	+ 6%	+ 53%	+31%
Drugs and Chemicals.....	+ 6	+ 9	....
Dry Goods	+ 3	+ 64	+77
Electrical Supplies	+ 30	+104	....
Furniture	+ 21	+ 82	....
Groceries	+ 4	+ 27	+35
Hardware	+ 3	+ 54	+53
Plumbing Supplies	+ 40	+ 70	....
Tobacco and its Products.....	+ 8	+ 48	....
Miscellaneous	+ 13	+ 37	+51
Total all lines**.....	+ 5	+ 45	+61

*Preliminary.

**Includes certain lines not listed above.

CONSTRUCTION

BUILDING PERMITS

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1946	1945	1946	1945	1946	1945	1946	1945
Evansville	40	34	\$ 50	\$ 43	152	194	\$ 45	\$ 117
Little Rock	133	44	659	66	156	196	127	49
Louisville	248	67	928	270	73	46	65	18
Memphis	580	412	3,104	807	215	183	124	97
St. Louis	196	150	1,277	518	318	243	545	412
July Totals.....	1,197	707	6,018	1,704	914	862	906	693
June Totals.....	1,177	609	5,057	1,272	960	860	1,388	735

BANKING

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

(In thousands of dollars)	Change from		
	Aug. 14, 1946	July 17, 1946	Aug. 15, 1945
Industrial advances under Sec. 13b.....	\$.....	.....	.....
Other advances and rediscounts.....	8,210	— 4,535	— 440
U. S. securities.....	1,087,201	+ 17,210	+ 74,758
Total earning assets.....	1,095,411	+ 12,675	+ 74,318
Total reserves	608,546	— 1,714	+ 20,283
Total deposits	635,847	+ 51	— 7,588
F. R. notes in circulation.....	1,061,980	+ 4,834	+ 67,327
Industrial commitments under Sec. 13b..	4,040	+ 440	+ 4,040

PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS

(In thousands of dollars)	Change from		
	Aug. 14, 1946	July 17, 1946	Aug. 15, 1945
Total loans and investments.....	\$1,933,452	— 17,450	— 47,362
Commercial, industrial, and agricultural loans*	318,746	+ 16,584	+ 76,627
Loans to brokers and dealers in securities	10,942	— 921	+ 2,526
Other loans to purchase and carry securities	65,636	+ 539	+ 12,436
Real estate loans.....	87,520	+ 3,226	+ 20,050
Loans to banks.....	1,283	+ 367	+ 1,166
Other loans	126,514	+ 6,036	+ 37,935
Total loans	610,641	+ 25,831	+148,408
Treasury bills	22,362	+ 9,438	— 36,463
Certificates of indebtedness.....	162,032	— 30,172	—101,375
Treasury notes	200,865	— 4,157	—131,859
U. S. Bonds.....	796,030	+ 14,476	+ 65,134
Obligations guaranteed by U. S. Govt..	366	— 0 -	— 275
Other securities	141,156	— 3,914	+ 9,068
Total investments	1,322,811	— 43,281	—195,770
Balances with domestic banks.....	108,133	+ 10,999	— 13,076
Demand deposits—adjusted**	1,118,205	+ 17,018	+ 30,940
Time deposits	368,895	+ 2,206	+ 49,789
U. S. Government deposits.....	215,082	— 21,395	—119,945
Interbank deposits	547,123	— 26,596	— 45,268
Borrowings	4,000	— 4,065	— 4,600

*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.

Although dollar sales volume in July was 5 per cent under the previous month, furniture stores registered an increase of 44 per cent over the same month last year, the largest increase of any reporting retail line. Dollar values of inventories were up 10 per cent and 56 per cent over the end of June, 1946, and July, 1945, respectively. Disparity in supply of different lines of merchandise, however, is also marked at furniture stores. Bedroom and dining-room furniture are in particularly short supply with prospects the shortage will continue for quite some time. The same holds true for certain other items; for example, the production of major electrical appliances as yet inadequate to meet demand.

BANKING AND FINANCE

Banking changes at Eighth District reporting banks during the last four weeks were relatively unimportant, the most significant being another decline of \$39 million in Government security holdings. The Treasury redeemed for cash \$1,250 million of the \$2,470 million issue of certificates of indebtedness maturing August 1. Treasury certificates held by Eighth District reporting banks declined \$10.5 million for the week ending August 7 and \$30 million for the last four weeks. Treasury notes were off slightly and bond holdings decreased about \$14 million continuing the decline which began about May 1. Bond holdings of reporting banks increased during the first quarter of 1946 reaching a peak for the year to date of \$839 million on March 27, and then declined to a total of \$796 million on August 14. Most of the decrease in bond holdings has been at St. Louis reporting banks.

An increase in loans and in other securities partially offset the decline in Government security holdings. Commercial loans increased \$17 million, St. Louis reporting banks accounting for most of the increase, while the Memphis banks registered a slight decrease. Real estate loans continued to increase, reflecting primarily gains at the St. Louis and Memphis reporting banks. All other loans, which are primarily consumer loans, increased \$6 million.

Total deposits of Eighth District reporting banks decreased during the last four weeks, most of the decrease being in bank deposits of individuals and business firms and in War Loan accounts. Demand deposits of individuals and business firms increased \$17 million, interbank deposits dropped \$27 million, and Government deposits decreased another \$21 million, making a total decline in the latter of \$283 million for the year to date. Time de-

posits continued to increase although the rate of increase is diminishing slightly.

AGRICULTURE

General crop conditions over the nation have continued favorable with most production estimates being revised upward. Aggregate crop production in 1946 promises to exceed that of any previous year, according to the August 1 estimate by the United States Department of Agriculture. The 1946 aggregate crop is estimated at 6 per cent above 1945 and 3 per cent above the previous high mark set in 1942. An all-time record wheat crop of 1,160 million bushels seems assured and a 3,442 million bushel corn crop is in prospect. The 1946 oat crop now appears less than 50 million bushels under the bumper crop of last year. The prospective 2,163 million pound tobacco crop is also a new record, exceeding last year's harvest by 8 per cent, and the estimated 69 million bushel rice crop is only 2 per cent under that of 1945. The United States cotton crop will be light; indicated production of 9,290 thousand bales being only 3 per cent above the poor harvest of 1945.

Eighth District crop conditions continued to improve throughout July and conditions generally have been favorable during the early part of August. The indicated production of cotton is up slightly in all district states except Mississippi, and as of August 1 is 3,380 thousand bales compared to the very low 1945 production of 3,248 thousand bales. Mississippi cotton production is estimated at 1,250 thousand bales for 1946 as compared to a 1945 output of 1,560 thousand bales. Planted acreage of cotton is again low and the condition of the crop varies widely throughout the district.

The indicated corn crop for district states is 1,170 million bushels, which is 21 per cent above last year. Contrary to the national trend, the 1946 wheat crop of 85 million bushels is 11 per cent less than the 1945 harvest. District oats production, on the other hand, is expected to be 17 per cent above last year with an estimated production of 324 million bushels. The indicated Arkansas rice crop of 15 million bushels is 5 per cent above last year's record output. The district tobacco crop estimated at 621 million pounds is slightly above last year's production.

In general, the Eighth Federal Reserve District states, like the nation as a whole, are headed toward a bumper year of agricultural production and the progress of most crops is far enough along at this time so that there is little likelihood of any material downward adjustment of the present estimates.