Monthly Review

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A Year of Decision

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As 1948 begins, we find ourselves at an unusually important crossroads in history. Decisions made this year and the results of these decisions are likely to exercise a much more profound effect upon future developments in this nation and the world than ordinarily is true of any one year.

During 1947, the American economy operated at a higher level than in any previous peacetime year, and in terms of civilian employment, income flow, and output for civilian use the economy was at the highest level in history. Full employment held throughout the year. The number of Americans working in civilian jobs averaged 58 million in 1947 as against 55 million in 1946 and 45 million in 1939. Personal income came close to $200 billion in 1947 as against $177 billion in 1946 and $73 billion in 1939. Industrial output was close to double the prewar level and agricultural production was more than one-third larger than prewar.

The rest of the world had a far less favorable year in 1947. Hunger still holds millions of people in its grasp. The nations of Europe and Asia are far from the recovery level hoped for by this time. In fact, in many regions of the world 1947 was a year of economic disaster.

In this nation we face many troublesome problems as the new year begins, and I look to 1948 both with hope and misgiving. We have the opportunity and the responsibility to solve the problems. If we fail to grasp the opportunity and discharge the responsibility, the potential ill-results are frightening. If we go forward with purpose and understanding—if we do not underestimate our problems and the consequences of failure to resolve them and thus seek easy but inadequate solutions—we can succeed in maintaining a high level of domestic prosperity and we can lead in the improvement of badly upset world conditions.

INTERNATIONAL AFFAIRS

The year 1947 saw many developments, both good and bad, in the fields of international relations and policy. On the debit side of the ledger we must list the failure (at least relative to hopes) of the United Nations to settle many pressing problems, the widening of the rift between the two great political-social-economic systems, the break in the movement toward economic recovery in Europe and Asia, and the continuation or outbreak of sporadic fighting in several areas of the world. On the credit side may be found the successful settlement of some issues by UN and the very fact that UN still exists with its machinery for discussion and adjustment of problems without recourse to war, the functioning of the International Bank and Fund, progress toward multilateral trade arrangements, and very importantly, the further development of positive United States foreign policy.

Obviously progress toward better international understanding and relations in 1947 was far less than hoped for at the beginning of the year. Nonetheless, the year did bring a better understanding of the present position of the United States in the world of today, while some progress was made in limited fields. It is foolish optimism to view the current international situation as good, but it is needless pessimism to regard it as hopeless. The goal of world peace is more important to human welfare than ever before. It is worth great and sustained effort. Failure to make that effort, thus writing off the venture as hopeless, could well have disastrous consequences.

The problem of foreign aid led all public questions during 1947. The severe winter of 1946-47, followed by the widespread drouth of last summer, resulted in much more serious crop deficiencies in Europe than had been anticipated. The long spell of cold weather also curtailed industrial output by making it difficult to mine and distribute coal while at the same time increasing non-industrial demand for it. These two outstanding difficulties, plus a host of others, rather effectively halted the recovery program in Europe, and intensified the economic problems of the whole world.

Reflecting an increasing understanding of our leading world position, the United States is attempting to help rebuild the various democratic nations of the world by pitting our available resources against their needs. The Congress provided for so-called "interim aid" late in December, and is proceeding to consider thoughtfully the longer range European Recovery Program.

So much has been written and spoken about our purposes and policies with regard to foreign aid that I do not intend to go into the question in detail here. Three points, however, might well be stressed again. First, the volume of United States net exports under the full-scale program suggested by the Administration probably will be no larger than it was during 1947, and certainly will be smaller than the war and postwar peak levels. Second, it must be recognized nevertheless that foreign aid has had and will have a definite impact on the United States economy. Even though the major force of inflation is domestic demand, the net export position of this nation has contributed and will continue to contribute to inflationary pressures here. Third, the program will be one that we can afford for a limited time both in terms of resources and in terms of dollars. It will be expensive in both respects, but in view of the objectives and possible attainments, the expense seems merited.

THE BUSINESS SITUATION

Bringing our economy into better balance in 1948 is a task that will take the best efforts of business, individuals, and Government. At the beginning of 1947 I wrote in this Review that in the business outlook the factors of strength appeared to outweigh those of weakness, but that there were many "ifs" in the situation. Consequently, economic events of 1947 would demand close and constant appraisal. In general, that statement also applies to the outlook for 1948. It is important, however, to recognize the very different circumstances of today as against one year ago.

The inflationary situation was intensified in 1947, and in January, 1948 the economy seems to be in greater maladjustment than it was in January, 1947. A year ago there seemed to be substantial reason to hope that with intelligent action better balance could be achieved in the economy during 1947. Adjustments seemed necessary, but with moderate restraints it seemed that they could take place and be but mildly deflationary. In the past year, economic unbalance was aggravated. And only to the very optimistic do the inevitable future adjustments now appear "mild". Rather they loom more and more ominous as inflation mounts.

This is not to say that a severe crash is inevitable. We still may be able to moderate it. And even if it comes it will not necessarily occur in 1948. There are few convincing signs so far that the current boom is losing strength. It becomes increasingly important, then, that action to contain further inflation be prompt and effective. If our economy becomes more distorted during 1948 the corrective adjustments will be even more severe when the break finally comes. And it must be recognized that economic maladjustment cannot continue indefinitely.

Total employment in the United States hit the 60 million level at mid-summer with agricultural employment at its seasonal high. Nonagricultural employment rose from 49 million in January to over 50 million late in the year. Unemployment, never over 2.6 million in 1947, was well below 2 million in the fall.

By and large, labor-management relations were good in 1947. The number of man-days lost by strikes was far smaller than in 1946. Because of this fact and because the flow of materials was somewhat smoother, the nation's productive industry could and did operate at an extremely high level throughout the year. In terms of the Federal Reserve index, industrial production averaged 188 per cent of the 1935-39 base period, in contrast to an average level of 170 for 1946. Output at the close of 1947, however, was not much higher than at the beginning of the year. In effect, this nation's industrial machine attained capacity and operated pretty much at ceiling levels during the entire year.

The hard fact is, however, that the flow of finished goods was not sufficient, even with the industrial machine at capacity. The demands of business for new plant and equipment and for inventories, of individuals for housing and all types of consumer goods and services, of Government (Federal, state and local), and of foreign nations, in total were greater than supply. And with funds available to make demand effective, prices were bid up and up.

Until midyear, it seemed that the inflationary pressures could be moderated in 1947—there were scattered reports of buyer resistance and deferred expenditures; business demands began to taper off. Then the attitude of consumers shifted sharply and buying resistance crumbled. A wave of optimism spread over the business community and its demand increased. Foreign buying declined somewhat but Government demand stayed high.

As a result, prices rose rapidly. The wholesale price index in January was 176 per cent of the 1935-39 average. In December, it hit 200. Consumer prices in January were 153 per cent of the 1935-39 average. In November, the index was at 165.

The danger of rapidly rising prices has been pointed out by many people. By themselves high prices are not dangerous, but rising prices tend to distort income distribution and there comes a time in the process when people with adequate incomes do not wish to absorb all of the goods produced, and those who want the goods are priced out of the market because their incomes have not kept pace with prices. The price situation was dangerous a year ago—it is more dangerous today.

The root cause of inflation is found in the fact that the available supply of money has outrun the available supply of goods. To cure inflation, production must be brought into balance with effective demand, which means that output must be increased or the supply of purchasing power reduced, or both. Merely to prevent further inflation, a much more limited objective, the supply of money must be prevented from rising further relative to the supply of goods.

With the economy producing virtually at its present capacity, it will be a tremendous task to bring up the level of output in 1948. At best increases in capacity and in productivity will be slow but to the extent that they can aid in increasing production they will prove helpful. Certainly, there should be no deliberate interruptions to production, and it is to be hoped that workers and management can resolve any differences peaceably and not halt the flow of goods.

Another check on inflation would result from a reduction in demand. Business should go slow in bidding for goods for inventory accumulation and even for new plant and equipment. We need additional plant capacity, but when goods are withdrawn from the market to build this capacity, unless other consumers are willing to forego those goods temporarily, greater inflationary pressures result. Thus it seems best to move cautiously for new plant—increase it where such increases can be achieved with the least ill-effects, but not so rapidly as to accelerate the current price rise, and finance it out of current savings. Individual consumers also should exercise restraint in buying and should increase their savings. If consumers will defer unnecessary purchases and permit industry to use current goods to increase capacity, inflationary pressures can be moderated. Government expenditures also should be held to a minimum.

As I mentioned earlier, the outlook for 1948 offers less encouragement than was reasonably felt a year earlier, even though high level activity seems indicated for the year as a whole. The economy is not well adjusted and inflation will increase in intensity if most vigorous efforts are not put forth to combat it. The keys to the situation are: (1) restraint in spending on the part of business, individuals and Government; (2) holding production at the highest level attainable; and (3) fiscal and monetary action.

I sincerely hope that in the main voluntary restraint will prove sufficient, even though Government action may be needed in some areas. Exports must be controlled both to protect the domestic economy and to serve the areas where needs are greatest. Limited power to discourage nonessential uses of basic materials that are in short supply may become highly important. If these limited authorities are not adequate, other involuntary restraints may have to be imposed. The trouble is, there will not be too much time in which to determine action.

THE AGRICULTURAL OUTLOOK

It is too early to judge what will happen to farm production in 1948. As usual, weather will be the major determining factor. Demand for the output of United States agriculture should be about as high as in 1947. Foreign crops may be better, but foreign demand will remain high. Our shipments of food abroad this year have been far from the amount that was needed and even if there is larger foreign production in 1948 there will be need for heavy exports from the United States. On the domestic side, continued high income should maintain demand here. On balance then, if we have a high level of farm production in 1948, the supply of grains should be in somewhat better balance with demand; with poor crops, upward pressure on farm prices will be intensified. In either case, the price for livestock products is likely to continue high.

Agriculture fared very well in 1947. Total farm output was close to the record level of 1946, despite weather that was not as favorable as in the past few years. In the aggregate, farm production was more than one-third larger than prewar, with bumper crops of wheat and rice and almost record harvests of many other farm products. The major exception to the generally good production record was the corn crop, which—almost a billion bushels short of last year's harvest—was the smallest of the past decade.

With the fourth largest annual farm production in our history marketed at the highest average level of farm prices on record, cash farm income came close to $30 billion in 1947, one-fifth higher than in 1946. Net farm income is estimated at $18 billion, also a fifth larger than a year earlier.

The high level of farm prices in 1947 reflected substantial foreign demand for products of American farms, superimposed upon very large domestic demand. The almost disastrous crop season in Europe, coupled with the short United States corn crop, focused very heavy demand upon the 1947 wheat harvest, and upon feed crops in general. In turn, higher prices in these areas worked through into higher prices in others. As a result, the index of prices received by farmers for all farm products approached 290 per cent of the 1910-14 base in the last quarter of the year, about 10 per cent higher than in the comparable period in 1946, and triple the 1939 level.

With the great need for food all over the world, American farmers are being asked to turn in another record-breaking crop this year. I am confident that they will respond insofar as possible. I hope that the continued pressure for farm production will be met with minimum losses to soil productivity. For seven years we have, in effect, mined our farms. It has been necessary to do so, but it is vital that at the same time we do everything possible to maintain the land. This is not an easy task, but efforts to accomplish it will pay long-term dividends.

In general, farmers have used their excellent incomes wisely during the war and postwar years. They have paid off debts and are in good financial position. They should continue this practice, both as a curb against inflation and as a precautionary step for the future.

As a final word on agriculture, I hope that the prosperity of farmers does not evoke a major movement back to the land. So far, the agricultural population loss has been a healthy development for the long-term economic future of the farmers. It has raised individual productivity on the farm and per capita farm income. The long-range movement in agriculture is toward a smaller farm labor force. If the movement back to the farm is kept within reasonable bounds, as it has been, it will serve three purposes: (1) It will leave agriculture in better shape for the probable decline in demand sometime in the future when foreign needs taper off, (2) it will prevent additional pressure on the farm land market, and (3) it will keep the nonagricultural labor force where it is needed now.

THE POSITION OF THE BANKS

Great responsibilities face the commercial banks of this nation as 1948 opens. The decisions of individual bankers can aid in moderating the inflationary upswing or can add to its impact.

During 1947, the earning assets of the commercial banks increased by about $5 billion. Loans rose almost $8 billion, investments in non-Government securities increased by more than $1 billion, while holdings of Government securities declined about $4 billion. The increase in earning assets resulted in a deposit rise of some $4 billion. The deposit increase occurred entirely in balances of businesses and individuals; Government deposits showed very little net change.

The 1947 record of banking developments was considerably different from that of 1946. In the earlier year the loan increase was smaller (about $5 billion), while the decline in holdings of Government securities was much larger (about $16 billion) as the Treasury used its very large War Loan balances accumulated in the Victory Loan to redeem maturing obligations.

In 1947, then, the money supply increased. It rose because the demand for loans increased private credit more than Treasury redemptions decreased public credit. The Treasury redeemed such bank-held securities as it could from its cash revenue surplus and net receipts from nonmarketable securities, but funds available for this purpose were far smaller than in 1946. In conjunction with Treasury policy the Federal Reserve System moved toward higher short-term rates, in an attempt to prevent further monetization of the public debt and to discourage lending, by making bank reserves somewhat less available and somewhat more expensive.

Nevertheless, borrowing increased. Somewhat more than half the increase in bank loans during 1947 was in loans to business, somewhat more than one-fourth was in loans on real estate, and the balance in consumer loans. Loans for the purpose of purchasing and carrying securities declined in the year.

The rise in business loans resulted from increased demand for working capital stemming in turn from the high level of business activity and increased prices, from desires to add to inventories, and from desires to increase or replace plant and equipment. Consumer loans have risen with the increased availability of durable consumer goods and easing of consumer credit terms. Real estate loans have advanced partly in line with new construction, partly to finance existing property bought at high current prices.

It is important that several facts be noted in connection with the expansion in bank lending. First, rising bank loans tend to increase the money supply. Second, when an increase in the money supply is not matched by an increase in the supply of goods and services, the result (unless the additional supply of money is held idle) is a bidding up of prices. In other words, bank credit expansion without equal expansion of production tends to be inflationary. With an economy operating at virtual capacity, as ours is, credit expansion almost certainly will be reflected in price rises. Third, this is true whether or not individual loans are sound, bankable loans. Even if money created by a bank loan is used for a purpose which concurrently increases the total product, the funds thus created may be used many times in subsequent transactions to bid up the prices of goods without increasing production. Fourth, it is perfectly true that rising prices are a cause of rising loan volume, but it is also true that rising loan volume, in a situation like the present, causes rising prices. This is the old chicken and egg question in a different version.

Thus the very responsibile position of commercial banking is made evident. In the interest of stability the commercial banking system should be most reluctant to expand credit further in 1948. The recent joint statement of the bank supervisory agencies—the Comptroller's office, the Federal Reserve, and the Federal Deposit Insurance Corporation—stressed this point. Only by fairly rigid restraint on the part of individual banks can credit expansion be stopped without extension of existing controls or imposition of new ones.

I want to make perfectly clear that no indictment of individual banks is implied in the above. Banks exist to serve their customers through making credit available for sound, productive purposes. But while most individual bank loans are sound, in the sense that repayment seems assured, taken altogether they increase the money supply and their recipients bid up prices. Therefore, it behooves the banks to appraise very carefully the purposes of borrowing and, insofar as possible, to restrain lending.

Treasury action, of course, will attempt to do what it can to reduce the money supply and inflationary pressure by paying off debt held by the banks. If private borrowing continues at its present rate, however, the prospective Treasury surplus will fall short of offsetting it. The Federal Reserve System also will continue to exercise what restraining effect is possible within the effective limits of its responsibilities in the Government security market.

To sum up, the banks should attempt to do their part to hold inflation in check through restraint in bank lending. If they do not, the inflationary situation will worsen, the economy will be in greater maladjustment, and the eventual consequences will be far more severe than if restraint were practiced.

REGIONAL DEVELOPMENT

I noted in my report of a year ago that the Federal Reserve Bank of St. Louis was interested in aiding in promotion of a program of regional development for the Eighth Federal Reserve District. This region is and has been a low-income section and we need a better balanced economy in the region to build up its income level.

During the past year, the St. Louis Bank, in cooperation with state bankers' associations and state colleges of agriculture, continued to stress through widespread meetings the desirability of a better balanced agriculture in this district. I am gratified to learn that more and more district banks are carrying on their own agricultural programs with the same end in view, and seeking to extend their facilities to promote better balanced farming.

Through articles in this Review and other media, we also attempted to focus continued attention on the desirability of a better all-around balance in the district economy. As an example, the December issue carried a story of the timber resources of the region and their potentiality as an increased income source. We hope during 1948 to point out in greater detail the possibilities of increasing our industrialization through better use of our forest resources.

These programs are, of course, long range and should be so recognized. But insofar as they can be implemented in the coming year, to aid in increasing the region's and the nation's production without increasing prices, they will prove helpful in the over-all situation that confronts us.

In conclusion, I want to repeat that 1948 will be a year in which developments will affect the more distant future in considerable degree. Therefore, I hope that all of us can work together to devise sound, intelligent solutions to our problems. Only through combined effort and hard thinking can we achieve the vitally important goals we have set for ourselves. Failure to attain them may bring severe consequences. Success will lead to a better organization of the world for peace and prosperity.

Survey of Current Conditions

At the close of 1947 the national economy was functioning at about the peak level of the year. Employment in nonagricultural industries totaled 50.6 million in November, according to the Bureau of the Census, with fewer workers unemployed than at any other time in the year. Industrial production in the last quarter was at about the same level as in the first three months of the year, due primarily to an increase in production of durable goods late in 1947. Total income paid to individuals in October, on an annual basis, amounted to more than $204 billion and in the first ten months averaged 12 per cent larger than in 1946.

The willingness of consumers to take goods, even at prevailing prices, was evidenced by the fact that the volume of retail sales in the final months continued to total well ahead of 1946 dollar volume. Most of the increase, obviously, reflected higher prices. Wholesale prices early in December averaged approximately 16 per cent higher than a year earlier. Consumers' prices in October, the latest month for which data are available, were 7 per cent higher than in December, 1946; end-of-the year data when published undoubtedly will indicate a larger spread.

The persistent increase in prices in recent weeks is realistic evidence that inflationary forces continue to dominate the economy. In the six weeks to mid-December the weekly average increase in wholesale prices was a seventh larger than the average rise in the previous 18 weeks, and nearly twice as large as that of the first half of the year.

This rapid rise in prices results from inflationary pressures being generated in a number of sources. One of these, and one of increasing importance, is the sharp expansion in private credit. Commercial and industrial loans, as well as agricultural loans and borrowings on real estate, continued to increase in volume in December. Together with additional credit extended to consumers, these borrowings constitute a significant source of demand and play an important part in the bidding-up of prices for goods.

EMPLOYMENT

Between October and November, nonagricultural employment in the nation increased to an all-time high, and in the district was very close to the wartime peak. As the result of a seasonal decrease in agricultural employment, however, total employment during this period declined. Unemployment also declined since a number of agricultural workers left the labor force. For the past year and a half, except for slight seasonal reversals, unemployment has decreased gradually but steadily, as has the average duration of unemployment.

Between September and November the major district cities experienced increases in employment, principally in the manufacturing, trade and service industries. Due to seasonal factors employment decreases are expected in January but by March, according to employers' estimates, the number of persons working is expected to regain the November level. Labor supply and demand in district cities are fairly well balanced, although in many instances the matching of available workers and job openings has been difficult. Memphis and Evansville have brighter prospects for future employment increases, particularly in manufacturing, than any of the other major district cities, according to employers' intentions to hire.

A rise of more than 4,000 between September and November in the number of persons employed in the St. Louis area increased total nonagricultural employment in the area to 686,000. This figure is only 2,000 below the all-time peak of July, 1943, and is 158,000 above the 1940 average. Slightly more than half of the increase during the past two months occurred in manufacturing with the food industry accounting for the major portion of the gain. Trade, service, and Government employment also rose. By March, 1948, an increased employment of several thousand in manufacturing is expected to result from gains in the textile and apparel, chemical, leather products, transportation equipment, and machinery industries. Employment in all nonmanufacturing industries, except Government and service, is expected to be less in March than in November last year.

Both manufacturing and nonmanufacturing employment increased in Louisville during November with the largest gains in the distilling, tobacco, and retail trade industries. A slight increase in employment is expected by January as gains in tobacco, furniture, fabricated metals and nonelectrical machinery will offset the decline in trade employment. In Evansville, manufacturing employment rose almost 500 between September and November and an additional 700 workers will be needed by employers by March. Employment increased in Little Rock in the period as the result of gains in instrument and apparel manufacturing, trade, and service.

INDUSTRY

Over-all industrial activity in the Eighth District increased slightly in November, after allowance is made for the shorter work month and for seasonal influences. Even on an adjusted basis, however, gains over October were not large and appear to have been concentrated in general manufacturing industries, as indicated by an increase in daily industrial power consumption, and in the extractive industries.

Daily average consumption of electric power by large industrial consumers in the major district cities in November was 6 per cent higher than in October and 8 per cent above that of November, 1946. Moderately large gains were registered during the month in Memphis, Pine Bluff, Little Rock, and Louisville, while St. Louis registered only a 3 per cent increase and Evansville an 8 per cent decrease. Total power consumed by industries in November was less than that in October in all the major district cities except Memphis and Pine Bluff.

Manufacturing—Seasonal factors and a shorter work month resulted in smaller aggregate output in November than in October, even though, on an adjusted basis, production rose. Absolute increases were indicated in production of metals and metal products and in meat packing operations; auto production, iron and steel products and stone, clay, and glass products showed small absolute declines, even though daily average output was higher; whereas production of basic steel, lumber, whiskey, chemicals, and rubber products decreased both absolutely and on a daily average basis. Activity in the paper, machinery, electrical products, transportation equipment, and food products industries remained about the same.

Scheduled operations of the basic steel industry in the St. Louis area in November were at 64 per cent of capacity, slightly less than the 67 per cent of the previous month and about the same as in November, 1946.

Estimated lumber production declined appreciably (seasonally) in November. Average weekly production of southern pine operators in November was 8 per cent less than in October, although somewhat higher than in November, 1946. Reporting

CONSTRUCTION

BUILDING PERMITS
(Month of November)

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1947	1946	1947	1946	1947	1946	1947	1946
Evansville	61	54	$ 226	$ 153	63	44	$ 61	$ 30
Little Rock......	90	63	570	295	183	97	62	34
Louisville	201	221	2,065	883	50	45	78	27
Memphis	604	494	2,247	957	110	148	102	75
St. Louis..........	227	200	2,143	1,492	225	192	680	378
Nov. Totals..	1,183	1,032	7,251	3,780	631	526	983	544
Oct. Totals..	1,845	1,230	8,371	4,008	936	786	1,038	742

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of customers*	Nov., 1947 K.W.H.	Oct., 1947 K.W.H.	Nov., 1946 K.W.H.	Nov., 1947 compared with Oct., '47	Nov., 1947 compared with Nov., '46
Evansville	40	7,726	9,451	6,486	— 18%	+ 19%
Little Rock......	35	4,557	4,632	3,768	— 2	+ 21
Louisville	80	54,131	55,237	60,069 R	— 2	— 10
Memphis	31	5,504	5,381	5,157	+ 2	+ 7
Pine Bluff........	24	7,180	6,995	1,564	+ 3	+359
St. Louis..........	99	64,381	70,356	60,784 R	— 8	+ 6
Totals	309	143,479	152,052	137,828 R	— 6	+ 4

*Selected industrial customers.
R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Nov., '47	Oct., '47	Nov., '46	First Nine Days Dec., '47	First Nine Days Dec., '46	11 mos., '47	11 mos., '46
120,474	125,744	129,661	36,666	35,962	1,369,925	1,358,985

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION

(In thousands of bbls.)	Nov., '47	Oct., '47	Nov., '46	Nov. '47 comp. with Oct., '47	Nov. '47 comp. with Nov., '46
Arkansas	84.5	83.2	78.6	+ 2%	+ 8%
Illinois	177.5	172.6	205.8	+ 3	—14
Indiana	17.9	17.1	19.2	+ 5	— 7
Kentucky	26.4	25.6	30.0	+ 3	—12
Total	306.3	298.5	333.6	+ 3	— 8

southern hardwood mills operated at 85 per cent of capacity in November, or 10 per cent less than in October and 5 per cent below November, 1946.

In continuation of the grain saving program, the end of November found only two distilleries in production in Kentucky, although during recent weeks bottling operations have increased in order to keep up with demand. Whiskey produced in Kentucky in September totaled 6.6 million gallons, a 20 per cent increase over the previous month and nearly 90 per cent above production in September of the preceding year.

Estimated shoe production in the district in October was 9.3 million pairs, a million pairs higher than in both September, 1947 and October, 1946. The rise from September to October, 1947 was somewhat better than seasonal. Average monthly production for the first ten months of 1947 was 8.1 million pairs, compared to a 7.6 million pair average for the same period of the previous year.

Meat packing operations in the St. Louis area in November continued to increase because of very heavy runs of hogs to market. In November, a total of 592,000 animals of all types were slaughtered under Federal inspection in this area, compared to 552,000 in the previous month and 554,000 in November, 1946. Daily average hog slaughter in November was about 37 per cent higher than in October. Total slaughter of cattle, calves and sheep, respectively, was not so large in November as in October, although when adjusted to a daily average basis there was little change in the month.

Coal and Oil—Preliminary estimates of coal production in the Eighth District indicate that output in November was better than 12 million net tons, about 2 million tons more than in October. Increases were indicated in all the producing states. Estimated average daily production of crude oil in the district states in November was slightly higher than in October, but was about 8 per cent below production in November, 1946.

WHOLESALING

Lines of Commodities Data furnished by Bureau of Census U. S. Dept. of Commerce*	Net Sales Nov., 1947 compared with Oct.,'47	Net Sales Nov., 1947 compared with Nov.,'46	Stocks Nov. 30, 1947 compared with Nov. 30, 1946
Automotive Supplies	—17%	— 8%	........%
Drugs and Chemicals	—18	— 6	....
Dry Goods	—21	—25	— 9
Groceries	—20	—14	+11
Hardware	— 9	— 1	+39
Plumbing Supplies	— 9	+31	....
Tobacco and its products	— 8	— 8	— 6
Miscellaneous	—20	+27	+20
**Total all lines	—17	— 5	+12

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

Construction—With colder weather setting in, construction activity, as is usual, tapered off in the past few weeks. Building permits issued in the major district cities in November totaled $8.2 million, about $1 million less than in the previous month. The value of permits dropped in all district cities except St. Louis. The decrease was concentrated in new residential construction, which declined in total value in all major district cities. Construction contracts awarded (which cover all types of construction, and not merely building) in the Eighth District in October totaled slightly more than $50 million, a 3 per cent decrease from the previous month.

TRADE

The upward trend in Eighth District retail dollar sales continued during November. October had registered some decline from the general upward movement but November sales moved back into line. In November many of the retail lines which report data to this bank registered sales gains over both the previous month and comparable month last year.

Several factors have contributed to the continuing high levels of dollar sales, two of the most important being high current income and high prices. At the retail level, consumers' prices in October, the latest month for which data are available, were 23 per cent above June, 1946, and 64 per cent above the 1935-39 average. Clothing and housefurnishings prices had increased 20 per cent from June, 1946 and were 87 per cent over the 1935-39 average.

Consumer expenditures have been rising more rapidly than consumer income. Thus personal income in the third quarter of 1947 was about one-sixth greater than during the immediate period prior to the removal of price controls, while consumer expenditures increased by one-fifth. A smaller portion of the consumer's dollar, however, has been going for the purchase of nondurables because of the pressure of higher food prices and because more durable goods have become available. Experience of Eighth District apparel stores illustrates this situation. Even though apparel store sales are higher, the percentage gain has been considerably smaller than for stores retailing more general lines of merchandise.

At reporting Eighth District department stores, November sales volume increased seasonally 17 per cent from October and was 11 per cent over November, 1946. Some part of the increase in November sales may be attributed to the longer holiday shopping season this year. Traditionally, holiday shopping has been concentrated in the period starting after Thanksgiving but this year sales promotions were in evidence early in November. There are reports that many stores, in their cautious buying policy of earlier in the year, failed to anticipate actual sales levels and have been handicapped somewhat by goods shortages.

Inventories of reporting department stores at the end of November showed little change from either October 31, 1947 or November 30, 1946. Many stores anticipated holding a much smaller inventory at the end of 1947 than they held December 31, 1946. The ratio of outstanding orders to sales, however, was about double that of mid-summer when orders outstanding amounted to little more than one month's sales.

BANKING AND FINANCE

Bank earning assets continued to expand sharply in the four weeks ending December 17. The rise in loans much more than offset the decline in investments. At weekly reporting banks in this district, total loans increased $45 million in the period to top the $1 billion mark, while total investments dropped $19 million, and aggregated $1.2 billion. In the comparable period last year, loan expansion was smaller ($37 million) while investments declined considerably more ($49 million) so that total bank earning assets were decreased.

The rise in loans from mid-November to mid-December at the reporting banks involved increases of $33 million in commercial, industrial and agricultural loans, $2.4 million in real estate loans, and $8.4 million in "other" loans, which are mainly consumer loans. In the past four weeks, the increase in consumer loans has been marked. In no other period of equal length in 1947 was the gain as large. In the comparable four weeks last year, the increase in consumer loans was $7.4 million.

During the past few weeks, Treasury redemption policy has aimed at retiring securities held mainly by the Federal Reserve banks so that commercial bank reserves would be reduced directly. In accomplishing this purpose weekly offerings of Treasury bills have been reduced and System-held maturing certificates retired. Funds have been obtained by drawing down War Loan balances held by commercial banks. At mid-December, such balances were only about one-third as large as a month earlier. Such action, accompanying the general movement toward higher rates on short-term Government securities, has led to further pressure on yields on longer term Government securities. Effects of Treasury and System policy also have been reflected in weakening of prices of

TRADE

DEPARTMENT STORES

	Net Sales: Nov., 1947 compared with Oct.,'47	Net Sales: Nov., 1947 compared with Nov.,'46	Net Sales: 11 mos.'47 to same period '46	Stocks on Hand: Nov. 30,'47 comp. with Nov. 30,'46	Stock Turnover Jan. 1, to Nov. 30, 1947	Stock Turnover Jan. 1, to Nov. 30, 1946
Ft. Smith, Ark.	+ 8%	+ 1%	—10%	—12%	3.81	4.27
Little Rock, Ark.	+17	+10	- 0 -	+ 1	4.43	5.04
Quincy, Ill.	+10	+ 5	- 0 -	— 9	4.23	4.75
Evansville, Ind.	+25	+31	+17	+ 1	3.54	3.69
Louisville, Ky.	+24	+16	+10	+ 4	4.45	5.35
St. Louis Area[1]	+19	+11	+ 9	- 0 -	3.75	4.47
St. Louis, Mo.	+19	+ 9	+ 7	— 1	3.75	4.47
E. St. Louis, Ill.	+15	+75	+86	....	....	....
Springfield, Mo.	+ 4	+10	+ 2	+20	3.72	4.97
Memphis, Tenn.	+10	+ 6	+ 2	+11	3.97	4.92
*All other cities	+ 4	+12	+ 6	+17	3.67	4.67
8th F. R. District	+17	+11	+ 7	+ 3	3.91	4.69

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

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

Trading days: Nov., 1947—24; Oct., 1947—27; Nov., 1946—25.

Outstanding orders of reporting stores at the end of November, 1947, were 8 per cent less than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding November 1, 1947, collected during November, by cities:

	Instalment Accounts	Excluding Instalment Accounts		Instalment Accounts	Excluding Instalment Accounts
Fort Smith	..%	55%	Quincy	36%	68%
Little Rock	32	63	St. Louis	39	55
Louisville	33	58	Other cities	32	61
Memphis	36	49	8th F.R. Dist.	37	55

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Nov., 1947	Oct., 1947	Sept., 1947	Nov., 1946
Sales (daily average), Unadjusted[2]	428	330	340	371
Sales (daily average), Seasonally adjusted[2]	339	308	337	294
Stocks, Unadjusted[3]	310	307	273	293
Stocks, Seasonally adjusted[3]	290	274	246	274

[2] Daily Average 1935-39=100.
[3] End of Month Average 1935-39=100.

SPECIALTY STORES

	Net Sales: Nov., '47 compared with Oct.,'47	Net Sales: Nov., '47 compared with Nov.,'46	Net Sales: 11 mos.,'47 to same period '46	Stocks on Hand: Nov. 30,'47 comp. with Nov. 30,'46	Stock Turnover Jan. 1, to Nov. 30, 1947	Stock Turnover Jan. 1, to Nov. 30, 1946
Men's Furnishings	+33%	+11%	+ 3%	+15%	3.33	5.27
Boots and Shoes	— 9	+ 9	+ 7	+ 6	4.29	6.42

Percentage of accounts and notes receivable outstanding November 1, 1947, collected during November:
Men's Furnishings .... 53% Boots and Shoes.................... 50%

Trading days: November, 1947—24; October, 1947—27; November, 1946—25.

RETAIL FURNITURE STORES

	Net Sales: Nov., 1947 compared with Oct.'47	Net Sales: Nov., 1947 compared with Nov.'46	Inventories: Nov. 30, 1947 compared with Oct. 31,'47	Inventories: Nov. 30, 1947 compared with Nov. 30,'46	Ratio of Collections Nov.'47	Ratio of Collections Nov.'46
St. Louis Area[1]	— 1%	+25%	+ 3%	+27%	42%	43%
St. Louis	— 2	+22	+ 3	+27	42	42
Alton	*	*	*	*	*	*
Louisville Area[2]	+19	+62	+ 2	+ 6	24	31
Louisville	+19	+64	+ 2	+ 4	23	30
Memphis	+31	+ 4	+14	+25	26	36
Little Rock	+ 3	+ 4	+ 2	+ 6	26	37
Springfield	- 0 -	+12	*	*	*	*
8th District Total[3]	+ 5	+22	+ 4	+17	33	39

* Not shown separately due to insufficient coverage, but included in Eighth District totals.
[1] Includes St. Louis, Missouri; East St. Louis and Alton, Illinois.
[2] Includes Louisville, Kentucky; and New Albany, Indiana.
[3] In addition to above cities, includes stores in Blytheville, Fort Smith and Pine Bluff, Arkansas; Owensboro, Kentucky; Greenville, Greenwood, Mississippi; Springfield, Missouri; and Evansville, Indiana.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Nov., '47	Oct., '47	Nov., '46
Cash Sales	17%	19%	24%
Credit Sales	83	81	76
Total Sales	100	100	100

PRICES

WHOLESALE PRICES IN U. S. A.

Bureau of Labor Statistics (1926=100)	Nov.,'47	Oct.,'47	Nov.,'46	Nov.,'47 comp. with Oct.,'47	Nov.,'47 comp. with Nov.,'46
All Commodities......	159.5	158.5	139.7	+ 0.6%	+14.2%
Farm Products....	187.9	189.7	169.8	— 1.0	+10.7
Foods	178.0	177.8	165.4	+ 0.1	+ 7.6
Other	142.1	140.0 R	120.7	+ 1.5	+17.7

RETAIL FOOD PRICES

Bureau of Labor Statistics (1935-39=100)	Oct. 15 1947	Sept. 15 1947	Oct. 15 1946	Oct. 15, '47 compared with Sept. 15, '47	Oct. 15, '47 compared with Oct. 15, '46
U.S. (51 cities)....	201.6	203.5	180.0	— 1%	+12%
St. Louis............	209.4	215.9	183.6	— 3	+14
Little Rock......	200.4	201.3	172.3	— 1	+16
Louisville	196.2	198.2	167.4	— 1	+17
Memphis	223.6	220.5	191.0	+ 1	+17

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Dec. 17, 1947	Change from Nov. 19, 1947	Change from Dec. 18, 1946
Industrial advances under Sec. 13b....	$.........	$......	$......
Other advances and rediscounts...............	14,923	— 345	— 15,197
U. S. securities..	1,164,303	— 19,919	+ 76,931
Total earning assets...............................	$1,179,226	—$20,264	+$61,734
Total reserves	656,555	— 21,570	+ 16,298
Total deposits	702,817	— 57,302	+ 54,132
F. R. notes in circulation..........................	1,145,064	+ 21,908	+ 22,895
Industrial commitments under Sec. 13b.	580	- 0 -	— 3,685

PRINCIPAL ASSETS AND LIABILITIES WEEKLY REPORTING MEMBER BANKS

(In thousands of dollars) Assets	Dec. 17, 1947	Change from Nov. 19, 1947	Change from Dec. 18, 1946
Total loans and investments................	$2,217,146	+$ 26,236	+$ 84,685
(Commercial, industrial, and agricultural loans, open market paper)..	628,679	+ 33,262	+ 161,317
Loans to brokers and dealers in securities	6,590	+ 427	+ 81
Other loans to purchase and carry securities	44,998	— 64	— 31,314
Real estate loans......................................	140,511	+ 2,377	+ 27,377
Loans to banks..	2,750	+ 320	— 9
Other loans	180,153	+ 8,365	+ 25,266
Total loans	1,003,681	+ 44,687	+ 182,718
Treasury bills	22,084	+ 5,056	+ 3,907
Certificates of indebtedness.................	87,458	— 27,536	— 43,782
Treasury notes	118,223	+ 17,225	— 48,576
U. S. bonds including guaranteed obligations	839,074	— 11,080	— 10,911
Other securities	146,626	— 2,116	+ 1,329
Total investments	1,213,465	— 18,451	— 98,033
Cash assets	836,735	+ 35,461	+ 72,604
Other assets	25,025	— 1,150	+ 879
Total assets	$3,078,906	+$ 60,547	+$158,168
Liabilities			
Demand deposits—total	$2,405,745	+$ 63,260	+$134,382
Individuals, partnerships, and corporations	1,545,664	+ 70,155	+ 148,965
Interbank demand deposits................	722,739	+ 19,215	+ 21,402
U. S. Government deposits......	15,614	— 29,074	— 37,407
Other demand deposits.....................	121,728	+ 2,965	+ 1,422
Demand deposits—adjusted*	1,401,988	+ 41,427	+ 107,066
Time deposits	469,517	— 4,850	+ 20,560
Borrowings	18,355	+ 1,310	— 5,545
Other liabilities	16,176	— 522	+ 735
Total capital accounts............................	169,113	+ 1,349	+ 8,036
Total liabilities and capital accounts....	3,078,906	+ 60,547	+ 158,168

* Other than interbank and Government deposits, less cash items on hand or in process of collection.

corporate and municipal issues and in further advances in some types of non-Government short-term rates, which are closely related to Government market rates.

As a result of these actions, banks have become more interested in holding bills, while uncertainty as to the future course of rates has led to less interest in other short issues and bonds. Thus, when banks have funds available, they have tended to buy bills and, when they need funds, to sell certificates, notes, and bonds. Investment portfolios at the district's weekly reporting banks reflect these actions, modified in part by exchanges and cash redemptions. Between November 19 and December 17, Treasury bill holdings of the reporting banks increased $5 million, while certificate holdings declined $28 million. Treasury bond holdings declined $11 million and note holdings increased $17 million. The changes in certificates and notes, particularly, reflected exchange transactions in that the December 1 maturing certificates were exchanged into 13-month Treasury notes.

Since bank earning assets have been expanding, deposits also have grown, thereby increasing the total money supply. At the weekly reporting banks in this district, individual, partnership and corporation demand deposits rose $70 million between mid-November and mid-December. U. S. Government deposits declined $29 million. Time deposits decreased $5 million, reflecting mainly the withdrawal of Christmas savings deposits.

AGRICULTURE

Better prospects for a wheat crop in the southwestern winter wheat belt have highlighted the December agricultural news. Seventy-five to 90 per cent of the Kansas wheat crop had been seeded by December 1. Approximately one-third of the intended acreage in Oklahoma and Texas remained to be seeded after that date, but recent reports indicate that much of this acreage was in by December 17. This area has received sufficient rain to germinate wheat but little growth can take place before freezing weather. Wheat acreage seeded in Missouri is 30 per cent more than that harvested in 1947. In most other sections winter wheat is in good to very good condition with some being pastured where the soil has dried sufficiently.

A wheat crop of 1.1 billion bushels is now possible on the basis of an 839 million bushel winter wheat crop and an average spring wheat crop, according to the first estimates released by the USDA on the 1947-48 wheat situation. The final out-turn now depends on weather conditions until next spring.

The cotton crop estimates, as of December 1, increased the month earlier forecast by 189,000 bales. The crop is now expected to total 11,694,000 bales. Prospective production in California and Texas accounted for most of the increase. Crop prospects in district states declined 15,000 bales. Realization of the December 1 estimate would result in a 1947 production about 3 million bales larger than last year, and about 700,000 bales smaller than the 1936-45 average. The 1947 cotton acreage is below that harvested on the average in the years 1936 through 1945, but the yield per acre is 14.8 pounds above the ten-year average.

Farm prices declined 1 per cent in the month ending November 15. This was due primarily to a seasonal decline in the price of hogs. In general, other prices held steadily or increased moderately. After November 15, farm prices again moved upward. The ten-market average price of cotton, for instance, on December 12 was 36 cents a pound, 3 cents above the price a month earlier. Pork prices are expected to go higher as hog slaughtering declines in the late winter and spring. Prices of cattle also are expected to continue high since the number marketed will be smaller and demand should continue to be high.

A recent study made by the Department of Agriculture on the farm family level of living in 1940 and 1945 shows that the southern states had the lowest level in the United States at both times, even though they showed the greatest relative gains between 1940 and 1945. This study is based on such factors as: (1) percentage of farm dwellings with electricity; (2) percentage of farm dwellings with telephones; (3) percentage of farms with automobiles; and (4) the value of products sold or traded. Among Eighth District states, Mississippi, Arkansas and Tennessee were lowest in 1945 with index scores (U.S.=100) of 32, 37 and 50 respectively; however, these same states showed the greatest percentage increases in living level from 1940 to 1945.

FARM FAMILY LEVEL OF LIVING
(1945 U.S. = 100)

	Index-Value 1945	Index-Value 1940	Increase 1940-45 (per cent)
Arkansas	37	25	48
Illinois	139	113	23
Indiana	134	111	23
Kentucky	61	49	24
Mississippi	32	22	45
Missouri	93	78	19
Tennessee	50	36	39
United States	100	80	25

Source: B.A.E., Farm Operator Level of Living Indexes for Counties of the United States, 1940 and 1945.

The lack of modern conveniences in district farms is highlighted further by the fact that nearly one-half the farms in district states have no electricity. Mississippi, with two-thirds of its farms unelectrified, ranks third among all states in proportion of unelectrified farms. Four of the district states are among the ten states with highest percentage of unelectrified farms. In Indiana, and Illinois, 15 and 25 per cent of the farms had no electric service as of July 1, 1947.

UNELECTRIFIED FARMS IN EIGHTH DISTRICT STATES
JULY 1, 1947

	Farms without electric service	As per cent of all farms	Rank in U. S. in proportion of unelectrified farms
Mississippi	176,788	67%	3
Tennessee	139,728	60	5
Arkansas	114,812	58	9
Kentucky	134,067	56	10
Missouri	123,443	51	14
Illinois	51,224	25	27
Indiana	25,662	15	36
District states	765,724	49	....
United States	2,284,528	39	....

Source: USDA Rural Electrification Administration.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Nov., 1947	Oct., 1947	Nov., 1946	Nov., '47 comp. with Oct., '47	Nov., '47 comp. with Nov., '46
El Dorado, Ark.	$ 17,379	$ 20,009	$ 15,857	—13%	+10%
Fort Smith, Ark.	36,347	40,548	33,946	—10	+ 7
Helena, Ark.	10,917	13,149	8,310	—17	+31
Little Rock, Ark.	116,743	135,632	104,131	—14	+12
Pine Bluff, Ark.	27,231	39,368	25,966	—31	+ 5
Texarkana, Ark.-Tex.	10,927	11,814	9,071	— 8	+20
Alton, Ill.	21,994	23,909	18,763	— 8	+17
E.St.L.-Nat.S.Y.,Ill.	117,745	135,144	98,397	—13	+20
Quincy, Ill.	28,174	29,932	23,135	— 6	+22
Evansville, Ind.	99,311	111,864	84,283	—11	+18
Louisville, Ky.	466,843	508,749	417,389	— 8	+12
Owensboro, Ky.	33,941	30,262	23,389	+12	+45
Paducah, Ky.	14,420	15,024	12,121	— 4	+19
Greenville, Miss.	25,790	31,589	15,218	—18	+69
Cape Girardeau, Mo.	14,131	10,427	8,618	+36	+64
Hannibal, Mo.	6,845	7,808	6,936	—12	— 1
Jefferson City, Mo.	31,781	52,408	32,770	—39	— 3
St. Louis, Mo.	1,356,306	1,516,453	1,242,753	—11	+ 9
Sedalia, Mo.	9,129	10,130	8,955	—10	+ 2
Springfield, Mo.	53,949	62,926	54,005	—14	- 0 -
Jackson, Tenn.	19,716	27,379	20,303	—28	— 3
Memphis, Tenn.	610,614	699,153	465,333	—13	+31
Totals	$3,130,233	$3,533,677	$2,729,649	—11	+15

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Oct., 1947	Oct., '47, comp. with Sept., 1947	Oct., '47, comp. with Oct., 1946	12 mo. total Oct. to Sept. '46-'47	'46-'47 comp. with '45-'46	'46-'47 comp. with '44-'45
Arkansas	$116,464	+ 80%	+ 9%	$ 509,990	+31%	+60%
Illinois	227,157	+125	+ 9	1,823,280	+38	+58
Indiana	132,402	+ 52	+21	1,049,269	+32	+54
Kentucky	42,140	- 0 -	+ 8	523,127	+23	+25
Mississippi	122,261	+ 92	+76	376,267	+13	+15
Missouri	142,028	+ 57	+ 6	1,072,064	+36	+52
Tennessee	71,771	+ 56	+14	476,696	+27	+38
Totals	$854,223	+ 73%	+17%	$5,830,693	+32%	+48%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts Nov. 1947	Receipts Nov.,'47 comp. with Oct.,'47	Receipts Nov.,'47 comp. with Nov.,'46	Shipments Nov. 1947	Shipments Nov.,'47 comp. with Oct.,'47	Shipments Nov.,'47 comp. with Nov.,'46
Cattle and calves	149,324	—30%	—12%	50,609	—45%	—36%
Hogs	222,642	+ 5	+ 5	33,368	—21	—31
Sheep	50,156	—29	— 1	4,188	—76	—50
Horses	1,325	+ 9	—61	1,325	+ 9	—61
Totals	423,447	—15%	— 3%	89,490	—41%	—36%

National Summary of Business Conditions

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INDUSTRIAL PRODUCTION expanded somewhat further in November. Department store sales showed more than a seasonal increase in November and the first half of December. Wholesale commodity prices generally continued to advance.

Industrial production—The Board's seasonally adjusted index of industrial production advanced 2 points in November to 192 per cent of the 1935-39 average, a new postwar peak rate.

Output of durable goods expanded somewhat further, reflecting largely increases in activity in most machinery, transportation equipment, and nonferrous metal fabricating industries. Output of steel in November was at a slightly lower rate than in October, but in the early part of December scheduled operations rose to new postwar peaks. Motor truck assemblies were curtailed in November and early December, as a result of model changeover activity at plants of a major producer, while output of passenger cars increased. Output of lumber and other construction materials was maintained in large volume.

Manufacture of nondurable products continued to increase in November, reflecting mainly a further marked rise in activity at cotton textile mills and an expansion in the volume of livestock slaughtered as a result of reduced feed supplies and high prices for feeds. Liquor production, which increased sharply in October, was curtailed in November in accordance with the Federal program to conserve grain.

Production of minerals rose somewhat further in November, reflecting further gains in output of bituminous coal as increased numbers of freight cars became available.

Construction—Values of most types of construction contract awards, according to the F. W. Dodge Corporation, showed seasonal declines in November and were substantially larger than a year ago. The number of dwelling units started during the month, as estimated by the Department of Labor, decreased from 94,000 in October to 82,000 in November; completions increased from 83,000 units to 86,000.

Distribution—Department store sales showed a sharp seasonal increase in November and the Board's adjusted index rose to a new high of 300 per cent of the 1935-39 average, as compared with 275 in October and 291 in September. Value of sales continued at a high level in the first half of December and was 8 per cent above the corresponding period in 1946. Value of department store stocks has also increased in recent months and is above the corresponding period of a year ago.

Shipments of most classes of railroad revenue freight were maintained in large volume in November and the first half of December, after allowance for usual seasonal declines at this time of the year. Coal shipments continued to increase and were at the peak rate reached at the beginning of the year.

Commodity prices—Wholesale commodity prices generally advanced further in November and the early part of December. Crude petroleum prices were increased sharply and advances were announced in refined petroleum products, newsprint, rayon, textile products, shoes, and some metal products. Government disposal prices for Japanese silk were reduced by nearly one-half. Prices of commodities traded in the organized markets rose further in November but showed little change in the first three weeks of December.

The consumers' price index was unchanged from September to October. Food prices generally showed little change in November and December, while additional increases occurred in retail prices of other goods and services.

Bank credit—Loans to businesses, consumers, and real estate owners expanded further at banks in leading cities during November and the first half of December. Demand deposits of individuals and businesses increased 800 million dollars at these banks, and currency in circulation rose by 400 million.

In the four weeks ending December 17, member banks gained reserves as a result of a continued inflow of gold, Treasury transactions, and Federal Reserve purchases of Government securities. These sources of reserves more than offset the seasonal growth in currency.

Reserve Bank holdings of Government securities declined in the four-week period, reflecting Treasury retirement of bills and certificates. The System also sold substantial amounts of bills and certificates in the market, but purchased larger amounts of notes and bonds.

Interest rates and bond yields—Prices of Treasury bonds, which declined sharply in October and November, were held firm after the middle of November by official support. Prices of corporate bonds declined further. Yields on Treasury certificates rose and a new issue of 1⅛ per cent one-year certificates was offered in exchange for the issue maturing January 1.