MONTHLY REVIEW
OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

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FIFTH WAR LOAN

Individuals and businesses are going to be called on to purchase more United States bonds and securities during the Fifth War Loan (June 12 through July 8) than in any previous drive. The goal for the country is $16 billion, of which $6 billion are expected to come from individuals and the remainder from businesses.

Again major emphasis will be placed on the quota of $6 billion to individuals, and from the beginning of the drive to June 26 only sales to individuals will be reported. Subscriptions will be received, however, during the entire period from all eligible subscribers and counted toward the quotas.

Fifth War Loan Quotas

	Series E	Other Individual	Total Individual	Corporations	Total Quota
		(Millions of Dollars)			
United States	$3,000	$3,000	$6,000	$10,000	$16,000
Minnesota	66	55	121	125	246
Montana	12	8	20	21	41
North Dakota	12	9	21	18	39
South Dakota	12	9	21	16	37

The securities to be offered are: Series E, F and G Savings Bonds; Series C Savings Notes; 2½% Bonds of 1965-70; 2% Bonds of 1952-54; 1¼% Notes of 1947; and ⅞% Certificates of Indebtedness. These are essentially the same types of securities as those offered during the Fourth War Loan with the exception of the 1¼% Notes of 1947 and the 2% Treasury Bonds of 1952-54, which were not offered last time.

Commercial banks will be allowed to subscribe to 2% and 2½% Bonds and Series F and G Bonds in limited amounts for investment of their time deposits. The amount allowed to each bank will be 20% of the savings deposits and certain time certificates of deposit or $400,000, whichever is less after deducting purchases of the 2½% and 2¼% Treasury Bonds purchased by the commercial banks during the Fourth War Loan and F and G Savings Bonds purchased since January 1, 1944. None of these subscriptions by commercial banks will count as a part of the War Loan quotas.

Quotas suggested by the Treasury Department for states in the Ninth District average about 28 per cent larger than quotas for the Fourth War Loan (as compared with a quota increase for the entire nation of about 15 per cent).

Estimated Ownership of Demand Deposits of Individuals, Partnerships and Corporations as of February 29, 1944, at All Ninth District Member Banks

The increase in demand deposits of individuals and businesses at all banks in the United States from $38 billion at the end of 1941 to $59 billion at the end of 1943 has raised the question as to the distribution of these deposit balances by ownership.

Estimated Demand Deposits of Individuals, Partnerships and Corporations of All Ninth District Member Banks February 29, 1944

	Amount*	Per Cent Total
Nonfinancial businesses	$ 610.9	55.7%
Manufacturing and mining	173.6	15.8
Public utilities, transportation and communication	115.9	10.6
Retail and wholesale trade	238.5	21.7
Other nonfinancial businesses	82.9	7.6
Financial businesses	96.2	8.8
Nonprofit associations	38.3	3.5
Personal accounts	351.9	32.1
Farmers	123.7	11.2
Others	228.2	20.9
TOTAL	$1,097.3	100.0%

*In millions of dollars.

As part of a nationwide survey conducted by the Federal Reserve System, forty-three member banks in the Ninth District cooperated in making an analysis of the distribution of these deposits between individuals and different classes of businesses as of about February 29, 1944.

On the basis of this sample, tentative estimates were made of the distribution by ownership of these deposits at all Ninth District member banks. About 56 per cent of these deposits were owned by nonfinancial businesses—manufacturing firms, stores, public utilities and others. Retail and wholesale trade accounted for a large proportion of deposits of nonfinancial businesses and about 22 per cent of all deposits of individuals and businesses. Manufacturing and mining concerns owned about 16 per cent and public utilities, transportation and communication (telephone, telegraph, etc.) businesses about 11 per cent.

Financial businesses (insurance companies, etc.) owned only 9 per cent of all of these deposits at Ninth District member banks, or about $96 million. Nonprofit associations (churches, lodges, clubs, etc.) accounted for only 4 per cent.

Personal accounts, which include farmers' de-

posits, represented about 32 per cent of all of these deposits or about $352 million.

Deposits of businesses tend to predominate in the large banks while deposits of individuals (including farmers) are relatively more important in the smaller banks.

The volume of business activity in the Ninth District continues to rise moderately. A tapering off in wartime expansion is evident. The decline in bank deposits was matched by a decrease in investments, concentrated in Government securities, and commercial and industrial loans. Farmers' cash income during the first quarter of this year was larger by 22.4 per cent as compared with a year ago. Prices received by farmers tend to level off. The trend for livestock on farms is slightly downward.

BUSINESS

The volume of business activity in the Ninth Federal Reserve District during the past few months has continued to rise moderately. A close examination of business indicators, however, reveals a gradual tapering off in the wartime expansion. For the first four months of this year department store sales over the District averaged 6 per cent above those of the corresponding period of a year ago, while for the same period in 1943 they averaged 14 per cent above those in 1942. Bank debits have declined since the beginning of the year, whereas last year they rose rapidly from January through April. As a result of the War Loan drives the decline in bank debits does not indicate a corresponding contraction in the volume of business activity. During a time of governmental borrowing from the public, debits made to individual accounts reflect purchases of Government bonds as well as purchases of goods and services. Since the Fourth War Loan took place during January and February, debits were larger than otherwise would have been the case, which may account, in large part, for the declining trend. Miscellaneous carloadings have decreased steadily since the beginning of the year. Nevertheless, they are still significantly above those of a year ago. Employment and payrolls appear to have reached a plateau in Minnesota.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	April 1944	March 1944	April 1943	April 1942
Bank debits—93 cities	184	205	194	140
Bank debits—farming centers	201	215	192	149
City department store sales	161	159	146	125
City department store stocks	135	143	115	145
Country department store sales	151	158	147	132
Country lumber sales	132	181	203	150
Miscellaneous carloadings	123	127	118	133
Total carloadings (excel. misc.)	141	136	110	162
Farm prices—Minn. (unadj.)	168	168	174	141
Employment—Minn. (unadj. 1936=100)	138	137	142	122
Payrolls—Minn. (unadj. 1936=100)	232	225	215	166

Business activity in the District reflects in a large measure the trend in the national economy. According to a study made by the United States Department of Commerce, the expansion in production for the nation as a whole has tapered off to a plateau. The basic cause of the levelling off in production is found in the shortage of labor power. In many instances shortages of materials have been a contributing factor. On the basis of indices available, it appears that the volume of output of goods and services is approaching the nation's potential capacity.

The relative static character in the war economy is reflected, moreover, in the proportion of total products absorbed by the war machine. Prior to the second quarter of 1943 there was a rapid increase in the amount of products of industry and of agriculture purchased by the Government. According to figures published by the United States Department of Commerce, it now appears that purchases of war materials have been stabilized at about 45 per cent of the gross national product.

Along with the tapering off in production, incomes paid to individuals have ceased their phenomenal increase. According to figures available for the first two months of this year, income payments made to individuals are rising at a significantly smaller rate than a year ago. If individuals continue to accumulate the present volume of savings, demand for consumer goods and services now available on the market may remain relatively stable for the duration of the war.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% April 1944 of April 1943	% Jan.-April 1944 of Jan.-April 1943
Total District	170	111	103	106
Mpls., St. Paul, Dul.-Sup.	12	10	104	106
Country Stores	158	101	101	106
Minnesota	38	36	100	105
Central	6	2	108	117
Northeastern	3	4	91	96
Red River Valley	2	3	103	109
South Central	9	10	102	108
Southeastern	7	6	102	103
Southwestern	11	11	98	104
Montana	16	14	101	107
Mountains	6	6	98	101
Plains	10	8	104	111
North Dakota	36	14	106	115
North Central	9	1	111	118
Northwestern	4	2	105	119
Red River Valley	15	2	110	114
Southeastern	8	7	99	114
Southwestern	*	*	...	...
R. Riv. Val.-Minn. & N. D.	17	5	108	113
South Dakota	33	13	103	105
Southeastern	9	4	98	100
Other Eastern	18	8	108	111
Western	6	1	102	104
Wisconsin and Michigan	35	24	98	101
Northern Wisconsin	8	8	104	104
West Central Wisconsin	23	9	100	103
Upper Penn. Michigan	4	7	91	94

*Not shown, but included in totals. Insufficient number reporting.

Department store inventories in the District dropped some during April as compared with the figure for March. Since the beginning of the year stocks have ranged from 34 to 43 per cent above the 1935-1939 average.

Retail sales in the Ninth Federal Reserve District continue to mount gradually. Jewelry is still one of the most important outlets for large wartime incomes. Due to restrictions placed on production, sales of motor vehicle dealers and furniture dealers continue to decline.

After an adjustment is made for normal seasonal variation, city department store sales in the District increased during April by about 1 per cent over March sales, while country department store sales decreased approximately 4 per cent over the same period. There appears to be an increasing tendency for monthly sales to fluctuate around an average volume of sales.

With a rise in consumer incomes, individuals tend to concentrate their additional purchases among selected commodities. Jewelry sales during the past few months have averaged more than 50 per cent above those of a year ago. The sale of such articles as laces, trimmings, etc., toilet articles, books and magazines have increased markedly. As a whole there has been a greater demand for small wares than for other commodities. In spite of the inferior quality of toys there has been an ever-growing demand for them. Sporting goods in general have been selling rapidly. The sales of women's wearing apparel and piece goods tend to rise from month to month. On the other hand, the demand for men's and boys' wear appears to be tapering off. The increase in sales during the past few months has been relatively small as compared with the same period a year ago. As a result of restrictions placed on the manufacture of such durable commodities as mechanical refrigerators, radios, etc., the sales of home furnishings have declined notably.

Flour production in the Northwest for April again exceeded the 1943 production. With the exception of March, production this year has been steadily above that of the previous year. With the increase in the output of flour on one hand and the gradual decline in stocks of wheat owned by mills on the other, some apprehension was felt over a possible shortage of wheat before the new crop appears on the market, the condition being most critical in the Southwest area.[1] The possible shortage of wheat confronting millers is caused largely by farmers who are holding their wheat to feed livestock. The Bureau of Agricultural Economics reported that 40 per cent of all stocks of wheat on April 1 were held on farms.

Recently the situation has improved some and the amount of orders for flour on millers' books has decreased faster than the supply of wheat available to millers. Favorable spring weather has improved prospects for a high yield of winter wheat. The United States Department of Agriculture has revised upward its estimate of winter wheat by 60 million bushels. The present estimate of 662,275,000 bushels is well over last year's crop, as well as above the ten-year average from 1933 to 1942.

Mining in the Ninth District is again in full swing. Lake Superior iron ore shipments for April totaled 5,288,079 gross tons. This is nearly 2¾ times as much iron ore as was shipped in April a year ago. Although it is less than the record figures of 6,954,793 and 7,789,182 gross tons respectively for April 1941 and 1942, this figure, nevertheless, promises a record season. Cargo boat tonnage now in commission is larger than in previous years. Consequently, under normal weather conditions it is anticipated that the ore shipments throughout the season will equal or exceed the 1942 record tonnage of 92,076,781.

[1]This information is taken from the 1944 April and May issues of **The Northwestern Miller.**

BANKING

City member bank deposits in the Ninth District were off by $31 million in the middle of May relative to a month earlier, having declined to $1,185 million. The decline in these deposits was partly matched by a decline of $20 million in investments, most of which was concentrated in Government securities. United States Treasury Bill holdings were off by $17 million with comparatively negligible declines in holdings of United States Treasury Certificates of Indebtedness, United States Treasury Notes, and other obligations guaranteed by the United States Government. Holdings of United States Government bonds, on the other hand, increased during the month by approximately $3 million.

Loans to customers were down by about $7 million, the decline being centered largely in commercial, industrial and agricultural loans with loans for carrying securities off by about $3 million. Other miscellaneous loans had increased by about $2 million. Thus total loans, discounts and investments had declined by $27 million.

Balances with other banks in the United States were up $2 million dollars and reserves with the Federal Reserve Bank also increased by $500,000.

Excess reserves declined at these banks by $700,000 during the month. As was explained in the March Monthly Review, this decline in excess reserves matched with an increase in reserve balances and a decline in total deposits at these banks is explained by a substantial decline in War Loan accounts held at the commercial banks. This was substantially larger than the total decline in deposits, and therefore deposits subject to reserves actually increased during the month.

Country member bank deposits during the last half of April averaged $1,058 million, a negligible

decline from the corresponding period in March. Gross demand deposits declined somewhat, but this decline in demand deposits was almost matched by an increase in time deposits at these banks. Reserves with the Federal Reserve Bank declined by about $3 million during the month. Funds available for earning assets were off by $27 million.

The reserve position of all Ninth District member banks for the last half of April is indicated by the following table:

Daily Average Reserve Position for all Ninth District Member Banks for the Fifteen-Day Period Ending April 30, 1944

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks	$140,962	$139,084	$ 1,878
Other City Banks	20,094	18,942	1,152
Total City Banks	161,056	158,026	3,030
Total Country Banks	119,628	92,085	27,543
Total Ninth District—1944	280,684	250,111	30,573
Total Ninth District—1943	260,083	200,172	59,911

AGRICULTURE

Farmers' cash income in the Ninth District during the first quarter this year totaled $429,057,000 compared with $350,522,000 in the first quarter of 1943 and $202,595,000 in the first quarter for the 1939-1943 average. Cash income from livestock and livestock products during the first quarter of the year comprised about 83 per cent of the total cash income compared with an estimated 60 to 70 per cent for the year as a whole. A larger proportion of total cash income is derived from crops during the second half of the year since most crops in this area are harvested and marketed during the July to December period. Farmers' cash income in the Ninth District during the month of April totaled $123,344,000. This was 12 per cent more than April 1943 and 86 per cent higher than the April five-year average 1939-1943.

Annual cash income per farm in the Ninth District during 1943 totaled $4,778 which was almost six times as much as the low in 1932 and more than double the average farm income in the prewar year of 1940. Cash income per farm in 1943 was lowest in Minnesota ($4,380) and highest in Montana ($6,049). The average acreage per farm in Minnesota was only about 165 acres compared with 1,110 acres per farm in Montana and slightly over 500 acres per farm in the Dakotas according to 1940 census figures.

Cash Income Per Farm*

	1932	1935	1940	1943
Minnesota	$ 896.44	$1,491.95	$2,132.89	$4,379.90
North Dakota	816.92	1,255.60	2,081.08	5,870.84
South Dakota	820.81	1,285.96	1,929.17	4,932.23
Montana	1,119.31	2,629.08	2,658.44	6,048.56

*Estimated by dividing the number of all farms into total cash income.

Prices received by farmers in the United States in mid-April averaged the same as a month earlier but were below the level of the corresponding month a year earlier for the first time in almost five years according to statistics from the Department of Agriculture. Farm product prices as a whole averaged 115 per cent of parity compared with 122 per cent in April 1943. This would indicate prices received by farmers tended to level off while prices paid rose. Prices of most farm products in the Ninth District are above parity with the exception of wheat, corn, potatoes, and eggs.

Actual Prices Received by Farmers and a Comparison With Parity[1]

Commodity and Unit	Actual Prices Ninth District[2] April 15 1937-41 Avg.	April 15 1944	Parity Prices April 15 1944
Crops			
Wheat, Bushel	$0.84	$ 1.42	$ 1.50
Corn, Bushel	.59	1.01	1.09
Oats, Bushel	.31	.71	.67
Potatoes, Bushel	.66	1.06	1.22
Livestock and Livestock Products			
Hogs, 100 lbs.	7.29	13.00	12.40
Beef cattle, 100 lbs.	7.12	11.84	9.21
Veal calves, 100 lbs.	8.25	12.98	11.50
Lambs, 100 lbs.	8.34	13.14	10.00
Milk, wholesale, 100 lbs.	1.48	2.63	2.55
Butterfat, lb.	.290	.530	.443
Chickens, live, lb.	.124	.204	.194
Eggs, dozen	.157	.271	.300

[1]Data compiled from United States Department of Agriculture reports.
[2]Weighted prices for North Dakota, South Dakota, Minnesota, Montana and Wisconsin.

Nonagricultural income payments, which indicate the ability of civilian consumers to buy farm products and other commodities, rose 11 per cent from April 1943 to February 1944 according to the United States Department of Agriculture.

Crop and weather conditions in the Ninth District during April and early May varied from extremely dry in a large part of Montana and North Dakota to saturated soils and frequent heavy rains in the southern and extreme eastern part of the territory. Seeding of small grain is pretty well completed in the drier areas, but planting and field operations have been slowed down in many sections of Minnesota and South Dakota.

The May 1 Crop Production Report of the Department of Agriculture indicated a 1944 winter wheat production in the United States of 662,275,000 bushels, one-fourth larger than the 1943 crop and 16 per cent above the ten-year (1933-1942) average. The acreage expected to be harvested is reported as one-fifth larger than last year and the largest since 1938. Prospective abandonment from all causes is placed at 13.1 per cent on May 1, which compares with 10.3 per cent a year earlier and 19.5 per cent for the ten-year (1933-1942) average. The indicated yield on May 1 is 16.2 bushels per harvested acre compared with 15.6 bushels last year and an average of 15.0 bushels. The average weighted yield per acre in the Ninth District is estimated at 15.9 in 1944 compared with 21.8 in 1943 and 15.7 for the ten-year average 1933-1942.

The feed situation, although serious, is considerably improved by favorable prospects for crops, pastures and ranges for the country as a whole. Pasture condition on May 1 was reported at 79 compared with 78 a year earlier and 74 for the 1933-1942 average. With fair rains during the rest of the season another good hay crop may be expected in practically all states except possibly Montana, North Dakota and parts of California where moisture has been light. A fourth larger winter wheat production is in prospect compared with estimates last fall. The total acreage planted to corn may be considerably larger than the slight increase indicated in the "Farmers' Intentions to Plant" report of March 1. This is because many farmers have been unable to plant early grain crops due to weather conditions. Any shift from oats to row crops means increased labor requirements, and latest reports for the west north-central region show 19 per cent less labor-for-hire available this year than last.

In spite of the improved outlook for feed production some adjustments in livestock numbers and feeding may be necessary this year and in early 1945. Record numbers of livestock on farms, heavy feeding per animal and large industrial uses of grain have reduced the grain supply per animal unit on January 1, 1944, approximately one-fifth compared with January 1, 1943. There is considerably less grain in storage stocks this spring compared with a year ago according to the United States Department of Agriculture. April 1 stocks of wheat on farms and in commercial storage were estimated at 542 million bushels compared with 900 million bushels a year earlier. Wheat stocks have been sharply reduced since the first of the year, partly as a result of heavy demand for feed. Commercial and farm stocks of corn on April 1 totaled 1,162 million bushels compared with 1,490 million April 1, 1943. Total oat stocks were 445 million bushels against 538 million a year ago. The Department of Agriculture estimates that stocks of corn, oats and barley in the country on July 1 will total between 18 and 20 million tons, the smallest total stocks of these grains since 1937.

United States Grain Stocks

	Farm Stocks		Commercial Stocks	
	April 1 1943	April 1 1944	April 1 1943	April 1 1944
	(Millions of Bushels)			
Wheat	325	218	575	324
Corn	1,375	1,114	115	48
Oats	505	418	33	27

The tight feed grain situation raises the question as to where adjustments in livestock numbers may be most effective. It is estimated that feed grain requirements for hogs exceed the total for all other classes of livestock. Poultry is the second largest consumer of grain and mill feeds. Dairy cattle and beef cattle rank third and fourth.

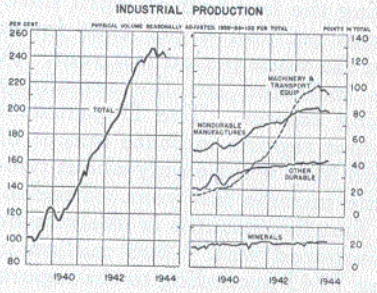
Fewer pigs and chickens will be raised this spring. An estimated 16 per cent decrease in pig farrowing this spring compared with a year earlier indicates that the peak in the present hog numbers cycle has been reached—probably last December. Reports from hatcheries covering the first half of April show 13 per cent fewer eggs set and 4 per cent fewer chicks hatched than in the same period last year. A further decrease was indicated for the remaining months of the hatching season. The Department of Agriculture states that reports indicate output of chicks during April and May will be only about two-thirds that of the same months last year. Production of chicks for the first five months is likely to be about 876 million compared with 1,069 million in the same period during 1943 according to the report.

Fewer cattle are on feed April 1 this year in the eleven Corn Belt States compared with a year earlier according to the Department of Agriculture. The report esimates about 23 per cent or between 300,000 and 400,000 fewer cattle on feed—probably the smallest in the last six years. The decrease is heaviest in Minnesota, South Dakota, Nebraska and Kansas. In view of the tight feed situation a relatively large proportion of cattle on feed is expected to come to market before July, which will offset to some extent the effect of fewer cattle on feed on beef supplies during the second quarter.

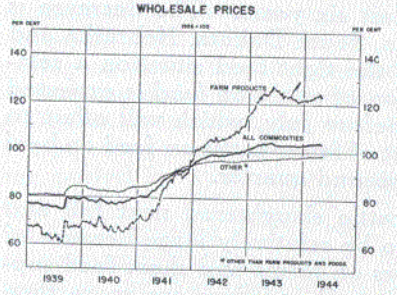
The number of cattle slaughtered next fall and winter is expected to be relatively large because of record cattle numbers on farms and short feed supplies per animal unit. Cow prices are more than twice the 1932-1939 period. Slaughter steer prices are about 50 per cent higher. Feeding ratios are less favorable than they were during the early years of the war. These factors suggest caution on the part of the cattleman. Reducing indebtedness, shaping up the ages of the cow herd, and culling out old and undesirable types of cows are recommended this year. The usual seasonal trend of prices on common and medium grades of cattle is down during the late summer and fall months.

Cold storage stocks of meats, dairy products, eggs and poultry on May 1 were much higher than a year earlier and the May 1 five-year average 1939-1943. The Department of Agriculture estimated that on April 1, 87 per cent of all freezer space in public cold storage warehouses was occupied. This compares with 61 per cent the previous April. Cooler space in public cold storage warehouses was 79 per cent occupied on April 1 compared with 61 per cent April 1, 1943. Of such storage space in meat packing plants, 93 per cent of freezer space and 96 per cent of cooler space was occupied April 1.

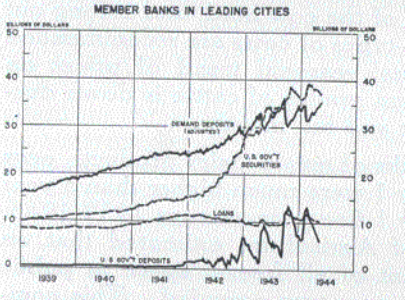
The desirability of moving old stocks of perishable commodities into consumer channels prior to the new producing season is one reason why pork, eggs, frozen vegetables and some other foods have been so abundant to consumers and why ration points were recently removed or lowered on many food products. Large storage stocks are desirable in war-time to meet the demands of the armed services. Lack of shipping space and the building up of food reserves for the armed services and liberated peoples have also tended to increase food stockpiles. Large food reserves may be urgently needed in the period ahead to meet emergencies.



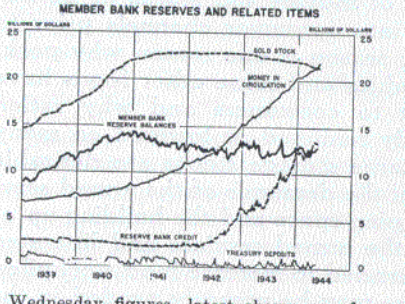
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for April 1944.



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ended May 13, 1944.



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for May 17, 1944.



Wednesday figures, latest shown are for May 17, 1944.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MAY 23, 1944

Industrial production and employment at factories and mines declined somewhat further in April, reflecting principally reduction in output of metal industries. The number of industrial wage-earners was about 6 per cent or 800,000 less than in November 1943.

INDUSTRIAL PRODUCTION: The Board's seasonally adjusted index of output in manufacturing and mining industries was at 240 per cent of the 1935-39 average in April, as compared with 242 in March and 245 in February.

Small declines in output of metals and metal products continued to account for most of the decrease in industrial production. Electric steel production decreased further in April to a level 5 per cent below the same month last year. Production of most nonferrous metals declined, reflecting partly planned curtailments and partly the effects of labor shortages in mines and smelters. A further curtailment of aluminum production was announced in May. Activity at plants producing munitions in the machinery and transportation equipment industries declined somewhat in April. Production under the farm machinery program continued to increase and was reported at a rate above the highest volume recorded in any peace-time year.

Output of nondurable manufactured goods showed little change in April. Activity at cotton mills was maintained at the level of recent months, approximately 15 per cent below the peak level of April 1942. As a measure to increase production, a 48-hour work week was ordered in the cotton textile industry, effective May 14.

The number of animals slaughtered continued at an exceptionally high level in April, and effective May 3 most meat products were removed from rationing. Output of dairy products continued to rise seasonally and supplies available for civilians increased.

Mineral production was maintained in large volume in April. Production of both bituminous and anthracite coal for the year through May 6 was approximately 5 per cent more than in the same period in 1943.

Crude petroleum production in April continued at a level about 12 per cent above a year ago. Mine production of iron ore showed a large seasonal rise, reflecting the opening on April 10 of the season for lake shipments.

DISTRIBUTION: Department store sales declined in April and, after allowance for usual seasonal changes, were about 10 per cent below the high level which prevailed in the first quarter of this year. In the first half of May sales were maintained and were considerably larger than in the corresponding period of 1943.

Carloadings of railroad freight in April and the first half of May were maintained in large volume. Grain shipments continued to decline from the exceptionally high levels of January and February. Ore loadings increased sharply in April and were 60 per cent greater than a year ago.

COMMODITY PRICES: Wholesale prices of most commodities showed little change from the middle of April to the third week of May. Prices of farm products and foods were slightly lower, while maximum prices of some industrial commodities were raised.

The cost of living index advanced one-half per cent from mid-March to mid-April, reflecting higher retail prices for foods and furniture and increased excise taxes effective April 1.

BANK CREDIT: From the end of the Fourth War Loan Drive in the second week of February through the middle of May, demand deposits of individuals and businesses at weekly reporting banks increased by about 3 billion dollars. Time deposits also increased appreciably. During the same period war loan accounts at reporting banks declined by more than 6½ billion dollars. Holdings of U. S. Government securities by these banks declined by about 2 billion dollars and loans contracted by more than 1½ billion dollars. A large part of the loan decline was the liquidation of credits extended during the war loan drive. Loans to brokers and dealers are now less than they were before the Fourth War Loan Drive and loans to others for purchasing and carrying U. S. Government securities are down to about pre-drive levels. During the same period commercial loans also declined rapidly.

Sales of U. S. Government securities by commercial banks were paralleled by equivalent purchases by the Federal Reserve System. System holdings are now about 2½ billion dollars larger than they were at the end of the Fourth War Loan Drive. These purchases were made to supply member banks with reserve funds needed to meet a continued increase in currency and the growth in required reserves which resulted from shifts of deposits from Treasury war-loan accounts to other accounts. Some of these needs have been met by a decline in excess reserves. Sharp declines in excess reserves at the end of March and April were associated with unexpectedly large tax receipts and the building up of Treasury balances at Reserve Banks. Currency in circulation, which increased somewhat less rapidly during the first quarter of 1944 than in the same period last year, renewed its rapid outflow late in April and during early May. In the four weeks ending May 17 the currency outflow was over 500 million dollars.