

MONTHLY REVIEW

OF AGRICULTURAL AND BUSINESS CONDITIONS IN THE NINTH FEDERAL RESERVE DISTRICT

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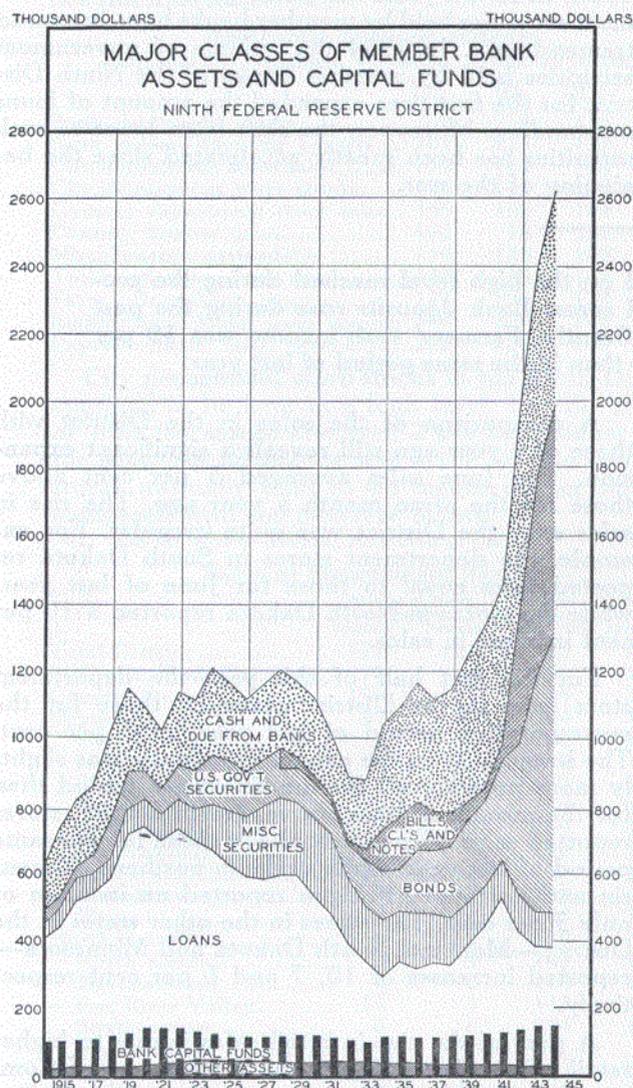
Federal Reserve Bank, Minneapolis 2, Minn.

July 27, 1944

Member Bank Capital

With the general expansion in business activity beginning in 1939, capital funds of member banks in the Ninth Federal Reserve District grew steadily. More recently, with the rapid expansion in the economy as a result of the production of war foods and materials, the growth of these funds has continued at an accelerated rate.

icantly, principally due to bank closings. However, as may be observed from the table, bank capital soon began to rise. Beginning with 1937 the amount of common stock outstanding has increased steadily. During the past two years \$2 million was added to the amount of common stock of member banks in the Ninth District.



The capital accounts at the end of each year from 1934 through 1943 and for June 30, 1944, are tabulated in Table I. The reorganization of banks during and following the bank holiday of 1933 decreased the total amount of common stock signif-

TABLE I
Capital Account of Ninth District Member Banks

Year Dec. 31	Common Stock	Preferred Stock ¹ (in millions of dollars)	Surplus	Undivided Profits	Reserves for Contingencies	Total ²
1934	\$51	\$25	\$23	\$10	\$ 5	\$114
1935	51	22	28	9	4	114
1936	50	15	31	11	4	112
1937	51	13	32	12	4	112
1938	52	11	34	12	5	113
1939	53	10	35	15	5	117
1940	55	5	39	16	6	121
1941	55	4	41	19	6	126
1942	56	4	43	22	8	133
1943	57	3	51	23	10	144
1944 ³	57	3	55	23	11	149

(1) Includes capital notes and debentures issued by state member banks.

(2) Due to rounding off of digits, the figures may not add to totals.

(3) The 1944 figures were taken from June 30, 1944, Call Reports.

Source: Member Bank Call Report; Condition of Member Banks, December 31 of each year, Board of Governors of the Federal Reserve System, Washington, D. C.

Preferred stock or capital notes or debentures were issued by many member banks after the banking holiday. By December 31, 1934, \$25 million of preferred stock, capital notes and debentures were outstanding. Immediately after the issuance of these securities, banks began to retire them chiefly out of earnings. By the end of June 1944, only \$3 million of preferred stock and capital notes and debentures were outstanding.

The surplus account has been increased annually. By the end of 1943 the account was more than double the amount reported at the end of 1934. Another \$4 million has been added to it during the first half of this year.

Undivided profits have increased markedly since the latter thirties. Like the surplus account, this account has more than doubled over the period of years tabulated in the table. Furthermore, larger and larger amounts have been set aside as reserves for contingencies. The total of these accounts indicates that capital funds of member banks in the Ninth District have grown significantly over the past decade.

The expansion in capital funds is primarily the result of retained earnings. In Table II are tabulated the three items, net current earnings; recoveries, profits on securities, etc.; and losses and charge-offs,

which lead to net profits or net losses. With the cash dividends declared deducted from net profits, the amount retained by banks is revealed. Beginning with 1935 banks earned net profits and a significant proportion was retained annually. During 1943 over \$10.5 million were used to enlarge the capital funds.

TABLE II

Net Profits or Net Losses, Cash Dividends Declared, and Amount Transferred To or Taken From Capital Accounts of Member Banks in the Ninth District

Year	Net Current Earnings	Recoveries, Profits on Sec., etc.	Losses & Charge-Offs	Net Profits or Net Losses	Cash Dividends Declared	Profits Retained
1934	\$8,046	\$8,549	\$30,618	-\$14,023	\$2,346
1935	8,400	11,594	14,465	5,529	4,111	\$1,418
1936	8,769	11,987	11,720	9,036	3,922	5,114
1937	8,942	7,853	9,912	6,883	3,677	3,206
1938	8,542	6,940	9,201	6,281	3,846	2,435
1939	9,574	7,760	9,084	8,250	3,679	4,571
1940	9,885	8,081	7,672	10,294	4,247	6,047
1941	10,964	6,923	6,631	11,256	4,414	6,842
1942	10,731	5,885	5,548	11,068	4,361	6,707
1943	12,018	7,308	4,336	14,990	4,212	10,778

Since most of the growth in capital funds has come from retained earnings, it is of interest to examine the changes in assets which constitute the

major source of earnings. The changes that have occurred in these assets from 1914 to the end of 1943 for member banks in the Ninth District are shown on the chart by five broad classes; namely, "other assets," loans, miscellaneous bonds, government securities and balances due from other banks. The capital funds are presented in bars over the assets. "Other assets" includes investments in the bank building, furniture and fixtures, other real estate and miscellaneous assets. The amount invested in bank premises has declined slightly over the past decade. Other real estate owned by banks has almost disappeared from the balance sheet.

A material expansion began in bank loans during 1939. The expansion, however, was quite abruptly terminated by the end of 1941. Since that time there has been a steady decline. Investments in municipal and private securities have tended to contract since 1938. In recent years the holdings of U. S. Government securities held by member banks have increased tremendously. In 1934 the volume of government securities held by member banks in the Ninth District for the first time exceeded the amount of loans outstanding. Moreover, the shift from loans to such securities has been greatly accelerated since the beginning of the war.

Business activity in the Ninth District continued on the high level reached during the preceding month. Department store sales declined some. Bank deposits rose during the past month, and loans and discounts increased significantly. Farmers' cash income was 19 per cent higher for the first four months of this year than in the same period of last year.

BUSINESS

Business activity in the Ninth Federal Reserve District tends to equal the volume transacted during the past few months, according to available business indicators.

Bank debits, which are a measure of the amount of funds transferred in payment for goods, services, debts and investments, indicate a sharp increase for the month of June. City banks report an increase from 170 per cent for May to 208 per cent for June over the 1935-1939 average, with an adjustment for the normal seasonal variation. Country banks report a somewhat smaller increase from 179 to 201 per cent. These increases in the amount of funds transferred reflect, in large part, the purchases of war bonds. The Fifth War Loan drive began on June 12 and extended into July. Major emphasis throughout the drive was placed on raising funds from individuals. The national goal set for individuals was \$6 billion, whereas in the preceding drive the goal was set at \$5.5 billion. Consequently, the large rise in bank debits is not indicative of a corresponding rise in business activity.

Department store sales declined during June as compared with the previous month. City department stores reported a decrease of 5 per cent in sales. Country department stores reported a decrease in sales of 4.5 per cent. An adjustment was made for the normal slackening of sales during June.

A comparison of the sales in the District with those of a year ago still reveals a significant expansion. The June sales averaged 5 per cent above those for the same month a year ago. The rise in sales over the District was quite irregular. For example, the department stores in South Dakota reported sales equal to those for June of last year, while the stores in North Dakota reported a 10 per cent increase in sales.

For the first half of this year the department store sales in the District exceeded those for the corresponding period of last year by 8 per cent. The irregularity in the expansion of sales was slightly more pronounced for the six-month period than for the month of June above. North Dakota stores reported sales 15 per cent above those for the same period of last year, while stores in northern Wisconsin and northern Michigan reported an increase of only 3 per cent. The stores in the other states in the District—Montana, South Dakota and Minnesota—reported increases of 10, 7 and 6 per cent respectively.

A part of the rise in retail sales is due to higher retail prices. According to the Department of Commerce index of retail prices, prices over the United States as a whole for the first four months of 1943 averaged 31.7 per cent above the 1935-1939 level, and for the first four months of this year 35.5 per cent above the former level. This represents a difference of 3.8 per cent. Since only part of the in-

crease in sales is accounted for by higher prices, department stores apparently sold a larger quantity of merchandise.

According to a study published by the Board of Governors of the Federal Reserve System,¹ the trend of department store sales from year to year continues to approximate the movement of total retail sales. Department stores carry a wide variety of merchandise, which accounts for the correspondence between the two series. With the present restrictions on durable consumer goods, foods are the only important item not adequately represented by department store sales. During the past two years, the sales of the above stores have risen slightly faster than total sales, for they are in a better position to shift from such items as household appliances, which are no longer on the market, to other commodities which are still manufactured.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	June 1944	May 1944	June 1943	June 1942
Bank debits—93 cities.....	208	170	176	143
Bank debits—farming centers.....	201	179	173	146
City department store sales.....	153	161	146	116
City department store stocks.....	146	143	137	171
Country department store sales...	149	156	144	123
Country lumber sales.....	102	94	128	118
Miscellaneous carloadings	114	120	109	118
Total carloadings (excl. misc.)	143	144	145	143
Farm prices—Minn. (unadj.).....	177	175	178	145
Employment—Minn. (unadj. 1936=100)	140	139	148	128
Payrolls—Minn. (unadj. 1936=100)	232	228	229	179

City department store stocks in the Ninth District continue to be kept at a high level. For the month of June the stocks averaged 2 per cent higher than for May. An allowance was made for the fact that stocks normally tend to be higher during June as compared with the previous month.

(1) Federal Reserve Bulletin, June 1944, p. 543.

Sales at Department Stores

	Number of Stores Showing		% June 1944 of June 1943	% Jan.-June 1944 of Jan.-June 1943
	Increase	Decrease		
Total District	172	124	105	108
Mpls., St. Paul, Dul.-Sup....	16	6	106	108
Country Stores	156	118	104	107
Minnesota	41	37	104	106
Central	2	6	100	115
Northeastern	5	2	109	100
Red River Valley.....	2	3	105	109
South Central	10	10	102	109
Southeastern	9	5	109	107
Southwestern	13	11	100	103
Montana	26	12	106	110
Mountains	9	2	109	108
Plains	17	10	105	111
North Dakota	38	12	110	115
North Central	8	3	103	115
Northwestern	6	0	118	119
Red River Valley.....	14	3	113	115
Southeastern	8	6	104	112
Southwestern	*	*
Red Riv. Val.-Minn. & N. D.	16	6	111	114
South Dakota	17	32	100	107
Southeastern	3	9	96	104
Other Eastern	11	16	105	110
Western	3	7	97	105
Wisconsin and Michigan.....	34	25	101	103
Northern Wisconsin	8	7	104	106
West Central Wisconsin	18	14	100	104
Upper Pen. Michigan.....	8	4	101	96

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

BANKING

Member Bank Statement on June 30, 1944

During the first half of 1944 total deposits of all Ninth District member banks increased \$200 million to a record high of \$2.5 billion, 10 per cent above the figure for December 31, 1943, according to preliminary tabulations of the June 30, 1944, call reports.

Demand deposits of individuals and businesses actually declined slightly during the period. This decline is of no particular significance since the call report at the end of June occurred during the Fifth War Loan when funds were being transferred from these deposits to war loan accounts of the U. S. Government in payment for bonds. The December 31, 1943, call on the other hand was just two weeks before the Fourth War Loan began. U. S. Government deposits of \$400 million on June 30 were substantially more than double the \$187 million on December 31 last year.

**Statement of All Ninth District Member Banks
June 30, 1944***

	June 30, 1944 (Millions of \$)	Dec. 31, 1943	% Change 12/31/43 - 6/30/44
Assets			
Cash and due from banks.....	\$ 635	\$ 616	+ 3%
Loans and discounts.....	355	361	- 2
U. S. Government securities..	1,503	1,296	+16
Other investments	107	104	+ 3
Misc. assets	26	24	+ 8
TOTAL	\$2,626	\$2,401	+ 9
Liabilities			
Demand deposits of individuals and businesses.....	\$1,079	\$1,137	- 5%
Time deposits of individuals and businesses	506	449	+13
Deposits of U. S. Government	400	187	+112
Other deposits	485	476	+ 2
Total deposits.....	2,469	2,249	+10
Misc. liabilities	8	8
Capital accounts	149	144	+ 4
TOTAL	\$2,626	\$2,401	+ 9

*Preliminary tabulations.

While loans and discounts were lower by 2 per cent on June 30 than on December 31, 1943, the fact that they declined 15 per cent during the first six months of 1943 suggests that the downward trend in these assets is beginning to flatten out. At present, loans and discounts represent 15 per cent of total assets.

Holdings of U. S. Government securities reached a new high of \$1.5 billion, an expansion of \$200 million or 16 per cent since year-end 1943. Uninvested funds were up \$15 million.

Banks continued to strengthen their capital position by adding another \$6 million to capital accounts during the six months. The total capital accounts of all Ninth District member banks at midyear were just short of \$150 million.

City member bank deposits increased over 10 per cent during the month to achieve a record level of \$1,375 million by July 12, a rise of \$241 million during the last twelve months. Holdings of U. S.

Government bonds increased \$10 million. The banks also expanded their holdings of U. S. Treasury certificates of indebtedness by \$43 million and U. S. Treasury bills by \$35 million. Loans and discounts expanded by \$23 million. Commercial, industrial, agricultural, and real estate loans increased \$8 million. Most of this expansion was in loans for carrying securities which increased during the month by \$16 million.

Balances with other banks in the United States rose \$13 million while reserves held with the Federal Reserve Bank declined \$17 million. Excess reserves increased \$4 million. This latter was largely the result of a large flow of funds into war loan accounts, incident to the Fifth War Loan, which are not subject to reserve requirements. For this reason excess reserves can expand even when total deposits at these banks are increasing.

Country member bank deposits averaged \$35 million higher during the last half of June than for the corresponding period in May, an increase of 3 per cent during the month. Demand deposits increased \$26 million and time deposits \$9 million. Reserves carried with the Federal Reserve Bank averaged \$128 million, \$5 million above May. Excess reserves increased from \$28 million during the last two weeks in May to \$34 million for the corresponding period in June. This expansion in excess reserves is partly the result of an increase in total reserves held with the Federal Reserve Bank and partly the result of a flow of funds due to the Fifth War Loan into war loan deposits, which are not subject to reserve requirements.

The reserve position for the fifteen-day period ending June 30, 1944, is indicated by the following table:

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

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks.....	\$148,722	\$143,533	\$ 5,189
Other City Banks.....	21,744	18,867	2,877
Total City Banks.....	170,466	162,400	8,066
Total Country Banks.....	128,006	94,369	33,637
Total Ninth District—			
1944.....	298,472	256,769	41,703
Total Ninth District—			
1943.....	255,138	218,984	36,154

AGRICULTURE

Farmers' cash income in the Ninth District during the first third of 1944 was approximately 19 per cent above the same period in 1943. Income from the sale of livestock and livestock products the first four months this year was about 18 per cent higher compared with a similar period in 1943. This was true even though prices received for livestock and livestock products averaged slightly lower in early 1944. This reflects greatly increased marketings of livestock, particularly hogs, in recent months in order to adjust expanded livestock numbers to feed supplies. Crop prices were slightly higher in early 1944 compared with early 1943. Cash income from the sale of livestock and livestock products in early

1944 was almost four times as high as cash income from crops. This ratio of crop to livestock income will be sharply reduced as grain crops are harvested and marketed during the last half of the year. Cash farm income in the Ninth District during the first four months of the year usually constitutes from 20 to 25 per cent of the annual income. With continued above-average marketings of livestock and a bumper grain crop in prospect for the last part of 1944 it would seem that cash income in the District during the year will about equal, if not exceed, the record 1943 farm income.

January-April Cash Income from Farm Marketings⁽¹⁾

State	1935-1939 Average	1943	1944	1944 in Per Cent of 1943
	(Thousands of Dollars)			
Minnesota.....	\$102,257	\$250,223	\$284,416	114
North Dakota.....	23,566	68,849	89,379	130
South Dakota.....	30,533	86,675	108,224	125
Montana.....	17,082	41,653	54,646	131
Total, Ninth District ²	197,371	502,850	600,283	119

(1) Data from June 1944 "The Farm Income Situation," United States Department of Agriculture.

(2) Includes 15 counties in Michigan and 26 counties in Wisconsin.

Prices received by farmers in the Ninth District declined slightly in recent weeks but are still 85 to 90 per cent above the prewar 1935-1939 average. Prices of grains, with the exception of oats, were slightly below parity at mid-June. Livestock and livestock product prices on the other hand were above parity values with the exception of eggs. Prices of all farm products for the country as a whole at mid-June were 14 per cent above parity; that is, a certain amount of products farmers sell would buy 14 per cent more of the things farmers use in their operations than was true in the base period of 1909-1914.

The demand for farm products continues strong with military and domestic food requirements at high levels. The number of people employed in non-agricultural establishments is about one million less than a year ago, but in spite of this the general trend of hourly and weekly earnings of factory workers has been upward and the ability and desire of consumers to purchase food products at the present price level shows little sign of weakening.

Average Prices Received by Farmers⁽¹⁾

Commodity and Unit	Ninth District		Parity Prices ² United States June 15, 1944
	June 15 1937-1941 Avg.	June 15 1944	
Crops			
Wheat, bushel.....	\$.76	\$ 1.38	\$ 1.50
Corn, bushel.....	.61	1.01	1.09
Oats, bushel.....	.30	.71	.678
Potatoes, bushel.....	.61	1.01	1.22
Livestock and Livestock Products			
Hogs, 100 lbs.....	7.51	12.49	12.40
Beef cattle, 100 lbs.....	7.30	12.11	9.21
Veal calves, 100 lbs.....	8.36	13.25	11.50
Lambs, 100 lbs.....	8.00	12.65	10.00
Milk, wholesale, 100 lbs.....	1.40	2.62	2.42
Butterfat, lb.....	.29	.52	.409
Chickens, live, lb.....	.124	.208	.194
Eggs, dozen.....	.156	.274	.300

(1) Data compiled from "Agricultural Prices," United States Department of Agriculture.

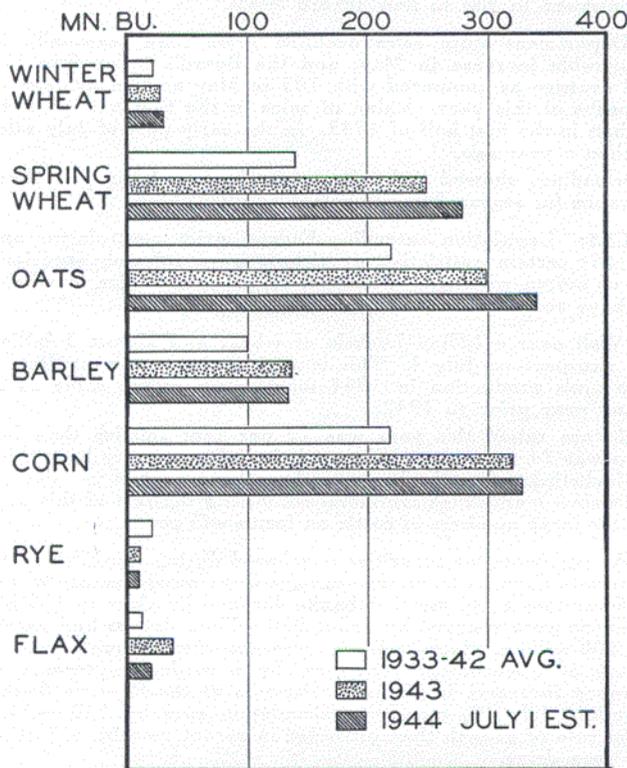
(2) Parity prices are so calculated as to give agricultural commodities a purchasing power equivalent to purchasing power in the base period, usually August 1909 - July 1914.

Dairy product prices as a group average 192 per cent of the 1909-1914 average, the highest on record according to the United States Department of Agriculture. At 50.2 cents per pound, butterfat prices were at their highest for June since 1920, while wholesale and retail milk prices were at all-time June highs for the country as a whole.

Crop prospects in the Ninth District indicate another bumper crop according to the July 10 Crop Production report of the United States Department of Agriculture. The prospective aggregate production of all grain crops in the Ninth District this year is expected to be over half again as large as the 1933-1942 average total production (see chart below). Small grains were off to a late start this spring but apparently have more than made up for this in recent weeks. Corn prospects over the District are uneven, somewhat late, but with average to favorable growing conditions, production is expected to exceed last year and be more than 50 per cent above a recent ten-year average.

Ninth District Production of Grains¹

1943 and 1933-42 Average Compared with July 1, 1944, Estimated Production



¹ Includes only Minnesota, North Dakota, South Dakota and Montana.

The South Dakota Crop and Livestock Reporting Service reports that prospective total production of all crops in that state is expected to be double the 1933-1942 average aggregate production and not far short of the record crops of 1942. A mid-July report of weather and crop conditions in Montana states that growing conditions are not as favorable as could be desired for corn, sugar beets, and beans, but are favorable for grain crops, flax, peas, and other close grown crops and hay, all of which prom-

ise high yields again in 1944. The report states that early spring grains are generally headed out and in extreme eastern Montana some are in the soft-dough stage. Winter wheat has been filling under almost ideal conditions. Stem rust infection was reported over wide areas in Kansas and Nebraska in mid-July, but in most parts of the winter wheat belt the crop is generally beyond the damage stage. The July 15 Grain Market Review states that stem rust has extended into the spring wheat states as a result of several heavy spore showers at favorable times and is now established on spring wheat and barley. Little or no damage is indicated, however, on rust resistant varieties of spring wheat.

In general, crop prospects on July 1 in the Ninth District are good to excellent according to the July 10 Crop Report, except eastern and southern Minnesota where crop conditions are fair. Excessive rains in this area have retarded farm operations. Corn, for example, is in all stages of growth.

Range conditions showed a marked improvement with heavy June rains in the Central and Northern Great Plains and west of the main range according to the July 1 Western Range and Livestock report of the United States Department of Agriculture. Range feed conditions are very good to excellent in Montana and the Dakotas. The most marked improvement occurred in north central and northwestern Montana where dry weather early last spring had caused considerable concern regarding summer grazing. Stock water supplies were likewise improved by the rains according to the report.

The 1944 spring pig crop in the Ninth District is expected to be at least a third less than the record crop produced last year. The fall pig crop may be only about half as large as last fall. Over half the hogs in this District are produced in Minnesota. For the country as a whole and for the Corn Belt States, about one-fourth less spring pigs and a third less fall pigs are expected to be produced compared with last year. A total pig crop, spring and fall combined, of about 87,925,000 head would be 28 per cent below 1943, 16 per cent below 1942, but larger than in any other year on record, according to the June 23 "Pig Crop Report" of the United States Department of Agriculture. Reductions in the pig crop this year are due to several factors such as the feed shortage, unfavorable feeding ratios, and labor and equipment problems.

Pig Crop (1)

Area	Average 1933-1942 (Thousand Head)	1943	1944	1944 in Per Cent of 1943
Spring (Dec. 1-June 1)				
United States	46,224	73,911	55,925	76
Corn Belt States	34,449	55,067	41,526	75
Ninth Federal Reserve District ²	6,188	11,172	7,417	66
Fall (June 1-Dec. 1)				
United States	29,106	47,785	32,000	67
Corn Belt States	18,552	30,243	20,000	66
Ninth Federal Reserve District ²	1,836	3,400	Not Available	57 ³

(1) Data from June 23 "Pig Crop Report," United States Department of Agriculture.

(2) Includes only Minnesota, North Dakota, South Dakota, and Montana.

(3) Estimate based on number of sows expected to fall farrow and average number of pigs per litter.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JULY 26, 1944

Employment and production at factories continued to decline slightly in June; output of minerals was maintained in record volume. Retail trade and commodity prices showed little change in June and the early part of July.

INDUSTRIAL PRODUCTION: The Board's seasonally adjusted index of industrial production was 235 per cent of the 1935-39 average in June as compared with 237 in May and 243 in the first quarter.

Steel production declined 4 per cent from the rate in May, reflecting partly manpower shortages. Output of nonferrous metals dropped 8 per cent, largely owing to the continued planned curtailment of aluminum and magnesium production. The lifting on July 15 of some of the restrictions on use of these metals was the initial step in a program to prepare for limited reconversion to peacetime output. Activity in the machinery and transportation equipment industries in June was maintained at the level of the preceding month. Increasing emphasis was reported on output of heavy artillery and artillery shells and of tanks. Lumber production continued to decline and was approximately 10 per cent below June 1943.

Production of nondurable goods was maintained in June. Meat-packing activity declined further from the exceptionally high level in the first quarter, but output of most other food products continued to rise seasonally. Refinery output of gasoline advanced further and reached the earlier record level of December 1941. Activity in cotton textile mills and in the chemical and rubber industries showed little change in June.

Mine production of metals and coal was maintained in large volume and crude petroleum production continued to rise to new record levels.

DISTRIBUTION: Department store sales declined more than seasonally in June, following a considerable increase in May, and the Board's index was 175 per cent of the 1935-39 average as compared with 183 in May and an average of 177 in the first four months of this year. Value of sales in the first half of 1944 was 7 per cent greater than in the first half of 1943. In the early part of July sales were 9 per cent larger than a year ago.

Railroad freight carloadings showed little change in June and the first three weeks of July after allowance for seasonal movements.

COMMODITY PRICES: Legislation extending Federal price controls for one year was enacted June 30; certain restrictive provisions were relaxed, especially those relating to prices of cotton products. Prices of most commodities in wholesale and retail markets have recently shown little change.

AGRICULTURE: Well over a billion bushels of wheat and almost 3 billion bushels of corn were in prospect on July 1. This is an improvement over June 1 prospects and aggregate crop production in 1944 may be about the same as in 1943 and larger than any year prior to 1942.

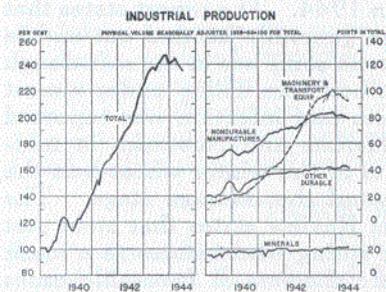
The number of chickens raised this year was 19 per cent smaller than last year; the spring pig crop was 24 per cent smaller and the fall crop may be a third smaller than in 1943. Marketings of cattle, however, have been normal in relationship to the numbers and unless marketings are increased during the rest of this year no material reduction of the large numbers of cattle on farms will occur.

BANK CREDIT: As payments for securities purchased during the Fifth Drive transferred funds from private deposits to reserve-exempt Government accounts, the average level of required reserves at all member banks declined by close to 1¼ billion dollars. Reserve balances were reduced by about 800 million dollars and excess reserves rose by around 400 million. Reserve funds were absorbed through declines in Reserve Bank holdings of Government securities, by a moderate increase in currency, and by temporary increases in Treasury deposits at the Reserve Banks. Over the four weeks ending July 12, money in circulation rose by 230 million dollars, which is a smaller rate of growth than prevailed in recent months, reflecting the influence of the war loan drive.

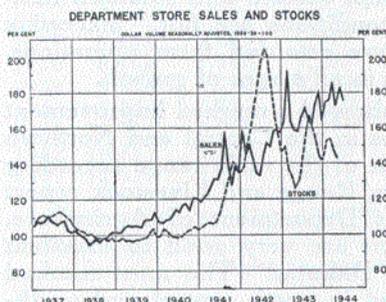
During the Fifth Drive, between June 14 and July 12, Government security holdings at reporting member banks in 101 leading cities increased by 4.7 billion dollars. Additions to bank holdings resulted from purchases of securities from investors who were adjusting their positions prior to subscriptions during the drive, from increased purchases of Treasury bills, and from subscriptions to new securities in limited amounts.

Loans for purchasing and carrying Government securities increased by 1.8 billion dollars over the Fifth War Loan, an increase larger than that of any other drive. Of the total amount advanced by banks in 101 cities, loans to brokers and dealers accounted for 500 million and loans to others for 1.3 billion.

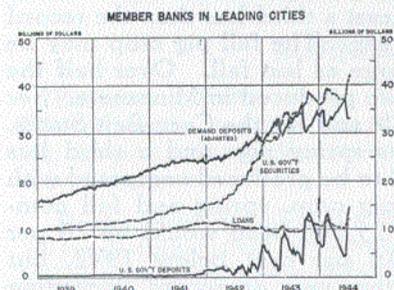
Accompanying purchases of securities during the Fifth Drive, adjusted demand deposits declined by 4.7 billion dollars at banks in 101 cities. Government deposits at these same banks increased by 10.5 billion dollars. The difference reflected the effect of the increase in bank loans and investments.



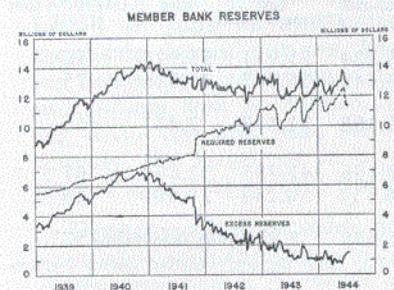
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for June, 1944.



Federal Reserve indexes. Monthly figures, latest shown are for June, 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 July 12, 1944.



Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown, are for July 19, 1944.