

OF AGRICULTURAL AND BUSINESS CONDITIONS IN THE NINTH FEDERAL RESERVE DISTRICT

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The Fifth War Loan

Final tabulations indicate that War Finance officials raised more funds in the Fifth War Loan than during any other drive. Subscriptions for the entire nation amounted to \$20.6 billion, \$3.9 billion more than the Fourth War Loan total of \$16.7 billion, and almost \$5 billion or 29 per cent above the quota of \$16 billion.

U. S. Fifth War Loan Sales

(In billion dollars)

	Fifth		Fourth	
	Amount	% Total	Amount	% Total
E Bonds	\$ 3.0	14	\$ 3.2	19%
Others	3.4	17	2.1	13
Total individuals.....	6.4	31	5.3	32
Other investors	14.2	69	11.4	68
TOTAL	20.6	100	16.7	100

The largest oversubscription was by corporations and other nonbank institutional investors who purchased \$14.2 billion with a quota of \$10 billion, an oversubscription of 42 per cent. Purchases by individuals amounted to \$6.4 billion, 7 per cent above the quota of \$6 billion, and the purchase of \$3 billion of E Bonds just met the quota of the same amount.

The Ninth District turned in a slightly better performance than the nation as a whole. Purchases in this district of \$545 million exceeded the total quota of \$403 million by 35 per cent.

Ninth District Fifth War Loan Sales

(In million dollars)

	Sales	Quota	% Sales to Quota
E Bonds	\$ 134	\$ 117	114%
Others	90	90	100
Total individuals	224	207	108
Other investors	321	196	164
TOTAL	545	403	135

The pattern varied considerably between states although in general considerably less difficulty was

experienced in meeting the quotas for corporations and other institutional investors ("Other investors" above) than was the case for sales of E Bonds and other securities to individuals. In the case of E Bonds North Dakota led the district with sales exceeding the quota by 48 per cent but sales of other securities to individuals lacked 16 per cent of meeting the quota; and sales to institutional investors exceeded the quota by 14 per cent.

On the other hand sales to corporations and other institutional investors in Minnesota exceeded the quota by 79 per cent, but sales to individuals went over the quota by only 4 per cent.

In general sales to individuals in the less industrialized areas of the district not only represented a larger proportion of the quota but they tended also to exceed individual quotas by a larger proportion, although the situation was not by any means clear-cut.

The impact of the Fifth War Loan on the banks in the district was similar to other drives. During the period of heavy sales funds were transferred from deposit balances of individuals and businesses to war loan accounts. This resulted in a rise in excess reserves since the net effect of the transfer was to take funds out of accounts requiring reserves and to place them in accounts not requiring reserves. As in other drives total deposits did not change markedly as a result of the drive although war loan deposits at the reporting banks in the district quadrupled, accompanied by a decline in other deposits.

There was some tendency for loans to rise during the period, particularly those for carrying securities, and member banks in the district expanded their holdings of U. S. government securities rather markedly. Most of the increase in securities held was in Certificates of Indebtedness and U. S. Treasury Bills with some increase in bonds.

Business activity in the Ninth Federal Reserve District continues to reflect the general stability which has been observed in the economy during the past few months. Bank deposits at country banks remained essentially unchanged. Farm cash income is 16 per cent above last year.

AGRICULTURE

Farmers' cash income in the Ninth District during the first five months of 1944 was approximately 16

per cent above the first five months of 1943 and 207 per cent above a comparable period for the 1935-1939 average. Cash income from the sale of livestock and livestock products constituted 78

per cent of the total income compared with 22 per cent for crops.

The proportion of the cash income derived from the sale of livestock and livestock products varies considerably among the different states in the District. In Minnesota 87 per cent of the first five months' cash income came from the sale of livestock and livestock products. This compares with 48 per cent in North Dakota, 84 per cent in South Dakota and 57 per cent in Montana. In the last half of the year a larger proportion of total income will come from crop sales as bumper grain crops are harvested and marketed. With an excellent grain crop practically in the bin and with continued above-average marketings of livestock it would appear that 1944 farm cash income in the District would compare very favorably with the 1943 income.

January-May Cash Farm Income¹

State	1935-1939 Average	1943 (Thousands of Dollars)	1944	1944 in per cent of 1943
Minnesota	\$127,339	\$316,752	\$354,027	112%
North Dakota	30,422	84,970	110,129	130
South Dakota	37,505	109,369	132,551	121
Montana	21,594	50,616	67,328	133
Total, Ninth Dist. ²	238,221	633,112	731,860	116

(1) Data from "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 during July were fairly steady. Slight declines were registered in the grains but most livestock prices were slightly higher. Hog prices advanced to ceiling levels and prices of the better grades of beef animals were higher.

There is no slackening in the demand for farm products at this time either on the home front or on the war front according to a report of the Bureau of Agricultural Economics. The domestic demand as measured by factory payrolls and wage rates is still at or near record levels even though there have been some slight decreases in employment and industrial production in recent months. The liberation of some of the occupied countries in Europe may tend to support the demand for our agricultural products in 1944 and early 1945.

The high point in farm product prices thus far in this war occurred in April 1943 when the agricultural commodity index stood at 197. Prices have failed since then to equal that figure although the April average of 196 this year came close. The July index is 192 per cent of the August 1909-July 1914 average—one point below July a year ago.

Prices paid by farmers for commodities on July 15 averaged the same as a month earlier but were seven points above a year earlier according to a recent report from the Bureau of Agricultural Economics.

Prices paid by farmers were at 176 per cent of the 1910-1914 average compared with 192 for prices received. The ratio of prices received to prices paid is now about 109 compared with 86 for the 1935-1939 average and around 50 at the bottom of the depression. It is obvious from these data that agriculture is relatively better off in periods of general prosperity.

Average Prices Received by Farmers¹

Commodity and Unit	Ninth District		Parity Prices ² United States July 15, 1944
	July 15 1937-1941 Avg.	July 15 1944	
Crops			
Wheat, bushel	\$.73	\$ 1.39	\$ 1.50
Corn, bushel .....	.60	1.01	1.09
Oats, bushel .....	.26	.70	.678
Potatoes, bushel .....	.72	1.07	1.23
Livestock and Livestock Products			
Hogs, 100 lbs.....	8.10	12.63	12.40
Beef cattle, 100 lbs.....	7.37	11.68	9.21
Veal calves, 100 lbs.....	8.43	13.10	11.50
Lambs, 100 lbs.....	7.50	12.00	10.00
Milk, wholesale, 100 lbs.	1.49	2.67	2.53
Butterfat, lb. ....	.29	.52	.417
Chickens, live, lb.....	.126	.213	.194
Eggs, dozen .....	.168	.299	.337

(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.

Crop prospects in the country as a whole for corn, hay, potatoes, and some other crops declined during July as a result of drouth or near drouth conditions in a large east central area according to the United States Department of Agriculture Crop Report of August 1. However, crop prospects have remained particularly favorable in this District. In South Dakota the aggregate production of all crops is likely to exceed last year by about 22 per cent according to the South Dakota Crop Reporting Service. Winter wheat suffered some damage from black stem rust, particularly in south central counties of the state.

In North Dakota, a record production of all wheat, the second largest crop of corn, barley and potatoes, and the third largest oats crop on record are indicated by conditions on August 1 according to the August Crop Report from that state. Heavy winds, rains, and hailstorms were reported throughout the state during early August but in spite of this the report states that farmers may produce an all-time record of the principal grain and feed crops.

In Montana crop prospects remained good except in limited areas. North central and extreme north-western counties continued dry and severe hailstorms hit in many areas. In general, however, yields and quality of small grains are good.

Total 1944 wheat production in the United States is estimated at 1,132 million bushels according to the August report of the United States Crop Report-

ing Service. This is a new high and is 35 per cent above last year's total crop and 49 per cent above the ten-year average of 760 million bushels. Winter wheat production, based on August 1 estimates, is the second highest on record. The estimated yield per acre of winter wheat is 18.8 bushels which was exceeded in only two years, 1942 and 1931. All spring wheat production was estimated at 346 million bushels compared with 335 million last year and 190 million for the 1933-1942 average. The yield per acre is estimated at 18.2 bushels which is six bushels higher than the 1933-1942 average but is slightly less than last year. Probably about 95 per cent of all spring wheat produced in 1944 will come from the Dakotas, Montana, Minnesota, and Washington.

Corn has made satisfactory progress in recent weeks but since much corn was seeded unusually late because of excessive rains there is the danger of an early frost. The crop report mentioned great unevenness of the corn crop on August 1.

Western ranges have a good supply of feed, except for dry areas in Texas, the southwest, and parts of the northwest, states the Western Livestock and Range Report of August 1. Range feed conditions are reported as good to excellent in states in this District except for local dry areas in north central and northwest Montana. Soil moisture is reported ample to maintain and cure feed in the northern Great Plains.

The lamb crop in 1944 is estimated at 29.6 million head in the United States. This is about 5½ per cent smaller than the 1943 crop and about 3 per cent below the ten-year (1933-1942) average crop. With the exception of 1934 and 1936 it is the smallest crop since 1930. In the four full states in this District the 1944 lamb crop is estimated in the July 1 Lamb Crop Report at 5,193,000 head. This compares with 5,587,000 head last year and 4,692,000 head for the ten-year average (1933-1942).

Cattle on feed in the eleven Corn Belt states on August 1 this year was 41 per cent smaller than on the corresponding date a year earlier the Department of Agriculture reported in mid-August. This is one of the sharpest decreases in Corn Belt cattle feeding ever known. The largest decreases, 60 per cent or more, in cattle on feed are reported in Minnesota, Michigan and Ohio. The smallest decreases were in Wisconsin, Iowa, and Illinois. In South Dakota the number on feed is about 50 per cent less compared with a year earlier. For consumers this means a less supply of the good to choice cuts but utility grades should be in larger supply because of record numbers of cattle on farms and ranges. Price trends recently have been higher for the better grades and steady to lower for the common grades.

Food supplies as a whole will be relatively plentiful this fall and winter according to a July report on the food situation by the Bureau of Agricultural

Economics. The report forecasts slightly smaller supplies of meats and dairy products but larger supplies of fresh fruits, vegetables, and cereal products. The volume of agricultural production of foods for sale and farm home use in 1944 is expected to be 38 per cent above the 1935-1939 average and almost 5 per cent larger than last year. Most of this increase is in feed grains, particularly wheat.

Meat supplies for civilians during the last half of 1944 may be slightly below the first half, the report states, with an average supply of 143 pounds of meat per capita during 1944 compared with 137 pounds in 1943 and 127 pounds for the 1935-1939 average. Reduction in meat supplies in the last part of 1944 is due to increased military demand and a somewhat smaller production.

Dairy supplies will be reduced seasonally during the third quarter. Poultry supplies will be seasonally large this fall—much above average. Egg supplies will also be above normal but not quite as abundant as during the spring. Chicken numbers on farms have been reduced somewhat from the peak.

Apples and other major deciduous fruits are expected to total a fifth larger than last year. Record citrus crops are indicated this year according to government estimates. Canned fruits and vegetables may be slightly less plentiful to civilians because of the increase in non-civilian requirements.

Land values advanced about 3 per cent in the United States and also in this area from March 1 to July 1, 1944, according to a July report from the Bureau of Agricultural Economics. The increase brings the United States index (1912-1914 = 100) to 117, a rise of about 15 per cent from July 1943, and 42 per cent above the 1935-1939 average. Land values in this District are only slightly above the 1912-1914 average. In the Dakotas, land values are still below the pre-World War I average. Land values in this District are therefore probably not inflated as yet but in their decisions to buy land buyers should realize that cash farm income may not always remain as high as in the war years. Historically, sooner or later after farm commodity prices decline, land prices have also declined.

The Bureau states that in the west north-central and mountain group of states, three-fourths to four-fifths of all farm land sales were to farmers. In other areas the proportion was not so high. The down payment in mortgage-financed transfers during the first quarter of 1944 averaged 42 per cent, compared with 39 per cent for the year 1943 and about 33 per cent in the previous two years. The report also stated that during the first quarter of 1944, individuals continued to make just over two-fifths of total loans for the purpose of financing the sale of farms. Commercial banks increased their proportion of farm real estate loans to one-fifth; insurance companies made about one-sixth; land banks, one-eighth; and others, one-tenth of such loans.

Farm real estate taxes in the Ninth District have declined greatly since the Twenties. In North and South Dakota, for example, taxes per acre are now about half what they were in 1920 or 1930. Farm real estate taxes have changed very little during the war. This is in sharp contrast to the trend in World War I when farm taxes more than doubled.

Farm Real Estate Taxes Per Acre ⁽¹⁾

(Amount in Dollars Per Acre)

Area	1910	1920	1930	1940	1943
Minnesota	\$0.20	\$0.76	\$0.87	\$0.66	\$0.67
North Dakota	.13	.44	.38	.22	.20
South Dakota	.12	.45	.44	.22	.19
Montana	.06	.14	.14	.11	.09
Wisconsin	.29	1.04	1.05	.78	.78
Michigan	.37	1.23	1.34	.46	.47
United States	.19	.51	.57	.38	.37

(1) Source: "Farm Real Estate Taxes in 1943", United States Department of Agriculture, July 1944.

Taxes per \$100 of farm real estate value taxes are about one-third less now than at the beginning of the war in this area. This is because land values are materially higher.

BUSINESS

Department store sales for July increased significantly over June after an adjustment was made for the normally slack month. The sales in city stores rose decidedly more than in the country stores.

Sales at Department Stores

	Number of Stores Showing		% July 1944 of July 1943	% Jan.-July 1944 of Jan.-July 1943
	Increase	Decrease		
Total District	206	83	109	108
Mpls., St. Paul, Dul.-Sup.	16	5	111	108
Country Stores	190	78	107	107
Minnesota	53	26	104	106
Central	6	3	108	116
Northeastern	5	2	98	100
Red River Valley	4	1	109	109
South Central	11	9	102	108
Southeastern	10	4	107	107
Southwestern	17	7	105	103
Montana	21	9	109	109
Mountains	9	3	109	107
Plains	12	6	108	111
North Dakota	42	9	115	115
North Central	10	1	115	115
Northwestern	5	1	117	119
Red River Valley	12	5	116	115
Southeastern	13	2	113	113
Southwestern	*	*		
Red Riv. Val.-Minn. & N.D.	16	6	114	114
South Dakota	25	24	101	107
Southeastern	5	8	98	105
Other Eastern	13	14	105	110
Western	7	2	99	104
Wisconsin and Michigan	49	10	106	103
Northern Wisconsin	15	1	108	107
West Central Wisconsin	26	6	106	104
Upper Pen. Michigan	8	3	104	96

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

The July sales as compared with a year ago were 9 per cent higher over the District. The rise in sales was quite universal. Between two-thirds and three-fourths of the stores reported an increase. The department stores in North Dakota reported a significantly larger gain in sales over a year ago than the stores in the other states. For July 1943 these stores also reported the largest increase over a year ago. According to these figures, a larger expansion has taken place in the retail business of North Dakota than in the other states located in the Ninth District.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39=100

	July 1944	June 1944	July 1943	July 1942
Bank debits—93 cities	185	208	175	138
Bank debits—farming centers	196	204	172	151
City department store sales	177	153	153	127
City department store stocks	166	152	158	182
Country department store sales	153	149	143	127
Country lumber sales	134	104	127	151
Miscellaneous carloadings	117	114	110	126
Total carloadings (excl. misc.)	135	143	146	140
Farm prices—Minn. (unadj.)	175	177	172	145
Employment—Minn. (unadj. 1936=100)	144	140	151	130
Payrolls—Minn. (unadj. 1936=100)	233	233	232	182

Bank debits for most purposes are the best available measure of local business activity. They are the amount of checks charged by banks against the deposits of individuals, firms, corporations, and local, state and federal government units (excluding debits to war loan accounts). Among other things, the aggregate amount of checks charged against deposit accounts includes the volume of payments made for goods and services in all stages of production as well as for consumption.

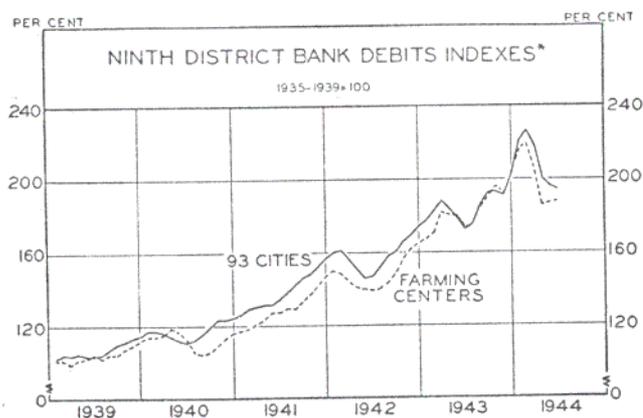
Thus, if only payment for goods and services were made by check, bank debits would be an excellent measure of general business activity. However, checks are also used to make payments not directly related to the purchase of goods and services such as for purchases of securities or for retirement of debts. Since these transactions are not a part of the exchange of goods and services, they do not have a direct bearing on the volume of general business activity.

Prior to the present war the latter type of transactions in the Ninth Federal Reserve District were relatively stable from month to month, so the upward or downward trend in general business activity was easily discernible from the aggregate amount of bank debits. The financing of the present war has increased the volume of the latter type of transactions so they, in part, determine the trend of the above series.

In previous issues of this Review, it was pointed out that the sale of Government bonds concentrated into a drive is reflected in the trend of bank debits. For example, bank debits for the month of May for

93 cities of the Ninth District were 170 per cent of the five-year average from 1935 to 1939 inclusive. For June the per cent rose to 208 and for the following month it again declined to 185 per cent. A similar fluctuation occurred in the bank debits of farming center communities in the District. Since an adjustment was made for the normal monthly variation which occurs in the series, the significant rise in bank debits during June and the decline during July was due almost entirely to the sale of Government bonds during the Fifth War Loan Drive.

An examination of the two series over the five and one-half years reveals a decidedly upward movement. From January 1939 through February of this year the volume of bank debits has more than doubled. Since the latter month a temporary recession has taken place. From June 1940 through March of last year, bank debits reported by banks located in farming centers preceded the rise of debits reported by banks situated in the business and industrial centers of the District. Although the divergence between the two series was quite constant as may be observed on the chart, the difference between the two series for any one month was not very large. Since March of 1943, the movements of the two series have coincided very closely. Thus, on the basis of the volume of business transactions, the rural and urban areas in the District have shared about equally in the expanded business activity.



*Three-months' moving average of seasonally adjusted indexes.

Since bank debits are a measure of the dollar volume of business transactions, the rise in prices is a part of the upward trend in the series. To estimate the expansion in the volume of goods and services exchanged, it is necessary to deflate the monthly bank debits by the rise in general prices. According to the United States Department of Labor index of wholesale prices, prices have risen by approximately 35 per cent since January 1939. Thus, considerably over one-half of the rise in bank debits since the former date reflects an expansion in the actual volume of goods and services exchanged.

A further examination of the two series plotted on the chart reveals several dips. Such a dip began

during the spring of 1940. Similar recessions began during the spring of 1942 and 1943. A comparatively sharp decline began during March of this year. The 93 Cities Bank Debits series again have resumed the upward trend.

BANKING

City member bank deposits registered a slight decline of \$26 million during the month ending August 16, to a total of \$1,350 million. This decline was met by a shrinkage of \$16 million in balances held with other banks in the United States and a decline of \$12 million in loans and discounts. Most of the decline in loans occurred in those for the purpose of carrying securities. This was apparently in part a run-off of the expansion of these loans during the previous month of the Fifth War Loan although the amounts involved, relative to total loans to customers on August 16 of \$185 million, were not abnormally large. These banks also increased their holdings of U. S. Treasury Notes and U. S. Government Bonds by \$13 million during the month. Total U. S. Government securities held on August 16 amounted to \$856 million. Although reserves with the Federal Reserve Bank increased by \$5 million to \$164 million, excess reserves actually declined. This apparently contrary movement results from a return flow of funds from war loan accounts (which do not require reserves) to accounts of individuals and businesses (which do require reserves). This more than offset the decline in total deposits and the increase in their reserve balances.

Country member bank deposits during the last half of July averaged \$1,128 million, \$34 million above the corresponding period for June. Of this \$34 million increase \$28 million represented an increase in demand deposits and the balance of \$6 million in time deposits. Total deposits for Ninth District country member banks are thus \$226 million above the average for the last half of July a year ago. Reserves carried with the Federal Reserve Bank declined \$4 million.

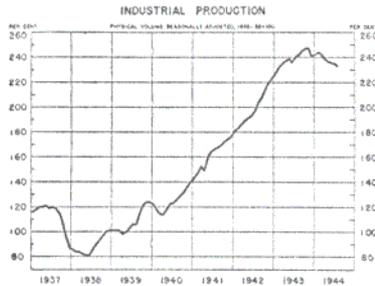
The daily average reserve position for all Ninth District member banks for the last half of July is indicated by the following table:

Daily Average Reserve Position for All Ninth District Member Banks for the Sixteen-Day Period Ending July 31, 1944.

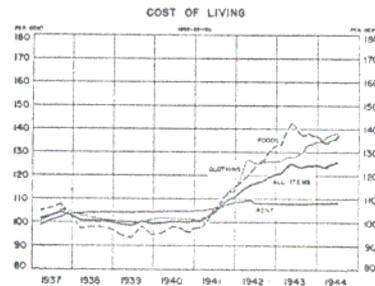
Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks.....	\$138,546	\$135,935	\$ 2,611
Other City Banks.....	21,002	18,406	2,596
Total City Banks.....	159,548	154,341	5,207
Total Country Banks.....	124,102	91,867	32,235
Total Ninth District—1944.....	283,650	246,208	37,442
Total Ninth District—1943.....	267,472	228,226	39,246

National Summary of Business Conditions

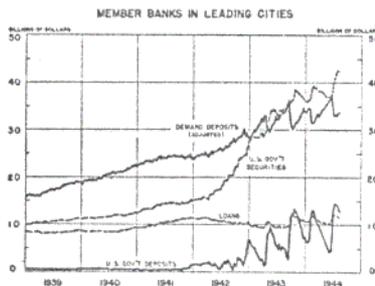
COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AUGUST 26, 1944



Federal Reserve index. Monthly figures, latest shown is for July, 1944.



Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September 1940, monthly thereafter. Mid-month figures, latest shown are for July, 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 August 16, 1944.



Wednesday figures, latest shown are for August 16, 1944.

Industrial production and employment declined slightly further in July. Wholesale commodity prices generally continued to show little change, while the cost of living increased somewhat.

INDUSTRIAL PRODUCTION: Output at factories and mines continued to decline slightly in July and the Board's seasonally adjusted index was 233 per cent of the 1935-39 average as compared with 235 in June. The decrease in industrial production largely reflected small declines in a number of industries due to continued minor readjustments in the munitions program and to manpower shortages.

Output of steel and of nonferrous metals declined further in July to levels respectively 8 per cent and 20 per cent below the high levels of last autumn. A small decrease in activity in transportation equipment industries reflected partly the indirect effects of manpower shortages in foundries and continued readjustments in the shipbuilding and aircraft industries. In August a cutback in aircraft production was announced which was expected to result in the immediate release of 20,000 aircraft workers and the gradual release of 100,000 more during the balance of this year.

Production of manufactured dairy products and meats, after allowance for seasonal change, was maintained in July while output of other food products declined slightly. Cotton consumption showed little change from the rate of the last two months. Activity in the rubber products industry continued to decline slightly in July and supplies of heavy truck and bus tires available for civilians during the third quarter were substantially below estimated needs. Output of chemicals likewise continued to decline slightly.

Crude petroleum output and metal mining were maintained in large volume during July. Coal production dropped 5 per cent from the level of the preceding month, but for the year through August 12 was approximately 8 per cent above the corresponding period of last year, reflecting uninterrupted operations, longer working hours, and a great expansion of strip mining.

So far this year the value of construction contracts awarded, as reported by the F. W. Dodge Corporation for 37 states, has fluctuated around 160 million dollars a month—the lowest level since early 1935.

DISTRIBUTION: Department store sales declined considerably less than is usual in July, and have continued in August at a higher level than a year ago.

Freight carloadings continued to rise in July and were maintained at a high level during the first two weeks in August. There were considerable increases in shipments of grain, forest products, and miscellaneous freight, offset partly by a small decrease in coal shipments.

AGRICULTURE: Dry weather during July in the east central area has reduced somewhat national prospects for corn, hay, and potatoes. Aggregate crop production, however, is likely to exceed last year by 5 per cent, reflecting chiefly a record wheat crop 35 per cent larger than last year.

Total production of all feed grains is estimated at 112 million tons compared with 115 million tons produced in 1943. While hay production, except in the drought areas, has been large, it will provide a smaller supply per animal unit than has been available in any of the last 6 years.

Crop prospects for most fruits and vegetables, except potatoes, are better than last year. Tobacco production is indicated as being above average and cotton yields may be good as dry weather has held the boll weevil in check.

BANK CREDIT: In the five weeks following the close of the Fifth War Loan Drive, loans by banks for purchasing and carrying U. S. Government securities declined sharply; calls on war loan deposits and subsequent Treasury expenditures increased adjusted demand deposits and consequently required reserves; the rapid outflow of currency into circulation was renewed and excess reserves declined.

In the five weeks from July 12 through August 16 loans to brokers and dealers for purchasing and carrying Government securities declined 500 million dollars to about the pre-drive level. Loans to others for purchasing and carrying Government securities declined about the same amount, but are still considerably larger than before the drive. Commercial loans continued to show little change.

Treasury war-loan balances at all depositories declined in the five-week period by 2.7 billion dollars. At weekly reporting banks, Government deposits fell by 2.2 billion during the same period and adjusted demand deposits increased by 1.4 billions. Time deposits continued the steady increase that has been in progress for more than a year.

Following a slackened rate of outflow during the war loan drive, currency renewed its rapid outflow and in the next few weeks increased at a rate of about 500 million dollars a month. The resulting drain on bank reserves and the increase in required reserves were met in part by purchases of Government securities by the Reserve Banks and in part by a decline in excess reserves.

Weekly average excess reserves of all member banks declined about 300 million dollars from their peak during the war loan drive and amounted close to 1.1 billion dollars in mid-August. The rate of decline was about the same at reserve city and at country banks.