

MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

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DISTRICT SUMMARY OF BUSINESS

The volume of business in the district during May and the first half of June was smaller than in the corresponding month last year. After allowance for ordinary seasonal variations, the indexes showed mixed trends between April 1932 and May 1932, indicating that the general level of business did not change materially between those two months. The index of bank debits remained unchanged in May at the April level of 58. The country check clearings index increased from 57 to 61, reversing the trend which has prevailed since last January. The index of miscellaneous freight carloadings declined from 54 to 53. The index of l.c.l. freight carloadings increased from 64 to 67, the first upturn in this index since last December.

Bank debits were 33 per cent smaller in May than in the same month last year. This unfavorable comparison was somewhat abnormal, because in the first week of May last year, a large grain settlement was made by government agencies which increased the bank debits extraordinarily at that time. No transaction of the same kind occurred this year. Country check clearings were 27 per cent smaller in May than in the corresponding month last year, and freight carloadings, excluding l.c.l. freight, were 44 per cent smaller than last year's volume. Other declines as compared with last year's totals, occurred in electric power consumption, postal receipts, building permits and contracts, flour production and shipments, linseed products shipments, copper and iron ore output, grain marketing, live-stock receipts other than sheep, retail trade, life insurance sales, securities sales and wholesale trade.

During the first fifteen business days of June, country check clearings were 30 per cent smaller than in the corresponding period last year. In the two weeks ending June 15, bank debits were 27 per cent smaller than in the same two weeks last year.

DISTRICT SUMMARY OF BANKING

Banking developments of the month centered around the payment of real estate taxes on May 31. Reporting city member banks in the district experienced a net increase of 18 million dollars in governmental deposits during the two weeks ending June 1. This money was added to balances carried

by these banks with correspondent banks. Since June 1, there has been a moderate decline in deposits following the usual seasonal trend. On June 15, total deposits of city member banks were 18 per cent smaller than a year earlier. Loans to customers and other invested funds did not change materially during the four weeks ending June 15. On that date, loans to customers were 11 per cent smaller than a year ago, and other invested funds were 6 per cent smaller than a year ago. The volume of cash and balances due from banks held by the reporting city member banks was 34 per cent less on June 15 than a year ago. These banks were almost entirely out of debt to the Federal Reserve Bank on June 15.

Interest rates charged by Minneapolis banks on prime loans were slightly lower on June 15 than on May 15, but were somewhat higher than the rates charged a year ago. The commercial paper rate quoted by a Minneapolis broker decreased one-fourth of 1 per cent during May, but was slightly higher than at the end of May a year ago. The discount rate of this Federal Reserve Bank remained unchanged at $3\frac{1}{2}$ per cent.

Country member banks experienced a further moderate decrease in deposits between the daily average for April and the daily average for May. Their deposits in May were 17 per cent smaller than in May last year. The smallest percentage decreases in deposits during the year occurred in the upper peninsula of Michigan and in rural Minnesota. Country member bank borrowings from this Federal Reserve Bank were practically unchanged during the four weeks ending June 15. There was a decrease in the borrowings of banks in the eastern half of the district, offset by an increase elsewhere. On June 15, country member bank borrowings from this bank were about two and one-half times as large as borrowings on the same date last year.

DISTRICT SUMMARY OF AGRICULTURE

Crop Conditions

Crop conditions throughout the entire Ninth Federal Reserve District on June 15 were very satisfactory according to reports received in this office from the State Agricultural Statisticians, grain firms, elevator and railroad companies and from observations of members of our own staff. Some sections

report too much cool weather for best development of corn, sugar beets, potatoes and other hot weather crops, but the cool weather has been highly beneficial to all cereals except corn. The amount of rainfall so far this year has been at least normal at nearly every one of the 65 points which make daily weather reports. Some localities, including several points in the 1930-1931 drouth area, have had much more rainfall than normal.

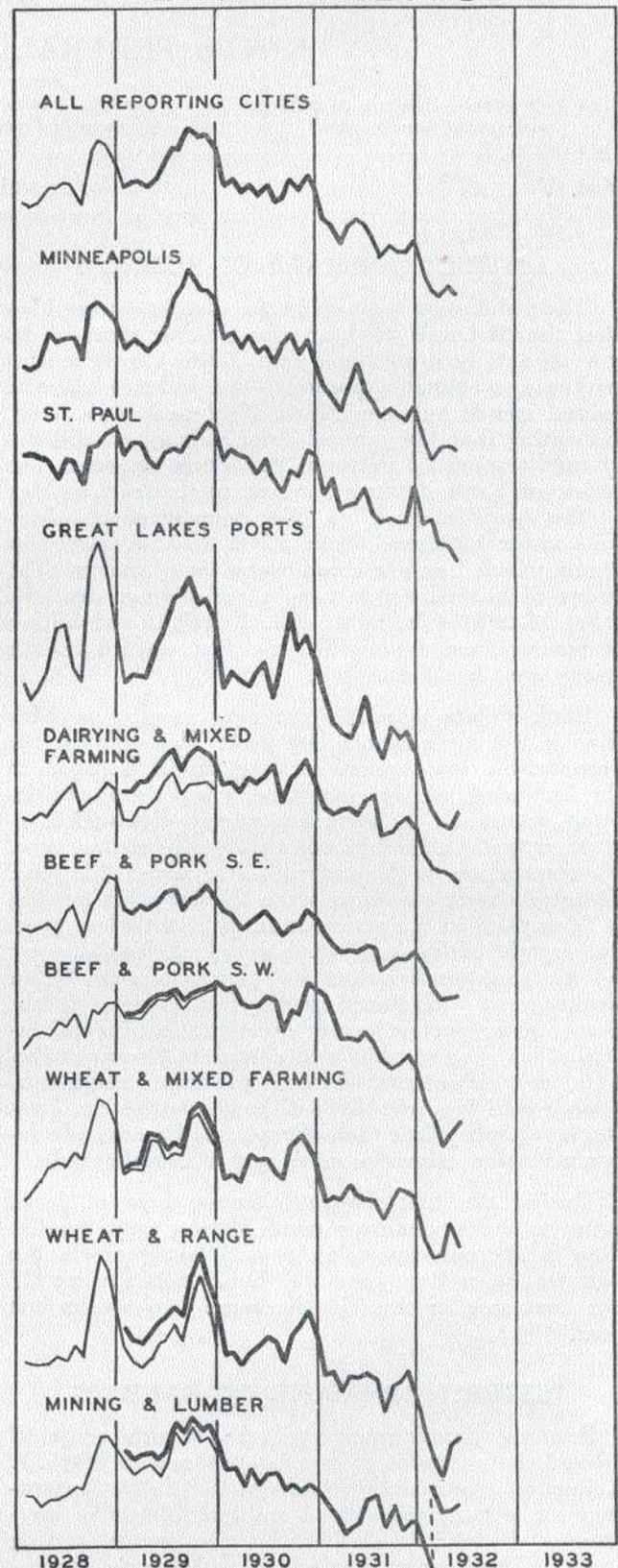
As usual, damage reports have been numerous but the areas affected in practically all cases have been local. Grasshoppers are a serious menace in the Red River Valley and other sections where they were worst last year, but strenuous efforts are being made to control them while they are still in their grassy hatching-ground. In other sections of the district, if the cool, showery weather of the first half of June continues until the first week in July, crops should be so far ahead of the grasshoppers then surviving that they would not be seriously damaged this year.

Information on acreage is difficult to obtain prior to the government's July 1 estimates, but with soil and weather conditions very favorable this year, it is expected that the total acreage planted in the four complete states in this district will approximate the high total "intended acreage" reported in March by the United States Department of Agriculture. We have received reports since the middle of June from some of the most northern counties that flax was still being planted, and it appears that the total flax acreage will probably be somewhat larger than the 2,572,000 acres "intended" for flax as reported last March.

Livestock

Livestock prices during May declined, but new low levels were reached only in the case of hogs. At the end of May, the daily average price of hogs per hundred pounds was lower than at any time in the last thirty-five years, and the May median price computed in this office was the lowest on record. The principal reasons for the extremely low prices for hogs were an increase in slaughterings under Federal inspection, an increase in the number of hogs available for marketing in the next four months, and a large decrease in the export demand. Domestic consumption of pork has apparently been stimulated by low prices, but our largest foreign customers, Great Britain and Germany, have not been consuming normal quantities of American pork. The exchange situation has been partly responsible for decreased purchases by these two countries, but another important factor has been greatly increased supplies and slaughterings in the other European countries. During the first half of May, labor disputes resulted in the closing of the Danish export slaughter houses, reducing the British pork supplies from that source, but on account of the unfavorable exchange rate, our exports to Great Britain failed to show any appreciable increase.

NINTH FED. RES. DISTRICT BANK DEBITS



Since June 1, hog marketings have shown a slight decline. Consumptive demand has remained approximately the same as in May. As a result, prices have been a little stronger and at the middle of June were about 15 cents a hundred pounds higher than at the beginning of the month.

Cattle prices in May were somewhat steadier than hog prices, but the spread between the better grades and the common grades was narrowed. Butcher steers declined 75 cents per hundred pounds during the month, but the May median price for butcher cows and heifers showed no decline.

In the first half of June, two interesting developments in the cattle situation occurred. During the first week of the month, a strong market developed, with some price improvement. This resulted in the marketing of a quantity of better finished animals, the best week's run so far this year, and a top price of \$7.00 was paid for a carload, which was the highest carlot price since early this year. During the second week of June, receipts at South St. Paul increased considerably and included the season's first grass-fed offerings. Buyers discriminated against all "grassy" cattle and especially against all "grassy" cows and heifers, with the result that prices on these dropped almost every day, and at the middle of June were lower than at the end of May.

Despite the seasonal decrease in grass-fed cattle prices, the outlook for beef cattle producers is fairly favorable at the present time. Weighty steers are in strong demand because of their scarcity, and common to good grades are in strong demand because of the average consumer's preference for low priced beef. Furthermore, the supplies available for marketing are small, and the number of stockers and feeders shipped back to the country so far this year has been only about 70 per cent of the number shipped last year, which indicates a decrease in market supplies of finished cattle for next fall.

Both lamb and ewe prices declined during May at South St. Paul. Marketings in May completed the sale of last year's lamb crop. Marketings in June have been new crop lambs and prices have been steady or slightly higher.

Wool prices have steadily decreased since the beginning of the year and on May 15 the United States farm price was 9 cents per pound, compared with 14.4 cents on the same date last year. According to a report of the United States Department of Agriculture, contracting of the year's clip has been on a very limited scale so far this year. Wool buyers have suspended operations entirely, or have offered such low prices because of the steadily declining market that producers have refused to sell. According to this same report, the weakness of the lamb and wool markets is largely due to the general business situation, as the supply situation has steadily improved since the beginning of the year but prices have grown constantly weaker. The present

price of many kinds of wool is less than the import duty.

Cold Storage Holdings

Butter in cold storage in the United States increased during May by about the average amount, and holdings on June 1 were only slightly smaller than holdings on the five year average for the date. Butter holdings on June 1 were also smaller than holdings a year ago. Cold storage holdings of eggs in the United States increased by less than the average amount during May, and on June 1, they were smaller than a year ago and smaller than the five year average. Cold storage holdings of beef, pork, lard, lamb and mutton and poultry were all smaller on June 1 than the five year average for the date, and holdings of beef, pork and lamb and mutton were smaller than a year ago. June 1 holdings of lard and poultry were larger than a year ago.

United States Cold Storage Holdings

(In thousands of pounds)

	June 1 5-year Average	June 1, 1931	June 1, 1932
Beef	53,189	49,448	35,344
Pork	816,184	827,751	788,792
Lard	140,035	103,366	129,328
Lamb and Mutton..	2,391	2,371	1,039
Butter	31,052	35,155	29,293
Poultry	48,711	35,348	44,712
Eggs*	10,606	10,933	8,096

*Thousand Cases

Farm Income

The estimated cash income of farmers from sales of important products during May was 45 per cent smaller than the income from these sources in May last year. The income from wheat, flax, potatoes, dairy products and hogs decreased, while the income from rye increased. Prices of all important northwestern farm products were lower in May than in the corresponding month last year, with the exception of barley and rye.

Farm Land Values

The price of farm land in the Northwest decreased sharply during the year ending March 1, 1932. According to official estimates, the price of farm land in North Dakota decreased 14 per cent, in Minnesota 16 per cent, in Montana 17 per cent and in South Dakota 20 per cent during the year. The price of farm land in all four states was lower on March 1 than the pre-war price in the years 1912-1914. The greatest reduction from pre-war values was in Montana, where the price of farm land was 42 per cent under the pre-war figures. The smallest reduction from pre-war levels occurred in Minnesota, where the decrease was only 2 per cent.

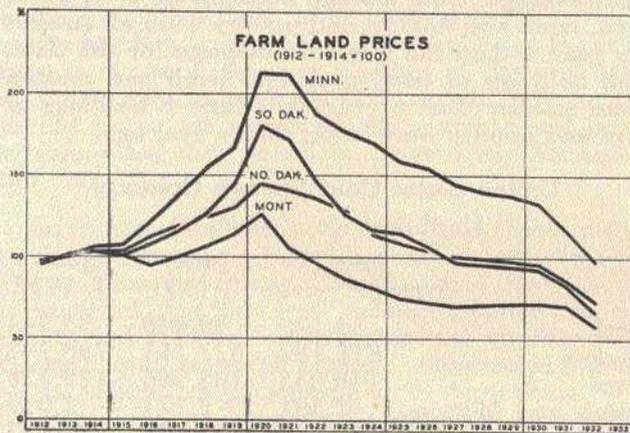
The peak in farm land values in this district occurred in 1920. There has been a decline of 50

per cent or more in farm land values from the peak in all of the four states mentioned above. The greatest decrease occurred in South Dakota and the smallest decrease in North Dakota.

Farm Land Values

(State average value in 1912-1914 = 100%)

	Peak on March 1, 1920	March 1, 1931	March 1, 1932	% Decline 1920-1932	% Decline 1931-1932
Minnesota	213	116	98	54%	16%
North Dakota ..	145	85	73	50%	14%
South Dakota ..	181	83	67	63%	20%
Montana	126	70	58	54%	17%



Farm Land Prices in Four Northwestern States, as percentages of the pre-war average prices in 1912-1914.

FARMERS' CASH INCOME FROM FLAX REVISION OF MONTHLY ESTIMATES

The recent revisions of crop data by the United States Department of Agriculture at Washington, together with the several farm income studies made by the same department, have made it possible for us to improve our estimates of farmers' monthly cash income from flax.

It became apparent during the marketing season of the 1929 crop that our estimate of the number of bushels marketed each month was somewhat less than the actual marketings. Consequently, we altered our method of estimating and the greater accuracy resulting from this change justifies our applying our altered formula to the entire period for which we have made estimates. Some of the monthly figures from August 1929 to April 1932 have also been revised slightly in accordance with the revisions furnished by the United States Department of Agriculture.

While the United States Department of Agriculture income studies were made on an annual basis and our estimates are prepared monthly, nevertheless, it was discovered that the two series resembled each other closely. In the table below are figures for the five years 1924-1928, for which marketing figures are available from the income studies. The

figures shown are for the four complete states in the Ninth Federal Reserve District, Minnesota, Montana, North and South Dakota.

Flax Marketings from Minnesota, North Dakota, South Dakota and Montana in Crop Years 1924-1928

(Figures in bushels, 000's omitted)

Crop Year	"Sold or for Sale" (1)	Available for Market (2)	Sum of Our Twelve Monthly Estimates of Marketings (3)
1924-5	29,313	28,961	28,896
1925-6	20,296	20,338	20,470
1926-7	17,205	16,556	16,655
1927-8	23,791	23,268	22,832
1928-9	17,181	16,854	16,832

(1) From income studies of U.S.D.A., Part I, Section I, pp. 38-39.

(2) U.S.D.A. estimate (revised 4-20-32) less quantity seeded succeeding year at 1/2 bu. per acre.

(3) Estimated from terminal receipts each month.

By combining our revised marketing figures with other data compiled in our office, it is possible to analyze the current flax situation quite satisfactorily. Since June 1930, this office has been gathering certain incomplete statistics on stocks of grain, including flax, in country elevators. The table below shows our analysis of the flax situation at various dates during the marketing year of each of the last three crops.

Flax Marketings, Available Supply and Stocks 1929-1932

(Bushels; 000's omitted)

	1929-30	1930-31	1931-32
Available for marketing on June 1	None*	1,090	2,297
Production	15,341	20,381	10,341
Total Supply	15,341	21,471	12,638
Less—Seed requirements	2,145	1,785	1,250
Available for marketing	13,196	19,686	11,388
Less—June-November marketings	10,390	13,742	8,944
Available for marketing on			
December 1	2,806	5,944	2,444
Country elevator stocks on			
December 1		2,700	1,638
Farm stocks on December 1		3,244	806
Available for marketing on			
December 1	2,806	5,944	2,444
Less—December-February marketings	1,080	1,584	637
Available for marketing on March 1	1,726	4,360	1,807
Country elevator stocks on March 1		2,171	1,668
Farm stocks on March 1		2,189	139
Available for marketing on March 1	1,726	4,360	1,807
Less—March-May marketings	636	2,073	685
Available for marketing on June 1	1,090	2,297	1,122
Country elevator stocks on June 1	1,000**	1,500	1,000**
Farm stocks on June 1	90	797	122

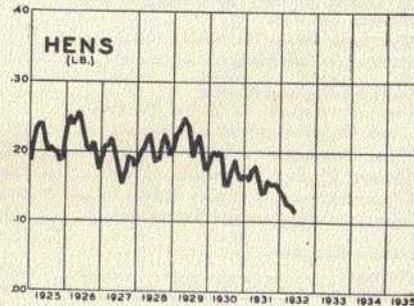
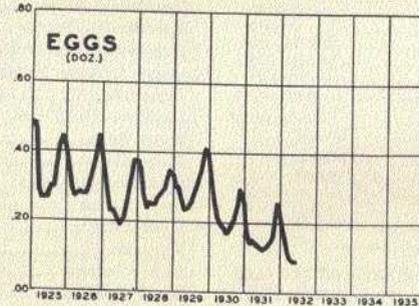
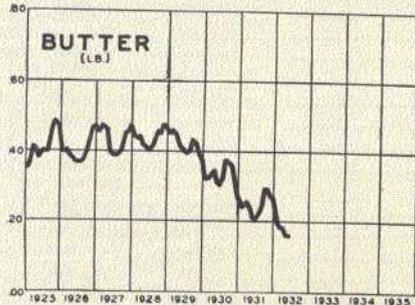
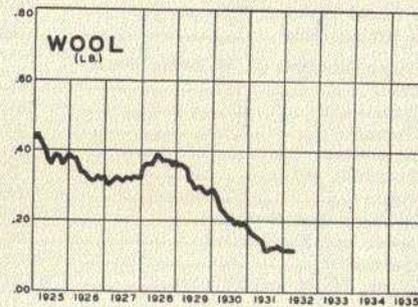
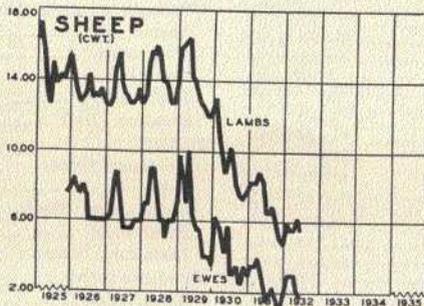
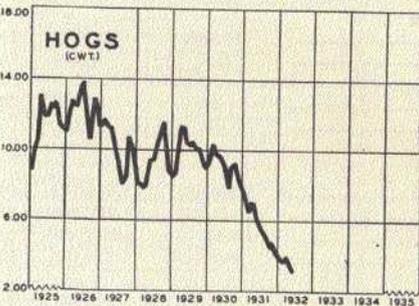
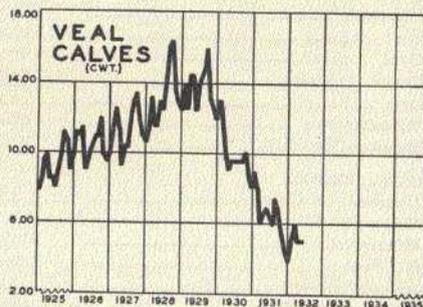
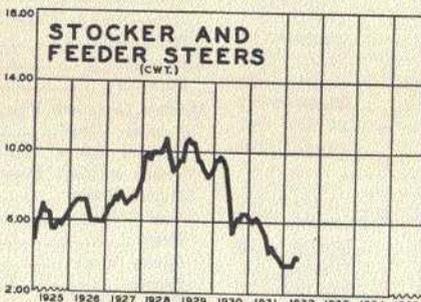
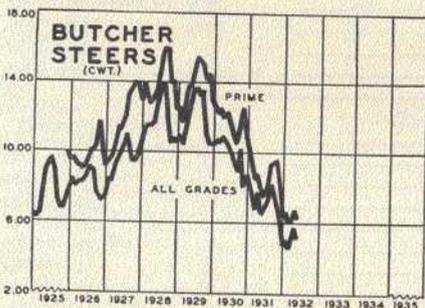
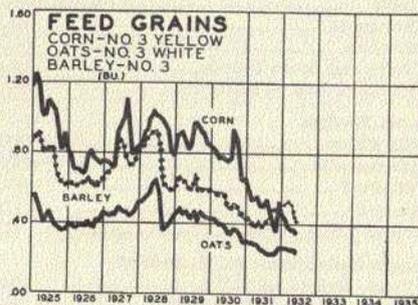
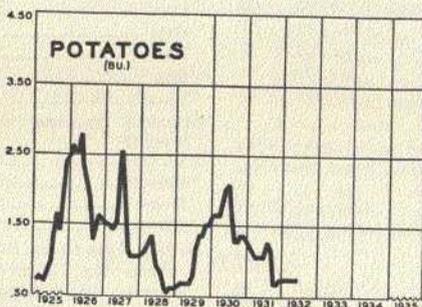
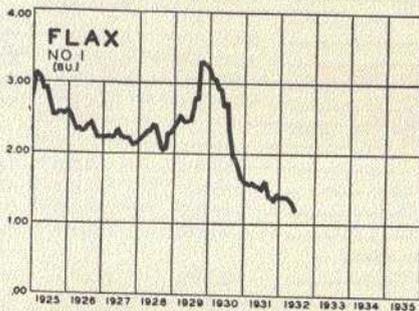
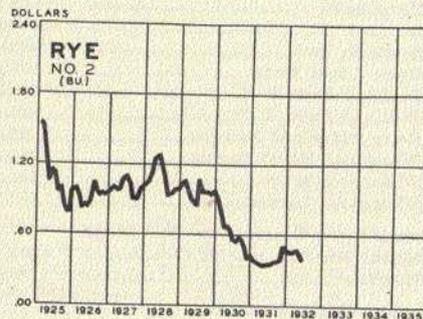
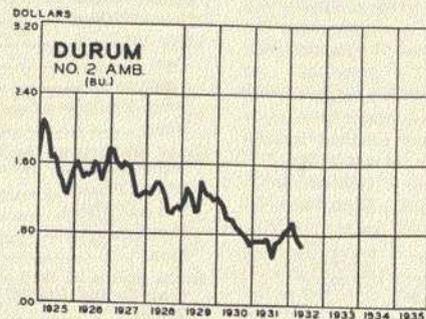
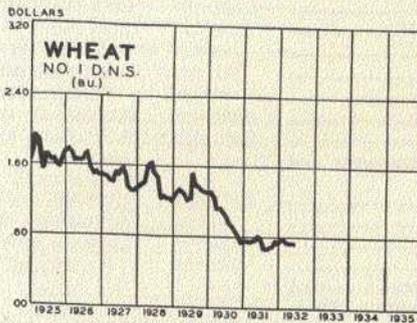
*Owing to the reduced production in 1928, the poor crop prospects during the summer of 1929, the reasonably high prices during the 1928 crop marketing year, and the importation of flax from the Argentine for crushing at Minneapolis, it is assumed that the quantity carried over from the 1928 crop was negligible.

**Estimated June 1 minimum.

Footnote: Figures showing quantities marketed by months and also the amount of monthly farmers' cash income are available on request. Beginning with this month, the flax figures shown in our table of "Comparative Statistics of Business" each month will be the revised series and will, therefore, not be comparable with figures published previously.

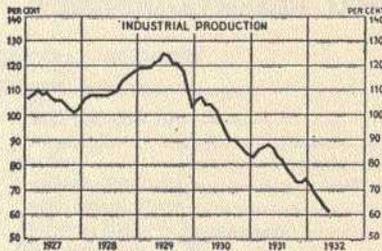
NORTHWESTERN FARM PRODUCT PRICES

(Price per bushel, hundredweight, pound or dozen)

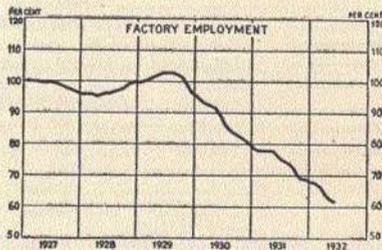


COMPARATIVE STATISTICS OF BUSINESS IN THE NINTH FEDERAL RESERVE DISTRICT

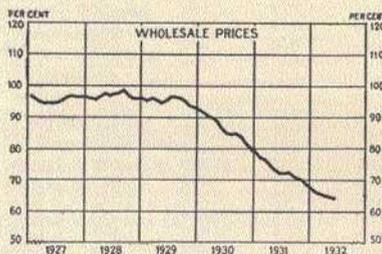
GENERAL BUSINESS		Per Cent May '32 of		AGRICULTURE		Per Cent May '32 of	
Debits to Individual Accounts ¹	May '32	May '31	May '31	Farmers' Cash Income	May '32	May '31	May '31
All Reporting Cities.....	\$ 22,678,100	\$ 33,641,000	67	Total of 7 Items.....	\$ 15,272,000	\$ 27,722,000	55
Minneapolis.....	9,924,000	15,672,000	63	Bread Wheat.....	2,339,000	5,278,000	44
St. Paul.....	4,140,000	5,564,000	74	Durum Wheat.....	468,000	2,315,000	20
South St. Paul.....	432,000	833,000	52	Rye.....	139,000	65,000	214
Great Lakes Ports.....	1,733,400	2,756,700	63	Flax.....	421,000	699,000	60
Beef and Pork, S. E.....	874,700	1,095,600	80	Potatoes.....	445,000	503,000	88
Beef and Pork, S. W.....	944,000	1,407,500	67	Dairy Products.....	8,499,000	12,729,000	67
Dairy and Mixed Farming.....	1,088,000	1,544,500	70	Hogs.....	2,961,000	6,138,000	48
Wheat and Mixed Farming.....	1,461,900	1,895,000	77	Grain Marketings at Minneapolis and Duluth-Superior (Bus.)			
Wheat and Range.....	722,600	1,006,700	72	Bread Wheat.....	2,062,000	4,518,000	46
Mining and Lumber.....	1,357,800	1,860,400	73	Durum Wheat.....	709,000	3,031,000	23
Electric Power Consumption (K.W.H.) ^{1,2}				Rye.....	358,000	180,000	199
Minn., No. Dak. and So. Dak.....	4,469,000	4,614,000	97	Flax.....	349,000	451,000	77
Montana.....	1,964,000	2,756,000	71	Grain Stocks at End of Month at Min- neapolis and Duluth-Superior (Bus.)			
Country Check Clearings ⁴				Wheat.....	40,902,656	68,875,731	59
Total.....	\$ 1,951,200	\$ 2,664,600	73	Corn.....	72,329	674,505	11
Minnesota.....	740,100	961,800	77	Oats.....	3,387,692	4,487,861	75
Montana.....	322,200	442,700	73	Barley.....	1,586,100	2,805,641	57
North and South Dakota.....	461,600	680,600	68	Rye.....	5,502,462	5,708,416	96
Michigan and Wisconsin.....	427,300	579,500	74	Flax.....	827,593	784,307	106
Postal Receipts				Livestock Receipts at So. St. Paul (Head)			
Six Cities.....	795,100	944,740	84	Cattle.....	41,403	58,622	71
Minneapolis.....	421,410	508,320	83	Calves.....	41,890	49,149	85
St. Paul.....	257,000	297,920	86	Hogs.....	163,885	178,697	92
Duluth.....	47,070	55,570	85	Sheep.....	24,982	24,582	102
Three Other Cities.....	69,620	82,930	84	Median Cash Grain Prices (Bus.)			
Freight Carloadings—N. W. District				Wheat—No. 1 Dark Northern.....	\$0.71½	\$0.82	88
Total—Excluding L.C.L.....	164,967	292,957	56	Durum—No. 2 Amber.....	.66	.77½	85
Grains and Grain Products.....	24,515	35,439	69	Corn—No. 3 Yellow.....	.35¼	.50½	70
Livestock.....	15,639	23,580	66	Oats—No. 3 White.....	.24½	.25%	95
Coal.....	10,854	18,669	58	Barley—No. 3.....	.41	.40	103
Coke.....	2,778	4,638	60	Rye—No. 2.....	.38%	.36½	108
Forest Products.....	18,159	34,805	52	Flax—No. 1.....	1.20½	1.55	78
Ore.....	1,013	40,887	2	Median Livestock Prices (Cwt.)			
Miscellaneous.....	92,009	134,939	68	Butcher Cows.....	\$3.50	\$4.75	74
Merchandise—L.C.L.....	91,304	115,769	79	Butcher Steers.....	5.25	6.50	81
Building Permits				Prime Butcher Steers.....	6.25	7.40	84
Number—18 Cities.....	1,389	1,809	77	Feeder Steers.....	4.00	5.50	73
Value—18 Cities.....	\$ 1,636,700	\$ 4,245,000	39	Veal Calves.....	5.00	7.00	71
Minneapolis.....	984,000	1,009,200	98	Hogs.....	3.00	6.00	50
St. Paul.....	268,300	2,419,300	111	Heavy Hogs.....	2.50	5.35	43
Duluth-Superior.....	73,700	226,700	33	Lambs.....	5.50	8.25	67
4 Wheat Belt Cities.....	56,800	154,300	37	Ewes.....	1.50	2.50	60
6 Mixed Farming Cities.....	228,100	383,700	59	Wholesale Produce Prices			
4 Mining Cities.....	25,800	51,800	50	Butter (Lb.).....	\$0.16¼	\$0.20½	79
Building Contracts (F. W. Dodge Corp.)				Milk (Cwt.).....	1.40	1.40	71
Total.....	\$ 6,347,900	\$ 10,108,000	63	Hens (Lb.).....	.11½	.16	72
Commercial.....	225,200	1,020,500	22	Eggs (Doz.).....	.08%	.12¼	72
Factories.....	66,500	76,100	87	Potatoes (Bu.).....	.75	1.05	71
Educational.....	381,500	581,400	66	TRADE			
Hospitals, etc.....	5,000	40,000	13	Department Stores			
Public.....	39,200	390,500	10	Sales.....	\$ 2,286,350	\$ 3,073,430	74
Religious and Memorial.....	72,500	242,200	30	Merchandise Stocks.....	5,748,830	6,786,560	85
Social and Recreational.....	36,000	1,032,800	3	Receivables.....	2,935,140	3,556,500	83
Residential.....	973,300	1,577,000	62	Instalment Receivables.....	604,640	736,290	82
Public Works and Utilities.....	4,538,700	5,147,700	88	Furniture Stores			
Real Estate Activity in Hennepin and Ramsey Counties				Total Sales.....	\$ 127,410	\$ 173,120	74
Warranty Deeds Recorded.....	792	1,115	71	Instalment Sales.....	89,760	110,660	81
Mortgages Recorded.....	1,055	1,436	73	Merchandise Stocks.....	751,070	796,640	94
Manufacturing and Mining				Instalment Receivables.....	844,770	827,200	102
Flour Production at Mpls., St. Paul, and Duluth-Superior (Bbls.).....	647,831	759,441	85	Country Lumber Yards			
Flour Shipments at Mpls. (Bbls.).....	586,363	730,884	80	Sales (Bd. Ft.).....	5,207,000	8,451,000	62
Linseed Product Shipments (Lbs.).....	10,938,917	20,353,231	54	Lumber Stocks (Bd. Ft.).....	68,381,000	80,051,000	85
Copper Output (5 Firms) (Lbs.).....	11,405,400	25,411,500	45	Total Sales.....	\$ 738,400	\$ 1,253,600	59
Iron Ore Shipments (Tons).....	110,826	1,769,295	6	Receivables.....	2,569,300	3,569,400	72
Business Failures				Life Insurance Sales			
Number.....	77	71	108	Four States.....	\$ 14,446,000	\$ 20,639,000	70
Liabilities.....	\$ 590,157	\$ 1,256,100	47	Minnesota.....	10,759,000	15,089,000	71
				Montana.....	1,261,000	2,095,000	60
				North Dakota.....	1,100,000	1,299,000	85
				South Dakota.....	1,326,000	2,206,000	60



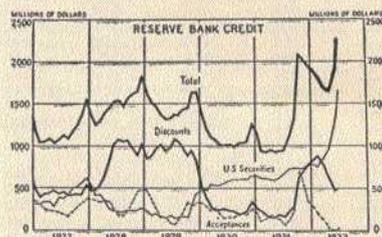
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average=100.)



Federal Reserve Board's index of factory employment with adjustment for seasonal variation. (1923-1925 average=100.)



Index of United States Bureau of Labor Statistics (1926=100.)



Monthly averages of daily figures for 12 Federal reserve banks. Latest figures are averages of first 20 days in June.

Summary of National Business Conditions (Compiled June 22 by Federal Reserve Board)

The volume of production in basic industries and employment at factories decreased further in May, and wholesale prices declined. Foreign withdrawals of gold, which had been in large volume in May and the first half of June practically stopped after the middle of the month.

Production and Employment: Production at mines and factories declined further in May, and the Board's seasonally adjusted index of industrial production showed a reduction from 64 per cent of the 1923-1925 average in April to 61 per cent in May. Output of coal was substantially reduced, particularly in the anthracite fields. Shipments of iron ore showed less than the usual seasonal increase, production of iron and steel declined, and activity at textile mills and shoe factories was further curtailed. In the automobile industry, output increased considerably. In the first part of June, activity in the steel and cotton industries was reported to have declined further, while output of automobiles continued at about the same rate as in the latter part of May. Further reductions in employment and earnings of factory workers accompanied the smaller volume of manufacturing output in May, particularly in the steel and machinery industries, and in the textile and clothing trades. Employment at automobile plants and in the seasonally active food industries showed an increase. The value of building contracts awarded, according to reports to the F. W. Dodge Corporation, after increasing somewhat in April and May, declined slightly in the first half of June, reflecting chiefly smaller awards for public works and other non-residential building.

Distribution: Railroad freight traffic decreased further in May, the largest reduction being in shipments of coal and miscellaneous freight. Sales of department stores in leading cities, which had increased substantially during April, were smaller in May.

Wholesale Prices: Prices of commodities at wholesale were 1.7 per cent lower in May than in April, according to the Bureau of Labor Statistics. There were large decreases in prices of many domestic agricultural products and of hides and textiles. Prices of petroleum products advanced. During the first three weeks of June, market quotations for a number of non-agricultural commodities were relatively steady, and prices of sugar, meats and livestock increased. Prices of wheat, after considerable fluctuations, were at unusually low levels at the beginning of the third week in June.

Bank Credit: Withdrawals of gold from the United States continued through May and the first half of June, and the country's stock of monetary gold declined by \$435,000,000 between May 4 and June 15. After that date, there was no further decline in the total stock of monetary gold, continued gold exports representing gold previously earmarked by foreign central banks. During the first part of May, continued purchases of United States Government securities by the Reserve banks enabled member banks further to reduce their discounts. In later weeks, however, funds released through these purchases were absorbed by the demand for gold export, and there was also a decrease in member bank reserve balances.

Loans and investments of reporting member banks in leading cities, which had declined sharply earlier in the year, showed wide fluctuations after the middle of May. In the middle of June, total loans and investments were larger than a month earlier, the increase in holdings of United States securities being more than sufficient to offset declines in other investments and in loans.

Money rates in the open market remained at low levels. Rates on prime commercial paper were reduced to a range of $2\frac{1}{2}$ - $2\frac{3}{4}$ per cent in the second week of June.