MONTHLY REVIEW

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SPECIAL ARTICLE

Production Exceeds Pre-War Level

THE unprecedented volume of retail sales, on the one hand, and the stringent shortages of numerous commodities, on the other, present an apparent incongruity which can be explained only by an examination of the aggregate volume of production and the type of commodities produced since VJ-day in comparison with the demand for commodities.

The volume of finished merchandise flowing from factories has made possible, in a significant measure, the large dollar sales of department stores. In the months following VJ-day through April of this year, department store sales in the Ninth District were nearly double those in the pre-war year of 1940. Retail prices, according to the index compiled by the U. S. Department of Commerce, during the same period averaged approximately 41 percent above those in 1940.

From everyday experiences it is known that consumers are paying higher prices for comparable pre-war quality merchandise and, in many instances, they are forced to select higher quality merchandise when the regular brands are not available. Nevertheless, a substantial part of the larger expenditures made for commodities apparently represents a larger quantity of merchandise purchased than in pre-war years, as is indicated by the differential between the increase in department store sales and in prices.

In spite of reconversion problems, labor-management difficulties and stringent material shortages, factories have maintained a surprisingly high level of output as compared with pre-war years. According to the index of industrial production, which measures changes in physical volume, factory production in the eight months following VJ-day averaged 37 percent more than in 1940 and 4 percent more than in 1941. The output of non-durable goods was above the 1940 and 1941 volume figures by 39 percent and 13 percent respectively, and the output of durable goods was 28 percent above the 1940 volume and 11 percent below that of 1941. In the latter year a significant part of the total plant capacity, especially in some durable goods industries, was devoted to the production of war materials.

Thus, the factory output of consumer goods in the past months on the whole has been well above the volume in the two years just prior to the war. However, the production of some particular commodities—for example, automobiles—obviously has not reached the pre-war level, and consumers are most anxious to purchase such commodities.

Shortages of Many Items Traceable to High Level of Purchasing Power, More Than to Any Lowered Level of Output Based on Pre-War Production

The reconversion of manufacturing plants has not caused the drastic decline in production, which many competent observers anticipated with 5 to 8 million workers unemployed. Since industry is now in the latter stages of reconversion, it is evident that the shift from the production of war materials to civilian goods sharply curtailed output in only a relatively small proportion of plants. The cancellation of war contracts seriously affected specialized war plants producing explosives, tanks, aircraft engines, and other war products. It also affected some plants in peacetime industries—for example, aluminum plants—which were left with excess plant capacity after the greatly expanded war demand ceased.

In a large number of plants, however, only a small part of the total plant capacity was turned over to the production of war materials, and when the war contracts were cancelled only a small part of the total production was affected. The portion of the plant devoted to the production of war materials was quickly reconverted to the production of civilian products. In some industries—for example, food and textiles—only minor changes were made in the products to meet army and navy specifications. The principal reconversion problems confronting managers of such plants were changes in specifications, re-packaging of products, and acquisition of raw materials and labor.

The production of some important items since the first of the year has reached or nearly reached the pre-war level, according to statistics compiled by the Civilian Production Administration.

- The production of gas ranges in the first four months of this year exceeded significantly the pre-war level, although this output was below the volume reached between October and January.
- Washing machine production in January and April was above the pre-war level, and still greater output is in sight as soon as a larger supply of fractional horsepower motors are available.
- Vacuum cleaners were produced in both March and April at a higher rate than previous to the war.

● In shoes, production from February through April exceeded the pre-war output from 17 to 23 percent.

● Radio sets in both March and April were turned out at a rate which was 90 percent of the former volume.

● Electric iron production in two months reached the pre-war output.

The output of other items, as may be observed in the accompanying chart, is impressive in the light of the shortages on the market.

PRODUCTION IN NINTH DISTRICT

How reconversion affected manufacturing plants in the Ninth District can be determined indirectly from changes in the manufacturing employment following VJ-day.

In Minnesota 210,100 workers were employed in manufacturing plants in July, 1945. After the cancellation of war contracts, the employment declined noticeably. In November of last year the number of workers had dropped to 171,700, and in April of this year it had again risen to 185,400. Even though these figures represent a marked drop from July of last year, they are still decidedly above the pre-war level of 113,200 in April, 1940.

Most of the decline in employment following the cessation of hostilities in the Pacific was concentrated in the chemical industry, which included the ordnance plants. A contraction in employment also occurred in a number of other industries during the fall months, but this was caused by the usual seasonal decline and not by reconversion. In April of this year the number of workers employed in all industries except chemicals and food processing was equal to or nearly equal to the number employed in July, 1945.

In Montana, manufacturing employment in the past year and in recent months has been well above the pre-war level. In food processing — for example, meat packing, dairy products, and grain-mill products (the primary manufacturing industry in this region) — the average monthly employment in 1945 comprised 4,300 workers, and in March of this year 4,000 workers as compared with 3,400 on April 1, 1940. In all other types of manufacturing, employment in 1945 averaged one-half again as much as in the pre-war month. Employment in the fall months dropped sharply in these concerns, but in March of this year employment was above the number reported to the Census in April 1940.

In North Dakota, employment in food processing continued to expand following VJ-day. Employment in both October and February was larger than in July 1945 by several hundred workers, and approximately 50 percent larger than in April 1940. In all other types of manufacturing and mining, which comprise a smaller number of workers than food processing, employment was less during 1945

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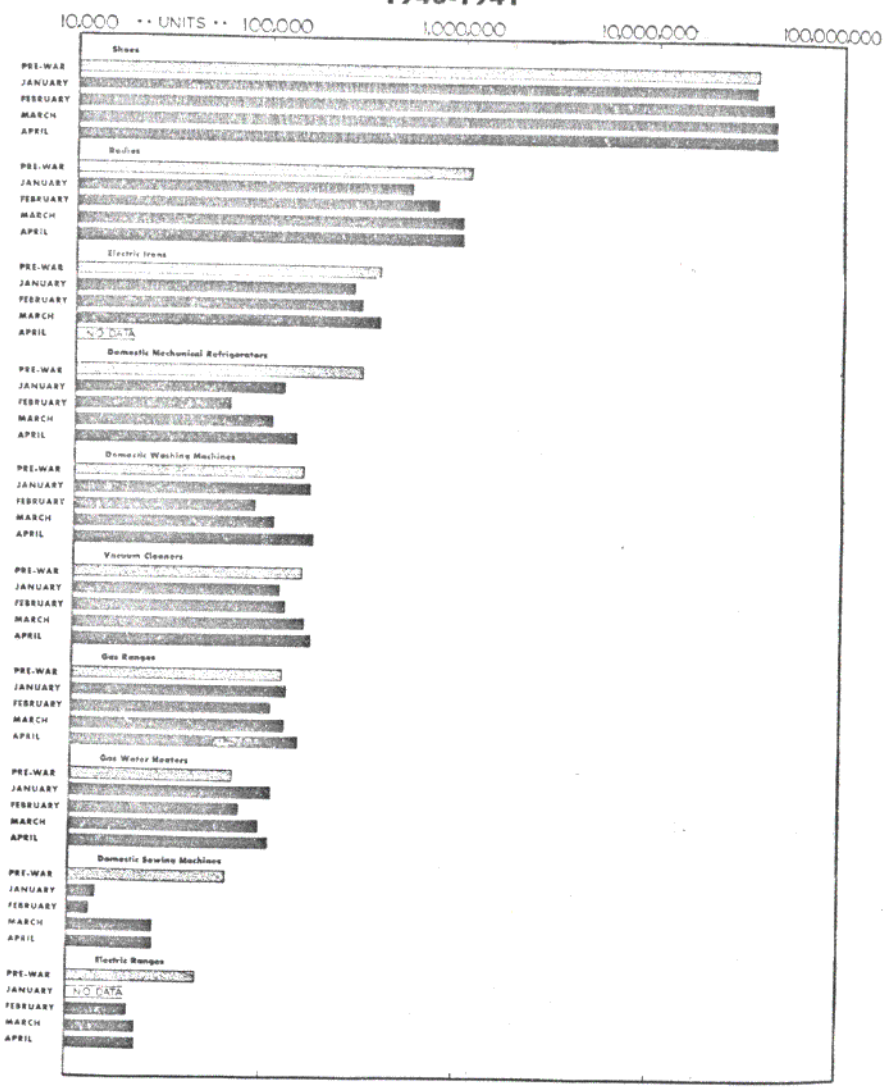
SHIPMENTS OF SELECTED CONSUMER ITEMS

First Four Months of 1946 Compared with the Monthly Average, 1940-1941



The pre-war production of shoes, domestic sewing machines, and gas water heaters is based on the monthly average from 1936 to 1940, of 1940, and of 1939, respectively.

Source: Civilian Production Administration, "Monthly Report on Civilian Production," March, April, and May, 1946.

AGRICULTURE

Crop Prospects Improve; Farm Income Up 20%

FOLLOWING early conditions of drought and cold, small grains stage good comeback, although indications point to smallest crop since 1940.

Early corn prospects in district appear promising.

Domestic demand and wheat exports (which may be 40% of this year's wheat production) put pressure on farm prices, which continue close to ceilings.

Increased marketings and recent sharp price increases explain higher farm income.

AFTER crop prospects in Ninth District states had started out good to excellent in March and early April, dry weather and heavy freezes in late April and May definitely chilled prospects. Fairly general rains in late May and early June revived crop prospects and the June 10 Government report on crop conditions in the Northwest states was fairly optimistic. Crops, however, are not yet made in Ninth District states. The weather during late June and in July will tell the story. Dry, hot winds in July would reduce spring wheat yields in a hurry.

Freezing temperatures around mid-May checked spring crops, damaged alfalfa and flax, and ruined many fruits. However, for the most part, there has been an amazing comeback of small grains, and some of the flax and sugar beets were re-seeded in time to make satisfactory crops.

The crop season started with fair amounts of subsoil moisture due to generous rainfall in recent years. Rainfall from March 1 to June 10 in all areas except the Black Hills region has been one to two inches less compared with the same period a year earlier. In extreme western South Dakota and southeastern Montana, rainfall has been heavier than it was last spring. As a result, pasture and range conditions in this area are reported excellent.

Over the rest of the district much concern is expressed on the condition of pastures and ranges. If the season should prove dry, the pasture situation would soon become serious. In some areas summer dormancy appears to have started early, and present livestock numbers may be too high for the grass to carry.

Indicated production of winter and spring wheat in Ninth District states from the Government's June 10 crop report was 250 million bushels, compared with over 300 million bushels last year. The indicated production this year would be the lowest in five years but 75 million bushels larger than the average production for the 10 years, 1934-1943.

The indicated production of oats is sharply down from last year's phenomenally large crop, but if present prospects materialize the oats crop here will be second only to last year.

Estimates on barley, rye, and flax crops in the Northwest are down sharply compared with 1945 production and the production of these crops in recent years.

It is yet too early to determine with any degree of accuracy just what crop yields will finally be harvested, but indications are that small grain crops will be the smallest since about 1940.

It would appear also that crop production this year will vary a great deal from area to area within the district. Right now prospects in the western two-thirds of North Dakota, north central South Dakota and eastern Montana, and a small area in west central Minnesota are definitely inferior to other regions in the district.

The tame and wild hay crop appears now to be definitely short. Most reports say there just will not be enough to carry present livestock numbers through to the normal fall marketing season. As a result, some liquidation of livestock numbers starting in early July may occur.

Early corn prospects in the district are promising. Acreage is up due to some extent to frozen-out flax fields. Most fields are clean, and the crop is generally advanced over that of a year earlier.

Potato prospects in general are good. The stand is reported good, and early growth has been excellent. Potato acreage is down some 10 to 15 percent from last year, which may reduce total production from a year earlier.

Prices received by farmers in Ninth District states continue to be wedged tightly against ceilings. Increases in ceiling prices for grains and feedstuffs in mid-May accounted for the sharpest increase in farm prices for many months.

In general there appears to be no slackening in the domestic demand for farm products. Civilian demand apparently is as high as it was in war time. Nine million more people in the United States now, compared with 1939, indicates a broader domestic market for farm produce.

If to the accelerated domestic demand for farm products is added the current foreign demand, it becomes evident why food supplies are short and farm prices high.

Exports of United States farm products in the first quarter of 1946 were approximately 16 percent of total food production. Most food exports at present are for relief purposes. During 1945 approximately 10 percent was sent out under lend-lease and regular export. Before the war less than 4 percent was exported.

Total wheat exports in 1946 may approach 40 percent of this year's wheat production. Twenty-

five percent of the 1946 wheat crop is marked for export. Commitments have been made to export about 1.6 billion pounds of meat and nearly a billion pounds of fats and oils during 1946. About 600 million pounds of meat went out during the first quarter this year. Before the war we exported only about 115 million pounds of meat on an annual basis, and we exported very little fats and oils.

It is this expanded domestic demand and our efforts to alleviate famine conditions in foreign countries that have put pressure on farm prices. When foreign relief shipments of food are substantially reduced, as they probably will be sooner or later, this pressure on prices will be reduced and farm prices probably will register weakness. Much will depend, of course, upon the level of farm production in the years ahead and the extent to which domestic employment is maintained.

Cash farm income in Ninth District states registered a gain of 20 percent compared with the first quarter of 1945. This sharp increase is partly the result of increased marketings and partly due to higher farm prices compared with a year earlier.

The recent sharp increases in grain prices, plus the bonus incentives to sell wheat, indicates a continued expansion in farm income during the current quarter.

Cash farm income during the last half of the year will depend largely on the size of the new crop and the proportion marketed before January 1.

Farmers are fully aware of the tight grain situation that prevails now, and which is likely to continue for some time. They may reason that it will pay to hold grain off the market this fall and early winter in the hopes of getting higher prices later on. That is what happened last year.

Farmers may reason that with carry-over of old wheat almost at record lows, not only here but in other major wheat producing countries, and with the demand for wheat what it is, they will have nothing to lose by holding their wheat. This may have some tendency to even out seasonal marketings of wheat to some extent this year.

Livestock slaughter in the third quarter this year probably will be heavy. This would reflect unfavorable feeding ratios that now exist. Some liquidation of livestock herds may occur because of poor pasture and feed conditions. Liquidation of livestock, while temporarily increasing cash farm income, will result in reduced livestock inventory and farm incomes later on.

The major source of cash farm income in the Ninth District is from the sale of livestock and livestock products. Approximately two-thirds of total cash farm income during 1945 was from this source.

North Dakota is the only state in the district where income from crops in 1945 was higher than it was from livestock and livestock products. Here about two-thirds was from crops and one-third from livestock. About 42 percent of North Dakota's cash farm income last year was from the sale of one commodity—wheat.

In the Ninth District part of Wisconsin practically the entire cash farm income is from livestock and livestock products—particularly from dairying.

There is a great variation in type of farming in the different states and among areas within a state. A glance at the table below showing sources of farm income illustrates the wide variation from state to state.

Cash farm income in the Ninth District follows a fairly definite seasonal pattern. The trend from month to month is fairly even during the first half of the year, which reflects steady marketings of livestock and livestock products. Starting in July, however, a sharp increase in cash farm income occurs. This is a reflection of the movement of new crop grains, particularly wheat, to market.

Cash farm income during August, September, and October usually runs 50 to 90 percent higher compared with the average for the first half of the year. The price of wheat and the size of the crop exerts an important influence on farm income during these late summer months. Seasonal increases in marketings of cattle and lambs off grass in September and October also tend to swell cash farm income at this period, particularly in South Dakota and Montana, where beef cattle production is especially important.

January-March Cash Farm Income[1]

(Thousands of Dollars)

State	1935-1939 Average	1945	1946	1946 in Percent of 1945
Minnesota	$ 76,843	$ 187,402	$ 212,785	114%
North Dakota	17,388	62,974	78,784	125
South Dakota	23,345	67,802	108,143	159
Montana	12,874	42,342	41,320	98
Ninth District [2]	148,196	405,440	486,502	120
United States	1,680,482	4,502,000	4,486,000	100

[1] Data from "The Farm Income Situation," United States Department of Agriculture.

[2] Includes 15 counties in Michigan and 26 counties in Wisconsin.

Sources of 1945 Cash Farm Income in Ninth District States[1]

	Minnesota	Montana	North Dakota	South Dakota	Four States
Crops	21	43	65	37	37
Livestock and Livestock Products	74	53	33	60	59
Government Payments	5	4	2	3	4
	100%	100%	100%	100%	100%
Wheat	2	27	42	13	16
Corn	6	.....	1	10	5
Oats	3	1	4	6	4
Barley	1	2	7	3	3
Flax	3	2	7	3	4
Cattle	14	27	11	23	17
Hogs	19	4	6	16	14
Sheep	1	8	1	3	3
Butter	8	3	6	5	6
Milk	12	1	.....	1	6
Eggs	11	2	3	6	7
Chickens	4	1	2	4	3

[1] Data from "The Farm Income Situation," United States Department of Agriculture.

BUSINESS

High Sales Supported by High Income

DEPARTMENT store sales indexes reach new all-time high.

As compared with first quarter of 1945, cash farm income is a fifth larger and non-agricultural income about equal.

Unemployment compensation and veterans' payments supplement income from private enterprise.

BUSINESS volume in May, measured by debits to depositors' bank accounts, registered a 13 percent gain for the month. This was the smallest percentage gain over the corresponding month of 1945 that has been recorded so far in 1946.

The largest expansion again occurred in the farming communities of the district, where increases of from 40 to 60 percent were frequent. The larger centers—Minneapolis, St. Paul, and Duluth—all experienced a modest 7 percent growth in volume of debits to accounts when compared to a year ago. The debits index for the month of May at farming centers stood at 260 using the 1935-39 average as 100. The city index was 225 for the month, 24 points above a year ago.

Department and general store sales for the month of May indicate consumer spending in the Ninth District continued unabated in the last 30 days. City department stores reported a sales gain over May 1945 of 43 percent, while department and general stores at farm trading centers experienced a sales increase of 41 percent.

City stores sales for five months in 1946 were 32 percent over the corresponding period in 1945, and the seasonally adjusted sales index in May reached a new high of 264. The 1935-39 average is equal to 100. The unprecedented volume of sales at country stores had a similar effect and pushed that index to 244 for May, also an all-time high. The country sales index a year ago was 159.

Stocks at department stores showed further improvement for the month, notwithstanding the record volume of sales. At the end of May, the dollar volume of city store stocks was 16 percent more than a year earlier. Country stores increased inventories but 2 percent in the past year.

Furniture store sales also reflect the increased rate of consumer spending, with sales for the first five months of this year 72 percent greater than for those months in 1945. May sales were practically double the volume reported for May a year ago. In the face of the high sales for the month, inventories increased 10 percent over April and were 20 percent over month-end figures of May 1945.

Furniture stores reported cash sales up from a year ago, but instalment sales currently represent about two-thirds of total sales.

Consumer Income—The purchasing power for the large volume of retail sales is derived largely from current receipts. Consumer income is at a high level, and individuals are spending a larger proportion of it for goods and services and saving less than in the recent war years.

As compared with a year ago, cash farm income in the Ninth District is higher, while over the United States as a whole it is slightly lower. During the first quarter of this year farm income in this district aggregated nearly $487 million, which was one-fifth larger than for the first quarter of 1945.

Non-agricultural income in this district is very likely as high as last year. The income of self-employed individuals may be larger, if one may judge by the increased volume of business transacted. The income of employees is slightly less, according to the amount of wages subject to unemployment compensation in Minnesota.

Wages in all Minnesota industries reported to the Division of Employment and Security for the first quarter of this year according to a preliminary tabulation aggregated nearly $225 million. As compared with the total reported for the first quarter of 1945, this is a decrease of 2.3 percent.

Manufacturing payrolls contracted sharply following VJ-day. Whereas these payrolls totalled $127 million for the first quarter of 1945, they totalled only $97 million for the same period of this year. Among the manufacturing industries, the decline in payrolls is traced mainly to the closing down of ordnance and chemical plants and those producing transportation equipment for the armed forces.

A part of the loss in the payrolls of the above industries was offset by an expansion in the payrolls of industries not so directly affected by the cessation of hostilities. As compared with a year ago, payrolls in plants for the first quarter of this year producing iron and steel products and processing food were approximately $2½ and $2 million larger, respectively. Percentagewise an even larger expansion in payrolls occurred among some of the smaller Minnesota industries.

Mining payrolls are also smaller than a year ago. For the first quarter of this year they totalled $4½ million as compared with $6½ million for the same period of 1945. Iron ore mining accounted for all of the decline. In non-metallic mining and quarrying, payrolls, on the contrary, were much larger this winter than last year. Since the latter type of mining, however, is on a much smaller scale than the former, the expansion in payrolls offset only a small part of the decline in the former.

All but a small amount of the contraction in manufacturing and mining payrolls—2.3 percent in the total payrolls—was offset by an expansion in the

payrolls of other industries; namely, wholesale and retail trade; transportation, communication, and other utilities; finance, insurance, and real estate; and services industries. Of these industries, wholesale and retail trade has the largest payroll, which increased from $49½ million in the first quarter of 1945 to $65½ million in the first quarter of this year.

Thus, Minnesota employees in non-agricultural establishments covered by unemployment compensation insurance have received an income about comparable to that of a year ago when the smaller income tax deductions are taken into account and a large number of the unemployed workers have been drawing unemployment compensation benefits.

Unemployment compensation benefits in Minnesota reached $1½ million in March. In April the payments were only about $100,000 less. The monthly payments this year range from 2 to 3 times those made a year ago.

Unemployment compensation benefit payments in North and South Dakota have increased much more than in Minnesota, according to figures secured from the regional office of the Bureau of Employment and Security. In North Dakota the monthly payments made from January through April range from 9 to 18 times larger than those made in the same months of 1945. In South Dakota the increase is less, but still impressive. The monthly payments made during the first four months in 1946 range from about 6 to 12 times larger than those made for the same months of last year. Although these payments are small as compared with the total wages paid by private enterprise, they, nevertheless, have added to the aggregate consumer purchasing power.

Returning veterans have also added to the total consumer purchasing power. Mustering out and terminal leave pay has provided them with funds needed to make the initial adjustment to civilian life.

Those who do not secure employment upon returning from the service are eligible for readjustment unemployment allowances. Payments made to totally or partly unemployed veterans in Minnesota since January have averaged from $3 to 3½ million per month. In North Dakota the monthly payments have ranged from $357,000 in March to $194,000 in May. In South Dakota the payments have averaged somewhat less, with the peak in March reaching $277,000.

In addition to the payments made to totally or partly unemployed veterans, payments also are made to self-employed veterans whose income is less than $100 per month. These payments in Minnesota have averaged less than 10 percent of those made to other veterans.

Of the total income flowing to consumers, less is being saved than in recent war years. A comparison of the amount of retail sales and of consumer income indicates that the proportion of income saved has dropped approximately to the prewar level.

Lumber output, based on reports from a small number of saw mills, has shown marked improvement in recent months. Board feet cut per month in late 1945 and early 1946 had dwindled to less than one-third the usual rate, but in April and May the output had about returned to war time levels. More important, lumber shipments in May exceeded the December and January rate four-fold.

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Northwest Business Indexes

Adjusted for Seasonal Variation—1935-1939 = 100

	May 1946	April 1946	May 1945	May 1944
Bank Debits—93 Cities	225	216	201	170
Bank Debits—Farming Centers	260	275	207	182
City Department Store Sales	264	246	182	171
City Department Store Stocks	190	174	168	153
Country Department Store Sales	244	203	159	159
Country Lumber Sales	155	193	100	94
Miscellaneous Carloadings	112	128	120	120
Total Carloadings (Excl. Misc.)	96	89	145	144
Farm Prices—Minn. (Unadj.)	190	178	180	175

Department Store Sales Indexes by Cities

1935-1939 = 100 Unadjusted

	May 1946	May 1945	May 1944	May 1941
Minneapolis	259	176	166	118
St. Paul	237	166	151	125
Duluth - Superior	240	193	182	119

Department Store Sales

Percent of One Year Ago

	May	January-May
Duluth - Superior	121	114
Mankato	122	117
Minneapolis	147	136
St. Cloud	133	124
St. Paul	142	130

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	Percent May 1946 of May 1945	Percent Jan.-May 1946 of Jan.-May 1945
Total District	262	8	142	131
Mpls., St. Paul, Dul.-Sup.	26	1	143	132
Country Stores	236	7	141	128
Minnesota	77	2	132	124
Central	8	0	126	116
Northeastern	6	0	136	130
Red River Valley	4	0	148	133
South Central	21	1	127	120
Southeastern	16	0	134	128
Southwestern	22	1	134	123
Montana	36	0	144	133
Mountains	12	0	146	136
Plains	24	0	142	131
North Dakota	50	1	154	132
North Central	9	1	161	124
Northwestern	4	0	177	133
Red River Valley	20	0	148	133
Southeastern	15	0	152	131
Southwestern	*	*	.....	.....
Red Riv. Val.-Minn. & N. D.	24	0	148	133
South Dakota	20	2	147	131
Southeastern	5	0	160	141
Other Eastern	9	0	145	128
Western	6	2	122	117
Wisconsin and Michigan	53	2	134	125
Northern Wisconsin	14	0	134	129
West Central Wisconsin	30	2	129	123
Upper Peninsula Michigan	9	0	155	131

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

BANKING

Banks' Holdings of Governments Decline

REDEMPTION of maturing or callable issues of Government securities reduces portfolios $14 million.

Loan volume up $7 million.

Demand deposits rise from $699 million to $740 million during May.

THE Treasury's policy of utilizing its large cash balance to redeem in cash maturing or callable issues of Government securities continued this month with the announcement in May that $2 billion of the $4.8 billion of 7/8 percent certificates of indebtedness maturing June 1 and $1.9 billion of 3 and 3 1/8 percent bonds called for payment June 15 would be redeemed for cash.

An announcement was also made during the middle of June that $2 billion of the $4.9 billion of 0.9 percent Treasury notes outstanding would be redeemed for cash and the remaining $2.9 billion would be exchanged for 7/8 percent certificates.

These cash redemptions have had their effect on the Government security portfolios of the weekly reporting member banks. On June 12 these banks held $173 million of U. S. Treasury certificates of indebtedness, a decline of $14 million from the previous month. Most of this reduction arose out of the cash redemption of certificates on June 1, and in fact the entire decline occurred during the first week in June. Holdings of certificates of indebtedness are now approximately 70 percent of their peak 1946 level reached in the latter part of February, as the chart will indicate.

Other than the shifts indicated above, there was no material change in the Government security portfolio of these banks.

The loan volume during the month ending June 12 was up $7 million. Commercial, industrial, and agricultural loans accounted for virtually the entire expansion. Loans for carrying securities declined $2 million, and miscellaneous loans increased by the same amount. Real estate loans were up slightly over the previous months.

The banks did experience a substantial shift in their deposit liabilities during the month ending with mid-June. Demand deposits of individuals, partnerships, and corporations rose sharply, from $699 million on May 15 to $740 million on June 12. U. S. Government deposits on the other hand declined by $49 million, and miscellaneous accounts increased by $13 million. While the total volume of demand deposits did not register any substantial change during the month, the large shift from reserve-free war loan balances, a large part of which was used for the redemption of Government debt outlined above, to the deposit accounts of other holders did entail a substantial increase in required reserves.

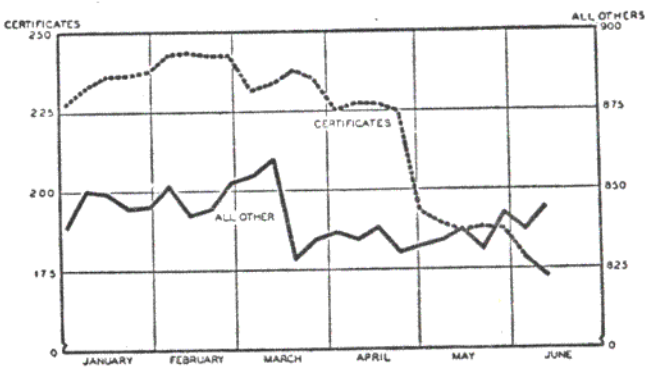
While there was some increase in reserve balances during the month, the reserve position of these banks on June 12 was the tightest of the entire year to date. Incident to the tight reserve position, member bank borrowings, which during most of the month were completely out of the picture, amounted to $5 million on June 12.

Assets and Liabilities of Ninth District City Member Banks

(In Million Dollars)

Assets	5/15/46	6/12/46	Change
Cash, due from banks, and reserves	$ 384	$ 393	$+ 9
Commercial, industrial and agricultural loans	106	113	+ 7
Real estate loans	31	32	+ 1
Other loans	95	96	+ 1
Total loans	232	241	+ 9
U. S. Treasury bills	19	19	.....
U. S. Treasury certificates of indebtedness	187	173	—14
U. S. Treasury notes	142	147	+ 5
U. S. Treasury bonds	677	678	+ 1
U. S. Guaranteed obligations	.....	.....	.....
Total U. S. Government securities	1,025	1,017	— 8
Other investments	62	60	— 2
Miscellaneous assets	16	18	+ 2
Total assets	1,719	1,729	+10
Liabilities			
Deposits of U. S. Government	273	222	—51
Deposits of individuals, partnerships, and corporations	919	961	+42
Other deposits	427	442	+15
Total deposits	1,619	1,625	+ 6
Borrowings	1	5	+ 4
Capital accounts	89	89	.....
Miscellaneous liabilities	10	10	.....
Total Liabilities and Capital	1,719	1,729	+10

NINTH DISTRICT WEEKLY REPORTING MEMBER BANKS' HOLDINGS OF U. S. GOVERNMENT SECURITIES, 1946



Unit: One million dollars.

Country bank deposits during the last two weeks of May averaged approximately $4 million below the corresponding period for the previous month. This decline was a combination of a slight increase in time deposits and a somewhat more than counterbalancing decline of demand accounts. The decline was comparatively general throughout the entire district and in all cases was of very modest proportion. Only two areas, Minnesota and Northwestern Wisconsin, experienced deposit increases and these were in each case of nominal size. The reserve balances of country member banks showed no change during the month.

BUSINESS (From Page 347)

Lumber sales at country yards throughout the district increased sharply in May. Reports from 402 yards showed board feet sales more than 50 percent over May 1945.

Consumer credit extended by commercial banks moved steadily upward in the last month. At the end of May, outstanding balances were 9 percent larger than a month earlier and 80 percent greater than consumer loans of those banks on May 1945. Purchased paper has increased in volume in recent months, but direct repair and modernization loans continue to represent the largest item in consumer credit at banks.

Building permits issued at 65 cities in the Ninth District in May indicate a continuation of the high building rate in the Northwest. The value of permits for the month of May totaled $12 million—four times the value of permits issued in May a year ago. The value of permits for May was somewhat below the volume reported for April and March. In those months $13 million and $18 million, respectively, were reported.

Iron ore shipments from upper lake ports in the month of May amounted to 3.6 million gross tons. The small shipments in May added to the meager shipments in April brought the total for the season to June 1 to only 4.3 million tons. In the same months last year 18.4 million tons were shipped, while the record for the period to June 1, established in 1942, is 21.3 million tons.

SPECIAL ARTICLE (From Page 343)

and during the first few months of this year than in April 1940.

In South Dakota, employment in food processing declined last fall, but in February of this year 7,100 workers were employed as compared with 5,100 in April 1940. Employment in all other types of manufacturing and mining was less during the war years than formerly. Since last August it has again been gaining significantly.

PLANT FACILITIES IN NINTH DISTRICT

In spite of the great strain placed on the industrial machine during the war, factories were on the whole better equipped and had a greater capacity at the end of the war than at the beginning. The value of manufacturing facilities authorized by the War Production Board for the states and parts of states in the Ninth District is listed in the accompanying table. The large amount of publicity financed facilities in Minnesota represents the specialized war plants which were not convertible to the production of civilian goods. The privately financed facilities for the most part constitute equipment and construction either used in the production of commodities used by civilians as well as by the armed forces or easily converted to the output of civilian goods. Even though depreciation was accelerated during the war, the manufacturing facilities authorized by the War Production Board represent an investment which far exceeds the depreciation.

As soon as the economy again is properly coordinated, the output may well be far above the prewar level. If the large demand for certain consumer items is relatively permanent, it will be necessary, no doubt, to expand further some manufacturing facilities.

EFFECT OF WORK STOPPAGE IN NINTH DISTRICT

In the Ninth District there have been few purely local management-labor disputes involving stoppages of production, since nearly all of them have been a part of national stoppage. Even some of these were less severe than in other parts of the country. The meat packing workers in Minnesota remained on the job for 30 days after the national walkout took place, and in the Hormel plant at Austin they remained on the job throughout the controversy.

The steel and coal stoppages had little direct effect on Ninth District industry. The shutdown of the steel industry forced some heavy steel users to curtail their operations more than otherwise would have been the case. The stoppage of coal production forced some plants to close down for a few days. If the coal stoppage had continued through most of May, it would have affected seriously many manufacturing plants and some public utilities in this region.

SUMMARY OF PRODUCTION TREND

On the basis of this brief review of the production picture since VJ-day, the aggregate output of factories during the reconversion period did not fall

Manufacturing Facilities in Ninth District Authorized by the War Production Board*

(In Thousands of Dollars)

State	Value Privately Financed	Value Publically Financed	Total
Michigan (Upper Peninsula)	1,935	876	2,811
Minnesota	38,706	238,920	277,626
Montana	6,461	77	6,538
North Dakota	1,992	120	2,112
South Dakota	1,435	150	1,585
Wisconsin (Northwest 26 Counties)	25,880	19,805	45,685
Ninth District	76,409	259,948	336,357

*Source: War Production Board, Program and Statistics Bureau, Industrial Division, Facilities Branch, War Manufacturing Facilities Authorized through December 1944 by State and County.

back to the pre-war level. In the Ninth District relatively few plants were affected by reconversion, according to the trend in manufacturing employment. The specialized war plants—for example, ordnance plants—naturally were closed down and have not been reconverted to the production of civilian goods.

Even though production remained at a high level following VJ-day, there was decided lag in the flow of some consumer items from production lines. In the early stages of reconversion, production was concentrated on the organization of facilities and the fabrication of parts. In other words, it was necessary to fill bins with parts before finished goods could be assembled. With industry now in the advanced stages of reconversion, the assembling of consumer goods constitutes a larger part of the total production.

SHORTAGES OF COMMODITIES IN NINTH DISTRICT

The shortages of numerous consumer items are clearly revealed by an examination of consumer purchases.

The greatest shortages obviously are found among durable consumer items, such as refrigerators, washing machines, and other items that were not manufactured during the war. Department store sales reflect these shortages.

In the accompanying table are listed the sales of durable and non-durable commodities in the Ninth District from August 1945 through March of this year as a percent of those in the comparable months in 1941 and in 1942. In August 1945, for instance, dollar receipts on durable commodities were less than in the same month of 1941. In the subsequent months the receipts were larger and for the eight months averaged 62 percent above those in the former years. The sales of non-durable items in the eight months from August 1945 through March of this year averaged 85 percent above those in the same months of 1941 and 1942. These items constitute a much larger part of total retail sales than durable items. Consequently, most of the expansion in total retail sales since VJ-day is accounted for by the increased sales of non-durable items.

The durable consumer items, still very limited in supply, are revealed by a comparison of the sales of specific items in the Ninth District for the period following VJ-day and for a comparable period in 1941 and 1942. As may be observed in the accompanying table, sales of mechanical refrigerators, washers, ironers, and stoves in the recent period averaged slightly over 50 percent of the sales during the corresponding months of 1941 and 1942. On the same basis of comparison, the sales of radios, silverware, and luggage averaged 90, 94, and 95 percent respectively. The sale of all other items usually listed under the durable group exceeded the dollar volume in the former years. Since price increases, however, had taken place in the interim, the larger dollar volume does not necessarily represent the sales of a larger number of units.

According to the figure on production, the present shortages of certain consumer items are no more due to a low level of output than to a new level of purchasing power. A larger number of families are now potential purchasers of durable consumer goods than ever before. During the war the stage was set for a higher standard of living for a large part of the population. To achieve this new standard of living, it is necessary for the output of factories not only to reach the pre-war level but greatly to exceed it.

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A volume of production larger than previous to the war has been partly responsible for the unprecedented volume of retail sales. Shortages of certain consumer items are still due partly to a low level of output as compared with former peacetime production, but more often the shortages are the result of a high level of purchasing power which was, in part, accumulated during the war. In general, factories were better equipped and had greater capacity at the end of the war than at the beginning. The stage is set for a greater distribution of commodities than ever before.

—Oscar F. Litterer.

Ninth District Post and Pre-war Durable and Non-durable Goods Sales*

Month	Sales from August 1945 to March 1946 as a Percent of Sales from August 1941 to March 1942	
	Durable	Non-durable
August	97.8	159.9
September	112.6	160.3
October	148.1	200.4
November	209.2	225.9
December	194.5	177.7
January	172.5	159.4
February	174.0	212.4
March	189.6	203.9
Eight Months	162.2	185.7

*Source: Minneapolis Federal Reserve Bank—Department Store Reports.

Ninth District Post and Pre-war Durable Consumer Goods Sales by Items*

Items	Sales from August 1945 to March 1946 as a Percent of Sales from August 1941 to March 1942
Furniture, Beds, Mattresses and Springs	176.4
Domestic Floor Coverings	111.6
Draperies, Curtains and Awnings	169.5
Mechanical Refrigerators, Washers, Ironers and Stoves	54.2
Lamps and Shades	192.5
China and Glassware	161.8
Housewares	186.6
Picture Frames and Mirrors	177.6
Pianos	0.0
Musical Instruments	0.0
Radios	89.8
Phonographs and Records	816.7
Jewelry (Including Clocks, Watches and Silverware)	179.0
Stationery, Books and Magazines	252.2
Luggage	95.4
Total Durable Goods	162.2

*Source: Minneapolis Federal Reserve Bank—Department Store Reports.