

CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT OF

JOHN H. RICH, FEDERAL RESERVE AGENT

TO THE

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

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8th Report

MINNEAPOLIS, MINN.

March 28, 1923

EDITORIAL NOTICE:—This report is prepared monthly in the office of the Federal Reserve Agent for the purpose of providing the Federal Reserve Board with complete, accurate, and impartial information concerning business conditions in the Northwest. It is also printed for public use and will be mailed free of charge to anyone making request for it.

DISTRICT SUMMARY FOR THE MONTH

General prosperity in the farming regions of the Northwest is very largely dependent upon the price situation for agricultural products. During February there was a slight improvement in the prices of grain and a considerable improvement in the price of flax. This change in grain prices, coupled with the fact that the United States is an exporter of wheat, and an importer of flax, gives a sound basis for the proposals now being made that the farmers of the Northwest be urged to cut down their wheat acreage and increase their flax acreage during the planting season immediately in prospect. There were mixed trends in the prices of livestock but the most significant changes were the declines for hogs and lambs, which apparently indicate that stocking in these two lines is a little nearer the saturation point, although too much dependence must not be placed upon conditions in such a month as February with its adverse weather conditions.

In spite of this lack of normal purchasing power in the farming communities which has prevailed during recent months, business volume in urban centers has been sustained by very active building operations. These operations have continued in such large volume as to have strengthened building material prices considerably. It is therefore important to observe the tendencies of builders, as shown in building permits requested, during the next few months, in order to make an accurate estimate of business conditions which will presumably prevail until the size and value of the next crop becomes known. At the present moment the volume of building is continuing at a level above that of a year ago.

The volume of general business in the Northwest usually declines in midwinter, owing to weather conditions and this year has been no exception to the rule. It is very satisfactory, however, to note that there has been a substantial improvement in the sales

of agricultural implements at wholesale during the month and that the total volume of business in all lines is considerably above a year ago.

Financially, the situation in the Northwest has changed but little. During February commercial banks in the larger cities experienced some liquidation of loans by their customers which enabled them to reduce their rediscounts and increase their holdings of investments. And the increase in their demand deposits, which has prevailed for several months, was continued. As a reflection of these conditions experienced by member banks, this Federal Reserve Bank had a reduction in loans. Consequently our holdings of purchased bills and United States securities increased. During the first two weeks of March, Federal Reserve bank loans expanded, the turning point occasioned by spring borrowing apparently coming within one week of the turning point common in preceding years.

The car situation has again become a vital question in this section of the country. At a conference held in Minneapolis during the third week of March, estimates were made of traffic needs and equipment which when compared indicate clearly that both shippers and receivers of freight will need to exercise particular care in releasing equipment in order to prevent a considerable repression of marketing and manufacturing before the year is over. It may be that purchases of new equipment as well as repairs of out-of-order cars will provide a sufficient margin to care for the expansion in business which is apparent at the present time. This necessity for widespread cooperation on the part of business men, if the existing railroad equipment is to carry the increasing volume of business, is particularly important in the case of coal. The priority orders which have been issued heretofore favoring coal shipments to the Northwest will be or have been abrogated, and the responsibility has been placed squarely on the shoulders of the northwestern business man and householder not to defer purchases or orders until

the close of navigation. Dock companies cannot be expected to carry large inventories to meet an indefinite demand. It is particularly important therefore that orders be placed now for coal, even though most of these orders or contracts will need to be for future delivery. If this be done now, the dock companies can proceed with assurance in placing their orders with the East at the opening of navigation and the Northwest can avoid a very costly congestion of railroad traffic during the crop moving season of next fall.

TOPICAL REVIEWS

Receipts of all grains at Minneapolis and the Head of the Lakes declined seasonally between January and February. Receipts of wheat and flax showed the greatest declines and were only one-half as large in February as in January. As compared with the ten-year average for February, receipts of wheat in February, 1923, were above the normal amount, and rye receipts were four times as large as this average. Receipts of oats were one-fourth below the average amount for February and barley and flax about one-half lower. No ten-year average has been computed for receipts of corn. Receipts of rye were four times as large in February

this year as in February a year ago and receipts of wheat, barley and flax also were larger in February this year than a year ago, while receipts of corn and oats were smaller.

Grain stocks in terminal elevators at Minneapolis and the Head of the Lakes increased 14 per cent between the end of January and the end of February, but were slightly smaller than at the end of February last year. There were important increases in stocks of wheat and rye, and a small increase in stocks of corn. Wheat and rye stocks were higher than any month-end figure during the last three years. In fact, stocks of wheat were more than double the highest figure during this period. Oats stocks continued to decline, but only slightly in February. Barley stocks remained practically stationary, but stocks of flax were three-fifths lower. Flax bins at Minneapolis were practically bare at the close of February, with only 6,348 bushels reported in store. As compared with last year, February rye stocks were more than three and one-half times as large, wheat stocks almost two and one-half times as large and stocks of barley somewhat larger than last year's figure. Stocks of corn, oats and flax, however, were very much lower this year than a year ago.

GRAIN STOCKS ON FARMS
(000's omitted)

March 1, 1923

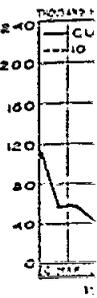
	Wheat		Corn		Oats		Barley	
		Pct. of 1922 Crop		Pct. of 1922 Crop		Pct. of 1922 Crop		Pct. of 1922 Crop
Minnesota	6,488	24	39,392	30	54,243	38	6,256	26
Montana	7,670	19	1,314	24	8,640	45	674	35
North Dakota	28,344	23	5,049	27	36,250	46	8,739	34
South Dakota	9,200	23	40,714	37	31,248	42	6,569	30
Total Stocks	51,702	22	86,469	40	130,381	42	22,238	30

March 1, 1922

	Wheat		Corn		Oats		Barley	
		Pct. of 1921 Crop		Pct. of 1921 Crop		Pct. of 1921 Crop		Pct. of 1921 Crop
Minnesota	5,734	25	50,583	36	40,787	41	5,797	31
Montana	4,788	17	760	20	6,229	42	568	37
North Dakota	15,342	19	3,298	19	20,493	42	5,436	32
South Dakota	5,975	23	51,509	41	26,235	45	6,283	33
Total Stocks	31,839	20	106,150	38	93,744	42	18,084	32

Ten-Year Average
1913-1922

	Wheat		Corn		Oats		Barley	
		Pct. of Average Crop		Pct. of Average Crop		Pct. of Average Crop		Pct. of Average Crop
Minnesota	11,972	26	31,999	30	45,851	40	8,353	28
Montana	5,778	22	337	15	6,934	38	516	29
North Dakota	18,929	22	1,823	15	26,287	44	7,537	28
South Dakota	9,785	25	32,085	33	26,150	42	6,051	26
Total Ten-Year Average Stocks	46,464	23	66,244	30	105,222	41	22,457	28

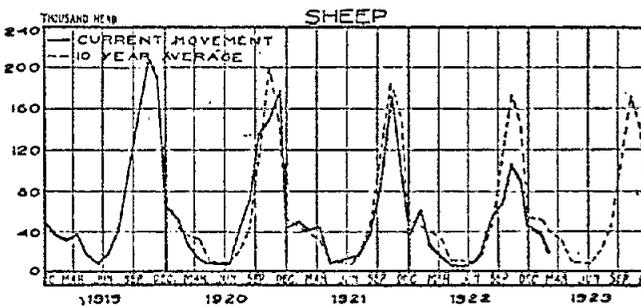
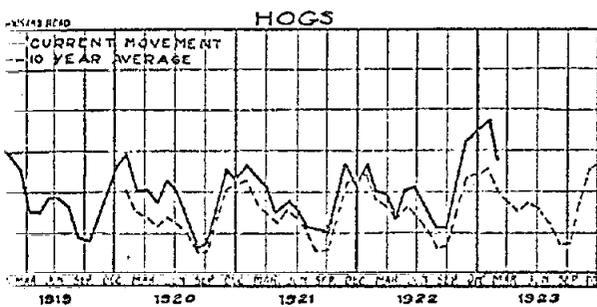
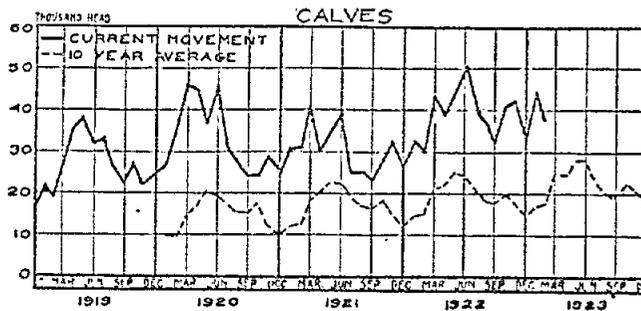
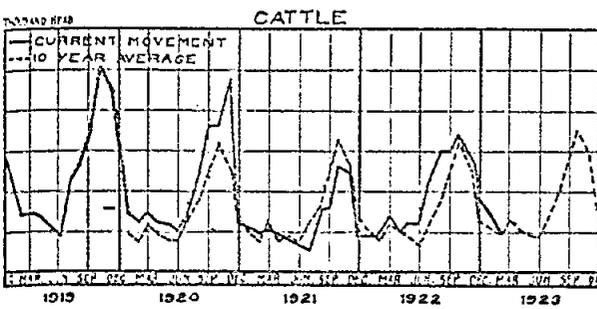


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Monthly Receipts of Cattle, Calves, Hogs, and Sheep at South St. Paul Compared with Ten-Year Average

Total grain stocks on farms in the four states of district on March 1 were above the average for last 10 years on the same date. Practically all these stocks will be marketed, fed, or used for this spring. The number of bushels of each of grain, according to estimates published by United States Department of Agriculture, follows:

Wheat	51,702,000
Corn	86,469,000
Oats	130,381,000
Barley	22,238,000

Making these grains separately, the stocks of wheat, corn and oats were much larger than the ten-year average, but stocks of barley were slightly smaller than the ten-year average. In the case of wheat, this is entirely due to the larger crop harvested in 1922 than the average, because the percentage of the 1922 crop held on March 1 was slightly less than the percentage of the crop which is customarily held on this date. In the case of corn and oats, however, a smaller portion of the crop has been marketed or used this year than the average, indicating that production has exceeded consumption requirements this year. This fact is especially evident in the corn crop in South Dakota, North Dakota and Montana and in the oats crop in Montana and North Dakota. The 1922 barley crop was somewhat smaller than the ten-year average, and the same amount on the farms on March 1 as the average indicates that marketing of this grain has been slower than usual this year. This is especially true in Montana, North Dakota and South Dakota. Wheat marketing from the western states, Montana and North Dakota, was subnormal this year. The slow market-

ing of grains in the western states was undoubtedly partly caused by the car shortage which prevailed during the heavy marketing months.

Marketing of wheat and corn has been slower this year than last year, but was more rapid in the case of barley and equally rapid in the case of oats, when the size of the two years' crops is taken into consideration.

Livestock marketing at South St. Paul declined between January and February, which was a seasonal movement for all classes except calves. Sheep receipts in particular were down one-half. February receipts of cattle, calves and hogs were larger than a year ago, but receipts of sheep were one-fourth lower. As compared with the ten-year average for the month of February, receipts of hogs in February, 1923, were well above the average, receipts of calves were double the average amount, and receipts of cattle were just equal to the average, but sheep receipts were but one-half of the average amount.

Shipments of feeder stock to the country from South St. Paul declined between January and February, although very slightly in the case of hogs. Shipments of feeder sheep were less than one-half as large. As compared with February last year, shipments of feeder hogs this February were two and one-half times as large, calves four-fifths larger, sheep almost one-third larger, but cattle in slightly smaller volume.

Prices of the principal northwestern farm products showed mixed tendencies during the month of February. The majority of grain prices increased and the majority of livestock prices declined.

The demand for cattle during the first half of the month at the South St. Paul market was so light that despite the lowering of receipts, prices were off. Stocker and feeder demand was particularly light due to unfavorable weather. Continued decreased receipts worked prices up during the last half of the month, however, so that the median price for stockers and feeders was up 25 cents, butcher cows and heifers equalled the January median of \$4.75, and butcher steers were down only 15 cents.

Veal calf prices rose rapidly in the first half of the month, continuing the rise started last November. Choice vealers touched \$11.00. With increased receipts, however, prices broke and the median for the month was only 25 cents above that of January.

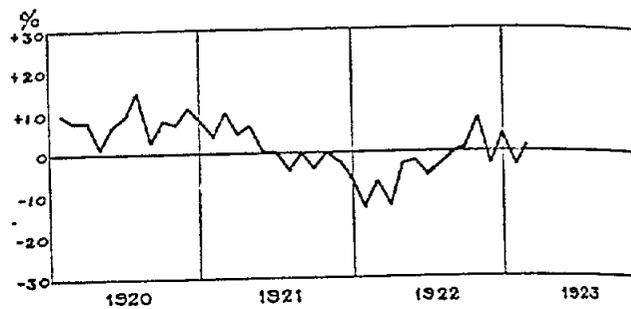
Heavy demand held hog prices strong at the beginning of February, but the price declined during the month. The decline was less rapid at South St. Paul during the first half of the month than at other centers on account of the smaller increase in receipts at South St. Paul than at other markets. During the last half of the month, prices at South St. Paul declined more rapidly, in keeping with the increased receipts, with the result that the median for the month was \$7.80, 45 cents below January.

The price range for February for lambs was much narrower than for January, but large supplies of lambs on feed which were moving to market during the month caused a 75 cent decline in the median price.

There were minor increases in the median prices of the best grades of wheat, corn, oats and barley and a slight decline in the rye median between January and February. The median price of No. 1 flax, however, showed pronounced strength and rose 21 cents between January and February to \$3.03½, which was the highest median price for flax in the last two and one-half years during which this office has been collecting figures.

Increases exceeded decreases in wholesale produce prices at Minneapolis. The price of the best grade of flour was the same on March 1 as it was on February 1, after being somewhat higher in the middle of February.

Retail trade declined in February from the January volume. The 15 per cent decline in sales of general merchandise was less than the normal seasonal decline. Sales of lumber declined more than one-third between the two months. Sales of general merchandise were nearly 7 per cent larger in February than in the same month last year and lumber sales were two-fifths larger. Retailers' purchases from wholesalers of dry goods, shoes and hardware declined between January and February, but purchases of wholesale groceries and lumber increased slightly and purchases of agricultural implements increased almost two-fifths. As compared with last year in February, this February's volume



Sales of General Merchandise at Twenty-five Stores in the Ninth Federal Reserve District Adjusted by Elimination of Seasonal Influences

of purchases from wholesalers was two and one-half times as large in the case of agricultural implements, two-thirds larger in lumber, one-third larger in dry goods and more than one-fifth larger in groceries and hardware, but there was a slight decline in purchases of shoes from wholesalers. Retail stocks of general merchandise and of lumber were slightly larger at the end of February than at the end of January and general merchandise stocks were somewhat higher than last year, but lumber stocks were lower than a year ago.

Manufacturing increased for lumber, but flour production declined slightly between January and February, although the average daily output of flour was larger in February than in January. February flour production was equal in volume this year and last, but this year's lumber cut in February was more than two and one-half times as large as the February cut last year. Deliveries of lumber, flour and linseed products were smaller in February than in January and flour and linseed cake deliveries were smaller than a year ago, but deliveries of lumber and linseed oil were considerably larger than in February last year. Manufacturers' stocks of lumber declined somewhat during February and were more than one-fourth lower than a year ago.

Mining activity in this district declined for copper and silver between January and February with the exception of the output of coal and gold, which increased slightly. The decline in the output of copper and silver was less than might be expected on account of the short month. As compared with last year, the output of copper in February of this year was more than six times as large, the output of silver and gold was considerably larger and the output of coal slightly larger.

The volume of business in this district during February, as measured by debits to individual accounts, declined one-fifth from the January volume, which was a normal decline for the month. The greater part of this decline was due to the fact that February is a short month. The February volume was about one-sixth larger than last year and was also larger than the February volume during 1919 and 1921, but not as large as the February volume

during 1919. Business for one-sixth in January. The fourth less in liability.

Banks in this district during the month showed a decrease in investments from \$30 million to \$25 million, one million of which was declined in deposits in more than their reserve. Bank to depositors.

Commerce in this district during February showed a volume of \$100 million, the same as last year, but was at the same time the lowest in the last

There was a decline in rates at Minneapolis on March 15.

Loans in this district during February showed a decline of \$10 million in deposits. Commercial bills increased \$1 million. United States Federal Reserve notes were \$10 million during the month, a dollar decline in deposits.

During the month there was an increase in loans to \$10 million and one-fifth more than last year, a third million a slight increase. Billions of dollars.

BUILDING

A Study of

Building in this district during the month showed a decline in number of buildings under construction. The number of buildings under construction was \$10 million during the month, a decline of \$1 million from the same month last year. The number of buildings under construction was \$10 million during the month, a decline of \$1 million from the same month last year.

ing 1920, when retail prices were very high. Business failures declined one-third in number and one-sixth in liabilities between January and February. The February volume of failures was one-fifth less in number than a year ago and slightly less in liabilities.

Banks in the Northwest experienced loan reductions during February which enabled them to increase investment holdings and reduce their borrowings from the Federal Reserve Bank. The loans of selected member banks in this district declined one million dollars, their security holdings increased one-half million and their borrowings from this bank declined one and one-third million. While demand deposits increased slightly, other deposits declined more than three millions, and these banks allowed their reserves in vault and with the Federal Reserve Bank to decline two million dollars.

Commercial paper outstanding in this district on February 28 was more than 10 per cent larger in volume than a month ago, continuing, for the third month, the rise which began in December. There was at the end of February as large a volume of commercial paper outstanding in this district as during the last half of 1921 and the first half of 1922.

There was no important change in bank interest rates at Minneapolis during the month ending February 15.

Loans of this Federal Reserve Bank to its member banks declined almost three million dollars during February and there was an accompanying decrease of two millions in member banks' reserve deposits. Cash reserves were reduced almost seven one-half millions and holdings of purchased securities increased almost five millions and holdings of United States securities two and one-half millions. Federal reserve notes in circulation increased slightly during the month, due to an increase in the twenty-dollar denomination, although the other denominations declined.

During the first two weeks of March, there was an increase at this bank of one million dollars in loans to member banks, increases of more than five one-half millions in member bank deposits, more than two millions in reserves, one and one-half millions in United States security holdings and a slight increase in Federal reserve notes in circulation.

Bills purchased by this bank declined one million dollars.

BUILDING PERMITS IN THE NORTHWEST

Study of Their Seasonal and Cyclical Movements
Building permits issued at 18 important cities in the Ninth Federal Reserve District during February were one-sixth smaller in number and one-third smaller in valuation than during January, but were considerably larger in number and valuation than during February last year. The decline between January and February is contrary to the seasonal trend, which rises between the two months for both number and valuation.

These building permits form one of the best indices of business prosperity in the urban communities of the Northwest. The 18 cities which report to this office comprise nearly 60 per cent of the total urban population (cities of 2,500 and over) of the Ninth Federal Reserve District, according to the 1920 census, and nearly 20 per cent of the total population of the district, including both urban and rural. The percentage is higher for Minnesota than for the other states, because of building reports from Minneapolis, St. Paul and Duluth. All but seven of the cities in this district with populations of 12,000 or over are included in the list of reporting cities.

The volume of building permits was smaller in 1920 than in 1919, but increased during each of the succeeding two years. The valuation of permits has increased more rapidly than the number. A more detailed analysis of the number and valuation of permits issued, shows that St. Paul had a more sustained growth than either Minneapolis or Duluth, and has been a constantly increasing factor in the total volume of building permits recorded for the 18 cities. In both number and valuation of permits, Minneapolis showed a more rapid recovery than the majority of the cities until 1921, but in 1922 the other cities increased in the aggregate more rapidly than Minneapolis. Duluth had relatively good years in 1919 and 1920, but since then has hardly maintained the pace set by the other cities. The average building permit in the 18 cities was largest in 1919 and smallest in 1921 of any of the four years. The average during 1922 was just about as large as during 1920.

Although our available data covers a period of only four years, from 1919 to 1922, an analysis has been made of the movement of building permits to determine what is seasonal and what is unseasonal in current fluctuations. The four years surveyed (Chart I) are not as nearly normal as could be wished, because business in general has been subject to violent changes during the period. In 1919 business was working toward the culmination of a boom, which broke in the early months of 1920, giving place to intense depression which lasted through 1921 and well into 1922, until during the last few months of 1922, business commenced to climb out of depression into greater activity and better profits. General prices during these years moved in a manner similar to the activity of business.

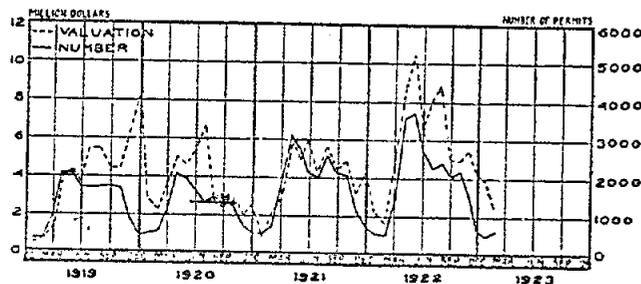


Chart I: Building Permits Granted in Eighteen Cities of the Ninth Federal Reserve District.

A definite seasonal movement of the volume of building permits is shown, however, in spite of the probable abnormality of the years for which data are available. (See Chart II.) This was to be expected on account of the greatly varying seasons in this latitude. The lowest month in the year, both in number and in valuation of permits issued, is January. February, although a shorter month, is commonly a month of less severe weather and is closer to the opening of the spring building season. Many persons expecting to build in the early spring secure their permits during February and the volume is consequently higher than the volume during January. Both the number and valuation increase during March and April, but decline in May. During the remainder of the year, somewhat dissimilar fluctuations occur in the number and valuation of permits. The number of permits shows a steady decline during the remainder of the year, with the exception of the month of August, when a slight rise occurs. The valuation of permits, however, increases from May until August, but does not rise to the level of the April peak. September shows a decline from August, but October a slight increase, November a decline and December an increase.

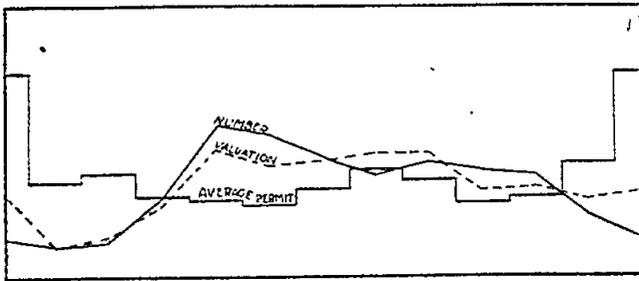


Chart II: Seasonal Variation in a Normal Year for the Number and Valuation of Building Permits and for the Average Building Permit in the Ninth Federal Reserve District.

There is also a very definite seasonal movement in the size of the average building permit. (See Chart II.) The winter months, November, December, January and February, show the largest average permits and the December average permit is almost double that of any other month in the year. The chief reason for this is that, while the volume of permits taken out for residential and other small buildings declines during the cold months, the volume of larger building projects is better sustained. Contractors who do not wish to have their crews dispersed, very commonly keep them at work during the winter time on large projects, which are completed by the time that the spring revival of general building occurs. As there is more inside work to be done on a large building project than on a small one and as the cost of temporary housing for protection from the elements is not as large a percentage of the total cost in a large structure, it is

more economical to carry on winter work on large projects. Moreover during the winter season, building laborers will often work at smaller wages than during the busy summer season and many builders of large structures take advantage of this fact to minimize the labor cost of building. As the spring building movement starts, the size of the average permit declines, reaching the low point for the year in May, when the largest numbers of dwellings and other small structures are apparently commenced. A secondary peak in the size of permits is reached in July and a secondary low point in September.

Further interesting conclusions may be drawn from an analysis of the monthly volume of building permits for the past four calendar years and the first two months of 1923, after making proper allowance for seasonal influences. (See Chart III.) A marked difference is to be observed in the movement of the number and valuation of permits. The valuation of permits is affected both by the price changes in building materials and labor and by the size of the projects inaugurated. One large project for which a permit is issued during a certain month may have a very pronounced effect on the movement of the total valuation for the month. An instance of this was the month of July, 1920, when one large permit issued at Duluth caused a peak which was not warranted by the movement of the valuation of permits at any of the other cities. The number of permits, however, is not thus complicated. From a study of Chart III, it appears that the year 1920 was the lowest point of recent years in the number and valuation of permits issued, with the exception of the holdover during the first few months of the new year of the 1919 building boom. During 1921 and 1922 the number of permits issued each month has been on a higher level than in either 1919 or 1920; and 1922 was slightly higher than 1921. In the valuation of building permits, the tremendous but short-lived boom of 1919 is clearly in evidence. The slump in prices and the consequent hesitancy in launching new building projects is shown in 1920, and the gradual development of larger projects and the gradual increase in prices is shown in the rise in the valuation of permits during 1921 and 1922. In a period of increasing building activity and rising prices, the valuation of permits apparently outstrips the number.

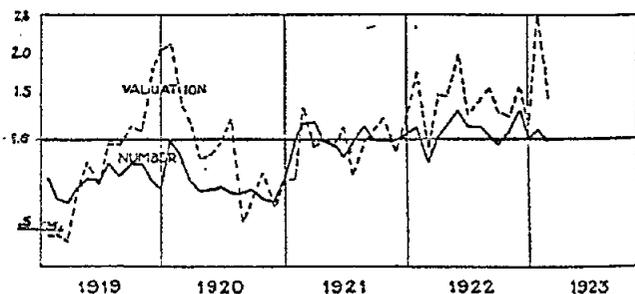


Chart III: Building Permits as shown in Chart I Adjusted By Elimination of Seasonal Influences.

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The year 1923 has started with the number of permits issued at about the 1921 and 1922 level, but the valuation of permits is greatly above. In fact, the January valuation reached a higher peak than in January, 1920, when the peak of the 1919 boom was reached in valuation. However, it is by no means to be concluded that the present period of building has reached a climax because, as already stated, the evidence of one month is not sufficient, and in addition normal growth must be considered. Furthermore, the movement has been much stronger during the present period of increasing activity than during 1919. More persons are interested in building, and the valuation of permits issued has maintained a high level for more than a year. Prices have been rising more gradually than in 1919 and 1920. It should also be borne in mind that this curve refers only to urban conditions and not to conditions in rural territory.

There are, however, certain indications that the boom will not last indefinitely. The most important consideration is that the number of building permits has remained about constant during the last two years, while the valuation has been increasing. This condition prevails always during the latter part of a building boom, when rising costs have forced a majority of home builders and other builders of moderate means to postpone building projects. In the first place, business firms make building plans for the present, because their business is expanding. They need larger quarters and by securing quarters immediately they can build at lower prices than if they wait a few months. Another class of builders becomes active, namely, speculators who build structures expecting to sell them at higher prices in the near future. Towards the culmination of the boom the prices of building materials rise at increasing speed, because it becomes increasingly difficult for manufacturers to make deliveries. At times a shortage becomes acute and supplies immediately available are at a premium. When all of these factors are present, it will be certain that the boom is at its high-tide.

Another method of analyzing building permits is to find the size of the average building permit monthly and adjust the figures to eliminate seasonal variations. Chart IV illustrates this movement. The latest value of this index is that it combines the number and valuation of permits into a composite figure in only "abnormal" increases in the valuation, compared with the number of permits, have an

influence. In fact, only cyclical influences affect this curve. While there has been a gradual rise in the average building permit during 1921 and 1922 and a peak in January, 1923, this new peak has not reached the high point of December, 1919.

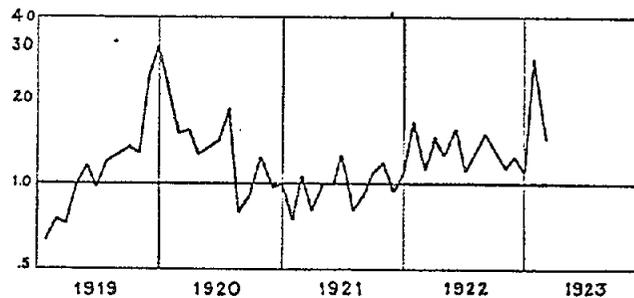


Chart IV: The Average Building Permit in the Ninth Federal Reserve District Adjusted by Elimination of Seasonal Influences.

NOTE: The method of determining the seasonal variations in the number and valuation of permits was as follows:

1. Tables were made for number and valuation, showing the percentage that each month of each year was in relation to the average monthly total for that particular year.
2. Having thus obtained four percentages (one for each year) showing the relation of any month's total to the average monthly total for the year, the two median percentages were averaged.
3. The twelve percentage figures thus obtained from each table were slightly adjusted so that the sum of each set equalled twelve hundred.
4. These two sets of adjusted percentages were then applied to the average monthly total of number and valuation during 1921 to provide a level for comparative purposes. The 1921 average month was chosen as the level because 1921 appeared to be less affected by abnormal conditions than any of the other four years and moreover building activity was larger than in 1919 or 1920, but smaller than in 1922, and from the evidence of the first two months of 1923, it appeared likely to be smaller than the 1923 volume.
5. Having thus constructed an approximately normal year in number and valuation, each month in this normal year was compared with the corresponding month during 1919 to 1923 and the percentages obtained were plotted on Chart III.
6. To construct the curve of the average building permit (Chart IV), the normal size of the average permit in the several months of the year was determined by dividing the normal number of permits of each month of the year, as described in 1, 2, 3 and 4 above, into the normal valuation of the corresponding month. The normal monthly average permit figures thus obtained were then compared with the actual size of the average building permit during the corresponding months in 1919 to 1923, and the resulting percentages were charted.

Summary of National Business Conditions (Compiled March 26 by Federal Reserve Board)

Continued active business is indicated by the maintenance of a high rate of industrial production, increase in freight traffic and employment, and a large volume of retail and wholesale trade.

PRODUCTION: The Federal Reserve Board's index of production in basic industries for February was at the same high level as in January. The index number of these industries is now approximately equal to the highest point reached in the past. Since the low point in July, 1921, there has been an increase of 61 per cent. The volume of new building projected in February was exceptionally large for the season, particularly in western districts. Railroad freight shipments have been increasing and the car shortage, which was somewhat relieved in December and January, became more marked in recent weeks.

A continued increase in industrial employment has been accompanied by further advances in wage rates in a number of industries. Many New England woolen mills announced a wage increase of 12½ per cent effective April 30. A shortage of women has been reported in the textile, rubber and garment industries, and there is a shortage of unskilled labor in many industrial centers.

TRADE: Wholesale and retail distribution of goods continued at a high level during February. Sales of both wholesale and retail concerns reporting to the Federal Reserve Banks were well above those of a year ago, but the increase was relatively more pronounced in wholesale trade. Mail order and chain store business was almost as large in February as in January despite the shorter month and sales of 5 and 10 cents stores were actually larger than in January.

WHOLESALE PRICES: The Bureau of Labor Statistics index of wholesale prices advanced slightly during February. Prices of metals, building materials, and clothing increased, while prices of fuels and farm products declined. Building materials and metals during the past year have advanced more than any other groups of commodities and are now about 25 per cent higher than in March, 1922.

BANK CREDIT: Recent increases in industrial and commercial activities have been reflected in a larger volume of loans by member banks for commercial purposes, especially in the New York, Chicago, and San Francisco districts. Loans of this character by reporting member banks are now approximately \$500,000,000 larger than at the end of December. This increase has been accompanied by a reduction in holdings of investments; so that there has been only a moderate net increase in total loans and investments.

The larger demand for funds has not led to any increase during the past month in the total volume of credit extended by the reserve banks. Total earning assets and loans to member banks on March 21, were approximately the same as four weeks earlier. Borrowings by member banks in the interior increased, particularly in the Chicago district, but borrowings by member banks in the New York district decreased. Since the end of February, there has been a small decline in the volume of Federal reserve notes in circulation which is now at approximately the same level as six months ago. Other forms of currency in circulation, however, have recently increased.

The market rates on commercial paper advanced further to a range of 5 to 5½ per cent and the rate on bankers' acceptances remained steady at about 4 per cent. There has been a slight increase in the yield of short term treasury certificates, as well as of government and other high grade bonds.

