

MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions
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SPECIAL ARTICLE

Consumer Spending Rate High in Northwest

RETAIL trade has month by month occupied a prominent spot in business news reports of the past half year. Victory in Europe one year ago and the collapse of Japan four months later found many representatives of business, government, and labor anticipating a moderate degree of deflation for the first half of 1946. It was expected to grow from transition unemployment and reduced incomes to consumers.

The slowing up of retail sales in the early fall months of 1945 seemed to indicate unerring prognostications on the part of the seers, but the surprisingly small civilian unemployment, accompanied by general wage increases since that time, have proved contrary influences. Some government programs have had to be reinstated to become action agencies carrying the fight against a growing threat of inflation.

Instead of 5 to 8 million unemployed we have 2 or 3 million, and the anticipated decline in consumer income is almost imperceptible. The present rate of consumer spending for goods and services reflects the steady high level of business activity carried through from the war years.

CONSUMER SPENDING EXCEEDS LAST YEAR

The U. S. Department of Commerce estimates consumer expenditures for the first quarter of 1946 at an annual rate of \$120 billion—\$20 billion greater than for 1945 if maintained through the balance of this year. The impact of this buying spree has been registered largely in the field of nondurable consumer goods. New refrigerators, stoves, washers, and similar hard goods have not yet appeared in sufficient volume to account for the tremendous expenditure growth.

While complete data on retail sales on a district basis are not available, the index of department store sales provides a fairly sensitive gauge of retail sales in general. Based on pre-war relationships of income and spending (ratio of disposable income to retail sales), the public today is paying out for nondurable goods at a rate of 25 percent greater than would have been anticipated with their current incomes.

In the war years, consumer buying of goods and services was 20 percent below normal, in contrast to current spendings estimated 25 percent above the pre-war average. The pre-war relationship of income to spending is presented in the accompanying

Larger Volume of Nondurable Goods, Later Easter, Reduced Savings, and Veterans' Purchases Are Factors in Unprecedented Buying During April

charts. These two charts, one based on United States figures and the other for the Ninth Federal Reserve District, show by the heavy diagonal line the average relationship of consumer income payments to retail sales at city department stores. On the U. S. chart, positions for the years 1942 through 1945 fall below the pre-war trend line. This was to be expected with war shortages. On the other hand, the position so far in 1946 (first quarter figures) has recovered and moved well beyond to exhibit to extent to which the current ratio of spending to income exceeds that of pre-war years.

The Ninth District relationship of income to retail sales shows an earlier response to high incomes. Both 1944 and 1945 indicate a rate of spending above the pre-war rate, with 1946 estimated to be far in excess of the 25 percent for the national average.

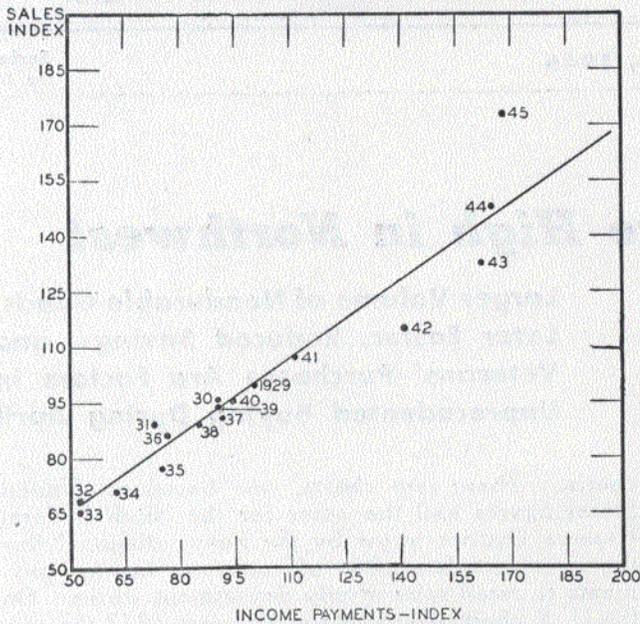
NINTH DISTRICT SALES GAIN LARGEST IN NATION

Focusing attention on the Northwest, retail sales in this area have not only followed the national trend but in some aspects have set the pace. For example, when compared to a year ago, retail sales at department stores in the metropolitan centers of the Ninth District registered a percentage gain of 52 percent for the four weeks ended May 4. This was the greatest rise recorded for a reserve district for that period and compares with a U. S. figure of 45 percent.

LESS SAVING AND MORE GOODS CAUSE SALES BULGE

Several factors provide a partial explanation of the unprecedented bulge in retail buying in 1946—the more recent months in particular. First, the much later Easter season in 1946 than for 1945 caused the large percentage gain registered for the month of April—about 50 percent over last April. Easter Sunday was April 1 in 1945 and April 21 in 1946. However, this is not the whole explanation, for a comparison of department store sales in the four weeks preceding Easter this year and last,

RELATIONSHIP OF CONSUMER INCOME PAYMENTS AND RETAIL SALES AT CITY DEPARTMENT STORES, NINTH DISTRICT 1929-45



Line of regression fitted by method of least squares, using years 1929-41.

Source: Income Payments, U. S. Department of Commerce. Department Store Sales Index, Federal Reserve Bank of Minneapolis.

shows a dollar volume gain of 32 percent for the 1946 pre-Easter season. In 1941, Easter occurred, as in 1946, quite late in the spring. Pre-Easter sales that year were less than one-half the 1946 volume.

A second factor encouraging consumers to greater spending in 1946 was the larger volume of nondurable goods reaching retail outlets. The Board of Governors index measuring production of nondurables has moved from 154 in October to 165 for March.

Continued high incomes, the absence of the patriotic motive to save, and essential purchases of discharged service men are all factors responsible for a shift from the below normal spending in the war years to the high postwar spending ratio.

WOMEN'S & MISSES' DEPARTMENTS EXPANDED

An analysis of sales and stocks reports of the larger department stores in the Ninth District reveals the present high rate of sales, and inventories also, to be based upon classes of goods varying from what was considered to be a normal distribution of sales and inventories between departments in pre-war years. Based upon the 1941 average equal to 100, sales at city department stores in April reached an all-time high for that month of 206—more than double the pre-war rate, as is illustrated in the accompanying chart.

A breakdown of sales into classes of merchandise sold shows that increased sales in the women's and misses' department have been heavily responsible for the great expansion in total sales at department

stores. In the first quarter of this year the women's and misses' department accounted for 46 percent of total sales, a rise of 5 points over the 41 percent recorded for the first quarter of 1942. The constant growth in both sales and stocks in this department can be seen in the chart on page 335.

A greater volume of sales was reported in each of the broad classifications of departments analyzed, but less sensational gains were experienced in such lines as men's and boys' wear, home furnishings, and small wares.

STOCKS REGISTER STEADY CLIMB; RATIO TO SALES IS DOWN

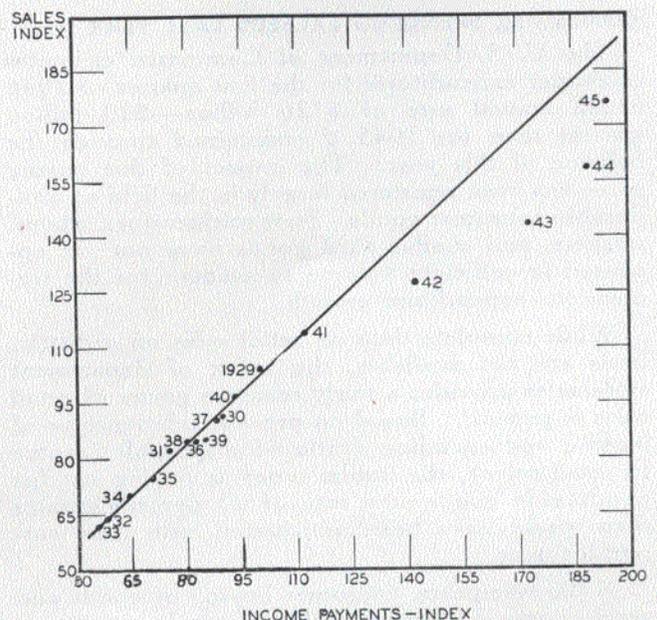
After reaching a peak in 1942, stocks at Ninth District department stores leveled off in 1943 and have since held to a fairly constant dollar figure in the face of increased sales over the past three years.

However, since last December, following the heavy Christmas buying season, the trend has been sharply upward, and on the first of April this year the dollar value of stocks was 12 percent greater than a year earlier and 38 percent above the 1941 average. Prices have risen since 1941, but no accurate measures are available to show the extent price has contributed to the 38 percent increase in inventories.

The Bureau of Labor Statistics indexes of consumer prices paid for clothing and home furnishings have each risen about 50 percent in the past five years, giving some idea of the extent of price increases at department stores. The nature of stocks

(Continued on Page 336)

RELATIONSHIP OF CONSUMER INCOME PAYMENTS AND RETAIL SALES AT DEPARTMENT STORES, UNITED STATES 1929-45

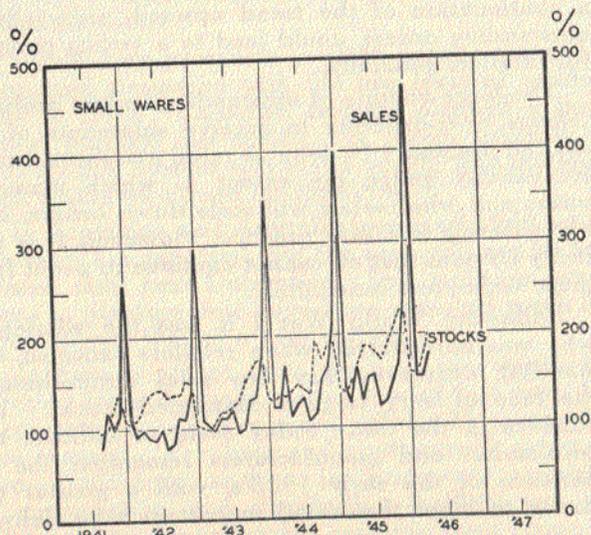
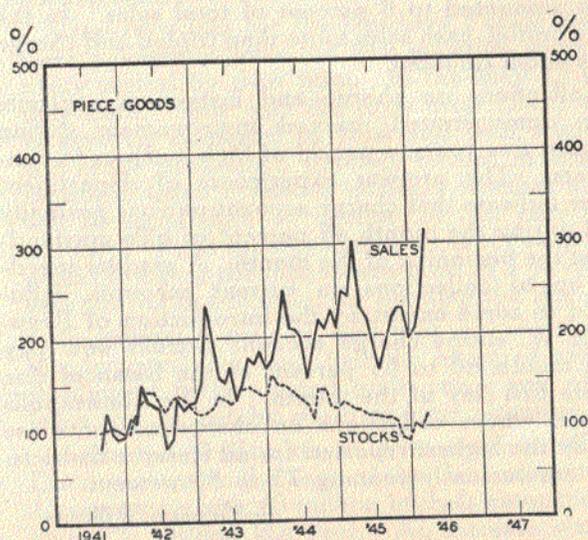
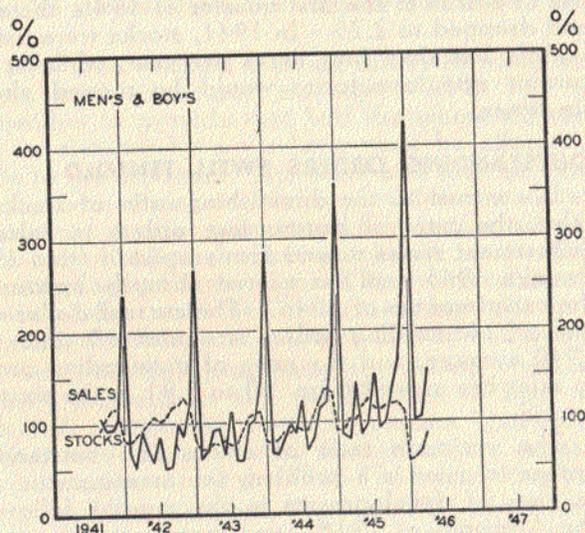
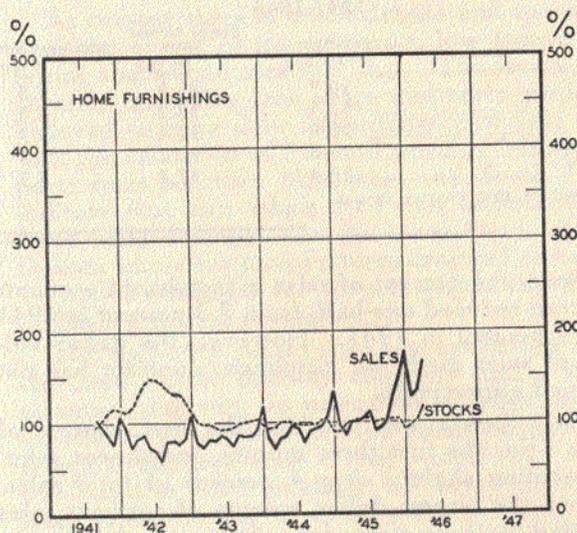
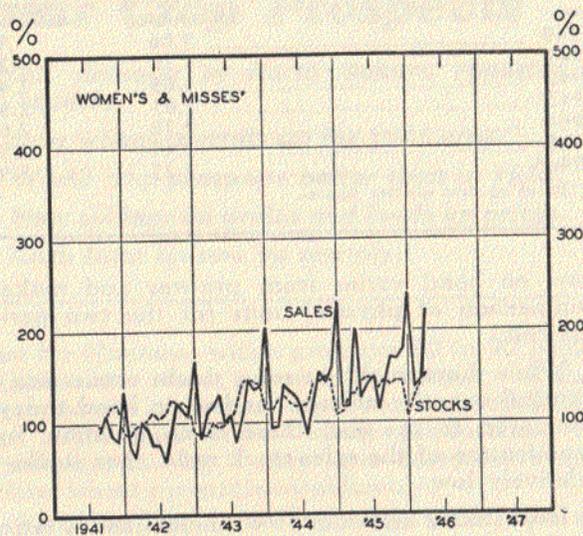
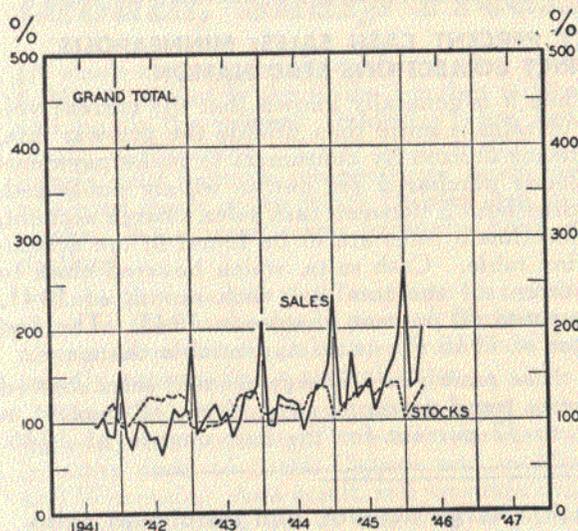


Line of regression fitted by method of least squares, using years 1929-41.

Source: Income Payments, U. S. Department of Commerce. Department Store Sales Index, Federal Reserve System.

Sales and Stocks by Departments, Ninth District City Department Stores 1941-46

August-September 1941=100



Stocks and Outstanding Orders— Ratio to Sales

Ninth District Department Stores—1940-46

Year	Stocks to Sales	Outstanding Orders to Sales
1940	3.06	.90
1941	3.16	1.24
1942	3.65	1.48
1943	2.83	2.85
1944	2.78	2.69
1945	2.49	2.94
1946*	2.25	3.91

*Based on first quarter figures.

now on hand varies from pre-war and makes a comparison of physical units for the two periods difficult.

While there might be some doubt concerning the physical quantity of merchandise on hand today as compared to pre-war, there is no question, upon examination of the sales-stock ratio, that stocks are relatively low.

Department stores in 1940 maintained a ratio of stocks to sales of 3.06. Notwithstanding the sharp rise of stocks in the first quarter of 1946, the ratio had dropped to 2.25. In 1941, stocks were turned slightly less than four times per year, while at the current rate inventories would be moved almost six times.

OUTSTANDING ORDERS SWELL TENFOLD

In contrast to the diminishing ratio of stocks to sales, the ratio of outstanding orders to sales at department stores turned firmly upward from 1941 through 1945 and has veered abruptly upward in the early months of 1946. The current dollar volume of outstanding orders is almost 10 times the 1940 average, and the ratio of outstanding orders to sales has moved from .90 to 3.91 in the six-year period.

The optimum ratio of stocks and outstanding orders to sales is a problem for management, but in view of developments in the months following the Armistice of 1918—and current developments do not provide an altogether unfamiliar pattern—a continuation of the trend upward, especially of outstanding orders, could lead to a vexing problem for retailers generally.

The large volume of outstanding orders probably reflects over-ordering to receive shipments of the desired amount. So long as retail management can successfully gauge the extent to which manufacturers and wholesalers will scale down orders, double ordering is a safe practice. However, it is perfectly obvious that all cannot continue to profit from those techniques indefinitely.

Following World War I it was the wholesaler who was hardpressed when retailers canceled outstanding orders as they saw sales diminishing in the face of very large accumulated stocks. Discussions in the trade today seem to indicate that wholesalers and manufacturers remember the experience of the early 1920's, with a greater tendency to insist that retail merchants take delivery

100 percent on all orders placed. Cancellations in the future will be at the option of the wholesaler, tending to place more of the burden of excess stock accumulation on retailers.

SIXTY PERCENT CASH SALES; MINNEAPOLIS DISTRICT COLLECTIONS LEAD NATION

While it is generally known that the current volume of sales is more than double the pre-war rate, the means utilized by consumers to make payments for goods purchased are not so widely publicized. The distribution between cash sales, charge account, and instalment sales are to be found in the accompanying table. Cash sales, which hovered close to 40 percent of the total for each month of 1941, represented 60 percent of sales in 1945. The first quarter of 1946 shows no appreciable change.

In these same years, charge account sales showed a reverse trend percentagewise, from 50 percent in 1941 to 37 percent for the first quarter of 1946.

Cash, Charge Account, and Instalment Sales Ninth District Department Stores

Year	1941-1946		
	Cash Sales	Charge Account Sales	Instalment Sales
1941	42.8%	49.9%	7.3%
1942	50.3	43.9	5.8
1943	57.3	38.2	4.5
1944	58.9	37.4	3.7
1945	59.8	36.7	3.5
1946*	58.3	37.4	4.3

*Based on first quarter figures.

Likewise, the percent of sales in instalment accounts has been reduced one-half, from 7.3 percent in 1941 to 3.5 percent in 1945. However, the dollar volume of sales made on instalment contract has not declined appreciably.

The opposite was true for the first quarter of 1946. For the first three months, instalment sales, representing slightly over 4 percent of total sales, reached the largest dollar volume of contract sales reported by these stores for a first quarter—16 percent over the same months of 1941, when contract sales amounted to 8 percent of total sales. In the same period, cash sales more than tripled and charge sales about doubled.

Collections on charge and instalment accounts have demonstrated marked improvement during the past five years, a period of high incomes to consumers. The pre-war experiences of department stores indicate that charge account patrons normally paid during the month 45 percent of bills outstanding at the beginning of the month. A gradual speeding up of collections on current accounts, influenced to some extent by the introduction of Regulation W, shows charge account patrons now pay each month 60 to 65 percent of the balances due on the first day of the month. In the Minneapolis district, where collections on charge accounts are usually the highest reported for all Reserve districts, they are currently running 75 to 80 percent.

—George Wilkens.

AGRICULTURE***Drouth, Sharp Freeze Impair Crop Prospects***

IN sharp contrast to favorable growing weather in March and early April, the weather in late April and up to the present (mid-May) has been distinctly unfavorable. Lack of rain and unprecedented late freezing temperatures have been the rule over much of the Ninth District area in recent weeks. As a result, crop prospects have steadily declined.

Reports indicate that moisture is particularly short in the northeastern part of Montana and in almost all of North Dakota. Conditions there are rapidly approaching a critical stage.

The Black Hills area received heavy rains during early May, with light to heavy showers reported in other parts of South Dakota and in Minnesota and Wisconsin. As a result, soil moisture conditions are rather spotted but in mid-May were not considered critical.

At present there is much debate and speculation over the extent of the loss from low temperatures during the second week of May. The freeze, while severely damaging fruit crops and early gardens, is believed to have done little damage to field crops, with the exception of flax and possibly barley. Reports from southern Minnesota and South Dakota indicate that flax which was well established suffered little damage. On the other hand, in North Dakota where the temperatures dropped to between 17 and 24 degrees for several nights the damage to flax is reported severe.

The mid-May report on crop conditions by the Northern Pacific Railway company makes the observation that with no precedent to guide there are all shades of opinion on the result of the recent freezing temperatures. They point out that in 1915 and in 1888 similarly low May temperatures were reported, but in those years moisture conditions were favorable and the low temperatures were not repeated for several days.

Crop reporters for the Northern Pacific Railway were pessimistic over the flax situation in the territory served by their lines. In the May 15 report they state, "Now with the early crop (flax) ruined or severely damaged by frost and with seeding of late crops postponed, pending receipt of adequate moisture, there is serious question whether acreage will be more than 60 percent of last year in our territory. Final acreage hinges on heavy rains which would bring up the mid-season crop to a good stand and put soil in condition for planting the late crop."

In general it may be said that dry weather and low temperatures have had the effect of retarding stooing of early planted grain crops and of causing a thin or patchy stand of later plantings.

Indicated production of winter wheat in Ninth District states on the basis of the Government's May 1 crop report was 40 million bushels compared with about 37 million last year. An increase was fore-

FLAX damage in North Dakota reported as severe.

New wheat controls set for 1946 crop.

World crop prospects better than in 1945.

New ceilings on grains and feeds up prices.

Cash farm income up sharply.

cast for Montana, which produces 80 to 90 percent of the winter wheat grown in the district. A sharp decrease was in prospect, however, for South Dakota and Minnesota winter wheat production. Dry weather since May 1 may have decreased over-all winter wheat prospects considerably.

Based on May 1 conditions, rye production estimates were down 14 percent from a year earlier and 63 percent from the 10-year (1935-44) average.

New crop controls covering the 1946 wheat crop have been announced recently. WFO 144 was amended to provide that half the wheat delivered to an elevator by a producer must be offered for sale to the elevator. The other half may be stored if the farmer wishes. It also provides that elevator operators or other commercial buyers must set aside one-half of all the wheat purchased to the Commodity Credit Corporation. This provision is to remain in effect until the Government has built up export requirements amounting to 250 million bushels.

Other controls prohibiting the use of wheat and wheat products in the manufacture of beer and alcohol, continuation of the 80 percent "extraction" order, and wheat feeding limitations are expected to be continued into the 1946-1947 marketing year.

It has been indicated, however, that wheat inventory provisions will not be made applicable to the 1946 crop unless inequitable distribution makes such action necessary.

World crop prospects in 1946 appear somewhat improved compared with the low level of production in 1945. Canadian farmers planned a large wheat acreage this spring. A recent estimate of 306 million bushels was made which, if it materializes, would be a good average crop.

In Argentina and Australia increased 1946 wheat acreages are expected, but the crop will not be harvested until next December. Soil moisture conditions at planting time have been reported much improved over that of a year earlier.

In Europe wheat crop prospects are much improved from the near record low of last year, but expectations are the crop will still be 25 percent below normal. Fertilizer and draft power shortages are particularly serious in European countries. Transportation and distribution facilities are still disrupted to a considerable extent in most countries,

In North Africa, crops look better than for the last three years, but the crop is expected to be somewhat below normal. Summed up, the estimates are for a total world wheat crop in 1946 of approximately 5½ billion bushels.

The total world wheat demand in 1946 is said to be at least 5.7 billion bushels. This means a deficit of 200 million bushels, and it should be remembered there are little if any wheat reserves anywhere this year.

Before the war, some 500 million bushels of wheat moved in international trade. This year the importing countries have asked for 1.2 billion bushels because of shortages of meat and fats, as well as a serious rice shortage.

This would indicate that there may not be enough wheat even if the United States produces another billion bushel crop as forecast May 1. Such enormous demands for wheat is something new for wheat farmers. If crops come through as well as the May 1 prospects indicate, another record breaking cash farm income year is in prospect for wheat producers.

Prices received by farmers in Ninth District states advanced sharply in mid-May as a result of increases in grain ceiling prices.

Sweeping advances in ceiling prices for grains and feedstuffs which became effective May 13 are as follows:

Grains			
Wheat	15c bushel	Oats	5c bushel
Corn	25c bushel	Barley	9c bushel
Rye	10c bushel	Grain Sorghums...	18c cwt.

Protein Feeds			
Soybean Meal.....	\$14.00 ton	Fish Meal.....	\$10.00 ton
Linseed Meal.....	14.00 ton	Meat Scrap.....	10.00 ton
Cottonseed Meal	14.00 ton	Beet Pulp.....	10.00 ton
Peanut Meal.....	14.00 ton	Hominy Feed.....	10.00 ton
Gluten Feed and		Brewers Dried	
Meal	14.00 ton	Grains	10.00 ton
Millfeeds	10.00 ton	Tankage	7.50 ton
Corn Germ Meal	10.00 ton	Fish Scrap.....	7.50 ton

The new price ceilings, according to a Department of Agriculture announcement, are to be effective to July 1, 1947.

The corn bonus program of 30c a bushel ended May 11, 1946, but the wheat bonus program continued until May 25.

The reason for ceiling increases and price bonuses has been to secure more grain for immediate relief shipment, according to a statement from the Department of Agriculture. One effect of this policy has been to make less favorable the livestock-feed ratios.

It is expected, however, that OPA will also grant price increases for some livestock products, particularly dairy products. Announcement concerning new prices for dairy products may come out soon.

The demand for farm products is probably higher now than it was in any war year. Employment and consumer purchasing power has remained high in

Average Prices Received by Farmers¹

Commodity and Unit	Ninth District			Parity Prices ² United States April 15, 1946
	April 15, 1937-1941 Avg.	April 15, 1945	April 15, 1946	
Crops				
Wheat, bushel	\$.84	\$ 1.45	\$ 1.53	\$ 1.60
Corn, bushel .....	.59	.83	.99	1.16
Oats, bushel .....	.31	.61	.69	.722
Potatoes, bushel .....	.66	1.60	1.29	1.32
Livestock and Livestock Products				
Hogs, 100 lbs.....	7.29	13.93	14.06	13.20
Beef Cattle, 100 lbs.....	7.12	12.31	13.07	9.81
Veal Calves, 100 lbs.....	8.25	13.49	13.58	12.20
Lambs, 100 lbs.....	8.34	13.26	13.65	10.60
Wool, lb. ....	.26	.41	.42	.331
Milk, wholesale, 100 lbs....	1.48	2.63	2.80	2.72
Butterfat, lb. ....	.29	.52	.53	.471
Chickens, live, lb.....	.124	.219	.203	.206
Eggs, dozen .....	.157	.311	.302	.327

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

²The term parity as applied to the price of an agricultural commodity is that price which will give to the commodity a purchasing power equivalent to the average purchasing power of the commodity in the base period, 1910-1914.

spite of strikes. Per capita consumption of foods from all indications is running high—probably 10 to 12 percent above pre-war. When the foreign demand is added to our domestic demand and this is weighed against a decreasing supply of food products it is easy to see why most farm prices are wedged tightly against ceilings. This pressure probably will continue as long as there are unfilled demands for food products. Depletion of food stuffs, particularly cereals, and the desire of processors and others to replenish inventories indicate a tight food situation for some time yet.

Cash farm income in Ninth District states spurted up during the first two months in 1946 compared with the same period a year earlier. Increases were particularly noticeable in the Dakotas, which probably reflects heavy grain marketings as well as some livestock liquidation as feed supplies dwindle and feeding ratios become less favorable.

Wheat supplies on Ninth District farms constituted about 55 percent of total wheat stocks on farms on April 1. Stocks of wheat on Ninth District farms are down substantially from a year earlier in spite of a record wheat crop last year. Remaining supplies will be drawn down sharply during the second quarter in response to the intense efforts to move wheat into relief channels. Wheat supplies in off-farm positions are much lower than a year earlier. This, together with continued large marketings of livestock, will stimulate farm income during the present quarter.

Total 1946 cash farm income will, of course, depend in large part on weather conditions during the next few months.

For the United States as a whole the Department of Agriculture recently estimated cash farm receipts in 1946 about as high as in 1945.

BUSINESS

District's Business Shows Steady Growth

BUILDING activity for April in the Northwest, when gauged by permits issued, was almost as large as for the month of March. Unless work was underway by March 26, the federal housing program was to curtail some types of non-essential construction. This was believed to have provided an added stimulus for building in that month. Permits issued in 64 Northwest cities totalled \$13 million for April, almost five times the volume for that month in 1945.

A release from the Department of Labor in Washington estimates construction employment for the U. S. at 1.7 million, an increase of 200 thousand over March. They placed U. S. construction expenditures at \$853 million for April. This was 16 percent over March and double April a year ago.

Bank debits in the Ninth District expanded in April, to indicate a continuation of the steady growth in business volume. Higher farm prices and more farm buying augmented debits to accounts at farming centers by one-third to one-half over a year ago.

More moderate advances occurred in the metropolitan trade centers, where debits were larger by from 10 to 18 percent. In the states of North and South Dakota the dollar volume of checks written against depositor accounts expanded by 35 and 33 percent respectively. Upper Peninsula cities reported a state average gain of but 8 percent, while six cities fell short of last year's debit totals. The Duluth-Superior trade area recorded a very modest increase.

Freight carloadings, off sharply for the month of April in the Northwest region, registered the effect of the nationwide coal strike. The index dropped to 89, which compares to the 1938 and 1939 pre-war rate of rail movements. Most classes of freight declined, but livestock carloading compared favorably with recent years. This may reflect to some extent short feed supplies on farms, which encourages feeders to move livestock to market. Coal and coke shipments were about 50 percent of last year.

Iron ore shipments from upper lake ports were off to a slow start for the first postwar shipping season. Less than one million tons moved out in the first month of shipping. Due primarily to unsettled

BANK debits indicate 20% larger volume. Building on the increase.

Banks increase consumer credit 47% over last year.

Labor management disputes cause unemployment in Northwest.

labor conditions, shipments fell 6.5 million tons short of last April and almost 8 million short of the record for the month established in 1943.

Flour production for all Northwest mills in April fell about 10 percent short of both the preceding month and the same month a year ago.

Minneapolis mills, accounting for slightly less than one-half the Northwest flour output, stepped up production by 50 percent in April, while other milling centers had a combined cutback of about one-half. Accessibility of reserves of milling wheat probably explains the opposite trends in April flour production for the two groups of mills.

Consumer credit extended by commercial banks, small loan companies, credit unions, and industrial loan companies continued the upward trend in the month of April. When compared to last year, reporting commercial banks, at the end of the month, had increased consumer loans outstanding by 47

(Continued on Page 340)

Sales at Department Stores

	Number of Stores Showing		% April, 1946, of April, 1945	% Jan.-April, 1946, of Jan.-April, 1945
	Increase	Decrease		
Total District	267	5	158	128
Mpls., St. Paul, Dul.-Sup.	27	0	163	129
Country Stores	240	5	149	126
Minnesota	79	0	148	124
Central	11	0	155	126
Northeastern	7	0	139	128
Red River Valley	4	0	157	129
South Central	21	0	146	119
Southeastern	16	0	151	127
Southwestern	20	0	145	121
Montana	35	0	151	132
Mountains	12	0	147	132
Plains	23	0	153	132
North Dakota	48	3	164	126
North Central	10	1	149	113
Northwestern	4	0	156	122
Red River Valley	20	0	174	129
Southeastern	12	2	152	125
Southwestern	*	*		
Red Riv. Val.-Minn. & N. D.	24	0	172	129
South Dakota	22	0	144	127
Southeastern	6	0	146	133
Other Eastern	9	0	144	124
Western	7	0	133	116
Wisconsin and Michigan	56	2	140	121
Northern Wisconsin	15	1	140	129
West Central Wisconsin	31	1	139	120
Upper Peninsula Michigan	10	0	145	121

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

Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939=100

	April, 1946	March, 1946	April, 1945	April, 1944
Bank Debits—93 Cities	216	242	180	184
Bank Debits—Farming Centers	275	300	206	202
City Department Store Sales	246	262	163	161
City Department Store Stocks	176	163	158	150
Country Dept. Store Sales	202	230	148	151
Country Lumber Sales	184	260	136	132
Miscellaneous Carloadings	128	130	130	123
Total Carloadings (Excl. Misc.)	89	103	155	141
Farm Prices—Minn. (Unadj.)	178	175	173	168

NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM, MAY 27, 1946

INDUSTRIAL output declined somewhat in April and the early part of May owing to the coal strike. Employment in the economy as a whole, however, continued to expand in April. The value of retail trade was maintained at record levels and commodity prices rose further.

INDUSTRIAL PRODUCTION—The Board's seasonally adjusted index of industrial production declined 2 percent in April and was at 164 percent of the 1935-39 average. The drop in coal output after April 1 and the resultant curtailment in operations in some industries were offset in part by substantial increases in activity in the automobile and electrical machinery industries following settlement of wage disputes in the latter part of March.

Production of durable manufactures as a group rose 3 percent in April. Iron and steel production declined about 6 percent; decreased output of pig iron and open hearth and Bessemer steel was partly offset by a sharp rise in electric steel production. In May, activity at steel mills continued to decline as a result of coal shortages, and during the past two weeks has averaged only about 50 percent of capacity.

The number of passenger cars and trucks assembled in April was 80 percent greater than in March, and there also were substantial increases in activity in the railroad equipment industry and in output of many types of electrical equipment. Production of lumber and stone, clay, and glass products was maintained at the March level, which was above the same period last year.

Output of most non-durable goods was maintained in April at about the March level. Activity at cotton mills declined slightly, owing to reduced coal supplies, but output at other textile mills advanced further. The number of animals slaughtered under federal inspection continued to decline sharply in April. Output of flour and bakery products decreased somewhat in April and is expected to decline substantially in May as a result of the stringent wheat supply situation.

Minerals production declined by a fourth from March to April, reflecting primarily the drop in bituminous coal output. There was also a further reduction in output of metals, while crude petroleum production increased in April and early May. On May 13 bituminous coal production was resumed under a temporary work agreement, and during the week ending May 18 output was 70 percent of the pre-strike weekly rate.

Value of construction contracts awarded rose sharply in April, according to reports of the F. W. Dodge Corporation. The increase reflected a very large expansion in awards for private residential construction to a record level; awards for most other types of private construction were maintained at recent high levels.

EMPLOYMENT—Nonagricultural employment continued to gain in April notwithstanding the bituminous coal strike, and unemployment decreased by about 350,000. Manufacturing employment rose by about 400,000 largely because of settlement of major labor disputes, and construction employment showed a further large gain.

COMMODITY PRICES—Price ceilings on grains were increased substantially on May 13, and ceilings for a number of nonagricultural products have also been raised during the past month. Recent price increases for industrial products have usually been between 10 and 20 percent. Recent advances announced for automobiles were smaller than these amounts but they were in addition to price increases made earlier this year.

Retail prices of most groups of commodities continued to show small advances in April and the consumers' price index increased one-half percent to a point 3 percent higher than in April, 1945.

DISTRIBUTION—Retail sales continued at a high rate in April and the first half of May. During the past four weeks department store sales have been one-third larger in value than in the corresponding period of 1945.

Freight carloading declined sharply in April, reflecting chiefly the drop in coal shipments. Shipments of most

manufactured products continued to increase until the week ending May 18. In that week interruptions in freight service resulted in large decreases in loadings of manufactured products, but bituminous coal shipments were resumed, and total loadings increased slightly.

BANK CREDIT—Treasury deposits declined, reflecting disbursements in excess of receipts, and deposits subject to reserve requirements increased during April and the first three weeks of May. Reserve balances increased less than required reserves, and excess reserves declined to about 700 million dollars on May 22. Federal Reserve holdings of Government securities, which declined substantially in the early months of the year, have increased somewhat since the middle of April.

In the latter part of April the Reserve banks, with the approval of the Board of Governors, eliminated the wartime preferential discount rate of about one-half of one percent on advances to member banks secured by Government obligations due or callable in not more than one year. The regular discount rate on advances secured by Government obligations or eligible paper remains at one percent.

Yields of Government securities, which declined in the early weeks of the year, rose sharply in the latter part of April and early in May.

BUSINESS

(From Page 339)

percent. The volume of loans made in April was 12 percent greater than for March. Repair and modernization loans represented the largest volume of consumer credit loans made by commercial banks.

Employment in the Ninth District has suffered from the strikes which closed down some of the nation's basic industries. According to the Minnesota office of the U. S. Employment Service, non-agricultural employment in the state was less in the middle of May than in the preceding month. In Duluth approximately 2,000 ore dock workers were laid off when shipments of ore ceased due to a shortage of coal. In St. Paul about 1,500 workers were idle due to a shortage of parts which resulted from the tieup in steel and in coal.

A shortage of grains has also caused some unemployment. Some breweries have been forced to close down or reduce their output, which has laid off about 1,500 workers. Flour mills have been affected by the scarcity of wheat. One mill has been closed down and others may be forced to do so unless more wheat flows into the grain markets. Employment in the milling industry has already been reduced by about several hundred workers.

Department Store Sales Percent of One Year Ago

	April	January-April
Duluth-Superior	138	113
Mankato	150	116
Minneapolis	169	133
St. Cloud	156	122
St. Paul	160	126

Department Store Sales Indexes by Cities 1935-1939=100 Unadjusted

	April, 1946	April, 1945	April, 1944	April, 1941
Minneapolis	276	176	172	122
St. Paul	235	160	156	125
Duluth-Superior	242	181	187	118

BANKING**Certificate Holdings Show Further Decline**

A SUBSTANTIAL reduction in holdings of certificates of indebtedness has constituted the principal change in the condition of the 20 reporting member banks. Holdings of certificates, which during most of April averaged approximately \$227 million, and had reached a high of \$242 million in the early part of February, dropped to \$193 million on May 1, and declined further to \$187 million by the middle of May.

The explanation for this fairly substantial reduction in holdings of certificates is to be found in the retirement of \$1.6 billion of these certificates on May 1. To the extent that these banks held certificates of the issue which was redeemed, their holdings were correspondingly reduced.

The changes in holdings of government securities otherwise were of fairly nominal proportions. Holdings of Treasury bills were at approximately the level of a month earlier, although during most of the intervening period they were very substantially lower. Holdings of Treasury notes declined slightly, although the relative change was small. There was some slight expansion in holdings of U. S. Treasury bonds, but other than holdings of certificates of indebtedness there was no net change in their bond portfolios during the month.

SUBSTANTIALLY reduced holdings of certificates reflect Treasury's May 1 redemption.

Deposit increase experienced by country banks generally over the district.

Cash reserves expanded approximately \$14 million, with almost the entire increase concentrated during the week of May 1 when the Treasury redeemed the issue of certificates of indebtedness. Since, however, the redemption was made from funds previously held in war-loan deposits, the cash position of the banks should not have been changed materially by the complete transaction and, therefore, the increased reserves are perhaps largely explained by a slight flow of funds into this district.

By coincidence the deposits of the U. S. government declined by \$41 billion, almost exactly the same amount by which the banks' holdings of Treasury certificates were also reduced. Deposits at these banks other than those of the Government rose by \$32 million; miscellaneous deposits declined \$2 million; and total deposits exhibited a net decline of \$11 million from mid-April to mid-May. Indicative of the somewhat easier reserve position was the decline in borrowings from \$6 million at the end of April to \$1 million May 15.

Country member bank deposits continued their upward trend, reaching an average of \$1,706 million during the last half of April. This was a modest expansion from the \$1,696 million level of the previous month. The increase was scattered fairly evenly over the entire district, with North Dakota accounting for about 50 percent of the total expansion. Most of the increase was concentrated for the district as a whole in time deposits, which rose from \$576 million during the last two weeks of March to \$585 million a month later. Only in North Dakota was the expansion of demand deposits substantially larger than the expansion in time and savings balances.

Country bank reserves with the Federal Reserve Bank declined slightly, resulting in a 15 percent reduction in the volume of excess reserves. During the latter part of March excess reserves reached approximately \$41 million, but this figure declined to \$35 million a month later.

Assets and Liabilities of Ninth District City Member Banks

(Millions of Dollars)			
Assets	4/17/46	5/15/46	Change
Cash, due from banks, and reserves...	\$ 370	\$ 384	+\$14
Commercial, industrial and agricultural loans	103	106	+ 3
Real estate loans	30	31	+ 1
Other loans	92	95	+ 3
Total loans	225	232	+ 7
U. S. Treasury bills.....	20	19	- 1
U. S. Treasury Certificates of indebtedness	227	187	-40
U. S. Treasury notes.....	146	142	- 4
U. S. Treasury bonds.....	672	677	+ 5
U. S. guaranteed obligations.....			
Total U. S. Government securities	1,065	1,025	-40
Other investments	58	62	+ 4
Miscellaneous assets	15	16	+ 1
Total assets	1,733	1,719	-14
Liabilities			
Deposits of U. S. Government.....	314	273	-41
Deposits of individuals, partnerships, and corporations.....	887	919	+32
Other deposits	429	427	- 2
Total deposits	1,630	1,619	-11
Borrowings	6	1	- 5
Capital accounts	88	89	+ 1
Miscellaneous liabilities	9	10	+ 1
Total liabilities and capital.....	1,733	1,719	-14
Excess reserves	6	2	- 4

Daily Average Reserve Position for All Ninth District Member Banks for the 15-Day Period Ending April 30, 1946

(Thousands of Dollars)			
	Average Reserves Carried	Average Reserves Required	Average Excess Reserves
Reserve city banks.....	\$168,446	\$166,223	\$ 2,223
Other city banks.....	28,159	24,695	3,464
Total city banks.....	196,605	190,918	5,687
Total country banks.....	181,151	146,275	34,876
Total Ninth District—1946	377,756	337,193	40,563
Total Ninth District—1945	319,855	290,039	29,816