MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions

FEDERAL RESERVE BANK OF MINNEAPOLIS

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BUSINESS

May Business Activity Sets New Records

- ***Department store sales index breaks through last September's peak.***
- ***Expanded credit is major factor in increased sales.***
- ***Non-agricultural employment continues strong.***
- ***Volume of building permit valuations runs sharply above a year ago.***

BUSINESS activity during May in this district may be characterized as a quickening of tempo. Substantially larger bank debits, department store sales, and employment were reported for the month.

Bank debits in this district were decidedly higher in May than in April after allowance for the seasonal factor, which usually reduces bank debits in May. Whereas the adjusted index in April stood at 282 percent of the 1935 to 1939 average, the adjusted index for May rose to 311 percent of the former average.

This represents an increase of 10 percent in the total payments made by check, primarily for goods and services.

An increase in the use of credit, on the one hand, and a decrease in the use of accumulated savings on the other, seem to be as yet the only perceptible sign of weakness in the present business boom. The expansion in department store sales is supported by an increasing proportion of credit sales. Less durable consumer goods are now purchased out of accumulated savings than in the past year.

MAY DEPARTMENT STORE SALES REACH NEW PEAK

Department store sales, adjusted for usual seasonal variation, in May exceeded all preceding months. The adjusted index for May was 306 percent of the 1935 to 1939 average. Thus the dollar volume was more than three times the pre-war volume. The previous high was recorded for September 1947, when the adjusted index stood at 287 percent of the former average.

As compared with a year ago, May department store sales were 7 percent larger. Stores located in the district, outside of the four large cities of Duluth, Minneapolis, St. Paul, and Superior, reported a slightly greater increase than the stores in these cities. The recent expansion in sales, however, is quite uniform over the entire district.

The expansion in department store sales in this district has been below the national average. During the first four months, the gain in sales over a year ago was 7 percent, while the national average was 8 percent. Preliminary figures indicate that the district gain in May exceeded the national average.

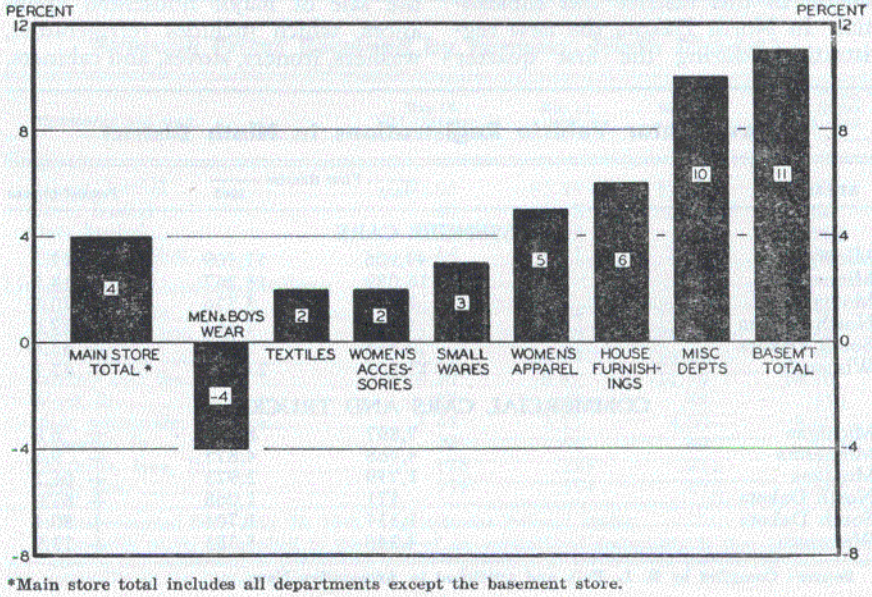
THE SHIFT TO LOWER PRICED ITEMS CONTINUES

An examination of sales by departments in this district indicates a continued shift to lower-priced items. In a sample of department stores reporting sales by departments, total sales for April were 5 percent larger than for the same month of last year, while the basement store sales were 19 percent larger.

The differential between total sales and basement store sales has grown steadily since last February. For this sample of stores, February total sales were 3 percent larger than last year, while basement store sales were 9 percent larger. For March, the increases reported were 3 and 12 per-

TREND IN NINTH DISTRICT DEPARTMENT STORE SALES BY DEPARTMENTS

(Percent Change Between First Four Months of 1947 and 1948)



*Main store total includes all departments except the basement store.

cent respectively.

On the accompanying chart is presented the change in sales by departments for the first four months of this year as compared with the corresponding period of last year. The dollar volume in most departments has increased by only a small percentage, and in one department, men's and boys' wear, the dollar volume was actually less than last year.

Only in the miscellaneous merchandise department, which includes such items as sporting goods, toys, games, and candy, was the increase comparable to that of the basement store.

MORE NEW CARS SOLD

The sale of new cars has been increasing in this district, although the demand still greatly exceeds the supply at present list prices. New passenger car registrations, as may be observed in the accompanying table, were substantially larger during the first quarter as compared with the registrations during the same period of last year.

In Montana and Wisconsin, registrations were over 50 percent larger: 71 and 53 percent respectively. In North Dakota and South Dakota, registrations were 30 and 42 percent larger respectively. The smallest increase of 13 percent was reported in Minnesota.

Registrations of new commercial motor vehicles reflect a similar trend. Although the number of such vehicles sold is much less than that of passenger vehicles, the percentage increase in this district was substantial. In North Dakota the new registrations during the first quarter were 87 percent more than during the same period of 1947. In Montana, the increase was 66 percent, and in South Dakota 50 percent. The smallest increase of 7 percent was reported in Michigan.

The department store sales of other durable consumer merchandise, likewise, have increased as a larger supply became available. For instance, the sale of major household appliances, which includes refrigerators, washers, ironers, stoves, and cabinets, was 15 percent higher during the first four months of this year as compared with the same period of last year.

The larger sales of such items is an important factor in the expansion occurring in total department store sales and in the increased use of credit.

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Sales at Ninth District Department Stores [1]

Number of Stores [2]	of May 1947	of Jan.-May 1947	% May 1948 showing Increase	% Jan.-May 1948 showing Decrease
Total District	107	107	182	84
Mpls., St. Paul, Dul.-Sup.	107	107	24	11
Country Stores	109	107	158	73
Minnesota	110	107	52	14
Central	112	105	9	0
Northeastern	115	111	4	0
Red River Valley	107	99	3	1
South Central	112	110	10	5
Southeastern	107	110	7	4
Southwestern	109	105	19	4
Montana	109	110	23	14
Mountains	111	109	7	5
Plains	107	110	16	9
North Daokta	112	106	40	7
North Central	107	94	8	2
Northwestern	106	101	4	2
Red River Valley	112	109	14	2
Southeastern	118	105	11	1
Southwestern	134	121	3	0
Red River Valley-Minn. & N. D.	111	108	17	3
South Dakota	109	107	23	23
Southeastern	108	109	5	9
Other Eastern	110	103	14	11
Western	115	118	4	3
Wisconsin and Michigan	101	103	20	15
Northern Wisconsin	103	104	8	5
West Central Wisconsin	99	102	7	6
Upper Peninsula Michigan	102	103	5	4

[1] Percentages are based on dollar volume of sales.
[2] May 1948 compared with May 1947.
Note: There were 25 trading days in May 1948; May 1947 had 26.

Index of Department Store Sales by Cities

(Unadjusted 1935-39 = 100)

	May[1]	Percent Change[2] From Year Ago May	Jan.-May
Minneapolis	315	+ 8	+ 8
St. Paul	285	+ 3	+ 3
Duluth-Superior	317	+ 13	+ 14
Great Falls	324	+ 8	+ 6
La Crosse	282	+ 2	+ 2
Mankato	289	+ 16	+ 12
Aberdeen	.....	+ 13	+ 3
Bismarck	.....	+ 21	+ 10
Grand Forks	.....	+ 2	+ 2
Minot	.....	+ 6	+ 2
Sioux Falls	.....	+ 12	+ 11
Valley City	.....	+ 10	— 7
Willmar	.....	+ 13	+ 6
Winona	.....	+ 7	+ 14
Yankton	.....	+ 6	+ 9

[1] Based on daily average sales.
[2] Based on total dollar volume of sales.
Note: There were 25 trading days in May 1948; May 1947 had 26.

New Motor Vehicle Registrations in Ninth District

STATES	First Quarter 1947	First Quarter 1948	Percent Change
PASSENGER CARS			
Michigan	49,906	57,509	+ 15.2
Minnesota	16,089	18,267	+ 13.5
Montana	3,241	5,536	+ 70.8
North Dakota	1,900	2,462	+ 29.6
South Dakota	2,355	3,353	+ 42.4
Wisconsin	13,955	21,366	+ 53.1
COMMERCIAL CARS AND TRUCKS			
Michigan	7,897	8,435	+ 6.8
Minnesota	4,468	4,875	+ 9.1
Montana	1,759	2,923	+ 66.2
North Dakota	571	1,068	+ 87.0
South Dakota	1,135	1,704	+ 50.1
Wisconsin	4,346	5,383	+ 23.9

Source: Compiled by R. L. Polk and published in Automotive News.

AGRICULTURE

June Rains Brighten Crop Outlook

- **Early July a critical period in spring wheat production.**
- **Grain prices decline seasonally; livestock prices show strength.**
- **Costs of farming continue slow climb.**
- **First-half farm income may exceed same period of 1947.**

UNTIL about May 20, district soil and crop conditions generally were very favorable. Crops had been put in the ground under almost ideal conditions, except in the Red River Valley area and a few other small areas.

However, the latter part of May was dry and unusually hot. High winds drove the moisture out of the top soil. Late seeded crops had insufficient moisture to germinate evenly, if at all, in the drier areas. In fact, seeding was delayed in some areas. Farmers began to get worried and newspapers carried headlines about a prospective drouth.

Then the rains began to come, but only in a local way at the outset. The extreme southern part of Minnesota and southeastern South Dakota received rains over the Memorial day week-end. The latter part of the first week in June saw the major part of the district covered with substantial showers. At the same time, there were some areas, particularly central Minnesota and the eastern central parts of the Dakotas, where extreme dryness prevailed up until the week-end of June 20.

At this time, the first general rain since early May blanketed the Upper Midwest. Most points have received rainfall varying from one-fourth inch to inches. Fortunately, the heaviest rainfall recently appears to be concentrated in what were, prior to this time, the driest areas. Aberdeen, South Dakota, and Willmar and Montevideo, Minnesota, for example, each reported substantial amounts of much needed rain.

It is impossible to estimate the extent to which the lack of rain until quite recently has actually curtailed crop yields. In the drier spots, it may be fairly substantial, but such areas in the district appear to be relatively small. The June 18 rain came just in time in these areas to save crops from serious deterioration. The degree to which crops recuperated in the following week or 10 days will, of course, be better known by the time this report reaches its readers.

Even though the general central part of the district had been critically dry until recently, other parts of the district have been reporting good moisture and crop conditions since early June. Practically all of our area, excepting northwestern North Dakota, has reported adequate moisture conditions. Extreme southern Minnesota and southeastern South Dakota were also in good shape.

SMALL GRAIN CROP HEADING SHORT

Most reports indicate that wheat, oats, barley, and flax are heading out on short straw, and this about two weeks earlier compared with last year. However, the crop is not made yet. Weather conditions in the first three weeks in July will largely determine whether total crop production will be good or only fair this year in the Ninth Federal Reserve district.

Another good general rain in early July would almost insure another good crop. No rains and hot dry weather from here on out could spell a sharp decline in crop production estimates, particularly for late sown crops.

GRAIN PRICES DECLINE; LIVESTOCK PRICES UP

Prices received by farmers continue near recent high levels. Some seasonal decline in small grain prices has occurred, reflecting favorable June crop reports from the Department of Agriculture. The all-crop price index declined from 276 to 267 from mid-April to mid-May (1910-14=100). Further slight declines have occurred since mid-May.

The trend of grain prices in the period ahead will, of course, be greatly influenced by both domestic and foreign crop conditions. If crops turn out according to June 1 predictions, further weakness may be expected. If the weather doesn't cooperate normally and crop estimates are revised downward, then grain prices may strengthen.

The stronger livestock market in recent weeks comes as no surprise to expert market observers. With less livestock on farms, relatively small number of cattle on feed, and continuing large demand, strength in livestock prices seemed a sure bet. The American Meat Institute estimates that meat supplies in the third

Average Prices Received by Farmers, Ninth District [1]

Commodity and Unit	May 15, 1937-1941 Avg.	May 15, 1947	May 15, 1948	Parity Prices [2] United States May 15, 1948
Crops				
Wheat, bushel	$0.80	$2.33	$2.33	$2.21
Corn, bushel	.60	1.43	2.04	1.60
Oats, bushel	.30	.82	1.03	.998
Potatoes, bushel	.64	1.31	1.64	1.86
Livestock and Livestock Products				
Hogs, 100 lbs.	7.33	23.04	19.11	18.20
Beef Cattle, 100 lbs.	7.17	18.30	23.23	13.60
Veal Calves, 100 lbs.	8.33	20.67	24.44	16.90
Lambs, 100 lbs.	8.20	18.81	21.78	14.70
Wool, lb.	.27	.40	.48	.458
Milk, wholesale, 100 lbs.	1.45	3.21	4.00	3.60
Butterfat, lb.	.29	.66	.89	.623
Chickens, live, lb.	.128	.225	.212	.285
Eggs, doz.	.156	.374	.372	.463

[1] Data compiled from May 28, 1948, "Agricultural Prices," USDA.

[2] The 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.

quarter may be at least 10% below that of the same period in 1947.

PRICES PAID BY FARMERS CONTINUE TO ADVANCE

The costs of farming apparently have continued their slow advance in recent weeks. At the same time, prices received have indicated a slight weakness.

The ratio of prices received by farmers to prices paid in mid-May was 116. A month earlier it was 117. In mid-May of 1947, this parity ratio was 119. The record high was 133 in October 1946.

Only during the two major war periods has this parity ratio consistently remained above 100. For the five years, 1935-39, it averaged 84, and in the early 1930's it was in the lower 60's.

What is it that keeps the parity ratio currently well above 100 even though it is three years after the end of hostilities? There are two fundamental reasons for this:

First, and probably most important, is that the economy has been functioning at full capacity. The labor force is fully employed and hence purchasing power is very high. Large savings, tax reduction, and rearmament talk have also exerted an upward influence.

Second, a substantial share of food production has been exported since 1945. Wheat particularly has remained in a favorable price position because of food relief exports. High wheat prices have been reflected in high grain prices in general. High grain prices, relative to prices received for livestock, have discouraged livestock production to the point where substantial livestock liquidation has occurred.

It is the reduction in livestock coupled with continuing strong demand which accounts, in part at least, for the current high level of livestock prices. Beef cattle prices, for example, are now the highest on record.

January - April Cash Farm Income [1]

(Thousands of Dollars)

State	1935-1939 Average	1947	1948	1948 in Percent of 1947
Minnesota	$ 102,257	$ 391,113	$ 407,098	104%
North Dakota	23,566	153,798	176,834	115
South Dakota	30,533	186,624	182,446	98
Montana	17,082	77,124	83,803	109
Ninth District[2]	197,391	889,551	934,948	105
United States	2,238,447	8,025,218	8,400,289	105

[1] Data from "The Farm Income Situation," dated May 1948.

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

FOOD EXPORTS DOWN

With the development of more normal crops in Europe the emphasis is likely to shift gradually from food exports for European relief to food exports as a more permanent part of our normal international trade.

In any event, the outlook is for a gradually declining export market during the rest of 1948 and into 1949. Food not exported must therefore find a domestic outlet, which introduces a new factor into the relation between supply and prices.

DISTRICT FARM INCOME UP 5% FROM 1947

District cash farm income, January through April, was up 5% from a year earlier. Reduced marketings in this period compared with last year were more than offset by a higher level of farm prices.

The Department of Agriculture estimates that for the country as a whole cash farm income the first half of 1948 may exceed that of 1947 by approximately 3%.

In the Ninth district, one or two good rains in the next few weeks may make a considerable difference in the level of farm incomes in 1948. END

MAY BUSINESS ACTIVITY SETS NEW RECORDS

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Since a large share of the durable consumer merchandise, especially motor vehicles, is manufactured outside of the Ninth district, the larger sales tend to move some of the bank deposits from this area to the more industrialized regions.

NON-AGRICULTURAL EMPLOYMENT RISES

Non-agricultural employment in Minnesota increased by 14,200 workers or by 1.9 percent from mid-April to mid-May, according to a report released by the Minnesota Division of Employment and Security.

Expansion in construction, transportation, and manufacturing industries accounted for most of the additional employment.

With the opening of the canning season, non-agricultural employment will rise still more in this region.

CREDIT SALES SUPPORT RISE IN DEPARTMENT STORE SALES

In the department store sales, cash sales have been decreasing and credit sales increasing. In this district, cash sales during January and February were 5 and 3½ percent larger respectively than in the corresponding months of 1947. During March and April, cash sales actually fell below the 1947 volume.

Instalment sales during the first four months were one-fourth larger than last year and charge account sales were 13 percent larger.

Department stores are also carrying customer accounts over a longer period. Collections on instalment sales during April in this district totaled 29 percent of the accounts receivable at the beginning of the month; a year ago, the collections totaled 36 percent of the accounts receivable.

Collections in charge accounts during April constituted 56 percent of the accounts receivable at the beginning of the month, while a year ago the percentage was 62 percent.

Consumer instalment credit outstanding at commercial banks continues to rise steadily. In this district, the total amount of such credit at the end of March was estimated at $119 million and at the end of April at $126 million. This represents a 6 percent increase during April.

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BANKING

Bank Loans Show Seasonal Leveling Out

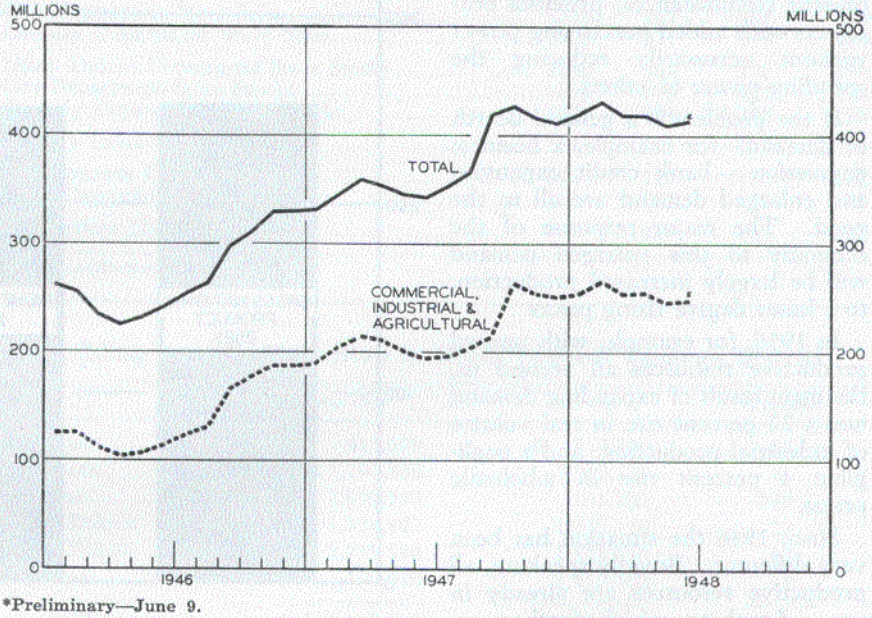
THE NET demand for bank credit in the Ninth district during May was confined entirely to country member banks, where even so the expansion was of modest proportions and accounted for largely by Montana banks.

Loans at the 20 larger weekly reporting banks actually declined early in May, but the modest increase in the latter part of the month restored total loans outstanding to their end-of-April level. At the 20 city banks, commercial, industrial, and agricultural loans declined slightly, but this contraction was more than offset by increases in loans on securities, real estate loans, and miscellaneous loans.

During the first half of June, commercial, industrial, and agricultural loans rose by $6 million, but declines in other types of loans largely offset this modest increase.

On the whole, therefore, it is reasonable to conclude that the active lending of the latter part of last year has not yet been resumed. This in itself is desirable, since credit expansion in a period when inflationary stresses are heavy is usually considered to accentuate the upward pressure on prices.

LOANS AT WEEKLY REPORTING NINTH DISTRICT MEMBER BANKS



*Preliminary—June 9.
Source: Federal Reserve Bulletin.

Assets and Liabilities of All Ninth District Member Banks [1]

(In Million Dollars)

	Apr. 28, 1948	May 26, 1948	$ Change Apr. 28-May 26
ASSETS			
Loans and Discounts	$ 786	$ 796	+ 10
U. S. Government Obligations	1,667	1,668	+ 1
Other Securities	197	199	+ 2
Cash and Due from Banks	774	781	+ 7
Other Assets	27	29	+ 2
Total Assets	$3,451	$3,473	+ 22
LIABILITIES AND CAPITAL			
Due to Banks	$ 284	$ 281	— 3
Other Demand Deposits	2,026	2,052	+ 26
Total Demand Deposits	$2,310	$2,333	+ 23
Time Deposits	926	922	— 4
Total Deposits	$3,236	$3,255	+ 19
Borrowings	.....	3	+ 3
Other Liabilities	16	17	+ 1
Capital Funds	199	198	— 1
Total Liabilities and Capital	$3,451	$3,473	+ 22

[1] This table is in part estimated. Data on loans and discounts, U. S. government obligations, and other securities are obtained by reports directly from the member banks. Balances with domestic banks, cash items, and data on deposits are largely taken from the semi-monthly report which member banks make to the Federal Reserve Bank for the purpose of computing reserves. Reserve balances and data on borrowings from the Federal Reserve banks are taken directly from the books of the Federal Reserve Bank. Data on other borrowings are estimated. Capital funds, other assets, and other liabilities are extrapolated from call report data.

MAJOR LOAN RISE USUAL IN LAST HALF OF YEAR

It is well to remember, however, that since the major loan expansion began in 1946 the greater part of each year's increase in loans has occurred during the last half of the year. The current comparatively quiescent loan activity does not therefore necessarily insure that the latter part of 1948 will not witness a considerable loan expansion just as occurred in 1947 and 1946.

The chart illustrates the extent to which each postwar year's loan expansion has been largely concentrated in the latter half of the year.

It remains to be seen whether the buoyant business psychology incident to such development as the larger defense program and Congressional ap-

- ***Country banks account for total loan expansion.***
- ***Large money supply and postwar credit expansion major reasons for rising prices.***

proval of the European Recovery Program will result in another bulge in demand for bank credit in the coming months.

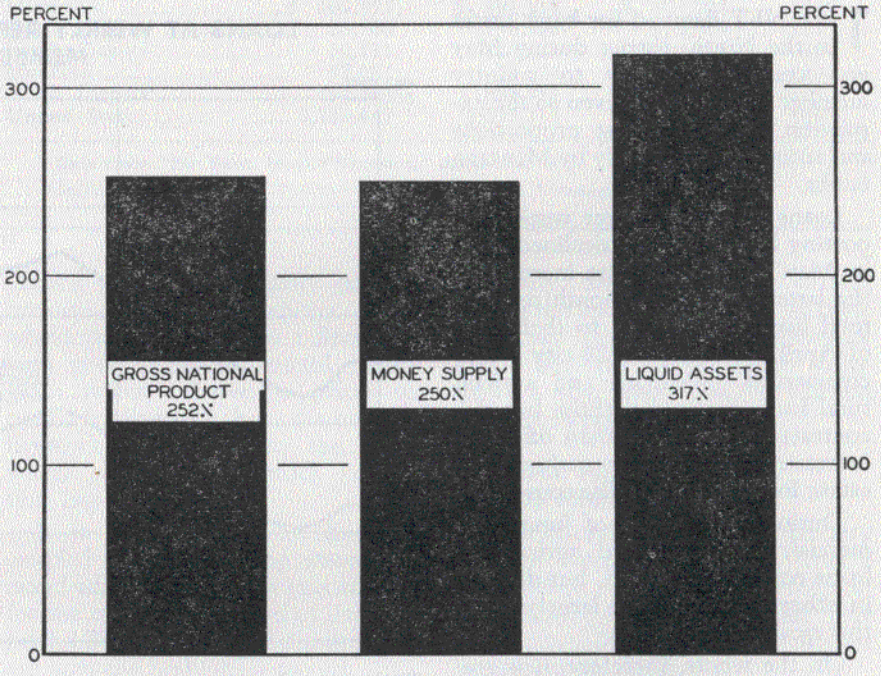
If it does, upward pressure on prices will be an almost inevitable result. Bank credit expansion, under present circumstances, provides borrowers with added purchasing power without necessarily reducing the spending power of others.

If the problem is a general dearth of demand—for example, a business depression — bank credit expansion and enlarged demand are all to the good. The major response of the economy to this enlarged demand will be largely increased production, to a lesser degree rising prices.

In 1936, for example, with unused productive resources all around us, the main result of expanding demand was a 22 percent rise in real volume of industrial production, and a negligible 4 percent rise in wholesale prices.

Since 1946 the situation has been very different. Broadly speaking, all productive resources are already in use. Anything which further enlarges total demand, such as a net expansion in bank credit, will have its major impact on prices.

GROSS NATIONAL PRODUCT, MONEY SUPPLY AND LIQUID ASSETS: FIRST QUARTER 1948 AS A PERCENTAGE OF FIRST QUARTER 1940



Source: Federal Reserve Bulletin.

Assets and Liabilities of Twenty Reporting Banks
(In Million Dollars)

	Apr. 28, 1948	May 26, 1948	June 16, 1948	$ Change Apr. 28-May 26
ASSETS				
Comm., Ind. and Ag. Loans	$ 255	$ 249	$ 255	— 6
Real Estate Loans	55	56	55	+ 1
Loans and Securities	11	14	14	+ 3
Other Loans	96	98	95	+ 2
Total Loans	$ 417	$ 417	$ 419	.....
U. S. Treas. Bills	17	15	24	— 2
Certificates of Indebt.	67	84	101	+ 17
U. S. Treas. Notes	49	51	64	+ 2
U. S. Govt. Bonds	486	485	462	— 1
Total U. S. Govt. Sec.	$ 619	$ 635	$ 651	+ 16
Other Investments	78	80	81	+ 2
Cash and Due from Banks	400	406	463	+ 6
Miscellaneous Assets	15	16	14	+ 1
Total Assets	$1,529	$1,554	$1,628	+ 25
LIABILITIES				
Demand Deposits, Ind., Part., Corp.	$ 720	$ 742	$ 776	+ 22
Demand Deposits, U. S. Govt.	29	26	21	— 3
Due to Other Banks	251	247	293	— 4
Other Deposits	420	425	427	+ 5
Total Deposits	$1,420	$1,440	$1,517	+ 20
Borrowings	.....	3	.....	+ 3
Miscellaneous Liabilities	11	13	12	+ 2
Capital Funds	98	98	99	.....
Total Liabilities and Cap.	$1,529	$1,554	$1,628	+ 25
Excess Reserves	4	— 2	1	— 6

LARGE MONEY SUPPLY CHIEF REASON FOR PRICE PRESSURES

It is not, of course, being realistic to place at the door of the postwar bank credit expansion the sole blame for the postwar price rise. During the war, people were paid to produce goods they could not buy. Enlarged bank balances, savings deposits, and bond holdings represented the part of incomes that during the war could not be spent.

Consumers and businesses at the end of the war found themselves in a position where goods looked better than the enlarged and widely distributed volume of liquid assets. This resulting demand for clothing and automobiles and pork chops ran beyond our capacity to produce and, as was inevitable, prices rose. Bank credit expansion merely added to the already heavy pressure of demand against producing capacity.

While the relationship between the volume of money and the level of prices is by no means automatic, the evidence from history and common

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MAY BUSINESS ACTIVITY SETS NEW RECORDS

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ACCUMULATED SAVINGS ARE DIMINISHING

In addition to the credit employed to supplement current earnings, savings accumulated largely during the war years also have been a source of purchasing power, especially for durable consumer goods. A survey sponsored by the Board of Governors of the Federal Reserve System indicates that, while savings are rising, the number of families having savings is diminishing.

In the United States, at the beginning of this year, as compared with a year ago, roughly 3½ million fewer families held savings bonds. This was the first time since the end of the war that there has been a decline in the number of families holding liquid assets—that is, checking accounts, savings accounts, or government bonds.

CONSUMER DEMAND REMAINS STRONG

The buying intentions expressed by consumers in this survey were still high. About the same number of consumers plan to buy automobiles and other selected durable goods as was the case at the beginning of 1947. However, some of the low-income families have been priced out of the market.

A smaller number of families with incomes below $3,000 are planning to buy a new car. On the other hand, this decrease is offset by a larger number of families with higher incomes planning to buy new cars.

At the beginning of 1947, the demand for houses showed signs of weakening, and, by the beginning of this year, the demand had declined noticeably. Approximately 20 percent less families indicated some plan to buy houses during the early part of this year as compared with a year ago. The smaller demand for houses was concentrated among families with incomes below $2,000.

The demand for new houses, on the contrary, was still strong. Somewhat more than one million families indicated intentions of buying such houses in 1948. This number exceeds the estimated completions of new houses for owner-occupancy during the year.

May building permits in the reporting cities in the district were up by an impressive 48 percent over the volume for May last year; and the total for the first five months of this year was 61 percent over the corresponding 1947 period. Montana's 10 reporting cities led the parade with a May 1948 volume 150 percent above a year ago.

It is well to remember that these data represent permit valuations, not actual construction. If the actual construction incident to these permits is undertaken, as seems reasonable, these data point to a very active volume of construction in the period immediately ahead. END

Northwest Business Indexes

(Adjusted for Seasonal Variations—1935-39 = 100)

	May 1948	April 1948	May 1947	May 1946
Bank Debits—93 Cities	311	282	273	225
Bank Debits—Farming Centers	380	386	320	260
Ninth District Dept. Store Sales	306p	283	273	252
City Department Store Sales	321p	295	288	263
Country Department Store Sales	292p	271	258	240
Ninth District Department Store Stocks	334p	363	270	194
City Department Store Stocks	280p	325	247	191
Country Department Store Stocks	377p	394	288	196
Country Lumber Sales	164	147	119	134
Miscellaneous Carloadings	126	133	130	112
Total Carloadings (excl. Misc.)	138	151	146	96
Farm Prices (Minn. unadj.)	289	274	247	190

p—preliminary.

Building Permits Valuation in Ninth Federal Reserve District

State	May 1948	May 1947	% Increase
Michigan	$ 414,050	$ 312,270	32
Minnesota	11,293,690	7,960,230	41
Montana	1,850,590	743,200	149
North Dakota	1,324,980	1,021,120	29
South Dakota	2,227,590	1,323,730	68
Wisconsin	1,396,290	1,210,700	15
TOTAL	$18,507,190	$12,571,250	48%

BANK LOANS SHOW SEASONAL LEVELING OUT

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sense both clearly suggest that it does exist. Wars, which pour out money and limit the supply of civilian goods, therefore usually leave a legacy of varying degrees of price inflation either during the war or immediately thereafter. END

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JUNE 25, 1948

INDUSTRIAL output and department store sales increased in May and were maintained at advanced levels in the early part of June. The general level of wholesale commodity prices rose further in June, reflecting chiefly sharp increases in livestock. Substantial advances were announced in prices of automobiles and some other industrial products.

INDUSTRIAL PRODUCTION —The Board's seasonally adjusted index of industrial production advanced 4 points in May to a level of 192 percent of the 1935-39 average, which was close to the record peacetime rate prevailing in the first quarter before output was curtailed by work stoppages at coal mines.

Production of durable goods in May was above the April rate but below first quarter levels. Production of iron and steel increased sharply as coal supplies were restored. Output of nonferrous metals and of stone, clay and glass products was maintained at the high rate of recent months. Production of most other durable goods, however, declined further in May. Activity in the automobile industry was substantially curtailed as a result of steel shortages and a labor dispute at plants of a major producer, and the number of cars and trucks finished in May was about one-fifth below the first quarter average.

Output in most nondurable goods industries in May was maintained at the April level or advanced somewhat. Petroleum refinery operations increased further; output of gasoline and fuel oil was 16 percent larger than in May of last year. Coke production recovered from the curtailment in April resulting from reduced coal supplies. Meat production showed a slight gain in May, reflecting settlement of a labor dispute at major packing establishments on May 21. Activity at cotton textile and paperboard mills and at printing establishments was maintained at the April rate.

Minerals output rose to a new high level in May, owing mainly to a sharp increase in bituminous coal output and to a further rise in crude petroleum production to a new record level. Production of iron ore was maintained in exceptionally large volume.

CONSTRUCTION — Value of construction contracts awarded in May, as reported by the F. W. Dodge Corporation, increased further to a new postwar peak more than 10 percent above April and slightly above the previous high in May 1946. The increase reflected mainly large gains in awards for public works and for educational and hospital buildings. Value of awards for commercial structures increased further in May to the highest level in more than two years. Private residential awards also continued to increase. The number of new dwelling units started, according to the Bureau of Labor Statistics, was 97,000 as compared with 90,000 in April and 73,000 in May 1947.

DISTRIBUTION — Value of department store sales rose to a new high in May, after allowance for seasonal changes. The Board's adjusted index for the month is estimated to be 308 percent of the 1935-39 average as compared with 304 in April and an average of 284 for the first quarter. Sales in the first half of June continued near this advanced level.

Loadings of railroad revenue freight in May and the first half of June were in substantially larger volume than in the preceding two months, mainly because of a sharp rise in coal shipments. Grain shipments showed a marked further gain during this period, reflecting chiefly an unusually early movement of the new wheat crop. Total freight carloadings in May and early June were at about the same level as during this period a year ago.

COMMODITY PRICES — The general level of wholesale commodity prices advanced further in June to about the peak reached in January. The rise reflected chiefly sharp increases in livestock prices following settlement of the meat packing strike. Prices of most other farm products and foods showed little change.

Prices of industrial materials continued to show mixed changes in June, with further declines reported for cotton goods and some other items and marked increases in secondary aluminum, tin, and wool. Prices of automobiles and various other manufactured products were raised.

The consumers' price index increased .7 percent in May, reflecting mainly further advances in retail prices of meat. Retail prices of most other groups of items showed little change or increased slightly.

BANK CREDIT — Substantial Treasury cash payments in excess of receipts during late May and the first half of June reduced Treasury balances at Reserve banks by about $600 million and increased the reserves of commercial banks. A large gold inflow also supplied banks with reserve funds, offset in part by a currency outflow over the Memorial Day holiday.

Effective June 11, the Board of Governors increased reserve requirements against net demand deposits at central reserve city banks from 22 to 24 percent. These banks sold government securities to the Reserve banks as needed to meet the resulting increase of about $500 million in their required reserves. An increase in Treasury deposits resulting from tax payments after the middle of June exercised a drain on bank reserves and caused additional sales of Government securities to the Federal Reserve.

Real estate and consumer loans continued to increase at banks in leading cities during May and the first two weeks of June. Commercial loans were maintained at about the volume outstanding in the last half of April.

SECURITY MARKETS — Common stock prices advanced somewhat further from the middle of May to the third week of June, and trading remained relatively active.

The Treasury announced on June 10 increases in purchase limits for F and G bonds bought by savings institutions during the period July 1-15. Prices of marketable government bonds, which had risen during May, declined in June.