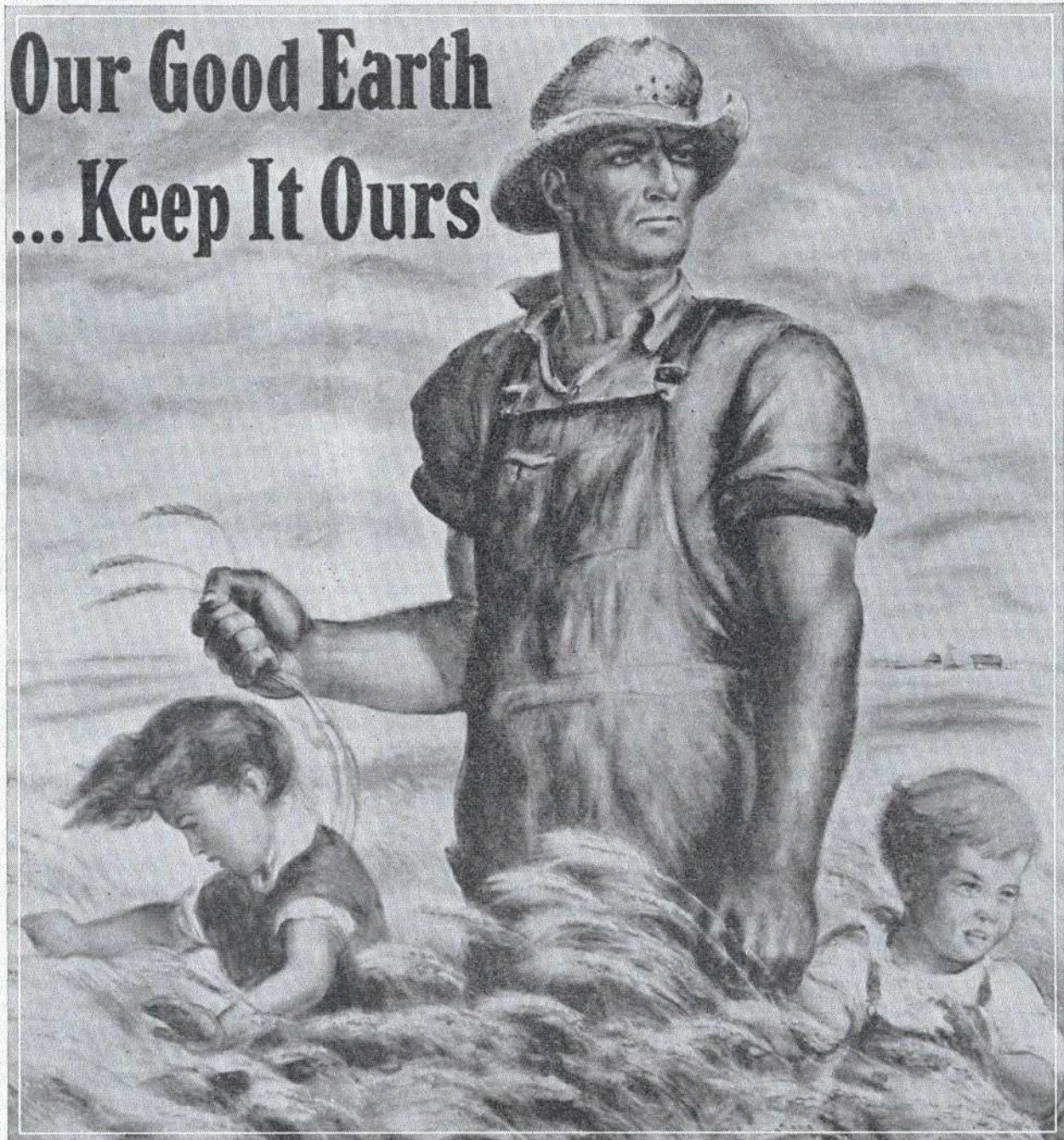


MONTHLY REVIEW
OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

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"Make Every MARKET Day BOND Day"

Business activity increased during August and was somewhat higher than one year earlier. Bank deposits and investments increased at record rates. Farmers' cash income during August rose to the highest level for any month on record.

BUSINESS

Business activity in the Northwest during August, as evidenced by most of our seasonally adjusted indexes, moved up from July levels and was somewhat ahead of August a year ago. Distribution to consumers, however, continued lower than earlier in the year and was well below August, 1941. The index of bank debits in 94 cities was at the highest level for any August since 1929 while the similar index for farming centers was at the best August level in our 15-year records. The index of country check clearings was higher than for any previous August. Sales at city department stores continued to decline on a seasonally adjusted basis but sales at country department and general stores advanced somewhat. Both indexes, however, were well below a year earlier. The country lumber sales index advanced during August to 164. This is 16 per cent above the July figure and with the exception of August a year ago the highest point for the month in our 22-year records. Carloadings were at about the same level as one year earlier.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

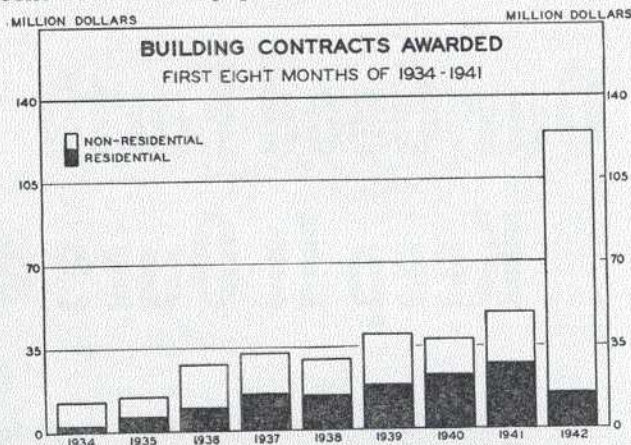
	Aug. 1942	July 1942	Aug. 1941	Aug. 1940
Bank debits—94 cities	140	138	131	103
Bank debits—farming centers	159	151	146	115
Country check clearings.....	156	154	146	111
City department store sales.....	131	133	143	125
City department store stocks.....	170	182	119	102
Country department store sales.....	133	128	140	122
Country lumber sales.....	164	142	168	129
Miscellaneous carloadings	128	126	130	104
Total carloadings (excl. misc.)	131	140	132	121
Farm Prices—Minn.	141	145	113	82
Employment—Minn. (Unadj. 1936 = 100)	130	130	128	114
Payrolls—Minn. (Unadj. 1936 = 100)	184	182	155	127

Employment in August, as reported by the Minnesota Division of Employment and Security, was slightly above the all time high of 130 per cent of the 1936 average reported for July. Non-manufacturing employment remained at the same level as in July. Employment in manufacturing industries increased slightly during August because of a substantial increase in employment in the durable goods industries which was partially offset by a decrease in non-durable lines.

Payrolls continued to rise during August as shown by a 2 point increase in the Division's index to 184 for August. Although payrolls in non-manufacturing industries heretofore have not increased as rapidly as in manufacturing industries, during August they showed a larger advance. Payrolls in manufacturing have risen rapidly since early 1941, but leveled off somewhat during August. Most of the increase has taken place in the payrolls of durable goods manufactures.

Building contracts awarded in the Northwest during the first eight months of 1942 reached the highest level for any such period in history. As indicated in the chart below residential building which has been showing progressive gains since 1934, now reflects war-time curtailment measures put into effect in April and has fallen to the lowest level since

1938. On the other hand, non-residential building, under the impact of war-time plant expansion, has climbed to all time peaks. Such building in the past three months alone reached a volume of \$99 million. This is more than total building volume for any full year on record. The building of manufacturing plants accounted for better than 50 per cent of this heavy June-through-August volume.



City and country department store sales in the Ninth District during August were below year ago figures, the percentage declines being 8 and 5 per cent respectively. Department store sales reported from stores in the Northwest during the first eight months of this year average only 6 per cent above those for the similar period in 1941 and in view of the substantial price rise over the past twelve months it may be assumed that the physical volume of department store sales was considerably below a year ago.

Sales at Department Stores

	Number of Stores Showing		% Aug. 1942 of Aug. 1941	Cumulative % 1942 of 1941
	Increase	Decrease		
Total District	187	110	93	106
Mpls., St. Paul, Dul.-Sup.	6	16	92	106
Country Stores	181	94	95	108
Minnesota	56	22	96	107
Montana	18	22	80	99
North Dakota	21	26	89	105
South Dakota	42	10	109	111
Wisconsin and Michigan.....	44	14	104	115

Retail furniture sales during August declined about 30 per cent from August 1941 levels with a 35 per cent decline in credit sales more than offsetting a 50 per cent gain in cash business. Collections, which had been at a rate well above a year ago during the past several months, declined somewhat in August but were slightly above 1941 volume. Inventories continued to be maintained at levels about one-third higher than a year ago.

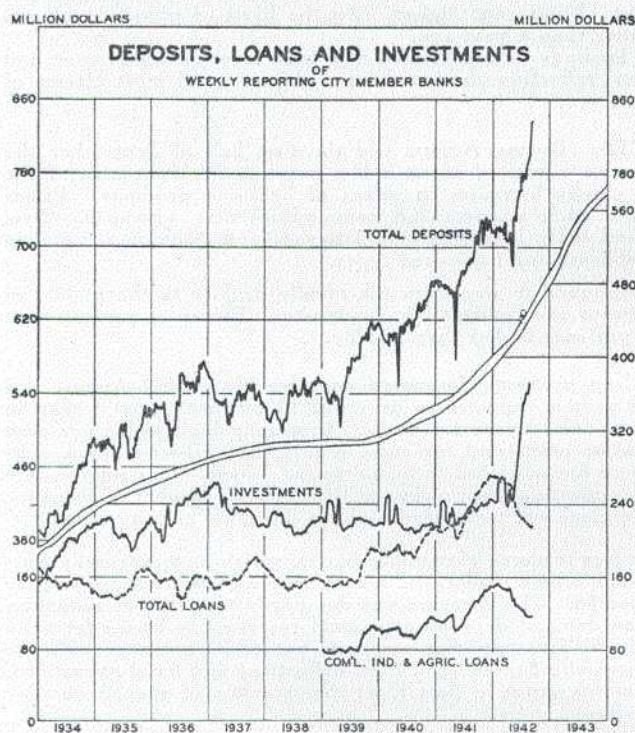
Iron ore shipments in August, although 170 thousand tons lighter than the 13.4 million ton record of July, nevertheless put ore movement up to September 1 at about 60.6 million tons, within 4.6 million tons of the movement for the total season of 1929.

Cost of living in Minneapolis, as measured by the Bureau of Labor Statistics index, rose by 3 tenths

of one per cent to 116.4 for August, about 18 per cent higher than in August 1939 just before the outbreak of war in Europe. All items showed an advance during the month except fuel, electricity and ice, which remained at the same level as July and house furnishings which declined 1 per cent. Among the items showing an advance, the greatest increase was in the cost of food, both controlled and uncontrolled.

BANKING

City member bank deposits have experienced the sharpest rise in history during the last four months reaching a new all time high. Total deposits were \$846 million at mid-September, \$115 million higher than on May 6 when the current advance started. Investments at these banks have increased even more rapidly during the four months under review and totaled \$381 million on September 16. Holdings of U. S. Government securities increased \$138 million, \$106 million of which were in treasury notes, bills and certificates of indebtedness. Other investment holdings remained unchanged. Loans to customers continued the decline which started in December 1941 and totaled \$215 million at mid-month compared with the 12-year high of \$272 million on December 17, 1941.



Country member bank deposits have likewise been increasing steadily during recent months and averaged \$643 million during the last half of August, about \$50 million larger than in May and \$81 million larger than a year earlier. Earning assets have experienced a net increase of about \$35 million since May and were about \$50 million larger than during August 1941.

Member bank reserve balances averaged \$209 million during the last half of August, \$166 million of which were required reserves. Excess reserves, therefore, totaled \$43 million compared to \$54 million one year earlier.

AGRICULTURE

Farmers' cash income estimates for the Ninth District during August rose to an all time record high of \$130 million, an increase of 36 per cent over August 1941. On the basis of nine major products, income from livestock and livestock products showed a 45 per cent increase over last year and income from crops was 26 per cent over August 1941. The increased income from crops resulted from both larger marketings and increased prices. The largest percentage increase was found in hog income which jumped to \$15 million, an increase of 92 per cent over August last year. Income from cattle and calves of \$23 million was half again as large as one year earlier and income from dairy products increased 20 per cent to \$27 million. During the first eight months of 1942, cash farm income in the Ninth District was 47 per cent more than during the corresponding period of 1941 and more than twice the January-August total for 1940.

Wool production in the Ninth District for 1942 was estimated at 67,624,000 pounds, a 2 per cent increase over 1941 and the largest production on record.

Farmers' cash income from wool in the Ninth District during 1942 was \$26,373,000—the highest in our 23 year records. This is 16 per cent above the 1941 estimate of \$22,748,000, the previous record, and more than twice the ten-year (1931-40) average. The increased income this year was due to both the increased production and the wool price which was the highest since 1923.

Farm product prices showed mixed trends during August. There was a small general decline in grain prices during this relatively heavy crop marketing month, but substantial advances were recorded in livestock and livestock products. Prices of butter, milk and eggs also advanced somewhat. Grain prices were generally lower with a drop in the average price per bushel of 4 cents for wheat and rye, 3 cents for barley and flax and 2 cents for oats when compared to a month ago. Corn on the other hand remained unchanged. With the exception of rye, all grains were still well above August 1941.

Grain production estimates in the Ninth District were again revised upward on September 1 because of favorable weather conditions prevailing throughout the past month. Most significant changes from August 1 estimates occurred in corn, spring wheat and oats production with corn increasing 42 million bushels, spring wheat 25 million bushels and oats 16 million bushels. Expected production of all grains was substantially larger than 1941 production.

Ninth District Crop Production Estimate

BASED ON U. S. D. A. ESTIMATES
(Thousands of Bushels)

	Production 1941	September 1 Estimate of 1942 Production	Percentage Change
Corn	294,514	335,125	+14
Wheat (All)	271,462	298,231	+10
Winter Wheat	33,085	42,056	+27
Spring Wheat	238,377	256,175	+7
Oats	264,734	373,397	+41
Barley	134,858	181,510	+34
Rye	25,639	35,953	+40
Flaxseed	22,642	32,842	+45