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SPECIAL ARTICLE

Consumer Credit a Factor in Instability

WITH the rise of durable consumer goods, "investment" has become an essential part of consumption as well as of production. The refrigerators, radios, cars, etc., in the hands of consumers represent a substantial investment which has been made either by the owners or by lending institutions.

Credit reduces the amount of the beginning investment that the consumer must make in order to secure the immediate use of the durable goods. The periodic payments owners make for the goods are in part for the use of current services as well as for investment in future services.

Purchasing power which supports consumer purchases arises from three sources: (1) the current income which flows to individuals in the form of salaries, wages, dividends, rent, royalties, and interest; (2) savings which have been accumulated from past earnings; and (3) credit which involves the spending of future income.

The credit which supports purchasing power in the retail markets is primarily consumer credit. It consists of the installment credit extended at department stores, mail-order houses, furniture, household appliance, jewelry, and other retail stores; and the installment and single-payment loans extended by commercial banks and other financial institutions established for the specific purpose of extending such credit.

The charge accounts carried by retail stores and the service credit extended by professional men are mostly for the convenience of the public and only to a lesser extent a source of credit.

CONSUMER CREDIT USE DECREASES DURING WARTIME

The importance of consumer credit may be gauged by a comparison of the amount of average monthly consumer purchases and an average of end-of-month credit outstanding. As may be observed from the accompanying table, during the 13 years preceding our entry into the war such credit ranged from 87.9 percent in 1934 to 137.6 in 1941 of the average monthly purchases. In the war years it decreased significantly while average monthly purchases increased. By the end of 1944 the credit outstanding was only 64.3 percent of the average monthly purchases. A comparison of the figures for 1943 and 1944 indicates that stability has been

Volume Reduced by Lack of Durable Goods; Most Installment Sales Made to \$1,000 to \$2,500 Income Classes; Credit Volume to Expand After War

reached between purchases and credit under wartime conditions.

The decline in consumer credit during the first years of the war was due primarily to the disappearance of durable consumer goods from the markets. According to the Board of Governors of the Federal Reserve System, only a slight decline has taken place in the volume of such credit extended on the purchases of nondurable goods. The Office of Production Management during the latter half of 1941 issued its first order curtailing the production of automobiles, mechanical refrigerators and domestic laundry equipment. The smaller sales of such items soon decreased the volume of installment credit.

Regulation W, issued by the Federal Reserve Board to become effective September 1, 1941, has not curbed the use of consumer credit a great deal. With the rise in income most people interested in securing such credit have been able to meet the re-

Consumer Purchases and Consumer Credit, 1929-1944

Year	Average Monthly ¹ Purchases (In Millions of Dollars)	Average of End- ² of-Month Credit Outstanding (In Millions of Dollars)	Consumer Credit as a Percent of Purchases
1929	6,535.4	6,619	101.3
1930	5,923.4	6,463	109.1
1931	5,118.1	5,536	108.2
1932	4,139.4	4,215	101.8
1933	3,879.4	3,533	91.1
1934	4,332.3	3,809	87.9
1935	4,704.1	4,513	95.9
1936	5,189.3	5,676	109.4
1937	5,518.3	6,710	121.6
1938	5,275.2	6,419	121.7
1939	5,538.8	6,793	122.6
1940	5,900.5	7,853	133.1
1941	6,717.1	9,244	137.6
1942	7,390.1	7,439	100.7
1943	7,575.0	5,127	67.7
1944	8,133.3	5,230	64.3

¹ U. S. Department of Commerce.

² Board of Governors of the Federal Reserve System.

quirements laid down in the regulation. It has had the effect of liquidating the incurred debt over a shorter period of time. Although maturities in some retail lines were well within the limits laid down by Regulation W, a general shortening of maturities was inaugurated in all lines. Department store installment credit over the country as a whole now extends over a period of only about five months. In some areas it is as low as three months.

The average collection period of charge accounts has also been shortened. Such accounts have been running at a record level, but collections have been accelerated to such a degree that the amount outstanding is below prewar levels. The average collection period for charge accounts is now between 45 and 60 days.

INFLATIONARY PRESSURE REDUCED BY SHORTER MATURITIES ON ACCOUNTS

Shorter maturities on installment credit and charge accounts has reduced materially the inflationary pressure on prices. Rapid liquidation of debts incurred lessens the purchasing power the public can command on the basis of its future income.

The use of consumer credit with shorter maturities in many instances was made possible through the larger incomes arising out of the heavy war production program. If such an expansion had not occurred in individual incomes, the restrictions laid down by Regulation W very likely would have reduced the volume of credit. Under the circumstances, they have relieved somewhat the upward pressure on prices.

Consumer credit has been referred to as the "self-supporting poor man's credit." The installment purchases of city consumers have been studied by the United States Bureau of Labor Statistics. Families with low incomes avail themselves of this type of credit to increase their purchasing power. In 1941, 52 percent of the installment sales were made to individuals with annual incomes ranging from \$1,000 to \$2,500. Only 11.8 percent of the sales were made to individuals with annual incomes below \$1,000. The small percent shows that poverty-stricken families who are supported in part by relief or charity are not eligible for this type of credit. However, for the self-supporting low income group it opens the whole field of durable goods which otherwise would be beyond their financial resources.

OVER \$2,500 INCOME GROUP AVOIDS USE OF SAVINGS

Families with annual incomes over \$2,500, as a general rule, do not seek such credit to extend their purchasing power. Their total expenditures, including installment purchases, in most cases, do not exceed their annual income and often fall well below it. Installment credit is used by this group for large purchases to avoid the use of their savings which are invested.

Circumstances other than the size of income also determine the use of consumer credit. Aside from

the purchase of automobiles, this form of credit is used chiefly in the establishment and maintenance of families. Only a small number of single individuals are purchasers on the installment plan. Families with certain racial characteristics use such a plan more than others. For instance, Negroes use it more than whites, and families with native born husbands use it substantially more than families with foreign born husbands.

The prospect of future income plays a dominant role in this type of credit. When business is on the up-grade and the prospect of maintaining present jobs or securing better ones is bright, families do not hesitate to purchase merchandise on the installment plan. A rise in retail sales is generally accompanied by a disproportionately larger expansion in credit purchases.

On the other hand, a slump in general business activity which dims the prospect of future employment causes families to hesitate in mortgaging their future earnings. A decline in retail sales is generally accompanied by a disproportionately large decline in credit sales.

SHORTEN CREDIT MATURITIES DURING PROSPEROUS TIMES

The cyclical swings in consumer credit described above are a cause of instability in the economy. In boom times individuals spend more than their current incomes and in times of depression they are compelled to spend less than their current earnings in order to liquidate the debts contracted. For instance, from 1929 through 1933, a time when incomes contracted rapidly, the amount of consumer credit outstanding was reduced over 3½ million dollars.

This source of purchasing power, which expands and contracts concurrently with the business cycle, intensifies the amplitude of the cycle. This tendency may be checked by shortening credit maturities during prosperous periods and lengthening them during depression periods.

CREDIT TO BE GRANTED ON MORE COMPETITIVE BASIS IN POSTWAR

The volume of consumer credit in all probability will again expand after the war. As soon as the durable consumer goods appear on the market, there will be a greater demand for it. Furthermore, such credit may be granted on a more competitive basis. Commercial banks in increasing number are extending this form of credit. The American Bankers Association surveyed 15,000 commercial banks in the country and found two-thirds of them ready to initiate installment loan departments after the war.

The volume of such postwar credit, however, cannot be estimated by the prewar relation with consumer purchases. During the war a large number of families have been able to accumulate savings. Families with incomes ranging from \$2,000 to \$5,000 hold about one-half of the wartime savings. Consequently, in the purchase of durable goods, many families will use their savings in place of credit.

AGRICULTURE

Farm Income Down; Weather Retards Crops

FARMERS' cash incomes in the Ninth District for the first two months in 1945 was 10 percent less compared with January-February, 1944, but almost three times the 1935-1939 average. For the United States as a whole, cash farm income was slightly higher compared with a year ago.

Cash farm income tended to lag in Minnesota and South Dakota, where the major share of total income is derived from the sale of livestock. Hogs, for example, in the immediate prewar period accounted for approximately a fifth of total cash income in these two states. The sharp reduction in hog numbers and the present tendency to hold back breeding stock has materially reduced the income from this source.

Montana's cash farm income for the first two months was 4 percent larger than a year earlier. North Dakota's income was almost as large. Wheat constitutes from a third to half of the total cash farm income in these two states. Record wheat production in 1944 and a record amount of wheat carried over on farms has tended to bolster cash farm income in these states during early 1945.

January-February Cash Farm Income¹

(Thousands of Dollars)

State	1935-1939 Average	1944	1945	1945 in percent of 1944
Minnesota	\$ 49,432	\$ 141,468	\$ 122,622	87%
North Dakota...	10,311	41,176	39,385	96
South Dakota...	15,197	54,877	47,712	87
Montana	8,396	27,290	28,228	104
Ninth District...	94,875	295,335	267,244	90
United States.....	1,106,413	3,026,000	3,057,000	101

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

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

Prices received by farmers in the Ninth District in mid-April were steady to slightly higher compared with a month earlier and the trend of farm prices has tended to strengthen in recent weeks as food shortages in many lines became more apparent.

The Department of Agriculture reported in late April that the present high level of demand for farm products is likely to be maintained throughout most of 1945. It was also indicated that consumer incomes are more than sufficient to purchase all of the farm products likely to be available to civilians this year at current stabilized prices. Prices of farm products are more than double the 1909-1914 average and about double the average for the prewar 1935-1939 period.

Livestock prices were up sharply from a year earlier and were at the highest level since May, 1943. Federally inspected slaughter of meat animals was

SUMMARY

FIRST two months of 1945 find cash farm income down 10% from a year ago. Income was down sharply in Minnesota and South Dakota but up in North Dakota and Montana.

Crop prospects are less favorable because of recent cold weather and high winds, but abundant subsoil moisture gives promise of good crops. Range conditions are favorable.

Prices received for most farm products in mid-April were slightly higher compared with the previous month and a year earlier.

about a third below a year earlier, reflecting the substantial reduction in hog slaughter. The index of prices of livestock and livestock products was slightly more than double the 1909-1914 base.

The index of poultry and egg prices on April 15 had advanced 25 points from a year earlier. This reflects the decreased number of chickens on farms. Prices of dairy products were slightly lower compared with a year earlier but were more than double the 1909-1914 average. Milk production in mid-April was reported slightly larger compared with a year ago.

Prices paid by farmers in mid-April for things used in farm production and family maintenance including interest and taxes was 173 percent of the 1910-1914 average. The price trend of these commodities has been steadily upward since the war started. These commodities include farm machin-

Average Prices Received by Farmers¹

Commodity and Unit	Ninth District			Parity Prices ² United States April 15, 1945
	April 15, 1937-1941 Avg.	April 15, 1944	April 15, 1945	
Crops				
Wheat, bushel .....	.84	\$ 1.42	\$ 1.45	\$ 1.53
Corn, bushel .....	.59	1.01	.83	1.11
Oats, bushel .....	.31	.71	.61	.690
Potatoes, bushel.....	.66	1.06	1.60	1.25
Livestock and Livestock Products				
Hogs, 100 lbs.....	7.29	13.00	13.93	12.60
Beef cattle, 100 lbs.....	7.12	11.84	12.31	9.38
Veal calves, 100 lbs.....	8.25	12.98	13.49	11.70
Lambs, 100 lbs.....	8.34	13.14	13.26	10.20
Wool, lb. ....	.26	.41	.41	.317
Milk, wholesale, 100 lbs....	1.48	2.63	2.63	2.60
Butterfat, lb. ....	.29	.53	.52	.45
Chickens, live, lb.....	.124	.204	.219	.197
Eggs, dozen .....	.157	.271	.311	.312

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

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.

ery, building materials, equipment and supplies, seed, fertilizer, feed, clothing, operating expense, food, and furniture and furnishings. The need for these items will continue large as there is a considerable backlog of unfilled demand for many of them.

During periods of great industrial activity and full employment, agricultural prices have tended to increase at a faster rate than have nonagricultural prices. For example, the index of prices received by farmers in mid-April was 203 compared with 173 for prices paid by farmers. The ratio of the indexes of prices received to prices paid is the so-called parity ratio established by law which designates the years 1910-1914 as the base period. This ratio averaged 100 in the base years and has been above 100 only during the two world war periods. It was at 117 in mid-April. In 1932, at the bottom of the depression, the parity ratio was 61.

Crop prospects in most parts of the district are fair to good in spite of the unusually cold and windy spring. Rainfall up to May 1 in northern North Dakota and northwestern Minnesota has been heavier than a year earlier. Elsewhere rainfall has been less and, in some areas, below normal. There has been very little rainfall since the first of May and rainfall is needed in most sections except northeastern North Dakota and the Red River Valley district of North Dakota.

Subsoil moisture conditions are good to excellent, otherwise crop prospects in mid-May would not be so promising.

April and the first half of May have been cold with high winds prevailing. Frosts and hard nightly freezes have been common over much of the district up to the present (mid-May). Dust storms, extending as far east as the Ninth District portion of Wisconsin, were common in early May.

Although difficult to estimate, there undoubtedly has been some loss from blown-out seed and plants in some areas.

Reports from southwestern Minnesota and eastern South Dakota indicate considerable damage to flax stands from wind blowing and recurring frosts. In northern areas much flax will be late-sown this season which may tend to lower yields to some extent.

The condition of winter wheat is reported generally good and another bumper crop is in prospect. Frosts and wind have apparently had little effect on winter wheat except to retard growth and possibly reduce stooling to some extent.

A report from South Dakota indicates that increases in production of winter wheat and rye are expected in that state this year compared with 1944. The prospective yield per harvested acre of 15 bushels would be 4.5 bushels greater than in 1944 and 3.5 bushels per acre more than the 1934-1943 average. Winter killing of winter wheat has been less than normal and the acreage for harvest in the state is estimated at 16 percent more than last year.

Although wheat prospects are good the crop is not made yet and a particular hazard facing the crop this year is leaf rust. According to plant pathologists, there is a serious potential threat over a wide area which could cut production greatly under certain growing conditions as it did in 1938. What is needed is several weeks of sunny warm weather.

Spring wheat seeding has been delayed and some reduction in earlier anticipated plantings may occur. The sharpest reduction is expected to take place in the Red River Valley area. Flax, corn, and other late season crops will replace spring wheat in this area to some extent.

Assuming that the total wheat crop will be large again this year, it is not too early to begin planning for new crop storage. Grain storage space may be scarce if transportation facilities continue in tight supply. Farm stocks of old wheat and corn were at record high levels April 1 in the Ninth District and much of last year's grain may still be on farms when the new crop is harvested.

For the United States as a whole, prospects for 1945 crop production as of May 1 were not quite as bright as a month earlier but a near record intended acreage promises a total output that would compare favorably with the excellent crops of recent years, according to a recent report from the Department of Agriculture. Fruit, early vegetables and gardens have been damaged by widespread low temperatures and repeated frosts. Nevertheless, generally excellent subsoil moisture conditions is an optimistic factor for the general crop outlook.

Range and pasture conditions got off to an early start this spring but have been held back during April by unseasonable weather. In the northern part of the district, pastures made little growth in April, and were in poorer condition than a month earlier. Feed was reported as scarce in some areas of North Dakota. Grass will develop rapidly, however, as temperatures warm up because of excellent subsoil moisture.

In the southern part of the district range feed has been ample in spite of the weather. A large carry-over of hay and roughages is reported. The condition of the range on May 1 in South Dakota was 81 percent compared with 85 a month earlier and 78 a year ago according to the Department of Agriculture.

The condition of cattle and calves on May 1 in North and South Dakota and Montana was reduced slightly from a month earlier but generally was better than a year earlier. Cattle are generally in good flesh with only a slight shrink in local northern areas during the April storms. Prospects for a calf crop are good.

Sheep generally continued in good condition with some shrinkage in the northern area due to the weather and slow development of new range feed. Late lamb crop prospects appear favorable, barring storms and labor difficulties.

BUSINESS

April Business Recession Chiefly Retail

BUSINESS activity during April declined significantly in the Ninth Federal Reserve District, according to the business indicators available at the present time.

Bank debits decreased 12 percent. The index of the debits reported from 93 cities was 204 for March and 180 for April after an adjustment was made for the usual monthly differences in the volume of debits to reveal the trend of business activity.

During the war years, business has expanded more in the farm centers than in other areas over the district. The index of debits reported from the former communities has risen to a much higher figure. In March the index stood at 240 percent of the 1935-39 average. The decrease to 206 percent during April was somewhat larger than occurred as an average in all communities.

The recent contraction in business activity is quite similar to the trend of a year ago. However, this year more of the contraction was concentrated in the farm centers.

On the basis of the volume of bank debits, business is now on a level fairly comparable to that of a year ago.

Department store sales declined materially during April, which indicates that a large share of the contraction of business activity is concentrated in the retail field. The index adjusted for the normal monthly variation in sales was 205 for March and 158 for April. Stores located in Minneapolis, St. Paul, Duluth, and Superior reported about the same percentage decrease in receipts as those located in smaller cities over the district.

The contraction in April receipts reduced the sales over the district a few points below those for

SUMMARY

TEMPORARY causes largely account for contraction in April business activity.

Employment has remained steady. Payrolls have continued to rise.

Ore shipments to May 1 exceeded those of a year ago.

the same month of last year as may be observed in the accompanying table. In Minnesota and in North Dakota, they were 12 and 9 percent less respectively. In the Upper Peninsula of Michigan and in the 26 Northwest counties of Wisconsin, they were 7 percent less. In South Dakota and in Montana, the volume of sales was approximately equal to that of a year ago.

The accompanying chart depicts the trend of department store sales in the Ninth District since the beginning of the present war. Other large monthly increases similar to those experienced during the first quarter of this year have taken place, causing a sharp upward swing in monthly receipts. Decreases in the following months have brought sales back to the former level. The net result has been a gradually rising trend.

The April decline in sales probably should not be interpreted as the beginning of a long-run decline in retail sales. Figures on sales by weeks show that the sales slump occurred in the first two weeks of April and that in the last two weeks of that month and the first two weeks of May, sales averaged about 13 percent larger than in the corresponding period a year ago.

A number of unrelated factors have brought about the sharp decline in department store sales during the past month. The warm weather during March stimulated the purchase of spring wearing apparel. For instance, the March sales in the men's and boys' wear department exceeded March, 1944, sales by 72 percent. The sales in the women's and misses' department, on the same basis of comparison, were 40 percent larger. Preliminary figures on the April sales in these departments were 20 and 8 percent less respectively than a year ago. The unusual cold weather during the past month probably was an important factor in depressing the volume of sales.

In the other departments such a sharp decline in receipts did not occur. In the home furnishings, piece goods, and small ware departments, March sales exceeded those of March, 1944, by 22, 20, and 2 percent respectively. The April sales exceeded those of April, 1944, by 16, 16, and 15 percent respectively. A comparison of these percentages indicates that the slump in sales was concentrated largely in the wearing apparel departments.

INDEX OF DEPARTMENT STORE SALES IN NINTH DISTRICT DURING WAR YEARS, 1940-1945



Sales declined sharply for a few days following the President's death and a large number of stores were closed on Saturday, April 14, over the district. A significant proportion of the decline in sales from March to April may be attributed to this event.

The low level of stocks may have forced sales down. Stocks in this district have declined since last August while sales have risen rapidly in the meantime. The merchandise stock index from last August through April declined 13 percent.

Employment in Minnesota has remained quite constant since the first of the year. The manufacturing industries during the first quarter of this year operated with about the same size labor force they had last fall. The seasonal decline following the Christmas holidays in the retail field was much less than in previous years. The combined index for the first three months was 135 percent of the 1936 monthly average. Thus, the non-agricultural labor force is now a third larger than previous to the war.

Payrolls in Minnesota have continued to rise gradually during the first quarter of the year. From the data on hand the rise appears to have taken place in all industries. The index for March was 232 percent of the 1936 monthly average.

Iron ore shipments from the Lake Superior region on May 1 exceeded those of a year ago by almost 38 percent as a result of the early opening of the lake shipping season. During April, 7,282,079 gross tons were shipped as compared with 5,288,079 gross tons in April, 1944, according to the figures released by the Lake Superior Iron Ore Association.

The favorable weather during March permitted increased production in this region. The U. S. Bureau of Mines reported a production of 4,475,850 gross tons during the first quarter. This constitutes 56 percent of the total United States production.

The stock at the end of March totaled 6,998,040 gross tons. The mines in Michigan reported 4,475,669 gross tons, those in Minnesota, 1,990,311 gross tons, and those in Wisconsin, 532,060 gross tons.

Carloadings are another indicator of the volume of business transacted. It is a measure of the move-

Sales at Department Stores

	Number of Stores Showing		% April, 1945, of Jan., 1944	
	Increase	Decrease	April, 1944	April, 1945
Total District	76	190	96	115
Mpls., St. Paul, Dul.-Sup.	7	15	98	118
Country Stores	69	175	94	110
Minnesota	12	61	88	107
Central	1	7	94	118
Northeastern	0	6	89	97
Red River Valley	1	4	92	110
South Central	4	15	89	112
Southeastern	3	10	87	104
Southwestern	3	19	85	107
Montana	21	17	99	112
Mountains	7	4	103	115
Plains	14	13	97	111
North Dakota	11	38	91	113
North Central	1	9	85	100
Northwestern	1	4	93	117
Red River Valley	2	15	90	115
Southeastern	6	9	93	111
Southwestern	*	*		
Red Riv. Val.-Minn. & N. D.	3	19	91	114
South Dakota	10	17	100	115
Southeastern	5	1	103	113
Other Eastern	4	8	98	116
Western	1	8	97	116
Wisconsin and Michigan	15	42	93	106
Northern Wisconsin	6	10	98	106
West Central Wisconsin	5	27	90	103
Upper Peninsula Michigan	4	5	101	121

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

ment of raw materials to factories and of finished products to distributors.

According to the weekly report of the Association of American Railroads, 8 percent more cars were loaded in the Northwestern District during April of this year as compared with the loadings during the same month of a year ago. The increase, as may be observed in the accompanying table, is concentrated largely in ore shipments. Some increase occurred also in the shipments of grain and grain products, of merchandise in less than carload lots and of coke. On the other hand, the shipments of forest products, coal, and livestock contracted materially.

The shortage of freight cars may have been a significant factor in this picture. In a number of instances, it caused a delay in the shipment of raw materials.

Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939 = 100

	April 1945	March 1945	April 1944	April 1943
Bank Debits—93 Cities	180	204	184	194
Bank Debits—Farming Centers	206	240	202	192
City Dept. Store Sales	168	213	161	146
City Dept. Store Stocks	144p	141	135	115
Country Dept. Store Sales	147	197	154	147
Country Lumber Sales	135	203	132	203
Miscellaneous Carloadings	130	138	123	118
Total Carloadings (excl. Misc.)	155	94	141	110
Farm Prices (Minn. unadj.)	173	173	168	174
Employment—Minn. (unadj. 1936=100)	133	136	139	142
Minnesota Payrolls (unadj. 1936=100)	228	231	232	215

Carloadings in the Northwestern District

	April, 1945	April, 1944	% April, 1945 of April, 1944
Grain and Grain Products	54,856	47,418	116
Livestock	11,735	13,330	88
Coal	22,069	25,585	86
Coke	8,575	8,152	105
Forest Products	39,103	47,598	82
Ore	147,663	115,183	128
Miscellaneous	158,878	150,849	105
Merchandise (L. C. L.)	42,485	39,646	107
Total	485,364	447,761	108

Source: Weekly Report of the Association of American Railroads.

BANKING**Deposits Other than U. S. Show Increase**

TOTAL deposits of the 20 reporting city banks continued to decline during the last month to \$1,346 million on May 16. This figure is \$12 million lower than total deposits of \$1,358 million in mid-April.

Since a reduction of \$59 million in war loan accounts was substantially more than the total loss of deposits, the deposit balances excluding those of the U. S. government actually increased \$47 million. Banks during the period have been reducing their holdings of short-maturity securities in favor of added amounts of U. S. government bonds. Holdings of the latter increased by \$17 million during the period.

Loans were reduced by \$4 million during the month. Cash assets, including reserves at the Federal Reserve Bank, increased by \$16 million. A part of this was required to build reserves at the Federal Reserve Bank since deposits subject to reserve requirements were growing persistently. This is a normal movement during the interval between bond drives.

Since earning assets were not converted into cash to the extent necessary to build up reserves, borrowings increased by \$19 million to a total of \$27 million outstanding. This also has been a normal pattern during the period just prior to the opening of a bond drive and the resulting transfer of deposits to reserve-free war loan accounts.

Country member bank deposits averaged \$1,294 during the last half of April, a very slight increase over last month and all of the increase was centered in time deposits. Reserves declined \$2 million from the corresponding March period, and a \$5

SUMMARY

BALANCES actually up \$47 million.

Reserve position of banks tightens prior to Seventh War Loan. Bank borrowings increase.

Holdings of government securities readjusted in favor of longer maturities.

million reduction in excess reserves brought them down to \$26 million. Required reserves were increasing because of the shift from war loan accounts to other balances against which reserves must be maintained. Deposits are \$234 million above last year, and earning assets have increased by \$212 million.

The reserve position of all Ninth District member banks is given in the accompanying table.

Daily Average Reserve Position for All Ninth District Member Banks for the 15-Day Period Ending April 30, 1945

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks.....	\$154,428	\$152,690	\$ 1,738
Other City Banks.....	24,193	21,683	2,510
Total City Banks.....	178,621	174,373	4,248
Total Country Banks.....	141,234	115,666	25,568
Total Ninth District—1945	319,855	290,039	29,816
Total Ninth District—1944	280,684	250,111	30,573

Assets and Liabilities of Reporting City Banks

(In Million Dollars)

Assets	5/17/45	4/11/45	Change
U. S. Treasury bills, Certificates of indebtedness and notes.....	\$ 361	\$ 385	\$—24
Other U. S. Government securities	500	483	+17
Other investments	49	49	—
Loans	192	196	— 4
Cash and due from banks.....	345	329	+16
Other assets	15	13	+ 2
Total	1462	1455	+ 7
Liabilities and Capital			
Deposits of U. S. Government.....	123	182	—59
Other deposits	1223	1176	+47
Total deposits	1346	1358	—12
Borrowings	27	8	+19
Other liabilities	7	7	—
Capital funds	82	82	—
Total Liabilities and Capital.....	1462	1455	+ 7

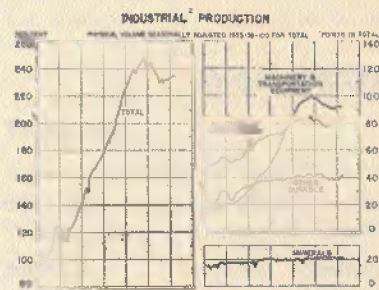
The Seventh War Loan drive was officially opened May 14. Figures on the sales are now available for the first 10 days. They have been assembled by states in the following table:

**Ninth District War Bond Sales
Cumulative Sales to May 24, 1945**

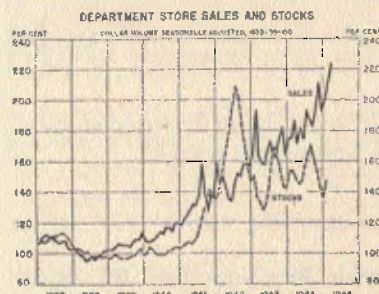
State	(In Millions of Dollars)	Amount
Michigan ¹		2.1
Minnesota		42.9
Montana		10.1
North Dakota		7.5
South Dakota		8.5
Wisconsin ²		11.1
Total		82.2

¹ Upper Peninsula of the state.

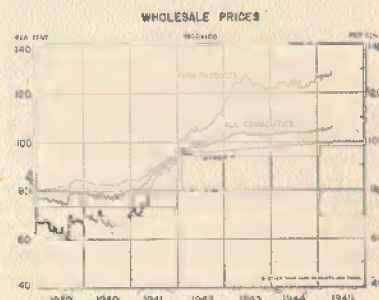
² Northwest 26 counties.



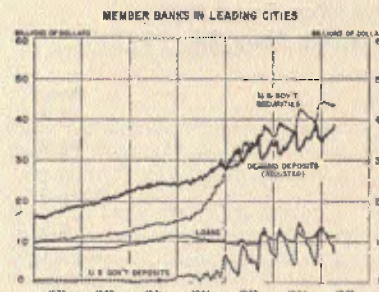
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for March, 1945.



Federal Reserve indexes. Monthly figures, latest shown are for March, 1945.



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ended April 14, 1945.



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for April 18, 1945.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, APRIL 25, 1945

Industrial activity was maintained at a high level in March. Value of retail sales was at a record for this season of the year.

INDUSTRIAL PRODUCTION: Output at factories and mines was maintained in March at the level of the preceding month, which was 236 percent of the 1935-39 average, according to the Board's seasonally adjusted index.

At iron and steel mills production continued to rise and was at about the same level as a year ago. Production of most nonferrous metals also continued to increase in March in response to military needs; zinc shipments rose to a new record level. Lumber production, however, was 12 percent smaller in March than in the same month last year. Output of stone, clay, and glass products was maintained at the February level. In the machinery industries activity showed little change in March. Output of transportation equipment continued to decline owing to further curtailment of operations at shipyards. Aircraft production was maintained at the February rate.

In most nondurable goods industries output showed little change from February to March and was at about the same level as in March, 1944. Owing to increased military purchases in recent months, however, supplies available for civilians of such goods as food, textile, leather, and paper products were at the lowest level for the war period. The shortage of carbon black has continued to limit production of essential military and civilian tires and rubber products, but manufacturing facilities are being expanded for output of this critical material. In the chemical industry, production of explosives and small arms ammunition showed less increase than in recent months and output at other chemical plants was maintained at about the February level.

Production of bituminous coal was at a slightly lower rate in March and declined further in the first week of April when wage contract negotiations interrupted mine operations. Output of anthracite increased in March and the early part of April and crude petroleum production was maintained in record volume.

DISTRIBUTION: Department store sales in March showed a further sharp increase and the Board's seasonally adjusted index rose to 224 percent of the 1935-39 average as compared with 212 in February and 200 in January. In the first half of April sales continued large, after allowance for the usual post-Easter decline.

Freight carloadings continued to rise in March and the early part of April, reflecting increased shipments of most groups of commodities except coal. In recent weeks, as a result of special efforts to move last year's record wheat crop to market before the 1945 harvest, grain loadings have been in much larger volume than in the same period a year ago. Shipments of ore have also been much greater due to an early opening of the Lake shipping season.

COMMODITY PRICES: Prices of cotton, livestock, and some other farm products were higher in the third week of April than during March. Wholesale prices of industrial commodities, as a group, have continued to show slight increases in recent weeks.

BANK CREDIT: Banking developments during the latter half of March and early April, while following the usual interdrive pattern, were considerably influenced by the large volume of Treasury receipts associated with the March 15 tax date. Adjusted demand deposits at banks in leading cities and currency in circulation both decreased in the latter part of March but resumed their growth in April. The slackened rate of expansion in both deposits and currency was due primarily to tax payments by businesses and individuals.

Required reserves of member banks increased by around 300 million dollars during the five-week period ending April 18. Excess reserves, which were at a temporarily high level in mid-March largely as a result of the reduction of Treasury deposits at the Reserve Banks in anticipation of tax collections, subsequently declined again to less than a billion dollars. An increase in Treasury and other deposits at Federal Reserve Banks in the latter part of March and early April and resumption of the currency outflow caused a drain on reserve funds which was offset by a further increase of nearly 600 million dollars in Reserve Bank holdings of Government securities.

At banks in 101 leading cities, Government security holdings declined during the five weeks ended April 18 by 660 million dollars. Bill holdings were reduced sharply, reflecting to a considerable extent declines in the holdings of Chicago banks associated with the Illinois tax date. Certificate holdings declined generally while bond holdings continued to rise. Loans to others than dealers for purchasing and carrying Government securities were reduced by 180 million dollars and commercial loans declined by 230 million dollars.