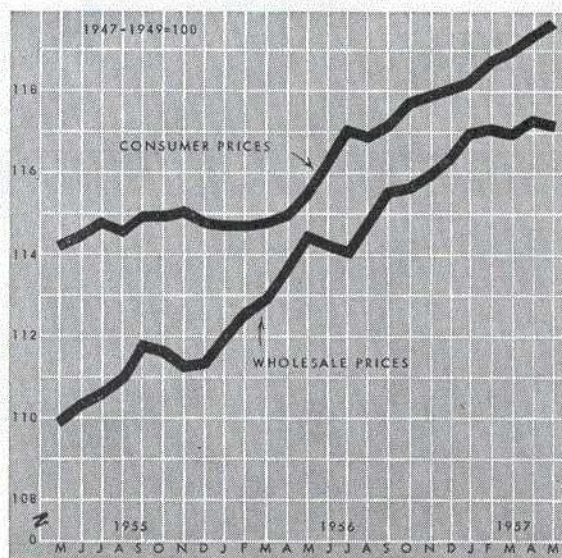


Consumer prices and wholesale prices have crept upward in the past year.



production is down a few points from the record highs reached in the latter months of 1956. Industrial production nevertheless continues to run above year-ago levels, attesting to the sustained high level of activity in these lines.

At first glance, the more moderate gain of these indicators compared with a year ago suggests that we may be more nearly approaching the conditions of stability, with more 'head room' for adjustments. However, when we consider that the present increases are based on the higher 1956 levels of activity—compared to 1956 increases over early 1955—the current increases may represent just as much inflationary pressure as the greater increases of a year ago.

Thus, while the strains which high-level demand places on our economy have relaxed in some areas, they do not appreciably alter the over-all characteristics of an economy in which inflationary pressures continue strong. Prices provide clear

evidence of this. In May the consumer price index continued to edge upward for the ninth consecutive month and was nearly 4 percent above a year ago. Wholesale prices have also continued to rise, and are currently 3 percent above last year.

As a further indication of spending activity within the district, bank debits in May and for the first five months of 1957 surpassed year ago check-writings in every district state by margins of 3 to 10 percent. Loan volume and deposits are also above a year ago at district banks.

Although consumer spending continues to rise, it is of interest to note that a substantial part of the rise in consumer spending over the past year and one-half has been absorbed by the increase in consumer prices. Thus the 'real income' of the American consumer has risen little during the last year and a half, with the actual rise in physical output just about matching the rise in population.

*The following selected topics describe particular aspects of the district's current economic scene:*

## DEPARTMENT STORE SALES

Based on dollar amounts, Ninth district department store sales this May were 3 percent better than those of May 1956. However, prices, too, are generally up. In fact the consumer price index in May stood at 119.6—up about 3.6 percent from a year ago. The part of this index which most closely represents the type of goods sold at department stores increased something in the order of 2 percent during the year. Therefore, the actual physical volume of goods moved is, at best, very slightly larger than a year ago.

Cool wet weather, which has been somewhat characteristic of the spring season this year, is cited by some as a possible factor acting to depress sales.



Cumulative sales for the district, from the first of the year to date, are similar to May results. Exceptions are found in North Dakota, where sales are up 7 percent over the like 1956 period in contrast to 4 percent for May, and Minnesota country stores whose sales were up 5 percent in this same period compared with 9 percent in May.

The Ninth district department store sales index stood at 116 in May compared with 111 in May 1956 and 113 in April 1957.

## MAY BANKING DEVELOPMENTS

A scarcity of funds at country banks in the district during May was produced by rather substantial additions to loans and by a continuation of the seasonal outflow of deposits. The \$19 million added to loan balances of country banks in May was the largest monthly increase since September of 1955. In May last year country bank loans rose \$18 million, which was the largest monthly increase of 1956.

Deposits at country banks dropped \$24 million in May, reflecting a \$35 million outflow of demand deposits, offset in part by added time deposits of \$11 million. Investments valued at \$11 million and \$24 million of cash assets were liquidated in the period.

At city banks funds were supplied in May by a liquidation of earning assets worth \$4 million and by an increase of deposits which amounted to \$19 million. A \$2 million increase of loans was accompanied by a \$6 million reduction in securities held.

Member banks in South Dakota and Montana, with gains of \$9 million and \$6 million respectively, accounted for 71 percent of the loans added by all district member banks in May. Loans at country banks in the district are the highest ever, while city bank loans are just slightly under the record high of December. While member bank loans continue to drift higher, the pace of the rise has diminished in the past year. This

is reflected by the table, which shows the ratio of loans to deposits at member banks in the various district states or part states at the end of May this year, last year and the year before.

### Ratio of loans to deposits at district member banks

	1957	1956	1955
Michigan	.40	.38	.34
Minnesota	.51	.50	.43
Montana	.43	.39	.33
North Dakota	.41	.41	.36
South Dakota	.47	.44	.41
Wisconsin	.39	.38	.35
Ninth district	.47	.46	.40

## FEDERAL RESERVE LOANS UP IN MAY

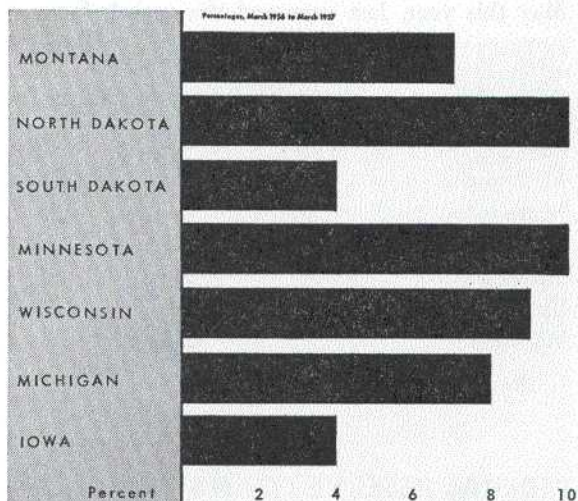
At no time in recent years have so many country banks borrowed at the Federal Reserve Bank of Minneapolis as was true in May. Accommodation was extended to 64 country banks in the semi-monthly reserve period ended May 31; this number is 14 percent of the total number of country banks in the district. In each of the Dakotas and Wisconsin 10 percent of the country banks borrowed, in Minnesota 14 percent and in Michigan and Montana each 17 percent.

The banking figures for May, cited on this page, suggest that the country banks were prompted to borrow by a fairly substantial loan demand from customers at a time when deposit outflows were operating to reduce the availability of lendable funds.

Federal Reserve loans to city banks also rose in May with the result that loans to member banks averaged higher for the month than at any time in recent years. Borrowing in this district was also high relative to borrowing by member banks in other districts. Here, approximately 19 percent of required reserves were borrowed in May while the average for the whole nation was approximately 5 percent.



## Changes in dollar value of farm land in selected states



## CROP CONDITIONS FAVORABLE

Rarely has moisture been as universally plentiful throughout all areas of the Ninth district as at the present time. Although extended rainfall and seasonally cool temperatures have delayed crop development in many areas, there is hardly any community in the district that does not now enjoy adequate, if not abundant moisture. As always, this season poses some special problems of its own, such as possible development of rust in small grains, rank weed growth, and increased possibility of 'soft' corn. For the moment, however, the moisture clearly increases the likelihood of abundant crops and feed production this year.

## FARM REAL ESTATE VALUE RISES

Substantial increases in the value of farm real estate were reported for all district states during 1956. The U. S. Department of Agriculture's annual March 1 estimate shows values 4-10 percent higher than on March 1, 1956. South Dakota

reported the smallest increase of 4 percent; Minnesota and North Dakota land values rose 10 percent, Montana 7 percent, and for the entire states of Wisconsin and Michigan land values were up 9 and 8 percent respectively.

These rises compare with an over-all 7 percent increase for the nation and set new land value highs for all district states.

Consolidation of farming units into larger and more economical operations continues to be an important factor in farm demand, with farm technology, planting restrictions on some crops, and also the soil bank program—all being mentioned as currently influencing the market for farm land.

## EMPLOYMENT CONTINUES HIGH

Employment in April and May continued to set records for most of the district states. The increase from year-ago nonfarm employment figures was 1 percent over-all, a smaller rise than in the first quarter of 1957. Minnesota employment continued above a year ago, but the rise from March to April was less than last year's. South Dakota employment has been below the 1956 level. In Upper Michigan employment has been below year-ago figures since the first of the year.

The smaller employment increase for the district is due to a less-than-normal expansion in construction, retail trade and services. Construction employment in South Dakota was actually down 9 percent from 1956; retail trade 4½ percent. In Upper Michigan, April employment was down 17 percent in retail trade and 8 percent in services. Between March and April the workers in Minnesota rose by 14,600, in contrast to an average rise for the past five years of 18,000. From April to May, however, the increase approximately equaled that of former years. Some employment reports attribute this slower seasonal start in construction, retail trade and services to inclement weather. The volume of construction planned for the next three to five months indicates



that employment in this field will be high during the summer and fall, until severe weather ends the season.

The increase in industrial employment since the first of the year has been less than in the corresponding period of 1956, with January-February this year 3.2 percent above a year ago, and April-May this year 2.4 percent above a year ago. There has been a reduction in average weekly hours worked since the fourth-quarter peak of 1956. This decline has been reported in most parts of the district when the first five months of this year are contrasted with fourth-quarter 1956—in Montana, below 40 hours versus 41.6 with the average as low as 38.6 in January; the Dakotas, Minnesota and Wisconsin still averaging over 40 hours weekly, but showing

a steady decline since the first of the year. Contrary to the district trend, weekly hours worked in Upper Michigan have averaged 42.3 in January and 43.2 in March, which are above the late 1956 figures.

The seasonal rise in regional industrial employment has not been quite sufficient to compensate for the reduction in average weekly hours worked. In the eastern part of the district, where most of the manufacturing is located, the kilowatt hours of electrical energy used by manufacturing has declined, indicating a decline in output.

The number of unemployed workers has been somewhat higher since the first of this year, with the number of claims for unemployment insurance in the four district states and Upper Michigan averaging 15 percent greater this year.

## Bank deposits by county, 1949-1956

Fluctuations in the level of bank deposits for a particular locality often accompany fluctuations in other important economic measures. Income, spending and population are several we can name. For this reason, information concerning changes in the geographic distribution of bank deposits is useful to observers of the economic scene.

The bulk of the deposits at a typical bank is owned by individuals, partnerships and corporations (I.P.C. deposits). Government funds and deposits owing to banks ordinarily represent a relatively small share of total bank deposits. Thus on June 30, 1956, 80 percent of the bank deposits in the Ninth Federal Reserve district was owned by

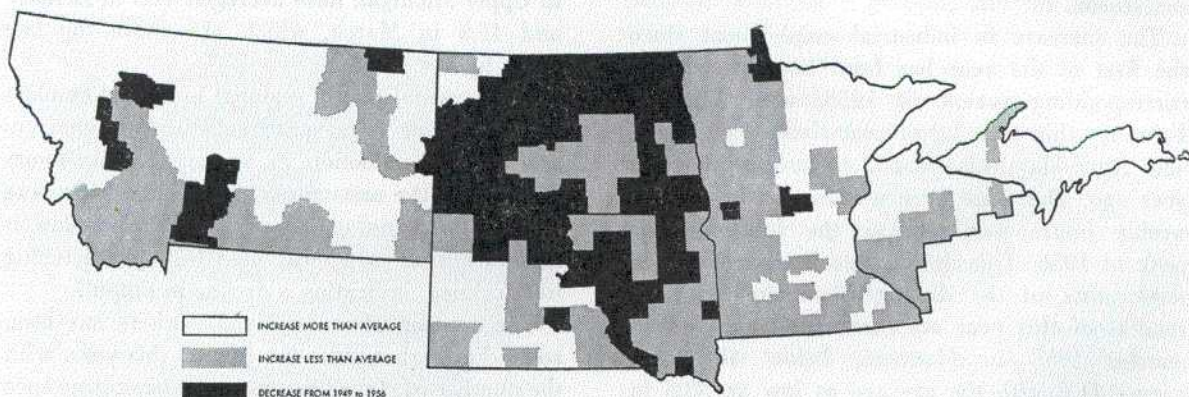
individuals, partnerships and corporations. Time deposits made up 42 percent of the 80 percent.

On June 30, 1949, I.P.C. deposits at banks in the Ninth district totaled \$3,994 million; seven years later, at mid-1956, such deposits totaled \$4,855 million or 21.6 percent higher than in 1949. In the nation as a whole, such deposits grew by 35 percent in the same period.

While I.P.C. deposits in the Ninth district grew by more than a fifth in this seven-year period, considerable variation in growth rates was observed from one part of the district to another. The variation ranged from minus 35 percent in Hettinger county, North Dakota, to plus 198 percent in Lib-



## Change in deposits at all district banks, by counties, from mid-1949 to mid-1956



erty county, Montana, where deposits almost tripled in the period.

On the map, each county in the Ninth Federal Reserve district is delineated in either white, grey or black. A black shading indicates that I.P.C. deposits in the county fell between mid-1949 and mid-1956. A grey shading indicates that I.P.C. deposits grew by less than the district average growth of 21.6 percent in the period. In a county which appears white on the map, I.P.C. deposits grew by more than the district average in the seven-year period.

The concentration of black in the states of North and South Dakota reflects the fact that these states fared least well, depositwise, in the period. In the Ninth district part of Wisconsin and Michigan not one county lost deposits. In Minnesota and Montana only 3.5 percent and 11.6 percent of the counties, respectively, lost deposits. But in North and South Dakota, 70 percent and 35 percent of the counties, respectively, lost deposits.

The fact that the Dakotas derive a larger part of their income from agriculture than other district states, plus the fact that agricultural products fell in price after 1949 doubtless help explain the failure of bank deposits there to keep pace with other

areas. The only two counties in North Dakota to enjoy greater than average deposit growth were Burke county and Williams county in the north-western part of the state. Population has grown and new banks have been added in these counties, indicating a quickened pace of activity in connection with the development of oil deposits in the area.

The aggregate of I.P.C. deposits at mid-1949 and mid-1956 in each district state or part state

### Bank deposits of individuals, partnerships and corporations

(billions of dollars)

	6-30-49	6-30-56	Change
Michigan	\$ .1533	\$ .1970	+28.5%
Minnesota	2.2773	2.8835	+26.5
Montana	.4303	.5551	+29.0
North Dakota	.4419	.4323	- 2.2
South Dakota	.4024	.4418	+10.0
Wisconsin	.2888	.3459	+20.0
Ninth district	3.9940	4.8556	+21.6

appears in the table. Here again deposits are seen to have risen less in the Dakotas than in other parts of the district during the period under review.



## **BANK DEBITS— A MEASURE OF SPENDING**

"Gentlemen:

For several years I have published your bank debit series because I have felt it a significant barometer of business activity. Lately, however, several retailers and tradesmen have taken exception to the figures, implying they are not accurate or not representative of business conditions . . ."

The foregoing letter from a Ninth district newspaper editor is representative of others we have received from time to time and suggests that a clarification is in order. Bank debits figures are published monthly for many communities in the Ninth district. The figures include all debits against the majority of checking accounts. For the most part, the bank debits figures for each community represent the total value of all checks drawn on the banks in that community. The total bank debits figure is, therefore, accurate in that it is taken from the accounting records of all the banks in that community.

Bank debits, when totaled on a district-wide or national basis, are extremely good indicators of general business conditions—highly correlated with disposable income of the individual as well as national income.

For any given community, however, the year-to-year changes in bank debits figures may depart widely from the experience of local merchants or businessmen for four basic reasons:

First of all, more people have checking accounts than ever before and more and more money trans-

actions are made by check every year so that the total bank debits figure is consistently larger even when business conditions remain the same.

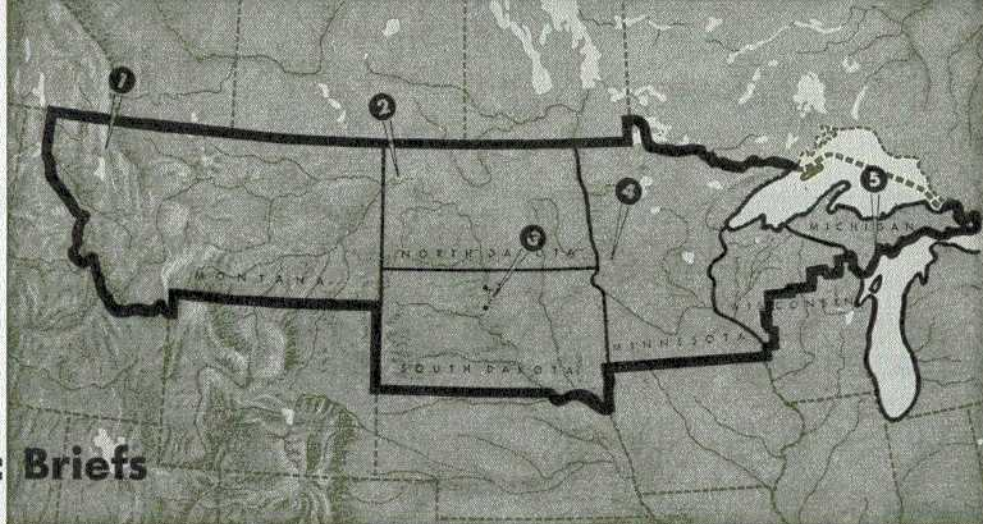
A second factor is the point where the checks are cashed. If checks are written on the banks in one town but cashed in another, the first town will have an inflated bank debits figure but no increase in business because the purchases were made in the second town.

The third factor is the shift in demand by businesses and individuals. Disposable income can be spent on any commodity which is for sale: services, soft or hard goods. If in a given month a substantial portion of the persons in a community decide to shift their expenditures to one or another of these purchase areas, then that particular field will show a greater percentage increase and the other business areas may show a decline.

The fourth factor which we must consider in interpreting community bank debits figures is that of financial transfers of funds which have little or no business significance, such as civic bond sales to local people. This transfer of funds from one checking account to another appears in the volume of bank debits, but until the city spends the money to purchase either goods or services, the money does not influence the volume of trade.

In conclusion, let us say that while the bank debits figures for any of the reported local communities are 'accurate,' they may not be 'representative' of business conditions within that community in that particular period. Bank debits figures are very good indicators of general business conditions for large areas but they must be used with caution in analyzing what is happening to business in local communities.





## Economic Briefs

### 1. Anaconda aluminum production reduced

One of the four potlines producing aluminum in the Columbia Falls, Montana plant of Anaconda Aluminum Co. was shut down on July 1 to let aluminum consumption catch up with inventory. The firm has announced that its overall plant curtailment will amount to about one fourth of capacity until sales again match production.

### 2. Deep test taps new N. D. oil

On a 24-hour drill stem test late in June, Amerada Petroleum Corp. recovered 363 barrels of 41-gravity oil from a Devonian formation in the Beaver Lodge field, North Dakota. This field, one of the largest in the Williston basin, is currently productive from Mississippian rocks at about 8,500 feet. The new flow came from a 70-foot interval at about 10,400 feet, as part of a series of deep tests. In prior weeks several tests of the Silurian in the vicinity of 12,000 feet produced comparable flows of a 54-gravity distillate. This series of tests points to the opening of new producing horizons along the Nesson anticline.

### 3. New bridges under way in South Dakota

Two bridges to span the Missouri river, at Forest City and Mobridge, South Dakota, will

cost about \$3 million each. The 4,583-foot, two-lane bridge at Forest City is already under construction. A bid has just been let for the 5,059-foot span at Mobridge. Both bridges will carry traffic across the Oahe reservoir.

### 4. \$10.5 million utility to burn N. D. lignite

Otter Tail Power Co., Fergus Falls, Minnesota, will utilize North Dakota lignite as fuel for the \$10.5 million, 53,500-kilowatt addition to its Fergus Falls generating plant, which is now under construction.

The new unit will add about 40 percent to the firm's generating capacity.

### 5. Bids let for terminal at Escanaba

Standard Oil Co. of Indiana has awarded contracts for construction of an 11-million-gallon Lake Michigan terminal at Escanaba, Michigan. Facilities include two 80,000-barrel and two 50,000-barrel tanks for gasoline and heating oils, two 4,000-foot pipelines and an office building. Cost figures on the construction have not been given.

Part of the terminal is set for operation by late fall. The entire project is expected to be completed early in 1958.