

DISTRICT SUMMARY FOR THE MONTH

The credit situation as reflected by the condition of banks operating in this territory has apparently reached a turning point. The customary increase of loans and deposits and Federal reserve note issues, incident to crop moving, has taken place. However, both country and city banks were less dependent upon this Federal Reserve Bank or their other correspondents for loans or rediscount accommodation during October and the early part of November. A large part of this improvement was effected by city banks through the sales of security holdings while the country banks apparently were obtaining genuine liquidation.

That credit conditions have reached a turning point is also indicated by a special survey made by this bank and completed this month covering all banks in the four complete states contained in this district on comparable dates since 1919. Deposits have been rising steadily since June, 1921, and loans have been declining since June, 1920. However, some of the earning assets have been shifted to real estate and other investments. Nevertheless, the ratio of total invested funds to total deposits has nearly reached par, thereby placing the operating banks in this territory in a better statistical position than they have held at any time since 1919. The steady trend of deposits upward for about two years has finally influenced the course of total invested funds in the same direction.

The fact that banking conditions in some localities have not been altogether satisfactory does not detract from the conclusion that the credit situation in general has improved. These isolated instances of banking difficulties are typical symptoms of the final stages of liquidation and the early stages of loan expansion. The fact that substantial improvement has taken place is commonly overlooked for a time by the majority of people because their attention is distracted by more spectacular events of a local character.

Business activity in the cities of this district during October as reflected by individual debits at banks, increased 10 per cent as compared with September and maintained the levels of October a year ago. The increase during the month is to be accounted for largely by a heavy movement of livestock, improved retail trade in the cities, record-breaking shipments of linseed products, a substantial westward movement of coal on the lakes, and well sustained output by lumber manufacturers. This improvement is noteworthy because flour production in Minneapolis reached the lowest point in any October since 1910, iron ore mined declined 10 per cent, retail trade in country districts increased less than a seasonal amount and fell 17 per cent below a year ago, while wholesale trade declined in all lines except hardware and dry goods.

Prospective business activity, as reflected by building permits granted in the important cities of this territory, remains practically unchanged. As com-

pared with last month there was an increase in the number of permits and a decrease in the total valuation. This indicates an increasing proportion of smaller projects, which reduces slightly the average building permit. To some extent this change is due to the prevailing custom of planning more building projects at certain seasons of the year than at others. This seasonal character of the construction industry should be modified considerably, both in the interest of social economy of our labor power and business equipment, and also in the financial interests of the builders themselves. Careful investigation shows that construction labor of all kinds is much more easily obtainable in the winter months and a selection of the more efficient laborers is therefore possible. Also concerns furnishing material are able to take care of all orders promptly without exacting premiums and architects and contractors are able to devote more time and attention to such projects as are given in their charge. Indeed, some contracting firms are beginning to quote a preferential rate for work arranged to be done in the dull months. Such a movement to divert all possible construction work toward dull seasons should be encouraged as it will help to utilize our labor and capital more efficiently as well as to stabilize general business conditions. The financing of building projects can be arranged with equal facility at all times of the year.

Livestock receipts at South St. Paul were fully one-fourth greater than in October a year ago, owing to an extraordinarily heavy run of hogs which was reflected in lower prices. Also, butcher steers and cows declined in price because of the very average quality usually shown in the grassfed range cattle which were then coming to market.

Grain receipts at Minneapolis and Duluth-Superior terminals declined about one-fifth as compared with the preceding month due to unseasonal declines in the movement of wheat, rye, and barley. This was reflected in the rise in median prices of all grains. However, flax showed an increase of 12 cents in spite of a very large movement well above a month ago. This stability of grain prices in the face of declining exports as compared with a year ago, is remarkable.

SURVEY OF BANKING AND CREDIT CONDITIONS IN THIS DISTRICT

In order to arrive at sound conclusions regarding the credit situation in this district and the trend of banking operations, we have made a comprehensive survey of all banks in the four states of Minnesota, Montana, North Dakota, and South Dakota, covering the essential figures on June 30 of each year from 1919 to 1923, inclusive. Table No. 1 contains our totals on these different dates for all deposits, loans (including overdrafts and customers' liability under letters of credit), real estate holdings, investments, and the aggregate of these loans, real estate holdings, and investments. These figures are graphically represented in Chart No. 1.

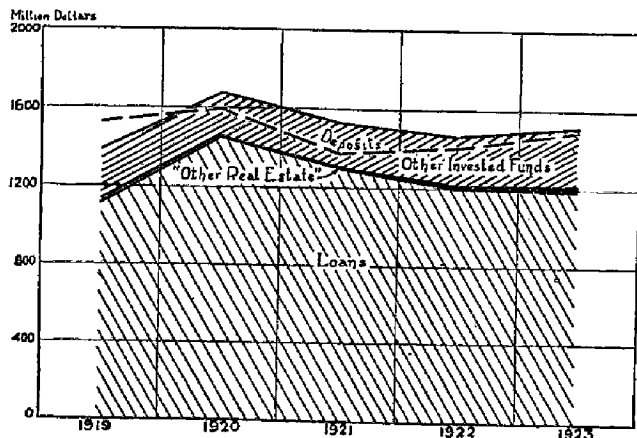


Chart No. 1.
Deposits, Loans, "Other Real Estate," and Other Invested Funds of All Operating Banks in Minnesota, North Dakota, South Dakota, and Montana on June 30, 1919-1923.

Table No. 1.
Deposits and Distribution of Earning Assets of All Banks in Four States (000's omitted).

June 30	Deposits	Loans, Overdrafts & Customers' Liability under Letters of Credit	Real Estate Banking other than House	Other Investments	Total Earning Assets
1919	\$1,529,645	\$1,107,287	\$8,966	\$268,413	\$1,384,666
1920	1,595,536	1,443,100	10,351	221,572	1,675,023
1921	1,375,169	1,296,061	14,284	222,389	1,532,734
1922	1,409,084	1,201,411	20,149	242,239	1,463,799
1923	1,494,509	1,193,164	33,219	288,586	1,514,966

In order to make comparisons of change in each of these items easier, we have computed the percentage which each item bears to the amounts as they existed on June 30, 1919. A glance at Table No. 2 indicates that deposits were rising during the year ending June 30, 1920; that they fell precipitately in the year ending June 30, 1921, and have since been rising steadily; that the loans rose 30 per cent in the year ending 1920, and have since been declining; that the real estate holdings have increased in every year, reaching totals nearly four times as large on June 30, 1923, as on June 30, 1919; that investment holdings were liquidated in the year ending June 30, 1920, and have since risen in each year, with the greatest increase shown in the year ending June 30, 1923; and that the total of all invested funds rose 21 per cent in the year ending June 30, 1920, declined in 1921 and in 1922 and again increased in the year ending June 30, 1923, indicating that practically all of such realization as had been enjoyed in the year 1922 had been absorbed in the year 1923.

Table No. 2.
Percentage of Change in Deposits and in Each Kind of Earning Asset Using 1919 as a Basis.

June 30	Deposits	Loans, Overdrafts & Customers' Liability under Letters of Credit	Real Estate Banking other than House	Other Investments	Total Earning Assets
1919	100.0	100.0	100.0	100.0	100.0
1920	104.3	130.3	115.4	82.5	121.0
1921	89.9	117.0	159.3	82.8	110.7
1922	92.1	108.5	224.7	90.2	105.7
1923	97.7	107.8	370.5	107.5	109.4

However, these comparisons with the totals of 1919 are not an altogether fair test of the banking situation or credit strain. Deposits must also be considered in connection with the lending or investment policy because rising or falling deposits are an important influence in determining whether or not a particular trend in bankers' loans or investments is justifiable. Therefore a computation shown in Table No. 3 has been made of the percentage ratio that each form of invested funds bears to the total of all kinds of deposits on the same dates.

Table No. 3.
Percentage Relation Between Deposits and Each Kind of Earning Asset

June 30	Deposits	Loans, Overdrafts & Customers' Liability under Letters of Credit	Real Estate Banking other than House	Other Investments	Total Earning Assets
1919	100.0	72.4	.6	17.5	90.5
1920	100.0	90.4	.7	13.9	105.0
1921	100.0	94.2	1.0	16.2	111.4
1922	100.0	85.3	1.4	17.2	103.9
1923	100.0	79.8	2.2	19.3	101.3

An examination of this table of percentages relative to total deposits indicates that a substantial expansion of loans relative to deposits developed during the two years ending June 30, 1921; that a substantial reduction was experienced in the two years ending June 30, 1923; that real estate holdings have risen steadily and about four-fold, reaching an amount equal to more than 2 per cent of the total deposits; and that investments were liquidated in the year ending June 30, 1920, but that they have risen steadily since, reaching a larger percentage of the total deposits than theretofore, or about one-fifth of the total deposits at the present time. It is particularly noteworthy that the total invested funds including all of the loans, real estate, and investments, rose in the two years ending June 30, 1921, and declined in the two years ending June 30, 1923, and that the operating banks are today in a better statistical position than at any time since 1919, having brought their total invested funds nearly on a par with the total of their deposits. Although the foregoing data covers but four complete states, we believe it to be typical of the trend in the whole Ninth District.

There is available other data less comprehensive but covering a longer period for all banks in the Ninth District which we are presenting in Chart No. 2. This chart indicates the trend of deposits, loans, and borrowings of all banks in the years from 1913 to 1923, and includes not only the banks contained in the four states, but also those in such parts of Michigan and Wisconsin as are contained within the district. Detailed charts are included for all operating banks in the separate states of the district.

It has been suggested that much of this trend in loans and in the total of invested funds, both in fact and in relation to the deposits, may have been due to the inclusion of banks that are not identical

in preparing the foregoing tables, charts, and calculations. Therefore, we have made a special investigation of the figures on the dates, June 30, 1921, June 30, 1922, and June 30, 1923, and have eliminated the figures of such banks as were initiated or liquidated during these years. The resulting corrected figures for identical operating banks yield percentage changes in deposits (i. e., all deposits) and loans (i. e., not including investments and real estate) only slightly different from those shown for all operating banks on the same dates. The ratio of loans to deposits for all operating banks and the ratio of loans to deposits for the identical banks are shown separately in the following table:

June 30	All Operating Banks	Identical Banks
1921	93.9	93.2
1922	84.8	84.2
1923	79.4	79.3

Likewise, a comparison between the adjusted figures for identical banks and the figures for all operating banks, shows practically the same percentage change when the deposits are compared at different dates and when the loans are compared at different dates, as follows:

	Percentage Changes for All Operating Banks from the preceding year		Percentage Changes for Identical Banks from the preceding year	
	Deposits	Loans	Deposits	Loans
Between June 30, 1921, and June 30, 1922.....	2.5 inc.	7.4 dec.	2.7 inc.	7.2 dec.
Between June 30, 1922, and June 30, 1923.....	6.1 inc.	.7 dec.	6.9 inc.	.6 inc.

The actual figures for all operating banks and identical banks for these three dates, June 30, 1921, to 1923, are shown in Table No. 4.

TOPICAL REVIEWS

Banking conditions in the cities of this district reflected the seasonal increase in business activity during October. Loans and deposits of a selected list of member banks increased. The volume of commercial paper was larger at the end of October than

at the beginning, and there was a decrease in the total savings deposits in the larger cities, which, together with the steady rise of Federal reserve notes in circulation, probably indicates a larger volume of purchasing. In spite of the expansion in city bank loans, their borrowings from this Federal Reserve Bank declined and interest rates in Minneapolis remained practically unchanged. In the country districts, banking conditions continued to show increasing ease, as evidenced by the fact that country bank borrowings from this Federal Reserve Bank declined during October and the first half of November.

The balance sheets of 28 selected member banks in the larger cities of the district showed increases of more than five million dollars in loans and deposits during the five weeks ending October 31. Demand deposits increased nearly 11 millions, but there were declines in time deposits and government deposits. Security holdings and reserves were reduced nearly two millions each, and these banks were enabled to pay off 1 1/3 millions of borrowings from this Federal Reserve Bank. During the week ending November 7, there were further increases of 15 1/2 millions in deposits and more than four millions in loans, while security holdings were further reduced nearly two million dollars. Through these operations and changes in items not reported to this office, these banks were enabled to build up their reserves more than 6 1/2 million dollars and to reduce their borrowings from this bank 2 1/2 millions.

Commercial paper outstanding in this district showed a seasonal increase of five per cent during October, and the volume was 40 per cent larger than a year ago at the end of October.

Prevailing interest rates at Minneapolis showed a very slight increase during the month ending November 15, according to quotations by three banks. There were increases of one-half per cent on inter-bank loans, and one-fourth per cent on commodity paper secured by warehouse receipts; but decreases were reported of one-fourth per cent on cattle loans and loans secured by government collateral and one-eighth per cent on endorsed bankers' acceptances.

Table No. 4
June 30, 1921 (000's omitted):

	All Operating Banks		Identical Banks	
	Deposits	Loans	Deposits	Loans
Minnesota	\$866,434	\$761,451	\$860,547	\$755,444
North Dakota	156,202	173,707	150,485	166,671
South Dakota	206,320	212,282	201,285	206,540
Montana	146,213	143,556	131,765	123,912
Totals	\$1,375,169	\$1,290,996	\$1,344,082	\$1,252,567
June 30, 1922:				
Minnesota	\$896,716	\$682,749	\$891,469	\$677,569
North Dakota	154,609	171,484	148,197	163,945
South Dakota	219,594	208,337	215,043	203,109
Montana	138,165	132,843	125,674	117,492
Totals	\$1,409,084	\$1,195,413	\$1,380,383	\$1,162,115
June 30, 1923:				
Minnesota	\$952,068	\$691,192	\$943,488	\$684,270
North Dakota	167,285	164,474	162,709	159,922
South Dakota	233,804	212,172	230,906	209,203
Montana	141,352	119,178	138,222	116,079
Totals	\$1,494,509	\$1,187,016	\$1,475,325	\$1,169,474

Savings deposits at Minneapolis, St. Paul and Duluth decreased very slightly during the month ending November 1, in spite of an increase in the number of savings depositors, but the total of savings deposits on this date was 12 per cent larger than the total a year ago.

The loans of this Federal Reserve Bank to member banks declined nearly six million dollars during the five weeks ending October 31, the borrowings of both Twin City and country banks being reduced. Member bank reserve deposits remained practically unchanged during this period, and United States securities were released by this bank in the amount of nearly seven million dollars. Federal reserve notes in circulation increased one million dollars. The net effect of these changes was to increase the cash reserves of this bank nearly 12½ million dollars.

During the two weeks ending November 14, there was a further decline of 2½ millions in borrowings from member banks, shared by both Twin City and country banks. Member bank reserve deposits increased more than three millions, security holdings showed little change and Federal reserve notes in circulation increased two million dollars, all of which changes were reflected in a further increase in cash reserves of 6 2/3 millions.

The volume of business during October was about 10 per cent larger than the volume during September and approximately the same as the volume in October a year ago, according to the evidence of debits to individual accounts for banks in important cities of this district. The increase between September and October was more than the normal increase, and consequently there has been a slight upturn in our business curve, shown elsewhere in this report.

Soo Canal traffic eastward bound during October was about as large as the volume in September, but nearly one-third larger than the volume in October a year ago. As usual, the bulk of the shipments consisted of iron ore, but the decline of one-tenth in iron ore shipments was offset by shipments of wheat two and one-third times as large as the September volume, and increased shipments of other grains, flour and copper. As compared with October last year, wheat shipments were slightly smaller, but other grains, flour, copper and iron ore showed increases.

Business failures during October showed seasonal increases of 43 per cent in number and 75 per cent in liabilities; but the number of failures was very slightly larger than the number in October a year ago and the liabilities were one-fourth less. R. G. Dun and Company reported failures for the Ninth Federal Reserve District during October to the number of 90, with liabilities amounting to \$1,118,598.

Coal receipts at the Duluth-Superior Harbor were nearly one-fifth larger in October than in September, but were slightly smaller than in October a year ago, when coal was being rushed to the head of the lakes to offset the small shipments earlier in the season.

Soft coal receipts during October amounted to 1,457,266 tons, which was 11 per cent more than the September receipts. Hard coal receipts during October were 194,910 tons, a volume two and one-half times as large as that in September. From the opening of navigation to the end of October, the 1923 coal receipts at the Duluth-Superior Harbor were nearly three times as large as receipts during the same period in 1922, and one-fourth larger than the five-year average for the period in the years immediately preceding 1922.

Building permits granted in 18 northwestern cities increased very slightly in number during October and decreased slightly in valuation. Normally at this season of the year there is a small decline in the number of permits issued and a small increase in the valuation. The effect of these changes, contrary to the seasonal movement, has been to reduce the average building permit, corrected for seasonal variations, as compared with the September average. In fact, the curve of the fluctuations in the average building permit, if price changes and seasonal movements are eliminated, as represented elsewhere in this report, reached the lowest point since December, 1922. This change in the size of the average building permit is not due so much to a reduced volume of building as to the increasing proportion of small projects. The number of building permits granted has been steadily increasing during the last five years.

Manufacturing in this district showed a more satisfactory condition during October than during September. In the linseed industry particularly, the activity is remarkable. Linseed oil shipments amounted to 16,778,000 pounds, an increase of one-third over September and two-fifths over October, 1922. These shipments were the largest October figures since our records began in 1911, and were larger than any month since the beginning of 1911, with the exception of March and April of 1913. Oil cake shipments were also in large volume, amounting to 24,071,000 pounds, an increase of nearly one-half over September and the preceding October. These oil cake shipments were the largest October figures since 1919. The increases in the shipments of both linseed oil and oil cake between September and October were greater than the usual seasonal increases at this time of year.

Minneapolis flour production during October, although only 1,355,000 barrels, which is the smallest October figure since our record began in 1910, showed a more than seasonal increase of 23 per cent over the September output. Flour production elsewhere in this district increased 12 per cent over September, which is about a normal increase, but was nine per cent less than in October, 1922.

The output of lumber showed a seasonal decline of 15 per cent between September and October, but the October output was larger than that in October of 1922 or 1921. October shipments of lumber were larger than September shipments and larger

than shipments in October of 1922 or 1921. Also, orders placed, while approximately the same in October as in September, were larger than in October of the two preceding years. Stocks of lumber in manufacturers' hands were about the same as September and slightly larger than a year ago.

Wholesale trade in every reported line, except hardware and dry goods, showed declines between September and October. Sales of farm implements, especially, declined one-third. For hardware and dry goods, the October sales were only slightly larger. October sales of farm implements, hardware and groceries were larger than in the same month last year and sales of shoes and dry goods were slightly smaller. None of the changes were significant, except in the case of farm implements, where the increase was one-third.

Retail sales showed more than a seasonal increase between September and October for city department stores and less than a seasonal increase at country retail lumber yards. Department store sales were seven per cent larger in October than a year ago, but retail lumber sales were 17 per cent smaller. Stocks of merchandise in retailers' hands increased four per cent at department stores during the month of October, but decreased eight per cent at retail lumber yards, both movements being more pronounced than the seasonal percentage. Department store stocks were eight per cent larger at the end of October than a year ago, but retail lumber stocks were four per cent less.

Livestock receipts at South St. Paul showed an exceptionally heavy early-season movement, receipts for October being three-fourths larger than September receipts and one-fourth larger than receipts in October a year ago—in fact, the largest October receipts in five years. This large volume of receipts was largely accounted for by the extraordinary run of hogs, of which 330,830 were received during October. This number of hogs was more than twice the receipts in September and one-third more than the large receipts in October last year. Receipts of cattle increased one-fourth between September and October and were about as large in volume as receipts in October last year and on the 10-year average. Receipts of calves exhibited an abnormally large increase of two-fifths, continuing above the 10-year average and larger than a year ago. Sheep receipts were nearly nine-tenths larger in October than in September and were more than one-fourth larger than in October a year ago, but were smaller than the 10-year average for the month.

Feeder shipments increased two-thirds between September and October and were one-fifth larger than such shipments in October last year. All classes showed good increases between September and October, especially hogs, which more than doubled, and sheep, which more than quadrupled. As compared with October last year, shipments of feeder cattle were about as large, but shipments of calves declined nearly two-thirds, while shipments of hogs

for feeding were one-third larger and sheep shipments were more than double.

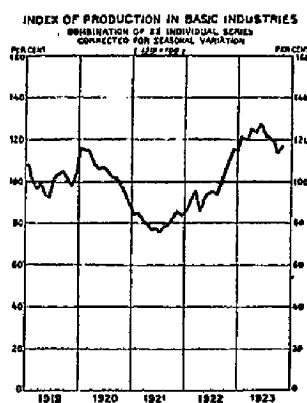
Grain receipts at Minneapolis and Duluth-Superior during October fell off one-fifth from the September volume on account of unseasonally marked declines in receipts of wheat, rye and barley. Wheat receipts declined 21 per cent between the two months, although the normal occurrence is a volume of receipts in October practically as large as that in September. However, August and September receipts were larger than normally would occur with a crop of the size of the 1923 crop and the slump in October was not sufficient to carry receipts for the crop year to date below the usual volume. Receipts of rye and barley declined 40 per cent and 34 per cent, respectively, although normal reductions, as indicated by the movement of the 10-year average, are 26 per cent and 23 per cent, respectively. Receipts of oats showed a nearly normal decline of seven per cent between September and October, and receipts of flax and corn increased. Flax receipts continued in noteworthy volume, amounting to 4,406,693 bushels in October, an amount 12 per cent larger than the September volume.

The export situation for grains and wheat flour constitutes an important part of the marketing problem. Latest data available indicates that exports of all grains were very much smaller from July to October this year (which includes the current crop) as compared with similar months last year, except that wheat flour exports have increased. The figures as reported in *Weather, Crops & Markets*, for November 13, are as follows:

Exports of Grains and Wheat Flour from the United States
July to October, 1923
(000's omitted)

Commodity:	1922	1923 Preliminary	Pct. 1923 of 1922
Barley (bu.)	11,215	7,620	67.9
Corn (bu.)	46,171	3,501	7.6
Oats (bu.)	13,365	829	6.2
Rye (bu.)	20,726	8,093	39.0
Wheat (bu.)	92,951	51,714	55.6
Wheat flour (bbls.)	4,901	5,707	116.5

Prices of the chief agricultural products of the Northwest at terminal markets showed mixed tendencies between September and October, with declines in the majority of livestock prices, increases in all of the grains and seasonal changes in important produce prices. Exceptionally heavy marketing of livestock forced the median price of hogs down 85 cents per cwt., the medians for butcher steers and veal calves down 75 cents and butcher cows and feeder steers down 25 cents each. The price of lambs was an exception and advanced 50 cents per cwt. Of the grains, the only important increase was a 12 cent increase in the median price per bushel of the best grade of flax, although the other grains showed advances, barley, oats and corn showing larger increases than wheat and rye. There were seasonal declines in potatoes and hens, and seasonal increases in butter and eggs.



Summary of National Business Conditions

(Compiled Nov. 24 by Federal Reserve Board)

Production of basic commodities and retail trade increased during October and the volume of freight shipments and wholesale trade continued large. The level of wholesale prices and the volume of employment showed but little change.

PRODUCTION: The Federal Reserve Board's index of production in basic industries advanced 3 per cent in October, after having declined for four months. The increase for the month, while due in part to the resumption of anthracite coal mining, also reflected increases in textiles, lumber, and sugar, and most other industries included in the index. Employment at industrial establishments showed practically no change between September and October. Contract awards for new buildings increased throughout the country considerably more than is usual at this season, and were 25 per cent larger than in September. Residential projects formed a larger proportion of the total than in any earlier month of the year. Crop estimates by the Department of Agriculture on November 1 indicated a substantial reduction from the September forecast in the yield of cotton, but larger yields of corn, potatoes and apples.

TRADE: Heavy movement of miscellaneous merchandise and livestock resulted in October in the largest railroad shipments of any month on record. Wholesale trade was 12 per cent larger than a year ago and sales in all leading lines, except shoes, showed increases. Department store sales were 13 per cent larger than last October, and sales of mail order houses were the largest of any month since 1919.

PRICES: Wholesale prices declined less than one per cent in October, according to the index of the Bureau of Labor Statistics and stood approximately at the level of a year ago. The principal changes for the month were declines in the prices of fuel and clothing, metals and animal products, while wholesale prices of crops, particularly cotton, increased. During the first half of November the prices of wheat, hogs, pig iron and hides receded, and prices of cotton and cotton goods, cement and copper advanced.

BANK CREDIT: Since the middle of October there has been a slight decline in demand for credit for commercial and agricultural purposes at member banks in leading cities. Considerable decreases in borrowings for these purposes in the New York and Chicago districts were partially offset by increases in other districts. Loans secured by stocks and bonds increased somewhat, while investments continued to decline and reached the low point for the year.

The total member bank accommodation at Federal reserve banks declined between October 17 and November 21, and on the latter date was the lowest since the middle of the year. The total volume of Federal reserve bank credit outstanding, however, remained relatively constant because of increased purchases of bills in the open market. The volume of Federal reserve notes in circulation declined by about \$50,000,000 during the period, while other forms of money in circulation increased.

Money rates showed an easier tendency and during the early part of November the open market rate on commercial paper in New York declined from 5-5¼ to 5 per cent.

