

MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions
FEDERAL RESERVE BANK OF MINNEAPOLIS

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SPECIAL ARTICLE

Expansion in Construction Already Noted

AS reconversion gains momentum, the construction industry is receiving more and more attention as one of the large sources of peacetime employment. From the beginning of the war, construction was restricted to such activity as was considered essential to the production of war materials. As a result, the aggregate volume was reduced to a low level and construction workers, in large numbers, secured employment in war plants.

With the conclusion of the war in the Pacific, there will be pressure for the construction industry to resume its prewar level of operation and reemploy its former workers. Furthermore, after the supply of consumer durable goods again equals the demand, it would be fortunate if the industry could expand its former level of operations significantly and employ a substantial number of additional workers. In this way it can contribute heavily toward providing all potential laborers with an opportunity for employment in our private enterprise economy.

INDUSTRY EXPANDING IN NINTH DISTRICT

The information available at the present time indicates that a noteworthy expansion has already taken place in the Ninth District.

The amount of construction contracts awarded, as compiled by the F. W. Dodge Corporation, was 46 percent larger in the first six months of this year as compared with the same period for 1944. The increase was concentrated largely in residential building. Some gain also occurred for commercial, industrial, and other non-residential building.

The over-all expansion in construction work is revealed more clearly by the value of building permits issued by selected cities in the Ninth District. In the accompanying table are tabulated the value of permits issued during the first seven months of this year and of 1944. Additions, alterations, and repairs constitute a considerable share of the building. In all but two cities, Duluth, Minnesota, and Eau Claire, Wisconsin, a substantial increase occurred in the value of permits issued. In the above two cities residential construction is also expanding, but the aggregate trend was reversed by the abrupt termination of industrial building in 1944.

Federally financed building construction has disappeared from the picture. War plant construction is a thing of the past. No new residential building

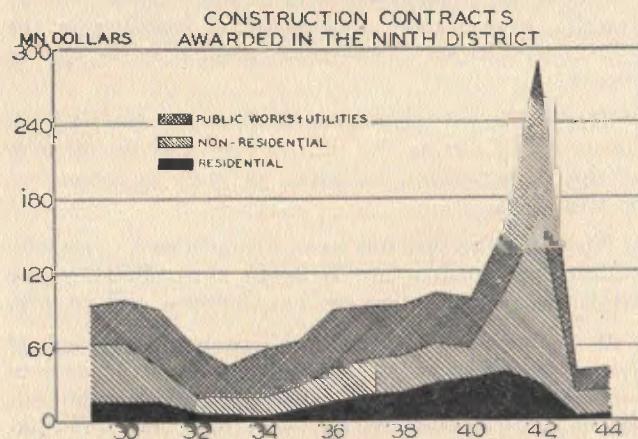
Scarcity of Supplies Affects Volume, with Price of Building Materials Up; Technical Developments Influencing the Industry's Productivity and Costs

has been financed by the Federal Government in this region since May, according to the U. S. Bureau of Labor Statistics.

The lifting of some restrictions on private construction in the fall of 1944 stimulated residential building. Local quotas on new homes were drawn up by the National Housing Agency to relieve the congestion in war areas. Higher sales and rental ceilings were established to enable builders to construct larger houses and approximate prewar standards. The restrictions on occupancy were removed. Any individual could file an application directly with the Federal Housing Administration to relieve personal hardship or to replace a home damaged or destroyed by fire, flood or other hazard. The liberalizing of the restrictions enabled the building industry to expand as rapidly as additional materials and manpower became available.

WARTIME CONSTRUCTION TRENDS

The building of war plants and the expansion and alteration of existing plants that turned to the production of war materials boosted construction activity sharply in 1942. The contracts awarded in the Upper Peninsula of Michigan, Minnesota, North



Source: Basic data compiled by F. W. Dodge Corporation. No data for Montana included in the chart.

Dakota, South Dakota, and in the Northwestern part of Wisconsin totalled 140 million dollars more than in the previous year, according to the F. W. Dodge Corporation. War plants, however, are not readily converted to the production of civilian goods and so little has been added to the total peacetime productive capacity. Contracts awarded for residential building in 1942 aggregated only to about three-fourths of the amount in the previous year.

In 1943 the amount of the contracts declined an additional 85 percent. This contraction was the effect of the ban placed on residential building other than work authorized by the National Housing Agency to meet the emergency housing shortage created by the influx of migrant workers into war production centers.

CONSTRUCTION DEPRESSED IN THIRTIES

In addition to the small volume of building for civilian purposes during the war years, construction was at a low ebb during the depression years of the thirties. The accompanying chart depicts the trend of residential, non-residential, and public works and utility construction since 1929 in all states of the Ninth District except Montana.

Contracts awarded for residential construction in 1933 and 1934 were less than one-third of the amount awarded in 1929. It was not until 1937 that the former figure was surpassed.

In the subsequent years through 1942 the aggregate amount of the contracts awarded was at a relatively high figure and some of the demand for housing which arose during the more prosperous years of the latter thirties was met before the war restrictions were imposed.

NON-RESIDENTIAL CONSTRUCTION

Following the depression of the early thirties, non-residential building was not revived as rapidly as residential building. It was not until 1941 that the amount of contracts awarded exceeded those of 1929 and 1930. With the decline in effective demand for goods and services in the thirties, the industrial, commercial, and financial building in the prior years, in some instances, proved to be excess capacity.

The public works program initiated by the Federal Government during the thirties retarded the decline of the construction industry, as may be observed on the chart.

Now that the war has been brought to a close, the volume of construction is again controlled by the mechanism of effective market demand and supply.

If we succeed in raising the prewar standard of living, the greater volume of goods and services produced and distributed will create a large demand for industrial, commercial, and financial building. The need of additional productive capacity of many kinds at the present time suggests that any prewar

excess capacity has disappeared in a large number of cases.

The volume of residential building is determined basically by the annual income of families. The average family cannot afford to spend comfortably much more than one-fifth of its income for shelter. If unemployment is held to a minimum and if the price of new homes is within the income range of the great mass of families, the demand for new homes will be large.

POSTWAR OUTLOOK FOR CONSTRUCTION

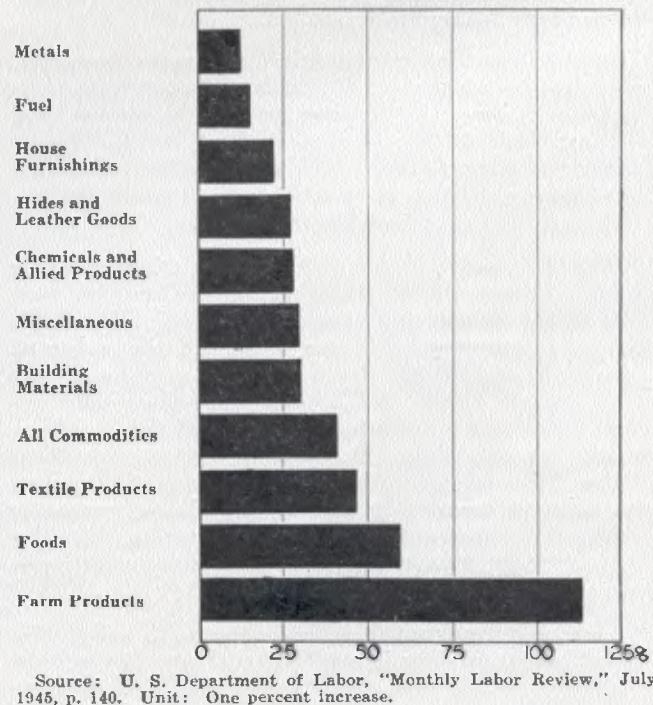
The U. S. Bureau of Labor Statistics in the February, 1945, "Monthly Labor Review" has analyzed in some detail the factors determining the demand for new residential construction.

Decidedly more than one-half of the new homes are built by contractors for immediate sale. When houses are likely to sell at a price which yields a satisfactory profit, they proceed with the construction. Such long-range considerations as future construction cost, probable developments in design or equipment, and permanence of the local housing need, usually receive attention only insofar as they may affect the immediate sale of a house.

Families buying the new houses or building for their own occupancy are guided by some long-range considerations. In most cases, the purchase or construction of a house is the largest single project undertaken by a family. Since payments are of necessity spread over many years, home ownership is undertaken with much forethought. A comparison

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PERCENT INCREASE OF WHOLESALE PRICES IN THE UNITED STATES, AUGUST 1939 TO MAY 1945



AGRICULTURE***Crops Good, Prices Steady, Land Values Up***

FAVORABLE growing conditions during July and early August have added millions of bushels to the prospective outturn of small grain crops in the Ninth District. Production of all small grain in the district may about equal or possibly exceed the large production of 1944.

Corn remains about two to three weeks late and is one of the few crops in the Northwest that has failed to indicate improvement from the July 1 crop estimate. For the United States as a whole, corn prospects were improved. Over much of the Ninth District, corn promises little more than a fair forage crop unless the season is frost-free until early October. In the heavy corn producing areas of southern Minnesota and southeastern South Dakota, the corn crop has made an amazing growth in recent weeks and is in fairly good condition. In other sections there is a great variation and conditions even between fields in the same area have widened as the season progressed.

Reports from over the district indicate small grains are of excellent quality. Oats especially are reported as high in quality, with the other grains also showing high test weights, good color, and surprisingly little foreign matter in threshed grains in view of rank weed growth in many fields.

Most of the flax crop will not be harvested until late in August and some of it may have to await harvesting until late spring wheat is harvested. Reports indicate a heavy growth of pigweed, pigeon grass and other annual weeds which will make harvesting and storing of flax unusually difficult. Flax-seed acreages in the district are about 45 percent larger compared with 1944 and the present outlook indicates total production may be 60 to 70 percent above the small 1944 crop.

Early indications of considerable insect and disease damage to crops did not materialize except for a grasshopper menace to the late alfalfa seed crop in eastern Montana and late flax fields in western North Dakota. Most crops to date are reported as unusually free of these usual hazards. All crops with the exception of corn are so near maturity that any sudden disease or insect development would likely have little effect on the final crop outturn with the possible exception of blight on late potatoes in the Red River Valley.

A recent report from the State-Federal Crop Reporting Service of South Dakota pretty well summarizes the crop situation for much of the district with the exception of parts of northern Montana:

"Marked improvement in small grain prospects and continuing uncertainty for corn were the outstanding developments of the South Dakota crop picture during July. The State-Federal Crop Reporting Service estimates the total 1945 production

SUMMARY

EXCELLENT small grain crop being harvested. Corn late and unusually spotty.

Range and pasture conditions good to excellent, with fall prospects favorable.

Farmers' cash income during first five months down 7 percent from same period last year.

Farm product prices steady, but greater fluctuations possible in post-war period.

Land values up 1 to 3 points since March 1.

of the five grains—corn, wheat, oats, barley and rye—at 308,265,000 bushels as of August 1 compared with 304,525,000 bushels produced in 1944. The corn crop this year would be nearly 57 million bushels less than the large crop of 1944. This decrease is more than offset by the increase in prospective production of nearly 61 million bushels in small grains of wheat, oats, barley and rye."

Estimates of Crop Production in the Ninth District¹

Crop			1945 August 1 Estimate	1945 in Percent of 1944
	1943	1944		
Corn, bu.	342,268	453,060	336,928	74%
Winter Wheat, bu.	26,240	30,411	35,989	118
Spring Wheat, bu.	252,933	265,502	262,779	99
Oats, bu.	328,779	377,205	507,734	135
Flax, bu.	41,773	20,485	29,279	143
Barley, bu.	160,005	126,526	116,759	92
Tame Hay, tons	11,332	10,408	10,519	101
Potatoes, bu.	58,085	45,816	46,001	100

¹ Data derived from United States Department of Agriculture August 1 "Crop Production" report. District estimates by Federal Reserve Board.

Range conditions in the Ninth District continue good to very good, according to a recent government report. Pasture feeds are reported to be curing later than last year. Prospects appear good for late summer and fall feed in Ninth District states except possibly north central Montana, where the season to date has been dry. The condition of cattle and sheep on ranges in the Ninth District is reported above last year and the 1923-1942 twenty-year average.

The lamb crop in 1945 is estimated by the Department of Agriculture as the smallest since 1929 with the exception of 1935 following the drouth of the previous year. Only about 28½ million lambs will be produced this year, which is a million less than last year and about 2¼ million head below a recent 10-year average.

Many Montana lambs have already been contracted for fall delivery. The bulk of the early contracts drawn previous to the lamb subsidy going into effect were \$11.50 to \$12.50 for lambs. Later con-

tracts were on a \$12.50-\$13.00 per Cwt. basis. The general price of good breeding ewes in Montana is reported as \$8.00-\$9.00 per head.

The new sheep and lamb subsidy program is designed to help producers meet increased costs without increasing consumer prices of lamb and mutton. Payments are so arranged as to encourage the raising and feeding of lambs to heavier weights.

Farmers' cash income in the Ninth District during the first five months of 1945 totaled approximately 690 million dollars. This is about 7 percent below that of the same period a year earlier, but it is nearly three times larger when compared with the same period in the 1935-1939 prewar average.

Cash farm income continues to lag behind last year in South Dakota and Montana but more than holds its own in the rest of the district. In Minnesota and South Dakota a substantial share of total cash farm income is from the sale of hogs. Sharp reductions in hog marketings this year compared with a year ago explain in part, at least, the lag in farm income in this part of the district.

For the United States as a whole, farm income is slightly higher so far this year compared with a similar period in 1944.

January-May Cash Farm Income¹

(Thousands of Dollars)

State	1935-1939 Average	1944	1945	1945 in Percent of 1944
Minnesota	\$ 127,339	\$ 354,027	\$ 315,379	89%
North Dakota	30,422	110,129	110,014	100
South Dakota	37,505	132,551	117,467	89
Montana	21,594	67,328	70,863	105
Ninth District ²	238,221	745,346	690,348	93
United States	2,818,839	7,552,000	7,604,000	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-July were little changed from a month earlier. The price level of most agricultural commodities has held unusually stable since about the middle of 1943. Most farm products were at ceiling prices or were supported at prices near parity by nonrecourse loans, government purchases or other means.

As price restrictions are gradually removed and changes in supply and demand are more freely reflected on prices in the market, farm prices in future months may be expected to register greater fluctuations.

The Department of Agriculture in a late July release forecasts that prices of most farm products probably will remain near current levels for the remainder of 1945. This was before Japan surrendered. Undoubtedly the sudden ending of the Pacific War will affect materially consumer incomes and it is questionable how consumers will react to quantities of food purchased. It is true that for

many months past people would have purchased materially larger quantities of some farm products had they been available.

Farm product prices as a group are above parity. In mid-July they were 119 percent of parity compared with 113 a year earlier and 84 for the 1935-1939 average. In this district most grain prices are below parity, while most livestock and livestock products are substantially above the parity level.

Average Prices Received by Farmers¹

Commodity and Unit	Ninth District			Parity Prices ² United States July 15, 1945
	July 15 1937-1941 Avg.	July 15 1944	July 15 1945	
Crops				
Wheat, bushel	\$.73	\$ 1.39	\$ 1.48	\$ 1.53
Corn, bushel	.60	1.01	.99	1.11
Oats, bushel	.26	.70	.59	.69
Potatoes, bushel	.72	1.07	1.86	1.25
Livestock and Livestock Products				
Hogs, 100 lbs.	8.10	12.63	13.92	12.60
Beef Cattle, 100 lbs.	7.37	11.68	12.59	9.38
Veal Calves, 100 lbs.	8.43	13.10	13.64	11.70
Lambs, 100 lbs.	7.50	12.00	12.90	10.20
Wool, lb.	.26	.44	.41	.317
Milk, wholesale, 100 lbs.	1.49	2.67	2.65	2.58
Butterfat, lb.	.29	.52	.52	.425
Chickens, live, lb.	.126	.213	.250	.197
Eggs, dozen	.168	.299	.346	.35

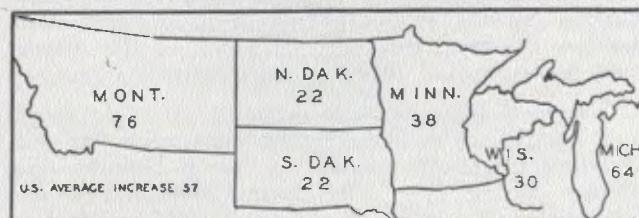
¹ Data compiled from "Agricultural Prices", United States Department of Agriculture.

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.

Farm real estate values in Ninth District states continue to advance. In Montana, land values were up 68 percent on July 1 from the 1935-1939 average—up 8 points from the March 1 estimates. Land values in the two Dakotas were increased 22 percent from the prewar level. In Minnesota, values were up 38 percent on July 1 from the prewar level and 4 points above the March 1 level.

For the United States as a whole, farm real estate values advanced 57 percent from the 1935-1939 average. The increase of land prices to July 1 brings the United States index (1912-1914=100) to 130, a rise of 11 percent from July 1944. The Department of Agriculture reports that land values have risen 53 percent since March 1941, or an average of about 1 percent per month.

PERCENTAGE CHANGE IN AVERAGE VALUE PER ACRE OF FARM REAL ESTATE FROM 1935-39 AVERAGE TO JULY, 1945



BANKING***City Banks' Deposits Down, Country Up***

MAJOR changes in the Ninth District banking picture during the month reflect the customary developments to be anticipated after a major war-loan campaign.

The weekly reporting member banks exhibited a reduction in over-all deposits of \$36 million. Deposits of the Federal Government declined from \$328 million on July 11 to \$273 million on August 15 as war loan accounts, built up during the Seventh War Loan, were drawn upon. A part of this reduction in war loan accounts turned up in deposits of individuals and businesses, which rose \$23 million during the month, but a net loss of deposits was experienced.

Assets and Liabilities of Selected Ninth District Member Banks

	(In Million Dollars)		
	7/11/45	8/15/45	Change
Assets			
U. S. Treasury Bills.....	\$ 38	\$ 25	\$-13
U. S. Treasury Certificates of Indebtedness.....	197	200	+ 3
Other U. S. Government Securities.....	748	744	- 4
Total U. S. Government Securities.....	983	969	-14
Other Investments.....	47	49	+ 2
Loans.....	223	215	- 8
Cash and Due from Banks.....	371	356	-15
Miscellaneous Assets.....	14	15	+ 1
Total.....	1638	1604	-34
Liabilities			
Deposits of U. S. Government.....	328	273	-55
Deposits of Individuals and Businesses.....	811	834	+23
Other Deposits.....	410	406	- 4
Total Deposits.....	1549	1513	-36
Borrowings.....	0	0	
Miscellaneous Liabilities.....	7	8	+ 1
Capital Accounts.....	82	83	+ 1
Total Liabilities and Capital.....	1638	1604	-34
Excess Reserves.....	7	3	- 4

Earning assets of these banks also reflected the usual post-war-loan development. As reserves became tighter with the growth of deposits subject to reserve requirements, U. S. Treasury bills were liquidated down to holdings of \$25 million by the end of the month. This was to be expected. During the period that war loan accounts are rising and high, banks tend to invest temporarily free reserve funds in these securities. As their reserve position tightens, holdings of Treasury bills tend to be liquidated to build up their reserve position.

Holdings of certificates of indebtedness increased slightly, an increase entirely offset by a decline in holdings of other types of government securities.

Loans and discounts at these 20 reporting city

SUMMARY

DOWN turn in war loan accounts causes decline in total deposits at reporting city banks.

Deposits of country member banks continue to rise in July, the increase concentrated in Minnesota, the Upper Peninsula of Michigan, northern Wisconsin, and South Dakota.

Country member banks' excess reserves decline.

banks, which on July 11 amounted to \$223,000,000, had declined by August 15 to \$215,000,000. Approximately \$3,000,000 of this decline arose out of a reduction in commercial, industrial, and agricultural loans.

Loans to brokers and dealers and securities, which during the war loan drive had expanded moderately, declined \$1,000,000 and other loans for carrying securities fell off by slightly over \$4,000,000 during this five-week period. In each of the last two cases the decline was the customary reversal following a major war loan campaign.

Total deposits of country member banks averaged \$1,404 million during the last half of July, \$39 million above the average for the previous month. Minnesota country banks accounted for about half of this increase, while the remainder was concentrated in the Upper Peninsula of Michigan, northern Wisconsin, and South Dakota. The relative increase for both demand and time deposits was about the same for all states. The level of deposits during the last half of July stood about \$276 million above the corresponding period for 1944.

Reserves carried with this bank averaged \$149 million, a decline of \$3 million from the June level. The decline in reserves, together with a rise in deposits requiring reserves, reduced excess reserves held by these banks from \$39 million during the last two weeks in June to \$33 million during the corresponding period for July.

The reserve position for all Ninth District member banks is indicated by the following table:

Daily Average Reserve Position for All Ninth District Member Banks for the 16-Day Period Ending July 31, 1945

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks.....	\$158,705	\$155,791	\$ 2,914
Other City Banks.....	24,740	21,987	2,753
Total City Banks.....	183,445	177,778	5,667
Total Country Banks.....	148,505	115,126	33,379
Total Ninth District—1945	331,950	292,904	39,046
Total Ninth District—1944	283,650	246,208	37,442

EXPANSION IN CONSTRUCTION**ALREADY NOTED**

(From Page 250)

is made between the cost of ownership and of renting; the probable trend of construction cost is estimated; some attention is devoted to the anticipated new developments in building and home equipment with greater comforts and conveniences. Finally, the advantage of home ownership which requires a down payment is weighed against the advantage of owning other durable goods such as an automobile and further home appliances and furniture.

The number of houses built for investment is determined by similar long-range considerations. The financial aspect, of course, occupies the dominant position. An estimate is made of the probable trend in construction cost and rental levels. The latter is determined largely by local population and employment trends.

From the nature of the demand for houses, it is evident that residential construction must compete in terms of satisfaction and economy with other durable goods for the consumer's dollar. If home ownership seems more attractive relative to the expenditure involved than other durable goods, families will tend to purchase comfortable homes and postpone the purchase of automobiles, home appliances, and furniture to a later date. If the ownership of durable goods seems preferable, families will tend to purchase them instead of new houses.

According to the wholesale price index of the Department of Labor, the cost of building material since 1939 (the final month prior to the outbreak of the war in Europe) had risen 31 percent by May of this year. While this rise would not seem to be out of line, since the index for all wholesale prices during the same period increased 41 percent, the rise in prices in building materials was actually larger than for any other major group of commodities included in the Department of Labor wholesale prices with the exceptions of farm products (113 percent), foods (59 percent), and textile products (47 percent).

Within the building materials group, the 71 percent rise in lumber prices during this roughly six-year period topped the list. This is of considerable importance, particularly in the case of residential construction.

TRENDS IN PRODUCTIVITY

Since labor constitutes a large part of the total building cost, a rise in the productivity of construction workers is highly significant. U. S. Bureau of Labor Statistics in the July 1945 number of the "Monthly Labor Review" has set forth some of the changes which have taken place in construction work.

Changes in the pattern of the work done by the several occupations takes place more or less con-

Value of Building Permits Issued in Selected Cities of the Ninth District

City and State	First Seven Months		% Increase or Decrease
	1945	1944	
Bemidji, Minn.	80,670	24,880	+ 224.2
Billings, Mont.	785,310	55,490	+ 315.2
Duluth, Minn.	536,882	690,537	- 22.3
Eau Claire, Wisc.	1,170,300	3,573,850	- 67.3
Fergus Falls, Minn.	75,260	74,050	+ 1.6
Jamestown, N. D.	23,420	3,560	+ 557.9
LaCrosse, Wisc.	130,980	42,730	+ 206.5
Marquette, Mich.	12,580	3,770	+ 233.7
Minneapolis, Minn.	4,558,345	2,128,850	+ 114.1
Missoula, Mont.	287,880	23,120	+ 145.2
Pierre, S. D.	9,090	2,610	+ 248.3
St. Paul, Minn.	2,696,010	1,938,521	+ 39.1
Sault Ste. Marie, Mich.	23,960	10,790	+ 122.1
Sioux Falls, S. D.	597,390	264,380	+ 126.0

tinuously. For example, plumbing was greatly changed when lead pipe was replaced by steel pipe accompanied by the change from boxed-in fixtures with exposed pipe to "open" plumbing with concealed pipe. Plastering has been simplified by a reduction in elaborate ornamental work. Carpentry has changed in many cases from the ornamental woodwork and complicated framing to the building of forms for concrete work. Most of these changes have reduced the level of skill required and, thereby, led to a reduction in costs.

Another type of changes, frequently referred to as off-site processing, has been accelerated greatly by the war. More and more of the materials are now pre-cut or pre-assembled (e.g., windows and frames) in factories. With the use of more machines, the output per worker is increased. The range in skill required by the worker is also reduced.

Even though only large contractors are in a position to adopt these new techniques, it is estimated that the output per worker in residential construction will rise about 15 percent as compared with prewar output. For non-residential building an increase of only 5 percent is estimated. A large part of the work will consist of alteration and modernization, which is unsuited to mass production technique.

A rapid expansion in construction activity is anticipated in the postwar years. U. S. Bureau of Labor Statistics in the February 1945 number of the "Monthly Labor Review" estimated the annual expenditures for construction, in terms of 1940 costs, from \$7,890 million in the first postwar year to \$12,065 million in the fifth year. In 1940 the amount expended aggregated \$7,602 million. After an allowance is made for the expected increase in output per worker, the on-site employment is estimated at 1,840,000 workers in the first postwar year and 2,842,000 workers by the fifth year. A decidedly larger increase in off-site employment will occur. If these estimates prove to be approximately accurate, this industry directly and indirectly will provide for many of the present war plant workers in addition to the former construction workers.

BUSINESS***July Holds to Level of Second Quarter***

MOST of the business indicators available at the present time for July reflect a continuation of the high level of business operations of the second quarter.

July department store sales over the district for the second consecutive month exceed those of a year ago by 15 percent. The stores located in Minneapolis, St. Paul, Duluth, and Superior continue to report a larger increase in sales than the stores in the smaller cities. A comparison of the increase in sales among the states in the district indicates that Montana stores on the average experienced the largest expansion in dollar volume.

Bank debits declined sharply in July. The smaller volume of checks drawn against deposits does not reflect a corresponding reduction in the volume of business transacted. The Seventh War Loan was closed officially on June 30. Since a large number of bonds are purchased by checks, the volume of bank debits swell sharply during each drive.

The volume of debits in the past month was larger in the farming centers than in the industrial and commercial centers. Banks located in the former communities reported an amount which was 109 percent larger than the 1935-1939 average. All of the banks over the district reporting debits had an aggregate amount only 99 percent larger than the 1935-1939 average.

Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939=100

	July 1945	June 1945	July 1944	July 1943
Bank Debts—93 Cities	199	237	185	175
Bank Debts—Farming Centers	209	224	196	172
City Dept. Store Sales	212	185	177	153
City Dept. Store Stocks	184	173	163	158
Country Dept. Store Sales	166	158	153	143
Country Lumber Sales	118	110	134	127
Miscellaneous Carloadings	116	114	117	110
Total Carloadings (excl. misc.)	126	139	135	146
Farm Prices—Minn. (unadj.)	183	185	175	172

War contract cancellation made its impact on the district's economy in July.

In Minnesota, the industrial center of the Ninth District, the unemployment compensation payments rose from \$24,000 in June to \$45,500 in July—an increase of 90 percent—according to the Minnesota Division of Employment and Security. Almost all of the new claims originated in Duluth, Minneapolis, St. Cloud, and St. Paul.

Unemployment compensation payments in the other states of the district have not increased according to the data available.

Payments made under the G.I. Bill of Rights in July increased sharply in all states. Discharged vet-

SUMMARY

DEPARTMENT store sales were 15 percent above a year ago.

War contract cancellation creates some unemployment.

Small amount of plant expansion for war eases reconversion.

trans eligible for unemployment compensation under the state law receive \$20 per week from Federal funds for a maximum period of 52 weeks.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% July, 1945 of July, 1944	% Jan.- July, 1945 of Jan.- July, 1944
Total District	170	73	115	113
Mpls., St. Paul, Dul.-Sup.	19	0	119	117
Country Stores	151	73	109	108
Minnesota	44	24	111	108
Central	6	2	124	120
Northeastern	1	3	109	95
Red River Valley	4	1	107	107
South Central	14	5	115	114
Southeastern	7	6	103	103
Southwestern	12	7	110	108
Montana	28	5	115	112
Mountains	5	2	112	113
Plains	23	3	117	111
North Dakota	30	14	108	109
North Central	5	4	100	99
Northwestern	3	1	116	114
Red River Valley	12	5	108	111
Southeastern	8	4	107	107
Southwestern	*	*		
Red Riv. Val.-Minn. & N. D.	16	6	108	110
South Dakota	18	7	110	112
Southeastern	5	0	112	113
Other Eastern	7	3	113	114
Western	6	4	105	109
Wisconsin and Michigan	31	23	102	103
Northern Wisconsin	11	5	108	105
West Central Wisconsin	14	17	97	100
Upper Peninsula Michigan	6	1	120	115

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

Reconversion will not be as great a shock to the economy in the Ninth District as in other regions of the nation. A geographic distribution of the expansion in manufacturing facilities reveals that a small amount took place in the states of this district.

The number of plants and the value authorized by the War Production Board between July 1940 and May 1944, listed in the accompanying table, in Minnesota constituted 1.7 and 1.4 percent of the respective United States totals. In the other states wholly within the district, the number of plants and value authorized was less than one-tenth of one percent. In the Upper Peninsula of Michi-

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NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

INDUSTRIAL activity declined further in July and the early part of August and was sharply curtailed in the latter part of the month as munitions cutbacks were greatly accelerated. Retail trade was maintained in July and early August at a high level for this season of the year.

INDUSTRIAL PRODUCTION — Industrial production in July, the last full month of high level production for war, was 212 per cent of the 1935-39 average, according to the Board's seasonally adjusted index, as compared with 220 in June. Following the surrender of Japan most munitions contracts were cancelled, and as a result it is expected that munitions output and industrial production will show much larger declines in August.

Production of aircraft declined about 20 per cent in July and operations at shipyards and in other munitions industries were reduced considerably from the June rate. Steel production in July and the early part of August was about 5 per cent below the June level. In the week following Japan's surrender activity at steel mills decreased sharply to a rate of 70 per cent of capacity. Production of nonferrous metals continued to decline in July, while output of lumber and stone, clay, and glass products was maintained.

Production of most nondurable goods declined somewhat in July, but, as a group, output of these products was slightly above a year ago. Cotton consumption was 14 per cent below the preceding month and was 11 per cent below last July. Activity in the meatpacking, canning, and baking industries, after allowance for seasonal changes, was down somewhat from June. Production of alcoholic beverages rose sharply as distilleries were released from industrial alcohol production. Activity in chemical, rubber, and other nondurable goods industries declined slightly.

Coal production declined about 5 per cent in July and the first part of August from the June rate, while output of crude petroleum continued to increase and was in record volume.

Contracts awarded for private construction continued to rise sharply in July and were more than three times the low level prevailing last summer according to F. W. Dodge Corporation data. Contracts for privately-owned non-residential building showed the largest increase. On August 21, all restrictions over the construction of industrial plants were removed.

DISTRIBUTION — Department store sales declined much less than is usual from June to July, and the Board's seasonally adjusted index rose from 201 to 218 per cent of the 1935-39 average. Sales in July were 15 per cent larger than in the corresponding period last year. During the first two weeks of August sales were about 20 per cent larger than a year ago.

Carloadings of most classes of railroad freight declined somewhat in July and the early part of August and were below the volume shipped during the same period last year. Shipments of l.c.l. merchandise, however, were at about the same rate as prevailed during the same period last year.

COMMODITY PRICES — Wholesale commodity prices generally showed little change from the early part of July to the early part of August. Following the announcement of peace negotiations prices of cotton and grains declined somewhat—especially contracts for delivery next year—while prices of most other basic commodities continued unchanged.

Retail prices advanced somewhat further in June. Food prices rose 2 per cent and retail prices of clothing, house-furnishings, and miscellaneous items continued to show slight advances.

AGRICULTURE — Crop prospects improved during July and, according to indications on August 1, total output this year will be only slightly smaller than the record volumes of 1942 and 1944. Of the major crops only production of cotton, corn, and apples is expected to be less than a year ago. Marketings this summer of most livestock products except hogs have been about as large as, or larger than, the high levels of recent summers.

BANK CREDIT — Loans and investments at reporting banks in 101 leading cities declined by 1.2 billion dollars between the close of the Seventh War Loan and mid-August. Reflecting repayments on advances made during the drive, loans for purchasing or carrying Government securities declined by a billion dollars. Loans both to brokers and dealers and to other bank customers decreased by approximately 500 million dollars each, compared to drive and immediate pre-drive increases of 1.1 billion and 1.8 billion dollars respectively. While bank holdings of Treasury bonds continued their steady week-to-week increase, holdings of bills and certificates, which had increased during the drive, began to decline again in late July and August. On balance, the total portfolio of Government securities declined by 350 million dollars. Holdings of other securities showed a small increase over the six-week period.

Following the close of the Seventh Drive, deposits of businesses and individuals began to increase again as Treasury expenditures transferred funds from war loan to private accounts. The average level of required reserves accordingly rose by about 500 million dollars between the drive-end low point and mid-August. Reserve balances increased by about 300 million dollars and excess reserves dropped by about 200 million to around 1.2 billion outstanding; this was still somewhat above the generally prevailing interdrive level of slightly less than a billion dollars.

Member bank borrowing from the Federal Reserve Banks, which had declined to a minimum by the close of the Seventh Drive, increased by 275 million dollars in the subsequent six-week period ended August 15. Reserve funds were also supplied to member banks through an increase of 125 million dollars in Government security holdings at the Reserve Banks, as well as by temporary fluctuations in other Federal Reserve Bank credit and in Treasury deposits at the Reserve Banks. Only partially offsetting increases in such funds were a currency outflow of 520 million dollars and a small decline in gold stock. The currency outflow during July, 360 million dollars, was the largest in the past few months; early August increases were also substantial.

BUSINESS

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gan and in the Northwestern part of Wisconsin, the expansion in manufacturing facilities constituted a similar small percent of the total.

Number of Plants and Value Authorized in Four States Within the Ninth District

States	Number of Plants	Percentage Distribution	Value (Millions)	Percentage Distribution
Minnesota	215	1.7	\$ 283.0	1.4
Montana	22	.2	4.7	.0
North Dakota	6	.0	1.6	.0
South Dakota	6	.0	1.1	.0
United States	13,126	100.0	\$20,325.8	100.0

Source: War Production Board.