Production Exceeds Pre-War Level

The unprecedented volume of retail sales, on the one hand, and the stringent shortages of numerous commodities, on the other, present an apparent incongruity which can be explained only by an examination of the aggregate volume of production and the type of commodities produced since VJ-day in comparison with the demand for commodities.

The volume of finished merchandise flowing from factories has made possible, in a significant measure, the large dollar sales of department stores. In the months following VJ-day through April of this year, department store sales in the Ninth District were nearly double those in the pre-war year of 1940. Retail prices, according to the index compiled by the U. S. Department of Commerce, during the same period averaged approximately 41 percent above those in 1940.

From everyday experiences it is known that consumers are paying higher prices for comparable pre-war quality merchandise and, in many instances, they are forced to select higher quality merchandise when the regular brands are not available. Nevertheless, a substantial part of the larger expenditures made for commodities apparently represents a larger quantity of merchandise purchased than in pre-war years, as is indicated by the differential between the increase in department store sales and in prices.

In spite of reconversion problems, labor-management difficulties and stringent material shortages, factories have maintained a surprisingly high level of output as compared with pre-war years. According to the index of industrial production, which measures changes in physical volume, factory production in the eight months following VJ-day averaged 37 percent more than in 1940 and 4 percent more than in 1941. The output of non-durable goods was above the 1940 and 1941 volume figures by 39 percent and 13 percent respectively, and the output of durable goods was 26 percent above the 1940 volume and 11 percent below that of 1941. In the latter year a significant part of the total plant capacity, especially in some durable goods industries, was devoted to the production of war materials.

Thus, the factory output of consumer goods in the past months on the whole has been well above the volume in the two years just prior to the war. However, the production of some particular commodities—for example, automobiles—obviously has not reached the pre-war level, and consumers are most anxious to purchase such commodities.

Shortages of Many Items Traceable to High Level of Purchasing Power, More than to Any Lowered Level of Output Based on Pre-War Production

The reconversion of manufacturing plants has not caused the drastic decline in production, which many competent observers anticipated with 5 to 8 million workers unemployed. Since industry is now in the latter stages of reconversion, it is evident that the shift from the production of war materials to civilian goods sharply curtailed output in only a relatively small proportion of plants. The cancellation of war contracts seriously affected specialized war plants producing explosives, tanks, aircraft engines, and other war products. It also affected some plants in peacetime industries—for example, aluminum plants—which were left with excess plant capacity after the greatly expanded war demand ceased.

In a large number of plants, however, only a small part of the total plant capacity was turned over to the production of war materials, and when the war contracts were cancelled only a small part of the total production was affected. The portion of the plant devoted to the production of war materials was quickly reconverted to the production of civilian products. In some industries—for example, food and textiles—only minor changes were made in the products to meet army and navy specifications. The principal reconversion problems confronting managers of such plants were changes in specifications, re-packaging of products, and acquisition of raw materials and labor.

The production of some important items since the first of the year has reached or nearly reached the pre-war level, according to statistics compiled by the Civilian Production Administration.

- The production of gas ranges in the first four months of this year exceeded significantly the pre-war level, although this output was below the volume reached between October and January.
- Washing machine production in January and April was above the pre-war level, and still greater output is in sight as soon as a larger supply of fractional horsepower motors are available.
- Vacuum cleaners were produced in both March and April at a higher rate than previous to the war.
In shoes, production from February through April exceeded the pre-war output from 17 to 23 percent.

Radio sets in both March and April were turned out at a rate which was 90 percent of the former volume.

Electric iron production in two months reached the pre-war output.

The output of other items, as may be observed in the accompanying chart, is impressive in the light of the shortages on the market.

**PRODUCTION IN NINTH DISTRICT**

How reconversion affected manufacturing plants in the Ninth District can be determined indirectly from changes in the manufacturing employment following VJ-day.

In Minnesota 210,100 workers were employed in manufacturing plants in July, 1945. After the cancellation of war contracts, the employment declined noticeable. In November of last year the number of workers had dropped to 171,700, and in April of this year it had again risen to 185,400. Even though these figures represent a marked drop from July of last year, they are still decidedly above the pre-war level of 113,200 in April, 1940.

Most of the decline in employment following the cessation of hostilities in the Pacific was concentrated in the chemical industry, which included the ordnance plants. A contraction in employment also occurred in a number of other industries during the fall months, but this was caused by the usual seasonal decline and not by reconversion. In April of this year the number of workers employed in all industries except chemicals and food processing was equal to or nearly equal to the number employed in July, 1945.

In Montana, manufacturing employment in the past year and in recent months has been well above the pre-war level. In food processing — for example, meat packing, dairy products, and grain-mill products (the primary manufacturing industry in this region) — the average monthly employment in 1945 comprised 4,300 workers, and in March of this year 4,000 workers as compared with 3,400 on April 1, 1940. In all other types of manufacturing, employment in 1945 averaged one-half again as much as in the pre-war month. Employment in the fall months dropped sharply in these concerns, but in March of this year employment was above the number reported to the Census in April 1940.

In North Dakota, employment in food processing continued to expand following VJ-day. Employment in both October and February was larger than in July 1945 by several hundred workers, and approximately 50 percent larger than in April 1940. In all other types of manufacturing and mining, which comprise a smaller number of workers than food processing, employment was less during 1945.

(Continued on Page 349)

**SHIPMENTS OF SELECTED CONSUMER ITEMS**

First Four Months of 1946 Compared with the Monthly Average, 1940-1941

<table>
<thead>
<tr>
<th>MONTHLY AVERAGE</th>
<th>1940-1941</th>
<th>1940</th>
<th>1939</th>
<th>1938</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Sewing Machines</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
</tr>
<tr>
<td>Domestic Refrigerators</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
</tr>
<tr>
<td>Electric Irons</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
</tr>
<tr>
<td>Gas Water Heaters</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
</tr>
<tr>
<td>Shoes</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
</tr>
<tr>
<td>Domestic Stoves</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
</tr>
</tbody>
</table>

The pre-war production of shoes, domestic sewing machines, and gas water heaters is based on the monthly average from 1926 to 1940, of 1940, and of 1938, respectively.

AFTER crop prospects in Ninth District states had improved, winter wheat, spring wheat, barley, oats, rye, and other crops would be the lowest in many years. The indicated production for the 10 years, 1934-1943, indicates a broader domestic demand for farm products. Civilian demand apparently is as high as it was in war time. Increases in ceiling prices for grains and feedstuffs in mid-May accounted for the sharpest increase in farm prices for many months.

The indicated production of oats is sharply down from last year's phenomenally large crop, but if present prospects materialize the oats crop here will be second only to last year.

Domestic demand and wheat exports (which may be 40% of this year's wheat production) put pressure on farm prices, which continue close to ceilings. Increased marketings and recent sharp price increases explain higher farm income.

Crop Prospects Improve; Farm Income Up 20%

Following early conditions of drought and cold, small grains stage good comeback, although indications point to smallest crop since 1940.

Early corn prospects in district appear promising.

Domestic demand and wheat exports (which may be 40% of this year's wheat production) put pressure on farm prices, which continue close to ceilings.

Increased marketings and recent sharp price increases explain higher farm income.

The tame and wild hay crop appears now to be definitely short. Most reports say there just will not be enough to carry present livestock numbers through to the normal fall marketing season. As a result, some liquidation of livestock numbers starting in early July may occur.

Potato prospects in general are good. The stand is reported good, and early growth has been excellent. Potato acreage is down some 10 to 15 percent from last year, which may reduce total production from a year earlier.

Prices received by farmers in Ninth District states continue to be wedged tightly against ceilings. Increases in ceiling prices for grains and feedstuffs in mid-May accounted for the sharpest increase in farm prices for many months.

In general there appears to be no slackening in the domestic demand for farm products. Civilian demand apparently is as high as it was in war time. Nine million more people in the United States now, compared with 1939, indicates a broader domestic market for farm produce.

If to the accelerated domestic demand for farm products is added the current foreign demand, it becomes evident why food supplies are short and farm prices high.

Exports of United States farm products in the first quarter of 1946 were approximately 16 percent of total food production. Most food exports at present are for relief purposes. During 1945 approximately 10 percent was sent out under lend-lease and regular export. Before the war less than 4 percent was exported.

Total wheat exports in 1946 may approach 40 percent of this year's wheat production. Twenty-
five percent of the 1946 wheat crop is marked for export. Commitments have been made to export about 1.6 billion pounds of meat and nearly a billion pounds of fats and oils during 1946. About 600 million pounds of meat went out during the first quarter this year. Before the war we exported only about 115 million pounds of meat on an annual basis, and we exported very little fats and oils.

It is this expanded domestic demand and our efforts to alleviate famine conditions in foreign countries that have put pressure on farm prices. When foreign relief shipments of food are substantially reduced, as they probably will be sooner or later, this pressure on prices will be reduced and farm prices probably will register weakness. Much will depend, of course, upon the level of farm production in the years ahead and the extent to which domestic employment is maintained.

Cash farm income in Ninth District states registered a gain of 20 percent compared with the first quarter of 1945. This sharp increase is partly the result of increased marketings and partly due to higher farm prices compared with a year earlier.

The recent sharp increases in grain prices, plus the bonus incentives to sell wheat, indicates a continued expansion in farm income during the current quarter.

Cash farm income during the last half of the year will depend largely on the size of the new crop and the proportion marketed before January 1.

Farmers are fully aware of the tight grain situation that prevails now, and which is likely to continue for some time. They may reason that it will pay to hold grain off the market this fall and early winter in the hopes of getting higher prices later on. That is what happened last year.

Farmers may reason that with carry-over of old wheat almost at record lows, not only here but in other major wheat producing countries, and with the demand for wheat what it is, they will have nothing to lose by holding their wheat. This may have some tendency to even out seasonal marketings of wheat to some extent this year.

Livestock slaughter in the third quarter this year probably will be heavy. This would reflect unfavorable feeding ratios that now exist. Some liquidation of livestock herds may occur because of poor pastures and feed conditions. Liquidation of livestock, while temporarily increasing cash farm income, will result in reduced livestock inventory and farm incomes later on.

The major source of cash farm income in the Ninth District is from the sale of livestock and livestock products. Approximately two-thirds of total cash farm income during 1945 was from livestock and livestock products. Here about two-thirds was from crops and one-third from livestock. About 42 percent of North Dakota's cash farm income last year was from the sale of one commodity—wheat.

In the Ninth District part of Wisconsin practically the entire cash farm income is from livestock and livestock products—particularly from dairying.

There is a great variation in type of farming in the different states and among areas within a state. A glance at the table below showing sources of farm income illustrates the wide variation from state to state.

Cash farm income in the Ninth District follows a fairly definite seasonal pattern. The trend from month to month is fairly even during the first half of the year, which reflects steady marketings of livestock and livestock products. Starting in July, however, a sharp increase in cash farm income occurs. This is a reflection of the movement of new crop grains, particularly wheat, to market.

Cash farm income during August, September, and October usually runs 50 to 90 percent higher compared with the average for the first half of the year. The price of wheat and the size of the crop exerts an important influence on farm income during these last summer months. Seasonal increases in marketings of cattle and lambs off grass in September and October also tend to swell cash farm income at this period, particularly in South Dakota and Montana, where beef cattle production is especially important.

### Sources of 1945 Cash Farm Income in Ninth District States

<table>
<thead>
<tr>
<th>Crops</th>
<th>Minnesota</th>
<th>Montana</th>
<th>North Dakota</th>
<th>South Dakota</th>
<th>Four States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>27</td>
<td>42</td>
<td>13</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Corn</td>
<td>6</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Barley</td>
<td>2</td>
<td>7</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Flax</td>
<td>3</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Cattle</td>
<td>14</td>
<td>11</td>
<td>23</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Hogs</td>
<td>19</td>
<td>4</td>
<td>16</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Sheep</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Butter</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Milk</td>
<td>12</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Eggs</td>
<td>11</td>
<td>2</td>
<td>6</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Chickens</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>3</td>
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<table>
<thead>
<tr>
<th>Livestock and Livestock Products</th>
<th>Minnesota</th>
<th>Montana</th>
<th>North Dakota</th>
<th>South Dakota</th>
<th>Four States</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>74</td>
<td>53</td>
<td>60</td>
<td>59</td>
<td>59</td>
</tr>
</tbody>
</table>

| Government Payments | 5         | 4       | 2            | 3            | 3           |

1 Includes 15 counties in Michigan and 26 counties in Wisconsin.
BUSINESS

High Sales Supported by High Income

BUSINESS volume in May, measured by debits to depositors' bank accounts, registered a 13 percent gain for the month. This was the smallest percentage gain over the corresponding month of 1945 that has been recorded so far in 1946.

The largest expansion again occurred in the farming communities of the district, where increases of from 40 to 60 percent were frequent. The larger centers—Minneapolis, St. Paul, and Duluth—all experienced a modest 7 percent growth in volume of debits to accounts when compared to a year ago. The debits index for the month of May at farming centers stood at 260 using the 1935-39 average as 100. The city index was 225 for the month, 24 points above a year ago.

Department and general store sales for the month of May indicate consumer spending in the Ninth District continued unabated in the last 30 days. City department stores reported a sales gain over May 1945 of 43 percent, while department and general stores at farm trading centers experienced a sales increase of 41 percent.

City stores sales for five months in 1946 were 32 percent over the corresponding period in 1945, and the seasonally adjusted sales index in May reached a new high of 264. The 1935-39 average is equal to 100. The unprecedented volume of sales at country stores had a similar effect and pushed that index to 244 for May, also an all-time high. The country sales index a year ago was 159.

Stocks at department stores showed further improvement for the month, notwithstanding the record volume of sales. At the end of May, the dollar volume of city store stocks was 16 percent more than a year earlier. Country stores increased inventories but 2 percent in the past year.

Furniture store sales also reflect the increased rate of consumer spending, with sales for the first five months of this year 72 percent greater than for those months in 1945. May sales were practically double the volume reported for May a year ago. In the face of the high sales for the month, inventories increased 10 percent over April and were 20 percent over month-end figures of May 1945.

Furniture stores reported cash sales up from a year ago, but installment sales currently represent about two-thirds of total sales.

Consumer Income—The purchasing power for the large volume of retail sales is derived largely from current receipts. Consumer income is at a high level, and individuals are spending a larger proportion of it for goods and services and saving less than in the recent war years.

As compared with a year ago, cash farm income in the Ninth District is higher, while over the United States as a whole it is slightly lower. During the first quarter of this year farm income in this district aggregated nearly $487 million, which was one-fifth larger than for the first quarter of 1945.

Non-agricultural income in this district is very likely as high as last year. The income of self-employed individuals may be larger, if one may judge by the increased volume of business transacted. The income of employees is slightly less, according to the amount of wages subject to unemployment compensation in Minnesota.

Wages in all Minnesota industries reported to the Division of Employment and Security for the first quarter of this year according to a preliminary tabulation aggregated nearly $225 million. As compared with the total reported for the first quarter of 1945, this is a decrease of 2.3 percent.

Manufacturing payrolls contracted sharply following V-J-day. Whereas these payrolls totalled $127 million for the first quarter of 1945, they totalled only $97 million for the same period of this year. Among the manufacturing industries, the decline in payrolls is traced mainly to the closing down of ordnance and chemical plants and those producing transportation equipment for the armed forces.

A part of the loss in the payrolls of the above industries was offset by an expansion in the payrolls of industries not so directly affected by the cessation of hostilities. As compared with a year ago, payrolls in plants for the first quarter of this year producing iron and steel products and processing food were approximately $2½ and $2 million larger, respectively. Percentagewise an even larger expansion in payrolls occurred among some of the smaller Minnesota industries.

Mining payrolls are also smaller than a year ago. For the first quarter of this year they totalled $4½ million as compared with $6½ million for the same period of 1945. Iron ore mining accounted for all of the decline. In non-metallic mining and quarrying, payrolls, on the contrary, were much larger this winter than last year. Since the latter type of mining, however, is on a much smaller scale than the former, the expansion in payrolls offset only a small part of the decline in the former.

All but a small amount of the contraction in manufacturing and mining payrolls—2.3 percent in the total payrolls—was offset by an expansion in the
payrolls of other industries; namely, wholesale and retail trade; transportation, communication, and other utilities; finance, insurance, and real estate; and services industries. Of these industries, wholesale and retail trade has the largest payroll, which increased from $49 1/2 million in the first quarter of 1945 to $65 1/2 million in the first quarter of this year.

Thus, Minnesota employees in non-agricultural establishments covered by unemployment compensation insurance have received an income about comparable to that of a year ago when the smaller income tax deductions are taken into account and a partly unemployed veterans, payments also are made aged somewhat less, with the peak in March reach-per month. In North Dakota the monthly payments since January have averaged from $3 to 3 1/2 million unemployment allowances. Payments made to to-

in North and South Dakota have increased much those made a year ago.

monthly payments this year range from 2 to 3 times

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BANKING

**Banks' Holdings of Governments Decline**

The Treasury's policy of utilizing its large cash balance to redeem in cash maturing or callable issues of Government securities continued this month with the announcement in May that $2 billion of the $4.8 billion of \( \frac{3}{8} \) percent certificates of indebtedness maturing June 1 and $1.9 billion of 3 and 3\( \frac{1}{8} \) percent bonds called for payment June 15 would be redeemed for cash.

An announcement was also made during the middle of June that $2 billion of the $4.9 billion of 0.9 percent Treasury notes outstanding would be redeemed for cash and the remaining $2.9 billion would be exchanged for \( \frac{3}{8} \) percent certificates.

These cash redemptions have had their effect on the Government security portfolios of the weekly reporting member banks. On June 12 these banks held $173 million of U. S. Treasury certificates of indebtedness, a decline of $14 million from the previous month. Most of this reduction arose out of the cash redemption of certificates on June 1, and in fact the entire decline occurred during the first week in June. Holdings of certificates of indebtedness are now approximately 70 percent of their peak 1946 level reached in the latter part of February, as the chart will indicate.

Other than the shifts indicated above, there was no material change in the Government security portfolio of these banks.

The loan volume during the month ending June 12 was up $7 million. Commercial, industrial, and agricultural loans accounted for virtually the entire expansion. Loans for carrying securities declined $2 million, and miscellaneous loans increased by the same amount. Real estate loans were up slightly over the previous months.

The banks did experience a substantial shift in their deposit liabilities during the month ending with mid-June. Demand deposits of individuals, partnerships, and corporations rose sharply, from $699 million on May 15 to $740 million on June 12. U. S. Government deposits on the other hand declined by $49 million, and miscellaneous accounts increased by $13 million. While the total volume of demand deposits did not register any substantial change during the month, the large shift from reserve-free war loan balances, a large part of which was used for the redemption of Government debt outlined above, to the deposit accounts of other holders did entail a substantial increase in required reserves.

While there was some increase in reserve balances during the month, the reserve position of these banks on June 12 was the tightest of the entire year to date. Incident to the tight reserve position, member bank borrowings, which during most of the month were completely out of the picture, amounted to $5 million on June 12.

**Assets and Liabilities of Ninth District City Member Banks**

<table>
<thead>
<tr>
<th>Assets</th>
<th>5/15/46</th>
<th>6/12/46</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, due from banks, and reserves</td>
<td>$384</td>
<td>$393</td>
<td>$+9</td>
</tr>
<tr>
<td>Commercial, industrial and agricultural loans</td>
<td>106</td>
<td>113</td>
<td>+7</td>
</tr>
<tr>
<td>Real estate loans</td>
<td>31</td>
<td>32</td>
<td>+1</td>
</tr>
<tr>
<td>Other loans</td>
<td>95</td>
<td>96</td>
<td>+1</td>
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<tr>
<td>Total loans</td>
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<tr>
<td>U. S. Treasury bills</td>
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<tr>
<td>U. S. Treasury certificates of indebtedness</td>
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<td>-14</td>
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<tr>
<td>U. S. Treasury bonds</td>
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<td>678</td>
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<tr>
<td>U. S. Guaranteed obligations</td>
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<tr>
<td>Total U. S. Government securities</td>
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<td>Other investments</td>
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<tr>
<td>Miscellaneous assets</td>
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<td>18</td>
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<td>Total assets</td>
<td>1,719</td>
<td>1,729</td>
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**Liabilities**

<table>
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<th>5/15/46</th>
<th>6/12/46</th>
<th>Change</th>
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<tr>
<td>Deposits of U. S. Government</td>
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<tr>
<td>Deposits of individuals, partnerships, and corporations</td>
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<td>961</td>
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<tr>
<td>Other deposits</td>
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</tr>
<tr>
<td>Total deposits</td>
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<tr>
<td>Borrowings</td>
<td>11</td>
<td>5</td>
<td>+4</td>
</tr>
<tr>
<td>Capital accounts</td>
<td>89</td>
<td>89</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous liabilities</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>1,719</td>
<td>1,729</td>
<td>+10</td>
</tr>
</tbody>
</table>
Country bank deposits during the last two weeks of May averaged approximately $4 million below the corresponding period for the previous month. This decline was a combination of a slight increase in time deposits and a somewhat more than counter-balancing decline of demand accounts. The decline was comparatively general throughout the entire district and in all cases was of very modest proportion. Only two areas, Minnesota and Northwestern Wisconsin, experienced deposit increases and these were in each case of nominal size. The reserve balances of country member banks showed no change during the month.

**BUSINESS**

(From Page 347)

Lumber sales at country yards throughout the district increased sharply in May. Reports from 402 yards showed board feet sales more than 50 percent over May 1945.

Consumer credit extended by commercial banks moved steadily upward in the last month. At the end of May, outstanding balances were 9 percent larger than a month earlier and 80 percent greater than consumer loans of those banks on May 1943. Purchased paper has increased in volume in recent months, but direct repair and modernization loans continue to represent the largest item in consumer credit at banks.

Building permits issued at 65 cities in the Ninth District in May indicate a continuation of the high building rate in the Northwest. The value of permits for the month of May totaled $12 million—four times the value of permits issued in May a year ago. The value of permits for May was somewhat below the volume reported for April and March. In those months $13 million and $18 million, respectively, were reported.

Iron ore shipments from upper lake ports in the month of May amounted to 3.6 million gross tons. The small shipments in May added to the meager shipments in April brought the total for the season to June 1 to only 4.3 million tons. In the same months last year 18.4 million tons were shipped, while the record for the period to June 1, established in 1942, is 21.3 million tons.

**SPECIAL ARTICLE**

(From Page 343)

and during the first few months of this year than in April 1940.

In South Dakota, employment in food processing declined last fall, but in February of this year 7,100 workers were employed as compared with 5,100 in April 1940. Employment in all other types of manufacturing and mining was less during the war years than formerly. Since last August it has again been gaining significantly.

**PLANT FACILITIES IN NINTH DISTRICT**

In spite of the great strain placed on the industrial machine during the war, factories were on the whole better equipped and had a greater capacity at the end of the war than at the beginning. The value of manufacturing facilities authorized by the War Production Board for the states and parts of states in the Ninth District is listed in the accompanying table. The large amount of publicly financed facilities in Minnesota represents the specialized war plants which were not convertible to the production of civilian goods. The privately financed facilities for the most part constitute equipment and construction either used in the production of commodities used by civilians as well as by the armed forces or easily converted to the output of civilian goods. Even though depreciation was accelerated during the war, the manufacturing facilities authorized by the War Production Board represent an investment which far exceeds the depreciation.

As soon as the economy again is properly coordinated, the output may well be far above the pre-war level. If the large demand for certain consumer items is relatively permanent, it will be necessary, no doubt, to expand further some manufacturing facilities.

**EFFECT OF WORK STOPPAGE**

**IN NINTH DISTRICT**

In the Ninth District there have been few purely local management-labor disputes involving stoppages of production, since nearly all of them have been a part of national stoppage. Even some of these were less severe than in other parts of the country. The meat packing workers in Minnesota remained on the job for 30 days after the national walkout took place, and in the Hormel plant at Austin they remained on the job throughout the controversy.

The steel and coal stoppages had little direct effect on Ninth District industry. The shutdown of the steel industry forced some heavy steel users to curtail their operations more than otherwise would have been the case. The stoppage of coal production forced some plants to close down for a few days. If the coal stoppage had continued through most of May, it would have affected seriously many manufacturing plants and some public utilities in this region.

**SUMMARY OF PRODUCTION TREND**

On the basis of this brief review of the production picture since V-J-day, the aggregate output of factories during the reconversion period did not fall

Manufacturing Facilities in Ninth District Authorized by the War Production Board*

(10 Thousands of Dollars)

<table>
<thead>
<tr>
<th>State</th>
<th>Privately Financed</th>
<th>Publicly Financed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michigan (Upper Peninsula)</td>
<td>1,933</td>
<td>297,920</td>
<td>2,211</td>
</tr>
<tr>
<td>Minnesota</td>
<td>38,706</td>
<td>2,876</td>
<td>277,626</td>
</tr>
<tr>
<td>Montana</td>
<td>6,461</td>
<td>77</td>
<td>6,538</td>
</tr>
<tr>
<td>North Dakota</td>
<td>1,992</td>
<td>10</td>
<td>2,112</td>
</tr>
<tr>
<td>South Dakota</td>
<td>1,435</td>
<td>150</td>
<td>1,585</td>
</tr>
<tr>
<td>Wisconsin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Northwest 26 Counties)</td>
<td>25,800</td>
<td>19,805</td>
<td>45,685</td>
</tr>
</tbody>
</table>

| Ninth District                | 76,409            | 239,948           | 336,357 |

*Source: War Production Board, Program and Statistics Bureau, Industrial Division, Facilities Branch, War Manufacturing Facilities Authorized through December 1944 by State and County.
back to the pre-war level. In the Ninth District relatively few plants were affected by reconversion, according to the trend in manufacturing employment. The specialized war plants—for example, ordnance plants—naturally were closed down and have not been reconverted to the production of civilian goods.

Even though production remained at a high level following VJ-day, there was decided lag in the flow of some consumer items from production lines. In the early stages of reconversion, production was concentrated on the organization of facilities and the fabrication of parts. In other words, it was necessary to fill bins with parts before finished goods could be assembled. With industry now in the advanced stages of reconversion, the assembling of consumer goods constitutes a larger part of the total production.

SHORTAGES OF COMMODITIES IN NINTH DISTRICT

The shortages of numerous consumer items are clearly revealed by an examination of consumer purchases.

The greatest shortages obviously are found among durable consumer items, such as refrigerators, washing machines, and other items that were not manufactured during the war. Department store sales reflect these shortages.

In the accompanying table, sales of mechanical refrigerators, washers, ironers, and stoves in the recent period averaged slightly over 50 percent of the sales during the corresponding months of 1941 and 1942. On the same basis of comparison, the sales of radios, silverware, and luggage averaged 90, 94, and 95 percent respectively. The sale of all other items usually listed under the durable group exceeded the dollar volume in the former years. Since price increases, however, had taken place in the interim, the larger dollar volume does not necessarily represent the sales of a larger number of units.

According to the figure on production, the present shortages of certain consumer items are no more due to a low level of output than to a new level of purchasing power. A larger number of families are now potential purchasers of durable consumer goods than ever before. During the war the stage was set for a higher standard of living for a large part of the population. To achieve this new standard of living, it is necessary for the output of factories not only to reach the pre-war level but greatly to exceed it.

A volume of production larger than previous to the war has been partly responsible for the unprecedented volume of retail sales. Shortages of certain consumer items are still due partly to a low level of output as compared with former peacetime production, but more often the shortages are the result of a high level of purchasing power which was, in part, accumulated during the war. In general, factories were better equipped and had greater capacity at the end of the war than at the beginning. The stage is set for a greater distribution of commodities than ever before.

—Oscar F. Litterer.