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BUSINESS

Retail Sales Indicate Business at Plateau

ACCORDING to the trend of department store sales the economy may have reached, or possibly passed, a peak in the present replacement boom.

Since the first of the year the trend of sales has manifested a leveling off. For example, during the first two weeks in May, department store sales were less than 10 percent above the volume of a year ago; while the January sales were 25 percent above those of a year ago.

During the intervening months there has been a lower rate of expansion in dollar volume of sales.

Department store stocks during March were reduced in the larger centers of the district but during April again increased sharply. According to preliminary figures reported to the Federal Reserve Bank, stocks in stores located in Duluth, Minneapolis, St. Paul, and Superior were 6 percent higher in terms of dollar volume than at the end of the previous month. After an adjustment for the usual seasonal variation, the stocks index rose from 243 in March to 283 in April.

In the smaller communities, department store stocks are at an equally high level, although they did not exhibit the same rise in April. During the war years, merchants placed duplicate orders in the expectation of receiving a small percent of the total order. In many instances merchants are now receiving the full amount of these orders. This has resulted in an over-supply of inventories concentrated in some particular items.

An examination of stocks by departments reveals a concentration of merchandise in piece goods and home furnishings. In the 12-months period ending March 31, stocks in these two departments had risen 1½ times faster than the sales. In home furnishings stocks are still unbalanced.

For example, stocks of radios over the same period increased 3.8 times faster than the sales, and stocks of domestics increased 2.5 times faster than the sales. On the other hand, stocks of mechanical refrigerators were still extremely low.

Much of the merchandise held by retailers in this district is still financed by the concerns' own capital.

In the larger centers more bank credit has been extended to merchants than in the numerous smaller communities. The liquid funds accumulated during the war have been used by some concerns to expand their floor space. The rapid increase in accounts receivable as a result of the release of charge accounts from Regulation W has absorbed a substantial proportion of the liquid funds. Consequently, some concerns found it necessary to secure bank credit to maintain their inventories at rapidly rising prices.

In the smaller communities of the Ninth District, most retailers are still in a position to finance stocks with their own capital. Bankers estimate that credit has been extended on less than 5 percent of the total.

Credit extended for inventories has been chiefly to GI's who have taken over a business or organized a new one. Some credit has been extended to appliance dealers on the floor plan method. There is reason to think that the better-managed small business outlets in this district are still in a strong financial position to weather an adverse price trend.

DEPARTMENT store stocks mounted rapidly during April.

Most merchants are still financing inventories with own capital, though some are borrowing.

High level of current income, expansion of credit, and past savings support high level of retail sales.

SALES SHIFTING FROM NON-DURABLE TO DURABLE GOODS

Department store sales during the first quarter of this year have continued the 1946 shift from non-durable to durable merchandise. During the war, with a shortage of civilian merchandise, consumers spent a smaller percent of their income and saved more of it. Within less than one year after VJ-day consumers had again increased their spending to about the same proportion of the income at their disposal as prior to the war.

However, a decidedly larger proportion of the total expenditures last year was made for non-durable goods. For example, the sale of piece goods and women's apparel, which was relatively high during the war years, continued to increase during 1946. In this district the sales in these two departments were approximately 2¾ and 2½ times the 1941 average respectively.

During the first quarter of this year sales of women's apparel were only 6 percent larger as compared with sales for the same period of 1946, while sales of home furnishings were 30 percent larger. The shift in sales from non-durables to durables no doubt will continue as stocks of the latter mount in retail markets.

HIGH FARM INCOME BOOSTS RETAIL SALES

Current income, which constitutes the chief support of retail sales, has continued to rise in this district. The increase is traced primarily to a larger cash farm income. During the first quarter, cash farm income was 34 percent larger than for the same period of last year.

Payrolls are also larger than a year ago but have leveled off in recent months, with the plateau reached in non-agricultural employment.

The extension of credit has supplemented current income in the support of retail sales. Since VJ-day, consumer credit outstanding has risen sharply and now stands at an all-time high in the nation of over $10 billion. However, in relation to the present high dollar volume of sales, consumer credit is still at a relatively low figure.

In the Ninth District, the rise in consumer credit outstanding has been comparable to the national trend. According to a sample of 25 banks engaged in consumer credit lending, the amount of such credit outstanding has risen by 2½ times the amount outstanding at the end of hostilities. Furthermore, a large number of banks have entered the field of consumer credit lending during the past few years.

Consumer credit has also risen substantially in the institutions especially organized for the extension of such credit; namely: industrial, small loan, and sales finance companies, and state and federal credit unions. For example, the net amount of loans outstanding in industrial loan companies at the end of April was 11 percent larger than at the end of the preceding month.

In department stores, sales continue to shift from cash to credit. In a small sample of department stores in this district, total monthly cash sales since February have been less than a year ago. During April, cash sales constituted 50 percent of the total, charge accounts 45 percent, and instalment sales 5 percent.

Collections on charge accounts have also slowed up materially.

Savings are drawn on to make some purchases. Since the first of the year, time deposits in member banks of this district have increased at a slower rate than formerly, and during the latter part of April a decline occurred in such deposits.

Consumers, nevertheless, hold a substantial backlog of savings. During the first part of April, time deposits in member banks of this district reached a total of almost $900 million—an increase of nearly $100 million in twelve months. A substantial amount of U. S. Government savings bonds are also held by individuals.

In the accompanying table are listed the sales less redemptions through March of this year of U. S. Savings Bonds in this district. With the sale of these securities in recent months, aggregate holdings now total well over $2 billion.

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Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939 = 100

	April 1947	March 1947	April 1946	April 1945
Bank Debits—93 Cities	265	307	216	180
Bank Debits—Farming Centers	334	381	275	206
City Department Store Sales	273p	284	246	163
Country Department Store Sales	243p	274	203	148
City Department Store Stocks	283p	243	174	158
Country Department Store Stocks	291p	284	192	171
Country Lumber Sales	149p	194	193	136
Miscellaneous Carloadings	133	138	128	130
Total Carloadings (excl. Misc.)	141	110	89	155
Farm Prices (Minn. unadj.)	254	258	178	173

p-Preliminary.

Sales at Ninth District Department Stores

	% April 1947 of April 1946	% Jan.-April 1947 of Jan.-April 1946	Number of Stores[1] Showing Increase	Number of Stores[1] Showing Decrease
Total District	110	114	205	92
Mpls., St. Paul, Dul.-Sup.	109	113	11	12
Country Stores	111	117	194	80
Minnesota	103	111	51	30
Central	96	108	5	5
Northeastern	112	106	5	1
Red River Valley	124	115	2	2
South Central	109	118	13	9
Southeastern	86	104	10	6
Southwestern	109	114	16	7
Montana	117	119	31	11
Mountains	124	122	11	5
Plains	113	118	20	6
North Dakota	111	121	43	18
North Central	111	122	9	1
Northwestern	107	117	4	2
Red River Valley	113	124	17	6
Southeastern	110	118	12	7
Southwestern	101	106	1	2
Red River Valley-Minn. & N. D.	115	123	19	8
South Dakota	110	117	18	10
Southeastern	117	117	5	3
Other Eastern	104	118	8	5
Western	109	116	5	2
Wisconsin and Michigan	115	117	51	11
Northern Wisconsin	115	114	12	1
West Central Wisconsin	115	119	30	6
Upper Peninsula Michigan	112	112	9	4

[1] April 1947 compared with April 1946.

Department Store Sales by Cities

	Percent One Year Ago April	Percent One Year Ago Jan.-April	Percent 1935-1939 Average April
Minneapolis	105	110	290
St. Paul	115	119	268
Duluth-Superior	106	110	
La Crosse	109	115	
Mankato	104	114	
St. Cloud	99	109	

AGRICULTURE

Farm Income Up Third; Crop Prospects Good

CROP development in most areas of the Ninth District is two weeks to a month behind last year. This is not too serious, providing weather conditions are about average from here on out, since May thus far has been favorable for farming operations.

A year ago crops got an early start, too early in some cases as they were "nipped" back by the late May freeze. Crop development so far this year may not be more than 10 days behind normal, and farmers are catching up in a hurry with their farm work, thanks to farm mechanization.

There are indications, however, that farmers may shift acreage to some extent from oats and spring wheat to corn, soybeans, or other coarse grain crops. The July 1 Government crop report will show to what extent this has happened.

It also appears probable that farmers may plant more flax than was indicated by earlier reports. The "Prospective Plantings" report issued by the U. S. Department of Agriculture on March 20 indicates an increase over 1946 of 60 percent in Minnesota, 52 percent in South Dakota, 95 percent in North Dakota, and 150 percent increase in Montana.

In general, flax, winter wheat, durum wheat, rye, and soybean acreage in the district may be larger than in 1946. Other spring wheat, oats, corn, and potato acreage may be slightly less.

Seldom, if ever, have top and subsoil moisture conditions been as favorable for the district as a whole as they are at the present time. This, at least, will get grain crops, hay, and pastures off to an excellent start. Growth should be rapid and abundant as temperatures warm up. Rainfall in June and July, however, will really tell the final crop production story for 1947.

RECORD WINTER WHEAT CROP IS FORECAST

Most of the district's winter wheat is produced in Montana and South Dakota. The Montana crop is estimated at 34 million bushels this year, compared with 32½ million last year and 21 million for a recent 10-year average.

The winter wheat crop in South Dakota is estimated at 7 million bushels, which would be the largest production in the 35 years of record. Production during the 10-year period 1936-45 averaged less than 2 million bushels.

LATE season causes acreage shift from oats and other small grains to corn and coarse grains.

New record in winter wheat production predicted.

Costs of farming are increasing; prices received by farmers are slightly lower.

Cash farm income for first half of 1947 may total 25 to 33 percent above first half of 1946.

No Government forecast of spring wheat production will be made until June 10, but a total United States crop of 265 million bushels is foreseen, based on intended plantings and average yields. About 83 percent of total United States spring wheat production was harvested in Ninth District states in 1946.

United States winter and spring wheat production in 1947 may total about 1.3 billion bushels, which is 135 million bushels larger than last year's record production, and 450 million bushels in excess of the 10-year average, 1935-44.

Approximately 800 million bushels of wheat were used domestically from the 1946 wheat crop. If the

Farm Returns, Family-Operated Farms, By Type, 1945 and 1946 with Comparisons[1]

Type of Farm and Location	Gross Farm Income 1937-41 Dol.	Gross Farm Income 1945 Dol.	Gross Farm Income 1946 Dol.	Operator's Net Farm Income 2/ 1937-41 Dol.	Operator's Net Farm Income 2/ 1945 Dol.	Operator's Net Farm Income 2/ 1946 Dol.	Return Per Hour To All Labor 3/ 1937-41 Dol.	Return Per Hour To All Labor 3/ 1945 Dol.	Return Per Hour To All Labor 3/ 1946 Dol.	Return to Investment 4/ 1937-41 Pct.	Return to Investment 4/ 1945 Pct.	Return to Investment 4/ 1946 Pct.
Corn Belt Farms:												
Cash grain	4,508	10,264	14,233	2,006	5,583	8,563	.38	1.10	1.75	5.7	8.4	10.1
Hog - beef fattening	3,831	9,265	13,519	1,837	5,155	8,906	.32	.91	1.66	5.0	7.5	8.5
Hog - beef raising	2,298	5,971	8,142	1,256	3,913	5,879	.27	.83	1.33	4.9	6.7	7.6
Hog - dairy	2,901	7,140	8,933	1,399	3,960	5,592	.25	.71	1.00	4.8	7.3	7.7
Spring Wheat Farms (No. Plains):												
Wheat - corn - livestock	2,654	8,190	10,125	1,382	5,476	7,314	.32	1.16	1.64	4.8	11.2	11.2
Wheat - small grains - livestock	2,571	8,775	10,778	1,188	5,349	7,181	.29	1.16	1.68	6.1	14.9	15.1
Wheat - roughage - livestock	2,009	7,529	9,154	1,047	5,067	6,784	.27	1.06	1.48	3.0	8.6	8.2
Winter Wheat Farms (So. Plains):												
Wheat	2,659	12,675	15,922	1,210	9,592	12,493	.37	2.82	3.73	3.2	8.4	8.9
Dairy Farms:												
Southern Wisconsin	3,000	7,430	8,786	1,316	3,952	5,066	.26	.85	1.11	4.8	4.6	4.7

[1] Source: "Farm Costs and Returns, 1945 and 1946, Family-Operated Farms in Six Major Farming Regions," U. S. Department of Agriculture, Bureau of Agricultural Economics, April, 1947.

[2] Net farm income minus rent and interest paid by the farm operator. This is what the farm operator and his family get for the use of their labor, capital, and land after paying current production expenses, rent, and interest on the mortgage debt and taking account of changes in inventories.

[3] Net return above farm production expenses, other than hired labor, and an allowance for the use of capital employed in the farm business divided by the total hours of operator, other family and hired labor used on the farm during the year.

[4] Net rental value of land and buildings (under common methods of renting in respective area) and short-term interest rate return on working assets as a percentage of the estimated current inventory value of land and buildings, livestock, machinery and equipment, crops, feeds, seeds and supplies.

1947 crop actually totals 1.3 billion bushels about 550 million bushels would, therefore, be available for export and carry-over.

Before the war, a prospective crop of 1.3 billion bushels of wheat probably would have resulted in all-time lows for wheat prices. But conditions have changed, at least temporarily. During the past two years nearly 400 million bushels have been exported annually.

The demand for food abroad, especially wheat, is tremendous. More United States wheat could be exported if shipping facilities were available. Many observers feel that because of poor prospective wheat crops in Europe, United States wheat exports this year may exceed the level of recent years; at least the demand is expected to be greater.

Argentina is the only other country with sizeable export quantities of wheat. Foreign governments are purchasing there at a cost of $3.75 a bushel, which is considerably over United States wheat prices.

In another two or three weeks the United States wheat harvest will be well under way in Texas, Oklahoma, and southern Kansas. Foreign governments are expected to be aggressive buyers in our markets at that time and especially so if export restrictions are to be removed by July 1.

In spite of the prospects for record wheat exports in 1947, total production may be large enough that wheat carry-over at the end of the 1947-48 marketing season may total nearly 250 million bushels, according to the U. S. Department of Agriculture. This would be a more comfortable margin compared with the 100 million carry-over of the last two seasons.

January-February Cash Farm Income

(Thousands of Dollars)

State	1935-1939 Average	1946	1947	1947 in Percent of 1946
Minnesota	$ 49,432	$ 144,180	$ 189,956	132%
North Dakota	10,311	55,678	69,789	125
South Dakota	15,197	70,812	101,683	144
Montana	8,396	29,462	38,528	131
Ninth District[2]	94,875	329,257	441,954	134
United States	1,106,413	3,109,000	3,925,000	126

[1] Data from "The Farm Income Situation," United States Department of Agriculture.
[2] Includes 15 counties in Michigan and 26 counties in Wisconsin.

Average Prices Received by Farmers[1]

Commodity and Unit	Ninth District April 15, 1937-1941 Avg.	Ninth District April 15, 1946	Ninth District April 15, 1947	Parity Prices 2/ United States April 15, 1947
Crops				
Wheat, bushel	$ .84	$ 1.53	$ 2.35	$ 2.03
Corn, bushel	.59	.99	1.47	1.48
Oats, bushel	.31	.69	.79	.918
Potatoes, bushel	.66	1.29	1.24	1.70
Livestock and Livestock Products				
Hogs, 100 lbs.	7.29	14.06	24.72	16.70
Beef Cattle, 100 lbs.	7.12	13.07	18.56	12.50
Veal Calves, 100 lbs.	8.25	13.58	20.42	15.50
Lambs, 100 lbs.	8.34	13.65	18.77	13.50
Wool, lb.	.26	.42	.41	.421
Milk, wholesale, 100 lbs.	1.48	2.80	3.43	3.45
Butterfat, lb.	.29	.53	.72	.599
Chickens, live, lb.	.124	.203	.222	.262
Eggs, dozen	.157	.302	.377	.42

[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 PRICES DECLINE SLIGHTLY; COSTS HIGHER

The costs of farming continued their upward trend for the period ending April 15. Prices of farm machinery, building materials, feed, seed, fertilizers, and equipment and supplies on April 15 were up slightly from the previous month and up sharply from a year earlier. Farm production costs on April 15 were approximately 80 percent higher compared with the 1935-39 average.

The costs of commodities used in farm family maintenance, including food, clothing, furniture and furnishings, and general operating expenses were nearly double pre-war.

In contrast to rising farm costs, prices received by farmers turned down from their March 15 peak. The decline was slight, however, and prices received on April 15 were still more than two and a half times the 5-year average, 1935-39. Almost full employment, high industrial activity, record high consumer incomes, along with tremendous foreign requirements for United States food have tended to keep the demand for farm products at a high level.

The parity ratio, which is simply the prices received by farmers divided by prices paid index by farmers, stood at 120 on April 15, or 20 points above full parity. A year ago this ratio was 117. It was only 84 for the 5-year period, 1935-39, and it was in the low 60's during the depression. The parity ratio is an indication of the farmer's price position relative to other prices.

CASH FARM INCOME NEW RECORD IN FIRST TWO MONTHS OF '47

New highs for farm prices combined with continued near-record production of farm products have boosted district cash farm income one-third for the first two months this year, compared with the same period a year earlier.

With even higher farm prices since March 1, it appears likely that cash farm income for the first half of 1947 might well be one-fourth to one-third larger compared with the first half of 1946.

District cash farm incomes thus far in 1947 are higher comparatively than for the country as a whole. This difference may be explained, partly at least, by the advance in wheat prices above the average of most farm products, hogs excepted. Wheat is the district's most important single farm commodity, accounting in 1945 for 16 percent of the district's cash farm income.

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BANKING

Bank Loans Show Little Gain

THE rapid rate of bank credit expansion of recent months tapered off considerably during April and the early part of May in this area. Total loans and discounts of all Ninth District member banks rose by only $2 million during April to total $643 million by the end of the month.

This expansion is substantially less than the approximately $20 million rise during each of the other months in 1947. All of the expansion occurred at country banks.

As a matter of fact, total loans at the larger city banks declined by $9 million during the month. Most of the decline was registered by commercial, industrial, and agricultural loans, together with loans on securities. Loans on real estate continued to expand but apparently at a substantially lower rate of increase than had occurred in recent months.

The rate of expansion in bank loans since June of 1946 has been one of the largest in history. Member bank loans in this area of $459 million at the end of June, 1946, had increased to $643 million 10 months later, an average increase of approximately $20 million per month.

This expansion has been all the more impressive when it is remembered that loans on securities, which were fairly substantial a year ago, have been rapidly retired during recent months.

Commercial and industrial loans during the final six months of 1946 increased 60 percent, and loans on real estate and consumer loans both experienced impressive gains.

In part the tapering off of this

Assets and Liabilities of All Ninth District Member Banks*
(In Million Dollars)

	April 30, 1947	March 26, 1947	Change
Assets			
Loans and Discounts	$ 643	$ 641	+ 2
U. S. Government Obligations	1,811	1,836	— 25
Other Securities	157	153	+ 4
Cash and Due from Banks	766	805	— 39
Other Assets	24	22	+ 2
Total Assets	$3,401	$3,457	— 56
Liabilities and Capital			
Due to Banks	$ 337	$ 376	— 39
War Loan Deposits	73	92	— 19
Other Demand Deposits	1,888	1,872	+ 16
Total Demand Deposits	$2,298	$2,340	— 42
Time Deposits	900	898	+ 2
Total Deposits	$3,198	$3,238	— 40
Borrowings from F. R. B.	2	21	— 19
Other Liabilities	13	13	
Capital Funds	188	185	+ 3
Total Liabilities and Capital	$3,401	$3,457	— 56

*This table is in part estimated. Data for loans and discounts, U. S. Government obligations, and other securities are obtained by reports directly from the member banks. Reserve balances, cash items, and data on deposits are largely taken from the semi-monthly report which member banks make to the Federal Reserve Bank for the purpose of computing reserves. Data for borrowings from the Federal Reserve Bank are taken directly from the books of the Federal Reserve Bank. The item "other liabilities," which may include some borrowings by banks from other banks, is largely estimated. Capital funds, other assets, and total assets and liabilities are extrapolated from call report data.

Assets and Liabilities of Twenty Reporting Banks
(In Million Dollars)

	May 14, 1947	April 16, 1947	Change
Assets			
Com., Ind. and Ag. Loans	$ 201	$ 210	— 9
Real Estate Loans	46	45	+ 1
Loans on Securities	19	20	— 1
Other Loans	82	82	....
Total Loans	$ 348	$ 357	— 9
U. S. Treasury Bills	5	11	— 6
U. S. Treasury Cert. of Indebt.	35	35	....
U. S. Treasury Notes	76	75	+ 1
U. S. Government Bonds	589	595	— 6
Total U. S. Government Securities	$ 705	$ 716	— 11
Other Investments	60	61	— 1
Cash and due from banks	411	400	+ 11
Miscellaneous Assets	16	15	+ 1
Total Assets	$1,540	$1,549	— 9
Liabilities			
Demand Deposits, Ind., Part., Corp.	$ 730	$ 711	+ 19
Demand Deposits, U. S. Government	31	42	— 11
Due to Other Banks	288	314	— 26
Other Deposits	378	374	+ 4
Total Deposits	$1,427	$1,441	— 14
Borrowings	6	2	+ 4
Miscellaneous Liabilities	12	11	+ 1
Capital Funds	95	95	....
Total Liabilities and Capital	$1,540	$1,549	— 9
Excess Reserves	7	1	+ 6

LOANS at city banks declined during May.

Commercial loans accounted for most of loan contraction.

Country banks lost deposits during the month as city banks gained funds.

Reduction of borrowings at Federal Reserve bank indicates easier reserve position.

rapid expansion is a seasonal development, but it seems probable that part of it arises from a slightly more cautious attitude on the part of bankers with regard to the general business outlook.

The movements in deposits were somewhat more complex. War loan accounts of the U. S. Government continued to decline and amounted to only $73 million for all member banks at the end of April. Deposits due to other banks also declined rather sharply during the month.

On the other hand, demand deposits of individuals and businesses and time deposits on balance increased. A closer examination reveals, however, that virtually all of this deposit expansion was experienced by the larger banks.

Country banks in general either held their own or experienced some deposit contraction. This again is at least to a substantial degree a seasonal development.

In general the reserve position for most banks has been comparatively easy during recent weeks. Borrowings from the Federal Reserve Bank of $21 million at the end of March were reduced to $2 million four weeks later, indicating in part the easier reserve position and the use of excess reserves to retire borrowings from this bank.

BUSINESS

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According to surveys made on how individuals plan to use their savings, a large number of them intend to employ their savings for the construction of a home or the purchase of other durable goods.

Consequently, a portion of these savings will supplement current income in the creation of purchasing power when, in the opinion of these individuals, this merchandise may be had at reasonable prices.

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Holdings of U. S. Government Savings Bonds in the Ninth District

(In Thousands of Dollars)

	Sales of Series E, F, and G Less Redemptions of Series A Through E Through March 31, 1947
Michigan (Upper Peninsula)[1]	$ 104,896
Minnesota	1,061,305
Montana	231,025
North Dakota	261,825
South Dakota	237,527
Wisconsin (Northwest 26 Counties)[1]	206,253
Total	$2,102,831

[1] The holdings of bonds in the parts of states were estimated on an average per capita basis.
Source: U. S. Treasury Bulletin, April, 1947, pp. 40-42.

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Credit Sales Respond to Increased Supplies

REPORTS from retail establishments participating in this year's retail credit survey, which provided a breakdown of their sales into cash, open credit, and instalment sales (see Table I), indicate that total sales of all credit granting stores during 1946 continued their upward trend to a level 32 percent above 1945 sales.

Although sales in all lines of goods were above a year ago, the largest increases were recorded in sales of consumer durable goods. Soft goods, after price rises are taken into consideration, did little more than maintain a volume of sales equivalent to that recorded for 1945.

Sales during 1946 were still heavily weighted with cash sales, which accounted for approximately 60 percent of the total. Because the retail credit survey deals only with credit granting stores, this proportion of cash sales does not give a true picture for total retail trade in this area. After adjustments have been made to allow for the strictly cash stores operating in this district, cash sales accounted for approximately three-fourths of total sales. (Table II)

Although total cash sales have continued the rising trend exhibited throughout recent years, the proportion that such sales are of total sales has passed the peak and has assumed a downward movement. This drop in the proportion of cash sales and its consequent increase in credit sales reflects the large increase in consumer expenditures in relation to income. Disposable income of individuals in the United States in 1946 was up only 5 percent over 1945, while consumer expenditures were up 20 percent.

Open credit sales, which suffered a proportionate set-back during the war, have started to climb back to a prewar relationship with total sales. Such sales accounted for 26.0 percent of total sales in 1939. This proportion, after increasing up through 1942, dropped to only 19.9 percent of total sales in 1944. During 1946, open credit sales accounted for 21.0 percent of total sales.

Instalment selling at retail stores in the Ninth District during 1946, when compared to total sales, showed little change from the proportions that existed during the war years. In 1939, instalment sales accounted for 10.3 percent of total sales. This proportion remained much the same until 1942, at which time the effects of Regulation W acted as a deterrent to this type of buying. Instalment sales in 1942 were only 4.9 percent of total sales. These sales maintained much the same ratio to total sales up through 1946.

These statistics on cash, open

(Continued on Next Page)

● *EACH YEAR the Federal Reserve Bank of Minneapolis conducts a Retail Credit Survey of the Ninth District as a part of a national survey made by the Board of Governors of the Federal Reserve System.*

This survey is based on reports received from retail firms engaged in nine lines of retail trade.

These lines of trade cover automobile dealers, automobile tire and accessory stores, furniture stores, hardware stores, household appliance firms, department stores, jewelry stores, men's clothing stores, and women's apparel shops.

Only those firms doing a part of their business on a credit basis are covered by the study. Strictly cash stores are not included.

The Retail Credit Survey for the year just passed covers a period during which many major changes in the conversion from a wartime to a peacetime economy occurred.

In this district, where retail trade occupies such an important position in relation to total business, information revealed by the survey is a good indicator of how our economy in general has been affected.

Table I
Percentage Change, 1945 to 1946, in Sales and Accounts Receivable by Type of Store

Type of Store*	Sales: Total	Sales: Cash	Sales: Charge Account	Sales: Instalment	Accounts Receivable: Total	Accounts Receivable: Charge Account	Accounts Receivable: Instalment
Women's apparel	+ 21	+ 20	+ 22	+ 39	+ 49	+ 48	+ 56
Department	+ 27	+ 18	+ 43	+ 83	+ 55	+ 51	+ 91
Automobile, tire and accessories	+ 77	+ 72	+ 83	+ 42	+ 63	+ 68	+ 36
Household appliances	+136	+104	+228	+150	+132	+158	+124
Furniture	+ 60	+ 64	+ 45	+ 60	+ 25	+ 26	+ 24
All other	+ 75	+ 85	+ 58	+ 72	+ 56	+ 57	+ 48
Total	+ 32	+ 24	+ 44	+ 70	+ 52	+ 52	+ 54

*Because of the smallness of the reporting sample in the men's clothing, hardware, automobile, and jewelry stores, these firms were included as a total under the heading "All other."

credit, and instalment sales indicate a tendency during 1946 for sales to return to a pre-war pattern. Shortages in many lines inhibited this tendency, but with supplies of goods becoming more and more plentiful and competition for the consumer's dollar becoming correspondingly more keen, the pre-war relationship between cash and credit sales should evolve more rapidly.

PATTERN FOR DURABLES AND NON-DURABLES STORES DIFFERS

Firms engaged primarily in the sale of durable goods sold a much larger proportion of their goods for cash than did the firms dealing principally in non-durable goods. (Table III)

Cash sales at durable goods stores, which include automobile dealers, automobile tire and accessory shops, furniture, hardware, and household appliance stores, were more than twice as high in 1946 as they were a year previously. Open credit sales were up 91 percent and instalment sales increased 71 percent.

The trends exhibited by the durable goods stores were reversed in the non-durable goods firms. In these firms the largest increases occurred in instalment sales. Open credit sales were next in importance and sales for cash showed no increase that could not be accounted for by the rise in prices.

These divergent trends in the two types of stores is probably accounted for by the still largely unsatisfied demands for such items as automobiles, refrigerators, and other relatively scarce durable goods. Dealers were still operating in a seller's market and therefore such sales as were made were cash transactions to a greater degree than usual.

In the non-durable goods lines the supply of goods had been built up to a more or less normal relationship with demand.

The divergence between durable goods stores and non-durable goods stores is further reflected in the accounts receivable outstanding at the end of the year for each type of store.

Total receivables at durable goods stores, in spite of the large increases in all types of sales, have increased only 44 percent over the 1945 figure. In non-durable goods stores, sales have increased at a much slower rate, but receivables increased by 51 percent.

Table II
Distribution of Total Retail Sales by Type of Transaction

Year	Percentage of Total Sales: Cash	Open Account	Instalment
1939	63.7	26.0	10.3
1940	63.3	26.3	10.4
1941	62.7	26.3	11.0
1942	67.7	27.4	4.9
1943	72.9	22.8	4.3
1944	75.2	19.9	4.9
1945	75.1	20.5	4.4
1946	74.1	21.0	4.9

Note: Distribution by type of transaction is based on data from the Census of Business for 1939, projected according to data from the Retail Credit Survey for subsequent years with adjustments made in cash sales because of bias in the sample.

INVENTORIES EXPAND 80%

Inventories at retail for all reporting stores were 79 percent higher at the end of 1946 than a year earlier. Sales during the same period for an identical group of stores were only up 36 percent.

This increase in the ratio of inventories to sales reflects the attempts of retailers to build up their stockpile of goods which had been eaten into rather heavily during the war years.

Balance sheet figures indicate a shift in assets from cash, bank de-

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Table III
Percentage Change, 1945 to 1946, of Sales and Receivables of Retail Stores by Line of Goods

	Durable Goods Stores	Nondurable Goods Stores	Department Stores
Number of Stores	71	66	32
Net Sales—Total	+ 91	+ 21	+ 27
Cash and C.O.D. Sales	+107	+ 19	+ 18
Open Credit Sales	+ 91	+ 23	+ 43
Instalment Sales	+ 71	+ 42	+ 83
Receivables—End-of-year			
Total	+ 44	+ 51	+ 55
Open Credit	+ 64	+ 51	+ 51
Instalment	+ 38	+ 51	+ 91

Table IV
Percentage Change, 1945 to 1946, Selected Balance Sheet Items

	Durable Goods Stores	Nondurable Goods Stores	Department Stores	All Stores
Current Assets:				
Cash and Bank Deposits	+ 7	+ 5	— 39	— 31
U. S. Government Securities	— 24	— 58	— 61	— 55
Other Current Assets*	+ 51	+ 50	+ 78	+ 72
Total	+ 27	+ 10	+ 19	+ 20
Current Liabilities:				
Notes Payable to Banks	+ 59	— 75	+792	+198
Trade Payables	+101	+ 6	+ 6	+ 14
Other Current Liabilities	+ 91	— 24	+ 28	+ 25
Total	+ 88	— 28	+ 37	+ 32

*Largely inventories.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MAY 28, 1947

INDUSTRIAL output and employment declined slightly in April. Value of department store sales continued to show usual seasonal changes in April, but increased somewhat in May. The general level of wholesale commodity prices declined somewhat in April and showed little change in the first three weeks of May.

INDUSTRIAL PRODUCTION—Industrial production declined slightly in April according to the Board's seasonally adjusted index, which was at a level of 187 percent of the 1935-39 average for April as compared with 190 in March. Output of both durable and non-durable manufactures and of minerals was below the March rate.

A slight decrease in activity in the durable goods industries in April reflected mainly work stoppages at plants producing communication equipment and small declines in output of building materials after allowance for usual seasonal changes.

Production of non-durable manufactures was in somewhat smaller volume in April, owing mainly to a decrease in output of textiles. Activity in the rubber products industry was slightly below the exceptionally high first quarter levels when tires for passenger cars, trucks and busses were being produced at an annual rate of 100 million as compared with about 60 million in 1940. Production of most other non-durable goods in April showed little change from the March rate.

Output of coal declined 20 percent from March to April, reflecting work stoppages at bituminous coal mines in the early part of the month. Production of crude petroleum and of metals continued to advance. Crude petroleum output rose further in the early part of May to a new record rate.

EMPLOYMENT — Employment decreased by about 450,000 workers in April, according to Bureau of Labor Statistics figures as adjusted for seasonal variation by Federal Reserve. This decline was due chiefly to work stoppages in the telephone, bituminous coal, and electrical machinery industries. Employment in industries manufacturing non-durable goods, chiefly textiles and apparel, also declined. The number of persons unemployed increased slightly in April.

CONSTRUCTION — Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed little change from March to April and was about one-fifth smaller than in April 1946. Private residential and non-residential awards declined, although awards usually show a seasonal increase in April. Awards for publicly financed construction expanded further, reflecting chiefly a large increase in the volume of contracts for streets and highways.

DISTRIBUTION — Department store sales continued to show little change in April, after allowance for usual seasonal changes. The Board's adjusted index was 275 percent of the 1935-39 average in April, compared with 277 in March and an average of 271 in the first four months of this year. In May, dollar volume of sales showed less than the usual seasonal decline, and in the first half of the month was 12 percent larger than in the corresponding period of 1946.

Prices of most basic commodities showed little change in the early part of May, following declines in April. Prices of feed grains and copper advanced, while prices of rubber, wool tops, paint materials, and lumber declined. The general level of wholesale prices, according to the Bureau of Labor Statistics weekly index, has been at 147 percent of the 1926 average since the middle of April as compared to an average level of 149 percent in March.

TREASURY FINANCE AND BANK CREDIT—Treasury redemption for cash of part of the weekly maturing bill issues continued into May. Between April 17, when the program began, and May 22 one billion dollars of Treasury bills were retired. Largely as a result of these retirements, Treasury war loan deposits at commercial banks were reduced by about 800 million dollars in the five weeks ending May 21.

Commercial and industrial loans, which had expanded rapidly from the middle of 1946 until March, 1947, declined somewhat during April and the first half of May at banks in leading cities. Real estate and consumer loans continued to increase. Government security holdings declined between the middle of April and the middle of May.

CREDIT SALES RESPOND TO INCREASED SUPPLIES

(Continued from Page 458)

posits, and U. S. Government securities to accounts receivable. Stores are apparently using cash assets built up during the war years to help carry customer accounts. In addition to a large increase in customers' accounts it was also necessary to finance inventory purchases, which almost doubled the value of stocks of goods on hand at the year's end. At the same time, notes payable to banks were almost three times as large as a year ago and trade payables were up 14 percent.

As a result of this changed financial picture, the current ratio for all reporting stores dropped from 3.26 in 1945 to 2.96 in 1946.

In 1946, retail stores in the Ninth District accomplished much of the conversion from a war to a peacetime economy. With the exception of a few lines of largely durable goods, a relatively normal peacetime relationship between supply and demand had been accomplished. Cash and credit sales were rapidly assuming a proportion of total sales similar to that existing before the war.

As 1947 gets well under way, retailers have maintained a healthy attitude with regard to the business picture. The accumulation of inventories has been pared to those lines in which shortages still exist and merchants are making concerted attempts to keep the supply of goods on hand moving over the counter.

AGRICULTURE

(Continued from Page 455)

In spite of increased farm costs in recent years the farmers' net income position has steadily improved. For example, on a typical family-operated, wheat-small-grains-livestock farm in the northern Plains area, the operator's net farm income in 1946 averaged $7,181. This compared with $5,349 in 1945 and $1,188 for the pre-war 5-year average, 1937-41.

The return per hour to all labor was $1.68 in 1946, $1.16 in 1945, and 29 cents in the pre-war 5-year average.[1] (See table on Farm Returns.)

In a typical family-operated hog and dairy farm in the Corn Belt, net farm income averaged $5,592 in 1946. This compares with $3,960 in 1945, and $1,399 for the 1937-41 average. The return per hour to all labor was $1.00 in 1946, 71 cents in 1945, and 25 cents for the 5-year pre-war average.[1]

The 1946 return on investment was 7.7 percent for the hog-dairy farms and 15.1 percent for the spring wheat farms. (See table on Farm Returns.)

This interesting study by the Department of Agriculture also indicated that the operating expense per dollar of gross farm income had declined from 69 cents for the 1937-41 average to 28 cents in 1946 for the typical spring wheat farm. For the hog-dairy farm the decline was from 91 cents in 1937-41 to 60 cents in 1946.

[1] "Farm Costs and Returns, 1945 and 1946, Family-Operated Farms in Six Major Farming Regions," U. S. Department of Agriculture, Bureau of Agricultural Economics, April 1947.