FEDERAL RESERVE BANK OF MINNEAPOLIS

MONTHLY REVIEW

9th DISTRICT AGRICULTURAL AND BUSINESS CONDITIONS

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Supplies, Credit, Demand Give Clues

The Construction Picture

Looks Good on the Basis of Spring Activity

WITH all factors bearing on construction appearing to be favorable, the outlook for the year, judging by spring building activity, is better than was expected earlier.

Signs of a quite normal spring expansion have been evident during April, although the usual seasonal rise in building was delayed this spring because of the mid-March snow and cold weather—which impeded transportation of materials to construction sites and prevented excavating.

Reasons that district contractors look for a good year, with nearly all skilled tradesmen likely to be employed this summer, include existence of an ample supply of building materials, sufficient credit for those who wish to buy homes, and the fact that surveys show as many plan to buy homes this year as last.

February and March Starts Encouraging

The construction industry began the new season in a promising way in many areas of the nation. A surprisingly large number of new housing starts were made in February and March. The Department of Labor has estimated that in February 77,000 new nonfarm residential housing units were begun. This number exceeded those started in the same month of years prior to 1950.

The 77,000 units were only 3,600 and 5,900 less, respectively, than those initiated in February 1951 and 1950.

In March, the Department of Labor has estimated, 98,000 new nonfarm units were started, for an increase of 27 per cent over February. This was materially above the seasonal rate of increase and reflects in large part the sharp rise in public starts to 12,000. March starts exceeded by 4,000 those made in March 1951.

Activity in the nonresidential construction field has been highlighted by the volume of industrial building. Manufacturers have continued to expand their plants and add to their equipment in order to have sufficient capacity to produce both "guns and butter."

Expenditures for new plants and equipment for the first quarter of 1952 were about 24 per cent above

▶ Dollar amount of nonresidential contracts in the district during the first two months totaled about a fourth larger than a year ago.

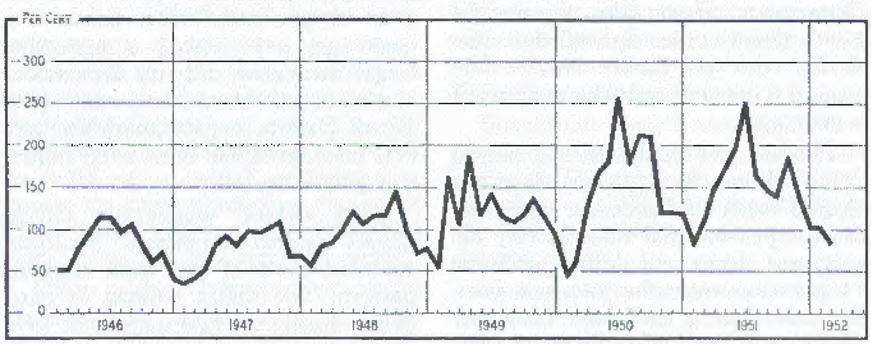
▶ Bulk of nonresidential contracts is weighted with public construction.

▶ Residential building, according to some observers, may be within 10 per cent of the units built last year.

▶ Consumers' intentions are to purchase about as many new homes as last year, survey shows.

CONSTRUCTION CONTRACTS AWARDED IN NINTH DISTRICT

1947-49=100 (Unadjusted)



THE VALUE of contracts awarded reflects the large volume of construction undertaken in 1950-51. In comparison with the high activity in the first two months of 1951, contracts awarded for all types of construction in the first two months of this year were down by only 2½ per cent. (Source: F. W. Dodge Corporation.)

those made in the first quarter of 1951, as estimated by the Securities and Exchange commission and the Department of Commerce. Furthermore, it was estimated that in the second quarter such expenditures will be slightly larger than those made in the first quarter, but they will taper off in the latter half of the year. On the basis of these figures, it is estimated that expenditures for 1952 may be $24.1 billion, or about 4 per cent above the previous record set in 1951.

District Contractors Look for Good Year

An indication of the large volume of nonresidential construction which may be undertaken in the district this year is the number of contracts awarded. The dollar amount of such contracts totaled about 25 per cent more in the first two months of this year than volume of contracts did in the first two months of 1951.

In order to gain an insight into the type of nonresidential building under way in this district, a study was made recently of the type of projects awarded to contractors since the first of the year, as published weekly by the Minneapolis and St. Paul Builders Exchanges. The projects published since January 1 through April 11, 1952, were tabulated according to the type or use to be made of the buildings scheduled for erection.

The results show a preponderance of the larger projects came under the category of public construction. A majority consisted of school buildings and various other types of muncipal buildings, while a large number were designated as additions, improvements, or remodeling. A relatively small number were for industrial, commercial, and other types of private buildngs. On the basis of this tabulation, it appears that state and local governments may spend more for new construction during the current year than they did last year.

Home builders in this district are looking forward to another good year. The number of new dwelling units to be built this year may be within 10 per cent of those built last year, according to some observers in the industry. The demand for new housing is not concentrated in the large urban centers; it also is heavy in some other areas of the district.

For instance, mining and processing of taconite will require additional workers. More housing will therefore be required for these workers and their families on the iron ranges of northern Minnesota, northern Wisconsin, and the Upper Peninsula of Michigan.

Mining and treating of low-grade copper bearing ores likewise will require more workers. This will increase the need for new housing, especially in connection with the White Pine project on the Upper Peninsula of Michigan.

The development of national air ports at Rapid City, South Dakota,

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OTHER BUSINESS DEVELOPMENTS

Easter Sales Bettered Poor '51 Volume

Retail Trade — Last year's Easter sales were generally termed "disappointing," and were partly a result of adverse weather and partly a reaction to the consumer buying spree of a few months earlier. This year, pre-Easter sales throughout the nation were generally reported as "fair." Department store sales figures for Ninth district cities showed that sales during the pre-Easter week were around 6 per cent over the same week a year ago.

This six per cent was the largest "plus" shown in city sales since the closing week of February, when extensive promotional sales in city department stores sent dollar purchases 11 per cent over the previous year. But sales during 1952 have been predominantly "minus" in terms of year-ago comparisons.

Sales at city department stores through the middle of April (for Minneapolis, St. Paul, Duluth and Superior stores) placed them thus far in 1952 about 6 per cent behind the same period last year. Stocks held by Ninth district department stores at the end of March were considerably below 1951 levels.

Country department stores, with sales during the first quarter of this year 11 per cent below those of a year ago, experienced a somewhat larger drop than did city department stores. However, in some areas (and North Dakota in particular) the general sales level has been even higher this year than last.

Bank debits, which are checks drawn against depositors' accounts, revealed some of this same regional pattern. The dollar volume of bank debits during the first quarter of 1952 ran only 1 per cent higher than a year ago for the Ninth district in general. In contrast, debits in North Dakota were some 8 per cent over last year's. Indications were that the pattern is partly a result of activity brought on by oil discoveries in North Dakota.

Employment—Throughout the district, employment was beginning to pick up from its seasonal lows of February and March.

In Minnesota (through February) only slight seasonal changes were exhibited in employment. Manufacturing, which comprised 20 per cent of the non-agricultural labor force, experienced a slight increase, while construction employment declined several percentage points below the previous month.

March employment in the cities of Minnesota was down slightly, with construction, trade, and transportation being the main contributors to the decline. During the middle of April, floods had idled considerable numbers in St. Paul, and were expected to cause the April employment figure to be substantially lower than the March level.

March employment in Montana was reported slightly above that of February, as the seasonal upswing began. END

Borderline Credit Cases Have Increased

WEAK SPOTS in Agriculture

Pose Lending Problems for District's Bankers

ALTHOUGH over-all farm income figures seem to reflect a generally sound financial position, there is evidence that some farmers in certain areas of the Ninth district are being forced to borrow more money in order to operate.

Total incomes of farmers in all states of the district are reported near peak levels, but a significantly larger "fringe" of farmers are hard pressed for operating cash. This because soft corn, low-quality small grains, and slumping livestock prices have reduced incomes of many farmers substantially.

As a result, many local bankers are being asked to extend more credit to their farm customers this spring—in many instances by operators whose financial statements don't read as well today as they did a year ago.

The situation finds bankers with some special "worries" in making farm loans this spring. Over-all income figures, they say, are of little help in analyzing the credit position of the individual farm operator whose income was hurt by adverse crop conditions.

Each loan, and each loan applicant, must in the final analysis be considered individually, on the basis of the special conditions affecting each particular loan. The final loan decisions must be partly subjective — after all the available facts are carefully weighed.

Lenders Show Concern

The current problems are pointed up by the experience of lenders. "We are spending three times as much time on each loan as we did a couple years ago," stated a banker in a rich community in the southern part of the district. Another lender said, "We are putting a few of our borrowers on a strict budget for the coming season —including a monthly allowance for living expenses."

In some cases, where the bank is unable to extend further credit on the basis of the applicant's current financial position, the farmer is referred to the Farmers Home Administration.

The extra caution being used by bankers in loan analysis is healthy for all concerned. It is good business for the farm operator who has suffered temporary income setbacks, because by making the necessary adjustments in his operations now he may protect himself against more serious losses later on.

It is also good business for the local banker who must concern himself with the dual responsibility of (1) providing the needed credit to his customers and community, while at the same time (2) managing his loans so as to keep the financial interests of those people in a sound and secure position at all times.

In view of this greater concern over farm loans, this would seem an excellent time to review and analyze some of the weaknesses in the farm financial structure which recent lending activities have revealed.

Some Problems Due to Inadequate Capital

Quite naturally many "borderline borrowers" represent operators whose financial positions have never been very strong at any time. Important among this group—though perhaps a minority—are the relatively new or beginning operators who simply haven't been farming long enough to build up a capital position that would see them through a couple of "lean years." (Some areas have had poor crops for the last two years).

Many of these beginning operators do not have sufficient livestock to make an effective adjustment to soft corn. Nevertheless, in spite of their financial difficulties, their ability as managers may be good and their operations satisfactory except for the special problems caused by the lack of adequate capital.

- ***Soft corn, low quality small grains, slumping livestock prices have put a crimp in farm income in localized areas.***
- ***Over-all statistics have hidden distressed situations in some areas.***
- ***While general finances of agriculture remain sound, a significantly larger minority of farmers are hard pressed for operating cash.***

Every Community Has Marginal Operators

What seems to be a more difficult problem from the standpoint of the lender is the farm operator whose past performance as a manager has been at best only mediocre.

Such an operator may be limited by his own abilities as a manager. He may be limited by the capacity of a farm that is too small or unproductive for an efficient farming operation. Some are the victims of their own poor spending and business habits—yielding to a desire for too-high living, and too little concerned with the need for building up financial reserves that would see them through a poor profit year.

Sometimes work-saving appliances and other conveniences for the farm home are bought with more enthusiasm than is justified by the ability of the farm to pay for them out of income earned.

Nearly every community includes a few farm operators who have made little or no financial progress in the last ten years—a period of generally rising prices and a period when progress in farming has been comparatively easy. Many such operators have been borderline borrowers for a good many years, and a year or two of curtailed income has inevitably dropped them below the line of sound credit risk.

How Much for Machines?

Large machinery investments are another common circumstance that lenders have been faced with in studying the credit position of their farm customers, affecting that credit position adversely in many cases. While the machinery itself may have been a sound investment, it has frequently been purchased by making repayment commitments that didn't allow for a "poor crop year."

This is a phase of the farm finance picture that requires careful study and analysis. For while it seems clear that some farmers may have overinvested in machinery, there is also a definite economic need for "the right" equipment if farming is to be efficient.

It takes a lot of pencil work and sound figuring to justify the purchase of any particular item of machinery for use within a complex farming operation, but there are three general considerations that should be satisfied.

In the first place, to prove profitable each machine must pay its own way. Through the combined efficiencies of reducing production costs and (or) increasing output of the farm, it must add enough to profits to equal its long-run cost.

Secondly, the cost of new equipment must be balanced against the cost and convenience of hiring the same job done on a custom basis, against the purchase of less costly second-hand equipment, and against getting the same job done by some substitute method.

Some farm jobs require special equipment — such as combines for harvesting wheat. But for other jobs, such as harvesting forage crops, several equipment and method combinations may be practical on different farms. In a year when operating capital is short it may be good business to pay a little more to get the job done by custom hire, or by some other means, rather than to sink limited funds into new machinery.

Type of Investments Important Consideration

A third financial consideration that both the borrower and the lender are forced to study carefully is the balance between machinery and the other resources that contribute to farm profits. Thus, even though a new machine may pay for itself, the need for building up the livestock program on a farm may be much greater.

Some operators with limited finances have not given sufficient consideration to what type of investments of their scarce dollars will build up business volume and profits most effectively. And the local bank which lends money for farming operations must be satisfied that the investment in machinery has been sound.

However, it is also important that the need of efficient high-capacity equipment be fully appreciated. Lenders must recognize that getting crops planted, fertilized, sprayed, and harvested at the right time and in the right way is a major factor in profits —particularly at today's price levels and with modern specialized methods of operation.

Farm financial statements that show a large investment in machinery may not indicate an "overinvestment" in machinery by any means, and in fact may often represent the most profitable investment that the operator could make. It can be just as serious a mistake to have too little machinery as it can to invest in too much.

Livestock Helped Utilize Soft Corn

Farmers who have consistently made livestock production a basic part of their farming operations are normally in a better position to handle soft corn than those who have to sell their corn for cash. Good livestock programs helped many farm operators handle their soft corn this past season, in spite of rather unfavorable price trends.

These experiences also show that poorly managed livestock operation can be a liability instead of an asset. This past season even experienced livestock feeders were glad to realize a small profit on their hogs, cattle and sheep. Not all of them did. But operators who lack skill and experience in feeding livestock merely add to their normal farming risks when they jump into the feeding game under pressure of having to use soft corn (or other special circumstances), as many who tried it last winter can now testify.

Many hog raisers misjudged their supply of feed and had to buy corn. Others fed hogs to excessively heavy weights and now will have to buy corn this summer to finish out their fall pigs. They would have been better off to sell at a more desirable weight and hold their storable corn to feed this summer.

Many cattle feeders bought too high and sold too low—not just because of declining prices, but also because they didn't know the complex relation of quality and price as well as they needed to know it. The fact that unusual conditions, both in feeding and in the market, generally work to the disadvantage of the inexperienced livestock feeder is something for both the borrower and the lender to consider.

Management Record A Guide to Lenders

These current "weaknesses" in the financial position of farmers serve to emphasize more than ever the critical importance of good management in modern farming. As the direct costs of producing crops and livestock come to represent an ever larger proportion of total farming costs, the hard-to-define factor of "management" becomes ever more significant to successful operation.

Management is so important that the banker who makes a farm loan today must look not only at the assets behind each loan—the equity in land, livestock, machinery and equipment —but he must also evaluate the management job that the borrower has been doing. Operators who have not shown much financial progress in the past ten years hardly recommend themselves as preferred credit risks in seasons of crop or price adversity.

But in spite of the high cost pattern of modern farming, the opportunities for ingenious cost-cutting, for increasing volume and profit

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SURVEY REVEALS CONSUMER BUYING PLANS

Expenditures for Durable Goods Look to be Moderate

AMERICAN consumers, who engaged in a buying spree in the summer of 1950 and the early months of 1951—and thereby lifted business activity to unprecedentedly high levels—have indicated moderate buying intentions for 1952.

Consumers' behavior was one of the most inflationary influences in the post-Korean experience, but their attitudes have since changed in a manner that suggests continued economic stability.

This is borne out by interviews with a representative sample of consumer spending units in January and February of this year made during the seventh annual Survey of Consumer Finances. The survey, conducted by the University of Michigan for the Board of Governors, disclosed that consumers:

1) intend to buy fewer major household goods and new cars than they did a year ago;
2) intend to buy about the same number of houses and used cars as a year ago.

These intentions reflect an increase in the number of people who consider the present "a bad time to buy." The reason most frequently given for this feeling was high prices.

Consumers have behaved very much as they said they would in past surveys, and for this reason both businessmen and economists look to the most recent findings for clues regarding the behavior of consumers in the near future.

The Reserve Board emphasizes, however, the great caution which must be exercised in the use of these findings. Consumer replies are based on certain assumptions concerning the future; in the event that subsequent developments should change the outlook of consumers, it is quite likely that they will behave differently than indicated by the survey.

The 1952 survey found consumers earning more money than ever before; yet, because of high prices and taxes those feeling worse off than a year earlier were more numerous than those who felt better off.

Although six in ten consumers thought that prices would rise during the year, there was a decline in the number of people thinking the present a good time to buy. In part this attitude is associated with a diminished fear of shortages.

Durables Demand Down

The frequency of expressed intentions to buy specific household goods did not decline uniformly. Intentions to buy declined more for radios, washing machines, and refrigerators than for other household goods. Little change was noted in the proportion of consumers planning to buy television sets.

The proportion of consumers expressing plans to buy new automobiles declined in 1952 for the second consecutive year.

The amount of money that consumers spend is one of the most important factors which will determine the movement of prices in 1952. Consumers, government, business, and foreigners, in that order of importance, will share the total stock of goods and services that are produced. To the extent that consumers spend less, more resources will be available for the satisfaction of demand from the other groups, thereby diminishing the upward pressure on prices occasioned by an increasing volume of defense expenditures.

The high level of disposable income together with moderate consumer spending implies a large volume of savings. This is expected to match the volume that prevailed in the last three quarters of 1951 when savings amounted to over 9 per cent of disposable income.

▶Consumers intend to buy fewer major household goods and new cars but about the same number of houses and used cars as in 1951.

▶While unforeseen developments could cause actual experience to differ from findings, Federal Reserve System study shows consumer intentions imply a high level of savings.

▶Diversion of current production to defense has been made easier and stability fostered by the high savings rate.

Not All Savings Readily Spendable

Besides the accumulation of liquid assets such as bank deposits, currency, and U. S. savings bonds, these savings include the purchase of new corporate and governmental securities, additions to pension and insurance reserves, and debt liquidation.

Despite the non-liquid nature of much saving, consumers nevertheless own large amounts of assets which can be rapidly converted into the cash necessary to finance a buying wave sufficient to destroy the stability our economy now enjoys.

Too much importance cannot be attached to consumer behavior; it is theirs to make or break inflation. Many observers regard personal saving as the most important factor in the "leveling off" which has occurred since the spring of 1951.

In the months following that time, individuals made available to lending institutions large amounts of money which in turn was used to accommodate great borrowings which might otherwise have resulted in credit expansion either directly or indirectly via the securities market. The fewer securities competing for investors' funds in the market, the easier is the flotation of new or refunding government securities outside the banking system.

Savings Bond Popular

Notwithstanding a continued loss of popularity, the United States savings bond was still the most popular type of investment, by far, according to the survey. Almost half of those interviewed expressed this preference. Safety, return, and patriotism were most frequently mentioned in connection with this choice.

In 1951 about half of the people interviewed who had U. S. savings bonds maturing within two years indicated plans to reinvest in these bonds. In 1952 the proportion of these people amounted to somewhat more than half.

Assets of fluctuating value, real estate and common stock, the so-called "inflation hedge" investments, were no longer preferred by a rapidly increasing proportion of people interviewed as they have been in other recent years. The higher income groups had been chiefly responsible for the growing preference.

Findings Elicit Varied Reactions

Businessmen and economists are likely to view the findings of the 1952 Survey of Consumer Finances differently. Economists will be inclined to consider the reduced frequency of intentions to buy many important types of goods and the consequent large savings as another victory in the battle for stability.

On the other hand, the survey findings might breed pessimism in some businessmen, since the other side of consumer expenditures is retail sales.

In any event it is important to recognize the tentative nature of the survey findings and, in the spirit of this recognition, to be alert for developments which could cause consumers to behave in a manner other than that which was indicated in the winter of 1952. END

BANKING DEVELOPMENTS

Seasonal Deposit Loss Slowed in March

THE rapid loss of deposits at district member banks, which had amounted to $120 million in the first two months of this year, was slowed in March.

Country banks lost $7 million, while no change in total deposits was reported at the city banks. All withdrawals were from demand accounts.

Time deposits continued to register gains in March; city and country banks reported increases of $1 million and $3 million respectively.

Time deposits have advanced $21 million thus far in 1952 in contrast to a decline of $10 million in the like period of 1951.

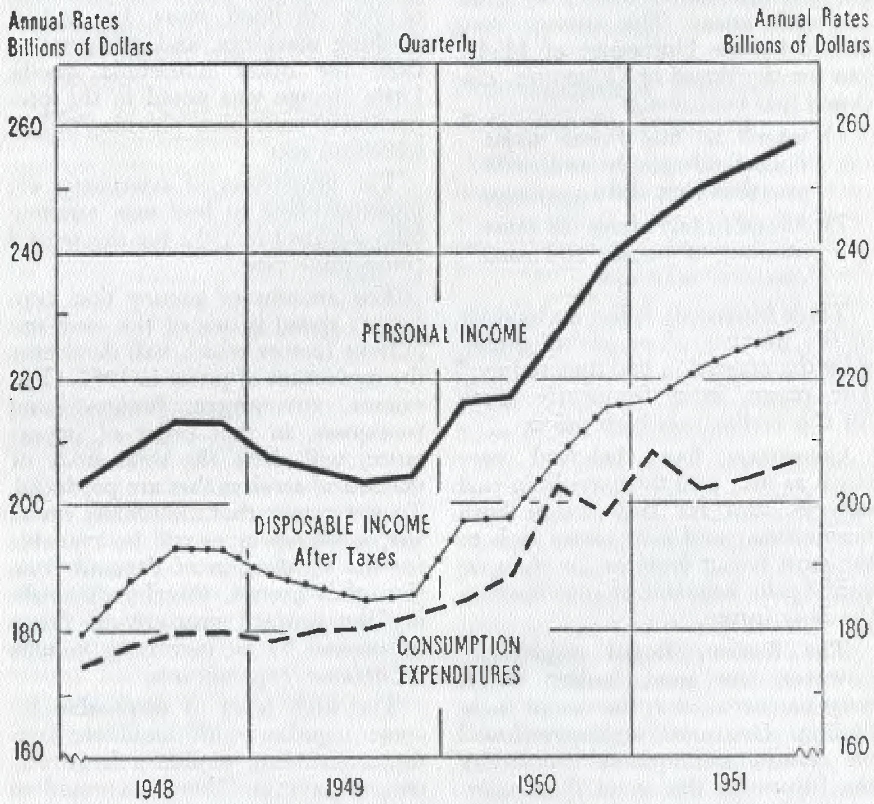
Loan accounts at both city and country banks were up slightly at the end of March. Loans at Minnesota banks were up enough to account for all of the increase; minor increases at banks in North Dakota cancelled minor decreases at banks in Montana and Michigan.

The liquidation of cash and reserves exactly offset the loan increase and deposit loss at the country banks.

City banks utilized the funds acquired from a $10 million increase in borrowings to make loans, build up cash and reserves, and to pay off "other liabilities."

A $2 million reduction in the government security portfolio at the city banks was offset by a similar increase in holdings of other securities. END

PERSONAL INCOME, CONSUMPTION, AND SAVINGS



PERSONAL savings—the difference between disposable income and consumption expenditures—amounted to more than 9 per cent of disposable income after taxes.

Department of Commerce quarterly estimates, adjusted for seasonal variation.

Assets and Liabilities of Member Banks in the Ninth Federal Reserve District

(In Millions of Dollars)

ITEM	All Member Banks Mar. 26, 1952	All Member Banks Change Since Feb. 27, 1952	City Banks (weekly reporting) Mar. 26, 1952	City Banks Change Since Feb. 27, 1952	Country Banks (non-weekly reporting) Mar. 26, 1952	Country Banks Change Since Feb. 27, 1952
Loans and discounts	$1,229	+ 5	$ 596	+ 2	$ 633	+ 3
U. S. Government obligations	1,387	— 7	513	— 2	874	— 5
Other securities	286	+ 5	135	+ 2	151	+ 3
Cash and due from banks	888	— 4	459	+ 6	429	— 10
Other assets	34	....	16	....	18	....
Total assets	$3,824	— 1	$1,719	+ 8	$2,105	— 9
Due to Banks	$ 365	— 2	$ 319	— 5	$ 46	+ 3
Other demand deposits	2,244	— 9	1,015	+ 4	1,229	— 13
Total demand deposits	2,609	— 11	1,334	— 1	1,275	— 10
Time deposits	933	+ 4	242	+ 1	691	+ 3
Total deposits	$3,542	— 7	$1,576	....	$1,966	— 7
Borrowings	$ 12	+ 9	$ 12	+ 10	$	— 1
Other liabilities	31	— 4	21	— 3	10	— 1
Capital funds	239	+ 1	110	+ 1	129	....
Total liabilities and capital accounts	$3,824	— 1	$1,719	+ 8	$2,105	— 9

Reporting bank data are from balance sheets submitted weekly. Non-reporting bank data are in part estimated. Data on loans and discounts, U. S. government obligations, and other securities are obtained by reports directly from the member banks.

Balances with domestic banks, cash items in the process of collection, and data on deposits are largely taken from semi-monthly reports which member banks make to the Federal Reserve bank for the purpose of computing required reserves.

Reserve balances and data on borrowings from the Federal Reserve banks are taken directly from the books of the Federal Reserve bank. Data on other borrowings are estimated. Capital funds, other assets, and the other liabilities are extrapolated from call report data.

CONSTRUCTION

Continued from Page 284

and at Great Falls, Montana, has resulted in an influx of personnel which has placed housing at a premium in these communities.

Building Materials In Ample Supply

Construction of new houses in 1952 is not expected to be curtailed by short supplies of building materials. Contractors are receiving prompt deliveries on materials, and the supplies appear ample for the current season. According to some observers, shortages of building materials never have been a serious problem since the beginning of the Korean conflict. Even plumbers and electrical contractors have experienced little difficulty in securing the essential supplies.

In some cities, like Minneapolis, where the building code specifies copper pipe for underground water service connections, plumbers did experience difficulty in securing a sufficient quantity of this pipe. To remedy this situation, the maximal amount of copper pipe which may be used in such municipalities was raised on March 5, 1952, from a maximum of 35 pounds to 80 pounds per dwelling. Where copper pipe is used for water distribution within the dwelling, the maximum was raised from 135 pounds to 145 pounds per dwelling.

The maximal quantities of copper and carbon steel allotted per dwelling, in some instances, do limit the number of bathrooms that may be installed in a house. However, for typical houses the quantities of these materials are adequate.

With the assurance that building materials will be in ample supply for the current building season, home builders have turned their attention to the probable demand for new houses—which, under normal circumstances, governs the volume of construction.

Credit Available For Home Purchases

Since most new houses are purchased on credit, the supply of mortgage credit and the terms on which it is offered to borrowers are of paramount importance in making an appraisal of effective demand for new houses.

In general, mortgage credit has been granted on more conservative terms since mortgage restrictions became effective following the outbreak of the Korean conflict. This has exerted at least a slight retarding effect.

G. I. mortgage loans, however, carry a maximum rate of 4 per cent, which has been below the prevailing rate of interest. Other charges are limited to a 1 per cent origination fee which is chargeable to the veteran applying for the loan. The seller cannot be charged an additional fee.

Real estate brokers, however, may turn over a part of their 5 per cent commission to lending institutions as an additional inducement for them to grant G. I. loans.

Under the above provisions, lending institutions in this district have granted G. I. mortgage loans only under restricted circumstances. Some have granted the loans only to their regular customers. Other institutions have taken a certain number of the G. I. loans only from real estate brokers, provided they turned over a percentage of their commission as an inducement.

Since insurance companies stopped buying G. I. loans the market for them has been very limited. Lending institutions have had practically no outlet for such loans, and therefore they were compelled to carry those granted to borrowers. The Federal National Mortgage association did purchase federal-guaranteed or insured mortgages to provide a larger market, but its funds for this purpose have been depleted. However, approximately $400 million of an original $600 million set aside remained for the purchase of G. I. mortgage loans on defense and military housing.

During the coming months, mortgage credit may be granted on more liberal terms. In some eastern metropolitan centers of this nation, mortgage credit at 4 per cent is now readily available. In this district, the rapid accumulation of savings by lending institutions may also result in the granting of mortgage credit at a lower rate of interest. In fact, officials of some lending institutions have already expressed the intention of granting more G. I. loans.

Ninth District Business Indexes

(Adjusted for Seasonal Variation—1947-49=100)

	Mar. '52	Feb. '52	Mar. '51	Mar. '50
Bank Debits—93 Cities	125	115	120	103
Bank Debits—Farming Centers	121	114	116	101
Ninth District Dept. Store Sales	94	113	94	94
City Department Store Sales	94	120	96	97
Country Department Store Sales	93	100	90	91
Ninth District Dept. Store Stocks	102	102	119	100
City Department Store Stocks	102	101	124	100
Country Department Store Stocks	103	104	113	101
Lumber Sales at Retail Yards (Bd. Ft.)	72	91	75	92
Miscellaneous Carloadings	101	104	105	98
Total Carloadings (excl. Misc.)	83	93	88	79
Farm Prices (Minn. unadj.)	105	104	108	85

p—preliminary.

As Many Plan to Buy Houses in '52 as in '51

Information on consumer plans to buy houses provides another important clue to the probable demand for new houses. The survey research center of the University of Michigan conducts an annual national survey on consumer finances for the Board of Governors of the Federal Reserve System. While studies of consumers' intentions to buy houses and durable goods are still largely experimental, over the past six years the findings have provided helpful clues to prospective tendencies in consumer purchases.

In the survey made in January and February of this year, among other things information was gathered on consumers' intentions to buy homes in 1952 and 1953. The results suggest that the number of new houses that will be purchased in 1952 is about the same or slightly less than those purchased last year — provided that material, price, quality, and credit factors do not change significantly.

The middle-income groups ($3,000-$7,500) may comprise a larger proportion of the new house market in 1952 than they did in 1951. About as many consumers expressed an intention to buy an existing home in 1952 as in 1951.

In general, the findings of the survey reflect continued strength in the demand for housing. END

AGRICULTURE

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through improved practices and by making buildings and equipment do extra duty, are now greater than ever. Temporary income setbacks have been accepted by many alert farm managers as a challenge to more productive and efficient operation.

Lender and Borrower Have Common Interest

Too seldom appreciated, perhaps, is the large area of common interest which the lender and the borrower share. Just as a local banker does his farmer-customer no real favor by extending him credit beyond that farmer's real ability to repay, so is it also true that the borrower gains most when he manages his business in a manner that will make him a sound financial risk for the credit he really needs.

Fortunately these few weak spots which the current farm lending picture has revealed do not mean that the general financial position of farmers is not sound. Giving the necessary thought and attention to their correction now may help to keep agriculture in a stronger position for the future. END