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DEMAND SITUATION IS FAVORABLE

Drouth, Production Costs Cloud the Farm Outlook

by Frank L. Parsons

▶ ***Domestic demand is strong spot in agricultural picture. Foreign demand may be less in 1953.***

▶ ***Relationship of prices received to costs is expected to be less favorable to farmers.***

▶ ***Increased beef slaughter will dominate livestock markets in 1953. Feed supplies per animal unit are the same as a year ago.***

▶ ***Dairy enterprise is working towards a stronger position.***

THE prospect for a continued strong demand for farm products is perhaps the most optimistic factor in the farm outlook for 1953.

Offsetting this optimistic note, however, are two less favorable developments that may affect many Ninth district farmers. First, indications are that price-cost squeezes may become even more severe next year. Second, the severe fall drouth may have adverse effects on next year's production.

This fall we have had an almost record drouth that covered most of the United States. The only reason it has not received more publicity is because it has come at a period when its effect on agriculture was least harmful.

As yet, the drouth does not mean that 1953 agricultural output will be seriously affected. Abundant moisture in the near future or next spring could change the situation in a hurry. It is a situation, however, to be watched closely.

Trying to look ahead into agriculture's future is hazardous, principally because nobody has been able to come up with reliable long-range weather predictions. It is known, however, that a dry fall with scant subsoil moisture such as this one means at least one strike against the producers of winter wheat.

From this one factor it would appear that winter wheat production for 1953 may be reduced substantially from this year's figure.

Aside from the drouth, the overall agricultural economic picture looks bright for the first half of 1953, principally because prospects are good for a continued high level of demand for farm products. This appears likely for the following reasons:

1) Defense spending is expected to be pushed even higher in 1953. It may reach a $55 billion to $60 billion dollar annual rate compared to about $50 billion this year.

2) Employment is expected to increase enough to absorb new workers that come into the labor force as a result of population growth.

3) It is expected that wage rates generally in 1953 may be moderately higher compared with 1952.

4) Residential building and new factory construction is likely to continue at a high level, even though down somewhat from 1952.

From these factors it appears that personal income payments in 1953 may be as much as $8 billion to $10 billion higher compared with this year. With taxes and savings about the same, the stage therefore appears to be set for a strong domestic demand for farm products.

Agricultural Prices May Decline

In contrast to anticipated further upward pressures on the general price level, prices of agricultural commodities as a whole may show some weakness in 1953. That is, some weakness may occur providing two developments take place: first that total agricultural production will be at least as large as in recent years, and second, providing an anticipated 20 per cent cut in agricultural exports actually happens.

In any event it is logical to assume that any over-all price decline in agriculture may be small because of the usual close correlation between cash receipts of farmers and incomes of industrial workers.

Costs May Remain High

Although there may be a tendency for farm prices to weaken in 1953, there is little indication that costs will decline proportionately. They probably won't. Some costs such as fertilizer, wire fencing, and labor may actually increase further in 1953.

Other costs such as feed, seed, lumber, and particularly prices of raw materials may show some downward price adjustments.

Even so, it appears that farmers in 1953 can anticipate some further price-cost squeezes. They can expect that production costs will take an even larger bite out of their gross incomes.

This is true because the farm cost structure is relatively inflexible. Many farm costs are fixed, others are "sticky," particularly so when pressures are on the downward side. Also, total out-of-pocket cash costs tend to become higher year by year as farmers mechanize their operations.

Farm debt may also continue to expand in 1953. Long-term debt is still substantially below World War I postwar levels, but the trend is upwards. Short-term debt is at record high levels and further increases are likely for 1953.

Total farm debt is low, however, when measured in terms of farm assets or with total farm income. In other words, farmers as a group will have little difficulty carrying the existing debt as long as prices are good and production is normal.

Farmers Plan for Price-Cost Squeeze

The best way farmers have to meet declining farm prices is to increase efficiency and thereby lower the unit costs of production. This can be done in a number of ways such as by more complete adoption of recommended practices, increased use of fertilizers, and a careful analysis of machinery use in relation to new purchases.

In addition to this a careful set of records will go a long way in showing which practices and which enterprises have been most profitable. Good records, plus the best obtainable information on the farm outlook by commodities are two steps toward profitable farming in the period ahead.

Fortunately, most farmers are in a sound financial situation. The job of adjusting to less favorable price-cost relationship may not, therefore, be too difficult. Certainly there is no need for panic. Bankers can advance credit to their good farm customers with reasonable assurance it will be repaid from earnings.

Assuming normal weather in 1953, farmers' net income may be down only slightly from 1952 and farmers' real income may be sustained substantially above most prewar years.

More Beef Expected During 1953

At the moment it does not appear that the livestock feeding situation will be favorable enough to encourage much further expansion in either cattle or hogs during 1953.

Cattle numbers are at an all-time high, and if poor crop and pasture conditions occur in 1953, more livestock will be offered for slaughter. At least the rapid increase in beef cattle numbers may be checked if feed and pasture conditions are poor. Even with normal weather, however, total marketings of beef cattle in 1953 may increase 10 to 15 per cent from 1952 levels. This is likely because of the buildup in cattle numbers over the past several years. In other words, the inventory of marketable cattle is very high.

The number of cattle on feed this winter is also expected to be up some 12 to 15 per cent over last year. This increase is almost entirely in the corn belt. By next fall there may be increased marketings off grass, an increasing proportion of which may be breeding stock. This all adds up to increased beef supplies, with consequent effects on market prices.

Many market observers believe that most stocker and feeder cattle prices have hit bottom for perhaps the next nine-month period. They believe, however, that prices of the better grades of slaughter animals might decline further, if and when increased supplies hit the market.

Current hog-corn price ratios and prospective large supplies of competitive meats are factors tending to prevent expansion in the hog enterprise. In fact some decline may occur in the 1953 spring pig crop compared with this year in spite of the excellent large corn crop.

Few observers expect hog prices to advance much if any in 1953 compared with 1952, even though the total pig crop may be slightly reduced.

Feed Concentrate Supply Adequate

Thanks to bumper crops in 1952, particularly corn and soybeans, feed concentrate supplies per animal unit are about the same this year as last. There is feed enough but adequate supplies are not too evenly distributed this year.

The cornbelt area is most favored. Some sections in the south and southwest parts of the country have been hard hit by summer drouth and are on a feed ship-in basis for the winter feeding season.

From now until 1953 crop prospects become known, the trend of most crop prices is seasonally upward. The current widespread drouth may tend to accentuate seasonal price changes during the next several months.

From June 1953 and on, new crop prospects will dominate the market. Favorable growing conditions would of course bring downward seasonal price adjustments. On the other hand, a continuation of drouth into the new crop season would most likely boom grain prices in general.

In any event it appears that all-out crop production consistent with good conservation practices is a desirable objective for 1953. There are no government restrictions on crop production. Even if 1953 crop production is large, price support programs will sustain prices of most crops at reasonably favorable levels.

Fall and winter seeded crops such as rye and winter wheat have already been adversely affected by the unusually dry fall. Official estimates for 1953 winter wheat production will not be released until early in December, but there is little doubt that 1953 wheat production will be substantially below that of 1952. However, a probable near record carryover of old wheat next July 1 will tend to moderate the seasonal price advances until mid-1953.

Fewer Milk Cows On Farms

Ever since the end of World War II, farmers have tended to sell off milk cows and to emphasize other farm enterprises. Dairying in many instances was not too profitable; first,

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532 PER CENT GAIN WAS A RECORD

North Dakota Deposit Growth Led Nation in the Forties

THE experience of North Dakota banks in the decade of the Forties illustrates well the close relationship which exists between the condition of banks and the condition of the economy they serve.

According to tabulations contained in a report* by the Board of Governors of the Federal Reserve System, bank deposits increased faster in North Dakota between 1939 and 1951 than they did in any other state.

The gain amounted to 532 per cent compared to 185 per cent for the rest of the country. This record is even more impressive in light of the fact that during the same period North Dakota's population declined 3½ per cent in the face of a national increase of 14½ per cent.

The larger incomes reflected by the larger deposits, since they went to fewer people, sent per capita income up from little better than half the national average in 1939 to almost 90 per cent of the national average in 1951.

Between these years North Dakota's prosperity or dollar claim on the national product was enlarged, absolutely and relatively, by reason of a larger contribution to that product. This larger contribution resulted from higher physical production which commanded higher prices. Dollars flowed north in the settlement of this state's "favorable" balance of trade.

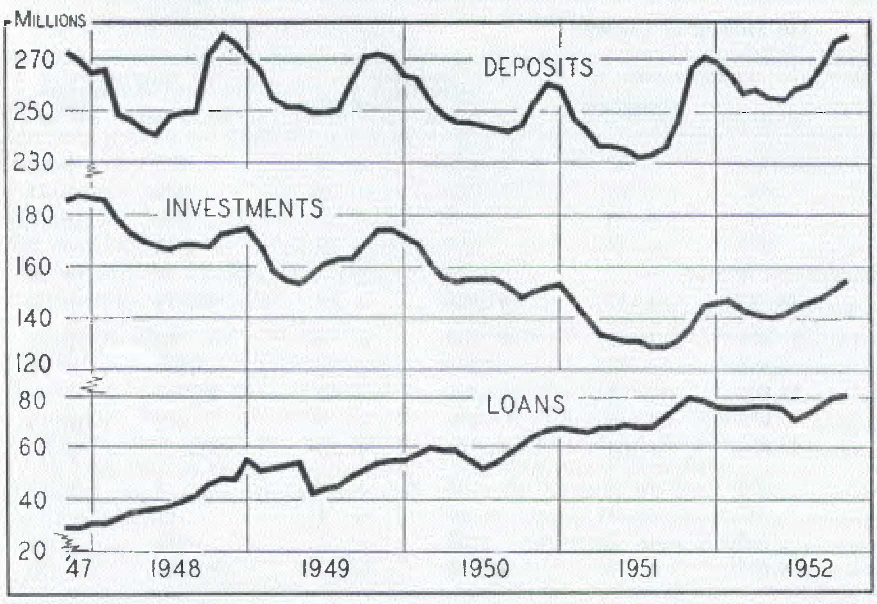
* Report to a Subcommittee of the Select Committee on Small Business, United States Senate.

▶In 1951, deposits were more than six times the 1939 amount.

▶Good weather and good agricultural prices were mostly responsible for large deposit increase.

▶Assets and liabilities in October were up at both city and country banks.

DEPOSITS, INVESTMENTS, AND LOANS AT NORTH DAKOTA MEMBER BANKS, 1947-1952



AFTER 1948, North Dakota member bank deposits receded slowly from their all-time high. In 1951 this decline was reversed, and according to latest reports these deposits were back up in October to the 1948 high.

Wheat Production Important

Best years were 1947 and 1948, when per capita income payments in North Dakota amounted, respectively, to 122 per cent and 109 per cent of the national average. It is no accident that in these years, too, North Dakota bank deposits reached an all-time high while the price of wheat touched $3 a bushel for the first time in 30 years.

It has been estimated that the sale of wheat gives rise to roughly half of all cash farm income in North Dakota. In 1950, residents of this state derived a larger share of their income from agriculture than residents of any other state — 38.6 per cent compared to the national average of 7.5 per cent.

The accompanying chart on deposits, loans, and investments relates only to member banks in North Dakota. Although in numbers they represent less than one-third of the banks, such banks hold some 45 per cent of all deposits in the state.

After the "peak" of 1948 these banks experienced a gentle deposit decline which wasn't reversed until last year. The deposits lost between 1948 and 1951 actually amounted to less than the average annual deposit fluctuation resulting from seasonal factors.

The seasonal movement usually amounts to about 11 per cent of total deposits, somewhat more than the district average of 8 per cent.

Home Owners, Farmers Borrow Most

In the years between 1948 and 1951, when deposits were falling slowly, North Dakota bankers were adding to their loans. This, of course, meant that investments were liquidated more rapidly than deposits fell. The upsurge in deposits since the summer of 1951 has permitted the continued expansion of loans without further liquidation of investments. In the year ended June 1952, investments were up more than 10 per cent. During this period also, the rate of loan expansion was slowed.

Who got the money represented by the rise in loans from $30 million in 1948 to $81 million this October?

The largest part of it went to home owners whose loans were secured by residential properties. These loans have been increasing constantly, but slowly, for years.

Farmers were responsible for the next largest increase in bank-held debt. Not far behind, however, were

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BANKING DEVELOPMENTS

City, Country Deposits Up in October

■ DISTRICT member banks chalked up the largest deposit gain so far this year in October. The new deposits together with slightly more borrowing were offset on the asset side by additions to all types of asset accounts, both at the city and at the country banks.

City Banks — The deposit loss reported for September proved to be only temporary—not the beginning of the seasonal decline which is due shortly. In October all major deposit classifications were up with the exception of U. S. government balances. Balances owned by individuals, partnerships, and corporations were up the most, $43 million out of a total increase of $55 million.

The largest increase in borrowing came in that loan category which is made up mostly of loans to consumers.

More than enough Treasury bills were acquired in October to account for the $36 million additional investments. Doubtless part of the increase represents the purchase of tax anticipation bills which were paid for on October 8.

Country Banks—Time deposits represent $7 million of the $47 million addition to deposit accounts which occurred in October.

Investments worth $30 million were added to portfolios during the month. All but $5 million of these were U. S. government obligations. Although a breakdown is not available, it is quite probable that a good part of the governments purchased are tax anticipation bills.

Loans, which have risen in every month since June at the country banks, were up $13 million in October. At $675 million, country bank loans are 6.5 per cent higher than a year ago. END

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

(In Millions of Dollars)

ITEM	All Member Banks		City Banks (weekly reporting)		Country Banks (non-weekly reporting)	
	Oct. 29, 1952	Change Since Sept. 24, 1952	Oct. 29, 1952	Change Since Sept. 24, 1952	Oct. 29, 1952	Change Since Sept. 24, 1952
Loans and discounts	$1,323	+ 22	$ 648	+ 9	$ 675	+ 13
U. S. Government obligations	1,541	+ 61	599	+ 36	942	+ 25
Other securities	310	+ 5	150	—	160	+ 5
Cash and due from banks	975	+ 24	513	+ 17	462	+ 7
Other assets	38	—	18	—	20	— ....
Total assets	$4,187	+112	$1,928	+ 62	$2,259	+ 50
Due to Banks	$ 399	+ 3	$ 349	+ 2	$ 50	+ 1
Other demand deposits	2,496	+ 92	1,160	+ 53	1,336	+ 39
Total demand deposits	$2,895	+ 95	$1,509	+ 55	$1,386	+ 40
Time deposits	979	+ 10	254	+ 3	725	+ 7
Total deposits	$3,874	+105	$1,763	+ 58	$2,111	+ 47
Borrowings from F. R. B.	31	+ 5	26	+ 3	5	+ 2
Other liabilities	37	+ 1	26	+ 1	11	— ....
Capital funds	245	+ 1	113	—	132	+ 1
Total Liabilities and Capital Accounts	$4,187	+112	$1,928	+ 62	$2,259	+ 50

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. Capital funds, other assets, and the other liabilities are extrapolated from call report data.

CURRENT BUSINESS DEVELOPMENTS

DISTRICT CONTRIBUTES TO RECORD BREAKING EMPLOYMENT LEVEL

HIGH employment and rising weekly earnings have expanded business transacted in Ninth district markets. In industrial, commercial, and mining centers, large consumer incomes have resulted in growing department and general store sales. Merchants are also optimistic over prospective Christmas buying. However, in some agricultural areas, a smaller cash farm income has held sales down.

Employment—In most states of this district, employment in non-agricultural establishments set a new record during the summer and declined by less than the usual number of workers in October.

September employment in Minnesota non-agricultural establishments rose to 843,654 employees, a new all-time high figure for the state. It was 1.6 per cent above the former peak reached in September 1951, although employment in October declined to 838,216 employees—a decrease of only 0.6 per cent.

The breakdown of employment by industries made by the state Division of Employment and Security shows that the growth of employment in Minnesota firms was traced primarily to the manufacture of products for the defense program. Most of the additional labor has been employed in the manufacture of durable goods and, more specifically, in ordnance and scientific instruments.

In firms producing the latter, 12,737 workers were employed in September—a 49.1 per cent increase from a year ago. Smaller increases in employment took place in the manufacture of transportation equipment, electrical machinery, and fabricated metal products.

In Montana, September employment in non-agricultural establishments reached 158,400 employees—the highest total ever recorded in the state. A decrease of only 1,100 workers from September 15 to October 15 was less than the normal seasonal decline.

The growth in Montana employment over a 12-month period has been concentrated in manufacturing and mining. The breakdown of employment by industries, made by the Montana Division of Unemployment Compensation commission, shows that in manufacturing an expansion has taken place in logging and lumber, in processing of primary metals, and in manufacturing of food and kindred products.

A long-range expansion program in metal mining has resulted in the hiring of more metal miners, and the drilling for oil in the eastern part of the state has added more workers to the petroleum industry.

Non-agricultural employment in South Dakota was at a peak last June, when it equaled the high point reached in September and October of 1951. There were 126,100 workers employed in June, while in September there were 123,600— a decrease of 2 per cent.

The lower level of employment last September, in comparison with the level for September 1951, was due mostly to the reduced activity on the Fort Randall dam and at the Rapid City airfield.

Employment in October again was high for the fall season. The exceptionally pleasant weather created a demand for workers on private construction projects and in wholesale and retail trade. For the week ending October 25, unemployment was at the lowest figure for this year, according to the report issued by the South Dakota employment service.

The drilling of oil wells has added to North Dakota's non-agricultural employment. In July, employment had climbed to an all-time high of 118,110 workers—an increase of 1.4 per cent from a year ago.

Non-agricultural employment also has risen to a new high in Wisconsin. The number of wage and salary workers was estimated at 1,088,800 for September—an increase of 0.6 per cent from a year ago. Larger employment in manufacturing firms has accounted for most of the increase.

On the Upper Peninsula of Michigan, non-agricultural employment in August reached a high of 76,600 workers for this year. In September, the total declined to 74,000—a decrease of 3.5 per cent. Nearly all this decline in employment was caused by a labor-management dispute in copper mining, smelting, and lumber industries.

Contrary to the upward trend of employment in the other states of this district, 1952 non-agricultural employment on the Upper Peninsula has not exceeded, nor has it equaled, the 1951 level. Employment in manufacturing firms has declined instead of expanded as it has in other states,

Ninth District Business Indexes

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

	Oct. '52	Sept. '52	Oct. '51	Oct. '50
Bank Debits—93 Cities	117	122	117	112
Bank Debits—Farming Centers	122	120	122	116
Ninth District Dept. Store Sales	110	98	104	103
City Department Store Sales	114	101	106	108
Country Department Store Sales	102	92	100	95
Ninth District Dept. Store Stocks	112p	113	113	112
City Department Store Stocks	112p	114	113	114
Country Department Store Stocks	113p	111	112	110
Lumber Sales at Retail Yds. (Bd.Ft.)	94p	93	85	87
Miscellaneous Carloadings	122	119	104	107
Total Carloadings (excl. Misc.)	107	105	98	104
Farm Prices (Minn. unadj.)	99	98	105	94

p—preliminary

and some decline also occurred in trade and service industries.

Weekly Earnings — In addition to the expansion in employment, average weekly earnings of wage and salary workers have risen.

Last October, average weekly earnings in manufacturing firms were up $3.00 in Montana, $2.71 in Wisconsin, and $4.78 in Minnesota as compared with those for October 1951. Wage increases have accounted for much of the rise in average weekly earnings.

Variations in the number of hours worked, of course, cause average weekly earnings to fluctuate from month to month. For example, in Montana average weekly hours worked last October were 1.1 hours less than those worked in October 1951.

Construction—The dry fall weather with above normal temperature in November has been a boon to the construction industry. In both October and November, construction work was not interrupted for a single day by inclement weather.

The demand for new construction has remained firm. The dollar amount of building permits issued by representative cities in this district has risen significantly since last June, with the largest monthly total for this year being issued in October.

Bank Debits—The dollar volume of checks drawn against bank accounts in Ninth district cities held at the same approximate over-all level this October as compared to last.

To date, this year's checking activity for the district has been about 3 per cent ahead of 1951, and the general rule has held true for most individual states.

Active iron ore mining communities on the Upper Peninsula showed well-above-average debit growth for October 1951.

In Minnesota, the Minneapolis and St. Paul suburban communities experienced 10 to 20 per cent greater check volume this October. The construction of an industrial plant on the Lake Superior north shore helped to boost bank debits at Two Harbors 35 per cent above last year's October figure.

In the West, oil towns of Glendive and Williston continued their upward trend in check cashings.

All in all, debits presented a picture of sustained level of activity from last year to this year, with industrial developments at different points in the district causing substantial increases at local banking centers.

Department and General Store Sales — In the mining, industrial, and commercial centers of this district, sales have reflected the rise in employment and in incomes.

In western South Dakota, where mining and lumbering are important industries, October sales were 35 per cent above last year's receipts. In northwestern North Dakota, which is a part of the Williston oil basin, October sales were 9 per cent higher.

In the iron ore mining regions of northeastern Minnesota, sales were 18 per cent higher, and in the four large cities of this district, sales were up 9 per cent.

In most agricultural areas of the district, sales also have reflected the trend of consumer income, but in this case a smaller income of farmers. In many stores, sales have fallen below 1951 receipts. In southwestern North Dakota, October sales were down 9 per cent; in eastern South Dakota they were down 6 per cent; and in southwestern Minnesota they were down 5 per cent.

An exception to the lower sales in agricultural areas was the Red River Valley. In the portion of the valley in Minnesota, October sales were 22 per cent higher than last year's receipts, and in the portion of the valley in North Dakota, sales were up 11 per cent. An excellent potato crop and good prices have maintained farmers' incomes in that region.

Weather has affected fall sales. Mild weather in September caused people to postpone the purchase of fall clothing. In October, the weather was dry and sunny, but about 7 per cent colder this year in the Twin Cities than last year.

The first three weeks of November were exceptionally warm. The temperature averaged 53 per cent above the same period of last year.

Department store sales in the first two weeks of November were down in the four large cities of this district. Not until the third week did they rise above last year's reecipts.

END

BANKING

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consumers who borrowed mostly in order to buy automobiles.

The proportion of member bank loans in North Dakota represented by the debt of commercial and industrial borrowers has declined from a third in June of 1948 to little more than a fifth in June of this year.

This proportion might easily increase in the future as the extraction of petroleum assumes a more important role in the economy of this state.

Bankers as well as men who till the soil know well that the prosperity which came to North Dakota in the last decade would never have arrived without favorable rainfall. The memory of distress resulting from the advent of a dry cycle in the Thirties is still vivid in many minds.

Although the more intensive exploitation of petroleum deposits might one day weaken the close tie which now exists between prosperity and weather in the economy of North Dakota, weather remains a vastly more important determinant of the fortunes of this state than anything else.

END

Composition of Total Loans at North Dakota Member Banks, June 1948 — June 1952 (In Millions)

	6-30-48	12-31-48	6-30-49	12-31-49	6-30-50	12-31-50	6-31-51	12-31-51	6-30-52
Comm. & Ind. Loans	12.3	11.3	12.3	10.0	12.9	12.2	17.1	12.6	15.8
Loans to Farmers	7.2	5.3	9.3	8.4	10.4	10.3	14.6	13.1	16.4
Real Estate Loans	8.7	9.0	9.6	10.2	12.2	16.5	19.0	19.7	21.2
All Other	9.6	25.4	13.2	28.5	18.1	30.0	18.0	33.9	19.9
Gross Total	37.8	51.0	44.4	57.1	53.6	69.0	68.7	79.3	73.3

DROUTH, PRODUCTION COSTS CLOUD THE FARM OUTLOOK

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because much of the butter market was lost to butter substitutes; second, rising labor costs in dairying affected dairy profits adversely, perhaps more so than in many competitive farming enterprises.

In any event there are some 16 per cent fewer milk cows on farms now compared with 1944. At the same time there are more people — many more. Fortunately for consumers, production per cow has been stepped up as a result of better dairy feeding, breeding, and management.

With fewer milk cows, more people, and the readjustment to marketing demands for milk solids, the dairy outlook is improved. In fact, unlike some other farm enterprises, there is no current market surplus and none in prospect.

The dairy picture is seen as favorable, however, only where there is a good market for whole milk and where quality milk can be produced. In other words, it would appear that the dairy outlook is favorable to producers that are set up to sell whole milk either as fluid milk or for manufacture of dairy products using all the milk solids.

Fewer Eggs This Winter

Fewer layers and potential layers on farms on January 1, 1953, together with an anticipated strong consumer demand for eggs are favorable factors for poultry producers in 1953.

However, if some 7 per cent fewer hens are laying eggs in early 1953 and egg prices are up, it will tend to encourage a large chick hatch next spring. This suggests the desirability of getting the 1953 flock into production early in the fall and winter of 1953.

Record Turkey Numbers

There are more turkeys on farms than ever before. The increase this year was 13 per cent over last year's record production.

Most of the increase has occurred in the small Beltsville White breed, so that turkey meat production may be up only about 10 per cent.

The government has been buying turkeys this fall to support the market. This purchase program is expected to continue into early 1953 if necessary. Most of the government purchases are used in the school lunch program. END

NOTE: Some of the information presented in this article was gathered by the writer while attending the National Agricultural Outlook conference in Washington, D. C., October 20-24, 1952.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, DEC. 1, 1952

■ INDUSTRIAL production in October and November was slightly above the sharply advanced September level. Average wholesale prices of industrial commodities remained steady, while prices of farm products and foods eased further. Consumers' prices showed little change in October at a level slightly below their summer high. Bank loans to business increased sharply after mid-October.

Industrial Production—Reflecting mainly continued gains in durable goods industries, the Board's index of industrial production rose 1 point further in October to 227 per cent of the 1935-39 average. In November a similar gain is likely. Since September, output at factories and mines has averaged about 3 per cent above the levels prevailing during 1951 and early 1952.

Steel ingot production in October and November was at a new record rate of 106 per cent of rated capacity as of the beginning of this year. Activity in most metal fabricating industries also advanced further. Television production rose to the near-record annual rate of about 10 million sets in late October and continued at this level in early November. Passenger automobile assemblies were maintained at the high September-October rates until mid-November but subsequently declined owing mainly to model changeovers. Aluminum production was reduced further in October as a result of electric power shortages and was about 9 per cent below the very high August level.

Nondurable goods production showed a slight decline in October as textile mill activity was reduced somewhat following marked recovery in the summer and early fall. Output of paper and paperboard, however, advanced further. Meat production was maintained in October and the first 3 weeks of November at levels well above those in the corresponding period a year ago. Output of most other nondurables continued at about the levels of the preceding month.

Minerals output declined in October and rose again in November owing mainly to fluctuations in coal output. Crude petroleum production rose throughout the period and output of metals was maintained in large volume.

Construction — Value of new construction work put in place, seasonally adjusted, during October was larger than in other recent months. Value of contract awards was below the near-record September total, which included a large volume of atomic energy awards, but was about one-fourth larger than in October 1951. Housing starts in October rose to 101,000, as compared with 98,000 in September, and were at a seasonally adjusted annual rate of 1,156,000.

Employment — Seasonally adjusted employment in nonagricultural industries in October was maintained at the record September level of 47.2 million. Employment in manufacturing rose slightly to a new postwar peak of 16.2 million, and average hours of work and hourly and weekly earnings increased further. Unemployment declined again in October, to a new postwar low of 1.3 million.

Distribution — Retail sales rose sharply further in October to a level 9 per cent above a year earlier. Both durable and nondurable goods shared in the October advance, with the rise in automobile sales especially marked. Department store sales in the first half of November were running below their high October level, on a seasonal adjusted basis. Stocks at department stores are estimated to have continued little changed through October after seasonal adjustment.

Commodity Prices — Wholesale prices continued to decline in November largely reflecting further decreases in prices of cotton, livestock, and meats. Cotton has declined to about 34 cents per pound since release in early November of a substantially larger crop estimate and is now 8 cents below a year ago and 2 cents above the federal support level. Prices of some industrial materials strengthened and prices of finished goods other than foods generally changed little.

The consumers price index was about unchanged in October. Small decreases in foods and textile products were offset by advances in rents, fuels, and services.

Bank Credit — Business borrowing from banks expanded sharply in late October and the first three weeks of November. This expansion was more widely distributed than the earlier rise which had been concentrated in such industries as food processing, commodity dealing, and trade where loans normally increase at this season of the year. Consumer and real estate loans also continued to rise. The treasury's issue of 2.5 billion of tax anticipation bills in October was bought at first largely by banks, but subsequently was purchased in substantial volume by corporations. Most of a second issue of such bills amounting to 2 billion dollars in mid-November was also taken up initially by the banking system.

Member bank reserve positions tended to be fairly tight during the mid-October to mid-November period. Reserve drains resulted principally from a currency outflow and an increase in treasury balances at the reserve banks. In addition, federal reserve system holdings of government securities were reduced somewhat. The average level of member bank borrowings exceeded 1¼ billion dollars over the period.

Security Markets—Common stock prices rose steadily in the first three weeks of November. Yields in high-grade corporate bonds receded to the levels of early September. Yields on Treasury bills and other short-term government securities increased substantially. In addition to tax anticipation bills the Treasury announced the offering of an additional amount of 2 per cent certificates of indebtedness maturing August 15, 1953 in exchange for the 1.1 billion dollars of 1 7/8 per cent certificates maturing December 1, 1952.