

MONTHLY REVIEW

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1950 Inherits Renewed Vigor of '49 Economy

BANKERS, businessmen, and other observers of the economic scene are more optimistic at the beginning of 1950 concerning the near-term business trend than they were in the early months of 1949.

Whereas a year ago businessmen were preparing for a decline in the demand for their products and services—which did not materialize in most areas—today they are acting on the assumption that consumer income and expenditures will hold at high levels for at least a few months.

This feeling of cautious optimism is attributable to the recuperative power shown by the economy in 1949. By reason of the downward movement in business in the first half followed by recovery later in the year, the business world has been given grounds for thinking that a severe depression is not imminent.

Probably the best single source of information concerning national economic developments in 1949 is "The Annual Economic Review," January 1950, a report to the President by the Council of Economic Advisers. This review, excluding policy recommendations, is followed closely in succeeding paragraphs.

A review of 1949 on the national plane reveals that:

- Gross national product declined from \$262.4 billion in 1948 to \$258.7 billion in 1949, or 1.5%.
- Average civilian employment fell from 59.4 million in 1948 to 58.7 million in 1949, a drop of 700,000.
- Wholesale prices declined 6.9% from the end of 1948 to the end of 1949, attributable largely to sharp drops in farm food prices. Consumer prices, however, did not follow wholesale prices all the way on the downward course.
- Consumer income and expenditures were about equal to the levels of 1948.

During the Cutback in Production in Early 1949, Consumer Buying Stayed High, Thereby Fostering the Recovery Which Has Carried Over Into 1950

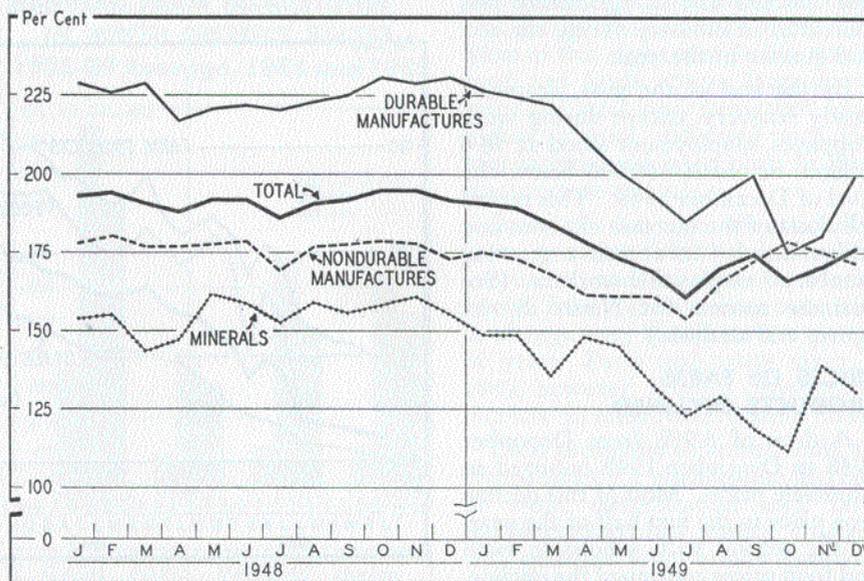
By J. MARVIN PETERSON

- Net personal saving fell steadily in 1949, yet was greater for the year than in 1948.
- Gross private domestic investment declined \$8.2 billion, or about 18%, attributable largely to a shift from inventory accumulation to inventory liquidation.
- Total U. S. export surplus rose in the first half of 1949 over 1948, then fell drastically in last half.
- The net cash position of federal, state, and local governments shifted from a surplus of over \$7 billion in 1948 to a deficit of \$3 billion in 1949.

Persons who thought that total production of goods and services should increase 3 or 4% in 1949,

INDUSTRIAL PRODUCTION IN THE UNITED STATES

1935-39 = 100



INDUSTRIAL production by December 1949 had recovered nearly half the drop from its November 1948 low to its July 1949 low.

Source: Department of Labor.

were mildly disappointed. Instead of an increase of \$8 to \$10 billion (3 or 4%), a drop in the dollar value of all goods and services produced (gross national product) of about 1.5% occurred. Both lower prices and a drop in real output contributed to a decline in gross national product from \$262.4 billion in 1948 to \$258.7 billion in 1949.

Industrial production reached a peak of 195 (1935-39 average equals 100) in October 1948, fell to 161 in July 1949, and recovered to 175 in December. The greatest decline, as the accompanying chart indicates, occurred in durable manufactures and minerals, while nondurable manufactures held up quite well. The influence of work stoppages in coal and steel, which interrupted the recovery in industrial production which began in July, is also apparent on the chart.

The year-end recovery was led by nondurable manufactures, the output of which increased 12% from the low point compared with an 8% increase in durables. In some industries, notably construction, gas and electricity production for the year as a whole exceeded that of 1948.

EMPLOYMENT SUFFERED SLIGHT SLUMP

The decline in civilian employment which began late in 1948 and continued in the early months of 1949 was checked first in agriculture and thereafter in industry during the second quarter of the year.

By the end of the year, despite a steady recovery, except during work stoppages, employment stood at 58.6 million, or about 850,000 below the level of December 1948. This record fell short of the increase of about one million needed to absorb a growing number of employable workers. (See business section for Ninth district figures and analysis.)

PRICES OF FARM PRODUCTS DECLINED

A drop of 6.9% from December 1948 to December 1949 occurred in wholesale prices. Most of this decline took place in the first half of the year. In the second half, wholesale farm and food prices continued the decline, while industrial prices were held on a level plane.

Wholesale farm product prices and prices received by farmers fell 12% in 1949, which was 20% below the

Changes in Wholesale Prices

Commodity Group	Percentage Change December 1948 to December 1949 ¹
ALL COMMODITIES	— 6.9
Farm products	— 12.5
Foods	— 8.5
Other than farm products and foods	— 5.0
Hides and leather products..	— 2.8
Textile products	— 5.7
Fuel and lighting materials..	— 5.2
Metals and metal products....	— 3.7
Building materials	— 6.0
Chemicals and allied products	— 11.8
Housefurnishing goods	— 2.5
Miscellaneous	— 6.0

¹ Percentage changes based on preliminary estimates for December 1949.

Source: Department of Labor.

Changes in Consumers' Prices

Commodity Group	Percentage Change December 1948 to November 1949
ALL ITEMS	— 1.6
Food	— 2.0
Apparel	— 7.0
Rent	+ 2.1
Fuel, electricity, and refrigeration	+ .9
Housefurnishings	— 6.6
Miscellaneous	+ .6

Source: Department of Labor.

high point of January 1948. Farmers thereupon received less than parity prices for their products as a group for the first time since 1941. (See agriculture section for Ninth district figures and analysis.)

While prices received by farmers were declining 20% from peak 1948 levels, industrial prices were falling only 5.3%. At the same time, prices paid by consumers at the retail level did not follow wholesale prices very far on the downward path. From the postwar peak to the 1949 low point, such prices receded only 3%. Wholesale food items fell in price 12.5% from December 1948 to December 1949, while consumers' prices for those items in the same period fell 2%.

The accompanying tables show changes in wholesale prices and consumers' prices in selected commodity groups from December 1948 to December 1949.

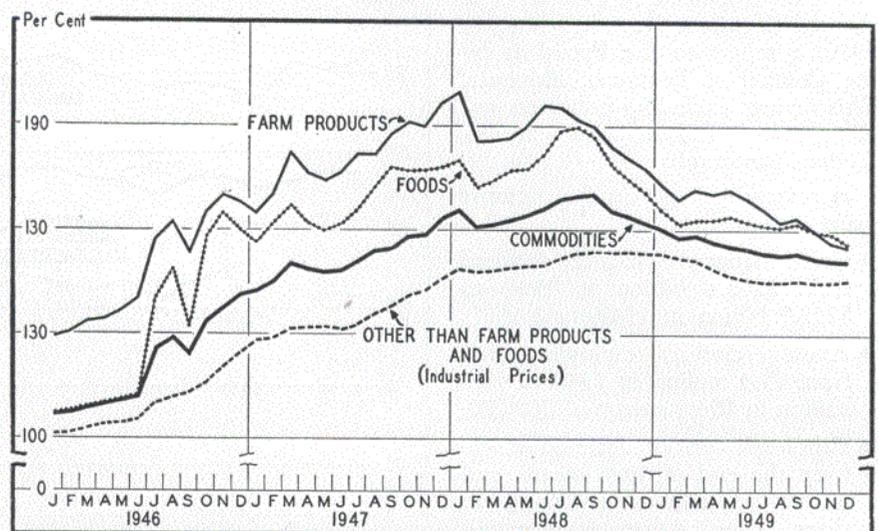
CONSUMER EXPENDITURES HELD TO '48 LEVELS

Retailers and manufacturers who at the beginning of 1949 had expected a rather sharp drop in consumer expenditures received a pleasant sur-

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WHOLESALE PRICES IN THE UNITED STATES

1926 = 100



INDUSTRIAL prices, after a moderate decline in the first six months, stabilized in the second half of the year. The trend of farm prices was downward. Wholesale food prices dropped in the last quarter.

Source: Board of Governors of the Federal Reserve System.

AGRICULTURE

Farmers' Purchasing Power Pared During '49

NINTH district farmers took an economic "rap" during 1949. Farm product prices declined, Ninth district crop production was down sharply as a result of both early and late season drouths, and farm costs stayed relatively high.

The reduction in farm prices and crop production during 1949 is in sharp contrast to the trend in prices and production since 1940. During much of the period between 1940 and 1949, farm production attained record proportions, farm prices reached new highs, and farm production costs were relatively low.

Unprecedented demand for farm products occurred during this period as a result of expanded consumer incomes, huge farm exports, and government purchases of surplus products for price support purposes. Record crop production was encouraged by high prices, along with new techniques in production and favorable weather.

Economic changes during 1949 indicate, however, that the greatest and longest period of lush farm prosperity in history may be nearing an end. These adjustments on the farm economic front are likely to have a continuing major impact on the economy of the entire Ninth district.

SOME FARM PRODUCT PRICES DECLINE ONE-THIRD

Prices received by farmers during 1949 averaged almost 13% below 1948. However, quite a number of important farm products produced in the Ninth district declined substantially more than 13% in price during the year. Hog, poultry, and egg prices late in 1949 were down a full third from late 1948 levels.

Corn prices averaged \$1.76 a bushel to farmers in 1948. In 1949 the average price of corn was only \$1.05, a decline of 40%. Wheat prices in 1949 averaged 12% below those of the previous year. Oats prices were down 35%, barley 36%, and flaxseed 27%.

On the other hand, all grain prices would have been much lower in 1949 if the government had not been supporting them by loans and purchases.

Beef cattle, veal calves, and sheep prices held up well in 1949 without government subsidy. Prices of butterfat and milk, however, slipped almost one-fourth in spite of enormous purchases of butter and dried milk by government agencies.

In spite of the sharp decline in prices of farm products during 1949, prices were still high in relation to pre-war. In fact, the general level of farm prices in late December 1949 was about 2/4 times the average of the 1935-39 period.

CROP PRODUCTION DOWN APPROXIMATELY 17%

Contrary to general opinion, 1949 was not a particularly good crop production year for the Ninth district as a whole. Both early and late season drouths took a heavy toll in much of the western area of the district.

As a result, wheat production in 1949 was the smallest since 1940. Corn, oats, flaxseed, and soybean production were down, ranging from 18% to 22% from the previous year.

▶ **Declining farm prices and reduced crop production cut district cash farm income about 20%.**

▶ **Farmers' real purchasing power was down but still almost double pre-war.**

▶ **Short term farm loans continued their upward trend.**

▶ **Land values in the district took a downward turn.**

Complete data are not yet available on 1949 production of livestock and livestock products in the Ninth district, but there is evidence that increases predominated. For one thing, generally favorable livestock-feeding relationships during the year encouraged livestock production. More pigs were raised; there was an increased interest in poultry and turkey production; and more cattle were put on grain-feed. Livestock numbers in general were on the increase.

FARM EXPENSES STAY HIGH

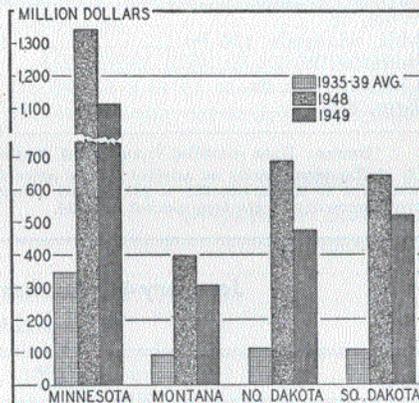
In contrast to sagging prices for farm products in 1949, farm expenses as a group declined only about 3%. Most of this slight cost decline was in food and feeds. Some farm equipment and machinery items were even higher in price, reflecting such factors as increased labor costs in their manufacture and sale.

Some of the costs of producing farm products—such as taxes, depreciation, and insurance—are relatively "fixed"; at least these costs tend to change very slowly over a period of years. Farm real estate taxes in 1949, however, showed considerable increase on most Ninth district farms.

Farm prosperity in recent years, accompanied by a phenomenal increase in rural electrification and farm mechanization, has greatly changed and enlarged farm family spending patterns.

Once farmers have adopted new equipment and gadgets of all sorts that increase the ease of farm operations and their standard of living, they try to maintain the new standard

CASH INCOME FROM FARM MARKETINGS IN NINTH DISTRICT STATES, 1935-39 Average, 1948 and 1949



CASH FARM INCOME during 1949 in Ninth District states was off about 20% from 1948 high levels. It is still three to four times pre-war figures.

Source: USDA Farm Income Situation.

even though farm income falls. This is what happened during 1949.

CASH FARM INCOME OFF 20%

Compared with 1948, Ninth district farmers took a more serious economic beating in 1949 than did farmers for the U. S. as a whole. They also suffered more serious declines in purchasing power than other major economic groups.

Cash farm income in the district was estimated to be off 20% from 1948 high levels. For the U. S. as a whole, the decline was only about 11%.

District cash farm income in 1949 was the smallest since 1945. At that, farmers in 1949 had almost \$3.50 to ring up on the cash register for every one dollar they were able to accumulate in the 1935-39 period.

Cash farm income, however, is different from the income the farmer is able to put on deposit at his home bank or to use for any one of hundreds of wants and needs that all farmers share.

When production expenses are removed from 1949 cash income, the farmer's "take-home" pay looked much smaller.

One way to measure the farmer's real economic position in 1949 compared with pre-war is to deflate 1949 cash farm income in terms of 1935-39 dollars.

If this is done, Ninth district farmers actually had nearly twice the real purchasing power in 1949 compared with pre-war. This increase was due to increased marketings and to relatively high prices received by farmers.

From the farmer's point of view, however, his 1949 income had to be spread thinner than in other recent years to meet changes in methods of farming and the new standard of farm living.

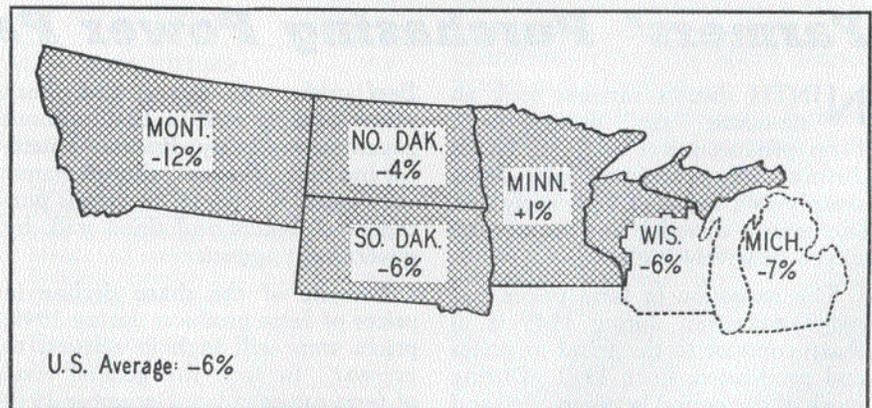
FARM CHATTEL LOANS UP SHARPLY IN 1949

A flood of new farm machinery, electrical appliances, and equipment of all kinds bid for the farmer's dollar in 1949. The average farmer wanted—and in many cases needed—to modernize and to further improve his working capital and his standard of living.

However, smaller crops and lower

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PERCENTAGE CHANGE IN DOLLAR VALUE OF FARM LAND* November 1948 to November 1949



FARM REAL ESTATE VALUES decreased in all Ninth district states except Minnesota in a recent 12-month period. District land values today have more than doubled since 1940.

*Based on index numbers of value per acre, including improvements. Note: Wisconsin and Michigan percentages are for entire state.
Source: USDA Farm Real Estate Market.

Average Prices Received by Farmers in Ninth District*

Commodity and Unit	Dec. 15, 1937-41 Avg.	Dec. 15, 1948	Dec. 15, 1949	Parity Prices ¹ United States Dec. 15, 1949
Crops				
Wheat, bushel	\$0.75	\$2.00	\$1.96	\$2.12
Corn, bushel .....	.44	1.15	1.04	1.54
Oats, bushel .....	.28	.67	.62	.958
Potatoes, bushel .....	.48	1.40	1.19	1.77
Livestock and Livestock Products				
Hogs, 100 lbs.....	6.88	21.14	14.54	17.40
Beef Cattle, 100 lbs.....	7.23	19.66	19.15	13.00
Veal Calves, 100 lbs.....	8.61	25.31	23.73	16.20
Lambs, 100 lbs.....	8.04	21.52	20.96	14.10
Wool, lb. ....	.27	.51	.47	.439
Milk, wholesale, 100 lbs.....	1.75	3.62	3.33	.384
Butterfat, lb. ....	.34	.69	.67	.631
Chickens, live, lb.....	.118	.258	.174	.274
Eggs, doz. ....	.238	.431	.337	.516

*Source: Data compiled from USDA Agricultural Prices—December 30, 1949.

¹ 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, 1910-14.

January-November Cash Farm Income*

(Thousands of Dollars)

State	1935-39 Average	1948	1949	1949 in Percent of 1948
Minnesota	\$ 312,762	\$ 1,228,420	\$ 1,054,849	86%
North Dakota	104,468	644,143	441,493	68
South Dakota	100,442	592,169	489,969	83
Montana	84,425	359,547	275,386	76
Ninth District ¹	656,283	3,080,339	2,473,838	80
United States	7,525,852	27,850,368	25,201,026	90

* Data from "The Farm Income Situation," dated December 1949.

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

BUSINESS

Area Business Below '48 but Up at Year-end

AT THE END of 1949 the economy of the Ninth Federal Reserve district was still in a prosperous condition, although some contraction from the postwar peak occurred in business activity during the year.

Employment was still high, the population migration out of this district had ceased, the construction industry still had a substantial volume of projects on hand, and department store sales for the year were down only 5%.

Occupying a key position in any appraisal of business conditions is the level of employment. When nearly all individuals are employed—except those shifting from one job to another—consumer purchasing power is high and business concerns prosper as a result of a large volume of transactions.

On the other hand, consumer purchasing power falls off and the volume of business transacted slumps when employment is down.

DISTRICT EMPLOYMENT STILL CLOSE TO POSTWAR PEAK

Employment in all types of non-agricultural industries in Montana set a new postwar record early in 1949. Since September the usual seasonal contraction has taken place in employment there.

According to the recent report issued by the Unemployment Commission of Montana, December saw employment for the first time in 1949 slightly below the total for the corresponding month in 1948.

On the basis of the sketchy information available, employment in non-agricultural industries in North and South Dakota held up well in 1949 but did fall slightly below the level of employment in the former year.

In Minnesota such employment declined during the spring and early summer months due to the business recession in industrial areas. Even though employment again picked up during the latter half of the year, December employment was still down almost 4% as compared with the December 1948 figure, according to the

recent report issued by the Minnesota Division of Employment and Security.

In the Upper Peninsula of Michigan, employment recovered from the coal and steel strikes, but it was more than 6% under December 1948, according to the report issued by the Michigan Unemployment Compensation commission. The lumber and wood products industry was operating below normal, but prospects were for a considerable increase in activity during the next 90 days.

In the state of Wisconsin, employment in non-agricultural industries in November was down 6% from the level of employment in November 1948, according to the report issued by the Industrial commission. As in the Upper Peninsula of Michigan, the effect on employment of the coal and steel strikes had largely disappeared.

EMPLOYMENT IN MANUFACTURE OF DURABLE GOODS DROPPED

From this brief resume of employment in the various types of businesses (exclusive of farms) in this district, it is evident that employment at the end of 1949 was still at a relatively high level. During the past year, this district experienced no distressed unemployment as was the case in a few metropolitan centers in the nation.

The lower level of employment is traced, in a large measure, to manufacturing concerns and, more specifi-

▶ **District employment was at a relatively high level at the end of the year, which saw durable goods fabricators operating with reduced labor forces. Montana non-agricultural industries set postwar record.**

▶ **District population reversed its trend, approximating or surpassing the estimated national average from July 1, 1948, to July 1, 1949. North and South Dakota increased 4.0% and 6.3% respectively.**

▶ **Valuation of building permits issued by representative cities in the district was up 21% in the last half of 1949. Residential contracts awarded were up 50% in October and November.**

▶ **The downward trend in department store sales continued in 1949. Rural sales reflected the contraction in farm income.**

cally, to those concerns producing durable goods. The fabricators of metal products and the manufacturers of all types of machinery in particular, are operating with substantially smaller labor forces than in former postwar years.

During the past year, wage rates in most instances remained at the former level or were raised. Furthermore, labor in manufacturing con-

Northwest Business Indexes

(Adjusted for Seasonal Variations—1935-39 = 100)

	Dec. '49	Nov. '49	Dec. '48	Dec. '47
Bank Debits—93 Cities	292	301	316	315
Bank Debits—Farming Centers.....	371	382	394	375
Ninth District Department Store Sales.....	293p	267	288	283
City Department Store Sales.....	308	285	296	297
Country Department Store Sales.....	277p	250	281	270
Ninth District Department Store Stocks.....	294p	305	318	292
City Department Store Stocks.....	255p	256	276	252
Country Department Store Stocks.....	324p	345	352	324
Country Lumber Sales.....	244p	160p	188	168
Miscellaneous Carloadings	115	106	129	132
Total Carloadings (excl. Misc.).....	92	73	108	128
Farm Prices (Minn. unadj.).....	213	216	254	302

p—preliminary.

cerns toward the end of the year was still working slightly over 40 hours per week. Under these conditions, consumer purchasing power in urban centers remained high—as reflected in the large amount of sales in department stores.

DISTRICT POPULATION INCREASED SIGNIFICANTLY

The opportunities for employment in the Ninth district since the summer of 1948 appear to have been equal to those found in other regions of the nation. As a result, the migration of population out of this district, so prevalent during the war years, has ceased.*

During the war years, the Ninth district lost population through migration primarily into the states on the west coast and to the Chicago and Detroit industrial areas. From July 1, 1948, to July 1, 1949, the population in this district increased faster than in the nation as a whole—which leads to the conclusion that the emigration out of this district has ceased and there may have been some net immigration.

It is estimated that in the United States the civilian population increased by 1.7% from July 1, 1948 to July 1, 1949. Such was also the approximate increase in Minnesota and Montana. However, in North and South Dakota the estimated increase of 4.0% and 6.3%, respectively, greatly exceeded the national average.

Since the emigration of population out of this district has ceased, the population in Minnesota is now approximately 7% larger than it was at the time of the 1940 census. In South Dakota, where the population during the war years fell noticeably below the 1940 census figure due to emigration, the population has recently grown to a point where it has surpassed the former census figure. In Montana and in North Dakota the estimated population on July 1, 1949, was still 7.5% and 5.8%, respectively, below the 1940 census totals.

CONSTRUCTION ACTIVITY CONTINUES HIGH

Activity in the construction industry is an important factor in main-

* The United States Bureau of the Census annually releases provisional estimates of population. These estimates are based on the census taken on April 1, 1940, and brought up to date by use of official records of births, deaths, net immigration, and estimates of net internal migration based largely on official records of school enrollment.

Sales at Ninth District Department Stores*

	% Dec. 1949 of Dec. 1948	% Jan.-Dec. 1949 of Jan.-Dec. 1948	Number of Stores ¹ Showing	
			Increase	Decrease
Total District	101	95	88	131
Mpls., St. Paul, Dul.-Sup.....	103	96	15	14
Country Stores	98	93	73	117
Minnesota (city and country).....	103	96	38	47
Minnesota (country)	99	94	24	36
Central	88	86	2	4
Northwestern	97	94	2	3
Red River Valley.....	101	94	2	2
South Central	96	93	2	10
Southeastern	101	96	4	5
Southwestern	102	95	12	12
Montana	102	97	17	12
Mountains	103	93	5	4
Plains	101	99	12	8
North Dakota	97	92	15	31
North Central	103	94	5	5
Northwestern	103	94	4	2
Red River Valley.....	96	89	5	12
Southeastern	93	93	1	10
Southwestern	(2)	(2)	....	....
Red River Valley-Minn. & N. D.....	96	90	7	14
South Dakota	96	90	9	12
Southeastern	99	93	3	3
Other Eastern	92	85	2	8
Western	98	93	4	1
Wisconsin and Michigan.....	94	90	8	26
Northern Wisconsin	99	95	4	7
West Central Wisconsin.....	97	92	3	11
Upper Peninsula Michigan.....	88	84	1	8

*Percentages are based on dollar volume of sales.

¹ December 1949 compared with December 1948.

² Not shown, but included in totals. Insufficient number reporting.

taining the present level of employment. Even though roughly only 5% of the labor in non-agricultural industries is employed in on-site construction work, the industry through

Index of Department Store Sales by Cities

(Unadjusted 1935-39 = 100)

	Dec. 1	Percent Change ² From Year Ago	
		Dec.	Jan.-Dec.
Minneapolis	495	+ 4	— 2
St. Paul	417	+ 2	— 8
Duluth-Superior	447	— 1	— 5
Aberdeen	557	—16	—18
Bismarck	392	— 2	— 5
Fairmont	387	— 2	—10
Grand Forks	498	0	— 4
Great Falls	529	— 3	— 1
La Crosse	416	— 1	— 7
Mankato	429	+ 2	— 5
Minot	448	+ 4	— 5
Rapid City	610	—12	—15
Rochester	331	+ 2	— 1
St. Cloud	451	—12	—12
Sioux Falls	507	— 1	— 6
Valley City	352	—14	—15
Willmar	408	— 1	— 6
Winona .....	.....	.....	.....
Yankton	382	— 3	—15

¹ Based on daily average sales.

² Based on total dollar volume of sales.

its use of construction materials indirectly employs a large number of laborers.

Valuation of building permits issued by representative cities in the Ninth district has been high. During the last half of 1949, total valuation exceeded by 21% the corresponding figure for the last half of 1948. Such a large total valuation of building permits provides evidence that a large number of construction projects are in the blue print stage.

The amount of construction contracts awarded, as compiled by the F. W. Dodge Corporation, reflects a similar picture of high activity in the construction industry in this region. In residential building the amount of contracts awarded in recent months was over 50% larger than in the corresponding months of 1948. The awards made for public building also have been high.

To secure more information on the type of construction in the blue-print stage, a tabulation was made of the contracts let in the past few weeks for various kinds of projects as

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BANKING

Banks Took Adjustments of 1949 in Stride

BUSINESS, agriculture, and banking in 1949 came face-to-face with a hard-boiled test: could the economy settle down from the booming postwar inflation without suffering a devastating collapse?

The other sections of this Review describe the course of business and agriculture. On these fronts, for 1949 at least, the answer was favorable—although farmers, who generally enjoyed the favored spot in the sun during the boom, found the going somewhat rougher in 1949 than did industry and trade.

This year's record for banking in the Ninth district—and in the United States as well—showed that banks, too, took the adjustments of 1949 in stride. Moreover, the underlying soundness of the banking system contributed an important element of strength to economic stability.

TOTAL LOANS ROSE, BUSINESS LOANS DECLINED

Total loans in Ninth district member banks edged up 1% during 1949. Standing at \$895 million at the close of the year—a new all-time high—total loans had increased \$11 million over a year ago.

The relative stability in total bank loans in 1949 contrasted sharply with the galloping expansion of the earlier postwar years. From December 1945 to December 1948, total loans in Ninth district member banks increased at an annual average rate of roughly 25%.

A look at the trend of loans in country and city banks in 1949 shows:

● Total loans in Ninth district country member banks increased \$16 million—up 3½% during 1949. The

▶ Total loans in Ninth district member banks at year-end 1949 topped a year ago by 1%; business loans in city banks, however, declined sharply.

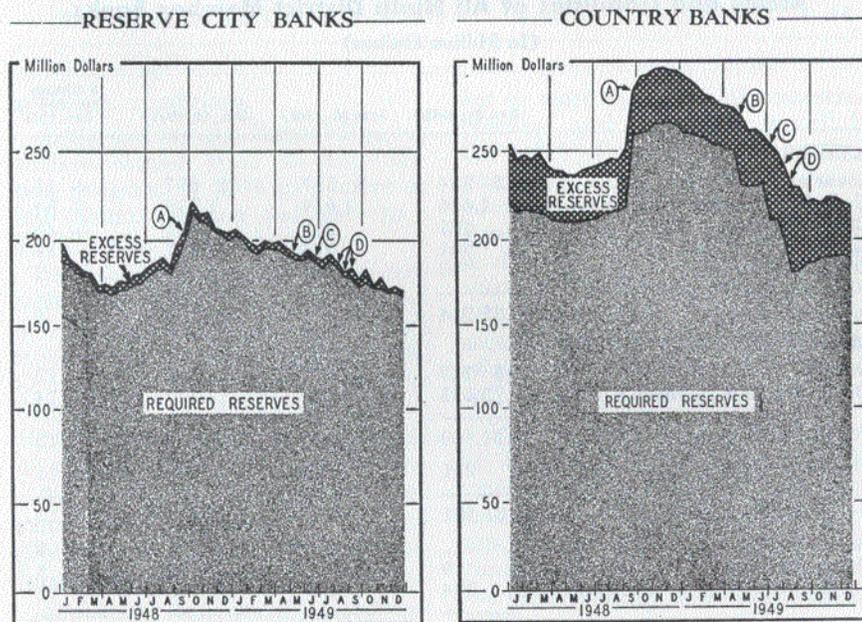
▶ U. S. government security portfolios rose 5% in 1949, as banks invested funds released by reduced reserve requirements.

▶ Modified Federal Reserve open market policy signaled a shift to greater flexibility in monetary management.

▶ Demand deposits, other than interbank, in Ninth district member banks shrank 1%.

REQUIRED AND EXCESS RESERVES OF 9TH DISTRICT MEMBER BANKS
Effects of Changes in Reserve Requirements

(Arrows Indicate Change Periods)



main bulge in lending came in the late winter and early spring when preparations for the new crop year—purchases of seed, fertilizer, and machinery—sent farmers to banks seeking short-term loans. Demand for Commodity Credit Corporation loans buoyed up loan totals during the rest of the year.

In addition, after a lull in the early months of 1949, country banks expanded real estate and consumer loans.

● Total loans in Ninth district city banks (20 weekly reporting banks located in the district's larger cities) declined from \$439 million on December 31, 1948, to \$434 million on December 28, 1949—down 1%. Commercial, industrial, and agricultural loans took a nose dive of 14% in 1949—mainly in the first half of the year. This drop was partly offset, however, by the almost steady rise in real estate and consumer loans which got underway in the spring and persisted through the end of the year.

● The decline in business loans in the first half of 1949, which occurred to an even more marked degree nationally than in the Ninth district, reflected several factors.

Most important were: that businesses were cutting expenditures, inventories were reduced, expansion

Reserve Requirements	10/41 to 9/48	A	B	C	D
% of Net Demand Deposits.....	20	22	21	20	18
% of Time Deposits	6	7½	7	6	5

Reserve Requirements	10/41 to 9/48	A	B	C	D
% of Net Demand Deposits.....	14	16	15	14	12
% of Time Deposits	6	7½	7	6	5

Note: Data are semi-monthly averages of daily figures.

plans were curtailed, and falling prices resulted in lower working capital requirements. In some instances bank loans were repaid with funds acquired through security issues.

● The low point in business loans in Ninth district city banks was touched in May—two months before the turning point in the nation as a whole. Ninth district city bankers then saw their business loan totals spurt upward for three months, erasing roughly half of the previous month's decline.

Businessmen, in many instances, had let inventories fall too low. Purchases for restocking, added to the usual summer and early fall inventory accumulation, revitalized demand for business loans.

In the last four months of the year, however, city bank business loans slid off again in response in part at least to seasonal influences.

● Generally this year's decline in business loans did not spring from a stringency of credit. Banks had ample funds to satisfy sound credit requirements. Bankers, however, scrutinized loan applications more carefully and weeded out credits which appeared vulnerable to a changing economy.

POSTWAR DECLINE IN U. S. GOVERNMENT SECURITY PORTFOLIOS REVERSED

Total U. S. government security portfolios in Ninth district member banks increased 5% in 1949 to \$1,730 million, breaking the downhill trend which had held sway since the end of World War II. City banks added \$65 million of government securities to their holdings, while country bank portfolios rose \$19 million.

The turning point in the trend of U. S. government security portfolios did not in fact occur until May 1949. In the first four months of the year banks liquidated securities to meet deposit withdrawals incident to income tax collections.

The chief factor in the sharp rise in security portfolios in the remainder of the year was the successive reductions in reserve requirements for member banks. In city banks the rise in investments was also induced by the decline in loans.

From May through September 1 reserve requirements against demand

deposits for all member banks were pared down by 4% and against time deposits by 2½%. (See chart.)

The reductions in reserve requirements released about \$3.8 billion in the nation's member banks for lending or investing. Of this, roughly \$106 million was in Ninth district member banks.

Reserve city banks were quick to put newly available funds to work in the government securities market—mainly in short-term issues. Excess reserves were held down to about the same narrow margin as existed before the reductions.

Country banks also withdrew from the Federal Reserve bank most of the funds released from required reserve accounts. Typically, however, country banks hold a larger margin of excess reserves than city banks.

Country banks used their newly available funds to buy U. S. government securities—although to a smaller extent than city banks—to meet increased demand for loans, and to build up correspondent balances in other banks.

During 1949, changes in the government security portfolios of Ninth

district banks reflected two major factors: one, the net purchase of securities, mainly short-term issues, made this year; and the other, the refunding operations of the Treasury.

Throughout most of 1949 called or due certificates, notes, and bonds were rolled over into new one-year certificates. On December 15, a 4¼ year, 1⅜% Treasury note was offered in exchange for certificates and bonds due or called on that date.

The refunding operations explain a decline in holdings of government bonds in spite of the fact that banks made net purchases of bonds during the year.

Other securities—mainly municipal and high-grade corporate issues—also advanced in Ninth district member banks in 1949. In city banks other security holdings registered a plus \$34 million, in country banks a plus \$6 million.

FEDERAL RESERVE FOLLOWED 'EASY MONEY' POLICY

At the end of 1948 the U. S. economy rode over the crest of the boom and slid into a mild recession. Accordingly, Federal Reserve policy was tailored to meet the changing

Assets and Liabilities of All Ninth District Member Banks

(In Million Dollars)

	Dec. 31, 1948 ¹	June 30, 1949 ¹	Dec. 28, 1949 ²	\$ Change Dec. 1948 to Dec. 1949
ASSETS				
Loans and Discounts.....	\$ 884	\$ 857	\$ 895	+ 11
U. S. Government Obligations.....	1,646	1,614	1,730	+ 84
Other Securities	203	218	243	+ 40
Cash and Due from Banks.....	961	854	827	-134
Other Assets	30	30	32	+ 2
Total Assets	\$3,724	\$3,573	\$3,727	+ 3
LIABILITIES AND CAPITAL				
Due to Banks.....	\$ 327	\$ 301	\$ 339	+ 12
Other Demand Deposits.....	2,233	2,109	2,209	- 24
Total Demand Deposits.....	\$2,560	\$2,410	\$2,548	- 12
Time Deposits	941	934	930	- 11
Total Deposits	\$3,501	\$3,344	\$3,478	- 23
Borrowings .....	.....	.....	8	+ 8
Other Liabilities	19	20	24	+ 5
Capital Funds	204	209	217	+ 13
Total Liabilities and Capital.....	\$3,724	\$3,573	\$3,727	+ 3

¹ Call report figures.

² This table is 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, 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 reserves.

Reserve balances and data on borrowings from the Federal Reserve Bank 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.

Assets and Liabilities of Twenty Reporting Banks

(In Million Dollars)

	Dec. 31, 1948	June 30, 1949	Dec. 28, 1949	\$ Change Dec. 1948 to Dec. 1949
ASSETS				
Comm., Ind., and Ag. Loans.....	\$ 249	\$ 218	\$ 214	— 35
Real Estate Loans.....	63	65	72	+ 9
Loans on Securities.....	15	14	11	— 4
Other (largely consumer) Loans.....	117	122	143	+ 26
Total Gross Loans and Disc.....	\$ 444	\$ 419	\$ 440	— 4
Less Reserves.....	5	6	6	+ 1
Total Net Loans and Discounts.....	\$ 439	\$ 413	\$ 434	— 5
U. S. Treasury Bills.....	25	24	30	+ 5
U. S. Treasury Cert. of Indebt.....	132	148	166	+ 34
U. S. Treasury Notes.....	34	19	72	+ 38
U. S. Government Bonds.....	449	468	437	— 12
Total U. S. Gov't Securities.....	\$ 640	\$ 659	\$ 705	+ 65
Other Investments.....	79	98	113	+ 34
Cash and Due from Banks.....	504	442	430	— 74
Miscellaneous Assets.....	17	14	15	— 2
Total Assets.....	\$1,679	\$1,626	\$1,697	+ 18
LIABILITIES				
Due to Banks.....	\$ 287	\$ 267	\$ 298	+ 11
Demand Deposits, Ind., Part., Corp. 823	742	831	831	+ 8
Demand Deposits, U. S. Gov't.....	27	21	40	+ 13
Other Demand Deposits.....	173	227	149	— 24
Total Demand Deposits.....	\$1,310	\$1,257	\$1,318	+ 8
Time Deposits.....	256	255	252	— 4
Total Deposits.....	\$1,566	\$1,512	\$1,570	+ 4
Borrowings.....	.....	.....	7	+ 7
Miscellaneous Liabilities.....	15	14	17	+ 2
Capital Funds.....	98	100	103	+ 5
Total Liabilities and Capital.....	\$1,679	\$1,626	\$1,697	+ 18

economic conditions.

Early in 1949 the Federal Reserve System shifted from its anti-inflation program of 1948 to a more or less neutral position and then to a positive easy money program.

In March, consumer credit controls were relaxed. Also, margin requirements for purchasing listed stocks were cut from 75% to 50%. Consumer credit regulations were further eased in April, and on June 30 the Board's temporary authority to control consumer credit expired.

The reductions in reserve requirements described above were a major plank in the Reserve Board's platform of loosening credit conditions.

Probably the most significant change in Reserve bank policy this year was the modification of open market policy in the last half of the year. On June 28, 1949, the Federal Open Market committee announced that "with a view to increasing the supply of funds available in the mar-

ket to meet the needs of commerce, business, and agriculture it will be the policy of the committee to direct purchases, sales, and exchanges of government securities by the Federal Reserve banks with primary regard to the general business and credit situation. The policy of maintaining orderly conditions in the government security market and the confidence of investors in government bonds will be continued. . ."

During the war the overriding aim of Federal Reserve policy was the maintenance of a relatively fixed pattern of rates on government securities. In the postwar years this aim conflicted with the goal of adjusting the money supply to general business conditions.

For example, in 1948 the Reserve banks purchased huge quantities of government bonds in order to support bond prices at or near par. These purchases channeled reserve funds to commercial banks. At the

same time the Reserve System was pursuing an anti-inflation program directed at mopping up reserves.

In the first half of 1949 the shoe was on the other foot. Investors sought government bonds as other sound outlets for funds diminished. To prevent a disorderly rise in bond prices (decline in yields) the Reserve System sold government bonds in the open market.

As stated in the June 28 announcement, these sales of bonds had "the undesirable effect of absorbing reserves from the market at a time when the availability of credit should be increased."

The reorientation of policy signaled that open market operations would henceforth be on a more flexible basis. It stressed the general business and credit situation as the primary consideration determining Federal Reserve open market operations.

To implement its new policy, the Federal Open Market committee abruptly suspended sales of government securities. As a result, a rapid advance in prices and a corresponding decline in yields took place throughout the entire list.

The Reserve System maintained its "hands off" policy in the bond end of the market throughout July. However, on the short end of the market, the rate decline was so swift and sharp that the Reserve System sold a substantial amount of bills and certificates to maintain orderly market conditions.

Federal Reserve sales of bonds in the open market did not reappear until the last week in October. Since then, however, relatively small sales of bonds from the System's account have dampened somewhat the continued rise in bond prices (decline in yields).

OTHER THAN INTERBANK DEPOSITS DROPPED SLIGHTLY

Demand deposits, other than interbank, declined from \$2,233 million at year-end 1948 to \$2,209 million by December 28, 1949 — a drop of 1%. This decline was concentrated in country banks, where declining cash farm income, coupled with sustained expenditures, cut into farmers' liquid assets.

In the district as a whole demand deposits declined in the first three

Concluded on Next Page

months of 1949 as income tax payments channeled funds from private deposits to the Treasurer's account in the Federal Reserve bank.

Throughout most of the remainder of the year Treasury operations siphoned funds back into the money stream as Treasury expenditures exceeded receipts. In the fiscal year 1949 the federal government ran up a deficit of \$1.8 billion, marking a return to deficit financing after two years of being in the black. The deficit for fiscal 1950 is estimated at \$5½ billion.

To the extent that a deficit is financed out of accumulated cash balances of the Treasurer or from receipts of sales of Treasury tax savings notes or savings bonds, the total money supply is not affected. However, if new securities are sold to banks, the money supply is correspondingly increased.

During 1949, financing the deficit by new issues got underway with increases in several weekly bill offerings. The Treasury was able to hold such financing to a relatively small volume, however, due to the large sale of Treasury tax savings notes, mainly to corporations.

In Ninth district member banks demand deposits, other than interbank, followed their usual seasonal pattern of a sharp decline in the first three months followed by a generally rising trend in the remainder of the year.

In country member banks the level of other demand deposits held fairly close to the record of a year ago during the first eight months of 1949. From September through December, however, country bank deposits fell sharply below the level of the previous year. This reflected reduced receipts from farm marketings due to

lower prices and lower production.

In the city banks other demand deposits held above the record of a year ago in almost every month. At the same time, however, a drop occurred in the velocity of deposits—the number of times a deposit dollar changes hands during a year. The annual rate of turnover in 1949 averaged 13.2 turns compared with 14.4 in 1948. (Velocity figures are based on reports received from a group of Ninth district banks in larger cities.)

Two other significant changes took place in Ninth district member banks in 1949. One, time deposits decreased from \$941 million at year-end 1948 to \$930 million at year-end 1949, with the lion's share of the decline occurring in country banks. The other, capital accounts rose \$13 million or 6% in 1949, continuing their upward trend of the past several years. END

1950 INHERITS RENEWED VIGOR OF '49 ECONOMY

Continued from Page 2

prise when this expectation failed to materialize. For the year as a whole, both consumer income and expenditures were about equal to the levels of 1948, the former at \$212 billion and the latter at \$179 billion.

Looking further into consumer income, spending, and saving in 1949, one discerns some interesting shifts over 1948. Disposable income (income after taxes) although slightly higher last year than for the previous year, drifted downward from late '48 figures. Personal saving declined. Consumption expenditures remained at almost a stationary level for the two years. Corporate income and farm income declined.

Doubtless it was the stable, high level of consumption expenditures that caused businessmen to shift from a policy of inventory liquidation to inventory accumulation from the first to the second half of the year. A larger proportion of those expenditures were made for services and durable goods, notably automobiles, than in the previous year.

Sales of nondurables slipped in dollar volume because of price declines, which, however, helped sustain the

physical volume of such goods sold. Dollar volume of department store sales fell about 5% below 1948, while the physical volume of such sales has been estimated to have been maintained at about the same level.

TREND IN NET PERSONAL SAVING WAS DOWNWARD

Although net personal saving (gross saving less increases in consumer debt and decreases in liquid assets) was as high last year as a whole as it was for 1948, it declined steadily in each quarter.

The most interesting aspect of personal income and expenditures in recent years is that there has been a marked upward trend in the amount of dissaving by the lower-income groups.

According to findings in the consumer finances survey conducted under the auspices of the Board of

Gross Private Domestic Investment

(In Billions of Dollars)

	Fourth Quarter 1948	Annual Rates, First Quarter 1949	Seasonally Adjusted Second Quarter 1949	Adjusted Third Quarter 1949	Fourth Quarter 1949
Total	48.0	41.6	35.4	35.0	35.0
Nonfarm construction	7.4	7.1	6.9	6.8	6.5
Nonfarm equipment	17.7	17.4	16.9	16.6	14.7
Farm equipment	4.0	4.2	3.9	3.9	4.1
Residential construction	8.8	8.0	7.9	8.9	10.0
Other construction	1.2	1.2	1.1	1.2	1.3
Business inventories	9.0	3.6	— 1.4	— 2.4	— 1.5

Governors of the Federal Reserve System, the lowest 40% of spending units (who in 1948 received 15% of the net personal income) spent more than their current incomes. They were able to do so by drawing on the liquid assets they had accumulated in the war years, and by going into debt.

The highest two-fifths of spending units (who received 69% of net personal income) accounted for practically all of net personal savings of all spending units. The middle and lower income groups, despite the fact that they have spent more than their incomes for nondurable goods and services, nevertheless spent freely for durable goods, such as automobiles, in the last two years when such goods have become more readily available.

Not only has high dissaving on the part of a large segment of the population contributed to the high level

of business activity, but personal saving in the form of investment in tangible assets, such as homes, business, and farm equipment also has made a mighty contribution. When debt on tangible assets, plus debt on consumer durables, is subtracted from the increase in liquid assets, the result is known as net financial saving. The amount of such net saving, which was extremely large during the war years, has been negligible since 1946.

SLUMP OCCURRED IN GROSS PRIVATE INVESTMENT

The chief components of gross private domestic investment are (1) construction, (2) equipment, and (3) inventory accumulation. Separately and jointly these are volatile factors in the business situation and outlook. The size of the total, which was an estimated \$45 billion in 1948, indicates its significance in the economy.

Also indicating the significance of business investment in a given period of time is the fact that such expenditures declined by \$8.2 billion in 1949

over 1948, or about 18%. This compares with a decline of only \$3.7 billion in gross national product. Evidently the drop in this factor, especially when it is known that consumption expenditures were remarkably stable in the two years, was the major factor in the decline in business activity last year.

Glancing at the components of business investment, one may observe that a small decline in producers' expenditures on equipment was offset by about an equal increase in new construction. There was nothing small, however, in the changes in business inventories, as is shown in the accompanying table.

The course of business activity in 1949 can be traced largely in terms of changes in business inventories. The third quarter of '49 compared with the fourth quarter of '48 indicates a rate of change in business inventories of \$11.4 billion on an annual basis. Other factors on the plus side in gross national product could not offset this drastic change in business inventories.

GOVERNMENT CASH RECEIPTS DECLINED

The volume of cash receipts by the federal government declined \$3.5 billion in 1949 over 1948, while its cash payments increased \$6.2 billion.

The result was a shift from a federal cash surplus of \$8.0 billion to a deficit of \$1.7 billion. Among state and local governments a cash deficit of \$0.8 billion in 1948 increased to a deficit of \$1.4 billion in 1949. Thus all governments—federal, state, and local—suffered a deterioration in their finances.

NOTABLE INTERNATIONAL DEVELOPMENTS

The most significant developments in international trade and finance in 1949 were (1) the depreciation of many currencies, and (2) the drastic decline in the surplus of U. S. exports of goods and services from the second quarter, when that surplus was \$8.0 billion, on an annual basis, to the fourth quarter, when it was \$3.8 billion a year. The impact of these developments on the U. S. economy was not apparent at the year's end. END

FARMERS' PURCHASING POWER PARED DURING '49

Continued from Page 4

prices reduced his purchasing power from what it had been for several years. One way to partly avoid the stark reality of a decline in farm income was to use more credit. This the farmer did in 1948 and again in 1949.

Non-real estate loans to farmers in this district, exclusive of CCC loans, increased sharply during 1948. (See table in annual statistical supplement.) In fact, in Montana it was nearly trebled and in North Dakota nearly quadrupled.

During 1949 the trend in chattel credit to farmers has continued to expand, and although data from the December 31 call report are not yet fully tabulated and analyzed, there

is evidence that a further increase in farmers' use of short-term credit actually occurred. Preliminary estimates indicate the increase in 1949 as 15-30% higher compared with 1948.

The sharp increase in farm loans has caused some banks in the district to view their loan portfolios with considerable concern.

In contrast to the sharp expansion in farm chattel debt, farm real-estate mortgage indebtedness increased only slightly during 1949, according to preliminary estimates. This indebtedness is now about what it was in the mid-1930's and it is at a relatively low level.

DISTRICT FARM LAND VALUES TURN DOWN

For the first time since the early 1930's, land values in most Ninth district states turned downward during 1949. Minnesota was the only

exception. A 1% increase in Minnesota land values occurred from November 1948 to November 1949. (See map.)

Compared with much of the U. S., farm land values in the Ninth district were slow to get up steam in the early war years. However, values in recent years have forged ahead, particularly in the Dakotas and Montana, where they are more than double the relatively low figures that prevailed in 1940.

There is statistical evidence, however, that in spite of the price spurt in recent years, district land values are relatively low in terms of post World War I peaks. Many also argue that district land values are not particularly out of line with present farm prices and incomes. Land values are, however, closely associated with farm income levels. When income falls, there is an inevitable decline in farm land values sooner or later. END

AREA BUSINESS BELOW '48 BUT UP AT YEAR-END

Continued from Page 6

reported by the Minneapolis and St. Paul Builders exchanges.

By far the largest number of contracts have been let for public and private school buildings. Institutions of higher learning also continue to expand their facilities. Contracts let for hospitals, medical clinics, churches, and other buildings of a service nature ranked a strong second in number.

On the contrary, a small number of contracts were let for industrial buildings. The number let for retail and wholesale outlets also were small, but this may be, in part, seasonal.

DEPARTMENT STORE SALES DOWN 5% FROM 1948

The downward trend in department store sales which began late in 1948 continued throughout most of 1949. Two rallies, one in April and the other in December, the two big holiday months, temporarily brought sales above the 1948 level. However, the other months weighted the total for the year down to 5% below the 1948 dollar volume. Sales started to improve after the low was reached in July, but they did not reach 1948 levels until December.

In general, this is the picture of 1949 sales in both the Ninth district and the United States. A look at the sales index shows that the trend in this area, while very similar, is slightly below that of the nation, dropping significantly during the winter months.

There are various reasons for the dollar volume of sales in 1949 not measuring up to the peak year which preceded it. First, the 1949 level of prices, as shown by the Fairchild index of retail prices, which does not include special sales, was 2% below

1948. A second contributing factor was some contraction in employment. The third reason was that much of the wartime consumer demand had by last year been fulfilled, especially in the housefurnishings line.

While sales in the whole district were down, there has been a noticeable decline during recent months in rural sales. Since the marketing of the 1949 crop began, farmers have been more cautious in their buying. They found that costs are still high and the prices they received were down considerably from a year ago.

In the past four months, sales in rural areas averaged 91% of the comparable period of 1948, while in the four large centers—Minneapolis, St. Paul, Duluth, and Superior—sales averaged 99% during the same period. In December, city sales were 3% above and country sales 2% below those of the previous December.

DEPARTMENTAL SALES REFLECT MIXED TREND

Departmental sales in the Ninth district also followed those of the United States rather closely. Main store sales began to decline in the autumn of 1948. The Easter rally brought them up to the level of 1948, and thereafter they declined until July.

Sales had improved since mid-summer, but by November they had not come up to those of 1948. Even basement store sales, which had remained

• *Note that with this issue the Monthly Review begins Volume 10 and a new set of serial and page numbers. Attention should probably be called at this time to the first two issues in 1947, which were incorrectly numbered. Both January 1947 and February 1947 were labeled Volume 8, Serial 61, whereas both should have been Volume 9, and February 1947 should have carried Serial 62.*

so strong throughout 1948, began to drop late in 1948 and by mid-year had fallen below the previous year.

Sales in housefurnishings departments were the first to contract the total of main store sales in September of 1948. However, they strengthened considerably toward the end of 1949. Active sales of television, radios, and phonographs have been an important part of total sales in these departments.

Other declines reported in piece goods, miscellaneous, and small wares departments came later and were less severe. Sales in these three departments also improved during the fall of 1949.

Women's apparel and accessory sales declined markedly and remained below the level of a year ago, with the exception of an Easter spurt. Men's wear also increased in April, but in contrast to sales of women's apparel these departments have since remained above 1948.

Sales of men's and boys' wear, in comparison with the 1948 dollar volume, made a stronger showing in this area than nationally. However, it is important to point out that in this district the sales of men's and boys' wear were rather low in 1948.

DEPARTMENT STORE STOCKS CONTINUE TO RISE

Department store stocks, which rose with sales in 1948, declined abruptly with January clearances in 1949. In both the district and the nation, retailers let stocks decline about 7% until late summer, when they began to accumulate stocks again.

Department store stocks during December rose 2% after an adjustment was made for the usual seasonal decline. As a result, the adjusted index of department store stocks in this district stood at 305% of the 1935-39 base period, while the adjusted index of department store sales stood at 267%. END

The 1935-39 Average and the Years 1946 to 1949 in the Ninth Federal Reserve District

BUSINESS

Northwest Business Indexes (Monthly Averages — 1935-39 = 100)

	1945	1946	1947	1948	1949
Bank Debits—93 Cities.....	211	251	306	336	317
Bank Debits—Farming Centers.....	226	292	358	408	393
Ninth District Department Store Sales.....	185	247	273	289	275p
City Department Store Sales.....	197	261	283	300	290
Country Department Store Sales.....	174	233	262	278	260p
Ninth Dist. Department Store Stocks.....	165	212	266	326	299p
City Department Store Stocks.....	157	208	242	279	258p
Country Department Store Stocks.....	171	214	286	364	331p
Country Lumber Sales.....	121	125	136	159	163p
Miscellaneous Carloadings.....	126	126	131	131	121
Total Carloadings (Excl. Misc.).....	117	115	125	119	100
Farm Prices—Minnesota.....	175	212	272	280	228

p—Preliminary.

Index of Department Store Sales by Cities (Monthly Averages — 1935-39 = 100)

	1945	1946	1947	1948	1949
Minneapolis.....	207	276	294	314	309
St. Paul.....	181	242	269	275	255
Duluth-Superior.....	205	242	268	294	280
Aberdeen.....	288	409	440	456	376
Bismarck.....	205	278	292	321	306
Fairmont.....	182	246	276	309	279
Grand Forks.....	199	273	339	347	335
Great Falls.....	209	273	314	335	333
LaCrosse.....	174	226	253	264	247
Mankato.....	202	242	256	284	272
Minot.....	208	277	312	321	305
Rapid City.....	254	324	341	420	359
Rochester.....	164	248	233	248	245
St. Cloud.....	259	334	336	353	308
Sioux Falls.....	221	288	334	368	347
Valley City.....	176	252	271	259	221
Willmar.....	189	252	281	292	277
Winona.....	166	224	241	268	265
Yankton.....	198	276	315	312	268

Bank Debits	1935-39 Av.	1946	1947	1948	1949
TOTAL—108 Cities.....	\$ 9,988,121	\$24,964,152	(T-h-o-u-s-a-n-d-s) \$30,403,101	\$33,501,180	\$31,558,332
Minneapolis.....	4,076,953	10,062,865	12,334,351	13,128,906	12,098,236
St. Paul.....	1,929,849	4,550,699	5,338,788	5,890,987	5,573,759
South St. Paul.....	264,108	671,408	984,867	988,449	948,383
Duluth-Superior.....	566,771	1,253,206	1,495,154	1,650,383	1,466,990
Michigan—14 cities.....	251,171	601,568	724,769	801,120	750,123
Minnesota—38 cities.....	791,036	2,056,285	2,463,669	2,757,280	2,603,321
Montana—15 cities.....	747,514	1,753,480	2,097,608	2,628,348	2,676,252
North Dakota—13 cities.....	561,721	1,620,197	1,982,296	2,340,817	2,304,028
South Dakota—16 cities.....	514,531	1,592,905	2,025,969	2,277,133	2,157,989
Wisconsin—7 cities.....	284,467	801,539	955,630	1,037,757	979,251

Country Check Clearings	1935-39 Av.	1946	1947	1948	1949
TOTAL.....	\$ 2,085,295	\$ 6,096,571	(T-h-o-u-s-a-n-d-s) \$ 7,801,576	\$ 8,893,888	\$ 8,606,647
Minnesota.....	1,016,178	2,735,702	3,468,877	4,008,383	3,831,391
Montana.....	242,415	759,640	952,279	1,108,543	1,117,593
North and South Dakota.....	535,293	1,772,427	2,338,788	2,715,837	2,608,457
Michigan and Wisconsin.....	290,712	828,802	1,041,632	1,061,125	1,049,206

Retail Sales	1935-39 Av.	1946	1947	1948	1949
440 Lumber Yards (Board Feet).....	100,921	125,744	(T-h-o-u-s-a-n-d-s) 139,712	163,760	167,884p
440 Lumber Yards (Dollar Volume) \$.....	14,774	\$ 35,326	\$ 49,114	\$ 62,252	\$ 56,921p
City Dept. Stores (19 stores).....	62,344	163,991	178,066	188,638	182,235p
Country Dept. Stores (481 stores).....	67,579	157,066	179,662	193,522	181,510p
Minnesota (168 stores).....	21,266	48,861	55,147	60,294	56,970p
Montana (77 stores).....	14,356	29,932	34,804	37,971	37,490p
North Dakota (88 stores).....	11,922	30,609	35,597	37,994	35,243p
South Dakota (84 stores).....	9,976	26,337	29,698	32,522	29,895p
Mich. and Wis. (64 stores).....	10,059	21,327	24,416	24,741	21,912p

p—preliminary.

Inventories, December 31

	1935-39 Av.	1946	1947 (T-h-o-u-s-a-n-d-s)	1948	1949
421 Lumber Yards (Board feet).....	56,293	20,444	56,726	67,561	69,175 _p
14 City Department Stores.....\$	11,961	\$ 28,953	\$ 27,724	\$ 30,427	\$ 28,457 _p
102 Country Department Stores.....	5,453 ¹	13,025	15,005	16,427	15,075 _p

¹ Prior to 1946 country department store inventories were reported at cost.
p—preliminary.

Accounts and Notes Receivable, December 31

	1935-39 Av.	1946	1947 (T-h-o-u-s-a-n-d-s)	1948	1949
385 Lumber Yards.....\$	2,135	\$ 2,446	\$ 4,110	\$ 5,101	\$ 5,961 _p
14 City Department Stores.....	7,263	13,136	17,005	18,515	20,663 _p

p—preliminary.

Freight Carloadings — N. W. District

	1935-39 Av.	1946	1947 (T-h-o-u-s-a-n-d-s)	1948	1949
TOTAL.....	4,764	5,631	6,024	5,997	5,249
Grain and Grain Products.....	453	676	682	599	621
Livestock.....	168	235	181	151	141
Coal.....	308	367	370	364	288
Coke.....	68	81	97	95	83
Forest Products.....	433	520	556	524	429
Ore.....	790	1,125	1,436	1,560	1,246
Miscellaneous.....	1,551	1,952	2,027	2,050	1,881
Merchandise—LCL.....	990	675	675	654	560

Electric Power Prod. (KWH)

	1935-39 Av.	1946	1947	1948	1949
TOTAL.....	1,986,043	6,070,503	7,044,838	7,740,967	8,024,211
Minnesota.....	1,509,249	2,937,868	3,496,182	3,944,388	4,082,966
Montana.....	1,392,160	2,458,609	2,764,383	2,871,059	2,915,960
North Dakota.....	198,608	352,741	418,145	499,109	567,484
South Dakota.....	138,890	321,285	366,128	426,411	457,801

Life Insurance Sales

	1935-39 Av.	1946	1947 (T-h-o-u-s-a-n-d-s)	1948	1949
TOTAL.....\$	207,564	\$ 459,941	\$ 487,476	\$ 465,349	\$ 455,925
Minnesota.....	148,572	294,323	304,256	290,349	292,385
Montana.....	22,720	53,158	57,956	58,066	58,528
North Dakota.....	17,781	54,627	57,821	54,310	52,105
South Dakota.....	18,491	57,833	67,443	62,624	52,907

Manufacturing and Mining

	1935-39 Av.	1946	1947 (T-h-o-u-s-a-n-d-s)	1948	1949
Flour Production:					
Minneapolis Mills (bbls.).....	6,007	8,384	9,480	7,063	6,666
Other N. W. Mills (bbls.).....	9,031	14,634	15,936	13,346	11,680
Flour Shipped from Mpls. (bbls.).....	6,552	7,309	8,158	6,196	6,852
Linseed Product Shipped (lbs.).....	226,529	667,200	690,840	980,820	1,183,800
Iron Ore Shipped (gross ton).....	40,030	59,357	77,898	82,937	69,556

Construction Contracts Awarded in Ninth District

	1935-39 Av.	1946	1947 (T-h-o-u-s-a-n-d-s)	1948	1949
TOTAL.....\$	87,002	\$ 243,648	\$ 241,288	\$ 299,249	\$ 392,873
Public Works.....	32,593	52,002	66,539	95,520	137,186
Public Utilities.....	8,133	27,353	24,562	18,762	38,333
Total Building.....	46,276	164,293	150,187	184,967	217,354
Residential.....	19,640	94,026	77,871	89,217	102,270
Commercial & Industrial.....	8,453	48,692	41,335	39,981	29,751
Educational.....	8,496	3,048	8,672	18,987	32,651
All Other.....	9,687	18,527	22,309	36,782	52,682

Business Failures in 9th District

	1935-39	1946	1947	1948	1949
Number.....	235	18	48	70	111
Liabilities.....\$	3,549,000	\$ 710,000	\$ 5,714,000	\$ 2,107,000	\$ 3,866,000

AGRICULTURE

Cash Income from Farm Marketings (USDA)*
1935-39 Av. 1946

	1946	1947	1948	1949 ¹	1949 in Per- cent of 1948	
Ninth District—TOTAL	\$ 742,158	\$2,704,579	\$3,347,808	\$3,354,964	\$2,674,431	80%
Crops	188,413	919,898	1,362,642	1,400,778	1,008,345	72
Livestock and Livestock Products	489,542	1,669,874	1,954,004	1,924,235	1,636,135	85
Government Payments ²	64,203	114,807	31,162	29,951	29,951	100
Michigan (15 counties)	10,351	31,013	32,810	33,244	29,534	89
Minnesota	346,863	1,109,362	1,333,345	1,342,192	1,114,784	83
Montana	92,894	316,295	376,829	399,503	305,478	76
North Dakota	113,247	532,115	701,728	689,708	477,567	69
South Dakota	110,244	502,846	679,669	645,995	523,457	81
Wisconsin (26 counties)	68,558	212,948	223,427	244,322	193,657	79

*Source: "Farm Income Situation."
¹Ten months actual and two months estimated.
²1949 Government Payments estimated to be the same as 1948.

Farm Production 4 Northwest States*
1935-39 Av. 1946

	1946	1947	1948	1949	1949 in Per- cent of 1948	
Wheat (Bu.)	141,102	282,989	285,990	303,514	229,853	76%
Corn (Bu.)	208,096	388,788	293,833	436,688	356,269	82
Oats (Bu.)	220,275	371,382	333,672	382,672	290,901	76
Barley (Bu.)	101,791	114,781	127,372	149,395	79,082	53
Rye (Bu.)	23,185	6,550	12,347	13,506	7,930	59
Flaxseed (Bu.)	19,303 ¹	18,214	34,073	44,690	34,754	78
Soybeans for beans (Bu.)	2,218 ¹	11,017	14,435	16,263	12,929	79
Potatoes (Bu.)	35,890	41,167	41,260	42,590	37,638	88
Wool (Lbs.)	50,260	41,554	34,714	31,078	29,165	94
Milk (Lbs.)	11,943,000	12,955,000	12,499,000	11,797,000	328,096	107
Butter (Lbs.)	380,813	271,792	337,885	306,879	472,500	98
Eggs (Doz.)	207,833	495,833	486,333	480,583		

*Data from United States Department of Agriculture for Minnesota, Montana, North Dakota and South Dakota.
¹1936-45 average.

Farm Real Estate Mortgage Indebtedness, January 1*
1935-39 Av. 1946

	1946	1947	1948	1949	1949 in Per- cent of 1948	
Michigan (15 counties)	\$ 12,671	\$ 10,146	\$ 10,899	\$ 11,440	\$ 12,279	107%
Minnesota	387,703	273,364	257,698	244,465	237,572	97
Montana	87,154	39,904	40,912	42,143	45,676	108
North Dakota	181,156	80,778	76,146	70,261	67,367	96
South Dakota	180,998	87,222	83,109	70,632	67,847	96
Wisconsin (26 counties)	114,472	70,804	70,628	73,798	75,495	102
Ninth District	964,153	562,218	539,392	512,739	506,236	99

*Source: Farm Mortgage Debt by States, May 1949.

Non-Real Estate Loans to Farmers, January 1*
1938-40 Av. 1946

	1946	1947	1948	1949	1949 in Per- cent of 1948	
Minnesota	\$ 50,268	\$ 46,865	\$ 48,924	\$ 58,893	\$ 80,420	136%
Montana	13,522	13,797	14,681	21,432	26,367	123
North Dakota	12,390	9,344	10,314	13,612	18,759	138
South Dakota	17,830	23,397	25,871	29,858	40,277	135

Does not include CCG loans. *Source: "Agricultural Finance Review."

Land Values March 1* (1912-1914 = 100)
1935-39 Av. 1946

	1946	1947	1948	1949 ^p	1949 in Per- cent of 1948
Michigan	88	194	198	202	102%
Minnesota	86	143	157	164	104
Montana	53	117	129	130	101
North Dakota	65	92	110	118	107
South Dakota	52	77	91	98	108
Wisconsin	86	135	145	152	105

*Source: U. S. D. A.—Current Developments in Farm Real Estate Market.
p—Preliminary.

Livestock Numbers, 4 Northwest States, January 1*
1935-39 Av. 1946

	1946	1947	1948	1949 ^p	1949 in Per- cent of 1948	
All Cattle and Calves	\$ 7,170	\$ 9,874	\$ 9,569	\$ 9,187	\$ 9,385	102%
Dairy Cows	2,931	2,909	2,780	2,564	2,443	95
Sheep and Lambs	6,101	5,101	4,342	3,880	3,706	95
Hogs	3,464	6,940	5,792	5,317	5,555	104
Chickens	29,650	48,724	45,841	44,619	41,725	93
Turkeys	942	767	538	276	364	132

*Source: Livestock on Farms—February 1948 and February 1949.
p—Preliminary.

Ninth District Farm Prices* (Monthly Avg.)

	1935-39 Av.	1946	1947	1948	1949	1949 in Per- cent of 1948
Wheat	\$0.87	\$1.72	\$2.40	\$2.20	\$1.94	88%
Corn .....	.58	1.27	1.74	1.76	1.05	60
Flax	1.66	3.81	6.52	5.80	4.23	73
Hogs	8.37	16.87	24.45	22.97	17.98	78
Beef Cattle	6.95	14.62	19.02	21.98	19.42	88
Lambs	7.88	14.78	19.67	21.87	21.99	100
Chickens .....	.13	.23	.22	.24	.22	92
Butterfat .....	.29	.68	.77	.83	.65	78
Milk	1.59	3.41	3.62	4.10	3.14	77
Eggs .....	.20	.34	.40	.41	.40	98
Wool .....	.23	.43	.42	.48	.50	104

*Source: U. S. D. A.—Agricultural Prices.

BANKING

All Member Bank Total Deposits

	1935-39 Av.	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949
TOTAL	\$ 1,036,345	\$ 3,317,232	\$ 3,551,851	\$ 3,500,998	\$ 3,503,144
Michigan—15 Counties	58,413	148,618	155,052	154,545	149,616
Minnesota	695,966	1,993,818	2,121,191	2,059,313	2,071,437
Montana	119,182	448,109	477,458	495,248	507,816
North Dakota	49,717	238,214	264,565	269,497	264,205
South Dakota	65,413	304,222	346,825	339,252	332,855
Wisconsin—26 Counties	47,652	184,251	186,760	183,143	177,215

City Member Banks

	1935-39 Av.	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949
Loans and Discounts	\$ 175,656	\$ 335,483	\$ 417,928	\$ 439,273	\$ 427,143
U. S. Government Securities	174,924	792,908	695,419	639,932	703,153
Other Securities	43,434	57,612	70,812	78,645	106,265
Total Deposits	560,186	1,516,715	1,617,377	1,566,116	1,591,084
Dem. Dep. Ind., Pt. and Corp.	244,867	777,669	859,040	822,725	833,304
Time Dep. Ind., Pt. and Corp.	120,455	237,476	249,520	249,677	247,979
Public Deposits	57,994	145,572	150,426	185,817	185,417
Due to Banks and Other Dep.	136,869	355,998	358,391	307,897	324,384

Country Member Banks

	1935-39 Av.	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949
Loans and Discounts	\$ 135,792	\$ 257,052	\$ 335,874	\$ 444,552	\$ 462,790
U. S. Government Securities	128,818	1,119,261	1,131,545	1,006,474	1,020,364
Other Securities	102,534	86,298	115,273	123,918	131,914
Total Deposits	476,159	1,800,517	1,934,474	1,934,881	1,912,060
Dem. Dep. Ind., Pt. and Corp.	171,966	975,244	1,067,018	1,059,531	1,028,699
Time Dep. Ind., Pt. and Corp.	229,188	634,970	679,279	679,826	675,656
Public Deposits	52,767	124,680	122,688	138,805	148,646
Due to Banks and Other Dep.	22,238	65,623	65,489	56,719	59,059

Interest Rates (Percent)

	1945	1946	1947	1948	1949
Minneapolis Commercial Banks	2½-3	2½-2¾	2¾-3	3¼-3½	3½-3¾
Commercial Paper (Net Rate)	1	1	1	1	1½
Minneapolis Federal Reserve Bank ..	1	1	1	1¼	1½

Minneapolis Federal Reserve Bank

	1935-39 Av.	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949
Loans to Member Banks	\$ 99	\$ 0	\$ 0	\$ 175	\$ 50
Twin Cities	0	0	0	0	0
Minn., Wis. and Mich.	56	0	0	0	0
North Dakota and Montana	12	0	0	100	50
South Dakota	30	0	0	75	0
Industrial Advances	999	0	0	0	78
Total Earnings Assets	75,868	639,552	666,184	719,119	613,216
Mem. Bank Res. Balances	122,225	398,589	450,552	506,653	394,920
Fed. Res. Notes in Circulation	132,502	592,688	626,969	631,349	612,217
Total Gold Certificate Reserve	208,697	378,418	454,855	493,555	446,587