FEDERAL RESERVE BANK OF MINNEAPOLIS

MONTHLY REVIEW

9th DISTRICT AGRICULTURAL AND BUSINESS CONDITIONS

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District Outlook Generally Good, but . . .

DROUTH DIMS PROSPECTS

for Normal Crops in the North Central Region

WHILE mid-June is too early to make an accurate estimate of 1952 agricultural production for the Ninth district, the early season drouth in the north-central areas makes normal farm production in this region in 1952 an improbability.

For example, spring wheat is perhaps the most important single cash crop produced in the district, and that crop may be as much as 50 per cent smaller compared with last year.

Supplies of flaxseed, barley, and other crops which will be smaller due to the early season dryness will of course reduce district farm income in 1952 to some extent. Nationally, however, crop prospects are currently favorable.

Furthermore, the general trend of farm prices is at a lower level compared with last year. Should this trend continue and farm production show a drop also, as now seems probable, farm income will be reduced to some extent from the level of recent years.

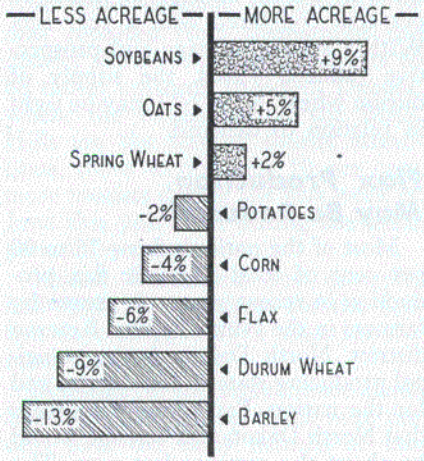
In these days of high-cost farming, a reduction in gross cash farm income means a sharp decline in net farm purchasing power. The extent of such a decline in 1952, of course, remains yet to be determined. About all that can be said now is that farm purchasing power in the dry areas will be reduced substantially.

Already farm machinery dealers, who are carrying heavy inventories, are worrying about sales. Farmers are tightening up appreciably on machinery purchases. Some tractors and combines are reported as being reshipped from North Dakota to other areas.

A crop failure is particularly serious because farmers today buy so many more items to carry on normal farming operations. The cost of such items is also higher than ever before. The farmer has to pay for gas, repairs, electricity, and real estate taxes whether his production is large or small.

Two or three crop failures in a row could actually bankrupt many farmers, even the good ones. Even one year of bad crops may put a farmer in serious financial circumstances. When he can't pay his bills, pay up on his note at the bank, or patronize the businessmen, up and down main street, the entire community suffers.

PLANTING INTENTIONS ON NINTH DISTRICT FARMS*
Per Cent Change from Year Ago



USDA estimates indicate that Ninth district farmers early this spring planned to plant more oats, soybeans, and spring wheat but slightly smaller acreages of other important crops.

*Minnesota, Montana, North Dakota, and South Dakota. Source: USDA "Crop Production," April 1952.

Adequate moisture promises satisfactory production in southern and eastern areas of Ninth district.

Spring wheat production may be cut as much as 50 per cent.

Continuing drouth may cause further livestock liquidation.

Major flax-growing areas in North Dakota hit hard by drouth.

Next Few Weeks Critical

Rainfall and temperatures during July and August not only determine how much wheat, corn, oats, flax, and other crops will be produced, but it also determines indirectly how much livestock is to be fed and marketed during the ensuing year.

The agricultural situation is good to excellent in some areas of the district but distressingly bad in other large areas. At least that is true as this is being written.

Currently, crop prospects are favorable in central and western Mon-

tana, southeastern South Dakota, southern Minnesota, and the Ninth district part of Wisconsin and Michigan.

Crop conditions are poor to fair in eastern Montana, most of North Dakota, north-central and northwest South Dakota, and the upper Red River Valley area. Only heavy soaking rains in the last half of June can save the small grain crops in these areas from extensive damage.

The weather, always important to farmers in this district, has been unusual again the entire spring. March was very cold with snowfall extremely heavy over most of the district. April, particularly the early part, was unseasonally warm. Serious flood damage occurred in major valley basins. May was cool. In all three months, rainfall was exceptionally light in many sections. For example, rainfall in many points in North Dakota during this period was substantially less than during the dry years of 1934 and 1936.

Winter Wheat Prospects Good, Spring Poor

Winter wheat is grown in largest quantities in the central areas of Montana and in south-central South Dakota. Fortunately, the stand, color, and production prospects are excellent in those areas and throughout the entire winter wheat belt as of mid-June. Increased acreage compared with last year and prospects for above-average yields give promise of a bumper winter wheat crop this season.

Prospects are much different in the spring wheat sections, comprising northeast Montana, North Dakota, and the northwestern part of Minnesota. Unless soaking, general rains have occurred before this is read, spring wheat production will be seriously short this season. The crop may be only half as large as in 1951.

Even if general rains have occurred in late June, the crop will be short because it has not stooled properly and it is heading on very short straw. This may make it difficult to combine without losing many heads at the sickle bar.

The durum wheat situation deserves special comment, since the so-called great "Durum Triangle" has suffered most severely to date from moisture deficiencies. Roughly, this triangle includes the area from Oakes, North Dakota; northwest to Bowbells or Portal; east along the Canadian border to Cavalier or Neche; and thence southward to Oakes. This area produces approximately four-fifths of all the durum wheat grown in the U. S.

Durum producers have had hard luck for three years in a row. In 1950, production was reduced by a new variety of black stem rust. Last year, excessive rain and cloudy weather damaged much of the grain before it could be threshed or combined. This year, dry weather may cut production.

Unfavorable experiences among producers have induced a curtailment in durum acreage of about 10 per cent compared with a year ago. With a smaller acreage and prospective reduced yields, the supply of durum wheat in 1952-53 may be tight in relation to demand.

Cash Farm Income for Ninth District — January-April*

(Thousands of Dollars)

State	1935-39 Average	1951	1952	1952 in Per Cent of 1951
Minnesota	$ 102,257	$ 409,720	$ 393,441	96%
North Dakota	23,566	114,479	130,571	114
South Dakota	30,533	165,455	166,479	101
Montana	17,082	91,957	80,520	88
Ninth District[1]	197,391	870,784	857,529	98
United States	2,238,447	8,489,474	8,760,536	103

*Source: "Farm Income Situation"—April-May 1952.

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

Flax Production May Be Reduced

Most of the nation's flax—78 to 90 per cent of total domestic flax production in recent years—is grown by farmers in the Ninth Federal Reserve district. North Dakota is the principal producing state in the district and for the nation. Early intentions were that North Dakota flax acreage would be about the same as last year. The dry weather, however, has prevented the planting of at least a third of the intended acreage.

Flax prospects in North Dakota have already been diminished by lack of moisture. Should the drouth continue into July, total flax production may be unusually light this year. Since old flaxseed supplies are now the smallest in several years, it may mean supply will be light in relation to demand. Offsetting this to some extent are current large stocks of linseed oil and other competing oils.

Pastures Look Poor In Drouth Areas

The condition of pasture grass in North Dakota on June 1 was rated at only 47 per cent—the lowest since 1934. Conditions have deteriorated further up to the middle of the month. This same analysis would also hold for much of eastern Montana.

The condition of both wild and tame hays on June 1 was also much below average in this area and in North Dakota. The condition of alfalfa in North Dakota on June 1 was 60 per cent of normal compared with 84 per cent a year earlier, and a 10-year average of 83 per cent.

As a result of poor pasture and feed conditions in the drouth area, reports are being made of some liquidation of livestock. Such liquidation is likely to occur in large numbers unless general rains occur immediately. These same reports indicate, however, that the condition of cattle being marketed at the present time is generally good.

Corn, soybeans, and oats got off to a good start. These crops, grown principally in areas south and east of Montana and North Dakota, are coming along in good condition. Corn is at least two weeks ahead of last year.

Corn acreage is about the same as last year, but oats and soybean acreages are slightly higher. Rainfall and temperatures in July and August will largely determine the final output of corn and soybeans. END

The 1952 Picture Is Brighter Than 1951

VACATION BUSINESS

in Ninth District States Looks Encouraging

▶ *Increased volume of patronage in early months of the season indicated by reports.*

▶ *Advance reservations for sleeping accommodations show a slight increase.*

▶ *A third favorable factor appears in an approximate 10 per cent increase in inquiries by prospective vacationers.*

EARLY indicators of vacation business in the Ninth Federal Reserve district point toward an improvement in the 1952 season from that of a year ago.

For one thing, this year's resort business got off to a better start than did the 1951 season. Early 1952 business in most localities was running at least 10 per cent ahead of a year ago. In areas where early 1951 business was poor, this increase was much greater.

Secondly, advance reservations for accommodations are approximately 5 to 10 per cent better than a year ago at the time this is written.

A final favorable indication is the increased number of inquiries directed to many parts of the district by prospective vacationers. Reports received from tourist information bureaus, resort associations, and chambers of commerce indicate that the number of such inquiries is approximately 10 per cent larger than last year.

Variety of Attractions Offered Vacationers

Tourist business has become very important in the Ninth district. Each year thousands of people come to this section of the country to enjoy the lakes and forests, parks and scenery, and climate.

In the process of enjoying themselves, visitors also spend many millions of dollars for food, lodging, entertainment, souvenirs, clothing, and equipment. It is the prospect of attracting more of these vacation dollars which encourages people associated with vacation business to paint up, clean up, and improve their facilities.

This district attracts mainly two types of tourists. In the mountainous park areas in the western part, vacationers are usually sightseers who have come to see the parks, monuments, and other attractions.

In the eastern part of the district, vacationers usually come to spend their time at lakeside resorts. For this reason, visitors to Minnesota, northwestern Wisconsin, and upper Michigan usually spend a longer period of time at one resort than do tourists in the western section.

The observations already made about an earlier start, more advanced reservations, and increased inquiries this year hold true for both of these areas. To a large extent this reflects the more favorable weather this spring, particularly that in April. This was in contrast to very poor weather experienced in the spring of 1951. This more favorable weather not only helped improve immediate business but also favorably affected advance reservations and inquiries.

All Sections Share Improved 1952 Prospects

A more detailed examination of data reported from throughout the district shows improved prospects to be rather uniform. In South Dakota, where the Badlands and the Black Hills are the leading tourist attractions, there were about 10 per cent more tourists during the first week of June this year than during the same period a year ago.

Mount Rushmore, for example, had 5,000 more visitors for the first five days of June 1952 than for the same time last year.

Requests for tourist literature about South Dakota are up about nine per cent over the early months of last year. Tourist traffic increased from 12 to 25 per cent in various parts of the state. Finally, the number of inquiries was up substantially since last year at most tourist information centers. This was true in spite of the fact that tourist business reached a record level in South Dakota in 1951.

Traffic through Glacier National Park, Montana, is up about 80 per cent from normal for this time of year, due mostly to the early opening of the Going-to-the-Sun highway. Because of this early opening, year-ago comparisons are not very meaningful. Last year at this time there was little or no traffic through the park. This percentage increase is expected to level down later in the summer to a figure which is approximately ten per cent above a year ago.

In the Indian Head country of Wisconsin—the 15 counties in the northwestern part of the state—tourist inquiries are up 12 per cent and advance reservations at housekeeping resorts are up five per cent compared to 1951. American plan inquiries are about the same as they were a year ago.

A survey of resort business in Minnesota conducted by this bank shows that early vacation business here is ahead of business a year ago. Occupancy at Minnesota resorts as a whole increased by 29 per cent during May 1952 compared with May 1951.

American plan resorts doubled their business during this period. Mixed housekeeping resorts, where meals may be obtained if the customer wishes them, and housekeeping resorts, had occupancy increases of 33 and 14 per cent, respectively, during May compared with last year.

Advance reservations at Minnesota resorts are at about the same level as they were a year ago at this time. Reservations for July, the most popular vacation month in Minnesota, are up 3 per cent. During August, reservations are running 5 per cent below last year.

It is noteworthy that areas in west-central Minnesota showed generally better increases in advance reservations than those areas in northeastern and central Minnesota. Army worm infestations in that part of the state probably caused many people to delay making advance reservations. The army worm has disappeared now and additional reservations in the affected area will probably soon bring figures for that section up to a level comparable to the rest of the state.

As has been pointed out in this article, Ninth district vacation business is off to a better start this year than last, and indications point to a continued improvement. However, a successful resort operator, like a successful farmer, is one who is blessed with favorable weather. The uncertainty about this important prerequisite for a profitable season considerably weakens any prediction about future business. END

Ninth District Business Indexes

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

	May '52	April '52	May '51	May '50
Bank Debits—93 Cities	121	121	125	107
Bank Debits—Farming Centers	125	117	118	104
Ninth District Dept. Store Sales	104p	98	100	98
City Department Store Sales	105	99	101	102
Country Department Store Sales	102p	94	97	90
Ninth District Dept. Store Stocks	106p	104	123	103
City Department Store Stocks	107	105	128	102
Country Department Store Stocks	104p	103	116	105
Lumber Sales at Retail Yards (Bd. Ft.)	91p	80	86	99
Miscellaneous Carloadings	109	102	114	89
Total Carloadings (excl. Misc.)	95	97	103	93
Farm Prices (Minn. unadj.)	105	101	110	92

p—preliminary.

CURRENT BUSINESS DEVELOPMENTS

Building Holds at Last Year's Levels

Building Activity — In the Ninth district as in the rest of the country, building activity from the first of the year up through the middle of May was generally keeping pace with last year's high levels.

Construction contract awards in this district as reported by the F. W. Dodge Corporation have been running about 3 per cent ahead of last year. Residential contract awards totaled somewhat less this year than last, but non-residential contracts (such as industrial and commercial buildings) more than made up the dollar difference.

The decline in residential building reflects substantial curtailment in contracts for apartment buildings.

The increase in non-residential building was rather general in all categories.

In April about $19 million in construction contracts were awarded for residential building in the district, while $33 million went for non-residential building. This compares with $11 million in residential contracts and $38 million in non-residential contracts in April, 1951.

Business and Employment — The bulk of checks drawn against balances at Ninth district banks are written against banks in the two large centers of Duluth-Superior and Minneapolis-St. Paul. Decreased debits in these centers during May 1952 drew the Ninth district's total May debit figures below those of a year ago. Actually most other centers in the district reflected an increase.

Duluth, where labor disputes had begun to slow mining and transportation activity and to cut into employment figures, showed the largest drop in debits.

Considering the first five months of 1952, bank debits in the Twin Cities were very nearly the same as last year.

Employment in the Twin Cities area was, in general, comparable with year-ago levels. Manufacturing employment in Minneapolis reached an all-time peak during May, partly in response to defense work. Electric power consumption in the area has been running about 7 per cent ahead of a year ago.

Bank debits in North Dakota—the scene of an intensive oil development—have so far in 1952 been 7 per cent ahead of debits during the same period last year. Centers of oil company operations such as Bismarck, Minot, and Williston all reflected substantial increases.

In Montana the cities of Glendive, Miles City and Billings showed some of the same high level activity as May debits for the state increased 10 per cent over last year.

Retail Trade — Department store sales during the past few months in the Ninth district have compared favorably with levels of a year ago. Exceptionally high sales during January 1951 prevented district figures for the early months of this year from reaching 1951's dollar volume.

North Dakota was an exception—department store sales in the state this year have generally been running about 5 per cent ahead of year-ago levels.

Preliminary figures indicated that district sales of major appliances (refrigerators, washers, and stoves) during May were picking up from their low levels of past few months. But TV and radio sales were still down from last year.

New car registrations in the Ninth district had begun to rise from their low point during the early months this year, but by the end of April they were still below 1951 figures. END

DISTRICT CREDIT EXPANSION LIMITED

Area's Recent Loan History Differs from National

IN THE eighteen months elapsed between mid-1950 and the end of last year, banks added greatly to their loan portfolios. At the end of the period, member banks of the Federal Reserve System held 32 per cent more loans than at the beginning of the period.

Not all banks, of course, increased their loans at the same rate. On the supply side, variations in the rate of deposit growth at different banks meant that some banks found themselves with more funds available for making new loans than other banks. Similarly, the demand for credit was greater at some banks than at others.

District Loans Lag

Among those banks which did not increase loans as much as the national average were those located in the Ninth Federal Reserve district.

In contrast to the national rise of 32 per cent, district member banks reported an increase of only 26 per cent.

In analyzing geographic differences in the rate of loan expansion, it is interesting to note geographic differences in the composition of the loan totals.

That type of credit which increased the most, both in the Ninth district and the rest of the country, between mid-1950 and the end of 1951—namely, commercial and industrial loans—represents a much smaller proportion of total loans in the Ninth district than in the other districts.

In the 18 months preceding December 31, 1951, commercial and industrial loans had increased by 55 per cent and 43 per cent at all member banks and at Ninth district member banks respectively; as a proportion of total loans such loans represented 49 per cent and 33 per cent respectively.

Thus it is seen that in the Ninth Federal Reserve district, commercial and industrial loans, besides representing a lesser proportion of total loans than in the rest of the country, also increased less than the national average.

Since commercial and industrial borrowers tend to concentrate in the more heavily populated areas in and near cities, it is not surprising to find fewer of them in the more sparsely populated, predominantly agricultural economy of the Ninth district.

Agricultural Loans More Important Here

This tendency is even more evident when one inspects the loan schedules of city and country banks within the Ninth district.

At the end of last year, commercial and industrial loans represented 54 per cent of all loans at reserve city member banks in the Ninth district, while at the country banks such loans represented only 18 per cent of the total.

On the other hand, the proportion of agricultural loans was only 1.5 per cent at the city banks and 25 per cent at the country banks.

The fact that the strongest demand for credit appears to have originated with commercial and industrial borrowers, together with the fact that such borrowers are less important in the Ninth district, suggests that one reason district loan expansion was less than average is that the demand for credit here was not as strong as it was elsewhere.

▶Increase in Ninth district loans between mid-1950 and the end of 1951 was not so great as in the rest of the nation.

▶Commercial and industrial loans (less important in the district) increased more than any other type.

▶Deposits at all district member banks registered less than the average increase.

Index and Composition of Loans on December 31, 1951

	Loans on Dec. 31, 1951 As % of June 30, 1950		Composition of Total Loans on December 31, 1951	
	All Member Banks	District Member Banks	All Member Banks	District Member Banks
LOANS AND DISCOUNTS				
1. Comm. and Ind. (incl. Op. Mar. Pap.)	155	143	49%	33%
2. Loans to farmers guar. by CCC	47	116	....	4
3. Other loans to farmers	138	134	4	12
4. Loans to Brokers and Deal. in sec.	84	68	3	....
5. Other loans - purch. or carry sec.	105	91	2	1
6. Real estate loans				
(A) Sec. by farm land	108	107	1	2
(B) Sec. by residential prop.	119	133	18	22
(C) Sec. by other prop.	120	123	4	4
7. Other loans to ind.				
(A) Ret. auto inst. paper	114	106	4	5
(B) Other ret. inst. paper	108	102	2	4
(C) Rep. and modern. inst. loans	119	115	2	4
(D) Inst. cash loans	114	109	2	2
(E) Single-pay loans	118	118	6	4
8. Loans to banks	147	.....	....	....
9. All other loans incl. O.D.'s	138	85	3	3
10. Gross loans and discounts	132	126	100	100

Deposits Also Lag

Another reason suggested by an inspection of condition statements is that district banks received a less than proportionate share of the deposit increases resulting from the national loan expansion. In contrast to a deposit increase of 16 per cent nationally, district member banks sustained an increase of only 10 per cent.

True, an individual bank can expand loans by liquidating investments, but rather than liquidating fewer investments than other member banks, Ninth district members liquidated proportionately more, the investment portfolio reductions being 3.5 per cent and 6.5 per cent for all member banks and district banks respectively.

It cannot, therefore, be said that district banks made fewer new loans because they liquidated fewer investments.

By the same token, it cannot be said that the only reason district banks made fewer new loans was that the demand for credit was not so strong as in the rest of the country. It is impossible to determine how many loans were turned down by the hundreds of banks in the Ninth district.

Rather, it is known that an upper limit is imposed on the amount that loans or any other assets can increase at an individual bank, such limit being imposed by the size of deposits.

Defense Expenditures In Industrial Areas

The less than average increase in deposits at district banks doubtless reflects in part a shift in the flow of total expenditures to the more industrialized areas of the country.

Such a shift in the face of a growing level of defense expenditures is not unexpected, since much of these expenditures are for the purchase of manufactured items produced in industrial areas. This also applies to purchases arising from the great inventory accumulation which followed mid-1950.

That such a shift is not necessarily permanent can be seen from the experience of the World War II years when although defense expenditures were rising rapidly, bank deposits in the Ninth district rose faster than the national average.

In the last analysis, the distribution of bank resources and deposits throughout the country depends upon (1) price and volume of production in the various geographical areas, and (2) where the recipients of the income resulting from that production are located.

In this connection, the prosperity of agriculture is a very important determinant of the condition of Ninth district banks. END

BANKING DEVELOPMENTS

Seasonal Deposit Loss Halted in May

MOST notable among Ninth district banking developments in May was the reversal of the seasonal downtrend in deposits which originated in December of last year.

The increase was divided between city and country member banks, amounting to $49 million and $13 million respectively.

City Banks — At the city banks, for which a more complete breakdown is available, most of the net deposits occurred in the accounts of individuals, partnerships, corporations, and the U. S. government.

In the face of rising deposits, loan portfolios were reduced by $10 million, permitting the accumulation of $34 million in "cash and due" accounts together with the net investment of $26 million in government securities, mostly bonds and certificates.

Net loan payoffs in May were confined entirely to the commercial, industrial, and agricultural categories and were only slightly offset by a slight ($2 million) addition to real estate loan portfolios.

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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)	
	May 28, 1952	Change Since Apr. 30, 1952	May 28, 1952	Change Since Apr. 30, 1952	May 28, 1952	Change Since Apr. 30, 1952
Loans and Discounts	$1,232	— 9	$ 595	— 10	$ 637	+ 1
U. S. Government obligations	1,402	+ 27	538	+ 26	864	+ 1
Other securities	292	+ 2	139	— 1	153	+ 3
Cash and due from banks	922	+ 39	498	+ 34	424	+ 5
Other assets	36	+ 1	18	+ 1	18	....
Total assets	$3,884	+ 60	$1,788	+ 50	$2,096	+ 10
Due to banks	$ 348	+ 5	$ 306	+ 6	$ 42	— 1
Other demand deposits	2,308	+ 53	1,095	+ 43	1,213	+ 10
Total demand deposits	2,656	+ 58	1,401	+ 49	1,255	+ 9
Time deposits	944	+ 4	244	....	700	+ 4
Total deposits	$3,600	+ 62	$1,645	+ 49	$1,955	+ 13
Borrowings	$ 11	— 3	$ 9	— 1	$ 2	— 2
Other liabilities	34	+ 2	24	+ 3	10	— 1
Capital funds	239	— 1	110	— 1	129	....
Total liabilities and capital accounts	$3,884	+ 60	$1,788	+ 50	$2,096	+ 10

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

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

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

NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JUNE 27, 1952

■ INDUSTRIAL production continued to decline in May and June as labor disputes cut output sharply in steel and some other lines. Construction volume was maintained close to record levels in May, and retail sales, mainly of durable goods, expanded. Consumer prices rose further and were close to the January high. Wholesale commodity prices changed little in May and declined somewhat in June.

Industrial Production—The Board's preliminary seasonally adjusted index of industrial production in May was 214 per cent of the 1935-39 average, down 2 points from April and 8 points from last February and May 1951. Reflecting mainly the work stoppage at steel mills, a sharp further decline is indicated for June.

May output of durable goods was slightly lower than in April, owing largely to a labor dispute in the lumber industry and to small further curtailments in activity in most industrial equipment lines. Production of trucks and passenger automobiles held steady, while output of major household durable goods declined somewhat further.

As a result of the strike, steel production is estimated at about 20 per cent of rated capacity in June, as compared with 90 per cent in April and May — also affected by work stoppages—and with 102 per cent in March.

Construction—Value of construction contract awards in May continued at the very high April level as awards for private construction increased further, offsetting the first decline this year in total public awards.

The number of housing units started totaled 107,000 as compared with 108,000 in April, and 101,000 in May 1951. Value of new construction work put in place during May was a record for the month, as was each preceding month this year.

Employment—Seasonally adjusted employment in non-agricultural establishments in May continued at 46.5 million, the same level as a year ago.

The average factory work week at 40 hours was slightly above the reduced April level; average hourly earnings showed little change. At 1.6 million in May, the number unemployed was unchanged from a month earlier and a year ago.

Distribution— Seasonally adjusted sales at department stores, which had increased moderately in May, continued to rise during the first two weeks in June. The rise reflected a less than seasonal decline in apparel sales and a marked upward shift in sales of appliances and television which had reached a low point in April.

Sales by automotive dealers rose substantially further in May. Pickup in automotive and household durable goods sales reflects in part the May 7 suspension of credit controls under Regulation W.

Commodity Prices—The general level of wholesale commodity prices declined somewhat in June. Wheat prices declined as reports indicated a near record crop this year, one-third above last year, and there were decreases in prices of livestock.

Prices of zinc were reduced 23 per cent and the previously announced reduction in the RFC resale price for rubber became effective. Meanwhile, price ceilings on imported copper were suspended, lead prices were raised, following reductions in April and May, and prices of raw cotton and textile products advanced.

The consumers price index advanced .2 per cent in May, to about the peak level of January 1952. Rents and prices of foods and miscellaneous services increased, while apparel and housefurnishings were reduced further.

Money and Credit—Bank credit outstanding increased somewhat during the latter part of May and early June, reflecting mainly bank purchases of U. S. government, corporate, and municipal securities.

Seasonal repayments of loans by commodity dealers, and food, liquor, and tobacco manufacturers continued, but in smaller volume. In mid-June there was a sharp expansion in business borrowing from banks associated with quarterly income tax payments.

The total money supply increased in late May and early June, owing largely to the bank credit expansion. Demand, time, and currency holdings of businesses and individuals expanded. The turnover of demand deposits outside New York City rose in May.

Bank reserve positions were tight up to mid-June when they eased temporarily, principally as a result of seasonal treasury operations and some increase in Federal Reserve credit outstanding.

Security Markets—In the third week of June, common stock prices regained the high level attained in the last week of January. Yields on Treasury bills increased steadily in late May and early June, and following a sharp decline in the mid-month, rose again to near the discount rate. Yields on certificates and notes increased while bond yields moved irregularly.

On June 10 the Secretary of the Treasury announced the offering for cash of an intermediate bond in the amount of $3.5 billion, or thereabouts, and the offering in exchange for the certificates maturing July 1, 1952, of an 11-month 1⅞ per cent certificate maturing June 1, 1953. The new bond, which was a 2⅜ per cent issue to mature in 1958, was heavily oversubscribed, and allotments of $4.2 billion were made by the Treasury.

BANKING DEVELOPMENTS

Continued from Page 300

City banks in the rest of the country also reported a commercial, industrial, and agricultural loan decline in May.

Country Banks — The net receipt of $13 million in deposits at country banks in May was accompanied by additions to all types of assets, mostly securities other than those of the U. S. government, and "cash and due."

Also non-deposit liabilities were reduced $3 million.

City Trends — Latest data from the reporting banks disclose that city bank loan and deposit trends displayed in May continued to prevail in June.

Between June 1 and June 11 these banks reported a substantial ($41 million) deposit gain, together with a slight loan decline. END

MONEY MARKET ESSAYS

IN APRIL 1951 the Federal Reserve Bank of New York published *Bank Reserves — Some Major Factors Affecting Them,* the first of a series of pamphlets designed to furnish the student of banking with information not readily available elsewhere. The second of this series, *Money Market Essays,* is now available.

All but the first article in this second booklet appeared originally in the *Monthly Review of Credit and Business;* the first article, "The Money Market," is the text of a talk given by its author at the Federal Reserve Bank of St. Louis. All of the articles have been brought up to date for this reprinting.

Copies of the booklet will be sent free of charge for classroom use and other similar purposes. Requests should be addressed to the Public Information division, Federal Reserve Bank of New York, New York 45, New York.