MONTHLY REVIEW

OF AGRICULTURAL AND BUSINESS CONDITIONS IN THE NINTH FEDERAL RESERVE DISTRICT

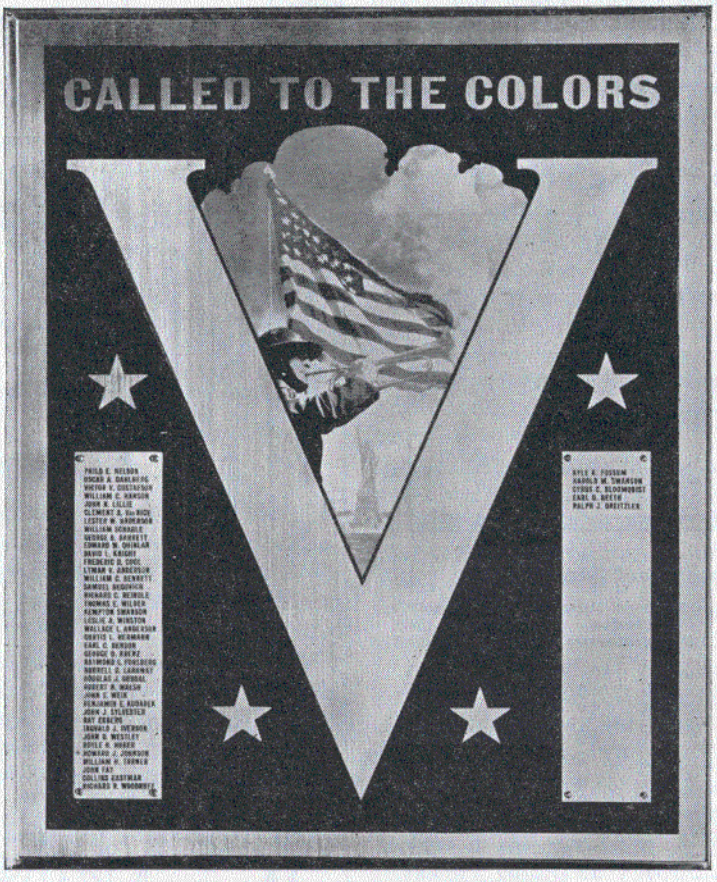
Vol. 8 (Serial No. 6) **Federal Reserve Bank, Minneapolis, Minn.** **June 29, 1942**

Business volume in May was the highest on record for the month but smaller than in March and April. City member bank deposits rose to an all-time high. Farm income declined, despite continuance of farm prices at record levels, but was larger than a year ago.

BUSINESS

Business activity in May in the Ninth District, according to our seasonally adjusted indexes, declined slightly from the record level of April. However, several of the May 1942 index figures in the table on the following page were the highest on record for May and most of the others were exceeded only by May last year. Department store sales were well above the 1935 - 1939 average but at both city and country stores the volume was the smallest, when compared with the same month in the preceding year, since September 1939. Department store stocks, according to our index, were the largest on record.

Iron ore shipments from upper lake ports in May were the largest ever recorded for a single month and raised the season total to June 1 to more than 21 million tons. This was two million tons larger than the entire season total in 1938. The May total was nearly 13 million tons.



HONOR ROLL OF EMPLOYEES
displayed by the
Federal Reserve Bank of Minneapolis

Copper produced in May in this district was slightly greater in volume than in April but was a little below the four-year high of March. Production in the first five months of 1942, however, about equalled the production in the same months of 1937.

Construction contracts awarded as reported by the F. W. Dodge Corporation were seasonally higher than in the preceding month but were smaller than in May of last year. Residential contracts declined in May from the high April level and were only half as large as in May last year. As a result of a poll of city officials who have been reporting monthly building permit data for several years, semi-annual summaries and reviews of building permit data will be substituted for the monthly summaries we have been issuing.

The volume of manufacturing production in the Ninth District in May was a little higher than the April level and was well above May 1941. Livestock slaughterings at South St. Paul, reflecting the smaller receipts of livestock, were smaller than in April but were somewhat larger than a year ago. May flour production was larger than in the preceding month but fell short of the May 1941 volume. Lin-

WAR BOND SALES SERIES E—NINTH DISTRICT

(Exclusive of sales through post offices)

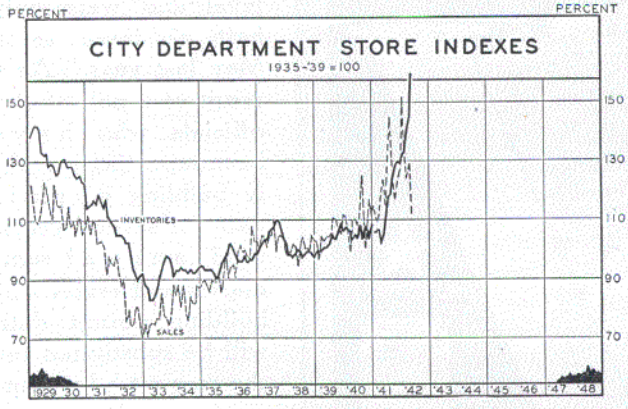
	Amount	Number		Amount	Number		Amount	Number
May 1941	$1,641,000	12,059	October	$2,687,000	24,371	March	$8,676,000	137,939
June	1,456,000	11,462	November	2,550,000	25,319	April	9,036,000	125,538
July	2,261,000	17,096	December	8,857,000	114,503	May	14,535,000	191,568
August	1,902,000	16,103	January 1942	16,512,000	191,251	June 1-15	7,447,000	122,201
September	2,072,000	18,306	February	9,014,000	123,996			

seed oil and oil cake shipments were 48 and 28 per cent above a year ago. The cut of lumber was up 5 per cent from the April level and 17 per cent above May last year. Manufacturing employment, as shown by the Minnesota Division of Employment and Security index, advanced 2 points from the April level to 130 in May, 10 points above May 1941.

Northwest Business Indexes

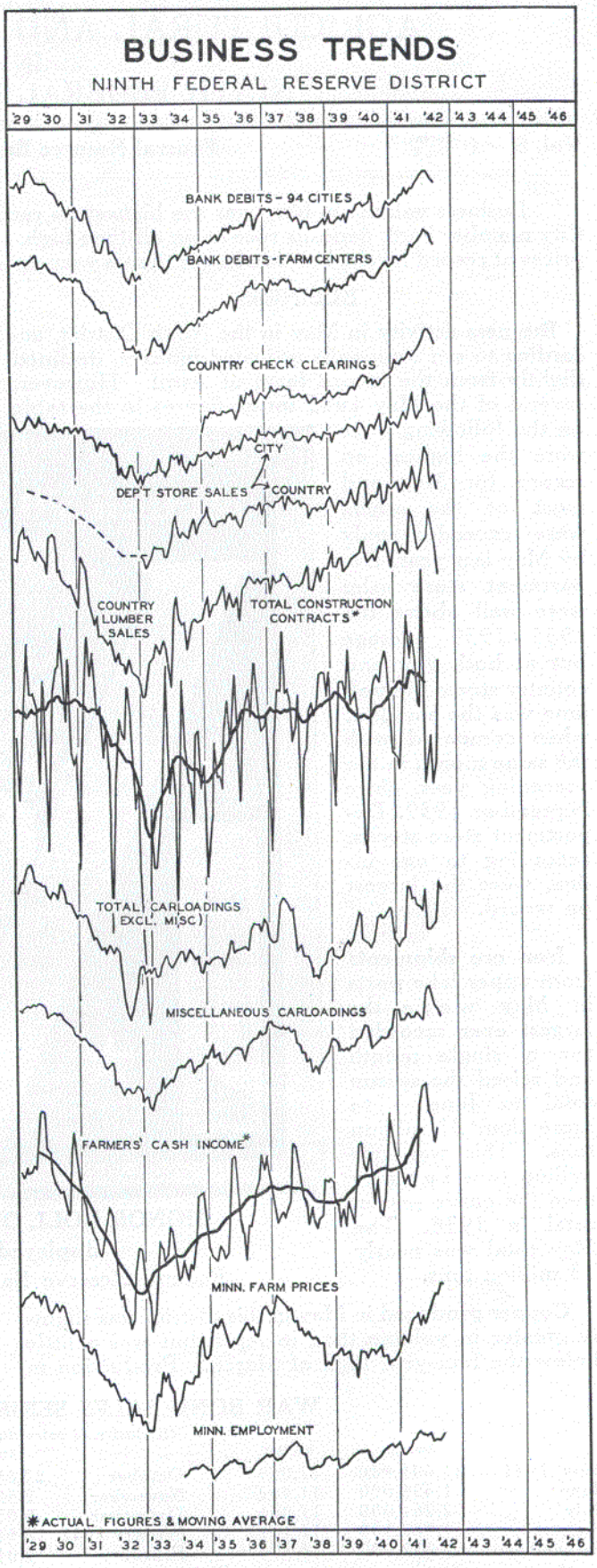
Adjusted for Seasonal Variation—1935-39 = 100

	May 1942	Apr. 1942	May 1941	May 1940
Bank debits—94 cities	137	140	125	126
Bank debits—farming centers	144	149	133	112
Country check clearings	153	164	137	116
City department store sales	112	129	124	110
City department store stocks	160	145	105	101
Country department store sales	115	130	125	110
Country lumber sales	103	129	126	124
Miscellaneous carloadings	127	133	130	101
Total carloadings (excl. miscellaneous)	151	162	152	117
Employment—Minn. (Unadj. 1936 = 100)	126	122	119	106
Farm Prices—Minn. (1924-26 = 100)	120	120	89	72

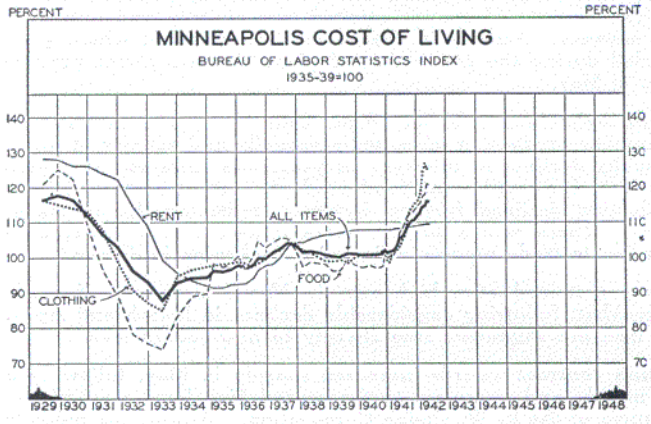


Sales at Department Stores

	Number of Stores Showing Increase	Decrease	% May 1942 of May 1941	Cumulative % 1942 of 1941
Total District	154	147	91	111
Mpls., St. Paul, Dul.-Sup.	6	16	91	111
Country Stores	148	131	92	112
Minnesota	42	40	91	114
Central	5	4	96	121
Northeastern	5	4	83	110
Red River Valley	3	2	100	125
South Central	15	8	99	122
Southeastern	7	7	88	106
Southwestern	7	15	89	111
Montana	15	26	85	100
Mountains	2	10	81	101
Plains	13	16	86	99
North Dakota	16	30	87	110
North Central	6	2	97	122
Northwestern	3	3	83	102
Red River Valley	2	16	86	110
Southeastern	5	8	85	109
Red R. V.-Minn. & N. Dak.	5	18	88	112
South Dakota	30	20	91	110
Southeastern	6	8	87	107
Other Eastern	18	10	93	111
Western	6	2	105	131
Wisconsin & Michigan	45	15	103	122
Northern Wisconsin	15	4	107	122
West Central Wisconsin	24	7	105	125
Upper Peninsula Michigan	6	4	92	115

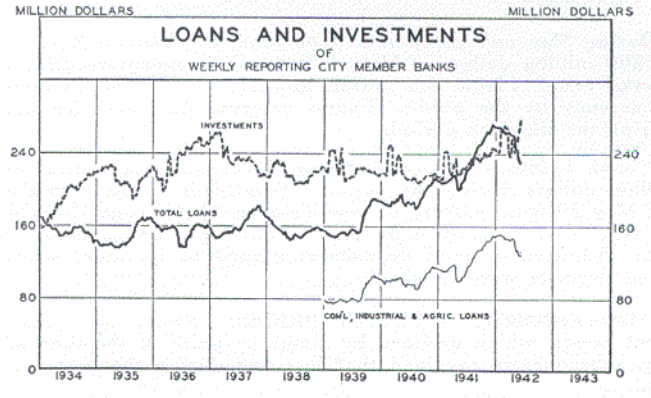


The cost of living in Minneapolis as reported by the U. S. Bureau of Labor Statistics declined slightly between May 15 and June 2. This was the first decrease in the Minneapolis cost of living index in sixteen months. According to the statement by the USDL that accompanied the report on the changes in living costs in large cities, "the special survey upon which these figures for June 2 are based was made by the Bureau of Labor Statistics in order to ascertain the immediate effect of the General Maximum Price Regulation, which became applicable in retail trade on May 18. The order provided that prices of most of the goods purchased by moderate-income families be reduced to the highest level that prevailed in March."



BANKING

City member bank deposits rose sharply early in May to establish an all-time high and with one exception reached a new peak each week from May 13 to June 10. The June 10 total was $756 million. Loans to customers declined during May and the first half of June to the lowest level in nearly a year, $230 million, but other invested funds rose steadily during the same period and on June 10 were at the highest level ever recorded, $278 million. Cash reserves and balances due from banks on June 3 totaled $309 million, an all-time high. Excess reserves averaged about $24 million during May and early June. This was somewhat higher than in any of the preceding six months but with the exception of that period was the lowest since the first half of 1939.



Country member bank deposits increased a little in May, the increase in demand deposits more than offsetting the small decline in time deposits. Reserve balances with this bank rose sharply to the highest level in recent years. Excess reserves were only a half million dollars lower at the end of May than the all-time high record of $27⅓ million established in January 1941.

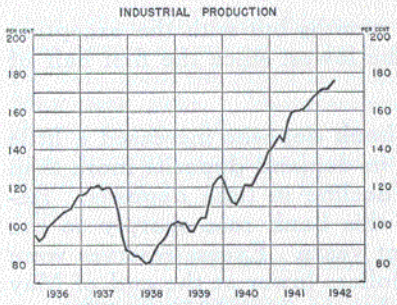
AGRICULTURE

Farmers' cash income from the sale of ten major farm products declined seasonally in May but was a third larger than in May last year. Income from the sale of crops was a little smaller than a year ago but this was more than offset by a large increase in livestock and livestock product income. Income from the sale of hogs was more than $15 million compared with only $9 million last year.

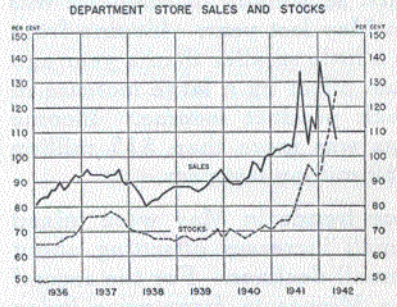
Farm product price trends in May were mixed with a number of small increases offsetting about an equal number of small declines. For the second successive month, the Minnesota farm price index remained at 120, the highest point ever reached.

Crop prospects continued to be above average with small grains making a very heavy growth during May and early June. The condition of flax and corn at the middle of June was not quite up to average chiefly because of late planting but with favorable conditions for the balance of the season this early season handicap would be quickly overcome. The condition of hay on June 1 was higher than on the same date for many years and in North Dakota was the highest since June 1922. Grain stocks in terminal elevators at the end of May were the highest in our 22-year records chiefly because of the exceptionally large volume of wheat stocks which were the greatest since 1931. The large stocks of grain on farms and the record June 1 holdings in country elevators as well as in terminal elevators were all factors in an estimate by the Northwest Shippers' Advisory Board of 75,000 carloads of grain during the third quarter of 1942. In view of this large estimate of shipments and the ever-increasing demand for freight cars for the movement of war and other essential materials, the National Association of Shippers' Advisory Boards and other shippers' organizations have undertaken a campaign to "give every car a **full** load quickly—and unload every car **quickly** and completely!"

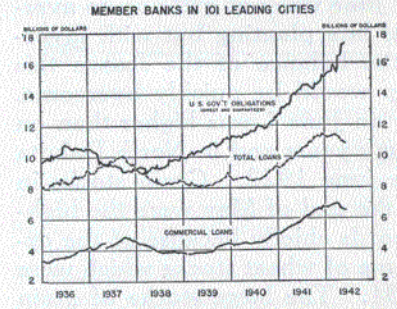
Cold storage holdings changed seasonally in May. Stocks of dairy and poultry products increased but holdings of meats declined. Cheese holdings on June 1 were the highest ever recorded—223 million pounds.



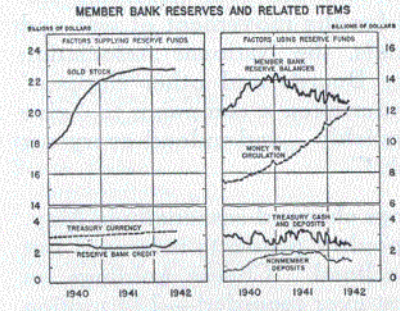
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figures shown are for May 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average=100. Latest figures shown are for May 1942.



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported. Latest figures shown are for June 10, 1942.



Wednesday figures. Latest figures shown are for June 10, 1942.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JUNE 19, 1942

Industrial activity continued to advance in May and the first half of June. Commodity prices showed little change after the middle of May when the general maximum price regulation went into effect. Retail trade declined further in May but increased somewhat in the first half of June.

PRODUCTION: Volume of industrial production increased in May and the Board's seasonally adjusted index advanced to 176 per cent of the 1935-39 average, as compared with 173 in April and 171 during the first quarter of this year. Output of manufactured products continued to increase, reflecting chiefly further growth in production of war materials, while mineral production showed a seasonal rise.

The largest increases in May, as in other recent months were in the machinery and transportation equipment industries which are now making products chiefly for military purposes. The amount of copper smelted rose sharply and output of chemicals continued to advance. Activity in the automobile industry, which since January had been retarded during the conversion of plants for armament production, showed an increase in May.

Steel production was maintained at about 98 per cent of capacity in May and the first half of June. Lumber production increased seasonally and activity at furniture factories, which usually declines at this time of year, was sustained at a high rate. In industries manufacturing textiles and food products, output continued large in May. Gasoline production declined further, however, reflecting the effects of transportation difficulties. There was a further marked decrease in paperboard production which, according to trade reports, reflected a slackening in demand.

Coal production was sustained at a high rate in May and output of crude petroleum increased somewhat, following considerable declines in March and April. Copper production and iron ore shipments rose sharply to new record levels.

Value of construction contract awards increased sharply in May, following a decline in the previous month, and was close to the record high level reached last August, according to figures of the F. W. Dodge Corporation. Awards for publicly financed work increased in May and, as in other recent months, constituted around three quarters of the total. Awards for residential building continued to decline.

DISTRIBUTION: Retail trade declined further in May. Department store sales were about 7 per cent smaller than in April and sales by mail-order houses showed a similar decrease. In the first half of June department store sales increased somewhat.

Carloadings of revenue freight increased in May by about the usual seasonal amount. There was a further substantial decline in the number of cars loaded with merchandise in less than carload lots, reflecting the effect of Federal orders raising the minimum weights for such loadings. Increases were reported in shipments of most other classes of freight, particularly coal, ore, and miscellaneous freight.

COMMODITY PRICES: Prices of most commodities both at wholesale and retail showed little change after the general maximum price regulation went into effect around the middle of May. Declines occurred in prices of cotton and some other agricultural commodities, and prices of some industrial commodities were reduced to conform with the general order that prices should not exceed the highest levels reached in March. Action was taken to exempt most military products from the general regulation and to allow for special treatment of women's coats and dresses and a few other nonmilitary items.

BANK CREDIT: During May and the first half of June, the Federal Reserve Banks purchased about 200 million dollars of United States Government securities. Additions to member banks' reserves from this source, however, were offset by continued withdrawals of currency by the public. Excess reserves fluctuated around 2,700 million dollars during the six-week period.

Reporting member bank holdings of United States Government securities increased by nearly a billion dollars during the period. Two-thirds of the increase came in the week ended May 20 with delivery of new Treasury 2 per cent 1949-51 bonds, and the balance represented mainly increased bill holdings. Loans declined somewhat in the period. Adjusted demand deposits continued to increase, while United States Government deposits were reduced.

UNITED STATES GOVERNMENT SECURITY PRICES: Prices of taxable United States Government bonds, which declined by about ½ point at the time of the early May financing, subsequently regained that loss and during the first half of June remained steady.