# MONTHLY REVIEW

*of Ninth District Agricultural and Business Conditions*

FEDERAL RESERVE BANK OF MINNEAPOLIS

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**BUSINESS**

# *Retail Stocks and Sales at High Level*

***NOVEMBER department store stocks were 11% higher than a year ago.***

***Sales show more than usual seasonal increase.***

TOWARDS the end of the year when Christmas shopping boosts retail sales to the annual peak, inventories occupy a very important position. A large volume of stock is accumulated for this particular season. Merchandise which is not sold during the Christmas season either must be reduced in price to be moved to consumers or held over for the next season.

During November, department store stocks in this district rose almost 15 percent. It now appears that stocks during the next few months may again be higher than sales on the basis of the ratio of stocks to sales from 1935 to 1939, although the margin at the end of November was still small. At the end of November, department store stocks were 188 percent above the pre-war average, while sales during the month were only 181 percent above the former average.

Such a situation, which is not unusual, occurred a year ago. As may be observed from the accompanying chart, for a period of a few months from November 1946 through April of this year, stocks were significantly higher than sales on the basis of the pre-war ratio. Special sales offered by stores during the first quarter greatly reduced the stocks-sales ratio.

Stocks held by department stores in this district at the end of November were 11 percent higher than a year ago. The larger dollar volume of stocks held reflects almost entirely the rise in prices and not a larger physical volume of merchandise. According to the index of retail prices compiled by the U. S. Department of Commerce, retail prices during the past 12 months have risen about 10 percent.

1/ The miscellaneous department includes such items as toys, games, sporting goods, luggage, and candy.

## TREND TOWARD BETTER BALANCED STOCKS

Information on stocks by departments indicates that the balance among departments is improving. Departments nearly depleted during the war are being restocked. For instance, stocks in the men's and boys' department and in the miscellaneous department[1] have increased during each of the first 10 months of this year, according to a small sample of department stores in this district.

On the contrary, stocks in the home furnishings and in the piece goods department have declined during most of the months.

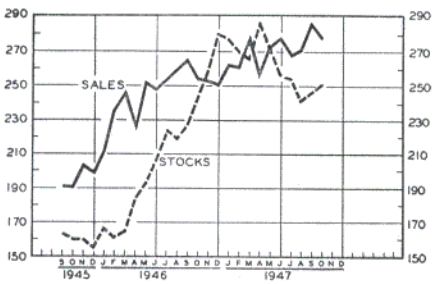
The smaller amount of stocks held in some departments is not necessarily due to a decline in the volume of merchandise moving into retail channels but rather to a high rate of turnover. Sales in the home furnishings department, for instance, have been high this year.

## DEPARTMENT STORE SALES LEVEL OFF

November department store sales showed more than the usual seasonal increase over October sales. The adjusted index rose to 180 percent above the pre-war average.

**DEPARTMENT STORE SALES AND STOCKS IN 9TH DISTRICT SINCE VJ-DAY**

1935-39 = 100 (Adjusted)




Source: Research department, Federal Reserve Bank of Minneapolis.

On the basis of 267 reporting stores in this district, dollar sales for November were 6 percent larger than a year ago. Preliminary figures indicate that December sales may exceed those of a year ago by a comparable percentage. During the first 11 months, dollar sales averaged 10 percent larger.

## FURTHER EXPANSION IN CONSTRUCTION SEEN

Construction activity in the nation will continue to expand during 1948, according to a forecast made jointly by the U. S. Bureau of Labor Statistics and the Office of Domestic Commerce. Total construction expenditures are estimated at $15.2 billion as compared with an estimated $12.7 billion for 1947. Non-farm residential building is estimated at $6.0 billion as compared with an estimated $4.8 billion for this year.

On account of the expected rise in prices, the 20 percent larger expenditure for construction in 1948 will result in only a 10 percent expansion in the physical volume of construction. However, prospects for further improvements in efficiency next year may bring about a higher level of physical output than is now indicated.

The expansion in construction activity in this district during the present year warrants the conclusion that this region may secure its share of the expansion in 1948. During the first quarter of this year, residential construction in this district slumped more than in the nation as a whole.

However, during the summer and autumn months, the industry recovered rapidly.

Monthly construction contracts awarded, as compiled by the F. W. Dodge Corporation, have risen significantly faster since the first quarter in this district than in the nation as a whole.

Other construction activity in this district reflects a trend similar to residential construction. Monthly contracts awarded for this type of construction since April in this district have shown a significantly larger percentage increase over a year ago than in the nation as a whole.

END

## Index of Department Store Sales by Cities

(Unadjusted 1935-39 = 100)

| | Nov. 1/ | Percent Change 2/ from Year Ago Nov. | Jan.-Nov. |
|---|---|---|---|
| Minneapolis | 369 | + 3 | + 6 |
| St. Paul | 326 | + 3 | +11 |
| Duluth-Superior | ..... | +16 | +12 |
| Great Falls | 396 | — 1 | +16 |
| La Crosse | 302 | + 4 | +13 |
| Mankato | 346 | + 5 | + 5 |
| St. Cloud | 417 | — 3 | — 1 |

1/ Based on daily average sales.
2/ Based on total dollar volume of sales.

## Northwest Business Indexes

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

| | Nov. 1947 | Oct. 1947 | Nov. 1946 | Nov. 1945 |
|---|---|---|---|---|
| Bank Debits—93 Cities | 339 | 363 | 291 | 229 |
| Bank Debits—Farming Centers | 367 | 389 | 314 | 248 |
| Ninth District Dept. Store Sales | 280 | 276 | 253 | 203 |
| City Department Store Sales | 293 | 291 | 270 | 215 |
| Country Department Store Sales | 267 | 261 | 236 | 191 |
| Ninth District Department Store Stocks | 281 | 251 | 260 | 160 |
| City Department Store Stocks | 249 | 223 | 247 | 153 |
| Country Department Store Stocks | 306 | 273 | 270 | 167 |
| Country Lumber Sales | ..... | 205 | ..... | ..... |
| Miscellaneous Carloadings | 143 | 127 | 145 | 128 |
| Total Carloadings (excl. Misc.) | 135 | 133 | 137 | 110 |
| Farm Prices (Minn. unadj.) | 286 | 300 | 261 | 172 |

## Sales at Ninth District Department Stores[1]

| | % Nov. 1947 of Nov. 1946 | % Jan.-Nov. 1947 of Jan.-Nov. 1946 | Number of Stores 2/ Showing Increase | Decrease |
|---|---|---|---|---|
| Total District | 106 | 110 | 204 | 63 |
| Mpls., St. Paul, Dul.-Sup. | 104 | 108 | 15 | 9 |
| Country Stores | 109 | 113 | 189 | 54 |
| Minnesota | 104 | 109 | 54 | 13 |
| Central | 107 | 106 | 6 | 2 |
| Northeastern | 100 | 105 | 4 | 1 |
| Red River Valley | 112 | 107 | 3 | 1 |
| South Central | 95 | 112 | 14 | 2 |
| Southeastern | 109 | 112 | 10 | 3 |
| Southwestern | 108 | 109 | 17 | 4 |
| Montana | 105 | 113 | 19 | 15 |
| Mountains | 109 | 112 | 7 | 5 |
| Plains | 103 | 115 | 12 | 10 |
| North Dakota | 118 | 116 | 44 | 5 |
| North Central | 121 | 111 | 8 | 1 |
| Northwestern | 117 | 110 | 6 | 0 |
| Red River Valley | 120 | 123 | 17 | 0 |
| Southeastern | 110 | 111 | 10 | 4 |
| Southwestern | 118 | 110 | 3 | 0 |
| Red River Valley-Minn. & N. D. | 119 | 120 | 20 | 1 |
| South Dakota | 109 | 111 | 30 | 14 |
| Southeastern | 114 | 113 | 11 | 4 |
| Other Eastern | 104 | 108 | 15 | 9 |
| Western | 103 | 110 | 4 | 1 |
| Wisconsin and Michigan | 110 | 115 | 42 | 7 |
| Northern Wisconsin | 111 | 115 | 11 | 2 |
| West Central Wisconsin | 110 | 117 | 26 | 2 |
| Upper Peninsula Michigan | 107 | 107 | 5 | 3 |

1/ Percentages are based on dollar volume of sales.
2/ November 1947 compared with November 1946.

## AGRICULTURE

# Livestock-Feeding Ratios Unfavorable

***SMALL corn crop and grain exports are important causes of unfavorable livestock-feeding price ratios and declining livestock numbers.***

***Efficient feeding and better management urged as grain conservation measures.***

***Prices of farm products and cash farm income hold at record levels.***

FARMERS who produce and feed livestock are concerned about ever-increasing feed prices. November parity prices for farm grains were the highest of record. However, actual prices received by Ninth district farmers were substantially above parity.

Farm grain prices on November 15 were: wheat $2.82, corn $2.12, oats $1.03, rye $2.49, barley $1.87, soybeans $3.43, and flaxseed $6.48. These prices are all above parity by substantial margins and 3 to 4 times pre-war averages.

Livestock-feed price ratios were favorable to livestock producers in late 1946 and early 1947. However, about mid-1947, these ratios dropped below long-time averages and they are now definitely unfavorable. With feed grain supplies relatively small, there is little prospect of improvement in livestock-feeding ratios, at least until 1948 crop prospects begin to take shape.

The production of all food and feed grains in the Ninth district during 1947 was about 8 percent below last year and the lowest since 1943. Corn production was approximately one-third smaller compared with 1946 and the smallest crop since 1941. The oat crop was also substantially below last year and the smallest since 1943.

Total stocks of feed grains (corn, oats, and barley), in the Ninth district states on October 1, was about the same as last year at the same time. This reflects the carryover from the extremely favorable 1946 grain crop production. The carryover of old feed grains next fall may not be as large as it was in 1947.

For the country as a whole, the supply of corn per hog is about a fourth smaller than in 1946. In years when the supply of corn is low in relation to hog numbers, as it is this year, the hog-corn ratio has been unfavorable.

This hog-corn ratio is simply the number of bushels of corn that is equivalent in price to 100 pounds of hogs, liveweight. In early December the hog-corn ratio at Chicago was about 10. In other words, 10 bushels of corn was equivalent in price to 100 pounds of hogs. A year earlier, or on December 7, 1946, a hundred pounds of hogs was equivalent in price to 18.5 bushels of corn. A long-time average is close to 13.

When the hog-corn price ratio is below average, there is a tendency for farmers to cut down on hog production. The Department of Agriculture reports that farmers intend to farrow 11 per cent fewer sows next spring compared with the spring of 1947. This would be 8 per cent below the recent 10-year average and the smallest number of spring pig farrowings since 1938.

Should the 1948 corn crop turn out to be large and corn prices more moderate, the hog-corn price ratio might again be favorable. This would encourage hog producers to hold back breeding stock to increase production.

Some farm advisers are anticipating this and have been advising their clients to maintain their breeding herd at near normal numbers. In other words, hog producers should get ready for a quick expansion in the hog enterprise when the conditions warrant.

### ALL FEEDING RATIOS UNFAVORABLE

Not only are hog-corn price ratios unfavorable, but also the beef steer-corn, butterfat-feed, milk-feed, and egg-feed price ratios (see table). Historically, only in severe drouth periods have all the various livestock-feeding ratios been distinctly unfavorable at the same time, as they are now.

**Livestock-Feed Price Ratios for Mid-October[1]**

| Livestock Enterprise | 1926-45 October Average | October 1946 | October 1947 |
|---|---|---|---|
| Hog-corn (Chicago).. | 12.8 | 12.5 | 11.6 |
| Beef Steer-corn (Chicago) ..... | 16.3 | 13.0 | 12.4 |
| Butterfat-feed, U. S. [2]/..... | 26.4 | 30.4 | 19.4 |
| Milk-feed, U. S. [2]/..... | 1.38 | 1.44 | 1.13 |
| Egg-feed, U. S..... | 15.1[3]/ | 13.7 | 11.7 |

Source: "The Feed Situation," USDA, November, 1947.

1/ Units of corn or other concentrate ration equal in value to 100 pounds of hog or beef steer, one pound of butterfat or milk, or one dozen eggs.

2/ Includes dairy production payments through June 30, 1946.

3/ 1936-45.

Unfavorable and favorable feeding ratios are ordinarily closely associated with the production cycles of the various livestock enterprises. When the supply of a particular livestock enterprise was expanded too much in relation to demand, prices became unfavorable in relation to feed costs. As a consequence, livestock numbers or the production of livestock products of that particular enterprise was reduced. Livestock production cycles have varied in length depending on the enterprise. In hogs, the production cycle is approximately four years. In cattle, it is nearly 16 years, on the average. It is because of this variation in production cycles that normally feeding ratios are seldom all either favorable or unfavorable at the same time.

The explanation of the current unfavorable feeding ratios is two-fold: first, the small 1947 corn crop; and second, the huge relief exports of food and feed grains. From 550 to 590 million bushels of grain may be exported in the current year. There is little question about the great significance these exports have had upon the prices of grains. The extent to which these grain exports are continued in 1948 and subsequent years will have a most significant influence on the profitableness of future livestock production.

### LIVESTOCK NUMBERS SHOW SHARP DECLINE

Livestock numbers on farms in the Ninth district are declinig from wartime peaks. The decline is likely to

be accentuated the longer current feeding ratios remain unfavorable. Hog numbers are near pre-war levels, with sheep numbers sharply lower.

### Livestock Numbers on Ninth District Farms Jan. 1

(In Million Head)

| | 1940 | 1944 | 1947 |
|---|---|---|---|
| Cattle | 8.5 | 9.8 | 9.5 |
| Hogs | 5.6 | 9.5 | 5.8 |
| All Sheep | 6.8 | 8.6 | 5.2 |
| Poultry | 33.2 | 53.5 | 45.7 |

For the country as a whole, livestock numbers are rapidly becoming low in relation to human population.

Continuation of unfavorable feeding ratios beyond mid-1948 would eventually be reflected in relatively low per capita meat supplies. It is the tendency in this direction at the present time, which leads many observers to predict continued high livestock prices during 1948.

It should be remembered, however, that livestock and meat prices are largely determined by two factors: (1) the supply of slaughter livestock and (2) the level of industrial and factory payrolls. When people have money and feel prosperous, they buy considerably more meat than they do when incomes are relatively low.

## FARMERS URGED TO CONSERVE GRAIN TO STRETCH FEED SUPPLIES

In recent months a nationwide effort has been organized to promote grain conservation. It is believed that millions of bushels of grain can be saved by following approved feeding practices. The efficient utilization of feed grain will put dollars in the farmer's pocket and save grain for overseas shipment.

To conserve grain, farmers are asked to feed hogs to lighter weights, feed cattle only to good slaughter grades, and to market unproductive animals and birds in livestock herds and poultry flocks.

Hogs are being marketed at lighter weights compared with a year ago, but farmers are urged to market them at even lighter weights. The gain in weight between 225-250 pounds requires about 8 percent more feed units per pound than are needed to bring a hog up to 225 pounds. Hogs between 250 and 275 pounds eat 13 percent more, and hogs weighing 275 to 300 pounds use 18 percent more feed units per pound of gain, according to feeding tests.

The guiding principle in feeding is to get the most food per pound of feed grain.

It is estimated by the Department of Agriculture that efficient hog feeding would save 120 million bushels of grain. If chicken numbers were reduced from 8 to 10 percent by January 1, 1948, the savings would be 80 million bushels. Feeding less grain to dairy cattle and following good production practices would add another 75 million bushels.

All this together with savings from feeding cattle to a maximum of good slaughter grade would conserve an estimated 345 million bushels of grain. Under this program, breeding herds would be maintained at efficient levels and farmers would be in a position to expand livestock production as feed supplies became more plentiful and feeding ratios more profitable.

The Department of Agriculture, state agricultural colleges, and other organized groups are also urging farmers to give special attention to such things as rat control, insect control, animal parasite control, proper storage of grain, and fire prevention.

An intensive educational program has been organized to assist farmers in meeting these problems. Farmers are being told if they will follow the recommended practices and procedures, they will achieve two major results.

First, it will help stretch grain supplies for our own use and also result in savings on feed costs. Second, it will enable this country to send more food to hungry people abroad which is humanitarian. It also helps to make friends of these people and to maintain democratic ideals.

In the long run, it is hoped this will pay off in a more peaceful world and one where the U. S. can enjoy its share of international trade. END

### January-September Cash Farm Income[1]

(Thousands of Dollars)

| State | 1935-1939 Average | 1946 | 1947 | 1947 in Percent of 1946 |
|---|---|---|---|---|
| Minnesota | $ 247,481 | $ 696,733 | $ 929,443 | 133% |
| North Dakota | 77,025 | 328,870 | 490,850 | 149 |
| South Dakota | 77,530 | 338,500 | 495,621 | 146 |
| Montana | 57,857 | 169,176 | 233,005 | 138 |
| Ninth District 2/ | 516,913 | 1,640,065 | 2,350,155 | 143 |
| United States | 5,684,905 | 15,726,680 | 20,409,524 | 130 |

1/ Data from "The Farm Income Situation," United States Department of Agriculture.
2/ Includes 15 counties in Michigan and 26 counties in Wisconsin.

### Average Prices Received by Farmers in Ninth District[1]

| Commodity and Unit | November 15 1937-1941 Avg. | November 15 1946 | November 15 1947 | Parity Prices 2/ United States November 15, 1947 |
|---|---|---|---|---|
| **Crops** | | | | |
| Wheat, bushel | $0.70 | $1.90 | $2.82 | $2.14 |
| Corn, bushel | .42 | 1.08 | 2.12 | 1.55 |
| Oats, bushel | .26 | .70 | 1.03 | .966 |
| Potatoes, bushel | .44 | 1.08 | 1.51 | 1.80 |
| **Livestock and Livestock Products** | | | | |
| Hogs, 100 lbs. | 7.15 | 22.24 | 23.90 | 17.60 |
| Beef Cattle, 100 lbs. | 7.22 | 17.56 | 18.73 | 13.10 |
| Veal Calves, 100 lbs. | 8.69 | 16.84 | 22.21 | 16.30 |
| Lambs, 100 lbs. | 7.99 | 16.19 | 20.64 | 14.20 |
| Wool, lb. | .27 | .43 | .42 | .443 |
| Milk, wholesale, 100 lbs. | 1.73 | 4.67 | 3.99 | 4.26 |
| Butterfat, lb. | .33 | .89 | .83 | .675 |
| Chickens, live, lb. | .119 | .235 | .192 | .276 |
| Eggs, dozen | .253 | .404 | .436 | .624 |

1/ Data compiled from Nov. 28, 1947, "Agricultural Prices," United States Department of Agriculture.

2/ 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, 1910-1914.

## BANKING

# City and Country Bank Trends at Variance

THE banking picture in the Ninth district during November was an indistinct double exposure, with changes in country banks lightly superimposed on the divergent and relatively larger changes at city banks.

Country banks continued the trends which have prevailed during the past months. They show increases of $6 million in loans, $8 million in U. S. government securities, and $7 million in deposits.

City banks, on the other hand, have shown a sharp reversal in their condition reports. Loans are down $18 million and deposits decreased $17 million.

The net result was a decrease at all Ninth district member banks of $12 million in loans and $20 million in cash items in the process of collections and due from banks. These decreases were offset by a $9 million increase in investments, largely U. S. government securities, and decreases in deposits and borrowings of $10 million and $12 million respectively.

The loan decrease, which was centered in the 20 weekly reporting city banks, was largely seasonal in character. Of the $18 million shrinkage at these banks, $12 million were in commercial and industrial loans, reflecting a slackening in the demand for credit by the grain trade.

The deposit decrease, which also centered in the city banks, resulted entirely from a drop of $25 million in deposits due to banks. Inter-bank deposits at country banks remained unchanged while other deposits at these banks were increasing $7 million. This $7 million increase at country banks was augmented by a net increase of $8 million in other deposits at city banks, resulting in an overall decrease in total deposits of $10 million.

A decrease of $11 million at the large city banks accounted for practically all of the $12 million decrease in borrowings by Ninth district banks and reflects primarily an easing of the reserve position of individual banks.

END

**Assets and Liabilities of 20 Reporting Banks**
(In Million Dollars)

| | Oct. 29, 1947 | Nov. 26, 1947 | Dec. 10, 1947 | Change Oct. 29-Nov. 26 |
|---|---|---|---|---|
| **Assets** | | | | |
| Comm., Ind. & Ag. Loans | $ 266 | $ 254 | $ 252 | — 12 |
| Real Estate Loans | 52 | 53 | 53 | + 1 |
| Loans on Securities | 22 | 20 | 18 | — 2 |
| Other Loans | 95 | 90 | 90 | — 5 |
| Total Loans | $ 435 | $ 417 | $ 413 | — 18 |
| Total U. S. Gov't Securities | 725 | 724 | 709 | — 1 |
| Other Investments | 66 | 68 | 70 | + 2 |
| Cash and Due from Banks | 473 | 457 | 459 | — 16 |
| Miscellaneous Assets | 15 | 16 | 17 | + 1 |
| Total Assets | $1,714 | $1,682 | $1,668 | — 32 |
| **Liabilities** | | | | |
| Demand Deposits, Ind., Part., Corp. | $ 808 | $ 817 | $ 807 | + 9 |
| Demand Deposits, U. S. Gov't | 21 | 26 | 15 | + 5 |
| Due to Other Banks | 367 | 342 | 343 | — 25 |
| Other Deposits | 393 | 387 | 392 | — 6 |
| Total Deposits | $1,589 | $1,572 | $1,557 | — 17 |
| Borrowings | 13 | 2 | 2 | — 11 |
| Miscellaneous Liabilities | 15 | 11 | 11 | — 4 |
| Capital Funds | 97 | 97 | 98 | .... |
| Total Liabilities and Capital | $1,714 | $1,682 | $1,668 | — 32 |
| Excess Reserves | 1 | 10 | —4 | + 9 |

**Assets and Liabilities of All Ninth District Member Banks***
(In Millions of Dollars)

| | Oct. 29, 1947 | Nov. 26, 1947 | Change |
|---|---|---|---|
| **Assets** | | | |
| Loans and Discounts | $ 759 | $ 747 | — 12 |
| U. S. Government Obligations | 1,864 | 1,871 | + 7 |
| Other Securities | 178 | 180 | + 2 |
| Cash and Due from Banks | 924 | 904 | — 20 |
| Other Assets | 32 | 31 | — 1 |
| Total Assets | $3,757 | $3,733 | — 24 |
| **Liabilities and Capital** | | | |
| Due to Banks | $ 418 | $ 393 | — 25 |
| Other Demand Deposits | 2,185 | 2,200 | + 15 |
| Total Demand Deposits | $2,603 | $2,593 | — 10 |
| Time Deposits | 926 | 926 | .... |
| Total Deposits | $3,529 | $3,519 | — 10 |
| Borrowings | 14 | 2 | — 12 |
| Other Liabilities | 20 | 17 | — 3 |
| Capital Funds | 194 | 195 | + 1 |
| Total Liabilities and Capital | $3,757 | $3,733 | — 24 |

*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 the semi-monthly report 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 Banks are taken directly from the books of the Federal Reserve Bank. Data on other borrowings are estimated. Capital funds, other assets, and other liabilities are extrapolated from call report data.

***LOANS and deposits at city banks show decrease.***

***Country banks continue rising trend.***

# National Summary of Business Conditions

## COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, DECEMBER 24, 1947

INDUSTRIAL production expanded somewhat further in November. Department store sales showed more than a seasonal increase in November and the first half of December. Wholesale commodity prices generally continued to advance.

**INDUSTRIAL PRODUCTION**—The Board's seasonally adjusted index of industrial production advanced 2 points in November to 192 percent of the 1935-39 average, a new postwar peak rate.

Output of durable goods expanded somewhat further, reflecting largely increases in activity in most machinery, transportation equipment, and nonferrous metal fabricating industries. Output of steel in November was at a slightly lower rate than in October, but in the early part of December scheduled operations rose to new postwar peaks. Motor truck assemblies were curtailed in November and early December, as a result of model changeover activity at plants of a major producer, while output of passenger cars increased. Output of lumber and other construction materials was maintained in large volume.

Manufacture of nondurable products continued to increase in November, reflecting mainly a further marked rise in activity at cotton textile mills and an expansion in the volume of livestock slaughtered as a result of reduced feed supplies and high prices for feeds. Liquor production, which increased sharply in October, was curtailed in November in accordance with the federal program to conserve grain.

Production of minerals rose somewhat further in November, reflecting further gains in output of bituminous coal as increased numbers of freight cars became available.

**CONSTRUCTION** — Values of most types of construction contract awards, according to the F. W. Dodge Corporation, showed seasonal declines in November and were substantially larger than a year ago. The number of dwelling units started during the month, as estimated by the Department of Labor, decreased from 94,000 in October to 82,000 in November; completions increased from 83,000 units to 86,000.

**DISTRIBUTION** — Department store sales showed a sharp seasonal increase in November, and the Board's adjusted index rose to a new high of 300 percent of the 1935-39 average, as compared with 275 in October and 291 in September. Value of sales continued at a high level in the first half of December and was 8 percent above the corresponding period in 1946. Value of department store stocks has also increased in recent months and is above the corresponding period of a year ago.

Shipments of most classes of railroad revenue freight were maintained in large volume in November and the first half of December, after allowance for usual seasonal declines at this time of the year. Coal shipments continued to increase and were at the peak rate reached at the beginning of the year.

**COMMODITY PRICES**—Wholesale commodity prices generally advanced further in November and the early part of December. Crude petroleum prices were increased sharply and advances were announced in refined petroleum products, newsprint, rayon, textile products, shoes, and some metal products. Government disposal prices for Japanese silk were reduced by nearly one-half. Prices of commodities traded in the organized markets rose further in November but showed little change in the first three weeks of December.

The consumers' price index was unchanged from September to October. Food prices generally showed little change in November and December, while additional increases occurred in retail prices of other goods and services.

**BANK CREDIT**—Loans to businesses, consumers, and real estate owners expanded further at banks in leading cities during November and the first half of December. Demand deposits of individuals and businesses increased 800 million dollars at these banks, and currency in circulation rose by 400 million.

In the four weeks ending December 17, member banks gained reserves as a result of a continued inflow of gold, Treasury transactions, and Federal Reserve purchases of government securities. These sources of reserves more than offset the seasonal growth in currency.

Reserve Bank holdings of government securities declined in the four-week period, reflecting Treasury retirement of bills and certificates. The system also sold substantial amounts of bills and certificates in the market, but purchased larger amounts of notes and bonds.

**INTEREST RATES and BOND YIELDS**—Prices of Treasury bonds, which declined sharply in October and November, were held firm after the middle of November by official support. Prices of corporate bonds declined further. Yields on Treasury certificates rose and a new issue of 1⅛ percent one-year certificates was offered in exchange for the issue maturing January 1.