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FEDERAL RESERVE BANK OF MINNEAPOLIS

MONTHLY Review

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THE ECONOMY HAD ITS BIGGEST YEAR

New Records Marked 1953 Despite a Last-half Slowdown

Statistics for the district and the nation tell a story of high average output, occasioned largely by the second-quarter peak

VIEWED from various statistical angles, 1953 was the biggest business year in the economic history of the United States. Total value of all goods and services produced was about 5 per cent higher than in 1952, based on $348 billion in 1952 and $367 billion in 1953. Personal income after taxes reached a record high total, permitting both higher consumption expenditures and more savings.

During the year individuals and businesses invested more money than in the previous year in residential and other construction, and in new plant and equipment. Also adding to gross expenditures was a stepped-up level of expenditures by federal, state, and local governments.

Meanwhile the price level continued to display remarkable stability. Wholesale prices varied less than one percentage point during the year as a decline in prices for farm products coincided with almost the same degree in rise in prices for other products. Consumer prices continued to rise slowly during most of the year, but in mid-November lowered prices for food caused the index for all items to fall slightly.

Gross national product hit all-time high rate

Despite the high average monthly or quarterly figures on business activity for 1953, an unmistakable slowdown was noted in the last half of the year. A crest in the volume of total output occurred in the second quarter when gross national product reached an all-time high annual rate of $370.5 billion. (See chart on page 104.)

In the third quarter a decline in the rate of inventory accumulation was sufficient to reduce slightly the over-all national product, while personal consumption expenditures rose only slightly as a substantial increase in outlays for services was nearly offset by a decline in purchases of goods.

In the fourth quarter of the year, apprehension over the business outlook became widespread as major indicators of business activity reflected a falling trend. It has been estimated that gross national product at annual rates slumped $10 billion below the second-quarter peak. This indicates a decline of about 2.7 per cent.

Industrial activity, as measured by the Federal Reserve index, dropped in December about 7 per cent below the May and July peak. Declines in employment and average hours of work per week in the last half of the year, and especially in the last quarter, reversed a four-year rising trend of labor income and total personal income.

Meanwhile, total retail trade was maintained at levels slightly above that of 1952, despite weaknesses in some lines.

New private construction, which had declined significantly in the summer, picked up during the closing months of the year. Private nonfarm housing starts in November and December declined less than seasonally.

Inventories show sharp reversal of business policy

That a reversal of trends pertaining to inventory buying can have profound effects on total business activity was demonstrated in 1953. (Taking, first, a purely hypothetical illustration, a reversal of business inventory position from a $5 billion annual rate of accumulation to a $5 billion annual rate of liquidation, one

sees a $10 billion adverse effect on business transaction.)

From the first quarter to the second quarter of 1953, nonfarm business inventories were accumulated at an annual rate of approximately $6 billion. Thereafter the inventory position of businesses turned to liquidation, first at a moderate rate, and later—during the last two months of the year—at an accelerated rate. Reductions were then made in holdings of both durable and nondurable goods by manufacturers and retailers and in durable goods by wholesalers.

This shift in the inventory position of businesses doubtless accounted for much of the 7 per cent decline in industrial production in the last half of the year, as manufacturers made adjustments in production to a falling volume of new orders. Manufacturers found it relatively easy to fill new orders, which in November fell most sharply for durable goods. Consequently unfilled orders, which were very high a year ago, are now (January 1954) at much reduced levels.

Department stores record new high volume of sales

Department stores of the nation did a record volume of business in 1953, but in this area of business activity as well as in most others the first half was excellent and the second half not so good.

Total dollar sales were 2 per cent greater for the year than in 1952.

The strongest quarter-year was the first, and the weakest was the third when quarterly comparisons are made with 1952. In the first and second quarters, sales ran 5 per cent and 4 per cent ahead of the corresponding periods a year earlier. In the third and fourth quarters, sales varied about 1 per cent above and below the 1952 performance.

Tight credit in mid-1953 eased by money policy

Dramatic movements occurred in the money markets last year.

The first half was characterized by stringencies caused by a great pressure of demand on the available supply of lendable funds. This demand came from all major sources, including demands of individuals for consumption credit, householders for mortgage credit, businesses for both working and fixed capital purposes, state and local governments to finance expansion of public facilities, and the demand of the federal government for funds to meet a Treasury deficit.

The supply of funds, although growing, could not satisfy the intensive demand, and, consequently, interest rates rose as funds became more difficult to get.

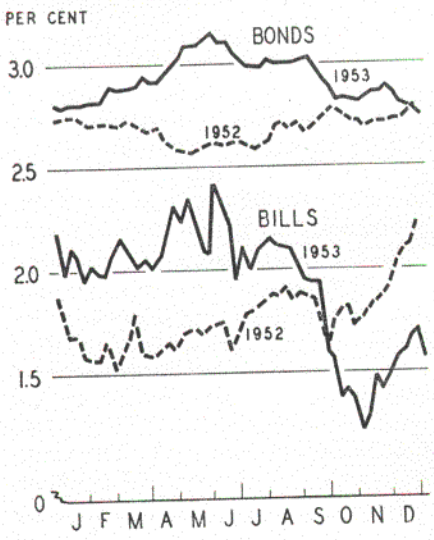
A more severe rationing of credit accompanied by rising interest rates developed in this situation. This was reflected in a tightening of credit terms and more numerous refusals by lenders to enter into commitments to make loans in the future.

The degree of tightness became most extreme the first week in June, whereupon the monetary authorities, evidently viewing the outlook as one which was not fraught with danger of an imminent resurgence of inflationary forces, caused a broadening of the base for monetary and credit expansion.

This was accomplished by open-market purchases of short-term government securities (Treasury bills) for the Federal Reserve Open Market account and by a lowering of the reserve requirements of member banks. From early May to the end of the first week in July the Federal Reserve's purchases of Treasury bills amounted to nearly $1.2 billion. The lowering of reserve requirements in July further broadened the base for bank credit expansion by about an equal amount.

SHORT- AND LONG-TERM INTEREST RATES

U.S. Government Securities (1952-53)



Downward spiral halted

These actions stopped the spiraling downward movement in market prices for government securities and corporate bonds. Later, additional purchases of Treasury bills by the Federal Reserve evidenced the willingness of the monetary authorities to create ease in money market conditions whereby sufficient credit to meet usual seasonal requirements and the growth needs of the economy would be readily available.

The demand for funds became less strong in the last half of the year. This development, accompanied by an easier reserve position attributable to actions of the monetary authorities and a growing volume of funds flowing from personal savings, caused a reversal of trends in interest rates. Whereas in the first half of the year rising interest rates reflected growing stringencies in the money markets, in the latter half the opposite trend developed.

From May to the end of the year the loan component of total bank credit increased by less than half the increase in the comparable period of 1952. The increase of $3 billion for these months in 1953 included banks' purchases of Commodity Credit Corporation certificates and a rise in security loans. The demand for business loans was sharply lower than the extreme high level of demand in 1952. Total bank credit, however, increased as much from May to December as in the same months a year earlier, reflecting greater bank purchases of securities.

Deposits and currency increased approximately $5 billion in 1953 compared with $10.5 billion in 1952. However, from the end of May to the end of the year, 1953, the increase in deposits and currency rose by only $1 billion less than in those months of 1952.

Ninth district trends differ from national

As expected, indicators of business activity in the Ninth district reflected national trends and at the same time developments peculiar to the district.

Analyses of these indicators reveal, for example, that variations in department store sales in the larger cities of the district month by month followed national trends, but whereas the monthly indexes of sales nationally averaged 112 per cent of 1947-49, in this district the comparable figure was 104.

Another illustration is that personal income payments in some states of the Ninth district turned downward in 1952, whereas such payments nationally continued a rising trend.

Doubtless, variations between national and district trends are attributable mostly to the fact that the flow of income and output is influenced more by the agricultural segment of the economy in the Ninth district than is true for the national economy.

In the district as a whole, the aggregate volume of retail sales in 1953 held up well. Sales of department stores for the year were about equal to those of 1952. In the four large cities — Duluth, Minneapolis, St. Paul, and Superior—sales were up 2 per cent, while outside of these metropolitan centers they were down 3 per cent. This differential in sales reflects the divergent trends of income in the district.

Sales off in last half

A review of 1953 retail sales by months reveals a slowing down in most types of sales in the latter half of the year. The district index of department store sales, adjusted for the normal seasonal fluctuations, in the first half of 1953 averaged 104.5 per cent of the 1947-49 base period, whereas in the latter half of the year the index averaged 103 per cent.

Likewise, in comparison with monthly sales in 1952, department store sales in 1953 fell off slightly in the fall and early winter.

Furniture store sales and lumber sales at retail yards last year fell by a small margin below 1952 totals. Sales of this type of merchandise are tied to new home construction. Lower sales undoubtedly reflect the small decline in the number of new houses built in 1953.

Sales of new passenger cars were exceptionally high in 1953 as compared with the sales in either 1951 or 1952. They did not, however, match the 1950 sales. According to registration figures, the increase in sales of new cars compared with 1952 totals ranged from 24 per cent in South Dakota to 38 per cent in Minnesota.

A part of the larger 1953 sales is attributable to the steel strike in the summer of 1952 which interrupted passenger car production and, thereby, sales in the latter part of that year.

Ninth district income payments sagged in '52-'53

In three states—Montana, North Dakota, and South Dakota—income payments to individuals turned down in 1952. This drop in personal income was caused by the decrease in farm income, which was sharpest in livestock producing states. In the first ten months of 1953, the district cash farm income was down 5 per cent from the same period in 1952.

Contrariwise, nonfarm income in the district rose through the early part of the summer of 1953 and then began to decline. This trend is reflected in monthly employment and in the earnings of industrial workers.

Urban employment set record last year

Employment in non-agricultural establishments was exceptionally high in 1953. New records were set in some states of the district.

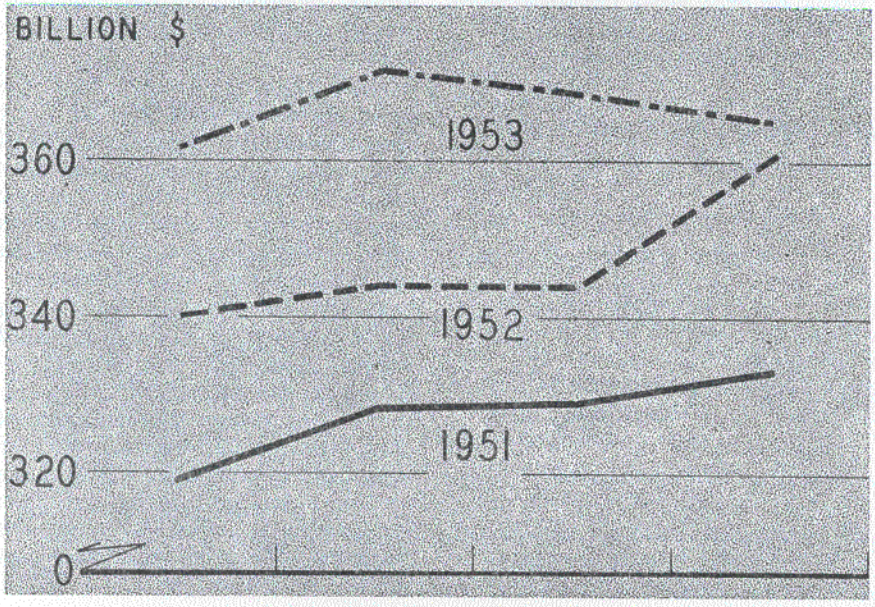
In Minnesota, the number of individuals employed in September exceeded the previous peak reached in December 1952. In other states of the district, employment in most months of 1953 exceeded the total employed in the same months of 1952. Not until the last two months of the year did employment begin to slump.

Labor laid off by firms was not immediately absorbed by other firms nor did it withdraw from employment—a characteristic of the labor market earlier in the year. As a result, claims for unemployment insurance rose rapidly in December.

In addition to practically full employment in the earlier part of the year, earnings of industrial and min-

GROSS NATIONAL PRODUCT

(Quarterly figures are at seasonally adjusted annual rates)



ing workers also set new records. In Minnesota, Montana, and on the upper Michigan peninsula, average weekly earnings of industrial workers were consistently higher than they were in the same months of 1952. In the other states, earnings were higher in all but a few months of the year.

In mining and quarrying, the 1953 payrolls in Minnesota were almost $30 million higher than in 1952, according to the State Department of Employment Security. This large increase was attributed to a two-month work stoppage in iron mining during 1952, wage increases, and more workers employed.

Overtime boosted weekly pay checks of some industrial workers for the past several years. Beginning last spring, management gradually reduced the amount of overtime. As it passed out of the picture, workers' pay checks became smaller, as reflected in the slight downward trend of average weekly earnings. Of course, the recent decline in employment has reduced urban income more than the loss of overtime.

Savings were higher in '53; consumer credit used less

In the past year, consumers have adopted a conservative attitude in their purchases of goods and services. They continued to save a large proportion of their incomes after taxes.

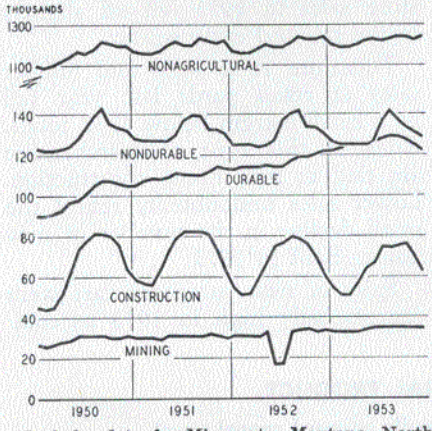
In this district, larger savings have been reflected in growing time deposits, in additional shares of savings and loan associations, and in more net sales of government bonds.

Time deposits at district member banks increased by $60 million between December 31, 1952, and December 31, 1953. In most months of last year, sales of Series E and H bonds exceeded redemptions.

Furthermore, consumers have practiced a slowdown in their applications for credit to finance the purchase of consumption goods. In this district as well as in the nation, fewer instalment contracts were written last fall than were written last spring or in early summer. In fact, the expansion in consumer credit has been small in recent months, indicating that the number of contracts written is only a little larger than the number paid off.

It should be noted in this connection that the very rapid expansion in consumer credit in 1952 and early 1953 necessitated a great volume of monthly payments on instalment contracts in 1953, which doubtless has had recently a dampening effect on new applications for credit for the purchase of consumer durables.

NINTH DISTRICT EMPLOYMENT BY MAJOR INDUSTRIES*



*Includes data for Minnesota, Montana, North Dakota, and South Dakota. Comparable figures were not available for the northwestern part of Wisconsin and upper Michigan peninsula.

Source: State employment reports.

Farmers' high productivity moderates income decline

For Ninth district farmers, 1953 was a good, if not excellent, year principally because total agricultural production was large. Farmers were able to produce even more crops, livestock, and livestock products than they did in the previous year, and 1952 was also a good year.

Farm production was high because the weather was fairly good. Of course, it was a little too wet early in the year and a little too dry later in some places, but over-all there was sufficient moisture to provide a near-record agricultural production.

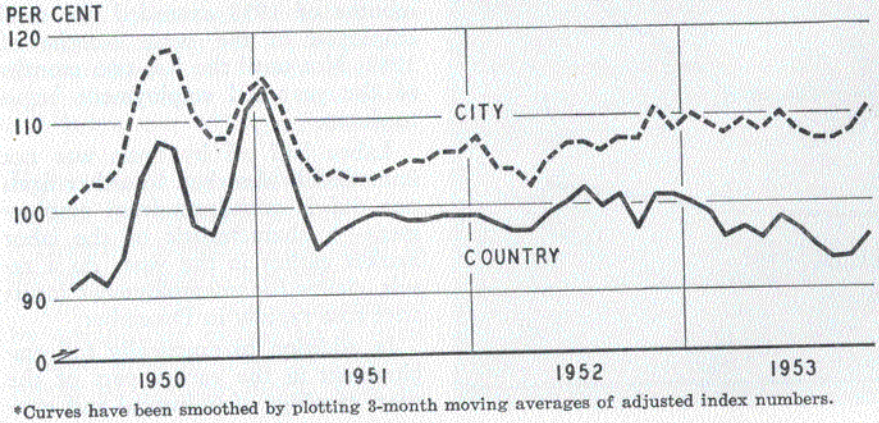
Corn and soybean crops were record-breakers, and the flax crop was the second largest. Even the wheat crop was larger than that of 1952, despite the serious rust epidemic which occurred in the major spring wheat growing areas of the district, particularly in the durum wheat sections. Furthermore, the market quality of 1953 grain was excellent.

Grass, hay, and other feed for livestock were produced in great abundance during the year. The fall and early winter have been unusually open and mild. As a result, livestock feed has been conserved and farmers are in a strong feed supply situation for the late winter feeding season.

Both cattle and sheep numbers in the district may have been increased further during the past year in response to the favorable feed conditions. There are indications, too, that dairy and poultry enterprises may have been expanded somewhat, since some farmers have turned to these projects in an effort to offset the trimming effects of the price-cost squeeze on net income.

NINTH DISTRICT CITY AND COUNTRY DEPARTMENT STORE SALES

(Seasonally adjusted index numbers,* 1947-49 = 100)



*Curves have been smoothed by plotting 3-month moving averages of adjusted index numbers.

In summary, it can be said that district farmers now see 1953 as a good year in terms of farm output.

Farm prices and income declined in 1953

The farmer, however, measures his economic well-being not in production but in income. Production multiplied by price equals cash farm income. When operating costs are deducted the remainder is net income available to pay family living expenses, to increase his standard of living, to provide savings, or to pay debts.

Prices for most farm products went down during 1953.

Cattle, sheep, and potato prices went down one-third or more compared with averages of the previous year. Other farm products such as hogs, chickens, eggs, and wool actually averaged higher in price during 1953 as compared with that of 1952.

Composite farm product prices, however, declined approximately 6 per cent from December of 1952 to December of 1953.

District farm income down 5 per cent

District cash farm income held up well during 1953 in spite of the general decline in farm prices. Official year-end figures are not yet available, but indications are that cash income in 1953 was off less than 5 per cent from the previous year. Net farm income may have been down even more, but net farm data are not available for the district.

Nationally, net farm income was down an estimated 8 per cent from 1952 levels compared with about a 4 per cent decline in gross cash farm income.

Non-real estate loans down

Unlike many other groups in our economy, district farmers may have used less credit for operating purposes in 1953 than they did in the previous year.

An estimate based on data available for the earlier months of the year is that Ninth district farmers used about 5 per cent less short-term production credit in 1953 as compared with that of the peak year of 1952.

There is sufficient evidence to indicate that the decrease in short-term farm debt during the past year was offset, in part, by a slight increase in farmers' real estate debt. Refunding of some short-term debt into longer-term real estate debt is a "usual thing" when farmers are undergoing a price-cost squeeze.

Actually, the current farm debt situation is not serious in terms of today's farm income, land values, and farm product prices. The total outstanding farm debt at the beginning of 1954 is less in dollar amount than it was for the 1935-1939 period. At current levels of farm prices and income, the farm debt is, therefore, easier to manage than it was in the earlier period.

Business activity edged downward in January

Preliminary figures on business activity in January 1954 indicate a further weakening, but in some areas stiffening resistance to further declines appeared.

One of the areas where strengthening took place was in livestock and some food products. Wholesale prices of farm products rose slightly in January, led by pork prices, attributable to marketings of hogs estimated to be 20 per cent less than a year ago.

Prices for beef continued firm, as was also the case for grain as very large supplies of grains moved into storage under price controls.

Meanwhile, industrial production declined further in January and was estimated to be at a rate 8 per cent below the peak of May and July 1952, whereas in December the comparable figure was 7 per cent.

Retail trade held to year-ago levels. Construction work put in place was also equal to that of January 1953. But employment dropped as layoffs continued and hirings fell sharply.

Even with GNP drop it could be 'second best'

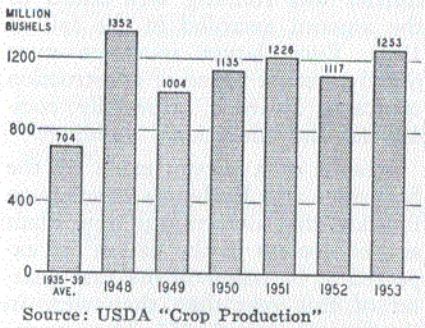
While reviewing recent economic trends and the changing climate of expectations, it should be noted that the height of economic activity reached in 1953 permits of a substantial decline without breaking below the peaks of previous years.

Specifically, a decline in gross national product in the calendar year 1954 of as much as $20 billion from the crest of $370.5 billion annual rate for the second quarter of 1953 would yield a product valuation second best in our economic history.

Such an outcome would scarcely be "low-vaulted," but it would not be satisfactory to those who want each year to be bigger if not "nobler than the last." END

NINTH DISTRICT CROP PRODUCTION, 1948-1953*

(In millions of bushels)

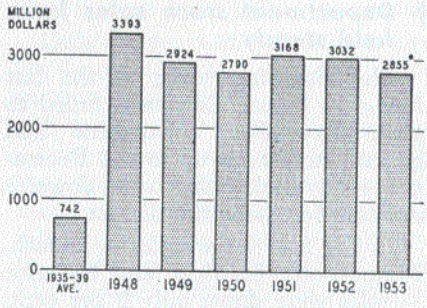


Source: USDA "Crop Production"

*Total of wheat, corn, oats, barley, rye, flax, and soybean production in the four states of Minnesota, Montana, North Dakota, and South Dakota.

NINTH DISTRICT FARM INCOME 1948-1953

(In millions of dollars)



Source: USDA "Farm Income Situation"
*1953 estimated.

CURRENT

☆ *Business*
☆ *Farming*
☆ *Banking*

TOPICS

Sag in Business Activity Confirmed by Latest Data

■ ANALYSES of statistical data on economic trends pertaining to the last quarter of 1953, and to January 1954, confirm more casual impressions of a sag in business activity.

Major indicators reveal that employment, personal income, and production turned downward after reaching the highest peaks in U. S. history in the second quarter of last year.

It is important that observers should differentiate absolute figures on employment, construction, etc., and normal seasonal variations in those areas.

Without detracting from the apparent fact that the economy recently has moved from full or extra-full employment of human and natural resources, it may be observed that as yet a forceful spiralling or accelerating trend for months to come is not determinable.

It is important also to note when analyzing data for the early months of 1954 that comparisons will be made with the corresponding months of 1953 when all major sectors, except agriculture, were operating at all-time high levels.

BUSINESS

▸ *Department store sales have held steady*

The shopping surge in the last few days before Christmas failed to push December department and general store sales up to the December 1952 total. Sales were down 3 per cent for the entire district.

In the four large cities — Duluth, Minneapolis, St. Paul, and Superior — sales were down only 2 per cent, while in the Ninth district outside of these metropolitan centers they were down 5 per cent.

Information available on department store sales following the holiday season did not indicate any noticeable letdown in volume. In comparison with sales for comparable weeks in 1953, those for the first three weeks were up 7 per cent.

▸ *Unemployment increased as winter approached*

A present element of weakness in the economy is the slump in employment. Opportunities for employment have been insufficient for the number of workers seeking jobs. According to employers hiring labor, more skilled workers were available in the latter part of December and in January than in previous winters.

Part of the unemployment in this district is of a seasonal nature. Firms engaged in contract construction, lumber and logging, food processing, and transportation reduce their labor forces during the winter. In addition to this typical source of unemployment, firms in a few industries not of a seasonal nature have reduced the number of their employees due to accumulation of heavy inventories. For example, the low 1953 sales of farm implements have led to heavy inventories among manufacturers in that field.

Employment in Minnesota nonagricultural establishments in December had receded close to the December 1952 total, according to the report issued by the Department of Employment Security. In most months of 1953, employment was between 1 per cent and 2 per cent above the corresponding 1952 monthly totals.

In manufacturing, December employment was down slightly from that of a year ago because less labor was employed in the manufacture of nondurable goods. Even though some manufacturers of durable goods have cut back their labor force, nevertheless in the aggregate still more workers were employed in this field than in December 1952.

December employment in Montana non-agricultural establishments remained above the December 1952 total, according to the report issued by the Montana State Employment service. Manufacturing employment was down due to the cutback in lumber and logging.

As is generally the situation when business activity turns down, unemployment was found to be concentrated in the larger cities. December employment reports were not available for the other states of the district, but general information indicated that nearly all the district's larger cities have some unemployed.

▸ *Backlog of construction projects helps outlook*

A backlog of construction projects is proving an element of strength in the economy. Last fall, the amount of housing contracts awarded in this district was running well ahead of the amount awarded in the fall of 1952. Even larger increases were noted in other types of construction contracts awarded, especially commercial and educational buildings.

Results of a survey made by the Securities and Exchange commission indicate that outlays for new plant and equipment in the nation are expected to be larger in the first quarter of this year than they were in the first quarter of 1953. The amount of contracts awarded in this district last fall provides some evidence that

this area will receive its share of these capital outlays.

Lignite faces competition from natural gas

Lignite production in North Dakota during the year ended June 30 totalled 2.9 million tons (somewhat under $7 million worth). Tonnage was 8 per cent less than the year before.

About 600 persons were employed in lignite mining (75 fewer than the previous year) and prices also declined, dropping from $2.49 to an average of $2.34 a ton. These cutbacks were due largely to mild weather during the 1952-53 winter.

Production has been close to 3 million tons a year during the past five years — a peak level historically. One new customer that will use more than 150,000 tons of lignite annually is the 25,000 KW generating plant which Montana-Dakota Utilities company is building at Mandan.

However, oil and gas developments in the Williston basin threaten to cut sharply into the local fuels market. As an illustration, the natural gasoline plant under construction at Tioga will turn out some 30 million cubic feet of "dry" gas a day. This gas has been contracted for by North Dakota Natural Gas Transmission company, whose plans to build pipelines to various North Dakota communities are scheduled for public hearings on February 2.

In terms of heating value, the dry gas output of the Tioga plant represents about 13,000 trillion BTU per year, while the entire lignite production of the state last year represented only about 42,000 trillion BTU.

In other words, energy to be made available by a single gas plant in the form of dry gas (ignoring its propane and butane output) is roughly equivalent to one-third that produced by the state's lignite industry. (A second natural gasoline plant is reported under consideration by an independent oil operator for northwestern North Dakota.)

Cost of the gas from these plants is expected to be quite high, and therefore gas probably will not compete with lignite for some uses. All the gas produced at present is in solution in oil—when oil production stops, gas production also stops. Therefore present sources within the state do not represent firm supply, subject as they are to such contingencies as refinery strikes or changes in allowable oil output.

Considering the oil development's potential, however, the Tioga plant would appear to be "only the beginning," and one effect might be to lessen demand for lignite as a fuel within the next few years.

Meanwhile, considerable research effort is being done to improve the industrial potential of the region's immense, easily-mined lignite deposits — both as a fuel and as a source of organic chemicals.

FARMING

Grain stocks on January 1 showed increase over 1952

With the exception of oats, more grain was held in district farm storage at the beginning of 1954 compared with a year earlier.

Grain stocks of corn, wheat, oats, barley, flaxseed, and soybeans on January 1, 1954, totaled 777 million bushels in the four district states.

Crop	Percentage Change in Farm Stocks—Jan. 1, 1953 to Jan. 1, 1954
Corn	+ 22
Wheat	+ 17
Oats	— 2
Barley	+ 12
Soybeans	+ 49
Flaxseed	+ 73

This compares with 689 million bushels a year earlier, and 707 million bushels for the 1943-52 ten-year average.

Farm land values moving downward

It became evident this past summer that land values were edging off their peak. The decline in prices of farm products, especially cattle prices, plus the accumulation of burdensome farm surpluses were two important factors causing farm land values to head downward.

High production costs which have pinched net farm income is another price-depressing factor in the land market. Shown below are recent price changes.

	Percentage Change in Dollar Value of Farm Land Nov. 1952 to Nov. 1953
Minnesota	— 6%
Montana	— 7
North Dakota	+ 1
South Dakota	— 6
Wisconsin	— 6

Source of data—USDA "Farm Real Estate Situation," November 1953.

More, rather than less, durum wheat needed

Durum wheat, used principally in the production of macaroni and spaghetti, is in short supply. Production in 1953 was only about half as large as it was in 1952, and 1953 production was about one-third that of the 1942-51 average.

As a consequence, No. 2 hard amber durum was priced at $3.83 per bushel in mid-January at Minneapolis. This was $1.46 above the price of No. 1 dark northern spring.

Practically all durum wheat is produced in the Ninth district, with 94 per cent of the total in 1953 coming from North Dakota.

There are many who believe current acreage restrictions should be liberalized on durum wheat until supply is in better balance with demand. An adjustment in acreage controls has been under consideration by the United States Department of Agriculture.

Costs take big share of cash farm income

Expenses took approximately 56 per cent of cash farm income on a group of southwestern Minnesota farms over a 5-year period, 1948-52. It was estimated, also, that another 9 per cent went for depreciation of machinery and buildings. In addition, income taxes took 4 per cent.

Only 31 per cent remained to pay family living costs, debts, life insurance, savings, etc.

It is true that modern farming involves many more cash costs than ever before. It is this situation that makes the farmer jittery about sharp price and income slumps. Bankruptcy could come much sooner than ever before under adverse economic conditions.

BANKING

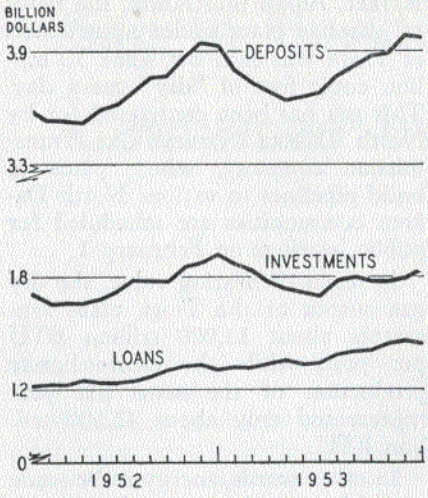
▶ *Farm pinch not reflected by district bank deposits*

District member banks finished the year 1953 with deposits slightly higher than at the end of the previous year. The remarkable feature of last year's deposit pattern in the district was the geographic location of the deposit gains.

Banks located in rural areas of the district — where farmers constitute an important proportion of the customers — enjoyed an inflow of deposits which totaled $72 million, while the large city banks sustained net withdrawals of $27 million.

The pinch in farm incomes is yet to be reflected by country bank deposits. If incomes have been reduced on farms, then spending also must have been reduced for country bank deposits not to have fallen.

LOANS, DEPOSITS, INVESTMENTS OF DISTRICT MEMBER BANKS



BANK DEBITS SHOWED GAIN

Bank debits statistics collected by this bank show that spending for 1953 was less than for 1952 in such highly agricultural states as Montana, and North and South Dakota. For the district as a whole, bank debits last year amounted to 4 per cent more than in 1952. The 4 per cent gain was lower, however, than in any other Federal Reserve district.

In contrast to all member banks in the nation which added a smaller amount to their loans in 1953 than in 1952, district member banks added more than twice as much to their loan accounts last year as in 1952.

ECONOMIC *Briefs*

SIGNIFICANT HAPPENINGS IN THE NINTH DISTRICT

✓ New Ulm gets electronics plant

Webster-Chicago corporation, an electronics manufacturing firm, announced plans to open a branch plant at New Ulm, Minnesota. The plant building will be erected by local interests, and Webster-Chicago will purchase it on a 15-year rental basis. Construction is expected to begin this spring.

When in full operation, some 300 to 400 persons will be employed, and a $1 million annual payroll will result. The plant's slack season is expected to dovetail with production peaks of the nearby vegetable packing industry.

✓ Implement firm cuts workweek

The Hopkins plant of Minneapolis-Moline company (farm implement firm) has reduced its workweek to four days in response to low farm machinery sales. (The company's 1953 sales were about 18 per cent below those of the previous year.)

The company's Como plant in the Twin Cities was shut down November 1, and about 500 employees were affected. The plant has since been leased to U. S. Air Conditioning company.

✓ Minnesota state debt reduced

State debt of Minnesota at the end of 1953 was close to $110 million, or about $11 million lower than the year before. The improvement was due largely to an $8 million reduction in the soldiers' bonus bonds, which make up $53 million of the total indebtedness.

Another $27 million in outstanding obligations were incurred for building activities at state institutions, including the University of Minnesota.

State of Minnesota building projects for 1954-55 are estimated to total $10.3 million, including about $4.5 million for construction on various campuses of the University of Minnesota and $1.2 million on the St. Paul state capitol power plant.

✓ Power co-op to build new plant

The REA has approved a loan of $8,257,000 to the Alger-Delta Cooperative Electric association. The cooperative will build a 15,000 KW generating plant (at a cost of $4.4 million) plus transmission lines and distributing facilities that will approximately double its present size.

Alger-Delta will acquire certain facilities and customers of the Upper Michigan Power & Light company. The latter firm, a subsidiary of the Mead corporation, will go out of the utility business and supply power solely to the Escanaba Paper company to meet proposed expansion needs of the paper company.

✓ Michigan generating unit set

The newly-formed Upper Peninsula Generating company will build and operate a 22,000 KW generating plant near Marquette, Michigan. Cost is estimated at $6 million with completion scheduled for 1956.

The plant will supply power to its owner firms — Cleveland-Cliffs Iron company, with extensive mining activities in the area, and Upper Peninsula Power company, a regional distributing and marketing utility.

A private sale to two institutions of about $5 million of first mortgage bonds (4⅞ per cent, due September 1984) has been arranged.

The 1947-49 Average and the Years 1950 to 1953

in the Ninth Federal Reserve District

— BUSINESS —

Ninth District Business Indexes (Monthly Averages—1947-49 = 100)

	1949	1950	1951	1952	1953
Bank Debits—93 Cities	99	110	120	122	125
Bank Debits—Farming Centers	101	109	118	120	122
Ninth Dist. Department Stores Sales	99	105	104	104	104
City Department Store Sales	100	108	106	107	109
Country Department Store Sales	96	99	100	99	97
Ninth Dist. Department Store Stocks	100	104	116	107	115
City Department Store Stocks	99	105	120	108	117
Country Department Store Stocks	100	103	113	107	113
Lumber Sales at Retail Yards (Bd. Ft.)	106	101	87	89	83
Miscellaneous Carloadings	95	102	105	104	107
Total Carloadings (Excl. Misc.)	88	92	99	88	93
Farm Prices—Minnesota	88	91	105	101	91

Index of Department Store Sales by Cities (Monthly Averages—1947-49 = 100)

	1949	1950	1951	1952	1953
Duluth-Superior	100	106	105	107	107
Mpls.-St. Paul Metropolitan Area	99	107	105	106	107
Minneapolis	102	110	110	111	112
St. Paul	96	102	97	97	98

Total New Car Registrations

	1947-49 Av.	1950	1951	1952	1953
TOTAL—4 States	178,699	291,954	225,909	183,005	235,567
Minnesota	102,814	179,757	132,460	108,002	144,176
Montana	28,468	41,336	33,601	27,824	33,258
North Dakota	24,235	35,174	30,465	24,016	30,742
South Dakota	23,182	35,687	29,383	23,163	27,392

Source: Automotive News. Data for 1953 include estimated figures for December.

Retail Sales

	1947-49 Av.	1950	1951	1952	1953
			(T-h-o-u-s-a-n-d-s)		
507 Lumber Yards (Board Feet)	179,679	193,926	165,961	165,585	155,066
507 Lumber Yards (Dollar Vol.)	$ 64,757	$ 69,867	$ 64,288	$ 62,627	$ 59,669
Department Stores*					
Ninth District	367,697	383,791	382,106	384,457	382,841
Minnesota	286,797	306,165	302,662	304,805	306,464
Montana	16,756	17,271	17,806	18,308	17,649
North Dakota	20,793	19,048	19,560	20,207	18,920
South Dakota	23,246	21,354	21,062	20,315	19,900
Wisconsin and Michigan (Ninth District portion)	20,105	19,953	21,016	20,822	19,908

*1948 figures are from the Census of Business, sales for other years are estimated.

Inventories, December 31

	1947-49 Av.	1950	1951	1952	1953
			(T-h-o-u-s-a-n-d-s)		
507 Lumber Yards (Board Feet)	79,647	102,174	93,224	87,650	83,772
Department Stores*					
Ninth District	$ 79,643	$ 89,248	$ 84,241	$ 83,115	$ 85,378
Minnesota	59,004	67,889	62,287	63,049	65,547
Montana	4,078	4,496	4,348	4,399	4,666
North Dakota	4,773	4,773	4,737	5,102	4,823
South Dakota	6,601	6,425	6,879	5,162	4,923
Wisconsin and Michigan (Ninth District portion)	5,187	5,665	5,990	5,403	5,419

*Department store stock benchmark data are not available from the 1948 Census of Business. Dollar department store stock estimates appearing in this table were prepared by applying the ratio of year-end stocks to annual sales for a sample of reporting Ninth district department stores to estimates of total annual department store sales.

Freight Carloadings—N. W. District

	1947-49 Av.	1950	1951	1952	1953
			(T-h-o-u-s-a-n-d-s)		
TOTAL	5,757	5,527	5,839	5,425	5,675
Grain and Grain Products	634	551	625	606	566
Livestock	158	113	107	107	96
Coal	341	297	275	239	226
Coke	92	84	94	70	65
Forest Products	503	484	513	495	472
Ore	1,414	1,441	1,692	1,390	1,703
Miscellaneous	1,986	2,024	2,076	2,071	2,118
Merchandise—LCL	630	533	457	447	429

Source: Association of American Railroads.

Electric Power Prod. by Electric Utilities (KWH)

	1947-49 Av.	1950	1951	1952	1953
TOTAL	7,603,339	8,869,191	9,364,469	10,308,282	10,900,375
Minnesota	3,841,179	4,537,180	4,775,822	5,246,607	5,770,588
Montana	2,850,467	3,135,752	3,303,594	3,780,224	3,718,777
North Dakota	494,913	661,055	678,835	666,212	760,983
South Dakota	416,780	535,204	606,218	615,239	650,027

Source: Federal Power commission.

Life Insurance Sales

	1947-49 Av.	1950	1951	1952	1953
			(T-h-o-u-s-a-n-d-s)		
TOTAL	$ 469,583	$ 500,985	$ 482,461	$ 533,083	$ 613,796
Minnesota	295,663	333,675	315,592	347,980	402,862
Montana	58,183	63,572	62,418	70,702	82,188
North Dakota	54,745	47,491	47,235	55,306	55,221
South Dakota	60,991	56,247	57,216	59,095	73,525

Source: Life Insurance Agency Management association.

Manufacturing and Mining

	1947-49 Av.	1950	1951	1952	1953
Flour Production:			(T-h-o-u-s-a-n-d-s)		
Minneapolis Mills (bbls.)	7,737	6,801	7,012	7,341	6,928
Other N. W. Mills (bbls.)	13,663	11,649	12,129	11,774	11,542
Flour Shipped from Mpls. (bbls.)	7,069	7,566	6,720	7,367	7,504
Linseed Products Shipped (lbs.)	951,820	1,276,320	1,211,760	1,008,240	891,240
Iron Ore Shipped (gross tons)	76,797	78,206	89,092	74,911	95,844

Source: Flour data, Northwestern Miller; linseed production data, Minneapolis Grain Exchange; iron ore shipped, Lake Superior Iron Ore association.

Construction Contracts Awarded in Ninth District

	1947-49 Av.	1950	1951	1952	1953
			(T-h-o-u-s-a-n-d-s)		
TOTAL	$ 311,137	$ 457,666	$ 482,812	$ 453,108	$ 547,419
Public Works	99,748	96,220	106,628	85,491	89,040
Public Utilities	27,219	37,334	45,727	24,496	24,116
Total Building	184,169	324,112	330,457	343,121	434,263
Residential	89,786	163,178	164,317	169,293	199,516
Commercial and Industrial	37,022	45,423	45,430	67,277	120,719
Educational	20,103	34,852	56,447	52,559	65,725
All Other	37,258	80,659	64,263	53,992	48,303

Source: F. W. Dodge Corporation.

Business Failures in Ninth District

	1947-49 Av.	1950	1951	1952	1953
Number	76	107	113	106	122
Liabilities	$ 3,895,667	$ 3,235,000	$ 4,023,000	$ 3,124,000	$ 4,494,000

Source: Dun and Bradstreet, Inc.

— AGRICULTURE —

Cash Income from Farm Marketings*

	1947-49 Av.	1950	1951	1952	1953[1]	1953 in Percent of 1952
			(T-h-o-u-s-a-n-d-s)			
Ninth District—TOTAL	$3,221,743	$2,789,679	$3,168,136	$3,032,159	$2,879,101	95%
Crops	1,305,309	1,030,162	1,070,898	1,058,488	1,084,079	102
Livestock and Livestock Products	1,890,059	1,731,991	2,068,346	1,947,409	1,768,760	91
Government Payments[2]	26,375	27,526	28,892	26,262	26,262	100
Michigan (15 counties)	31,804	25,687	30,553	29,884	28,689	96
Minnesota	1,298,665	1,195,963	1,283,405	1,283,901	1,245,384	97
Montana	388,187	359,934	444,139	392,755	353,480	90
North Dakota	649,095	503,711	569,801	524,877	519,628	99
South Dakota	631,249	510,315	603,406	562,587	517,580	92
Wisconsin (26 counties)	222,743	194,069	236,832	238,155	214,340	90

*SOURCE: USDA—"Farm Income Situation."

[1]Ten months actual and two months estimated.

[2]1953 Government Payments estimated to be the same as 1952.

Farm Real Estate Mortgage Indebtedness, January 1*

	1947-49 Av.	1950	1951	1952	1953	1953 in Percent of 1952
			(T-h-o-u-s-a-n-d-s)			
Michigan (15 Counties)	$ 10,382	$ 10,886	$ 11,664	$ 12,391	$ 13,397	108%
Minnesota	269,521	276,807	291,507	305,270	316,441	104
Montana	49,973	62,449	70,397	78,552	86,768	110
North Dakota	71,448	69,108	70,002	70,551	73,969	105
South Dakota	87,726	87,536	93,964	100,078	106,029	106
Wisconsin (26 Counties)	74,790	82,077	86,084	89,856	94,714	105
Ninth District	563,841	588,863	623,618	656,698	691,318	105

*SOURCE: USDA—"Farm Mortgage Debt by States."

Ninth District Farm Prices* (Monthly Av.)

	1947-49 Av.	1950	1951	1952	1953	1953 in Percent of 1952
Wheat (Bu.)	$2.18	$1.98	$2.07	$2.08	$2.08	100%
Corn (Bu.)	1.52	1.23	1.48	1.41	1.29	91
Oats (Bu.)	.78	.68	.78	.75	.66	88
Barley (Bu.)	1.44	1.17	1.17	1.20	1.06	88
Rye (Bu.)	1.86	1.14	1.54	1.65	1.16	70
Flax (Bu.)	5.52	3.42	3.90	3.77	3.48	92
Potatoes (Bu.)	1.44	1.19	1.16	2.42	1.25	52
Hogs (Cwt.)	21.80	17.82	19.90	17.72	21.05	119
Beef Cattle (Cwt.)	20.14	22.81	28.40	24.82	15.94	64
Veal Calves (Cwt.)	23.46	26.95	32.89	28.52	18.76	66
Sheep (Cwt.)	8.91	11.14	16.16	10.50	6.39	61
Lambs (Cwt.)	21.18	24.04	31.10	24.23	18.78	77
Chickens (Lb.)	.23	.18	.23	.20	.21	105
Butterfat (Lb.)	.75	.65	.74	.77	.70	91
Milk (Cwt.)	3.62	3.15	3.82	4.06	3.61	89
Eggs (Doz.)	.40	.31	.42	.36	.43	119
Wool (Lb.)	.47	.58	.92	.50	.52	104

*SOURCE: USDA—"Agricultural Prices."

Index of Land Values, March 1*—(1912-1914 = 100)

	1947-49 Av.	1950	1951	1952	1953	1953 in Percent of 1952
Michigan	198	199	228	244	250	102%
Minnesota	155	169	197	212	207	98
Montana	125	125	141	152	144	95
North Dakota	107	114	125	142	146	103
South Dakota	89	97	112	126	121	96
Wisconsin	144	145	162	172	172	100

*SOURCE: USDA—"Current Developments in Farm Real Estate Market."

Livestock Numbers, 4 Full Ninth District States, January 1*

	1947-49 Av.	1950	1951	1952	1953[p]	1953 in Percent of 1952
			(T-h-o-u-s-a-n-d-s)			
All Cattle and Calves	9,318	8,917	9,147	9,965	10,716	107%
Dairy Cows	2,596	2,410	2,346	2,292	2,336	102
Sheep and Lambs	3,855	3,120	3,383	3,738	3,778	101
Hogs	5,515	5,445	5,824	6,399	5,255	82
Chickens	44,062	44,334	39,800	39,439	37,502	95
Turkeys	393	307	298	380	339	89

*SOURCE: USDA—"Livestock on Farms" for Minnesota, Montana, North Dakota and South Dakota.

p—Preliminary.

Farm Production 4 Full Ninth District States*

	1947-49 Av.	1950	1951	1952	1953p	1953 in Percent of 1952
			(T-h-o-u-s-a-n-d-s)			
Wheat (Bu.)	$ 271,405	$ 264,420	$ 318,047	$ 232,751	$ 263,930	113%
Corn (Bu.)	366,013	326,460	325,532	393,010	432,990	110
Oats (Bu.)	333,407	348,826	396,140	348,280	324,027	93
Barley (Bu.)	117,210	130,184	122,086	86,223	95,092	110
Rye (Bu.)	11,427	10,275	12,270	6,563	8,311	127
Flaxseed (Bu.)	37,705	35,656	31,853	26,950	34,845	129
Soybeans for Beans (Bu.)	15,289	19,099	20,082	23,582	29,572	125
Potatoes (Bu.)	40,907	42,355	29,020	30,370	32,123	106
Wool (Lbs.)	30,470	25,626	29,810	31,984	32,710	102
Milk (Lbs.)	12,105,000	11,733,000	11,561,000	11,610,000	.....	...
Butter (Lbs.)	326,990	336,425	322,562	329,634	361,385	110
Eggs (Doz.)	479,889	531,417	478,167	484,666	489,833	101

*SOURCE: USDA—"Crop Production" for Minnesota, Montana, North Dakota and South Dakota.
p—Preliminary.

Non-Real Estate Loans to Farmers, January 1*

	1947-49 Av.	1950	1951	1952	1953	1953 in Percent of 1952
			(T-h-o-u-s-a-n-d-s)			
Minnesota	$ 62,746	$ 94,770	$ 120,402	$ 146,229	$ 146,259	100%
Montana	20,827	22,626	27,885	34,910	36,473	104
North Dakota	14,228	23,860	27,917	32,699	36,091	110
South Dakota	32,002	42,125	52,585	69,930	69,434	99

*SOURCE: USDA—"Agricultural Finance Review." Totals are exclusive of CCC loans.

— BANKING —

All Member Banks Total Deposits

	1947-49 Av.	Dec.31,1950	Dec.31,1951	Dec.31,1952	Dec.31,1953
			(T-h-o-u-s-a-n-d-s)		
TOTAL	$3,518,664	$3,614,783	$3,742,938	$3,962,354	$4,031,047
Michigan—15 counties	153,071	156,562	162,485	167,748	178,964
Minnesota	2,083,980	2,181,127	2,233,777	2,375,923	2,424,583
Montana	493,507	500,880	529,340	561,462	569,732
North Dakota	266,089	259,951	271,867	278,999	274,257
South Dakota	339,644	339,928	357,143	375,729	377,545
Wisconsin—26 Counties	182,373	176,335	188,326	202,493	205,965

City Member Banks (Weekly Reporting Banks)

	1947-49 Av.	Dec.31,1950	Dec.31,1951	Dec.31,1952	Dec.31,1953
			(T-h-o-u-s-a-n-d-s)		
Loans and Discounts	$ 428,115	$ 551,620	$ 598,704	$ 627,698	$ 672,503
U. S. Government Securities	671,501	579,366	551,395	647,963	600,225
Other Securities	85,241	142,278	129,746	156,464	138,717
Total Deposits	1,591,526	1,677,283	1,713,972	1,820,218	1,814,761
Dem. Dep. Ind., Pt. and Corp.	838,356	926,558	948,144	1,007,057	996,024
Time Dep. Ind., Pt. and Corp.	249,059	240,455	237,882	255,558	264,138
Public Deposits	173,887	153,513	149,162	170,469	178,108
Due to Banks and Other Dep.	330,224	356,803	378,784	387,134	376,491

Country Member Banks (Non-Weekly Reporting Banks)

	1947-49 Av.	Dec.31,1950	Dec.31,1951	Dec.31,1952	Dec.31,1953
			(T-h-o-u-s-a-n-d-s)		
Loans and Discounts	$ 414,405	$ 565,332	$ 631,762	$ 680,565	$ 778,917
U. S. Government Securities	1,052,794	919,790	889,200	944,509	920,135
Other Securities	123,702	141,328	150,159	161,189	171,645
Total Deposits	1,927,138	1,937,501	2,028,966	2,142,136	2,216,286
Dem. Dep. Ind., Pt. and Corp.	1,051,749	1,061,032	1,133,280	1,164,900	1,166,274
Time Dep. Ind., Pt. and Corp.	678,254	656,650	669,738	727,676	776,498
Public Deposits	136,713	155,372	158,373	182,909	201,786
Due to Banks and Other Dep.	60,422	64,447	67,576	66,651	71,728

Minneapolis Federal Reserve Bank

	1947-49 Av.	Dec.31,1950	Dec.31,1951	Dec.31,1952	Dec.31,1953
			(T-h-o-u-s-a-n-d-s)		
Loans to Member Banks*	$ 3,913	$ 4,552	$ 10,854	$ 15,785	$ 27,329
Industrial Advances*	3	172	156	110	114
Total Earnings Assets	666,173	641,379	749,487	765,802	626,690
Mem. Bank Res. Balances	450,708	391,855	464,389	437,867	468,968
Fed. Res. Notes in Circulation	623,512	610,643	632,029	650,889	644,292
Total Gold Certificate Reserve	464,999	387,581	350,279	353,155	510,047

*Daily average of amounts outstanding during the year.