

monthly statistical report

NINTH DISTRICT CONDITIONS

federal reserve bank of minneapolis

CONSTRUCTION INDUSTRY ACTIVITY STABILIZES IN AUGUST-SEPTEMBER

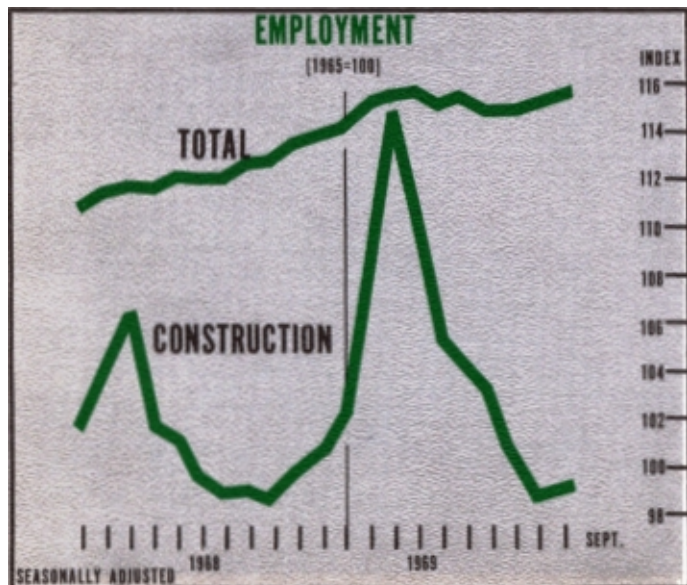
Economic activity in the Ninth District through September continued at the high level achieved in late summer.

Construction conditions in the Ninth District seemed to have stabilized during August and September after deteriorating earlier in the year. The late summer leveling-off in activity appears to be a temporary pause in the current construction industry downturn. The weak condition of the industry in the district parallels the situation for the construction industry throughout the nation.

In the district, a number of statistical indicators have leveled off at lower levels than earlier in the year. Employment, at 93,500 in September, seasonally adjusted, was about 300 higher than during August, but was still well below the average level of 104,200 during the first quarter of this year. The number of housing units authorized by building permits also drifted upward in September, but during the third quarter was about 15 percent below the first quarter's rate.

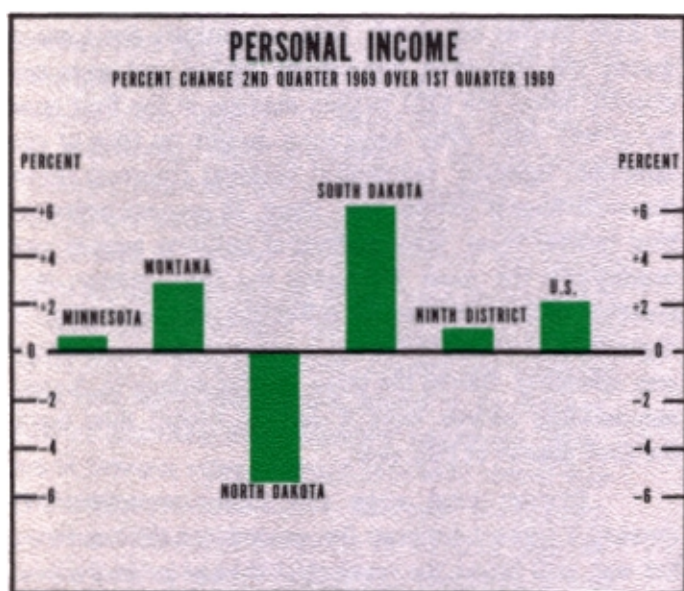
Contract awards for new construction projects during the three months ending in August, at an average of \$155 million per month, were essentially the same as during the preceding three-month period and were only slightly below the \$161 million average of the first quarter of this year. After separating awards by type of construction, however, residential building contracts during the June-August period were about 15 percent below the first quarter level. Non-residential building awards were essentially the same as during the first quarter. Non-building awards increased, reflecting the resumption of highway contracting following a temporary freeze on highway spending. During the three months ending in August, non-building awards were 8 percent higher than during the first quarter of this year.

District total wage and salary employment increased 4 percent between the second and third quarters, but was still below the level attained earlier in the year. Between August and September, district employment advanced 2.7 percent, at an annual rate. However, the rate of unemployment also increased to 3.6 percent in September, a continuation of the gradual upward trend that has been evident throughout the year.



PERSONAL INCOME RISES, BUT AT SLOWER RATE

Personal income in the four complete states of the Ninth Federal Reserve District rose 1.1 percent, or \$199 million, seasonally adjusted at an annual rate, between the first and second quarters of this year. This represented a slowdown, since personal income advanced 1.5 percent in the first quarter. The district's expansion in personal income was also below the national increase of 2.2 percent in the second quarter. There was considerable variation among the states in second quarter growth. South Dakota and Montana recorded gains of 6.2 and 3.0 percent respectively. In Minnesota, personal income advanced only 0.8 percent. In North Dakota personal income declined 5.3 percent.



Although agricultural income decreased in the second quarter, the slowdown in growth of total personal income in the district was largely traceable to non-agricultural sources of income. The rate of increase in private wage and salaries declined sharply from 3.7 percent in the first quarter to 1.1 percent in the second quarter. Second quarter decreases of 4.7 percent in mining, of 1.6 percent in construction and of 0.6 percent in transportation, communications and public utilities contributed to the slowdown. In addition, second quarter gains in the important trade and service sectors were below those recorded in the first quarter. In manufacturing, however, personal income increased by 1.6 after failing to advance in the first quarter.

Personal income was up in the Government sector by 2.5 percent after decreasing in the first quarter. Property income increased by 1.7 percent which was up from the 1.1 percent gain in the previous quarter. Non-farm proprietors' income, on the other hand, declined in the second quarter after increasing in the first quarter.

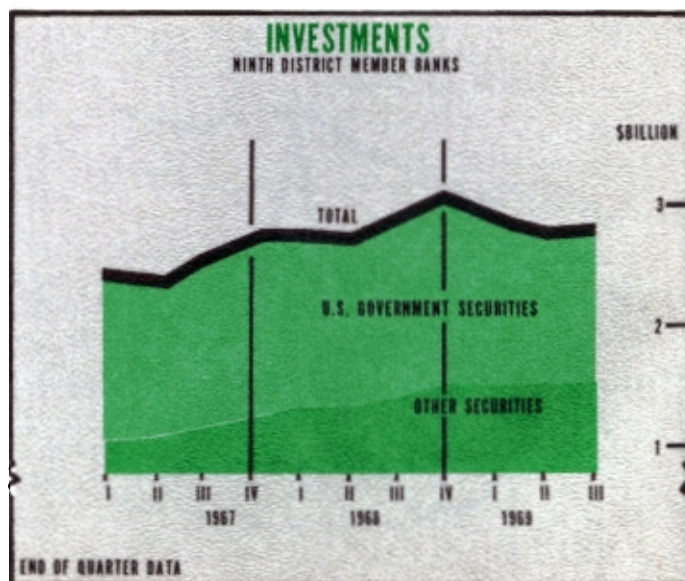
In contrast to the district, national agricultural income advanced sharply in the second quarter, increasing by 8.5 percent. In fact, national gains generally exceeded those of the district. Private wages and salaries increased 2.4 percent nationally which is more than double the rate the district experienced between the first and second quarters. Large increases of 5.4 percent in construction, 2.2 percent in manufacturing, and 2.5 percent in trade are in contrast to the district's modest increases or decreases in these sectors. Personal income derived from Government sources, however, increased faster at the district level than in the nation. Property income in both the district and the nation advanced 1.7 percent in the second quarter.

Although third quarter personal income figures are not yet available, it's not likely that personal income increased appreciably as preliminary estimates indicate that district wage and salary employment was essentially unchanged between the second and third quarters of 1969.

GROWTH OF TOTAL CREDIT STABILIZES IN THIRD QUARTER

Total credit (loans and investments) at district member banks rose slightly during September, enough to offset the decline posted earlier in the quarter. As a result, credit was unchanged in the third quarter, after a rise of 4 percent at an annual rate during the first half of 1969. These changes in Ninth District total bank credit over the course of the year closely parallel the changes in commercial bank credit in the nation.

Outstanding loans at district banks, after increasing very little in July and August, rose more rapidly



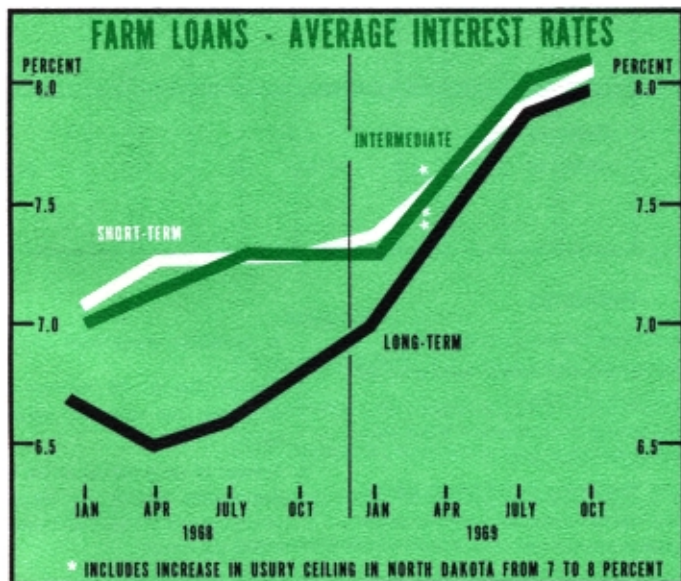
in September. Country banks accounted for most of the September advance, due largely to expansion in loans to other commercial banks. This type of loan, commonly termed federal funds sales, has two advantages: it is highly liquid, and the rate of interest since mid-year has been about 9 to 10 percent. The pace of expansion of country bank loans to borrowers other than other commercial banks, however, has slowed in the last two months from the rapid pace maintained during late spring and early summer. District city banks, which had experienced no growth in loans through the first eight months of 1969, recorded only a nominal advance in September.

With respect to investments, holdings of government securities remained unchanged during September although the usual pattern is sharply upward as district banks rebuild liquidity positions. Investment in other securities (mainly municipal and Federal agency issues) increased at a greater than seasonal pace in September but the advance during the third quarter was moderate.

Deposit inflow at district member banks was extremely weak during the third quarter. Demand deposits at both city and country banks increased by substantially less than is normal for this time of year. Time deposits continued to decline in July-September. Country banks experienced virtually no increase while city banks continued to report an outflow of time deposits as a result of further losses of large negotiable CDs.

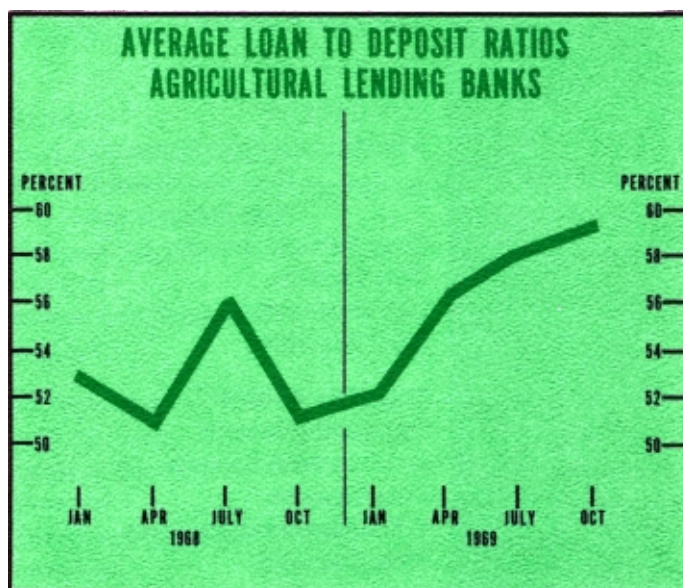
AGRICULTURAL INTEREST RATES INCREASE SOMEWHAT FURTHER

Interest rates charged to farmers by agricultural lending banks in the Ninth District continued to climb. Rates have risen dramatically in the past two years, but



the rate of increase seems to have slowed somewhat recently. The last two quarterly increases would naturally appear small compared to the jump during the first quarter of this year, when there was a one percent change in the usury limit in North Dakota.

The recent easing of increases may be the result of a larger number of banks attaining rates that are lodged at usury ceilings. Another reason may be that loan demand in rural areas has slackened somewhat. Many bankers report that good cash incomes during the wheat harvest and high livestock prices have reduced present needs for operating capital. It is also reported that farmers are becoming more hesitant to enlarge and improve



their operations because of rising prices of farm supplies. Both of these factors trend to reduce the demand for credit.

Interest rates for longer-term loans continue to advance faster than rates for shorter-term loans, but the differences are narrowing. Early this year, average longer-term rates were lower, but rising much more rapidly than average shorter-term rates. The slowing is natural as both long and short-term interest rates begin to touch the same legal ceilings. Also, as inflationary expectations lessen, bankers are less inclined to require large rate premiums for the commitment to tie up amounts of money for long periods of time.

Loan-to-deposit ratios at rural banks have increased in a pattern parallel to the general level of interest rates during the past four quarters. This suggests that demand for loans, rather than supply of deposits, has been the dominant factor in establishing rates. The ratio increased one percent from July 1 to October 1, to 59 percent. Historically, this is a very high level for agricultural lending banks.

NINTH DISTRICT income and finance

I N D I C A T O R		UNIT	1969			1968	Percent Change	
			OCTOBER	SEPTEMBER	AUGUST	SEPTEMBER	SEPT. to SEPT.	
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*							
	Nonagricultural Personal Income*							
	Average Weekly Earnings in Manufacturing ¹	Dollars,		136.49e	132.77e	129.63	+ 5.3	
	Consumer Installment Credit Outstanding ²	Million \$		1,330	1,318	1,253	+ 6.1	
	Time and Savings Deposits at Member Banks	Million \$	4,760	4,759	4,774	4,670	+ 1.9	
	Savings Balances at Savings & Loan Assoc. ³	Million \$		3,345p	3,307	3,173	+ 5.4	
Cash Farm Receipts ³	Million \$		n. a.	n. a.	389			
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS ^{4, 5}							
	Adjusted Loans and Discounts ⁶	Million \$	2,204	2,241	2,238	2,114	+ 6.0	
	Commercial and Industrial Loans	Million \$	1,012	1,022	1,034	1,007	+ 1.5	
	Real Estate Loans	Million \$	460	464	458	406	+14.3	
	Gross Demand Deposits	Million \$	2,057	1,942	1,904	1,911	+ 1.6	
	Time Deposits	Million \$	1,241	1,264	1,286	1,468	-13.9	
	U.S. Government Securities	Million \$	386	309	311	377	-18.0	
	Other Securities	Million \$	478	561	551	496	+13.1	
	COUNTRY BANKS ^{4, 7}							
	Loans and Discounts	Million \$	3,500	3,495	3,481	3,057	+14.3	
	Gross Demand Deposits	Million \$	2,228	2,201	2,139	2,106	+ 4.5	
	Time Deposits	Million \$	3,519	3,495	3,488	3,202	+ 9.2	
	U.S. Government Securities	Million \$	1,028	994	987	1,128	-11.9	
	Other Securities	Million \$	1,057	1,043	1,025	922	+13.1	
	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$	681	670	667	641	+ 4.5
		Required Reserves	Million \$	672	661	658	629	+ 5.1
		Excess Reserves	Million \$	9	9	9	12	-25.0
Borrowings from FRB		Million \$	40	31	20	23	+34.8	
Ratio of Loans to Total Deposits—City Banks ⁴		Percent	68.6	71.5	72.9	65.0	+10.0	
Ratio of Loans to Total Deposits—Country Banks ⁴		Percent	60.9	61.4	61.9	57.6	+ 6.6	
MEASURES OF PRICE LEVELS	Consumer Price Index ⁹ —Minneapolis	Index, sa						
	Prices Received by Farmers ⁹ —Minnesota	Index, sa		127	128	117	+ 8.5	

NOTES

- e—Partially estimated; all data not available
n.a.—Not available
p—Preliminary; subject to revision
r—Revised
sa—Seasonally adjusted data
*—U.S. and District do not have comparable data
saar—Seasonally adjusted annual rate

FOOTNOTES

- Excluding Northwestern Wisconsin
- All commercial banks, estimated by a sample of banks
- Excluding Northwestern Wisconsin and Upper Michigan
- Last Wednesday of the month figures
- City Banks—Selected banks in major cities
- Net loans and discounts less loans to domestic commercial city banks
- Country Banks—All member banks excluding the selected major city banks
- Average of daily figures of the four or five weeks ending on Wednesday which contain at least four days falling within the month
- Index: 1957-59 Base Period

UNITED STATES income and finance

Percent Change SEPT. to SEPT.	1969			1968	UNIT	I N D I C A T O R	
	OCTOBER	SEPTEMBER	AUGUST	SEPTEMBER			
+ 8.4		759.8p	757.5	701.1	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 8.3		737.2p	734.9	680.9	Billion \$, saar	Nonagricultural Personal Income	
+ 5.5		132.11p	129.92	125.25	Dollars	Average Weekly Earnings in Manufacturing	
+10.9		39.8	39.5	35.9	Billion \$	Consumer Installment Credit Outstanding ²	
- 4.6		151.5	152.4	158.8	Billion \$	Time and Savings Deposits at Member Banks	
+ 4.5		134.6	133.7	128.8	Billion \$	Savings Balances at Savings & Loan Assoc.	
		n.a.	n.a.	4.0	Billion \$	Cash Farm Receipts	
+10.8		167.7	165.1	151.3	Billion \$	CITY BANKS ^{4,5}	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+12.5		78.1	76.6	69.4	Billion \$	Adjusted Loans and Discounts ⁶	
+ 9.0		33.8	33.5	31.0	Billion \$	Commercial and Industrial Loans	
+ 5.7		128.8	126.9	121.8	Billion \$	Real Estate Loans	
- 9.9		97.9	99.0	108.7	Billion \$	Gross Demand Deposits	
-22.4		22.2	23.4	28.6	Billion \$	Time Deposits	
- 3.5		36.2	36.2	37.5	Billion \$	U.S. Government Securities	
						Other Securities	
+11.5		60.1	59.5	53.9	Billion \$	COUNTRY BANKS ^{4,7}	
+ 3.0		44.4	43.7	43.1	Billion \$	Loans and Discounts	
+ 6.8		53.6	53.4	50.2	Billion \$	Gross Demand Deposits	
- 9.4		16.4	16.3	18.1	Billion \$	Time Deposits	
+12.4		19.0	18.8	16.9	Billion \$	U.S. Government Securities	
						Other Securities	
+ 3.2		26,878p	27,000	26,057	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 3.7		26,659p*	26,753	25,704	Million \$	Required Reserves	
-38.0		219p	247	353	Million \$	Excess Reserves	
+90.4		954p	1,217	501	Million \$	Borrowings from FRB	
+13.8		76.6	75.8	67.3	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
+ 6.1		61.3	61.3	57.8	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 5.8		129.3	128.7	122.2	Index, sa	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
+ 3.6		114	115	110	Index, sa	Prices Received by Farmers ⁹	

SOURCES

PERSONAL INCOME: U.S. Department of Commerce, Office of Business Economics

SAVINGS AND LOAN ASSOCIATIONS: Federal Home Loan Bank Board

CASH RECEIPTS FROM FARM MARKETINGS: U.S. Department of Agriculture

FINANCIAL DATA OF MEMBER BANKS: Federal Reserve Bank of Minneapolis and Board of Governors of F. R. System

CONSUMER PRICE INDEX: U.S. Department of Labor, Bureau of Labor Statistics

PRICES RECEIVED BY FARMERS: U.S. Department of Agriculture and Minnesota Farm Price Report

NINTH DISTRICT production and employment

I N D I C A T O R		UNIT	1969		1968	Percent Change
			SEPTEMBER	AUGUST	SEPTEMBER	SEPT. to SEPT.
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	262	262	239	+ 9.6
	Production Worker Manhours: ¹	Index, sa	128p	124	124	+ 3.2
	Manufacturing	Index, sa	136p	133	132	+ 3.0
	Mining	Index, sa	87p	83	84	+ 3.6
	Total Construction Contracts Awarded	Million \$, sa	n. a.	174.3	183.0	
	Residential Buildings	Million \$, sa	n. a.	52.8	60.1	
	Nonresidential Buildings	Million \$, sa	n. a.	64.2	44.3	
	All Other Construction	Million \$, sa	n. a.	57.3	78.6	
	Bldg. Permits: New Housing Units ²	Number	3,142	2,340	3,246	- 3.2
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,551p	2,553p	2,521	+ 1.2
	Total Civilian Employment	Thousands, sa	2,461p	2,463p	2,430	+ 1.3
	Number Unemployed	Thousands, sa	90p	90p	91	- 1.1
	Unemployment Rate ³	Percent, sa	3.5p	3.6p	3.6	- 2.8
	Average Weekly Hours in Manufacturing ³	Hours, sa	41.3e	41.0e	41.4	- 0.2
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ³	Thousands, sa	1,886p	1,878p	1,842	+ 2.4
	Manufacturing	Thousands, sa	383p	383p	377	+ 1.6
	Mining	Thousands, sa	34p	32p	34	0.0
	Construction	Thousands, sa	94p	93p	93	1.1
	Transport., Comm., & Public Utilities	Thousands, sa	133p	131p	129	+ 3.1
	Trade	Thousands, sa	457p	456p	445	+ 2.7
	Finance, Insurance & Real Estate	Thousands, sa	86p	85p	83	+ 3.6
	Service Industries	Thousands, sa	303p	304p	295	+ 2.7
	Government	Thousands, sa	396p	394p	386	+ 2.6
MEASURES OF SPENDING	Total Retail Sales*	Thousands, sa	n. a.	19.8	21.7	
	New Passenger Car Registrations					
	Bank Debits ⁴	Billion \$, saar	n. a.	157.9	123.8	

NOTES

e — Partially estimated; all data not available
n. a. — Data not available
p — Preliminary; subject to revision
r — Revised
sa — Seasonally adjusted data
* — U.S. and District do not have comparable data
saar — Seasonally adjusted annual rate

FOOTNOTES

- Index: 1957-59 Base Period
- A sample of permit issuing centers
- Excluding Northwestern Wisconsin
- Six standard metropolitan statistical areas
- A sample of centers blown up to represent total permits issued
- 226 centers excluding the seven leading centers

UNITED STATES production and employment

Percent Change SEPT. to SEPT.	1969		1968	UNIT	I N D I C A T O R	
	SEPTEMBER	AUGUST	SEPTEMBER			
+ 5.5	174	174	165	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
					Electrical Energy Consumption: Mfg. and Mining*	
+ 1.7	119p	120p	117	Index, sa	Production Worker Manhours: ¹	
+ 2.5	123p	123p	120	Index, sa	Manufacturing	
0.0	83p	84p	83	Index, sa	Mining	
- 0.2	5194.1	5912.9	5207.0	Million \$, sa	Total Construction Contracts Awarded	
- 8.0	1983.9	2186.9	2156.5	Million \$, sa	Residential Buildings	
+11.6	2042.0	2353.8	1830.4	Million \$, sa	Nonresidential Buildings	
- 4.3	1168.2	1372.2	1220.1	Million \$, sa	All Other Construction	MEASURES OF MANPOWER UTILIZATION
-11.0	108.0e	106.4e	121.3	Thousands	Bldg. Permits: New Housing Units ⁵	
+ 3.2	81,359p	81,054	78,847	Thousands, sa	Civilian Work Force	
+ 2.8	78,127p	78,187	76,000	Thousands, sa	Total Civilian Employment	
+13.5	3,232p	2,867	2,847	Thousands, sa	Number Unemployed	
+11.1	4.0p	3.5	3.6	Percent, sa	Unemployment Rate	
- 0.7	40.7p	40.6	41.0	Hours, sa	Average Weekly Hours in Manufacturing	
+ 3.2	70,398p	70,405	68,195	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 2.4	20,290p	20,345	19,820	Thousands, sa	Manufacturing	
+ 0.6	626p	630	622	Thousands, sa	Mining	
+ 3.2	3,390p	3,401	3,286	Thousands, sa	Construction	
+ 3.3	4,478p	4,482	4,333	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.4	14,686p	14,693	14,198	Thousands, sa	Trade	
+ 5.3	3,595p	3,582	3,414	Thousands, sa	Finance, Insurance & Real Estate	
+ 5.0	11,167p	11,106	10,635	Thousands, sa	Service Industries	
+ 2.3	12,166p	12,166	11,887	Thousands, sa	Government	MEASURES OF SPENDING
+ 2.8	29,697p	29,411	28,902	Million \$, sa	Total Retail Sales	
	n.a.	710.2	904.3	Thousands, sa	New Passenger Car Registrations	
	n.a.	3039.1	2670.4	Billion \$, saar	Bank Debits ⁶	

INDUSTRIAL PRODUCTION: Board of Governors of F.R. System

INDUSTRIAL USE OF ELECTRIC POWER: Federal Reserve Bank of Minneapolis

PRODUCTION WORKER MANHOURS: Federal Reserve Bank of Minneapolis

CONSTRUCTION CONTRACTS AWARDED: Board of Governors of F. R. System, F. W. Dodge Corporation data

NEW HOUSING UNITS AUTHORIZED: Federal Reserve Bank of Minneapolis and U.S. Department of Commerce, Bureau of Census

BANK DEBITS: Board of Governors of F. R. System

SOURCES

EMPLOYMENT, UNEMPLOYMENT, HOURS AND WAGES:

Employment Security Departments; Minnesota, North Dakota, South Dakota, Montana, Michigan, and U.S. Department of Labor, Bureau of Labor Statistics

RETAIL SALES: U.S. Department of Commerce, Bureau of Census

NEW PASSENGER CAR REGISTRATIONS: Automotive News Magazine

Ninth District Agricultural Credit Conditions Survey

AGRICULTURAL INCOME HIGHER

Strong indications that the incomes of farmers and ranchers in the Ninth Federal Reserve District are higher than they were at this time last year persist. Projections for the fourth quarter suggest that the remainder of this year will also be better than the corresponding months of 1968 but, perhaps, by a smaller margin. This current survey, which includes the responses of 144 agricultural lending bankers in the Ninth district, indicates that borrowers are channeling even more of the improvement in their incomes into debt repayment than they were at the time of the previous survey. Comparing the current survey to the previous one (July 1), in which more rapid repayment was also noted, there is currently a greater percentage of bankers reporting the rate of repayment "rapid" and a smaller percentage reporting it "slow." Moreover, a larger percentage of bankers consider current and expected demands for debt refinancing to be "less than usual." This is consistent with both continued strong incomes and a faster rate of debt repayment. Current and expected demand for new agricultural loans appear to be slackening somewhat according to the bankers' responses. Also, increases in interest rates are much less wide spread than at the time of the previous survey. However, the percentage of bankers expecting problems in meeting loan requests in the coming quarter is still high compared to past experience and there are indications that, generally, loan-to-deposit ratios have again tightened somewhat.

Many bankers reporting that current farm earnings were better than year-earlier levels in the present survey cited a good wheat crop with a fast and efficient harvest as an important reason. The number of bankers mentioning favorable livestock prices was down somewhat from the previous survey when the responses had cited livestock prices as almost the only factor.

RAPID DEBT REPAYMENT LINKED TO HIGH INTEREST RATES

The more rapid rate of repayment was generally attributed to high interest rates. Borrowers, it was frequently reported, are becoming more concerned with the high rates and the resulting high credit costs incurred in their operations. Many of them are using the returns from high prices or good crops to reduce the size of their expensive debt loads.

The high interest rates were also reported to be causing borrowers to show more reluctance to undertake new borrowings for financing new or expanded operations.

Demand for new loans and anticipated demand for new loans were also notably rated lower in this survey because of a developing attitude of caution on the part of borrowers. This recent change was generally attributed to the attitudes of livestock producers, particularly cattle feeders, who are becoming skeptical of the outlook for profitable price developments.

The lower percentage of bankers reporting increases in interest rates in the present survey is consistent with the indications of a general decrease in loan demand. However, probably more important than loan demand, it was noted that many respondents mentioned that further increases in their rates were prohibited by state laws. Short-term agricultural interest rates above 8 percent per annum are currently reported by 20 percent of the respondents.

