

monthly statistical report

NINTH DISTRICT CONDITI federal reserve bank of minneapolis

JANUARY BANK LOANS RISE ONLY SLIGHTLY; BIG CITY BANKS INCREASE BUSINESS LOANS

The pace of economic activity appears to be slowing in the Ninth District. Rates of expansion in electric power usage, industrial sales and bank credit have receded from earlier levels. This Bank's most recent survey shows that district manufacturing industry anticipates lower rates of sales growth in 1970.

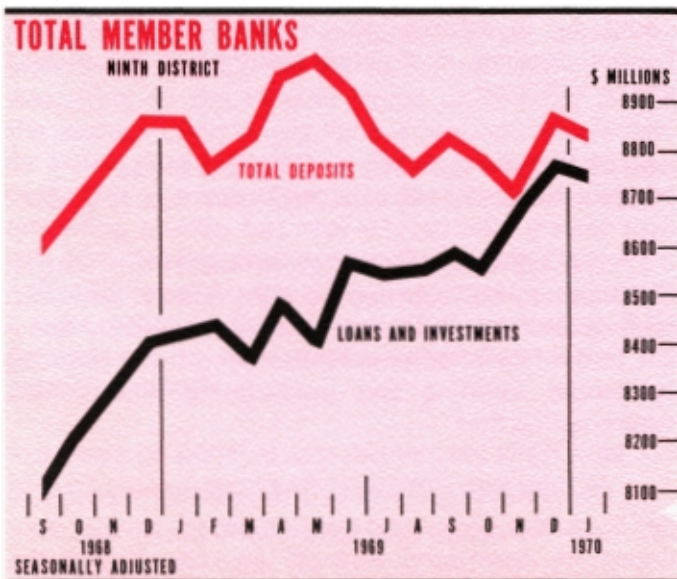
Ninth District member bank credit, seasonally adjusted, leveled off in January after rising sharply during the preceding two months. Loans rose only slightly in January. In November and December loans had advanced strongly, partly due to quarterly income tax payments and year-end window dressing.

All of the increase occurred at large city banks and mainly reflected a modest upturn in business loans. (The sharp drop in commercial and industrial, i.e., business loans in January shown on page 4 is the result of reclassifications of loans made in prior months.) Other securities held by district banks, primarily of state and local government issues, declined slightly in January following a rather substantial expansion in the latter part of 1969. Holdings of U. S. government obligations continued to decline in January.

Total deposits at district member banks, seasonally adjusted, declined during January. This partially offset the very large increase recorded in December. Virtually all of the January decrease was in demand deposits and reflected in part the unwinding of window dressing activities that had occurred in late December.

Time deposits declined very little in January. This continues the pattern of smaller monthly outflows which has been in evidence since October. The main factor behind the reduced outflows has been the diminished outflow of large certificates of deposits (CDs) due to the sharp reduction in the volume of maturing CDs. The steady slowing in the growth of the smaller, consumer-type CDs and passbook savings has partly offset the relative improvement in large, business-oriented CDs.

Borrowings by district member banks have risen rapidly during the past year. Bank credit rose at a relatively moderate pace throughout 1969, while the level of total deposits at the end of January 1970 was at about the same level as it had been 12 months earlier. Outstanding borrowings by district member banks was over \$600 million in January 1970 compared to \$200 million in January 1969.



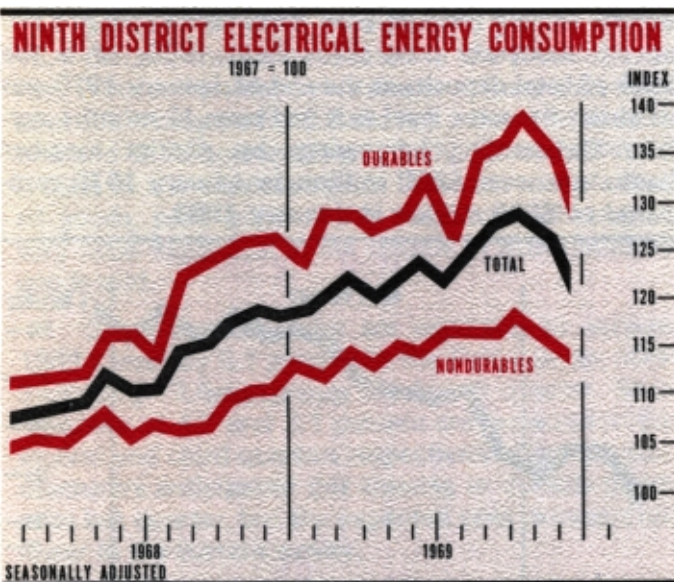
All of the increased borrowing has been undertaken by large city banks which suffered a sharp decline in deposits, particularly time deposits, during 1969. The outstanding borrowing in January was primarily from other banks through the federal funds market and by means of repurchase agreements. Interest rates on these borrowings are substantially higher than those on either time deposits or borrowings from the Federal Reserve Bank.

ACTIVITY IN MANUFACTURING SLOWS DOWN; RATES OF SALES AND ELECTRICITY USE DECLINE

Recent data on business activity in the Ninth District indicate some signs of slowing in the district's important manufacturing sector. The results of the latest Industrial Expectations Survey (see back page) reveal that manufacturing sales increased 11.1 percent over year earlier levels in the fourth quarter of 1969 after increasing 15.8 percent in the third quarter. In 1970, district manufacturers now expect their rate of sales to drop to about 6.0 percent in the first and second quarters and decline further to 4.3 percent in the third quarter.

Other indicators of manufacturing activity also suggest some slowdown. The amount of electric power consumed by manufacturing industries, seasonally adjusted, increased only 2.3 percent at an annual rate in the fourth quarter of 1969 which was below the 12 month trend rate of growth of 6.6 percent.

This slowing was apparent in both the durable and non-durable goods industries. The 12 month trend rate of growth for the use of electric power by durable goods industries was 8.2 percent in 1969, but

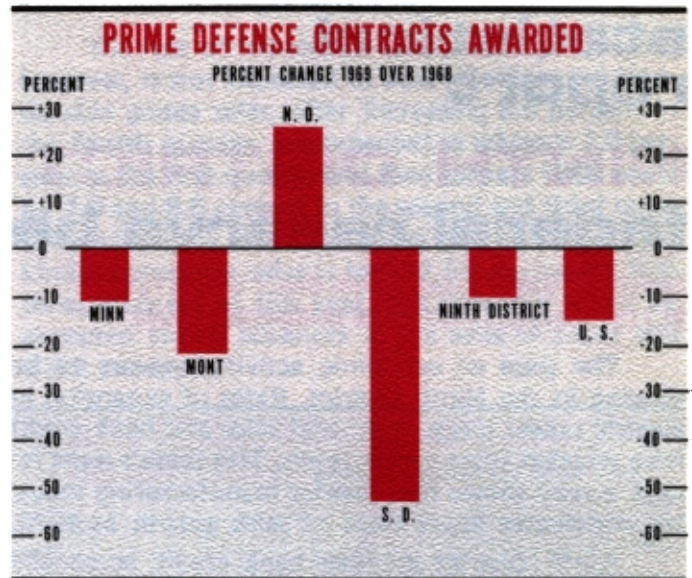


in the fourth quarter the use of electric power by these industries increased only 5.6 percent. In the non-durable goods sector the use of electric power declined at a 1.9 percent annual rate in the fourth quarter.

Although the number of production man-hours

used in manufacturing increased at a rate comparable to its 12 month trend rate of growth in the fourth quarter, this indicator declined in both November and December.

The Ninth District is beginning to feel the impact of the current cutback in defense expenditures, and this probably partially accounts for the current



slowing in district manufacturing activity. Prime defense contracts awarded in 1969 were down 10.4 percent from the previous year in the four district states. This decline occurred primarily in the fourth quarter when prime defense contracts awarded in the district declined 53.8 percent from a year ago. The district's decline, however, was not as severe as the decrease of 15.4 percent in the prime defense contracts awarded in the nation last year.

In Minnesota prime defense contracts awarded were down 10.8 percent in 1969, and in Montana and South Dakota contracts awarded declined 22.1 and 53.2 percent respectively. In North Dakota, however, prime defense contracts awarded were up 25.6 percent over the 1968 level. Given the \$5.2 billion proposed cut in defense spending in the 1971 budget, further declines in defense spending in the district can be expected.

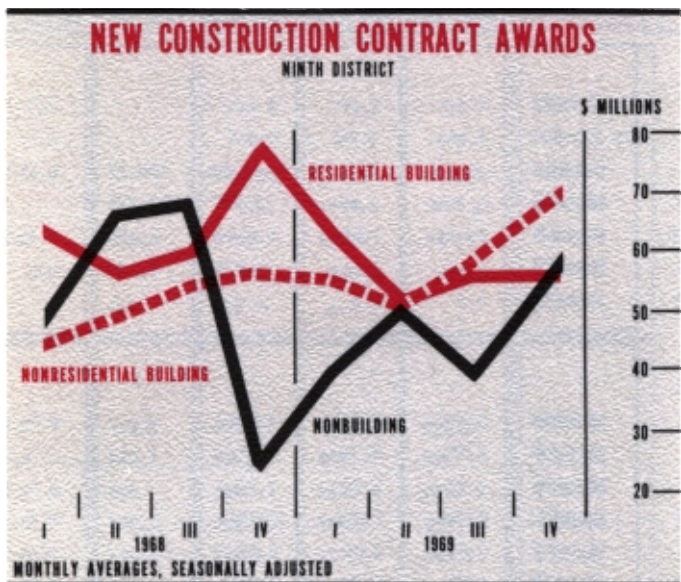
HOMEBUILDING SUFFERS FROM TIGHT MONEY, BUT NONRESIDENTIAL BUILDING CONTRACTS GROW

The construction sector of the Ninth District continues to be throttled by tight money. Although nonresidential building has remained relatively buoyant in the face of adverse money conditions, both the residential building and nonbuilding sectors have weakened further.

Homebuilding continued to react to the restrictive monetary policy and housing permit activity continued its downtrend through January. During the

month, permits were issued for 2,149 new housing units, seasonally adjusted. During the three months ending in January, the number of housing units authorized by building permits was 16 percent below that for the preceding three month period.

Contract awards in the district during December continued to display the see-saw pattern which was



evident throughout the latter half of 1969. For the year as a whole, however, the volume of contract awards trailed 1968 levels by about 8 percent.

Contributing to the decline, residential building contract awards were down about 11 percent and nonbuilding awards dropped nearly 30 percent. The sharp decline in nonbuilding contracts was due to the Federal government freeze on highway spending early in the year and the Federal construction cutback during the fourth quarter. On the other hand, contracts for nonresidential building during the year rose by about 12 percent over 1968 as a number of large contracts, primarily for office buildings, were awarded.

Mortgage interest rates in the Minneapolis-St. Paul Metropolitan area stabilized during December after rising throughout the earlier months of 1969. According to the Federal Home Loan Bank Board, the average interest rate for conventional single-family home mortgages during December was 7.98 percent. This rate was essentially the same as during the preceding month, but was substantially greater than the 7.38 percent average recorded during December, 1968. Nationwide, the average mortgage rate rose to a new record in December, and at an average 8.24 percent was 11 basis points higher than during the preceding month.

NUMBERS OF CATTLE AND CALVES ON FEED RISE, BUT NATIONAL INCREASE EXCEEDS DISTRICT'S

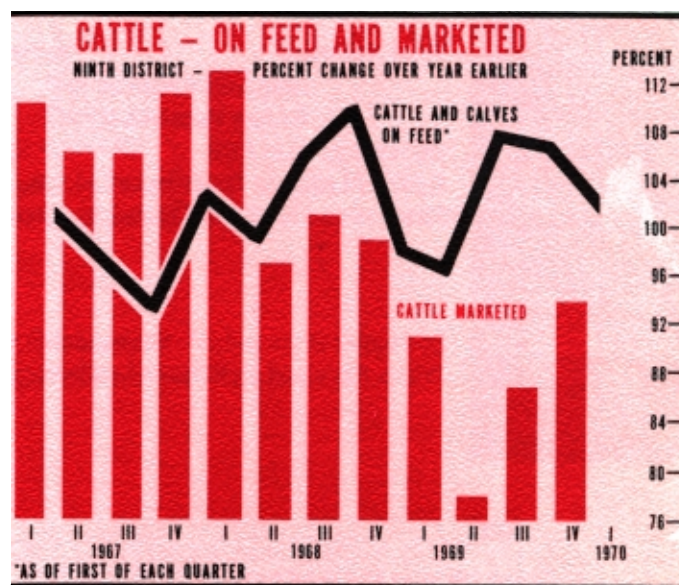
The number of cattle and calves on feed this winter is up for both the district and the nation. The

increase in the national figure suggests that total marketings will be greater this spring than they were one year ago.

The increase in cattle feeding for the nation is greater, in percentage terms, than that for the district. On January 1 of this year there were 12.6 million cattle and calves on feed in the primary cattle feeding states of the nation. This is an increase of 6 percent over the number on feed a year ago which was, in turn, an increase of 10 percent over the number on January 1, 1968. The recent January 1 figures for the Ninth District show 1.1 million cattle and calves on feed which is only 2 percent greater than the number one year ago. And this district year-ago figure was 1.8 percent less than the number on January 1, 1968.

The faster rate of growth in cattle and calves on feed in the nation is apparently the result of the rapid expansion of cattle feeding in the Southwest -- particularly the High Plains area of Texas and eastern New Mexico. Although the number of cattle and calves on feed in the Ninth District has shown some response to the higher cattle prices experienced in the past two years, the increases have been less than expected. Most reports from the district indicate that expansion in cattle feeding has been limited by increasing costs of needed items -- mainly equipment and credit.

Greater total numbers of fed cattle marketed this spring are not expected to significantly depress prices. Prospects are that fed cattle prices will continue strong. No let-up is seen in the overall buoyant



consumer demand for beef. In addition, the continuing trend toward smaller non-fed beef marketings will partially offset the increase in feedlot production. Thus, the national increase in cattle on feed may overstate the amount of the increase in marketings that will actually occur.

NINTH DISTRICT income and finance

I N D I C A T O R	UNIT	1970		1969		Percent Change JAN to JAN
		FEBRUARY	JANUARY	DECEMBER	JANUARY	
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*					
	Nonagricultural Personal Income*					
	Average Weekly Earnings in Manufacturing ¹	Dollars, n.a.	137.77e	140.00p	130.22	+ 5.8
	Consumer Installment Credit Outstanding ²	Million \$ n.a.	n.a.	1,337	1,212	
	Time and Savings Deposits at Member Banks	Million \$ 4,735	4,715	4,770	4,820	- 2.2
	Savings Balances at Savings & Loan Assoc. ³	Million \$	n.a.	3,371p	3,230	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	Cash Farm Receipts ³	Million \$	n.a.	394	404	
	CITY BANKS ^{4,5}					
	Adjusted Loans and Discounts ⁶	Million \$ 2,262	2,271	2,344	2,217	+ 2.7
	Commercial and Industrial Loans	Million \$ 969	968	1,069	1,034	- 6.4
	Real Estate Loans	Million \$ 459	460	465	425	+ 8.2
	Gross Demand Deposits	Million \$ 1,920	1,982	2,335	1,934	+ 2.5
	Time Deposits	Million \$ 1,169	1,171	1,237	1,464	- 20.0
	U.S. Government Securities	Million \$ 323	327	324	387	- 15.5
	Other Securities	Million \$ 517	530	540	524	+ 1.1
	COUNTRY BANKS ^{4,7}					
	Loans and Discounts	Million \$ 3,551	3,529	3,560	3,113	+ 13.4
	Gross Demand Deposits	Million \$ 2,122	2,167	2,357	2,103	+ 3.0
	Time Deposits	Million \$ 3,565	3,545	3,533	3,357	+ 5.6
	U.S. Government Securities	Million \$ 963	994	1,014	1,169	- 15.0
	Other Securities	Million \$ 1,073	1,088	1,083	1,015	+ 7.2
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$ 682	706	690	701	+ 0.7
	Required Reserves	Million \$ 675	698	678	691	+ 1.0
	Excess Reserves	Million \$ 7	8	12	10	- 20.0
	Borrowings from FRB	Million \$ 12	37	32	8	+362.5
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent 74.9	74.0	65.9	66.4	+ 11.4
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent 62.4	61.8	60.4	57.0	+ 8.4
MEASURES OF PRICE LEVELS	Consumer Price Index ⁹ —Minneapolis	Index, sa n.a.	132.8	n.a.	122.9	+ 8.1
	Prices Received by Farmers ⁹ —Minnesota	Index, sa n.a.	130	128	115	+ 13.0

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

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

UNITED STATES income and finance

Percent Change JAN to JAN	1970		1969		UNIT	I N D I C A T O R	
	FEBRUARY	JANUARY	DECEMBER	JANUARY			
+ 7.6		773.0	770.6	718.7	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 7.5		750.9	748.6	698.5	Billion \$, saar	Nonagricultural Personal Income	
+ 4.4		131.60p	134.56	126.05	Dollars	Average Weekly Earnings in Manufacturing	
		n.a.	40.0	37.0	Billion \$	Consumer Installment Credit Outstanding ²	
- 8.4		148.3	150.2	161.8	Billion \$	Time and Savings Deposits at Member Banks	
+ 2.0		134.1	135.5	131.5	Billion \$	Savings Balances at Savings & Loan Assoc.	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
		n.a.	4.6	3.8	Billion \$	Cash Farm Receipts	
+ 7.0		167.6	176.0	156.7	Billion \$	CITY BANKS ^{4,5}	
+ 7.1		78.1	81.6	72.9	Billion \$	Adjusted Loans and Discounts ⁶	
+ 4.0		33.5	33.6	32.2	Billion \$	Commercial and Industrial Loans	
+ 3.9		131.9	151.2	127.0	Billion \$	Real Estate Loans	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
- 13.6		95.0	96.8	110.0	Billion \$	Gross Demand Deposits	
- 19.1		22.4	23.9	27.7	Billion \$	Time Deposits	
- 7.9		35.2	35.8	38.2	Billion \$	U.S. Government Securities	
						Other Securities	
+ 10.1		60.2	61.1	54.7	Billion \$	COUNTRY BANKS ^{4,7}	MEASURES OF PRICE LEVELS
+ 2.1		44.4	48.5	43.5	Billion \$	Loans and Discounts	
+ 2.7		53.2	53.4	51.8	Billion \$	Gross Demand Deposits	
- 15.4		15.9	16.1	18.8	Billion \$	Time Deposits	
+ 6.7		19.0	19.0	17.8	Billion \$	U.S. Government Securities	
						Other Securities	
+ 2.8		28,905p	28,087	28,111	Million \$	Total Reserves ⁸	MEASURES OF PRICE LEVELS
+ 3.1		28,743p	27,792	27,887	Million \$	Required Reserves	
- 27.7		162p	295	224	Million \$	Excess Reserves	
+ 30.0		928	1,111	714	Million \$	Borrowings from FRB	
+ 12.6		77.0	72.8	68.4	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
+ 19.0		68.3	63.9	57.4	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 6.2		131.8	131.3	124.1	Index, sa	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
+ 9.2		119	118	109	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	1970	1969		Percent Change
			JANUARY	DECEMBER	JANUARY	JAN to JAN
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	n.a.	258	243	
	Production Worker Manhours: ¹	Index, sa	127e	125	121	+ 5.0
	Manufacturing	Index, sa	137e	134	130	+ 5.4
	Mining	Index, sa	80	87	83	- 3.6
	Total Construction Contracts Awarded	Million \$, sa	n.a.	195.4	154.6	
	Residential Buildings	Million \$, sa	n.a.	44.7	51.9	
	Nonresidential Buildings	Million \$, sa	n.a.	52.9	69.2	
	All Other Construction	Million \$, sa	n.a.	97.8	33.5	
	Bldg. Permits: New Housing Units ²	Number	952	1,724	1,738	-45.2
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,605e	2,590p	2,556	+ 1.9
	Total Civilian Employment	Thousands, sa	2,519e	2,505p	2,476	+ 1.7
	Number Unemployed	Thousands, sa	86e	85p	80	+ 7.5
	Unemployment Rate ³	Percent, sa	3.3e	3.3p	3.1	+ 6.5
	Average Weekly Hours in Manufacturing ³	Hours, sa	41.1e	41.0p	41.1	0.0
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ³	Thousands, sa	1,943e	1,920p	1,878	+ 3.5
	Manufacturing	Thousands, sa	395e	391p	388	+ 1.8
	Mining	Thousands, sa	33e	33p	32	+ 3.1
	Construction	Thousands, sa	109e	102p	101	+ 7.9
	Transport., Comm., & Public Utilities	Thousands, sa	135e	134p	132	+ 2.3
	Trade	Thousands, sa	470e	462p	448	+ 4.9
	Finance, Insurance & Real Estate	Thousands, sa	89e	87p	85	+ 4.7
	Service Industries	Thousands, sa	313e	311p	301	+ 4.0
	Government	Thousands, sa	399e	400p	391	+ 2.0
MEASURES OF SPENDING	Total Retail Sales*	Thousands, sa	n.a.	21.7	15.0	
	New Passenger Car Registrations					
	Bank Debits ⁴	Billion \$, saar	164.8	159.0	145.2	+13.5

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

1. Index: 1957-59 Base Period
2. A sample of permit issuing centers
3. Excluding Northwestern Wisconsin
4. Six standard metropolitan statistical areas
5. A sample of centers blown up to represent total permits issued
6. 226 centers excluding the seven leading centers

UNITED STATES production and employment

Percent Change JAN to JAN	1970	1969		UNIT	I N D I C A T O R	
	JANUARY	DECEMBER	JANUARY			
+ 0.6	170p	171	169	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
	n.a.	n.a.	117	Index, sa	Electrical Energy Consumption: Mfg. and Mining*	
	n.a.	n.a.	120	Index, sa	Production Worker Manhours: ¹	
	n.a.	n.a.	85	Index, sa	Manufacturing	
	n.a.	n.a.	85	Index, sa	Mining	
+ 3.0	6,634.1	6,283.8	6,437.9	Million \$, sa	Total Construction Contracts Awarded	
- 16.0	2,060.6	2,297.8	2,439.2	Million \$, sa	Residential Buildings	
+ 5.0	2,977.3	2,462.2	2,835.8	Million \$, sa	Nonresidential Buildings	
+ 37.3	1,596.2	1,523.8	1,162.9	Million \$, sa	All Other Construction	
- 32.3	65.7	85.6	97.0	Thousands	Bldg. Permits: New Housing Units ⁵	
+ 3.1	82,213p	81,583	79,756	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 2.5	79,041p	78,737	77,081	Thousands, sa	Total Civilian Employment	
+ 18.6	3,172p	2,846	2,675	Thousands, sa	Number Unemployed	
+ 14.7	3.9p	3.5	3.4	Percent, sa	Unemployment Rate	
- 1.0	40.2p	40.6	40.6	Hours, sa	Average Weekly Hours in Manufacturing	
+ 2.1	70,649p	70,656	69,199	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 0.1	20,010p	20,013	19,999	Thousands, sa	Manufacturing	
+ 1.0	631p	635	626	Thousands, sa	Mining	
- 2.1	3,268p	3,443	3,338	Thousands, sa	Construction	
+ 4.2	4,535p	4,488	4,353	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.3	14,890p	14,775	14,412	Thousands, sa	Trade	
+ 4.0	3,629p	3,622	3,490	Thousands, sa	Finance, Insurance & Real Estate	
+ 4.3	11,370p	11,290	10,900	Thousands, sa	Service Industries	
+ 1.9	12,316p	12,390	12,081	Thousands, sa	Government	
+ 0.6	29,133	29,423	28,955	Million \$, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	820.2	759.5	Thousands, sa	New Passenger Car Registrations	
+ 13.3	3,205.3	3,149.3	2,829.6	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 INDUSTRIAL EXPECTATIONS SURVEY

INDUSTRY EXPECTS SLOWER SALES GROWTH

Industrial activity in the Ninth Federal Reserve District is expected to slow in 1970 according to the results of the latest Industrial Expectations Survey taken around the first of February. After increasing 17.6 percent over year earlier levels in the fourth quarter of 1969, district industrial sales are expected to surpass 1969 levels by only 7.5 percent in the first quarter of 1970.

Survey respondents also look for a 7.4 percent sales increase in the second quarter, and then foresee their sales advancing only 4.7 percent in the third quarter. Although the fourth quarter advance in industrial sales was above the 13.4 percent increase expected last quarter the current survey confirms the pattern of slowing that was revealed in the earlier survey.

If the results of the survey's mining and manufacturing components are compared, it is evident that mining sales are expected to increase faster than manufacturing sales. Mining sales advanced strongly in the fourth quarter, increasing 50.4 percent over a year ago, but mining respondents now look for a first quarter sales advance of only 15.0 percent. A sales gain of 15.2 percent is anticipated in the second quarter and in the third quarter mining sales are expected to exceed 1969 levels by only 6.9 percent.

Manufacturing sales are expected to increase only 6.0 percent on a year-to-year basis in the first quarter. This follows a fourth quarter increase of 11.1 percent, which is a downward revision of the 13.4 percent increase expected in the previous survey. District manufacturers also anticipate that their sales will increase only 5.8 and 4.3 percent in the second and third quarters respectively. Given recent increases in the wholesale price index for manufactured goods, sales gains of this magnitude will permit very little expansion in the volume of manufactured goods sold.

Durable goods sales are expected to surpass 1969's level by 5.1 percent in the first quarter, after increasing 13.4 percent in the fourth quarter. Sales advances of 4.7 and 2.1 percent are expected in the second and third quarters respectively. District manufacturers anticipated this slowing in durable goods sales last quarter, but the expected sales increases are lower in the current survey.

MACHINERY INDUSTRIES FEEL GREATEST IMPACT

This slowing can be traced to the large nonelectric machinery and electric machinery industries. Nonelectric machinery sales, which increased 16.3 percent in the fourth quarter, are expected to exceed last year's level by only 2.0 percent in the first

quarter, advance 2.4 percent in the second quarter and decline 4.6 percent from a year ago in the third quarter. The rate of increase in electric machinery sales is expected to drop from 26.0 percent in the first quarter to 1.4 percent in the third quarter.

The rate of increase in nondurable goods sales, however, is not expected to slow significantly. Nondurable goods sales, after increasing 8.6 percent in the fourth quarter, are expected to advance 7.0 percent in the first quarter and then surpass 1969 levels by 7.0 and 6.8 percent in the second and third quarters respectively. Although some slowing in food and kindred products sales is looked for during the first three quarters of this year, this is largely offset by expected strong advances in the sales of paper and allied products.



Other indicators also manifest a slowing in district manufacturing activity. Percent changes in manufacturing employment measured on a year-to-year basis declined steadily throughout 1969 falling from 4.2 percent in the fourth quarter of 1968 to 1.3 percent in the fourth quarter of 1969 (see chart). It is interesting to note that in the past ten quarters changes in manufacturing employment have generally led changes in manufacturing sales by two quarters. This observation conforms with the expected slowdown in manufacturing sales in the first two quarters of this year, for the rate of increase in manufacturing employment declined on a year-to-year basis throughout 1969.

A comparison of the current district survey with the national survey on manufacturing sales expectations reveals a similar pattern of slowing in sales growth. The rate of growth in national manufacturing sales is expected to drop from 9.2 percent in the third quarter to 6.3 percent in the fourth quarter and 5.2 percent in the first quarter.