

monthly statistical report

NINTH DISTRICT CONDITIONS federal reserve bank of minneapolis



HOMEBUILDING PROSPECTS REMAIN GOOD MORTGAGE INTEREST RATES EDGE DOWN

District economic conditions continued to be sluggish at the turn of the year, and the upturn in residential construction remained the brightest spot on the economic scene.

Optimism regarding district housing prospects continued into the new year. Housing activity is still stronger than it was early last year, and information relating to the availability of mortgage funds suggests that further increases in housing activity will be forthcoming.

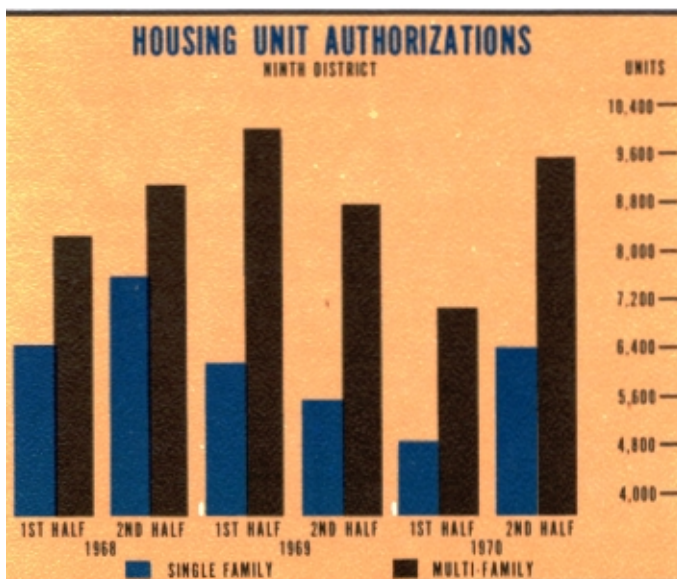
The upturn in district housing activity, which coincided with the national housing recovery, has been quite substantial and has not been limited to any particular housing category (see graph). This trend, however, seems to have been somewhat stronger in single- than in multi-family construction. During the latter half of 1970, single-family housing authorizations climbed by about 30 percent compared with the 15 percent rise in the number of multi-family housing units authorized.

Two interesting features of the latest district housing downturn appear on the first graph. Clearly, the slip in single-family building began before the

multi-family category exhibited any weakness. Reacting to a slower rate of savings inflows and steeply climbing interest rates, single-family building softened during the first half of 1969. The slowdown in multi-family building, however, did not appear until the latter half of that year. Once multi-family building began to slow down, it dropped nearly as sharply as single-family construction. From the peak to the trough, single-family housing construction dropped about 35 percent compared with a 30 percent decline in multi-family building.

Indications are that homebuilding will continue to gather strength. Savings inflows to S&Ls, which gathered strength throughout the latter half of last year, continued strong in the early weeks of 1971, and S&Ls are using these funds to expand their mortgage holdings. Mortgage loan closings have been strong in recent months, and commitments to make new loans have risen above the predownturn levels of 1969.

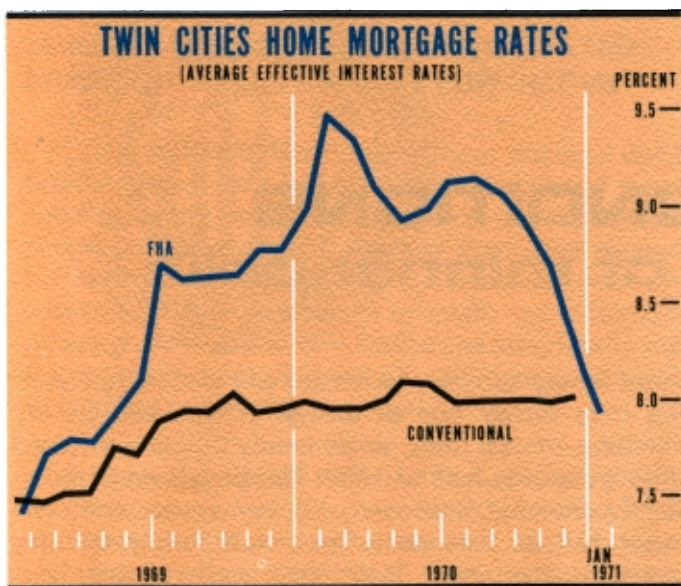
Interest rates in the Twin Cities dropped more than one percentage point in the four months ending at mid-January. Dropping from slightly more than 9 percent in September, the effective mortgage rate on government-insured mortgages dropped to slightly below 8 percent in January, the lowest rate since May



IN MEMORIAM

Mr. Hugh D. Galusha, Jr., President of the Federal Reserve Bank of Minneapolis, died on January 31, 1971. He had served as President since May 1, 1965.

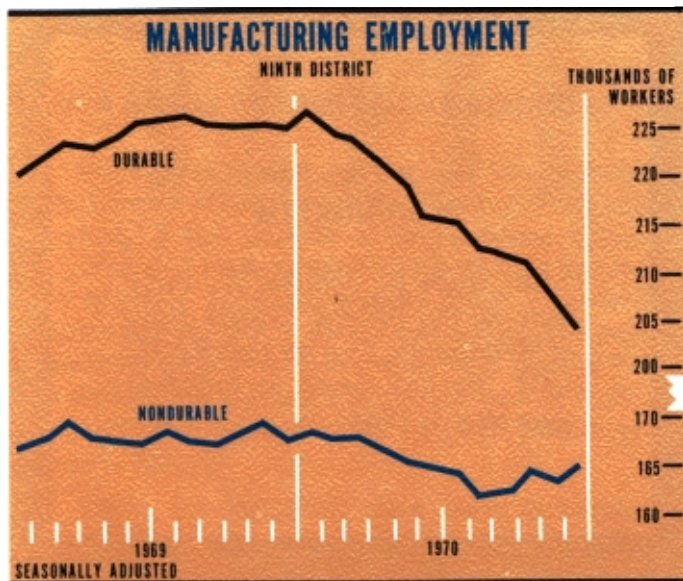
1969. Conventional mortgage rates, which had been at Minnesota's mortgage rate ceiling of 8 percent for about the last year and a half, edged downward late in January.



CONSTRUCTION JOBS SHOW BIG INCREASE TWIN CITIES UNEMPLOYMENT RATE DOUBLED

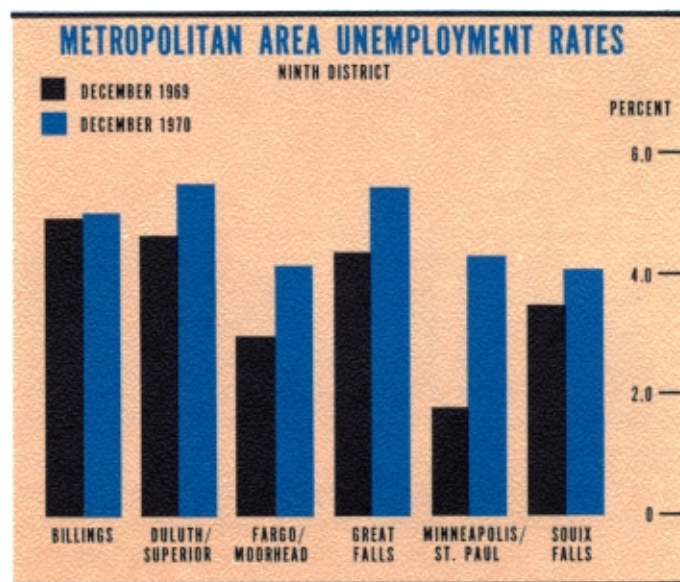
District wage and salary employment, seasonally adjusted, advanced 1.0 percent in the fourth quarter of 1970, according to preliminary estimates. This contrasts with a slight fourth quarter drop nationally.

The district's gain can be attributed to a 6.3 percent fourth quarter jump in construction employment and 2.3 and 2.4 percent rises in service and government employment, respectively. Employment in the district's large trade sector was unchanged between the third and fourth quarters of 1970. Manufacturing employment exerted a drag on district fourth quarter employment growth by declining 1.2 percent, a drop concentrated in the durable goods industries, which fell 2.8 percent.



Conditions in district labor markets were essentially unchanged between the third and fourth quarters, as district employment, seasonally adjusted, remained at 5.0 percent of the labor force. The national unemployment rate increased from 5.0 percent in July to 6.0 percent in December. Although the district's unemployment rate has been flat for the last six months, it is 1.6 percentage points above the end 1969 level.

Although unemployment rates have generally risen all over the district this past year, there are sharp geographic differences in degree, as the graph shows. The Twin Cities metropolitan area unemployment rate, unadjusted, more than doubled between December 1969 and December 1970. Unemployment rates in both Great Falls and Fargo-Moorhead rose more than one percentage point during the year. Although the Duluth-Superior area unemployment rate of 5.6 percent in December 1970 was the highest among district cities, it was up less than one percentage point from a year earlier. Unemployment increased only moderately in Sioux Falls and remained relatively unchanged in Billings.

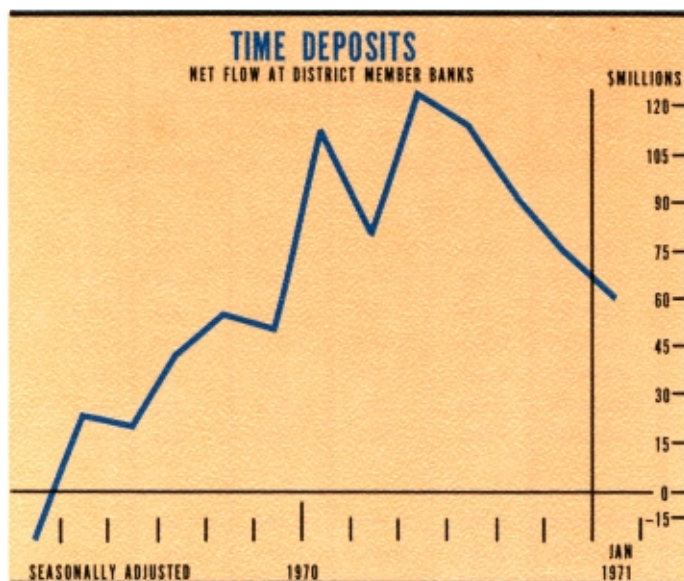


BUSINESS LOANS STRENGTHEN IN CITIES RAPID TIME DEPOSIT INFLOW CONTINUES

Loan growth patterns at district rural and urban banks were still divergent in early January, but less so than in late 1970. Loan expansion at rural banks remained robust while urban banks recorded a mild recovery following the fourth quarter contraction.

Continuation of the vigorous growth of seasonally adjusted loans at rural banks is partly related to the poor farm income situation. Some farmers have found it necessary to refinance existing production loans and seek new loans sooner than usual because of a shortfall in farm cash receipts. Another reason for the vigorous loan growth is the greater availability of loanable funds due to the heavy inflow of consumer savings in recent months.

At district urban banks, seasonally adjusted loans rose slightly in early January, after remaining flat in December and declining in the preceding two months. With loan trends generally unchanged at small urban banks, the improvement at urban banks as a whole is attributable to a modest strengthening at large banks, primarily in the area of business loans. The strengthening of business loans may have stemmed in part from a reduction in loan rates. In concert with large commercial banks in the nation, large city banks in the district have lowered their prime rate in recent weeks.



Time deposits continued to flow into district rural and small urban banks at a rapid pace during the first half of January, but large urban banks recorded a slight decline during the period. The rapid growth in time deposits at small banks is largely attributable to savers other than farmers and agribusinessmen. The growth rate of consumer-oriented time and savings deposits has remained strong at commercial banks as well as at other savings institutions in part because of uncertain economic conditions.

The decline in total time deposits at large city banks during January mainly reflected a contraction in interest-sensitive, large negotiable certificates of deposits (CDs) which are primarily held by large corporations and government units. In the face of diminished loan demand and with liquidity positions substantially strengthened relative to mid-1970, city banks' desire to sell large CDs at prevailing market rates has diminished. Consequently, holders have shifted their funds to more attractive investment opportunities.

WINTER WHEAT ACREAGE REMAINS SMALL RYE PLANTINGS CLIMB TO 5-YEAR PEAK

Plantings of the district's two fall-seeded crops, winter wheat and rye, showed sharply divergent trends this winter. Acreage planted to winter wheat continued to be low, although up somewhat from the 1969 level.

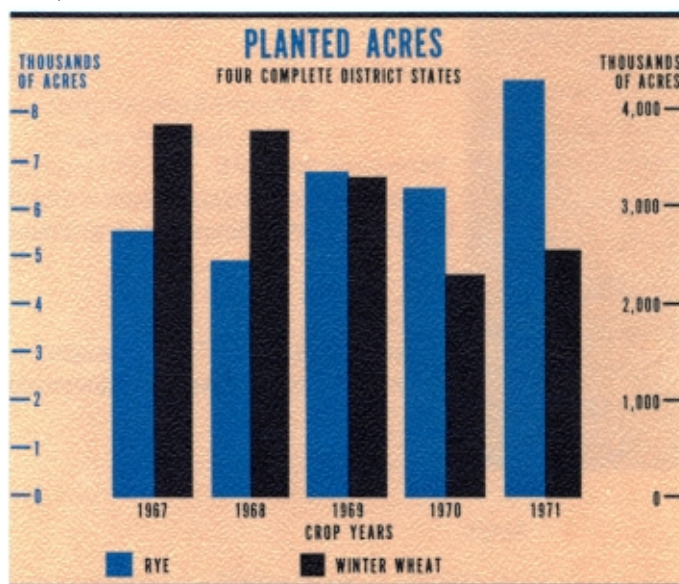
In contrast, the district's plantings of rye were the highest since 1965.

A total of 2.6 million district crop acres were planted to winter wheat last fall for harvest next summer. This represented an increase of 11 percent over 1969 but was one-fourth lower than the 1965-69 district average.

Farmers' reluctance to plant winter wheat may have resulted from the large U. S. stockpile of wheat at last fall's planting time. Although the typical price received for wheat by district farmers has risen steadily from the bottom of a deep trough reached in mid-summer 1969, it was only about \$1.50 per bushel at planting time. This figure was below prices at fall planting time in three of the last five years.

Moreover, farmers' winter wheat seedings in the Ninth District were made before the government's new Set Aside Program became law. Thus, decisions were made on the basis of the old law which was more restrictive on the amount of wheat an individual farmer could grow.

The current physical condition of winter wheat is rated in terms of expected yields. The best conditions seem to be in South Dakota where a large increase is expected over last year's average yield per acre. Conditions are only slightly less favorable in Montana where prospects are generally rated good though only fair in parts of the state's north central area. Minnesota and North Dakota have average winter wheat prospects, but these two states together produce only about 4 percent of the district's total winter wheat output.



The four full states of the district planted 861 thousand acres to rye this fall, which represents a 35 percent increase from last year when acreage was equal to the 1965-69 average. Good yields of rye on last year's crop seem to have encouraged farmers in Minnesota and the Dakotas to increase plantings this year. Last year's rye yields were not good in Montana and, correspondingly, the acreage seeded to rye there was somewhat smaller this year.

NINTH DISTRICT income and finance

I N D I C A T O R		UNIT	1971	1970		1969	Percent Change
			JANUARY	DECEMBER	NOVEMBER	DECEMBER	DEC. -DEC.
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*						
	Nonagricultural Personal Income*						
	Average Weekly Earnings in Manufacturing ¹	Dollars,	n.a.	144.92e	142.42e	140.20	+ 3.4
	Consumer Installment Credit Outstanding ²	Million \$	n.a.	n.a.	1,370	1,337	
	Time and Savings Deposits at Member Banks	Million \$	5,607	5,518	5,511	4,770	+15.7
	Savings Balances at Savings & Loan Assoc. ³	Million \$	n.a.	3,738p	3,669	3,371	+10.9
	Cash Farm Receipts ³	Million \$	n.a.	n.a.	549	471	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS ^{4,5}						
	Adjusted Loans and Discounts ⁶	Million \$	2,450	2,488	2,438	2,344	+ 6.1
	Commercial and Industrial Loans	Million \$	1,105	1,105	1,087	1,069	+ 3.4
	Real Estate Loans	Million \$	449	449	460	465	- 3.5
	Gross Demand Deposits	Million \$	2,003	2,200	1,999	2,335	- 5.8
	Time Deposits	Million \$	1,538	1,524	1,557	1,237	+23.2
	U.S. Government Securities	Million \$	463	481	401	324	+48.5
	Other Securities	Million \$	544	564	499	540	+ 4.4
	COUNTRY BANKS ^{4,7}						
	Loans and Discounts	Million \$	3,857	3,904	3,854	3,560	+ 9.7
	Gross Demand Deposits	Million \$	2,224	2,451	2,319	2,357	+ 4.0
	Time Deposits	Million \$	4,069	3,993	3,954	3,533	+13.0
	U.S. Government Securities	Million \$	1,069	1,171	1,054	1,014	+15.5
	Other Securities	Million \$	1,232	1,217	1,186	1,083	+12.4
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$	747p	731	709	690	+ 5.9
	Required Reserves	Million \$	740p	724	702	678	+ 6.8
	Excess Reserves	Million \$	7p	7	7	12	-41.7
	Borrowings from FRB	Million \$	1p	1	1	32	-96.9
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent	69.7	69.7	71.7	65.9	+ 5.8
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent	61.3	60.6	61.4	60.5	+ 0.2
MEASURES OF PRICE LEVELS	Consumer Price Index ⁹ —Minneapolis	Index, sa	n.a.	n.a.	n.a.	n.a.	
	Prices Received by Farmers ⁹ —Minnesota	Index, sa	n.a.	114	115	128	-10.9

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 to domestic commercial city banks
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
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 DEC.-DEC.	1971	1970		1969	UNIT	I N D I C A T O R	
	JANUARY	DECEMBER	NOVEMBER	DECEMBER			
+ 6.1		817.8p	812.6	770.6	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 6.4		796.6p	791.0	748.6	Billion \$, saar	Nonagricultural Personal Income	
+ 2.6		138.40p	134.58	134.89	Dollars	Average Weekly Earnings in Manufacturing	
		n.a.	41.7	40.3	Billion \$	Consumer Installment Credit Outstanding ²	
+19.8		180.0	175.8	150.2	Billion \$	Time and Savings Deposits at Member Banks	
+ 8.2		146.8	143.9	135.7	Billion \$	Savings Balances at Savings & Loan Assoc.	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
		n.a.	5.7	5.1	Billion \$	Cash Farm Receipts	
+ 2.5		180.4	173.3	176.0	Billion \$	CITY BANKS ^{4,5}	
		81.6	79.9	81.6	Billion \$	Adjusted Loans and Discounts ⁶	
+ 1.5		34.1	34.1	33.6	Billion \$	Commercial and Industrial Loans	
- 0.1		147.4	132.5	151.2	Billion \$	Real Estate Loans	
+23.3		119.4	116.4	96.8	Billion \$	Gross Demand Deposits	
+17.6		28.1	26.2	23.9	Billion \$	Time Deposits	
+23.2		44.1	42.1	35.8	Billion \$	U.S. Government Securities	
						Other Securities	
+ 8.7		66.4	64.9	61.1	Billion \$	COUNTRY BANKS ^{4,7}	
+ 1.4		49.2	47.2	48.5	Billion \$	Loans and Discounts	
+13.3		60.5	59.4	53.4	Billion \$	Gross Demand Deposits	
+ 5.6		17.0	16.5	16.1	Billion \$	Time Deposits	
+16.3		22.1	21.6	19.0	Billion \$	U.S. Government Securities	
						Other Securities	
+ 4.0		29,201	28,677	28,087	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 4.3		28,993	28,426	27,792	Million \$	Required Reserves	
-29.5		208	251	295	Million \$	Excess Reserves	
-71.1		321	418	1,111	Million \$	Borrowings from FRB	
- 2.8		70.8	72.1	72.8	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
+ 1.0		60.5	60.9	59.9	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	MEASURES OF PRICE LEVELS
+ 5.5		138.5	137.8	131.3	Index, sa	Consumer Price Index ⁹	
- 6.8		110	112	118	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	Percent Change
			DECEMBER	NOVEMBER	DECEMBER	DEC., -DEC.
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	260	264	254	+ 2.4
	Production Worker Manhours: ¹	Index, sa	122	122	125	- 2.4
	Manufacturing	Index, sa	129	129	134	- 3.7
	Mining	Index, sa	90	87	87	+ 3.4
	Total Construction Contracts Awarded	Million \$, sa	n.a.	209.8	199.0	
	Residential Buildings	Million \$, sa	n.a.	57.2	41.0	
	Nonresidential Buildings	Million \$, sa	n.a.	67.4	62.8	
	All Other Construction	Million \$, sa	n.a.	85.2	95.2	
	Bldg. Permits: New Housing Units ²	Number	1,651	2,726	1,719	- 4.0
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,603e	2,614p	2,570	+ 1.3
	Total Civilian Employment	Thousands, sa	2,469e	2,483p	2,482	- 0.5
	Number Unemployed	Thousands, sa	134e	131p	88	+52.3
	Unemployment Rate ³	Percent, sa	5.2e	5.0p	3.4	+52.9
	Average Weekly Hours in Manufacturing ³	Hours, sa	39.9e	39.9p	41.3	- 3.4
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ³	Thousands, sa	1,927e	1,925p	1,924	+ 0.2
	Manufacturing	Thousands, sa	370e	371p	393	- 5.9
	Mining	Thousands, sa	33e	33p	33	
	Construction	Thousands, sa	102e	100p	101	+ 1.0
	Transport., Comm., & Public Utilities	Thousands, sa	129e	129p	133	- 3.0
	Trade	Thousands, sa	463e	465p	465	- 0.4
	Finance, Insurance & Real Estate	Thousands, sa	89e	90p	87	+ 2.3
	Service Industries	Thousands, sa	322e	322p	311	+ 3.5
	Government	Thousands, sa	419e	415p	401	+ 4.5
MEASURES OF SPENDING	Total Retail Sales*					
	New Passenger Car Registrations	Thousands, sa	n.a.	15.3	22.6	
	Bank Debits ⁴	Billion \$, saar	163.8	160.6	159.1	+ 3.0

NOTES

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* — 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 DEC.-DEC.	1970		1969	UNIT	I N D I C A T O R	
	DECEMBER	NOVEMBER	DECEMBER			
- 4.2	163.9p	161.6	171.1	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
- 7.8	107p	104	116	Index, sa	Electrical Energy Consumption: Mfg. and Mining*	
- 8.4	109p	107	119	Index, sa	Production Worker Manhours: ¹	
- 7.2	78p	80	84	Index, sa	Manufacturing	
- 4.2	5,900.6	6,188.4	6,156.1	Million \$, sa	Mining	
+16.4	2,606.1	2,263.2	2,238.2	Million \$, sa	Total Construction Contracts Awarded	
-22.3	1,839.8	1,937.4	2,366.6	Million \$, sa	Residential Buildings	
- 6.2	1,454.7	1,987.8	1,551.3	Million \$, sa	Nonresidential Buildings	
+80.8	154.2p	128.3	85.3	Thousands	All Other Construction	
					Bldg. Permits: New Housing Units ⁵	
+ 2.3	83,446p	83,393	81,583	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
- 0.3	78,472p	78,535	78,737	Thousands, sa	Total Civilian Employment	
+74.8	4,974p	4,858	2,846	Thousands, sa	Number Unemployed	
+71.4	6.0p	5.8	3.5	Percent, sa	Unemployment Rate	
- 2.5	39.7p	39.6	40.7	Hours, sa	Average Weekly Hours in Manufacturing	
- 0.7	70,364p	70,076	70,842	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
- 5.8	18,920p	18,547	20,082	Thousands, sa	Manufacturing	
- 0.3	625p	626	627	Thousands, sa	Mining	
- 5.4	3,308p	3,300	3,496	Thousands, sa	Construction	
- 0.6	4,443p	4,494	4,469	Thousands, sa	Transport., Comm., & Public Utilities	
+ 0.5	14,827p	14,931	14,750	Thousands, sa	Trade	
+ 2.6	3,720p	3,711	3,626	Thousands, sa	Finance, Insurance & Real Estate	
+ 2.5	11,718p	11,695	11,431	Thousands, sa	Service Industries	
+ 3.6	12,803p	12,772	12,361	Thousands, sa	Government	
	n.a.	30,173p	29,419	Million \$, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	572.2	785.0	Thousands, sa	New Passenger Car Registrations	
+ 8.2	3,407.5p	3,298.3	3,149.3	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

AGRICULTURAL CREDIT CONDITIONS

JANUARY SURVEY RESULTS ANTICIPATED AG CREDIT NEEDS REFLECT LOW INCOME

The difficult Ninth District farm financial conditions predicted for mid-winter by the October 1 survey have generally materialized. Farm income remains depressed and there is a stronger than usual demand for short-term loans caused by tide-over needs and requests for loan extensions or credit consolidations. Although agricultural banks still show abnormally high loan-to-deposit ratios, bankers' willingness or ability to lend has apparently increased.

The average of the reported loan-to-deposit ratios was 58 percent which compares to 56 percent one year ago. Even the 56 percent last January was considered high for this time of the year. The current level was achieved with a smaller than usual seasonal decrease from an abnormally high average of 59 percent recorded in October.

Though the seasonal decrease was smaller than usual, it was apparently accompanied by a relaxation in the overall concern with the level of loans. The percent of respondents reporting that they felt their loan-to-deposit ratio to be high decreased and the percent that felt it to be low increased. Still, there was more concern with high ratios than there was one year ago.

As the overall concern with the level of loans eased, more banks reported that they were seeking new farm loan accounts. The percent of the respondents reporting this evidence of willingness to lend moved from 35 to 46 percent. The latter figure is almost equal to the 47 percent recorded one year ago but is still far below the 77 percent that reported they were actively seeking new farm loan accounts in January 1969.

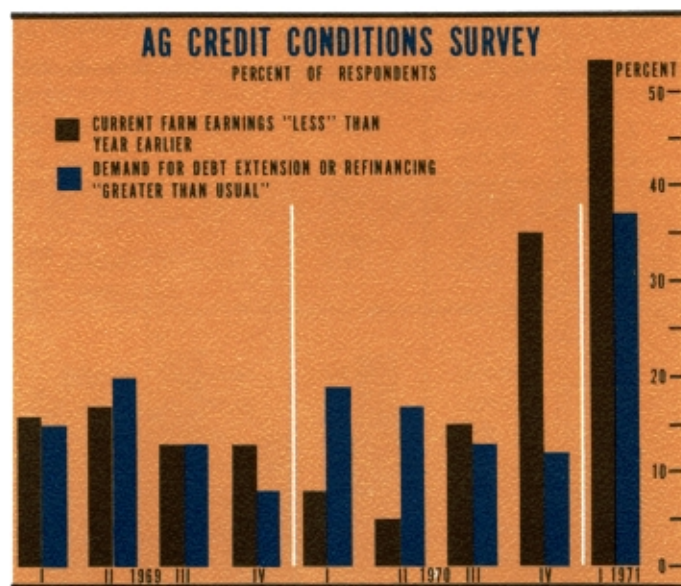
FEWER BANKS REFUSE LOAN REQUESTS

Willingness to lend was also seen in a recent drop in the percent of banks reporting that they had reduced or refused a loan because of fund shortage. Likewise, the percent of bankers expecting problems in meeting loan requests decreased slightly from 7 percent in October to 6 percent in the current results. The percent of bankers expecting such problems is usually low at this time of the year but the current level of 6 percent is significantly below the level of 10 percent recorded one year ago.

While the indicators were fairly consistent in pointing to slightly increased fund availability at banks,

the demand picture was somewhat conflicting and certainly more varied across the district.

There was an increase in the percent of bankers reporting "greater than usual" demand for short-term loans. The current level of this figure (19 percent) stands even slightly above the level of one year ago when demand was considered particularly strong because of an expansion in livestock feeding and because borrowers were switching from high-interest-rate PCA loans. Current comments, however, indicate that much of the abnormal strength in demand is due to the past year's income problems. The income problems are, in turn, attributed to poor 1970 crop yields and declining



livestock prices, particularly for hogs. Crop yields were disappointing in the cash crop areas of Northwestern Minnesota and Eastern and Central North Dakota and in the feed grains area of Eastern South Dakota.

There appeared to be some recovery of strength in the demand for long-term or real estate loans. Indications of this condition were fairly scattered throughout livestock regions with some tendency toward concentration in dairy areas.

In contrast to the stronger demand for long-term loans, there was a clear suggestion of a decline in demand for intermediate-term loans. A sharply increased percent of bankers reported the demand for this type of credit was "less than usual." The most common uses for these loans are for purchases of machinery and breeding stock. Farmers' diminishing desire to borrow for these purposes seems to parallel the decreasing spending on all farm input items which was also reported in this survey.