

## monthly statistical report

# NINTH DISTRICT CONDITIONS

## federal reserve bank of minneapolis



### BUILDING CONSTRUCTION ACTIVITY SLOWS

Although the Ninth district construction industry is still operating at a relatively high level, statistical indicators suggest that construction activity is feeling the effects of restrictive monetary policy and has weakened in the past few months. Employment in June fell for the fourth consecutive month declining to 97,600 on a seasonally adjusted basis. Even though this level of employment was slightly lower than that of the preceding month, it was still about 4 percent above the year-earlier level.

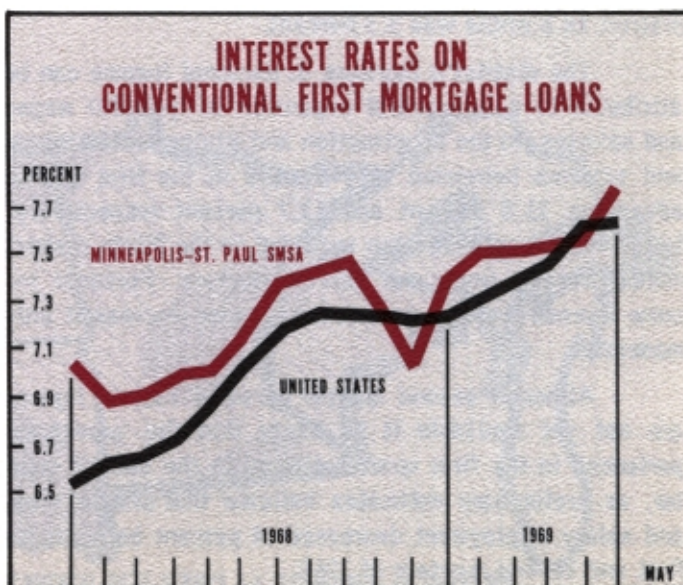
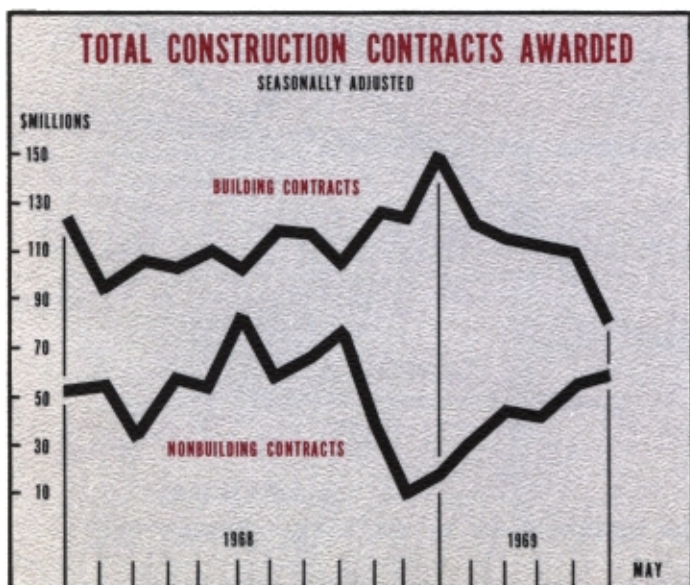
Other statistical evidence suggests that construction activity, at least in building construction, has moderated in the past few months. Contract awards for new projects during the three months ending in May declined about 5 percent from the level in the preceding three-month period. Leading the decrease, new contracts for residential building fell more than 20 percent while non-residential building contract awards dipped by nearly as much.

Contrary to the downtrend in building contract awards, nonbuilding awards rose sharply in the first five

months of this year following the temporary freeze on highway spending late last year. Contract awards for heavy construction projects have not, however, reached last year's levels.

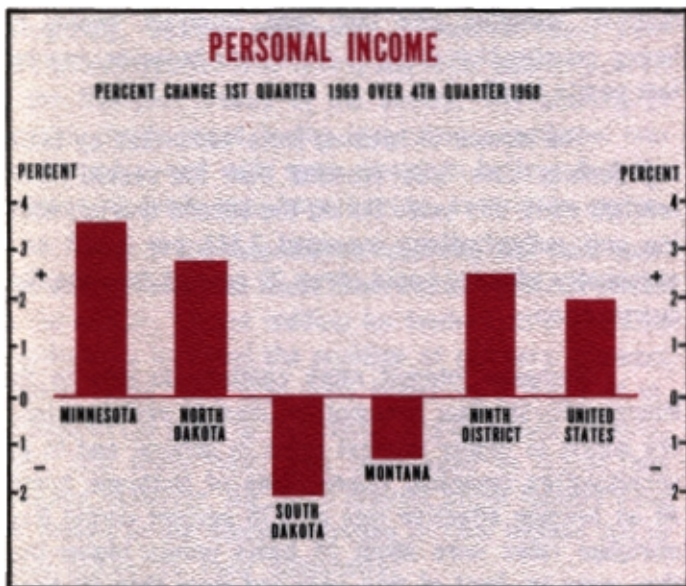
The number of housing units authorized by building permits have also receded from the record levels reached early this year. During the second quarter, housing unit authorizations averaged 2,566 per month on a seasonally adjusted basis, down 20 percent from the first quarter level.

Mortgage interest rates continue to rise in the Minneapolis-St. Paul metropolitan area as mortgage lenders adjust to higher interest rates in general and to the uncertainties regarding future flows of mortgage funds. At an average effective rate of 7.78 percent during May, mortgage rates were about 24 basis points higher than they were in April of this year and more than 80 basis points higher than last May. At the national level the average mortgage rate on a conventional new home loan during May was 7.64 percent. That was 2 basis points higher than the rate charged in April and 80 basis points higher than May 1968.



## PERSONAL INCOME INCREASED DURING THE FIRST QUARTER OF 1969 IN THE NINTH DISTRICT

Personal income in the four complete states of the Ninth Federal Reserve District rose 2.4 percent, or \$434 million at a seasonally adjusted annual rate, from the fourth quarter of 1968 to the first quarter of 1969. The personal income figures indicate that economic activity advanced at a faster pace in the district than in the nation during the first quarter of 1969. At the national level personal income was up 1.9 percent over the fourth quarter 1968. The district's overall 2.4 percent increase was not shared by all of the states. Substantial first quarter gains in Minnesota and North Dakota of 3.6 percent and 2.7 percent respectively offset declines of 1.3 percent in Montana and 2.1 percent in South Dakota.



The decrease in personal income in Montana and South Dakota can be traced to the agricultural sector of the economy, as first quarter nonagricultural income was up 2.5 percent in Montana and 1.2 percent in South Dakota. The increase in nonagricultural personal income for the district as a whole was 3.3 percent.

The district's increase in personal income can be attributed to a substantial expansion in (private) wages and salaries. In the construction and mining sectors wages and salaries increased very sharply in the first quarter advancing 13.8 percent and 11.7 percent respectively. Large increases were also recorded in the Ninth district manufacturing, trade and service sectors. Personal income earned in the government sector increased only modestly.

Although second quarter personal income figures are not yet available it is likely that the growth experienced in the first quarter slowed in the second quarter, as preliminary estimates indicate that district wage and salary employment decreased .4 percent between the first and second quarters of 1969.

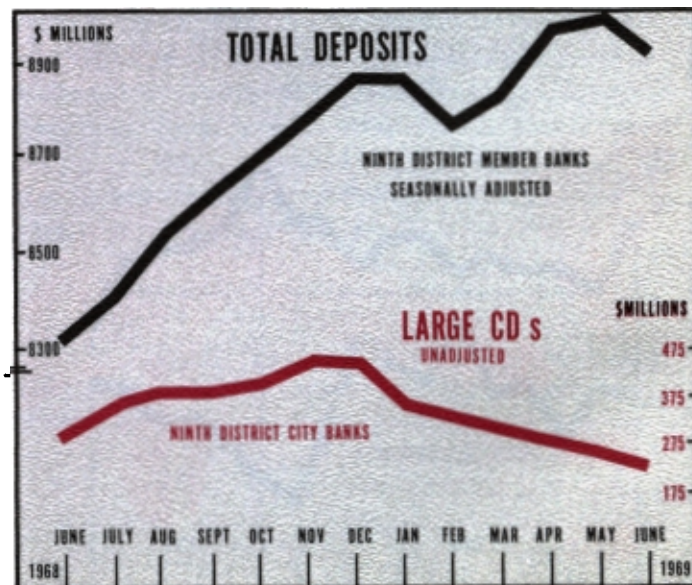
## LOANS INCREASE AT NINTH DISTRICT BANKS - CITY BANKS CONTINUE TO LOSE LARGE CDS

Despite unusually tight liquidity positions, district banks continue to expand loan portfolios at a vigorous pace. During June total loans at district member banks as a whole increased at a seasonally adjusted annual rate of 20 percent. The June surge pushed the second quarter growth rate up to 12 percent, double the advance recorded during the first quarter and not far back of the pace maintained during the last three months of 1968.

The June surge was widespread. At city banks where growth had slowed in recent months total outstanding loans increased 17 percent (annual rate). This advance consisted largely of an expansion in business loans and in loans to finance companies – partly reflecting demand associated with increased quarterly income tax payments. Country banks, where loan growth has remained vigorous throughout 1969, logged another large increase during June. It is likely, however, that not all of the recent expansion at country banks represents local demand for loans. Some of the increase may well have been in the form of direct loans to correspondent banks or purchases of loans, or shares in pools of loans, made originally by large correspondent banks.

District banks added only marginally to securities portfolios during June. Even though holdings of municipal and Federal agency securities rose sharply during June, the continued decline in holdings of U. S. governments nearly offset the advance.

Total deposit flow (time and demand) into district banks slowed during June from that recorded in the preceding month. Essentially all of the slowdown occurred at city banks which continue to suffer losses of large negotiable CDs. These CDs, on which member banks are





permitted to pay no more than 6.25 percent per annum (substantially below current money market rates) declined by \$30 million during June. Over the course of the first six months of 1969 the cumulative loss amounted to \$213 million which was nearly 50 percent of the amount outstanding at the end of 1968.

### CROPS IN THE NINTH DISTRICT ARE IN GENERALLY GOOD CONDITION

Crop prospects for the Ninth district are generally good throughout most of the region although less advanced than normal due to several months of cooler-than-average weather. Current projections for total 1969 crop production in the district states show less output for most crops due to acreage reductions and the slightly smaller yields that are expected. Field moisture conditions throughout the region are generally considered to be adequate to abundant with two or three rather small and widely separated areas of dryness.

In Minnesota, crops are making normal progress but the stage of development is generally behind average. So far, there has been no interruption of crop growth, but a lateness in attaining various stages of development has persisted. For example, on July 26, about 25 percent of the corn acreage was tasseled compared with the 45 percent average for this date. The late development is mostly the result of delayed plantings and a cool growing season. The soybean, flax, oats, barley and spring wheat crops are retarded to almost the same extent as corn while harvesting of alfalfa hay has proceeded well on schedule and it appears that a large quantity of good quality hay has been harvested.

Small infestations of army worms have been recently reported in parts of southern Minnesota with some localized damage to crops. Army worms have been somewhat more active in South Dakota where heavy infestations

are reported in the southeastern and east central parts of the state. Here also, damage is localized but in many cases it has been severe, particularly to small grain crops.

Crops in South Dakota are also retarded by the cool, late growing season but a period of warm, humid weather near the end of July initiated unusually rapid progress which has continued for the past several weeks.

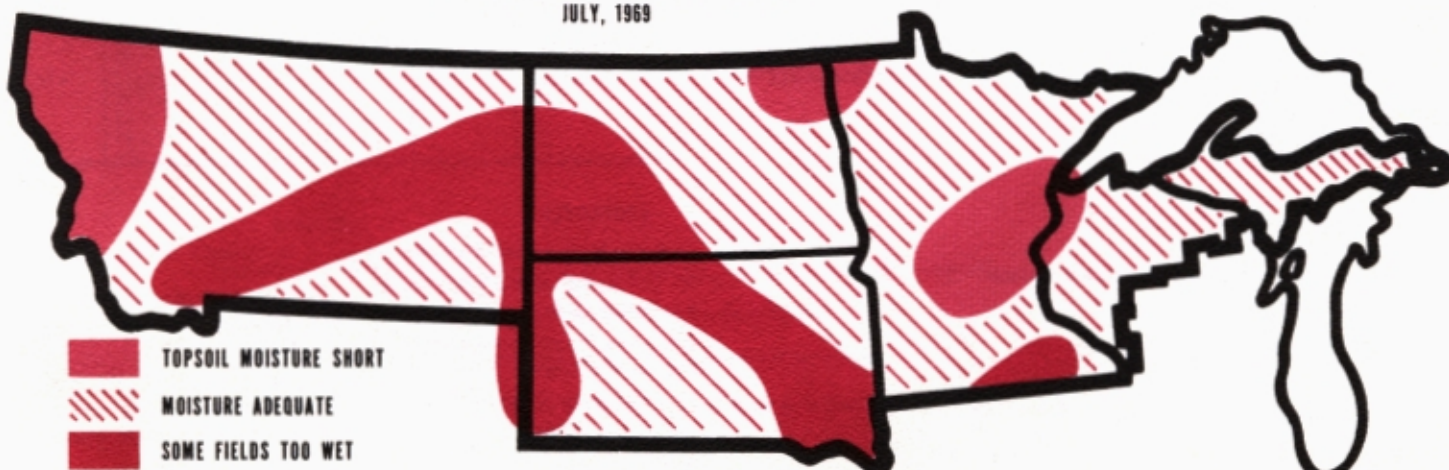
The crop outlook in North Dakota is rated "good," although here too development is late. The moisture situation, however, is one of the best in twenty years. Topsoil moisture is short in only 11 percent of the areas reporting compared with 45 percent a year ago and the 53 percent 10-year average. Subsoil moisture is short in only 5 percent of the reporting areas compared with 44 percent a year ago and the 10-year average of 50 percent. Damage from hail, insects and diseases is only scattered and about normal in overall extent.

Conditions are somewhat dryer in parts of Montana where lack of late spring moisture has reduced the expected winter wheat yields. But overall, this crop is rated as "good." Spring grains are considered to be in better condition with yield prospects rated "very good." Topsoil moisture is generally adequate in the eastern two-thirds of Montana while being short in the western one-third.

Production of the various crops in the Ninth district are estimated to be slightly less than the 1968 output. In Minnesota, due to fewer acres planted and an expected decline in yield, corn production is forecast to decline 15 percent over last year's crop. Due to a large reduction in acreage the production of spring wheat in North Dakota is expected to be about 25 percent less than the 1968 crop. South Dakota and Montana are expected to produce significantly less of both spring and winter wheat also a result of decreased acreage. The estimated production of oats and barley in Montana, however, is expected to increase sharply.

### CROP MOISTURE INDEX

JULY, 1969



SOURCE: ENVIRONMENTAL DATA SERVICE U.S. DEPARTMENT OF COMMERCE

# NINTH DISTRICT income and finance

| I N D I C A T O R   | UNIT  | 1969  |         | 1968    |        | Percent Change |
|---|---|-------|---------|---------|--------|----------------|
|   |   | JULY  | JUNE    | MAY     | JUNE   | JUNE to JUNE   |
| <b>MEASURES OF CONSUMER INCOME &amp; FINANCIAL POSITION</b>         | Total Personal Income*                                      |       |         |         |        |                |
|   | Nonagricultural Personal Income*                            |       |         |         |        |                |
|   | Average Weekly Earnings in Manufacturing <sup>1</sup>       |       | 133.29e | 132.58e | 127.54 | + 4.5          |
|   | Consumer Installment Credit Outstanding <sup>2</sup>        |       | 1,294   | 1,271   | 1,174  | +10.2          |
|   | Time and Savings Deposits at Member Banks                   | 4,791 | 4,816   | 4,834   | 4,438  | + 8.5          |
|   | Savings Balances at Savings & Loan Assoc. <sup>3</sup>      |       | 3,310p  | 3,266   | 3,138  | + 5.5          |
|   | Cash Farm Receipts <sup>3</sup>                             |       | n.a.    | n.a.    | 242    |                |
| <b>MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS</b>              | CITY BANKS <sup>4,5</sup>                                   |       |         |         |        |                |
|   | Adjusted Loans and Discounts <sup>6</sup>                   |       |         |         |        |                |
|   | Commercial and Industrial Loans                             | 2,236 | 2,298   | 2,213   | 2,014  | +14.1          |
|   | Real Estate Loans   | 1,056 | 1,066   | 1,041   | 951    | +12.1          |
|   | Gross Demand Deposits                                       | 456   | 437     | 443     | 385    | +13.5          |
|   | Time Deposits   | 1,862 | 1,924   | 1,967   | 1,815  | + 6.0          |
|   | U.S. Government Securities                                  | 1,309 | 1,347   | 1,366   | 1,349  | - 0.1          |
|   | Other Securities  | 325   | 312     | 309     | 345    | - 9.6          |
|   |   | 574   | 572     | 488     | 485    | +17.9          |
|   | COUNTRY BANKS <sup>4,7</sup>                                |       |         |         |        |                |
|   | Loans and Discounts   | 3,487 | 3,419   | 3,322   | 2,958  | +15.6          |
|   | Gross Demand Deposits                                       | 2,115 | 2,101   | 2,062   | 1,969  | + 6.7          |
|   | Time Deposits   | 3,482 | 3,473   | 3,456   | 3,089  | +12.4          |
|   | U.S. Government Securities                                  | 985   | 994     | 1,015   | 1,061  | - 6.3          |
|   | Other Securities  | 1,009 | 1,017   | 1,021   | 867    | +17.3          |
| <b>MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS</b> | Total Reserves <sup>8</sup>                                 | 673   | 674     | 685     | 615    | + 9.6          |
|   | Required Reserves   | 662   | 664     | 677     | 605    | + 9.8          |
|   | Excess Reserves   | 11    | 10      | 8       | 10     | + 0.0          |
|   | Borrowings from FRB   | 19    | 30      | 24      | 28     | + 7.1          |
|   | Ratio of Loans to Total Deposits—City Banks <sup>4</sup>    | 71.1  | 71.1    | 68.1    | 65.7   | + 8.2          |
|   | Ratio of Loans to Total Deposits—Country Banks <sup>4</sup> | 62.3  | 61.3    | 60.2    | 58.5   | + 4.8          |
| <b>MEASURES OF PRICE LEVELS</b>                                     | Consumer Price Index <sup>9</sup> —Minneapolis              | n.a.  |         |         |        |                |
|   | Prices Received by Farmers <sup>9</sup> —Minnesota          | 128   | 127     | 123     | 115    | +10.4          |

## 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<br>JUNE to JUNE | 1969 |         |        |        | UNIT             | I N D I C A T O R   |   |
|--------------------------------|------|---------|--------|--------|------------------|---|---|
|                                | JULY | JUNE    | MAY    | JUNE   |                  |   |   |
| + 8.8                          | n.a. | 746.2p  | 740.3  | 685.9  | Billion \$, saar | Total Personal Income                                       | MEASURES OF<br>CONSUMER<br>INCOME &<br>FINANCIAL<br>POSITION                |
| + 8.6                          | n.a. | 723.2p  | 718.0  | 666.0  | Billion \$, saar | Nonagricultural Personal Income                             |   |
| + 5.2                          | n.a. | 129.65p | 128.61 | 123.30 | Dollars          | Average Weekly Earnings in Manufacturing                    |   |
| +12.4                          | n.a. | 38.9    | 38.3   | 34.6   | Billion \$       | Consumer Installment Credit Outstanding <sup>2</sup>        |   |
| + 3.5                          | n.a. | 157.6   | 159.7  | 152.3  | Billion \$       | Time and Savings Deposits at Member Banks                   |   |
| + 5.4                          | n.a. | 134.8p  | 133.5  | 127.9  | Billion \$       | Savings Balances at Savings & Loan Assoc.                   |   |
|                                | n.a. | n.a.    | n.a.   | 3.2    | Billion \$       | Cash Farm Receipts  |   |
| +15.0                          | n.a. | 169.9   | 162.0  | 147.7  | Billion \$       | CITY BANKS <sup>4,5</sup>                                   | MEASURES OF<br>FINANCIAL<br>CONDITION OF<br>MEMBER<br>BANKS                 |
| +13.3                          | n.a. | 78.4    | 76.6   | 69.2   | Billion \$       | Adjusted Loans and Discounts <sup>6</sup>                   |   |
| +10.3                          | n.a. | 33.3    | 33.0   | 30.2   | Billion \$       | Commercial and Industrial Loans                             |   |
| + 7.9                          | n.a. | 128.6   | 127.3  | 119.2  | Billion \$       | Real Estate Loans   |   |
| + 0.1                          | n.a. | 104.0   | 106.2  | 103.9  | Billion \$       | Gross Demand Deposits                                       |   |
| -11.4                          | n.a. | 22.6    | 23.1   | 25.5   | Billion \$       | Time Deposits   |   |
| + 8.7                          | n.a. | 37.6    | 37.7   | 34.6   | Billion \$       | U.S. Government Securities                                  |   |
|                                |      |         |        |        |                  | Other Securities  |   |
| + 6.4                          | n.a. | 55.0    | 57.9   | 51.7   | Billion \$       | COUNTRY BANKS <sup>4,7</sup>                                |   |
| + 5.8                          | n.a. | 44.0    | 43.5   | 41.6   | Billion \$       | Loans and Discounts   |   |
| +10.7                          | n.a. | 53.6    | 53.5   | 48.4   | Billion \$       | Gross Demand Deposits                                       |   |
| - 7.8                          | n.a. | 16.6    | 17.1   | 18.0   | Billion \$       | Time Deposits   |   |
| +15.9                          | n.a. | 18.9    | 18.6   | 16.3   | Billion \$       | U.S. Government Securities                                  |   |
|                                |      |         |        |        |                  | Other Securities  |   |
| + 6.2                          | n.a. | 27,262p | 27,879 | 25,677 | Million \$       | Total Reserves <sup>8</sup>                                 | MEASURES OF<br>RESERVE<br>POSITION AND<br>"LIQUIDITY"<br>OF MEMBER<br>BANKS |
| + 6.4                          | n.a. | 26,996p | 27,636 | 25,368 | Million \$       | Required Reserves   |   |
| -13.9                          | n.a. | 266p    | 243    | 309    | Million \$       | Excess Reserves   |   |
| +99.4                          | n.a. | 1,356p  | 1,359  | 680    | Million \$       | Borrowings from FRB   |   |
| + 9.9                          | n.a. | 75.4    | 71.4   | 68.6   | Percent          | Ratio of Loans to Total Deposits—City Banks <sup>4</sup>    |   |
| - 1.9                          | n.a. | 56.3    | 59.7   | 57.4   | Percent          | Ratio of Loans to Total Deposits—Country Banks <sup>4</sup> |   |
| + 5.5                          | n.a. | 127.6   | 126.8  | 120.9  | Index, sa        | Consumer Price Index <sup>9</sup>                           | MEASURES OF<br>PRICE<br>LEVELS  |
| + 9.3                          | n.a. | 117     | 117    | 107    | Index, sa        | Prices Received by Farmers <sup>9</sup>                     |   |

## 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 |
|--|---|------------------|--------|--------|-------|----------------|
|  |   |                  | JUNE   | MAY    | JUNE  | JUNE to JUNE   |
| MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION | Total Industrial Production*                                |                  |        |        |       |                |
|  | Electrical Energy Consumption: Mfg. and Mining <sup>1</sup> | Index, sa        | 255    | 253    | 230   | + 10.9         |
|  | Production Worker Manhours: <sup>1</sup>                    | Index, sa        | 122p   | 122    | 121   | + 0.8          |
|  | Manufacturing   | Index, sa        | 132p   | 131    | 129   | + 2.3          |
|  | Mining  | Index, sa        | 76p    | 79     | 82    | - 7.3          |
|  | Total Construction Contracts Awarded                        | Million \$, sa   | n.a.   | 143.7  | 187.0 |                |
|  | Residential Buildings                                       | Million \$, sa   | n.a.   | 44.6   | 53.8  |                |
|  | Nonresidential Buildings                                    | Million \$, sa   | n.a.   | 39.4   | 48.3  |                |
|  | All Other Construction                                      | Million \$, sa   | n.a.   | 59.7   | 84.9  |                |
|  | Bldg. Permits: New Housing Units <sup>2</sup>               | Number           | 4,356  | 2,782  | 2,089 | +108.5         |
| MEASURES OF MANPOWER UTILIZATION                       | Civilian Work Force <sup>3</sup>                            | Thousands, sa    | 2,509p | 2,545p | 2,516 | - 0.3          |
|  | Total Civilian Employment                                   | Thousands, sa    | 2,421p | 2,462p | 2,421 | - 0.0          |
|  | Number Unemployed   | Thousands, sa    | 88p    | 83p    | 95    | - 7.4          |
|  | Unemployment Rate <sup>3</sup>                              | Percent, sa      | 3.5p   | 3.2p   | 3.8   | - 7.9          |
|  | Average Weekly Hours in Manufacturing <sup>3</sup>          | Hours, sa        | 41.1e  | 41.2e  | 41.4  | - 0.7          |
| EMPLOYMENT BY INDUSTRY SECTOR                          | Wage and Salary Employment, Nonfarm <sup>3</sup>            | Thousands, sa    | 1,870p | 1,879p | 1,826 | + 2.4          |
|  | Manufacturing   | Thousands, sa    | 379p   | 382p   | 374   | + 1.3          |
|  | Mining  | Thousands, sa    | 31p    | 31p    | 33    | - 6.1          |
|  | Construction  | Thousands, sa    | 98p    | 97p    | 94    | + 4.3          |
|  | Transport., Comm., & Public Utilities                       | Thousands, sa    | 130p   | 131p   | 129   | + 0.8          |
|  | Trade   | Thousands, sa    | 455p   | 456p   | 440   | + 3.4          |
|  | Finance, Insurance & Real Estate                            | Thousands, sa    | 85p    | 85p    | 82    | + 3.7          |
|  | Service Industries  | Thousands, sa    | 302p   | 302p   | 292   | + 3.4          |
|  | Government  | Thousands, sa    | 390p   | 395p   | 382   | + 2.1          |
| MEASURES OF SPENDING                                   | Total Retail Sales*   | Thousands, sa    | n.a.   | 20.8   | 17.0  |                |
|  | New Passenger Car Registrations                             | Billion \$, saar | 140.3  | 149.6  | 124.6 | + 12.6         |
|  | Bank Debits <sup>4</sup>                                    |                  |        |        |       |                |

## 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 |         | 1969    | 1968    | UNIT             | I N D I C A T O R   |  |
|----------------|---------|---------|---------|------------------|---|--|
| JUNE to JUNE   | JUNE    | MAY     | JUNE    |                  |   |  |
| + 4.8          | 174p    | 173     | 166     | Index, sa        | Total Industrial Production                                 | MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION |
|                |         |         |         | Index, sa        | Electrical Energy Consumption: Mfg. and Mining <sup>1</sup> |  |
| + 2.6          | 119p    | 118p    | 116     | Index, sa        | Production Worker Manhours: <sup>1</sup>                    |  |
| + 1.7          | 122p    | 122p    | 120     | Index, sa        | Manufacturing   |  |
| + 3.7          | 84p     | 85p     | 81      | Index, sa        | Mining  |  |
| +12.2          | 5,452.2 | 5,923.4 | 4,858.1 | Million \$, sa   | Total Construction Contracts Awarded                        |  |
| +10.0          | 2,077.5 | 2,101.4 | 1,889.1 | Million \$, sa   | Residential Buildings                                       |  |
| +15.0          | 2,086.8 | 2,339.2 | 1,814.0 | Million \$, sa   | Nonresidential Buildings                                    |  |
| +11.5          | 1,287.9 | 1,482.8 | 1,155.0 | Million \$, sa   | All Other Construction                                      | MEASURES OF MANPOWER UTILIZATION                       |
|                | n.a.    | 128.2   | 118.3   | Thousands        | Bldg. Permits: New Housing Units <sup>5</sup>               |  |
| + 1.9          | 80,433p | 80,071  | 78,919  | Thousands, sa    | Civilian Work Force   |  |
| + 2.2          | 77,671p | 77,265  | 76,005  | Thousands, sa    | Total Civilian Employment                                   |  |
| - 5.2          | 2,762p  | 2,806   | 2,914   | Thousands, sa    | Number Unemployed   |  |
| - 8.1          | 3.4p    | 3.5     | 3.7     | Percent, sa      | Unemployment Rate   |  |
| - 0.5          | 40.7p   | 40.7    | 40.9    | Hours, sa        | Average Weekly Hours in Manufacturing                       |  |
| + 3.5          | 70,216p | 70,024  | 67,816  | Thousands, sa    | Wage and Salary Employment, Nonfarm                         | EMPLOYMENT BY INDUSTRY SECTOR                          |
| + 2.0          | 20,181p | 20,140  | 19,790  | Thousands, sa    | Manufacturing   |  |
| + 1.0          | 621p    | 622     | 615     | Thousands, sa    | Mining  |  |
| + 5.6          | 3,449p  | 3,397   | 3,267   | Thousands, sa    | Construction  |  |
| + 3.3          | 4,440p  | 4,441   | 4,300   | Thousands, sa    | Transport., Comm., & Public Utilities                       |  |
| + 4.1          | 14,634p | 14,608  | 14,057  | Thousands, sa    | Trade   |  |
| + 5.4          | 3,544p  | 3,538   | 3,363   | Thousands, sa    | Finance, Insurance & Real Estate                            |  |
| + 5.0          | 11,085p | 11,077  | 10,554  | Thousands, sa    | Service Industries  |  |
| + 3.3          | 12,262p | 12,201  | 11,870  | Thousands, sa    | Government  | MEASURES OF SPENDING                                   |
| + 2.2          | 28,935e | 29,164p | 28,320  | Million \$, sa   | Total Retail Sales  |  |
|                | n.a.    | 823.5   | 745.8   | Thousands, sa    | New Passenger Car Registrations                             |  |
| +18.7          | 3,065.3 | 2,966.8 | 2,582.5 | Billion \$, saar | Bank Debits <sup>6</sup>                                    |  |

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

## INTEREST RATES CONTINUE TO RISE

Farm income is higher than one year ago, according to the July 1 Ninth District Agricultural Credit Conditions Survey. The most recent survey contained responses from 126 agricultural-lending bankers. Both current and anticipated incomes were reported to be at higher levels than last year. However, most of the respondents reported little change in the current and expected rate of farm spending. There were some indications of more rapid debt repayment, and a greater number of bankers thought that demands were lower for both new borrowing and debt refinancing. Upward movements in interest rates were more widely reported than during any other quarterly period in the five-year history of the survey. The scarcity of lendable funds noted in the last survey continued into the present period with some reason to believe that the shortage of funds may have become even more severe.

Most of the respondents reporting that farm earnings were greater than usual cited higher livestock prices as the reason. Recent bidding for feeder cattle has also significantly improved the position of ranchers. Farmers feeding cattle have also done better as a result of increases in the price of fed cattle. Higher prices for milk, hogs, and sheep have also contributed to higher farm earnings. However, the Ninth district wheat farmers have not shared in the overall increase in farm income due to lower prices for their commodity.

Many bankers' responses indicated little connection between current farm spending and the income gains. Although current farm earnings were greater, expenditure on machinery and other production items appeared to be unchanged from a year ago. The most important reason, bankers reported, was that increasing the purchase of farm inputs requires more use of credit and farmers are becoming hesitant borrowers at current high interest rates. It also appeared that farmers were channeling at least some of the increased flow of cash into debt repayment.

Some of the increases in income which were not reflected in more spending on production inputs or debt reduction may have gone into unreported uses such as replenishing depleted cash holdings or catching up on postponed family living expenditures. This process of catching up seems likely since there were indications in the results of the previous survey (April 1) that farmers' incomes were under strain due to higher farm expenditures. And at that time, incomes were under especially heavy pressure due to delayed marketings; as a result requests for debt refinancing were common.

Nearly all of the bankers surveyed noted interest rate increases in the past quarter. Moreover, comparisons to the previous survey showed that such increases were generally larger. Twenty percent of those responding to the recent survey had raised interest rates by one-half percent or more.

Closely related to the rise in interest rates is additional evidence of a general tightening of farm credit. The percentage of banks reducing or refusing a loan because of a shortage of funds during the past quarter increased from 8 to 18 percent. The percentage of banks actively seeking new farm loan accounts declined from 70 to 52 percent. And the percentage of banks expecting problems in meeting loan requests in the upcoming quarter increased from 7 to 11 percent. All three indicators are consistent and point to a generally tighter credit supply situation at Upper Midwest farm-lending banks. It is interesting to note, however, that although these percentages have shifted significantly from the April survey, they are now close to their respective levels of a year ago, when relatively tight farm credit conditions also prevailed.

The significance of the survey's results with respect to the incidence of loan referrals to other credit institutions is difficult to interpret. But it appears that the amount of farm loan referrals to correspondent banks has not changed significantly since last quarter. The percent of bankers reporting no referrals to correspondents, however, declined from 43 to 32 percent. There is little evidence of any change from the end of the previous quarter in the amount of farm loan referrals to non-bank credit agencies.

It appears that loan-to-deposits ratios are higher than they were at the time of the last survey. However, even though the change strongly suggests a tighter credit situation at the surveyed banks, only 20 percent rated their ratios "high" compared to 27 percent a year ago, while 16 percent considered their ratios to be "low" in contrast to 11 percent last year.

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The Annual Statistical Review contains various agriculture, business, employment, finance, and income statistics and displays state breakdowns for Minnesota, Montana, North Dakota and South Dakota. This publication, covering the select years 1950 through 1968, is available upon request to Statistical Review, Research Department, Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota 55440.