

monthly statistical report

NINTH DISTRICT CONDITIONS

federal reserve bank of minneapolis

1972 IN REVIEW: A FAIRLY GOOD YEAR

The district's economy, while generally expansive in 1972, failed to keep pace with the nation's. Despite gains in industrial sales, district unemployment remained at relatively high levels during the year with little observable growth in manufacturing employment or other measures of manufacturing activity.

Most of the district's strength came from the agriculture and construction sectors. Agricultural prices and incomes, the pleasant surprises of 1972, stimulated economic gains throughout rural areas; but district cash receipts still fell below national averages. Construction spending held at near record levels although apartment building tapered off.

By the end of the fourth quarter, economic activity picked up sufficiently to provide a solid start for 1973. The unemployment rate improved at last, and industrial sales fulfilled or exceeded manufacturers' expectations. The sharp jump in farm commodity prices, combined with the large supplies of grains and livestock in farmers' hands, put the agricultural sector in a strong year-end position. Construction should also end the year stronger than expected in the seasonally slack winter months.

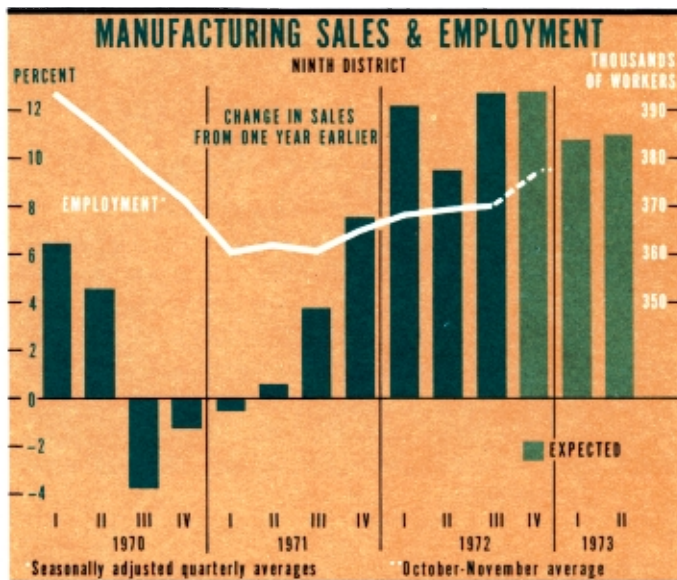
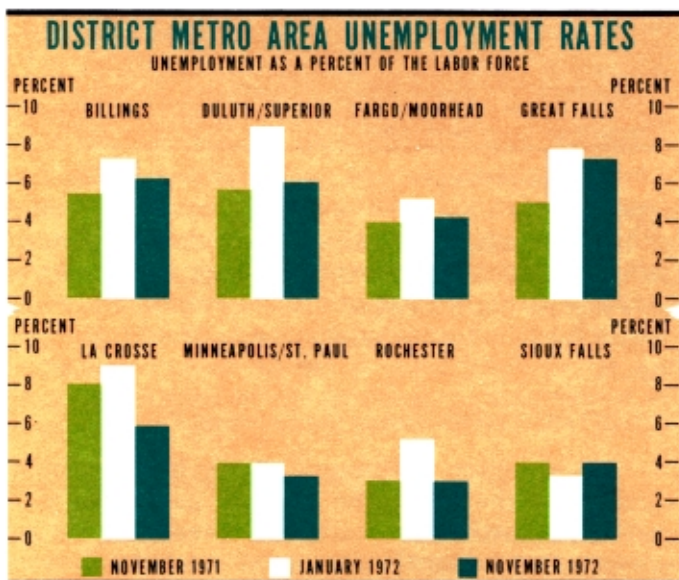
METRO ECONOMIES: Unemployment Still Sticky

The economies of district standard metropolitan statistical areas (SMSAs), areas with populations of 50,000 or more, were generally healthy throughout 1972. Although unemployment remained high in Billings, Duluth/Superior, and Great Falls, the unemployment rate in all SMSAs (except Sioux Falls) declined over the course of the year. Because this decline was motivated primarily by seasonal hiring in agriculture and construction, SMSA unemployment rates actually improved very little, if at all, from year-earlier levels.

Construction activity surpassed year-ago levels in most SMSAs despite the midsummer construction strike and lockout which slowed work on many projects in Minnesota. Retail sales in 1972 were so encouraging that all SMSAs expected to have one of the best years ever.

INDUSTRY: From Lethargy to Action

Bettering the very modest gains of 1971, district manufacturing sales increased by about 12 percent during the first three quarters of 1972. Most of this growth came from large sales of durable goods, especially in the large nonelectric machinery industry.



Other measures of district manufacturing activity, however, were rather lethargic through most of the year. No growth occurred in manufacturing employment between February and August, and the industrial use of electric power remained essentially unchanged in the first three quarters. District iron mining activity was not particularly robust either. During the first 11 months of 1972, iron ore shipments from Great Lakes ports were up only 1 percent from 1971's depressed level and were down 10 percent from 1970.

By the fourth quarter, district manufacturing activity began to perk up. In October and November, both district manufacturing employment and the industrial use of electric power were 1.9 and 2.4 percent, respectively, above the average levels recorded for the rest of the year. Manufacturing sales should finish 1972 with the respectable 12 percent growth rate established in the first three quarters.

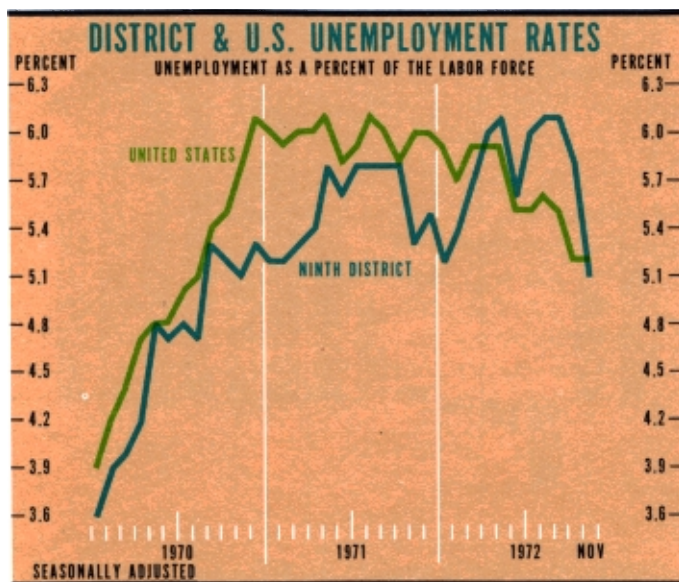
LABOR: Unemployment, the District's Albatross

National civilian employment expanded vigorously in 1972, but developments in district labor markets were rather dismal for much of the year. The district's unemployment rate jumped from 5.4 percent, seasonally adjusted, in the first quarter to 6.0 percent in the third while national unemployment fell from 5.8 to 5.5 percent in the same period.

Some improvements in district labor markets were perceptible in the fourth quarter, however. Unemployment declined to 5.8 percent between September and October and, according to preliminary estimates, plunged to 5.1 percent in November.

Nevertheless, a rise in the unemployment rate is probable in December. District initial claims for unemployment compensation were up from a year ago in early December, primarily as a result of the unseasonably cold weather that forced layoffs in the construction industry.

The average weekly hours worked in district manufacturing industries climbed to 42.2 hours in

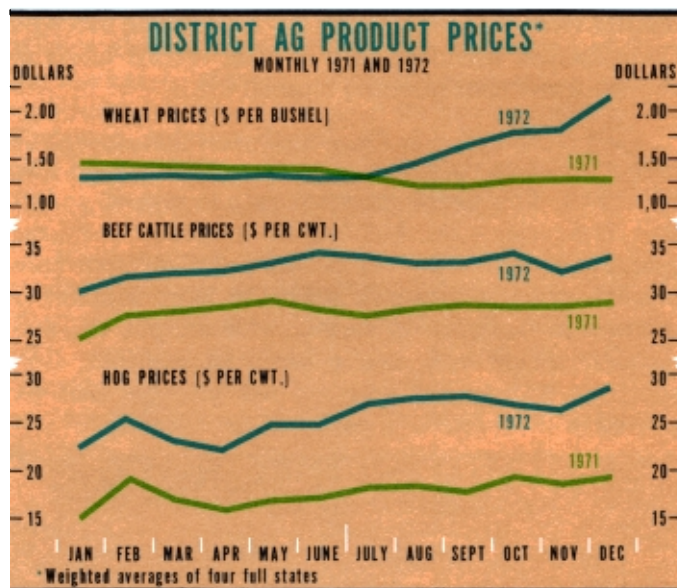


November which indicates that manufacturers are using their current work forces very intensely and will have to add workers to achieve further gains. Although the district's help wanted advertising index in November was down slightly from its third-quarter average, it was up 46 percent from a year earlier.

AGRICULTURE: Farmers Wary of Selling Too Soon

Farm incomes realized in 1972 were substantially higher than in 1971. Total cash receipts for the nation ran 10 percent ahead of last year in October, and district receipts were 7 percent ahead. This discrepancy between cash receipts in the nation and in the district continued into November and December as district farmers held on to their crops. By selling only what they had to, district farmers strategically deferred income to the next tax year and speculated on further increases in the value of commodities on hand.

Yearly totals for 1972 district cash farm receipts should come in about 8 percent higher since most commodities produced in the district brought better returns. Prices for beef cattle and wheat produced this year averaged, respectively, 17 and 42 percent higher. Hogs, also more highly priced, averaged about \$25 per hundred weight—a remarkable \$7 more than in 1971. Informal reports suggest that although December marketings were modest, high prices should continue to boost cash receipts.



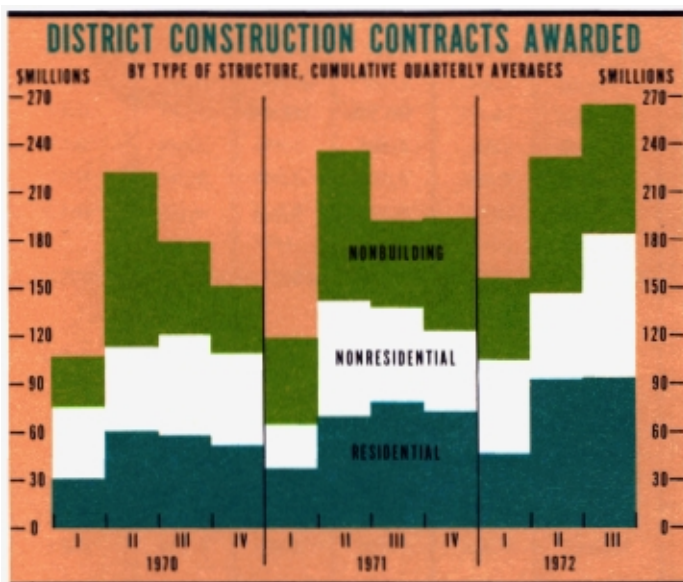
Because receipts increased faster than production expenses, net farm returns in 1972 will exceed those of 1971. Production costs were held down as farmers planted fewer acres, raised fewer hogs, and produced only slightly more cattle and calves. Price controls also helped by limiting the cost increase of manufactured inputs.

CONSTRUCTION: Bettering Seasonal Patterns

Construction continued strong in the district throughout the year. The seasonal pattern of total contract awards evident in 1970-71, however, did not prevail in 1972. District awards, following the national

pattern, typically peak in the second quarter, but in 1972 they peaked in the third quarter and are expected to be unusually high in the fourth.

Although data for contract awards in December have not yet been tallied, fourth quarter construction valuations are likely to exceed those of the third quarter, producing an unprecedented fourth quarter peak for 1972.



Seasonal construction patterns are expected to hold for the first quarter of 1973. First quarter total construction awards have fallen from preceding fourth quarter levels every year except one for the past 15 years. With apartment vacancy rates still high—8 percent as of August in the Minneapolis/St. Paul metro area—residential construction should decline somewhat in the first quarter. Nonresidential and non-building construction may also be held down as educational construction drops off and federal funds for sewage plant construction are cut back.

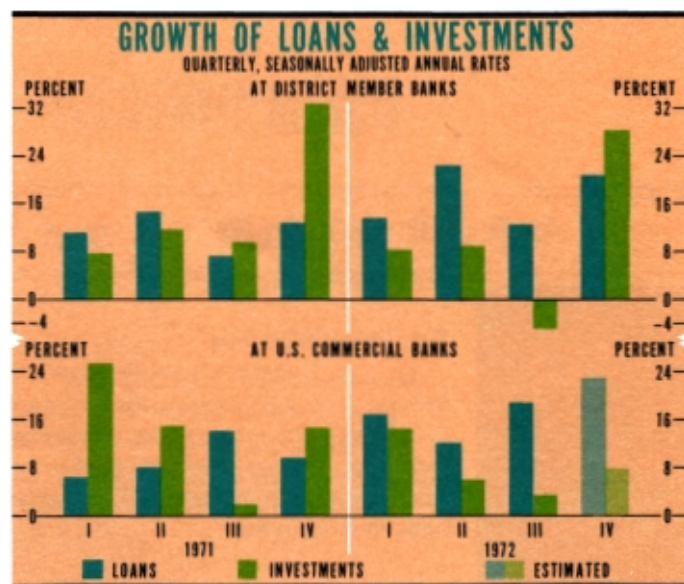
CONSUMER SPENDING: Beyond Expectations

District consumer spending rose appreciably during 1972. Minnesota retail sales, for example, surpassed 1971's level by 9 percent in the first three quarters. And, according to press reports and telephone contacts, district retail sales in the fourth quarter made a similarly strong showing.

Much of the rise in consumer outlays is due to the large income gains of 1972. The average weekly earnings of a district manufacturing worker were 10.7 percent more than a year earlier in November. High grain and livestock prices pushed district farm income to record levels. National surveys revealed that consumers also began to spend more freely in 1972 as their confidence in the economy's performance improved.

BANKING: Spending Strengthens Loan Demand. . .

District commercial banks were faced with strong loan demand during the year. Total loans increased at



an annual rate of 18 percent in 1972, approximating loan growth in the nation. Total investments expanded more moderately, reflecting banks' willingness to supply funds to meet the strong loan demand and also the smaller supply of new Treasury issues.

In the fourth quarter, loans at district country member (rural and small urban) and reserve city (large urban) banks grew at a 21 percent seasonally adjusted annual rate. Lending at country banks was apparently spurred by a combination of factors: favorable agricultural conditions, the desire of farmers to invest in equipment, high levels of housing activity, new business investment, inventory building, and holiday sales.

Reserve city banks in the fourth quarter showed a 30 percent annual rate of increase for business loans to build inventories and finance activities related to foreign grain sales. Consumer installment and real estate lending also remained strong at reserve city banks during the quarter.

Mortgage loans made by district savings and loans in the first ten months of 1972 were 25 percent above last year's. Mortgage interest rates firmed in the fall to 7.78 percent for a new home in the Minneapolis/St. Paul metropolitan area. Although identical to the rate in December 1971, this was 15 basis points above the low of 1972 recorded in April (7.63 percent).

. . . But Reduces Deposit Growth

In both the district and the nation, demand deposits (less those of the U.S. government) increased slightly faster in 1972 than in 1971, while time deposits slacked off somewhat. The high growth rate of demand deposits was to be expected since the economy and the national money supply were expanding. Increased consumer spending and competition from savings and loan associations, where higher interest rates are allowed on deposits, cut into time deposit growth at reserve city banks in the district. Consumer accounts at large banks nationally have not grown since August.

NINTH DISTRICT income and finance

I N D I C A T O R	UNIT	1972			1971	Percent Change NOV.-NOV.
		DEC.	NOV.	OCT.	NOV.	
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*					
	Nonagricultural Personal Income*					
	Average Weekly Earnings in Manufacturing ¹	Dollars, n.a.	168.96e	166.69p	152.01	+11.2
	Consumer Installment Credit Outstanding ²	Million \$ n.a.	1,806	1,796	1,488	+21.4
	Time and Savings Deposits at Member Banks	Million \$ 7,454	7,354	7,185	6,390	+15.1
	Savings Balances at Savings & Loan Assoc. ³	Million \$ n.a.	5,105	5,064	4,332	+17.8
	Cash Farm Receipts ³	Million \$ n.a.	n.a.	692	565	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS ^{4,5}					
	Adjusted Loans and Discounts ⁶	Million \$ 3,439	3,344	3,250	2,711	+23.3
	Commercial and Industrial Loans	Million \$ 1,565	1,508	1,506	1,146	+31.6
	Real Estate Loans	Million \$ 625	615	604	496	+24.0
	Gross Demand Deposits	Million \$ 2,386	2,191	2,216	1,968	+11.3
	Time Deposits	Million \$ 2,126	2,068	1,999	1,821	+13.6
	U.S. Government Securities	Million \$ 582	488	424	537	- 9.1
	Other Securities	Million \$ 845	765	753	659	+16.1
	COUNTRY BANKS ^{4,7}					
	Loans and Discounts	Million \$ 5,080	5,089	4,939	4,300	+18.3
	Gross Demand Deposits	Million \$ 2,873	2,794	2,806	2,474	+12.9
	Time Deposits	Million \$ 5,328	5,285	5,186	4,569	+15.7
	U.S. Government Securities	Million \$ 1,232	1,199	1,185	1,131	+ 6.0
	Other Securities	Million \$ 1,706	1,670	1,652	1,459	+14.5
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$ 721	735	819	770	- 4.5
	Required Reserves	Million \$ 715	726	812	762	- 4.7
	Excess Reserves	Million \$ 6	9	7	8	+12.5
	Borrowings from FRB	Million \$ 3	3	4	2	+50.0
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent 77.0	81.9	79.0	74.2	+10.4
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent 61.9	63.0	61.8	61.1	+ 3.1
MEASURES OF PRICE LEVELS	Consumer Price Index—Minneapolis ^{9,10}	Index, sa n.a.	n.a.	127.2	n.a.	
	Prices Received by Farmers—Minnesota ⁹	Index, sa 137	126	126	107	+17.8

NOTES

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

1. Excluding Northwestern Wisconsin
2. All commercial banks; estimated by sample
3. Excluding Northwestern Wisconsin and Upper Michigan
4. Last Wednesday of the month figures
5. Selected banks in major cities
6. Net loans and discounts less loans

FOOTNOTES

- to domestic commercial city banks
7. 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: 1967 Base Period
 10. Quarterly

UNITED STATES income and finance

Percent Change NOV., -NOV.	1972			1971	UNIT	I N D I C A T O R	
	DEC.	NOV.	OCT.	NOV.			
+10.6	n.a.	972.5p	963.8	879.4	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+10.6	n.a.	945.5p	937.1	854.5	Billion \$, saar	Nonagricultural Personal Income	
+10.2	n.a.	159.08p	157.49	144.32	Dollars	Average Weekly Earnings in Manufacturing	
+16.4	n.a.	58.9	58.3	50.6	Billion \$	Consumer Installment Credit Outstanding ²	
+14.9	242.1	238.5	236.5	207.5	Billion \$	Time and Savings Deposits at Member Banks	
+19.0	n.a.	203.9	202.0	171.4	Billion \$	Savings Balances at Savings & Loan Assoc.	
	n.a.	n.a.	7.1	6.3	Billion \$	Cash Farm Receipts	
+16.8	227.2	217.4	213.3	186.2	Billion \$	CITY BANKS ^{4,5}	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 7.3	91.0	88.6	87.5	82.6	Billion \$	Adjusted Loans and Discounts ⁶	
+20.0	45.9	45.6	44.8	38.0	Billion \$	Commercial and Industrial Loans	
+ 7.4	166.0	152.0	150.0	141.5	Billion \$	Real Estate Loans	
+15.1	161.3	158.9	157.4	138.0	Billion \$	Gross Demand Deposits	
+2.2	28.6	27.9	26.0	27.3	Billion \$	Time Deposits	
+9.0	55.9	55.5	55.0	50.9	Billion \$	U.S. Government Securities	
						Other Securities	
+15.3	85.6	83.7	82.2	72.6	Billion \$	COUNTRY BANKS ^{4,7}	
+10.3	58.9	55.9	56.3	50.7	Billion \$	Loans and Discounts	
+14.5	80.8	79.6	79.1	69.5	Billion \$	Gross Demand Deposits	
+ 3.5	18.3	17.9	17.7	17.3	Billion \$	Time Deposits	
+15.4	31.1	30.8	30.8	26.7	Billion \$	U.S. Government Securities	
						Other Securities	
+ 2.7	n.a.	31,767p	33,760	30,936	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 2.3	n.a.	31,415p	33,547	30,703	Million \$	Required Reserves	
+51.1	n.a.	352p	213	233	Million \$	Excess Reserves	
+48.2	n.a.	612p	545	413	Million \$	Borrowings from FRB	
+ 6.5	73.5	74.2	72.8	69.7	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
+ 2.3	61.2	61.8	60.7	60.4	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 3.5	n.a.	126.9	126.6	122.6	Index, sa	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
+13.0	137	130	129	115	Index, sa	Prices Received by Farmers ⁹	

SOURCES

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

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

COMMERCIAL BANK FINANCIAL DATA: Federal Reserve Bank of Minneapolis; Board of Governors of Federal Reserve System

SAVINGS AND LOAN ASSOCIATIONS: Federal Home Loan Bank Board

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

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

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

NINTH DISTRICT production and employment

I N D I C A T O R	UNIT	1972		1971	Percent Change	
		NOV.	OCT.	NOV.	NOV.-NOV.	
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production *					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	141	137	131	+ 7.6
	Production Worker Manhours: ¹	Index, sa	109p	107	101	+ 7.9
	Manufacturing	Index, sa	112p	110	101	+10.9
	Mining	Index, sa	93p	92	99	- 6.1
	Total Construction Contracts Awarded	Million \$, sa	239.7	191.2	155.4	+54.2
	Residential Buildings	Million \$, sa	100.8	81.4	75.0	+34.4
	Nonresidential Buildings	Million \$, sa	36.6	52.3	48.4	-24.4
	All Other Construction	Million \$, sa	102.3	57.5	32.0	+219.7
	Bldg. Permits: New Housing Units ²	Number	3,013	4,088	3,779	-20.3
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,672p	2,674	2,626	+ 1.8
	Total Civilian Employment	Thousands, sa	2,536p	2,519	2,487	+ 2.0
	Number Unemployed	Thousands, sa	136p	155	139	- 2.2
	Unemployment Rate ³	Percent, sa	5.1p	5.8	5.3	- 3.8
	Average Weekly Hours in Manufacturing ³	Hours, sa	42.2e	41.7p	40.2	+ 5.0
	EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ³	Thousands, sa	2,003p	1,995	1,949
Manufacturing		Thousands, sa	379p	378	365	+ 3.8
Mining		Thousands, sa	31p	30	30	+ 3.3
Construction		Thousands, sa	95p	96	99	- 4.0
Transport., Comm., & Public Utilities		Thousands, sa	133p	131	130	+ 2.3
Trade		Thousands, sa	492p	491	476	+ 3.4
Finance, Insurance & Real Estate		Thousands, sa	95p	94	91	+ 4.4
Service Industries		Thousands, sa	334p	332	323	+ 3.4
Government		Thousands, sa	444p	443	435	+ 2.1
MEASURES OF SPENDING		Total Retail Sales *	Thousands, sa	n. a.	n. a.	24.7
	New Passenger Car Registrations	Billion \$, saar	235.1	224.5	181.7	+29.4
	Bank Debits ⁴					

FOOTNOTES

1. Index: 1967 Base Period; Weights: 1967
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 standard metropolitan statistical areas, excluding the seven leading centers

NOTES

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

UNITED STATES production and employment

Percent Change NOV.-NOV.	1972		1971	UNIT	I N D I C A T O R	
	NOV.	OCT.	NOV.			
+10.2	118.4	117.2	107.4	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
+ 6.5	99p	98p	93	Index, sa	Electrical Energy Consumption: Mfg. and Mining *	
+ 7.5	100p	98p	93	Index, sa	Production Worker Manhours: ¹	
+ 6.8	94p	97p	88	Index, sa	Manufacturing	
					Mining	
+13.2	8,240.7	8,138.6	7,280.4	Million \$, sa	Total Construction Contracts Awarded	
+23.5	4,195.9	4,116.9	3,398.4	Million \$, sa	Residential Buildings	
+ 3.0	2,381.7	2,365.1	2,313.0	Million \$, sa	Nonresidential Buildings	
+ 6.0	1,663.1	1,656.6	1,569.0	Million \$, sa	All Other Construction	MEASURES OF MANPOWER UTILIZATION
	n.a.	n.a.	167.7	Thousands	Bldg. Permits: New Housing Units ⁵	
+ 2.3	87,037p	87,276	85,116	Thousands, sa	Civilian Work Force	
+ 3.1	82,531p	82,482	80,020	Thousands, sa	Total Civilian Employment	
-11.6	4,506p	4,794	5,096	Thousands, sa	Number Unemployed	
-13.3	5.2p	5.5	6.0	Percent, sa	Unemployment Rate	
+ 2.0	40.9p	40.7	40.1	Hours, sa	Average Weekly Hours in Manufacturing	
+ 3.9	73,868p	73,589	71,103	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 4.2	19,321p	19,219	18,534	Thousands, sa	Manufacturing	
+16.2	609p	610	524	Thousands, sa	Mining	
+ 0.3	3,529p	3,568	3,518	Thousands, sa	Construction	
+ 3.3	4,550p	4,540	4,403	Thousands, sa	Transport., Comm., & Public Utilities	
+ 4.2	15,935p	15,835	15,299	Thousands, sa	Trade	
+ 3.5	3,981p	3,969	3,847	Thousands, sa	Finance, Insurance & Real Estate	
+ 4.2	12,501p	12,451	11,997	Thousands, sa	Service Industries	
+ 3.6	13,442p	13,397	12,981	Thousands, sa	Government	MEASURES OF SPENDING
+ 9.0	38.8	39.1	35.6	Million \$, sa	Total Retail Sales	
- 6.7	954.0	752.7	1,022.9	Thousands, sa	New Passenger Car Registrations	
+17.9	4,775.1	4,522.3	4,051.6	Billion \$, saar	Bank Debits ⁶	

SOURCES

INDUSTRIAL PRODUCTION: Board of Governors of Federal Reserve System

ELECTRICAL ENERGY CONSUMPTION: Federal Reserve Bank of Minneapolis

PRODUCTION WORKER MANHOURS: Federal Reserve Bank of Minneapolis

CONSTRUCTION CONTRACTS AWARDED: Board of Governors of Federal Reserve System; F. W. Dodge Corporation

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

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

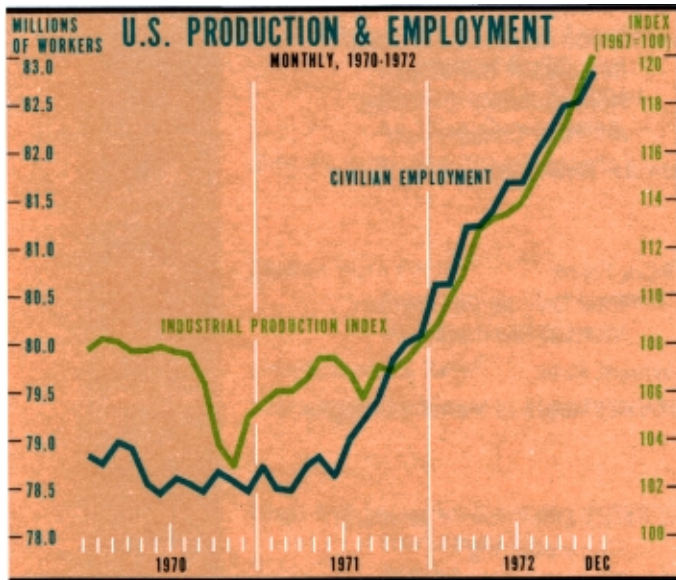
RETAIL SALES: U.S. Department of Commerce, Bureau of Census

NEW PASSENGER CAR REGISTRATIONS: Automotive News Magazine

BANK DEBITS: Board of Governors of Federal Reserve System

THE U.S. ECONOMY IN 1972

For the U.S. economy, 1972 has been a very good year. Production, employment, and profits registered strong gains, inflation eased, and the unemployment rate declined gradually over the year. The substantial pools of unutilized capital and unemployed labor which remained as the year drew to a close make it possible for 1973 to be another year of above average growth. While most economic forecasters expect the annual unemployment rate to fall more in 1973 than it did in 1972, many fear that the rate of inflation will worsen.



Gross national product (GNP), the total value of goods and services produced, probably increased more than \$100 billion in 1972, the largest dollar increase in history. More than two-thirds of this growth was real—that is, not due to price increases.

Spending by households was the primary source of strength. Employment and income gains and reduced inflation bolstered consumer confidence, and the rate of consumer saving declined sharply. Growth in personal expenditures accounted for more than half the growth in GNP. Spending for new housing was also strong: residential construction rose in dollar terms about as much in 1972 as in 1971, and 1971 was a banner year for the housing market.

Spending by businesses increased substantially from the slow pace of 1971. Advances in business fixed investment were primarily for new equipment and plant modernization with only a small gain in spending to expand plant capacity. Inventory accumulation accelerated from a zero rate in the first quarter to \$8 billion in the third.

The government also contributed to economic growth in 1972. While state and local spending increased at about the same rate as in the year before, federal purchases grew much more rapidly, due mainly to an upturn in defense spending.

Only the foreign sector fared worse in 1972 than in 1971. However, the low point for net exports appears to have been reached in the second quarter.

Growth in real GNP accelerated from under 3 percent in 1971 to about 6.5 percent in 1972. The industrial production index, another measure of physical output, indicated a surge in output occurred in the spring, followed by a summer lull (partly due to Eastern floods), and finally by a resurgence in the fall.

Increased production fostered a stronger labor market. Civilian employment stood 2.7 million workers higher in December 1972 than in December 1971, a very sizable advance. Employment did not grow fast enough for most of 1972 to greatly reduce the annual unemployment rate from the 6 percent rate of 1971. A decline in armed forces manpower and an improved tone to the labor market brought an above-trend increase to the civilian labor force. As a result, new jobs were created only a little faster than new workers entered the labor force. Solid advances in worker productivity, which allowed production to be significantly expanded without adding to the work force, also contributed to the sticky unemployment rate.

Although the unemployment rate did not drop appreciably until the latter half of the year, other statistics already reflected the improved tone of the labor market. In manufacturing, the average workweek of production workers advanced sharply and the layoff rate approached its lowest mark since the early fifties. Increased job vacancies and help wanted advertising both signalled an increased demand for labor.

Wage controls appeared to be effective. Wage and benefit increases in negotiated settlements for all industries slowed markedly, the most dramatic slowdown occurring in construction. As the rise in compensation per manhour slowed and the rise in productivity accelerated, unit labor costs exerted less pressure on prices.

The price picture was not totally rosy, however. The wholesale price index rose faster in the 12 months following the imposition of Phase II than in the 12 months preceding price controls; and the consumer price index, though improved, rose faster than the rate targeted by the Cost of Living Council. More distressingly, inflation, measured by either of these two indexes, seemed to be accelerating in the latter half of 1972.

CORRECTION: The graph titled "Maturity Distribution of Government Securities" appearing in the December 14, 1972, issue of *Ninth District Conditions* contained an error in its key: the colors indicating securities held "less than one year" and "over five years" should be reversed.