

monthly statistical report

NINTH DISTRICT CONDITIONS

federal reserve bank of minneapolis



JOBS IN MANUFACTURING SLIP FURTHER AND WORK WEEK CONTINUES TO DECLINE

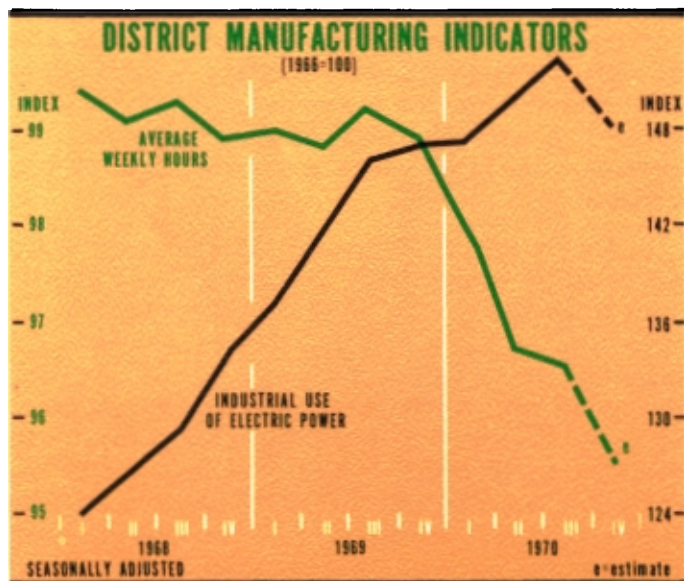
The district's economy was operating at a reduced level as 1970 drew to a close. Unemployment remained at around 5 percent. District financial markets reflected consumer uncertainty and the slower pace of economic activity in continued heavy savings inflows and lower loan demand.

Preliminary estimates reveal that the district's unemployment rate, seasonally adjusted, was 4.9 percent in November, the fifth consecutive month that it has fluctuated around 5.0 percent. In November the national unemployment rate was 5.8 percent.

District employment levels continue to stabilize. In November, wage and salary employment, seasonally adjusted, decreased after advancing in the two previous months. In the three-month period ending in November, district payroll employment was almost unchanged from its level in the preceding three-month period. National wage and salary employment dropped slightly during this period due to the General Motors strike. In the most recent three-month period, gains in the district's construction, trade and service sectors offset declines in the manufacturing and government sectors.

The downward trend in district manufacturing employment has not yet abated. In November, district manufacturing employment declined again and was down 5.9 percent from a year ago. Labor turnover data for manufacturing offer little encouragement as to this sector's recovery. After declining this summer, the Minnesota layoff rate in manufacturing, seasonally adjusted, is increasing again; in October it advanced for the third consecutive month, making it almost twice as high as it was a year ago. Also, the new hire rate in Minnesota manufacturing continues to trend downward and in October was 50 percent below last year's rate. District manufacturers also continue to trim their work week; average weekly hours worked in manufacturing declined 1.7 percent in the three-month period ending in November. In addition, the industrial use of electric power declined 1.5 percent during this period.

National manufacturing sales are expected to grow faster than district manufacturing sales at least through the first quarter of 1971, according to the results of the national survey on manufacturing sales expectations released in December. Manufacturing sales in the district are expected to decline 1.3 percent from a year earlier in the fourth quarter before increasing 1.3 percent in the first quarter, while national



manufacturing sales are anticipated to equal year-ago levels in the fourth quarter and then advance 6.5 in the first quarter. The stronger increase in national manufacturing sales can be attributed to an expected large advance in national durable goods sales as the economy recovers from the General Motors strike.

The cutback in defense spending in 1970 is an important factor in explaining the recent reduction in both district and national manufacturing activity. Prime defense contract awards in the nation during the first nine months of 1970 were 10 percent below a year earlier while in the district they advanced 10 percent during this period. The district defense spending increase, however, can be traced primarily to the construction of the ABM missile site in North Dakota rather than to the production of military goods. In North Dakota, prime contract awards were more than five times as great as a year earlier during the first nine months of 1970. In Minnesota, where defense spending is concentrated in manufacturing, prime defense contracts were down 20 percent from a year ago during this period. Prime defense contracts in South Dakota were down 10 percent while in Montana they were up 55 percent from a year ago in the first nine months of 1970.

MORE HOMEBUILDING APPEARS LIKELY

District construction activity continues to be stronger than it was earlier this year, mostly due to the pickup in homebuilding.

Housing unit authorizations in the district are still well above their levels of the first six months this year. During the three months ending in November, the average number of housing units authorized by building permits was about 25 percent above the average for the first half of this year.

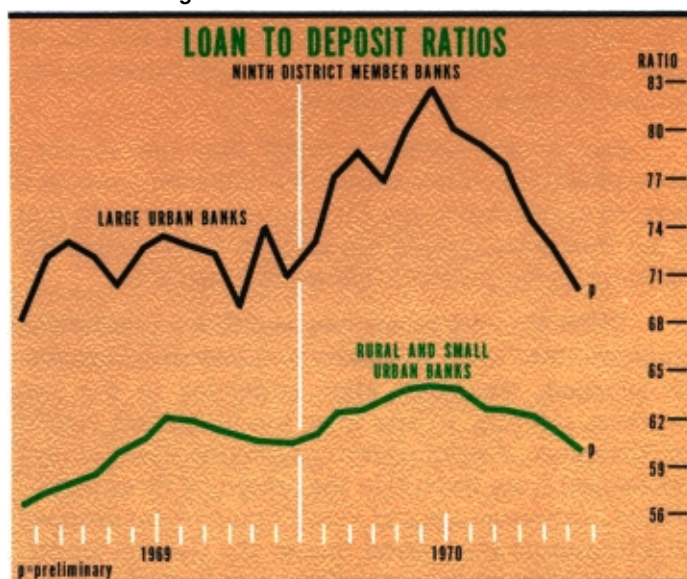
Further rises in homebuilding activity appear likely. Responding to the increased savings inflows to district thrift institutions, savings and loan associations have intensified their mortgage operations. Loan closings and mortgage commitments have been rising

strongly, and mortgage activity at district S&Ls appears to be running about 10 percent ahead of that observed before the latest housing downturn began.

There are no indications that activity in other construction sectors has changed materially in the past few months or will change significantly in the near future. The valuation of nonresidential building permits in the district throughout 1970 has generally been below comparable months in 1969. At the same time, contract awards for nonresidential building projects have been fluctuating from month to month, but no trend is apparent. Contract awards for "heavy" construction projects have also exhibited wide month-to-month movements.

BIG CITY BANKS GAIN FEWER LARGE CDs TOTAL LOANS SPURT UPWARD IN DECEMBER

Ninth District member banks continued to record heavy inflows of time and savings deposits although the rate of growth in the final weeks of 1970 was



lower than previously. During November, seasonally adjusted time deposits at district member banks as a whole expanded at the rapid 25 percent annual rate that had prevailed since the latter part of June when interest rate ceilings on large denomination certificates of deposit (large CDs) were partially relaxed. As in preceding months, the November advance was widespread among district banks but was most pronounced at large city banks where activity in large CDs is centered.

The inflow in December, although strong by standards of recent years, was considerably smaller than in November. The slowing primarily occurred at large city banks and mainly reflected a marked deceleration in the inflow of large CDs. To some extent this falloff may have been due to corporations' needs for funds to meet quarterly income tax payments. In addition, by lowering interest rates, banks have become less aggressive in attracting deposits at their recent rapid rate in the face of a lackluster demand for bank loans.



Seasonally adjusted loans at all district member banks rebounded modestly in December after declining sharply in November. The increase was not enough, however, either to offset the November drop or to dispel the impression that loan demand has softened in recent months. Total loans at large city banks remained essentially unchanged in December, after declining in October and November. Business loans, which accounted for the contraction in total loans in the preceding two months, strengthened in December. Loan growth at district rural banks continued at a vigorous pace during December, probably reflecting the demand from farmers to refinance indebtedness as a result of a weakening farm income situation.

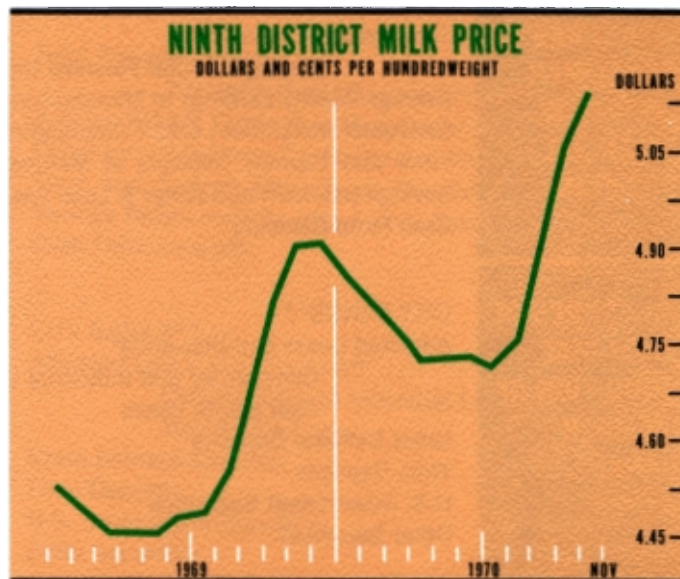
Recent loan and deposit trends have served to strengthen district bank liquidity positions. At large city banks the contrast has been most vivid: the loan-deposit ratio dropped from 78 percent in September to 70 percent in December; normally there is little change in this ratio during this period. At rural and small urban banks, the loan-deposit ratio declined during the last three months of 1970, but the drop was no greater than usual. While deposit growth at these smaller banks has been relatively strong, loans have also expanded vigorously.

DISTRICT MILK PRICES HIT NEW PEAK

Milk prices received by Ninth District dairy farmers recently reached new highs as district milk production continued to decline. District average prices in October and November at \$5.06 and \$5.14 per hundredweight, respectively, were the highest since the \$4.91 of November and December 1969. The district annual average for 1970 will be about \$4.85 per hundredweight which is about 5½ percent above the 1969 average price.

Farm milk prices have risen throughout the nation this year, but most increases were less than those reported for the Ninth District. The nationwide yearly average price is expected to be up about 3 percent

from last year. This increase continues the rising price trend of the last several years. Although the number of cows has been declining, production per cow has been increasing, and so total output has remained about constant. Meanwhile, however, the demand for milk has risen with population growth rates. Thus, constant or lower supplies combined with an increasing demand have produced higher milk prices.

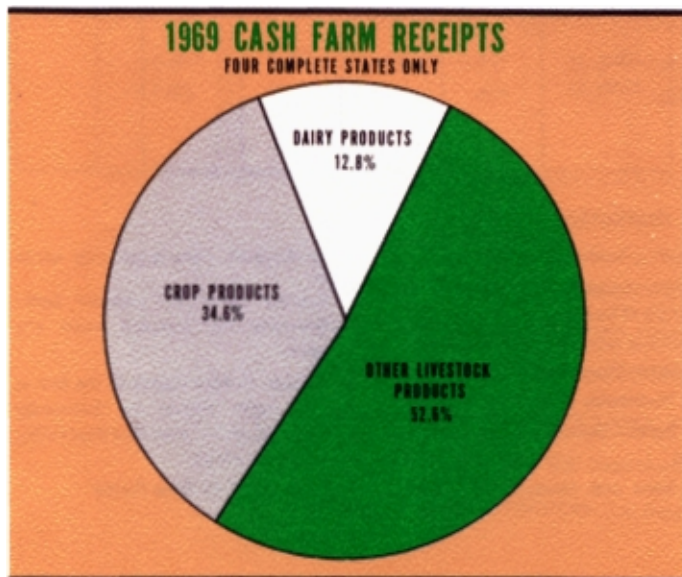


The national decline in the number of cows slowed significantly during 1970. Although total production increased for the first time since 1964, the 3 percent price rise represents a slowing of the growth pattern. During the early part of 1970, prices were about 4 percent higher than year-ago levels, but by the end of the year they were only about 2 percent higher.

District milk production, on the other hand, followed the established patterns. The number of cows declined continuously and at the end of November was down 3.3 percent from one year ago. This is more than twice as large a decrease (in percentage terms) as that recorded for the nation. District production per cow during November was up 2 percent, but this was ½ percent less than the increase in the national figure. Preliminary data suggest that total annual production of milk will be down about 2 percent from the 1969 level for the district and up about ½ percent for the nation.

Prices in regional fluid milk markets are very sensitive to change in the quantities supplied. The difference between the district production decrease of 2 percent and the national production increase of ½ percent accounted for the difference between the district average price increase of 5½ percent and the national average price increase of only 3 percent.

The production and price figures suggest that total 1970 cash farm receipts from the sale of milk will be 3.4 percent greater than last year for the district. This compares favorably with the 3.5 percent increase estimated for the nation.



NINTH DISTRICT income and finance

I N D I C A T O R	UNIT	1970			1969	Percent Change
		DECEMBER	NOVEMBER	OCTOBER	NOVEMBER	NOV.-NOV.
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*					
	Nonagricultural Personal Income*					
	Average Weekly Earnings in Manufacturing ¹	Dollars, n.a.	139.78e	141.52e	136.89	+ 2.1
	Consumer Installment Credit Outstanding ²	Million \$ n.a.	1,370	1,375	1,339	+ 2.3
	Time and Savings Deposits at Member Banks	Million \$ n.a.	5,511	5,359	4,773	+15.5
	Savings Balances at Savings & Loan Assoc. ³	Million \$ n.a.	3,666	3,642	3,333	+10.0
	Cash Farm Receipts ³	Million \$ n.a.	n.a.	535	483	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS ^{4,5}					
	Adjusted Loans and Discounts ⁶	Million \$	2,488	2,438	2,464	+ 7.3
	Commercial and Industrial Loans	Million \$	1,105	1,087	1,088	+ 4.6
	Real Estate Loans	Million \$	449	460	460	- 1.5
	Gross Demand Deposits	Million \$	2,200	1,999	2,051	+ 1.8
	Time Deposits	Million \$	1,524	1,557	1,468	+25.8
	U.S. Government Securities	Million \$	481	401	406	+18.3
	Other Securities	Million \$	564	499	529	- 3.9
	COUNTRY BANKS ^{4,7}					
	Loans and Discounts	Million \$	3,904	3,854	3,813	+ 9.4
	Gross Demand Deposits	Million \$	2,451	2,319	2,363	- 0.6
	Time Deposits	Million \$	3,993	3,954	3,892	+11.9
	U.S. Government Securities	Million \$	1,171	1,054	1,099	- 1.0
	Other Securities	Million \$	1,217	1,186	1,190	+10.1
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$	731	709	697	+ 3.4
	Required Reserves	Million \$	724	702	691	+ 3.5
	Excess Reserves	Million \$	7	7	6	-12.5
	Borrowings from FRB	Million \$	1	1	6	-98.7
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent	69.7	71.7	72.1	- 0.7
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent	60.6	61.4	61.0	+ 2.3
MEASURES OF PRICE LEVELS	Consumer Price Index ⁹ —Minneapolis	Index, sa	n.a.	n.a.	138.2	n.a.
	Prices Received by Farmers ⁹ —Minnesota	Index, sa	n.a.	n.a.	120	125

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 NOV. -NOV.	1970			1969	UNIT	I N D I C A T O R	
	DECEMBER	NOVEMBER	OCTOBER	NOVEMBER			
+ 5.8		812.4p	810.0	767.6	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 6.1		790.5p	787.9	745.3	Billion \$, saar	Nonagricultural Personal Income	
+ 1.4		134.24p	133.85	132.36	Dollars	Average Weekly Earnings in Manufacturing	
+ 4.2		41.7	42.0	40.0	Billion \$	Consumer Installment Credit Outstanding ²	
+17.4		175.8	173.7	149.7	Billion \$	Time and Savings Deposits at Member Banks	
+ 6.9		143.7	142.7	134.4	Billion \$	Savings Balances at Savings & Loan Assoc.	
		n.a.	5.6	5.1	Billion \$	Cash Farm Receipts	
+ 2.8		173.3	173.8	168.5	Billion \$	CITY BANKS ^{4,5}	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 2.4		79.9	80.0	78.0	Billion \$	Adjusted Loans and Discounts ⁶	
		34.1	34.0	34.1	Billion \$	Commercial and Industrial Loans	
+ 0.6		136.5	131.0	135.7	Billion \$	Real Estate Loans	
+20.9		116.4	114.8	96.3	Billion \$	Gross Demand Deposits	
+ 9.6		26.2	25.6	23.9	Billion \$	Time Deposits	
+17.9		42.1	40.7	35.7	Billion \$	U.S. Government Securities	
						Other Securities	
+ 7.1		64.9	64.3	60.6	Billion \$	COUNTRY BANKS ^{4,7}	
+ 2.6		47.2	46.3	46.0	Billion \$	Loans and Discounts	
+11.4		59.4	58.9	53.3	Billion \$	Gross Demand Deposits	
+ 0.6		16.5	16.3	16.4	Billion \$	Time Deposits	
+13.7		21.6	21.4	19.0	Billion \$	U.S. Government Securities	
						Other Securities	
+ 3.3		28,648p	28,647	27,739	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 3.3		28,420p	28,454	27,508	Million \$	Required Reserves	
- 1.3		228p	193	231	Million \$	Excess Reserves	
-66.2		409p	467	1,209	Million \$	Borrowings from FRB	
- 4.1		72.1	73.3	75.2	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
- 0.2		60.9	61.1	61.0	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 5.6		137.8	137.4	130.5	Index, sa	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
- 5.1		112	113	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	1970		1969	Percent Change NOV. -NOV.
			NOVEMBER	OCTOBER	NOVEMBER	
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	264	265	265	- 0.4
	Production Worker Manhours: ¹	Index, sa	122	120	127	- 3.9
	Manufacturing	Index, sa	129	128	135	- 4.5
	Mining	Index, sa	87	84	86	+ 1.2
	Total Construction Contracts Awarded	Million \$, sa	n.a.	180.4	178.8	
	Residential Buildings	Million \$, sa	n.a.	46.7	47.7	
	Nonresidential Buildings	Million \$, sa	n.a.	39.9	74.4	
	All Other Construction	Million \$, sa	n.a.	93.8	56.7	
	Bldg. Permits: New Housing Units ²	Number	2,726	4,025	2,432	+12.1
	MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,612e	2,599p	2,574
Total Civilian Employment		Thousands, sa	2,487e	2,466p	2,486	
Number Unemployed		Thousands, sa	125e	133p	88	+42.0
Unemployment Rate ³		Percent, sa	4.8e	5.1p	3.4	+41.2
Average Weekly Hours in Manufacturing ³		Hours, sa	39.9p	39.7	41.0	- 2.7
EMPLOYMENT BY INDUSTRY SECTOR		Wage and Salary Employment, Nonfarm ³	Thousands, sa	1,926p	1,923	1,922
	Manufacturing	Thousands, sa	370p	375	395	- 6.3
	Mining	Thousands, sa	33p	33	33	
	Construction	Thousands, sa	101p	100	100	+ 1.0
	Transport., Comm., & Public Utilities	Thousands, sa	129p	130	133	- 3.0
	Trade	Thousands, sa	466p	464	465	+ 0.2
	Finance, Insurance & Real Estate	Thousands, sa	90p	90	87	+ 3.4
	Service Industries	Thousands, sa	322p	322	310	+ 3.9
	Government	Thousands, sa	415p	409	399	+ 4.0
	MEASURES OF SPENDING	Total Retail Sales*	Thousands, sa	n.a.	18.3	20.5
New Passenger Car Registrations		Billion \$, saar	160.6	163.2	152.5	+ 5.3
Bank Debits ⁴						

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 NOV., -NOV.,	1970		1969	UNIT	I N D I C A T O R	
	NOVEMBER	OCTOBER	NOVEMBER			
- 5.8	161.4p	162.4	171.4	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
-10.4	104p	105	116	Index, sa	Electrical Energy Consumption: Mfg. and Mining*	
-10.1	107p	107	119	Index, sa	Production Worker Manhours: ¹	
- 2.4	81p	81	83	Index, sa	Manufacturing	
				Index, sa	Mining	
+18.3	6,188.4	4,882.5	5,232.3	Million \$, sa	Total Construction Contracts Awarded	
+17.6	2,263.2	2,076.9	1,924.9	Million \$, sa	Residential Buildings	
+ 9.3	1,937.4	1,614.5	1,772.5	Million \$, sa	Nonresidential Buildings	
+29.5	1,987.8	1,191.1	1,534.9	Million \$, sa	All Other Construction	
+27.8	124.5p	135.5	97.4	Thousands	Bldg. Permits: New Housing Units ⁵	
+ 2.5	83,393p	83,353	81,379	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
	78,535p	78,686	78,528	Thousands, sa	Total Civilian Employment	
+70.4	4,858p	4,667	2,851	Thousands, sa	Number Unemployed	
+65.7	5.8p	5.6	3.5	Percent, sa	Unemployment Rate	
- 2.5	39.6p	39.6	40.6	Hours, sa	Average Weekly Hours in Manufacturing	
- 1.0	70,082p	70,216	70,808	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
- 7.4	18,590p	18,726	20,082	Thousands, sa	Manufacturing	
+ 0.3	626p	620	624	Thousands, sa	Mining	
- 5.7	3,274p	3,273	3,473	Thousands, sa	Construction	
+ 0.6	4,493p	4,502	4,464	Thousands, sa	Transport., Comm., & Public Utilities	
+ 0.5	14,919p	15,004	14,848	Thousands, sa	Trade	
+ 2.7	3,710p	3,696	3,611	Thousands, sa	Finance, Insurance & Real Estate	
+ 2.7	11,694p	11,669	11,383	Thousands, sa	Service Industries	
+ 3.7	12,776p	12,726	12,323	Thousands, sa	Government	
+ 2.9	30,318e	30,484p	29,471	Million \$, sa	Total Retail Sales	MEASURES OF SPENDING
	n.e.	623.3	804.4	Thousands, sa	New Passenger Car Registrations	
+ 8.1	3,297.9p	3,393.9	3,052.1	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

REVIEW OF ECONOMIC DEVELOPMENTS IN 1970

DISTRICT ECONOMY SLOWS DURING 1970 MANUFACTURING SUFFERS CUTBACKS

Economic activity in the Ninth District contracted substantially during 1970. Employment, manufacturers' sales, and agricultural income all declined during the year. Financial flows mirrored these developments; savings inflows soared due to household and business uncertainty, and loan demand slackened. A sharp revival in residential construction in the spring of 1970 was the most encouraging sign on the district economic scene. The district's economy was operating at a reduced level of activity at the end of 1970, with little prospect of a marked recovery in the early months of 1971.

The district's labor force has suffered from the economic slowdown. Total wage and salary employment in the district dropped sharply during the first half of 1970, due primarily to work force reductions in manufacturing and construction strikes. By fall, the level of employment revived somewhat, as renewed construction activity offset further reductions in manufacturing. However, as 1970 drew to a close, district employment was still below the year-earlier level.

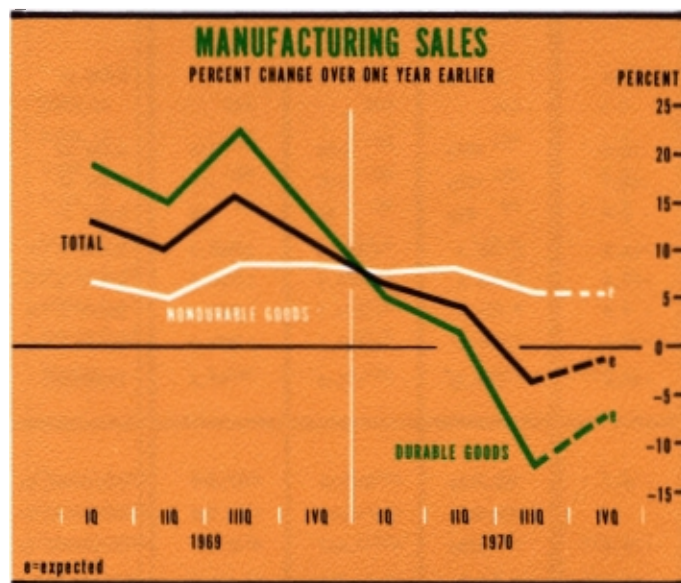
UNEMPLOYMENT RATE HOVERS NEAR 5%

Unemployment rates in both the district and the nation rose sharply during the first half of 1970; in the district, the percentage of the labor force unemployed reached 4.7 percent by mid-year, up from 3.4 percent in January. The national unemployment rate



continued to rise during the remainder of 1970 and by November had reached 5.8 percent. In contrast, the upward trend in the district's unemployment rate moderated in the second half of the year and was hovering at about 5 percent at year end.

Declines in manufacturing sales in the second half of 1970 helped explain the continuous decline in manufacturing employment and output. District third quarter manufacturing sales were 3.7 percent below



their 1969 level, and fourth quarter sales were expected to be 1.3 percent lower than a year earlier. A modest revival in manufacturing sales was anticipated for the first half of 1971, according to the results of the fourth quarter Industrial Expectations Survey.

District farm income in 1970 declined from the level of the previous year. Crop income fell because a mild price rise failed to offset a reduction in yield. Average wheat yields dropped as a result of dry weather in the Dakotas and northwestern Minnesota late in the growing season. The corn crop was adversely affected by dry weather and insect damage. Falling livestock prices, particularly for hogs, also contributed to the decline in farm income.

RENEWED HOMEBUILDING BOOSTS ACTIVITY

Homebuilding experienced a dramatic revival in the spring of 1970, following the sharp cutback that occurred in 1969. By the third quarter, residential construction had regained pre-slump levels. A resurgence of strong savings inflows to mortgage lending institutions combined with an easing in mortgage market conditions sustained the vigorous growth in residential construction through the remainder of 1970.

Savings inflows at district commercial banks picked up in early 1970, and following the June suspension of interest rate ceilings on large CDs, savings inflows assumed dramatic proportions. Seasonally adjusted loans at district member banks, after growing at a steadily slower pace throughout the summer and late fall, dipped slightly in October and remained soft for the rest of the fourth quarter.