

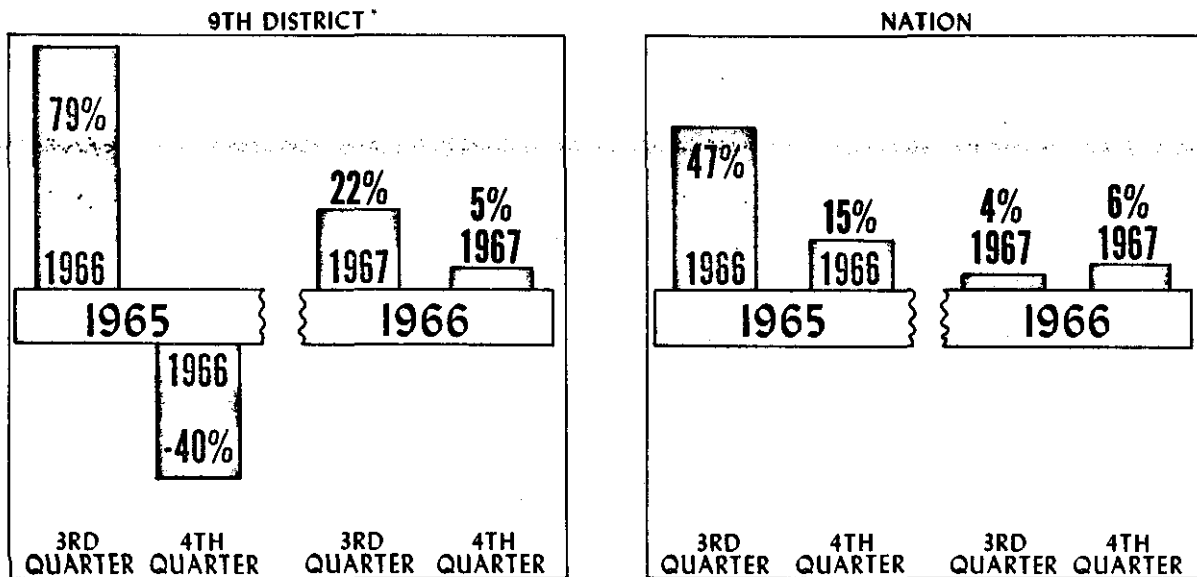
NINTH DISTRICT CONDITIONS MONTHLY STATISTICAL REPORT OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS

DISTRICT DEFENSE SPENDING CONTINUES TO RISE

Business conditions in the Ninth Federal Reserve District remained at high levels in the early part of 1968. The strong upsurge in business activity within the district reflects the rapid increase in aggregate demand that is occurring generally throughout the nation. In fact, the vigorous rate of activity observed so far this year seems to add a great deal of credibility to the "consensus" forecasts made earlier in the year which predicted a growth in the total output of goods and services of about 7 percent over 1967.

One of the stimulants to this strong growth in business activity, both in the district as well as the nation, has been the high level of government expenditures - defense in particular. A partial indicator of the impact of defense spending on the district economy is the volume of prime contracts

VALUE OF DEFENSE CONTRACTS AWARDED



*Includes Minnesota, North Dakota, South Dakota, and Montana

issued by the Defense Department. In the last half of 1967 alone, business firms in the district were awarded prime defense contracts valued at \$340 million - a 15 percent increase above the corresponding period one year earlier.

This high level of defense spending is, in turn, reflected in employment growth in the manufacturing sector of the district. Over the past 12 month period (ending in February) the trend line growth rate for employment in manufacturing was in excess of 5 percent; and a disaggregation of the manufacturing data shows that the technically oriented industries (i.e., those most likely to receive defense contracts) have given the main impetus to the overall rate of growth.

CROP ACREAGES EXPECTED TO DECLINE

Ninth district farmers are planning a slight decrease in 1968 crop acreages according to the March 1 U.S. Department of Agriculture planting intentions report. Significant acreage reductions in all district states are expected in spring wheat, corn and soybeans. An important increase in durum wheat is expected, however, and smaller gains are likely in oats, barley and flax acreages. In all, district farmers are planning to put 53.1 million acres into crops, down 4 percent from the 1967 total.

District acreage planted to corn is expected to run about 9 million acres - a 14 percent decrease compared to 1967 plantings. Nationwide, acres planted to corn are expected to be 8 percent less than last year. The district cutback in corn acreage is a reflection of dry moisture conditions in Southern Minnesota and South Dakota, and participation in government diversion programs. Soybean acreage is expected to drop to 4 million acres from the 4.3 million planted last year. This is a 6 percent decrease for the district compared to 1967. A four percent decrease is anticipated in Minnesota - the district's foremost soybean producing state - while decreases of 20 and 11 percent are expected in North and South Dakota, respectively. A sharp reduction in spring wheat acreage is also anticipated throughout the district. The 8.9 million acres that the district's farmers are intending to plant represent a 12 percent decrease compared to 1967 plantings. A thirteen percent cutback is expected in North Dakota - the district's primary spring wheat producing state. The only crop where a substantial increase in acres is likely to occur is durum wheat. District wide, about 3.4 million acres are expected to be planted - a 20 percent increase over 1967. Acreage will be up 50 percent in Minnesota, 20 percent in North and South Dakota, and 15 percent in Montana. The shift toward durum wheat

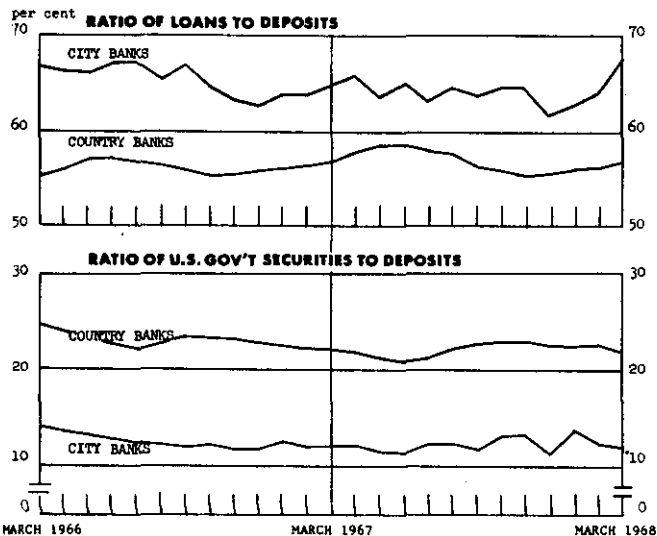
is largely attributable to relatively favorable prices for that particular class of wheat.

CREDIT EXPANSION CONTINUES TO SLOW

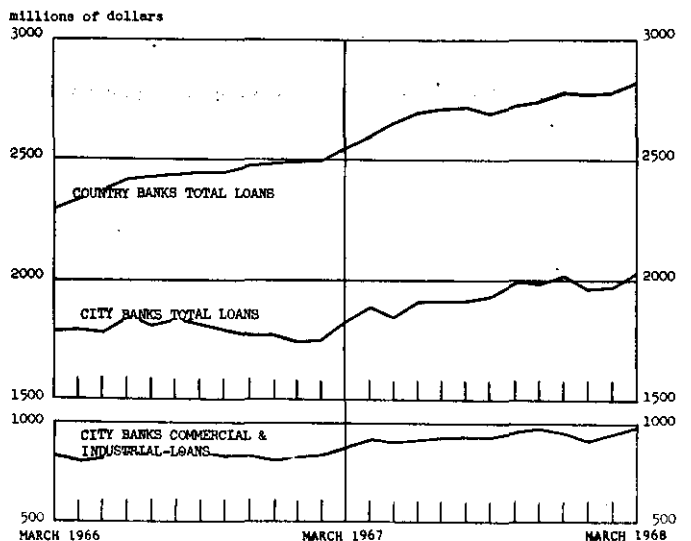
The pace of credit (loans and investments) expansion at district banks, already at a snail pace during February, slowed even further during March. The sharp slowdown observed in the last two months is not unique to the district - banks throughout the nation have experienced a similar trend. Continued softness in the demand for loans and a sharp decline in holdings of U.S. Government securities contributed to the weakness in district bank credit during March. The drop in loan demand, for the most part, was confined to the large city banks. Business loans at these banks, which have been unusually sluggish thus far in 1968, did not advance at all during March. Holdings of municipal and agency securities at district banks as a whole continued to expand at an unusually rapid pace during March; but these holdings do not compose a large enough portion of the total credit picture to have had more than a partially offsetting effect to the general softness in other sectors.

Total deposit growth at district banks also slowed perceptibly during March. Most of this was accounted for by a sharp contraction in the growth rate of demand deposits. The rate of time deposit inflow, however, also declined in March. This occurred primarily at large city banks which experienced a sizable slowdown in consumer-type time deposits as well as a small outflow of large negotiable certificates of deposits - movements which evidence the growing attractiveness of alternative investment opportunities outside the banking system.

9TH DISTRICT MEMBER BANK 'LIQUIDITY' RATIOS



9TH DISTRICT MEMBER BANK LOANS OUTSTANDING



NINTH DISTRICT¹ income and financial indicators

item	unit	1967			1968			9th dist. percent change FEB. to FEB.
		FEBRUARY	MARCH	DECEMBER	JANUARY	FEBRUARY	MARCH	
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION								
Total Personal Income ²								*
Nonagricultural Personal Income								*
Average Weekly Earnings in Manufacturing ³	Dollars	117.57	120.18	126.52p	125.72e	124.50e		+ 5.9
Consumer Instalment Credit Outstanding ⁴	Million \$	994	998	1097	1094	1101		+10.8
Time & Savings Deposits at Member Banks	Million \$	3740	3791	4228	4277	4339	4386	+16.0
Savings Balances at Savings & Loan Assoc. ²	Million \$	2856	2909	3052	3041	3054		
Cash Farm Receipts, Total ²	Million \$	269	272	319	n.a.	n.a.		
Receipts from Crops	Million \$	82	74	126	n.a.	n.a.		
Receipts from Livestock & Produce	Million \$	187	198	193	n.a.	n.a.		
MEASURES OF PRICE LEVELS								
Consumer Price Index ⁵	Index, sa				119.3			
Prices Received by Farmers ⁶	Index, sa	113	112	106	106	110		- 2.6
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS⁷								
CITY BANKS⁸								
Adjusted Loans and Discounts ⁹	Million \$	1751	1829	2013	1968	1972	2025	+12.6
Real Estate Loans	Million \$	320	319	358	359	362	364	+13.1
Commercial and Industrial Loans	Million \$	841	885	968	941	955	988	+13.6
Total Investments	Million \$	677	679	788	877	826	821	+22.0
U.S. Government Obligations	Million \$	343	347	376	446	384	370	+12.0
Other Securities	Million \$	334	332	412	431	442	451	+32.3
Total Deposits	Million \$	2826	2856	3328	3203	3132	3074	+10.8
Gross Demand Deposits	Million \$	1666	1685	1999	1873	1767	1702	+ 6.1
Time Deposits	Million \$	1160	1171	1329	1330	1365	1372	+17.7
COUNTRY BANKS¹⁰								
Loans and Discounts	Million \$	2496	2547	2767	2770	2787	2818	+11.7
Total Investments	Million \$	1729	1737	1978	1977	1977	1969	+14.3
U.S. Government Securities	Million \$	983	992	1122	1114	1116	1101	+13.5
Other Securities	Million \$	746	745	856	863	862	868	+15.5
Total Deposits	Million \$	4435	4486	4981	4928	4943	4962	+11.5
Gross Demand Deposits	Million \$	1855	1866	2083	1981	1969	1948	+ 6.1
Time Deposits	Million \$	2580	2620	2898	2947	2974	3014	+15.3
MEASURES OF RESERVE POSITION AND 'LIQUIDITY' OF MEMBER BANKS								
Reserves:¹¹								
Total Reserves	Million \$	584	573	620	632	621	611	+ 6.3
Required Reserves	Million \$	565	553	602	616	604	598	+ 6.9
Excess Reserves	Million \$	19	20	18	16	17	13	-10.5
Borrowings from FRB	Million \$	3	2	3	2	2	12	-33.3
Ratio of Loans to Total Deposits:⁷								
City Banks	Per Cent	63.6	64.9	61.7	62.7	64.2	67.7	+ 0.9
Country Banks	Per Cent	56.3	56.8	55.6	56.2	56.4	56.8	+ 0.2
Ratio of U.S. Gov't Securities to Deposits:⁷								
City Banks	Per Cent	12.1	12.1	11.3	13.9	12.3	12.0	+ 1.7
Country Banks	Per Cent	22.2	22.1	22.5	22.6	22.6	22.2	+ 1.8

UNITED STATES income and financial indicators

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U.S. ¹⁵ percent change	item	unit	1967			1968	
			FEBRUARY	MARCH	DECEMBER	JANUARY	FEBRUARY
FEB. to FEB.							
	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION						
+ 7.5	Total Personal Income	Billion \$, saar	612.6	615.6	649.3	650.9	658.4p
+ 7.6	Nonagricultural Personal Income	Billion \$, saar	593.0	596.2	628.8	630.3	637.8p
+ 6.8	Average Weekly Earnings in Manufacturing	Dollars	111.88	112.44	119.31	118.00	119.48p
+ 6.9	Consumer Instalment Credit Outstanding ⁴	Billion \$	32.0	32.1	34.0	34.0	34.2
+12.7	Time & Savings Deposits at Member Banks	Billion \$	134.6	137.4	148.2	150.3	151.7
+ 8.4	Savings Balances at Savings & Loan Assoc.	Billion \$	115.0	116.4	124.6	124.1	124.7p
	Cash Farm Receipts, Total	Billion \$	2.7	2.8	3.8	n.a.	n.a.
	Receipts from Crops	Billion \$.9	.8	1.9	n.a.	n.a.
	Receipts from Livestock & Produce	Billion \$	1.8	2.0	1.9	n.a.	n.a.
	MEASURES OF PRICE LEVELS						
+ 3.6	Consumer Price Index	Index, sa	114.8	115.0	118.2	118.6	119.0
+ 2.9	Prices Received by Farmers	Index, sa	104	103	105	105	107
	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS⁷						
	CITY BANKS⁸						
+ 7.1	Adjusted Loans and Discounts ⁹	Billion \$	131.2	133.0	143.3	141.8	140.5
+ 7.0	Real Estate Loans	Billion \$	27.2	27.1	29.0	29.0	29.1
+ 7.8	Commercial and Industrial Loans	Billion \$	60.4	62.0	65.9	65.0	65.1
+16.9	Total Investments	Billion \$	53.8	56.1	61.8	62.1	62.9
+12.1	U.S. Government Obligations	Billion \$	25.6	26.8	28.3	28.1	28.7
+21.3	Other Securities	Billion \$	28.2	29.3	33.5	34.0	34.2
+10.5	Total Deposits	Billion \$	200.5	202.7	228.7	224.3	221.5
+ 9.4	Gross Demand Deposits	Billion \$	106.5	106.6	125.7	120.1	116.5
+11.7	Time Deposits	Billion \$	94.0	96.1	103.0	104.2	105.0
	COUNTRY BANKS¹⁰						
+10.3	Loans and Discounts	Billion \$	44.7	45.4	49.4	49.1	49.3
+16.7	Total Investments	Billion \$	29.4	29.5	33.6	34.1	34.3
+10.7	U.S. Government Securities	Billion \$	16.8	16.8	18.5	18.5	18.6
+24.6	Other Securities	Billion \$	12.6	12.7	15.1	15.6	15.7
+11.4	Total Deposits	Billion \$	78.6	79.2	88.1	87.2	87.6
+ 7.6	Gross Demand Deposits	Billion \$	38.0	37.9	42.9	41.1	40.9
+15.0	Time Deposits	Billion \$	40.6	41.3	45.2	46.1	46.7
	MEASURES OF RESERVE POSITION AND 'LIQUIDITY' OF MEMBER BANKS						
	<u>Reserves:¹¹</u>						
+ 8.0	Total Reserves	Million \$	23,703	23,373	25,378	25,774p	25,595p
+ 8.0	Required Reserves	Million \$	23,341	22,952	24,981	25,424p	25,211p
+ 6.1	Excess Reserves	Million \$	362	421	397	350p	384p
+ 1.4	Borrowings from FRB	Million \$	363	203	247	220	368
	<u>Ratio of Loans to Total Deposits:⁷</u>						
- 2.7	City Banks	Per Cent	67.0	67.2	64.5	64.7	65.2
- 1.0	Country Banks	Per Cent	56.9	57.3	56.0	56.3	56.3
	<u>Ratio of U.S. Gov't Securities to Deposits:⁷</u>						
+ 1.6	City Banks	Per Cent	12.8	13.2	12.4	12.5	13.0
- 0.5	Country Banks	Per Cent	21.4	21.2	21.0	21.2	21.3

6 NINTH DISTRICT¹ production and employment indicators

9th dist.
percent
change

item	unit	1967			1968			FEB. to FEB.
		FEBRUARY	MARCH	DECEMBER	JANUARY	FEBRUARY	MARCH	
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION								
Total Industrial Production:								*
Manufacturing								*
Mining								*
Utilities								*
Electrical Energy Consumption: Mfg. & Mining	Index, sa	201	203	218	225	230		+ 14.4
Manufacturing	Index, sa	186	188	201	208	208		+ 11.8
Mining	Index, sa	275	275	303	309	333		+ 21.1
Production Worker Manhours: Mfg. & Mining	Index, sa	119	118	116	119p	n.a.		
Manufacturing	Index, sa	124	124	126	129p	n.a.		
Mining	Index, sa	93	91	71	72p	n.a.		
Total Construction Contracts Awarded	Million \$, sa	79.0	161.6	164.4	173.8	n.a.		
Residential Buildings	Million \$, sa	27.9	31.9	63.7	62.8	n.a.		
Nonresidential Buildings	Million \$, sa	35.1	35.8	47.5	70.4	n.a.		
All Other Construction	Million \$, sa	16.0	93.9	53.2	40.6	n.a.		
Bldg. Permits: New Housing Units ¹²	Number	848	1405	1631	1442	1768		+108.5
MEASURES OF MANPOWER UTILIZATION³								
Civilian Work Force								
Total Civilian Employment	Thousands, sa	2472	2506	2518	2537p	2524e		+ 2.1
Number Unemployed	Thousands, sa	81	84	89	86p	83e		+ 2.5
Unemployment Rate	Per Cent, sa	3.3	3.4	3.5	3.4p	3.3e		0.0
Average Weekly Hours in Manufacturing	Hours, sa	41.0	41.5	41.6p	41.5e	41.6e		+ 1.5
EMPLOYMENT BY INDUSTRY SECTOR³								
Wage and Salary Employment, Nonfarm								
Manufacturing	Thousands, sa	1768	1778	1801	1819p	1825e		+ 3.2
Mining	Thousands, sa	368	369	370	374p	374e		+ 1.6
Mining	Thousands, sa	36	36	29	29p	31e		- 13.9
Construction	Thousands, sa	97	97	98	103p	105e		+ 8.2
Transport., Comm., & Public Utilities	Thousands, sa	129	129	129	130p	130e		+ 0.8
Trade	Thousands, sa	424	427	435	439p	442e		+ 4.2
Finance, Insurance & Real Estate	Thousands, sa	78	79	81	81p	81e		+ 3.8
Service Industries	Thousands, sa	268	271	282	283p	282e		+ 5.2
Government	Thousands, sa	368	370	377	380p	380e		+ 3.3
Number of Workers on Farms	Thousands, sa	363	391	370	379p	359e		- 1.1
MEASURES OF SPENDING								
Total Retail Sales								
Durable Goods	Million \$, sa	847	905	956p	n.a.	n.a.		*
Nondurable Goods	Million \$, sa	577	607	666p	n.a.	n.a.		
GAF ¹³	Million \$, sa	174	185	189p	n.a.	n.a.		
New Passenger Car Registrations	Thousands, sa	16.8	19.5	15.8	17.6	n.a.		
Bank Debits ¹⁴	Billion \$, saar	96.1	97.3	105.6	114.4	112.1		+ 16.6

UNITED STATES production and employment indicators 7

U.S. ¹⁵ percent change FEB. to FEB.	item	unit	1967			1968	
			FEBRUARY	MARCH	DECEMBER	JANUARY	FEBRUARY
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION							
+ 2.5	Total Industrial Production:	Index, sa	157	156	162	161	161p
+ 3.2	Manufacturing	Index, sa	158	158	164	163	163p
+ 2.4	Mining	Index, sa	122	122	123	123	125p
+ 7.8	Utilities	Index, sa	180	182	192	192	194p
*	Electrical Energy Consumption: Mfg. & Mining						
*	Manufacturing						
*	Mining						
- 0.9	Production Worker Manhours: Mfg. & Mining	Index, sa	114	113	115	114p	113p
+ 0.8	Manufacturing	Index, sa	117	116	118	118p	118p
-12.2	Mining	Index, sa	82	79	78	73p	72p
+12.8	Total Construction Contracts Awarded	Million \$, sa	4275.8	4157.9	4831.8	4785.8	4823.0
+41.6	Residential Buildings	Million \$, sa	1430.5	1410.5	1812.6	2026.9	2025.2
-12.5	Nonresidential Buildings	Million \$, sa	1823.3	1646.6	1838.9	1599.4	1595.0
+17.7	All Other Construction	Million \$, sa	1022.0	1100.8	1180.3	1159.5	1202.8
+61.3	Bldg. Permits: New Housing Units ¹²	Thousands	55.5	87.7	83.3	73.2	89.5
MEASURES OF MANPOWER UTILIZATION							
+ 2.1	Civilian Work Force	Thousands, sa	77,025	76,523	78,473	77,923	78,672
+ 2.2	Total Civilian Employment	Thousands, sa	74,137	73,747	75,577	75,167	75,731
+ 1.8	Number Unemployed	Thousands, sa	2888	2776	2896	2756	2941
0.0	Unemployment Rate	Per Cent, sa	3.7	3.6	3.7	3.5	3.7
+ 1.0	Average Weekly Hours in Manufacturing	Hours, sa	40.3	40.4	40.7	40.2	40.7
EMPLOYMENT BY INDUSTRY SECTOR							
+ 3.0	Wage and Salary Employment, Nonfarm	Thousands, sa	65,692	65,749	67,126	67,146	67,694p
+ 0.3	Manufacturing	Thousands, sa	19,507	19,445	19,491	19,501	19,567p
- 3.8	Mining	Thousands, sa	624	624	598	596	600p
+ 3.4	Construction	Thousands, sa	3352	3313	3353	3216	3467p
+ 1.6	Transport., Comm., & Public Utilities	Thousands, sa	4247	4246	4290	4301	4317p
+ 3.5	Trade	Thousands, sa	13,541	13,557	13,870	13,919	14,016p
+ 4.9	Finance, Insurance & Real Estate	Thousands, sa	3165	3179	3304	3310	3321p
+ 5.4	Service Industries	Thousands, sa	9883	9946	10,331	10,369	10,414p
+ 5.4	Government	Thousands, sa	11,373	11,439	11,888	11,934	11,992p
+ 6.1	Number of Workers on Farms	Thousands, sa	3890	3855	4216	4003	4127
MEASURES OF SPENDING							
+ 7.7	Total Retail Sales	Million \$, sa	25,470	25,739	26,470	27,039p	27,433e
+ 9.2	Durable Goods	Million \$, sa	7955	8150	8327	8511p	8691e
+ 7.0	Nondurable Goods	Million \$, sa	17,515	17,589	18,143	18,528p	18,742e
	GAF 13	Million \$, sa	6145	6048	6411	6464p	n.a.
	New Passenger Car Registrations	Thousands, sa	593.0	632.6	652.7	714.6	n.a.
+12.5	Bank Debits ¹⁴	Billion \$, saar	2180.7	2172.5	2381.9	2461.2	2453.8

DISTRICT SURVEY RESULTS SHOW:

strong farm loan demand — rising interest rates

A general feeling of uncertainty was the prevailing attitude expressed by Ninth district agricultural bankers responding to the April 1 farm credit conditions survey. A variety of factors has tended to dampen the overall outlook in the next few months. The primary causes for concern center around low commodity price expectations and dry soil conditions in Minnesota and South Dakota.

Farm Income Situation - The survey left little question as to the impact of present price levels on farm income, as nearly 50 percent of the bankers reported that current farm incomes were below those of a year ago. Prospects for higher livestock prices during the next few months, however, provided some basis for an expected improvement in income - perhaps to year ago levels - during the second quarter. The farm spending pattern reflects the uncertain income situation with spending reported to be at or below last years level. Farmers are reported to be especially cautious in terms of larger financial commitments.

Demand For Farm Loans - The demand for farm credit is reported as strong but little changed from the first of the year. The demand for credit to refinance outstanding debt is reported to be above normal by one-third of the bankers and, given the income situation, is expected to be a major reason for borrowing in the coming months. While the demand for long-term real estate credit is generally at or above normal levels, some drop in demand is expected during the second quarter. This anticipated shift is caused, according to the bankers, by a combination of high land prices, increasing long-term interest rates and lower farm incomes. In spite of current farm credit pressures the bankers indicated an ample supply of funds available to meet the financial needs of the farmers.

Farm Loan Interest Rates - Interest rates on farm loans are continuing their upward spiral, as the proportion of bankers charging from 7-8 percent on both short and long-term loans have generally increased. Long-term rates, however, appear to have moved upward at a faster pace during recent months than have short-term rates. This is due, apparently, to recent increases in interest charges by non-banking lending agencies.