

monthly statistical report

NINTH DISTRICT CONDITIONS federal reserve bank of minneapolis



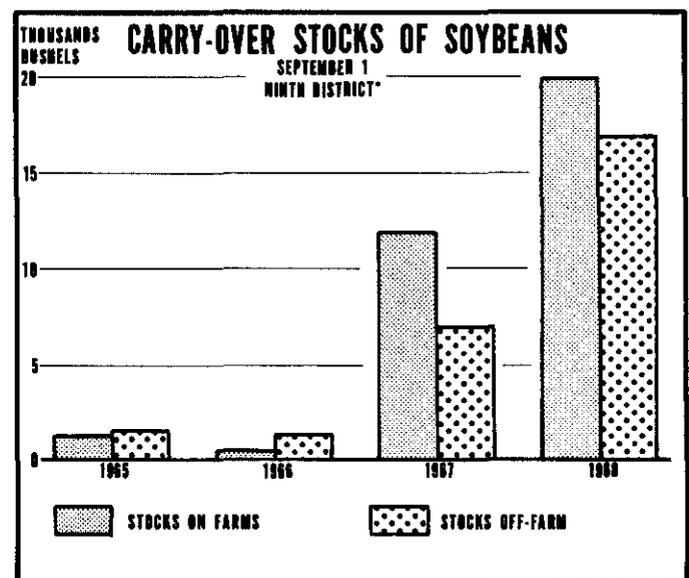
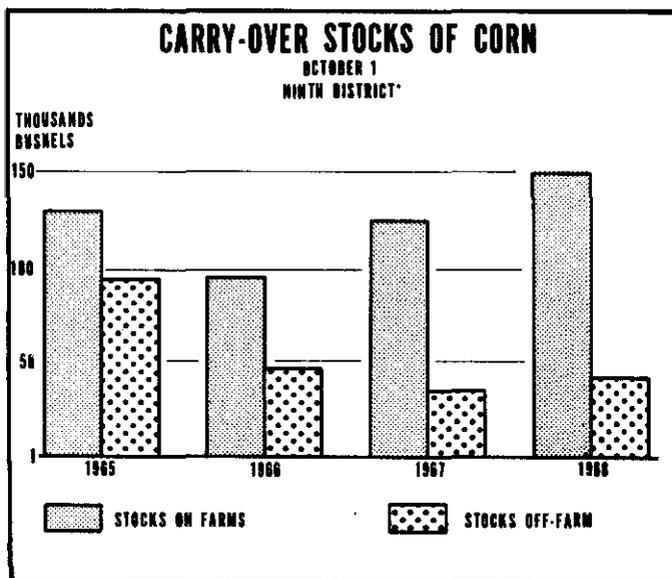
BUMPER CORN AND SOYBEAN CROPS PREDICTED - LARGE CARRY-OVER STOCKS ADD TO ABUNDANT SUPPLY

The Ninth Federal Reserve District appears to be leading the nation in displaying this year's surprising development of large crops of corn and soybeans. Recent estimates by the Department of Agriculture show 1968 district production of these commodities - the district's second and third largest cash crops, respectively - at approximately 487 million bushels of corn, or 107 percent of last year's production, and 92 million bushels of soybeans, or 116 percent of the year-ago level. Total national production of corn was expected to be 97 percent of last year's record level. The corresponding estimate of the soybean crop was 110 percent.

These estimates represent significant upward revisions from the Department's original estimates of 1968 crops which were: corn, 94 percent of the 1967 level for both the district and the nation, and soybeans, 109 percent, also for both the district and the nation. It appears obvious, now, that these revisions were called for as a

result of exceptionally favorable late summer growing conditions.

Adding to the large 1968 district supplies are unusually large stocks carried over from last year's production. Also, a greater-than-usual share of these carry-over stocks were reported as being held on farms. The large hold-over on farms in the Ninth district together with this year's expected large supplies of corn and soybeans have likely caused farmers to market these commodities heavily during harvest primarily because of a lack of available farm storage space. Heavy farm marketing now would be an additional downward force on local prices which are already considerably depressed by low general price levels. (Averages of representative weekly cash prices at Chicago for the month of October were \$1.06 1/8 per bushel for #2 yellow corn and \$2.46 3/4 per bushel for #1 yellow soybeans.) These two situations, large district supplies and low general levels of prices, are expected to add up to relatively low returns to the corn and soybean producer in the Ninth district this year. On the other hand, they



*EXCLUDES NW WISCONSIN & UPPER MICHIGAN

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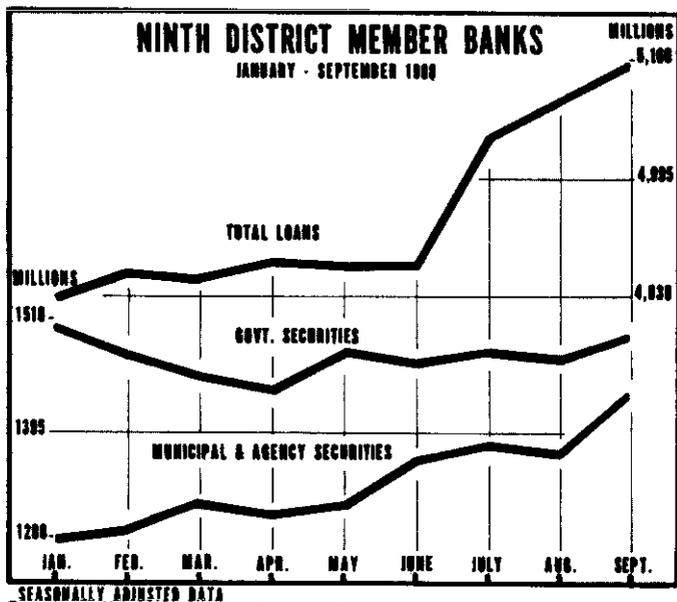
will offer some higher potential returns for firms with commodity storage space available.

Harvesting of corn in the district is generally behind normal stages for this date and much of the crop is high in moisture content. Both are due to wet weather which occurred earlier in the harvest period. If the remainder of the harvesting operations are forced to proceed without the benefit of dry weather, returns for the production of corn in the district could be further reduced by field losses and quality discounts. Since customary discount procedures deduct a larger percent of value from low-priced corn than from higher priced corn, the potential percentage of reduction in total return to producers of this year's district corn crop due to poor quality is large by comparison to other years.

Some abnormally high field losses have already been reported for soybeans, but the effect on the size of the harvest is not yet known. It appears that, generally, there has yet been no significant deterioration in quality of district soybeans as a result of weather conditions.

TOTAL LOANS AND INVESTMENTS RISE AS HOLDINGS OF SECURITIES INCREASE

Total loans and investments at Ninth district member banks rose sharply in September following a seasonal advance during August. The pickup in the pace of bank credit expansion was concentrated entirely in the investment sector as holdings of both U. S. Treasury and other (primarily municipal and Federal agency) securities rose sharply after having declined during August.



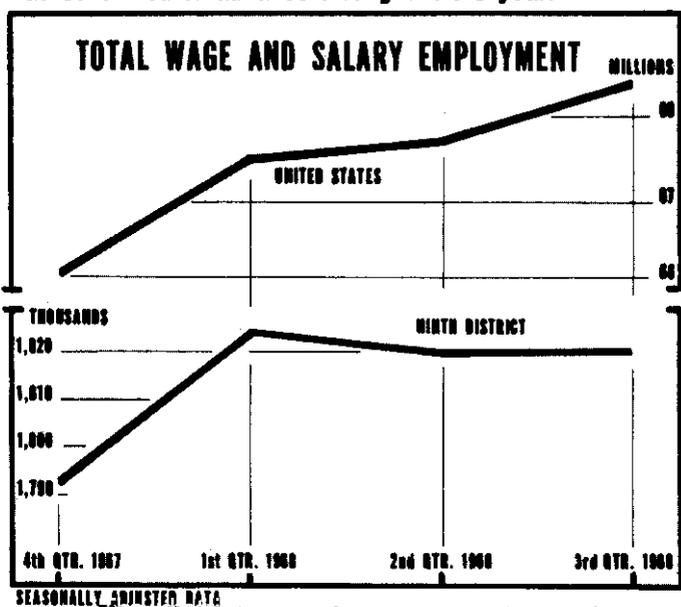
Outstanding loans advanced at a seasonal rate during September - somewhat slower than the pace maintained during the preceding month. Apparently the easing in the rate of loan growth represented only a pause for breath because recent reports point to a renewed surge during

the early weeks of October. The larger city banks, in particular, have reported an unusually sharp increase in demand during October which extends to all major loan categories but is especially vigorous in business loans and loans to sales finance and personal finance companies. Strength in these two sectors may reflect increased activity in automobile sales with expanded financing to auto dealers and to firms that make auto installment loans to consumers.

Time deposits continued to flow into district member banks during September at the same rapid pace recorded during August. Again, as during August, the unusually heavy inflow reflected strength in both smaller, consumer-oriented time deposits such as savings certificates, and larger, negotiable certificates of deposit which are tailored to the needs of corporations and local governments. Time deposit inflow apparently did not weaken in the early weeks of October as a slowdown in the inflow of large negotiable CD's has apparently been offset by a heavier inflow of consumer-type CD's.

ECONOMIC ACTIVITY SLOWS - UNEMPLOYMENT RATE MOVES UPWARD

Third quarter business conditions in the Ninth Federal Reserve District point to a slowdown in district economic activity, as most important district indicators failed to show any significant improvement over levels set during this year's first two quarters. Offsetting movements in the major employment sectors resulted in a level of total wage and salary employment in the district which was virtually unchanged from levels set during this year's first two quarters. This is in contrast to the the national economy where wage and salary employment has continued to advance throughout the year.



The district unemployment rate during the first two months of the third quarter averaged slightly above 3.8 percent which is three tenths of one percent above the second quarter figure. A decrease in the civilian

work force, by one percent from the second quarter to the third, was a contributing factor to the increase in the unemployment rate. This reflects, at least in part, a slowdown in district employment opportunities.

Ninth district industrial activity showed signs of leveling off in the third quarter. This was one of the primary reasons for the relative weakness in district employment. Manufacturing employment has slowed substantially after being one of the main elements in the strong upward movement during the latter part of 1967 and early 1968. The third quarter employment level in manufacturing within the district was down at an annual rate of 1.2 percent from the second quarter. These figures are consistent with sales projections made earlier by respondents to our Quarterly Industrial Expectations Survey with regard to both the district performance relative to its recent history, as well as the national performance.

Very moderate increases in Ninth district trade and service employment during the third quarter helped to offset decreases in other sectors of the district economy. In this respect the district economy has been following the same trend as the nation, for it was unexpected third quarter increases in consumer spending that recently have been stimulating the national economy. Also contributing to the third quarter slowdown was the fact that employment in the government sector, a relatively large employer in the district, was essentially unchanged from the second quarter level.

MIXED TRENDS EXHIBITED BETWEEN BUILDING AND NON-BUILDING CONSTRUCTION ACTIVITY

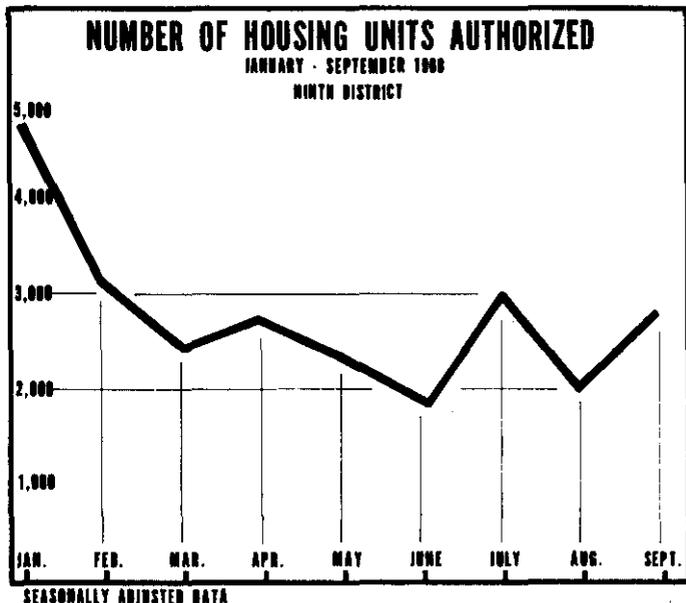
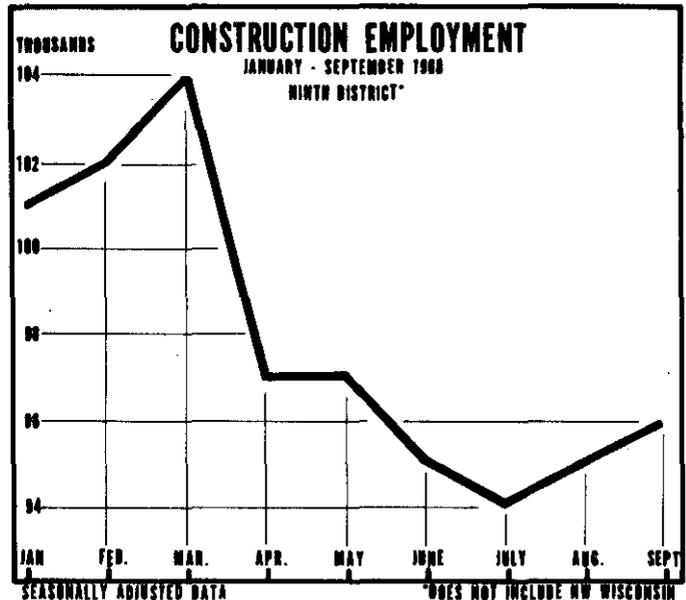
Construction activity in the Ninth district began its usual fall slowdown in September. The downturn, however, was less than normal as employment adjusted for seasonal factors rose about 1 percent to reach 95,600 at mid-September, about the same increase as was experienced in August. This represents the second consecutive monthly gain following the downtrend throughout the second quarter. Construction employment in September was about 2 percent above the year-ago level, but the increase since last year has not been uniform among all sectors. Increases in employment have occurred in building construction while employment in the non-building sector is lower than a year ago.

Reflecting the continuing recovery in the housing industry in the Ninth district, the number of housing units authorized through building permits rebounded in September after falling in August. After adjusting for seasonal influences, the number of housing units authorized during the third quarter was more than 10 percent greater than during the second quarter and 3 percent higher than during the third quarter last year.

The non-residential sector of the Ninth district

construction industry, including both building and non-building construction, does not seem to be expanding as rapidly as residential construction. Although the value of construction contracts awarded in the district increased by 1 percent during the third quarter, the gain was much smaller than the increase experienced in the second quarter and was substantially less than the gain recorded in the housing sector.

Mortgage interest rates for new homes in the Minneapolis-St. Paul Metropolitan area continued to increase during September. Even though mortgage rates stabilized for the nation, interest rates in the Minneapolis-St. Paul area rose 5 basis points to a record-breaking 7.47 percent. Last September, the average mortgage interest rate was 6.69 percent. Because of a slowing down in the rate of savings inflow to thrift institutions and a continuing strong demand for mortgage funds, interest rates are expected to remain relatively constant at least through the rest of this year.



NINTH DISTRICT¹ income and financial indicators9th di
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item	unit	1967		1968		SEPT. to S	
		SEPTEMBER	OCTOBER	JULY	AUGUST		SEPTEMBER
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION							
Total Personal Income ²							
Nonagricultural Personal Income							
Average Weekly Earnings in Manufacturing ³	Dollars	121.15	122.88	125.81	126.52p	127.85e	+ 5.5
Consumer Instalment Credit Outstanding ⁴	Million \$	1,087	1,091	1,195	1,235	1,253	+15.3
Time & Savings Deposits at Member Banks	Million \$	4,112	4,154	4,563	4,626	4,670	4,744 +13.6
Savings Balances at Savings & Loan Assoc. ²	Million \$	3,002	2,998	3,122	3,137	3,173p	+ 5.7
Cash Farm Receipts, Total ²	Million \$	373	458	283	377	n.a.	
Receipts from Crops	Million \$	159	191	108	174	n.a.	
Receipts from Livestock & Produce	Million \$	214	267	175	203	n.a.	
MEASURES OF PRICE LEVELS							
Consumer Price Index ⁵							
Prices Received by Farmers ⁶	Index	112	108	117	114	117	112 + 4.5
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS⁷							
CITY BANKS⁸							
Adjusted Loans and Discounts ⁹	Million \$	1,936	1,987	2,083	2,080	2,114	2,198 + 9.2
Real Estate Loans	Million \$	346	351	391	396	406	415 +17.3
Commercial and Industrial Loans	Million \$	943	969	983	986	1,007	1,046 + 6.8
Total Investments	Million \$	725	785	841	841	873	902 +20.4
U.S. Government Obligations	Million \$	361	408	362	370	377	377 + 4.4
Other Securities	Million \$	364	377	479	471	496	525 +36.3
Total Deposits	Million \$	3,096	3,103	3,271	3,265	3,379	3,410 + 9.1
Gross Demand Deposits	Million \$	1,802	1,795	1,851	1,814	1,911	1,915 + 6.0
Time Deposits	Million \$	1,294	1,308	1,420	1,451	1,468	1,495 +13.4
COUNTRY BANKS¹⁰							
Loans and Discounts	Million \$	2,699	2,720	3,028	3,051	3,057	3,075 +13.3
Total Investments	Million \$	1,879	1,928	1,945	1,992	2,050	2,150 + 9.1
U.S. Government Securities	Million \$	1,085	1,111	1,067	1,094	1,128	1,193 + 4.0
Other Securities	Million \$	794	817	878	898	922	957 +16.1
Total Deposits	Million \$	4,796	4,872	5,160	5,224	5,308	5,427 +10.8
Gross Demand Deposits	Million \$	1,978	2,026	2,017	2,049	2,106	2,179 + 6.5
Time Deposits	Million \$	2,818	2,846	3,143	3,175	3,202	3,248 +13.6
MEASURES OF RESERVE POSITION AND 'LIQUIDITY' OF MEMBER BANKS							
<u>Reserves: 11</u>							
Total Reserves	Million \$	596	620	630	639	641	655 + 7.6
Required Reserves	Million \$	578	602	617	624	629	646 + 8.8
Excess Reserves	Million \$	18	18	13	15	12	9 -33.3
Borrowings from FRB	Million \$	0	3	27	18	23	20
<u>Ratio of Loans to Total Deposits: 7</u>							
City Banks	Per Cent	63.7	64.6	64.5	65.2	65.0	65.4 + 2.0
Country Banks	Per Cent	56.3	55.8	58.7	58.4	57.6	56.7 + 2.3
<u>Ratio of U.S. Gov't Securities to Deposits: 7</u>							
City Banks	Per Cent	11.7	13.1	11.1	11.3	11.2	11.1 - 4.3
Country Banks	Per Cent	22.6	22.8	20.7	20.9	21.2	22.0 - 6.2

UNITED STATES income and financial indicators

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U.S. ¹⁵ percent change	item	unit	1967		1968			
					JULY	AUGUST	SEPTEMBER	OCTOBER
			SEPT.	OCT.				
	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION							
+ 9.7	Total Personal Income	Billion \$, saar	637.0	638.0	689.2	694.1	698.6p	
+ 9.8	Nonagricultural Personal Income	Billion \$, saar	617.1	618.8	668.7	673.3	677.5p	
+ 6.3	Average Weekly Earnings in Manufacturing	Dollars	116.85	116.28	122.10	121.39	124.23p	
+ 12.0	Consumer Instalment Credit Outstanding ⁴	Billion \$	33.4	33.7	36.5	37.1	37.4	
+ 8.6	Time & Savings Deposits at Member Banks	Billion \$	146.2	147.2	155.5	157.9	158.8	
+ 5.7	Savings Balances at Savings & Loan Assoc.	Billion \$	121.9	122.4	127.3	127.7	128.8p	
	Cash Farm Receipts, Total	Billion \$	4.0	4.9	3.4	3.8	n.a.	
	Receipts from Crops	Billion \$	1.8	2.6	1.5	1.6	n.a.	
	Receipts from Livestock & Produce	Billion \$	2.2	2.3	1.9	2.2	n.a.	
	MEASURES OF PRICE LEVELS							
+ 4.4	Consumer Price Index	Index, sa	117.1	117.5	121.5	121.9	122.2	
+ 4.8	Prices Received by Farmers	Index	105	104	108	108	110	
	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS⁷							
	CITY BANKS⁸							
+ 9.6	Adjusted Loans and Discounts ⁹	Billion \$	138.0	137.4	149.8	148.6	151.3	
+ 9.5	Real Estate Loans	Billion \$	28.3	28.5	30.4	30.7	31.0	
+ 9.5	Commercial and Industrial Loans	Billion \$	63.4	63.1	69.2	68.1	69.4	
+ 10.7	Total Investments	Billion \$	59.7	61.7	62.2	64.1	66.1	
+ 5.9	U.S. Government Obligations	Billion \$	27.0	28.7	27.1	27.8	28.6	
+ 14.7	Other Securities	Billion \$	32.7	33.0	35.1	36.3	37.5	
+ 7.4	Total Deposits	Billion \$	214.7	215.9	228.8	225.3	230.5	
+ 7.8	Gross Demand Deposits	Billion \$	113.0	113.7	122.4	117.0	121.8	
+ 6.9	Time Deposits	Billion \$	101.7	102.2	106.4	108.3	108.7	
	COUNTRY BANKS¹⁰							
+ 11.8	Loans and Discounts	Billion \$	48.2	48.6	52.6	53.0	53.9	
+ 8.0	Total Investments	Billion \$	32.4	33.0	34.5	34.7	35.0	
+ 0.6	U.S. Government Securities	Billion \$	18.0	18.3	18.0	18.1	18.1	
+ 17.4	Other Securities	Billion \$	14.4	14.7	16.5	16.6	16.9	
+ 10.3	Total Deposits	Billion \$	84.6	85.7	91.5	91.9	93.3	
+ 7.5	Gross Demand Deposits	Billion \$	40.1	40.7	42.4	42.3	43.1	
+ 12.8	Time Deposits	Billion \$	44.5	45.0	49.1	49.6	50.2	
	MEASURES OF RESERVE POSITION AND 'LIQUIDITY' OF MEMBER BANKS							
	<u>Reserves:¹¹</u>							
+ 7.6	Total Reserves	Million \$	24,123	24,665	26,071	26,033	25,960p	
+ 7.7	Required Reserves	Million \$	23,789	24,324	25,702	25,696	25,628p	
- 0.6	Excess Reserves	Million \$	334	341	369	337	332p	
+512.2	Borrowings from FRB	Million \$	82	129	531	576	502	438
	<u>Ratio of Loans to Total Deposits:⁷</u>							
+ 2.0	City Banks	Per Cent	66.0	*65.4	67.2	67.8	67.3	
+ 1.4	Country Banks	Per Cent	57.0	56.7	57.4	57.7	57.8	
	<u>Ratio of U.S. Gov't Securities to Deposits:⁷</u>							
- 1.6	City Banks	Per Cent	12.6	13.3	11.8	12.3	12.4	
- 8.0	Country Banks	Per Cent	21.2	21.4	19.7	19.7	19.5	

6 NINTH DISTRICT¹ production and employment indicators

9th dist.
percent
change

item	unit	1967		1968		SEPT. to SEPT.	
		SEPTEMBER	OCTOBER	JULY	AUGUST		SEPTEMBER
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION							
Total Industrial Production:							
Manufacturing							
Mining							
Utilities							
Electrical Energy Consumption: Mfg. & Mining	Index, sa	214	212	226	241	240	+ 12.1
Manufacturing	Index, sa	196	195	210	221	222	+ 13.3
Mining	Index, sa	299	295	301	340	328	+ 9.7
Production Worker Manhours: Mfg. & Mining	Index, sa	116	115	120	122	124p	+ 6.9
Manufacturing	Index, sa	125	124	127	130	132p	+ 5.6
Mining	Index, sa	77	76	86	87	85p	+ 10.4
Total Construction Contracts Awarded	Million \$, sa	140.4	141.9	193.1	199.2	190.0	+ 35.3
Residential Buildings	Million \$, sa	50.2	56.3	67.4	59.8	58.6	+ 16.7
Nonresidential Buildings	Million \$, sa	45.9	39.8	62.2	63.3	36.4	- 20.7
All Other Construction	Million \$, sa	44.3	45.8	63.5	76.1	95.0	+114.4
Bldg. Permits: New Housing Units ¹²	Number	2,468	2,684	2,895	2,253	3,076	+ 24.6
MEASURES OF MANPOWER UTILIZATION³							
Civilian Work Force							
Total Civilian Employment	Thousands, sa	2,480	2,484	2,466	2,474p	2,515p	+ 1.4
Number Unemployed	Thousands, sa	94	92	94	95p	96p	+ 2.1
Unemployment Rate	Per Cent, sa	3.8	3.7	3.8	3.9p	3.8p	0.0
Average Weekly Hours in Manufacturing	Hours, sa	41.4	41.3	41.1	41.4p	41.3e	- 0.2
EMPLOYMENT BY INDUSTRY SECTOR³							
Wage and Salary Employment, Nonfarm							
Manufacturing	Thousands, sa	1,784	1,786	1,810	1,823p	1,832p	+ 2.7
Mining	Thousands, sa	362	362	369	374p	376p	+ 3.9
Construction	Thousands, sa	30	29	32	33p	33p	+ 10.0
Transport., Comm., & Public Utilities	Thousands, sa	93	94	94	94p	95p	+ 2.2
Trade	Thousands, sa	129	129	130	130p	129p	0.0
Finance, Insurance & Real Estate	Thousands, sa	431	432	439	440p	443p	+ 2.8
Service Industries	Thousands, sa	81	81	81	82p	82p	+ 1.2
Government	Thousands, sa	278	279	286	288p	288p	+ 3.6
Number of Workers on Farms	Thousands, sa	380	380	379	382p	386p	+ 1.6
MEASURES OF SPENDING							
Total Retail Sales							
Durable Goods	Million \$, sa	866	880				
Nondurable Goods	Million \$, sa	600	606				
GAF ¹³	Million \$, sa	169	172				
New Passenger Car Registrations	Thousands, sa	22.0	18.6	18.1	23.9	n.a.	
Bank Debits ¹⁴	Billion \$, saar	101.2	99.2	123.2	125.7	123.8	+ 22.3

Retail Sales Series Discontinued as of June, 1968.

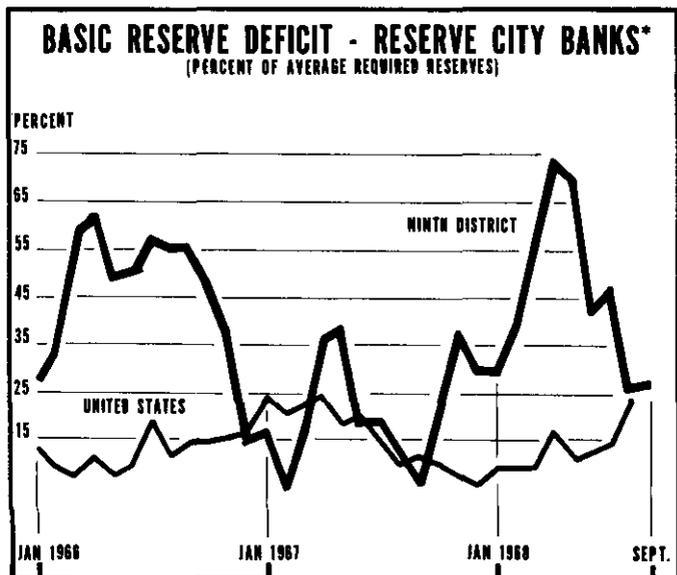
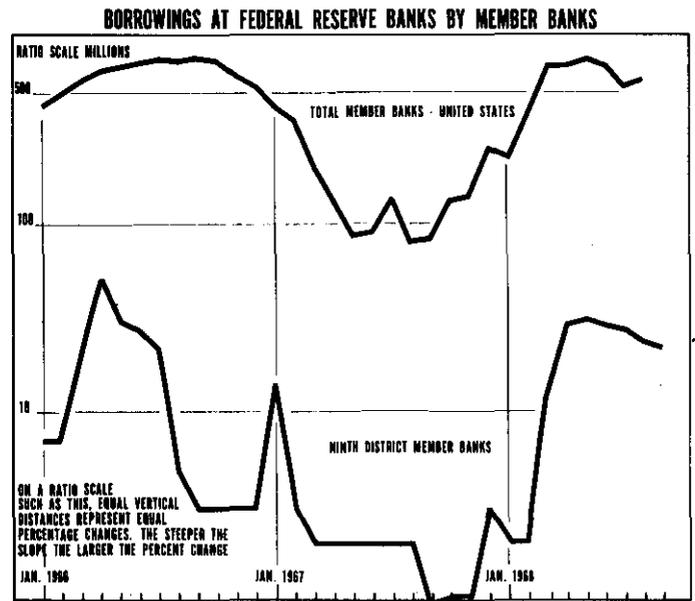
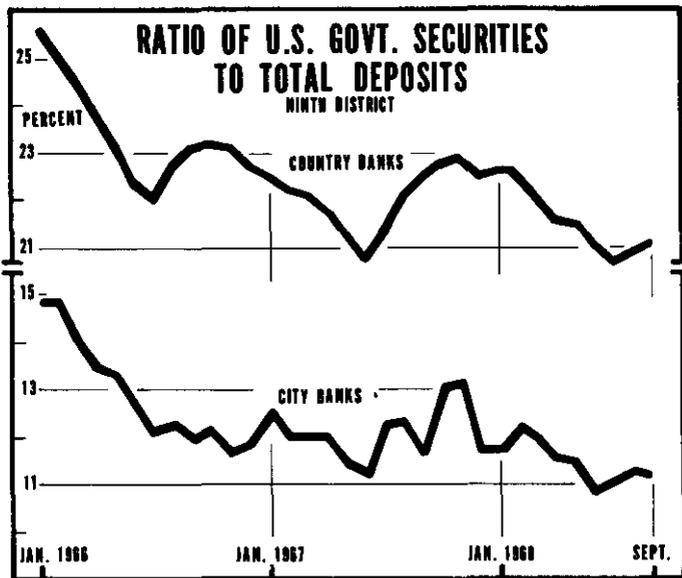
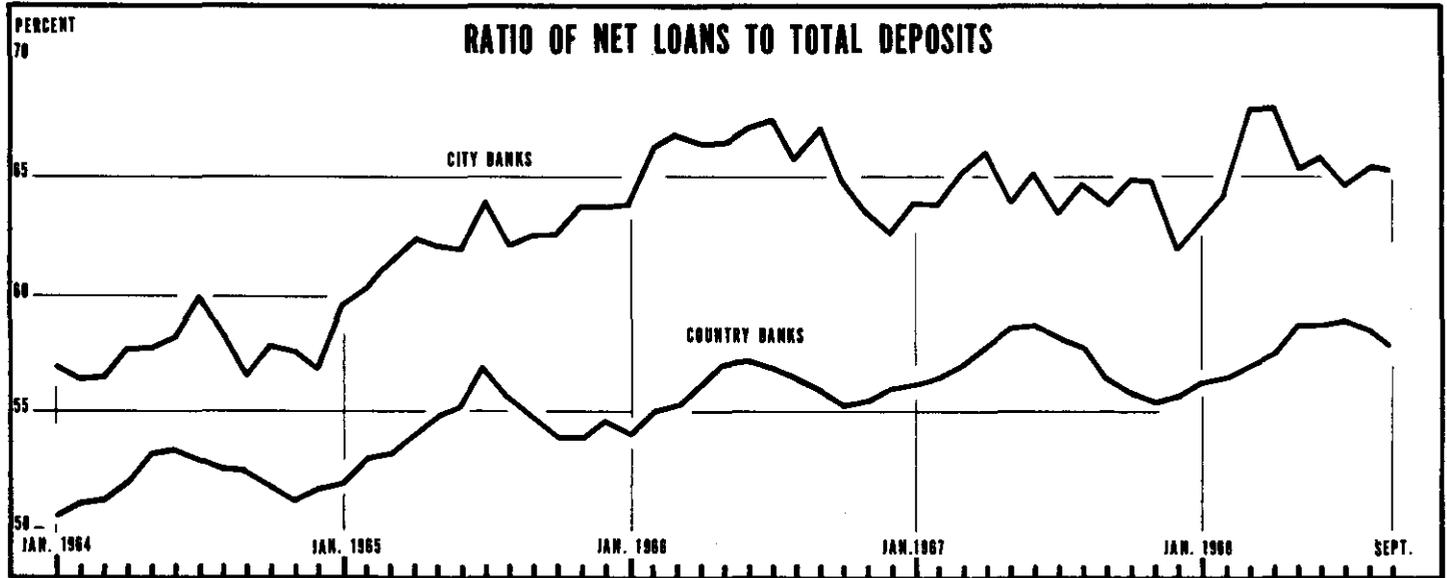
UNITED STATES production and employment indicators ₇

U.S.¹⁵
percent
change
PT. to SEPT.

	item	unit	1967		1968			
			SEPTEMBER	OCTOBER	JULY	AUGUST	SEPTEMBER	OCTOBER
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION								
3.8	Total Industrial Production:	Index, sa	157	157	166	164	163p	
4.4	Manufacturing	Index, sa	158	158	167	165	165p	
1.6	Mining	Index, sa	124	122	131	129	126p	
7.5	Utilities	Index, sa	186	189	199	200	200p	
	Electrical Energy Consumption: Mfg. & Mining							
	Manufacturing							
	Mining							
4.5	Production Worker Manhours: Mfg. & Mining	Index, sa	112	112	117	116p	117p	
3.4	Manufacturing	Index, sa	116	115	120	119p	120p	
7.8	Mining	Index, sa	77	77	81	85p	83p	
7.9	Total Construction Contracts Awarded	Million \$, sa	4855.9	4879.8	5470.3	5831.8	5240.4	
13.4	Residential Buildings	Million \$, sa	1980.2	1915.7	2191.0	2132.1	2244.6	
1.0	Nonresidential Buildings	Million \$, sa	1749.9	1745.3	2280.4	1987.3	1766.9	
9.2	All Other Construction	Million \$, sa	1125.8	1218.8	998.9	1712.4	1228.9	
15.5	Bldg. Permits: New Housing Units ¹²	Thousands	105.7	111.6	120.4	117.8p	122.1p	
MEASURES OF MANPOWER UTILIZATION								
1.3	Civilian Work Force	Thousands, sa	77,807	78,072	78,985	78,690	78,831p	
1.8	Total Civilian Employment	Thousands, sa	74,638	74,735	76,038	75,929	75,957p	
9.3	Number Unemployed	Thousands, sa	3,169	3,337	2,947	2,761	2,874p	
12.2	Unemployment Rate	Per Cent, sa	4.1	4.3	3.7	3.5	3.6p	
0.2	Average Weekly Hours in Manufacturing	Hours, sa	40.8	40.7	40.9	40.6	40.9p	
EMPLOYMENT BY INDUSTRY SECTOR								
3.5	Wage and Salary Employment, Nonfarm	Thousands, sa	66,123	66,286	68,170	68,335	68,458p	
2.4	Manufacturing	Thousands, sa	19,285	19,302	19,776	19,760	19,752p	
4.5	Mining	Thousands, sa	606	603	638	638	633p	
1.6	Construction	Thousands, sa	3,182	3,184	3,189	3,190	3,233p	
2.3	Transport., Comm., & Public Utilities	Thousands, sa	4,278	4,267	4,346	4,365	4,377p	
3.8	Trade	Thousands, sa	13,684	13,729	14,117	14,179	14,199p	
4.2	Finance, Insurance & Real Estate	Thousands, sa	3,251	3,261	3,350	3,377	3,389p	
4.4	Service Industries	Thousands, sa	10,139	10,171	10,498	10,550	10,587p	
5.0	Government	Thousands, sa	11,698	11,769	12,256	12,276	12,288p	
2.6	Number of Workers on Farms	Thousands, sa	3,697	3,718	3,836	3,733	3,602p	
MEASURES OF SPENDING								
8.5	Total Retail Sales	Million \$, sa	26,773	26,100	28,814	29,115p	29,042e	
11.2	Durable Goods	Million \$, sa	8,784	8,268	9,397	9,581p	9,771e	
7.1	Nondurable Goods	Million \$, sa	17,989	17,832	19,417	19,534p	19,271e	
	GAF 13	Million \$, sa	6,657	6,488	7,412	7,395p	n.a.	
	New Passenger Car Registrations	Thousands, sa	700.6	682.2	800.2	726.8	n.a.	
14.4	Bank Debits ¹⁴	Billion \$, saar	2333.4	2352.9	2629.0	2617.0	2670.4	

NOTE: For explanation of footnotes, sources and other notes used in volume 2, No. 11 (November issue), see volume 2, No. 8 (August issue).

MEASURES OF BANK LIQUIDITY FOR COMMERCIAL BANKS



NOTE:

Basic reserves equal excess reserves minus borrowings from Federal Reserve Banks minus purchases (net of sales) of federal funds. When basic reserves are negative (positive) the descriptive term used is basic reserve deficit (surplus).

*NATIONAL DATA IS MADE UP OF 46 LARGE BANKS,
DISTRICT DATA IS COMPOSED OF 8 RESERVE CITY BANKS