

monthly statistical report

NINTH DISTRICT CONDITIONS federal reserve bank of minneapolis



EMPLOYMENT SETS NEW RECORD IN NOVEMBER, AND LABOR MARKET CONDITIONS REMAIN TIGHT

Economic conditions in the Ninth District were generally favorable through November. Employment and financial data suggest, however, that the rate of expansion has slowed sharply.

District wage and salary employment, seasonally adjusted advanced to a record high of 1912.0 thousand people in November, on the basis of preliminary data. Although this shows that the district's economy is operating at a high level, the district's employment growth continues to trail behind that for the nation. During the first eleven months of this year, district wage and salary employment exceeded its 1968 level by 2.8 percent. The comparable national gain was 3.3 percent.

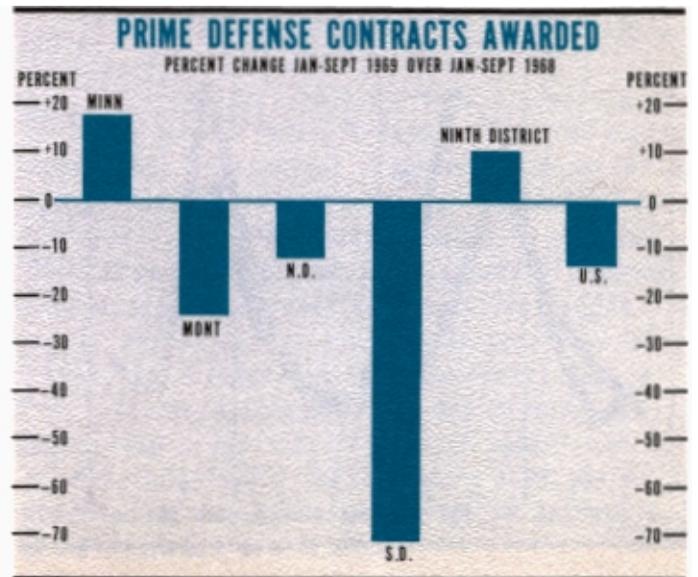
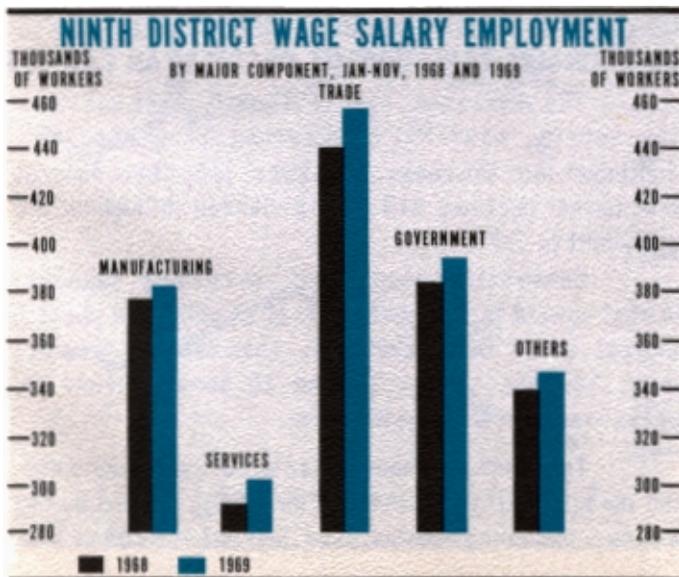
The district's increase in employment through November 1969 was attributable mainly to gains of 3.7 and 3.6 percent in the trade and service sectors respectively. Government employment was up 2.7 percent over year-earlier levels and the advance in manufacturing employment was only 2.2 percent. The increase in the district's other industrial sectors also averaged 2.2 percent.

District labor markets remained tight as the dis-

trict's unemployment rate edged down one-tenth of one percent to 3.5 percent in November. This is in contrast to the sharp drop in the national unemployment rate from 3.9 to 3.4 percent between October and November. It should be noted that the national unemployment rate was subject to unusually sharp fluctuations in the September-November period.

Both the district's civilian labor force and the number of people employed rose in roughly parallel fashion in November. As a result, district unemployment remained relatively stationary between October and November, which accounts for the small change in the district's unemployment rate. In the nation, by way of contrast, a drop in the civilian labor force combined with an increase in employment to produce the sharp drop in the nation's unemployment rate.

The fourth quarter results of a national survey comparable to our Industrial Expectations Survey were released in December and indicate that district manufacturing sales are expected to grow faster than national manufacturing sales at least through the first quarter of 1970. However, both district and national manufacturers anticipated that their rate of sales increase would drop during the period. District manufacturing sales, which



exceeded 1968 levels by 15.9 percent in the third quarter, were expected to advance 9.1 percent in the first quarter of 1970. The rate of increase in national manufacturing sales was expected to drop from 9.4 to 5.6 percent in the same periods.

Defense spending may partially account for the difference in performance of district manufacturing sales relative to those for the nation. During the first nine months of 1969, prime defense contracts awarded to district firms increased 10.3 percent over year-earlier levels, while in the nation prime defense contracts were down 13.8 percent. In the district, however, this increase was concentrated in Minnesota where prime defense contract awards were up 17.9 percent over 1968's level during the first three quarters of the year. Contracts were down from year-earlier levels in the three other district states.

FARM TRACTOR SALES DIP IN OCTOBER

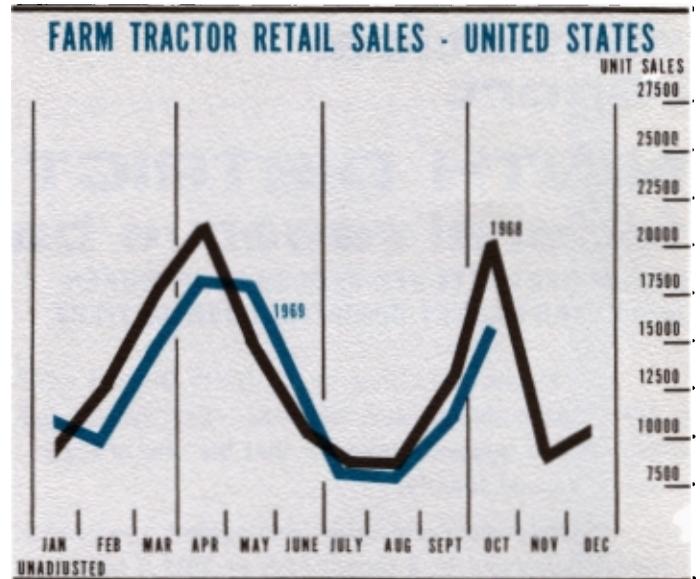
Sales of farm tractors in the Ninth District recently weakened again. Only 1,909 units were sold in the four complete district states during October compared to 2,441 during October of 1968. In October 1967, 2,742 units were sold.

Until the release of the October data, district tractor sales had appeared to be about equal to last year's sales.

Tractor sales in early 1969 registered the continuation of a slump, and then turned to solid improvement at the beginning of the second quarter and the bulk of the seasonally heavy buying. During this stronger-than-usual second quarter, the accumulated total of district sales surged ahead of the 1968 level, reaching an aggregate improvement of 1,700 units by the end of June. The summer, which was on a par with the previous summer, maintained this lead. However, buying turned sluggish in the fall of 1969, normally a season-

ally high period for tractor sales, and the lead was seriously reduced. At the end of October, cumulative sales were only 1,000 units ahead of last year.

The above pattern of total sales for the entire Ninth District seems to be quite typical of each of the states of the district as well. Each of the states showed



sales below a year earlier at the beginning of 1969, a strong second quarter, a summer on par with the previous year and a weak fall.

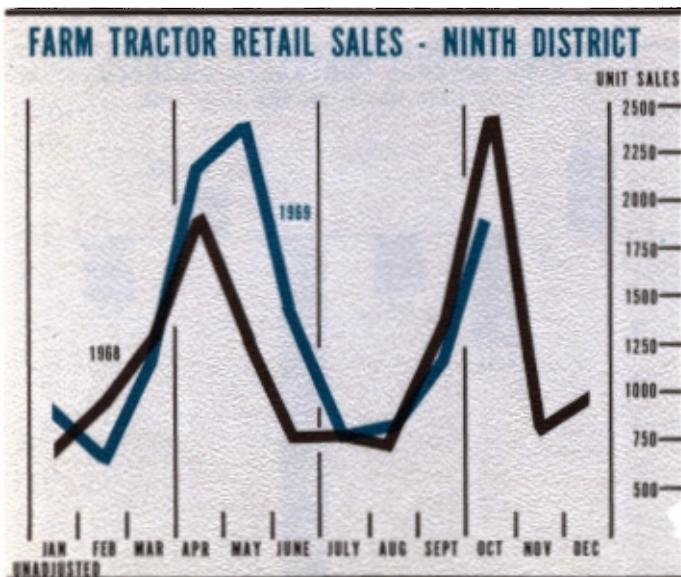
National farm tractor sales data also showed an improvement in sales last spring, but increases over year-earlier sales occurred only in May and June and were not large enough to boost the cumulative January-October sales over their year-earlier levels in either case. Summer sales were weak, and, as in the case of the Ninth District, 1969's seasonally heavier buying in the autumn months was disappointing. October sales for the nation were 23 percent less than the corresponding figure for 1968. Also, at the end of October, January-to-date sales for the U. S. were 127,047 units, down from 138,171 in 1968.

CONSTRUCTION EMPLOYMENT RISES SLIGHTLY, BUT REMAINS TEN PERCENT BELOW YEAR EARLIER

The depressed level of Ninth District construction activity, which has been evident for some months, continued into November. Statistical indicators suggest that further declines will be experienced throughout the early part of 1970.

Construction employment, seasonally adjusted, drifted upward in November and, at 95,600, rose about 1 percent above October's level. This level of employment, however, was still about 10 percent below the peaks reached earlier in the year.

The number of housing units authorized by building permits fell in November after edging upward during the two preceding months. The September-October rise



was not enough to change the basic downward trend experienced since early in 1969. During the last 6 months, housing unit authorizations have fallen more than ten percent below the preceding six months.

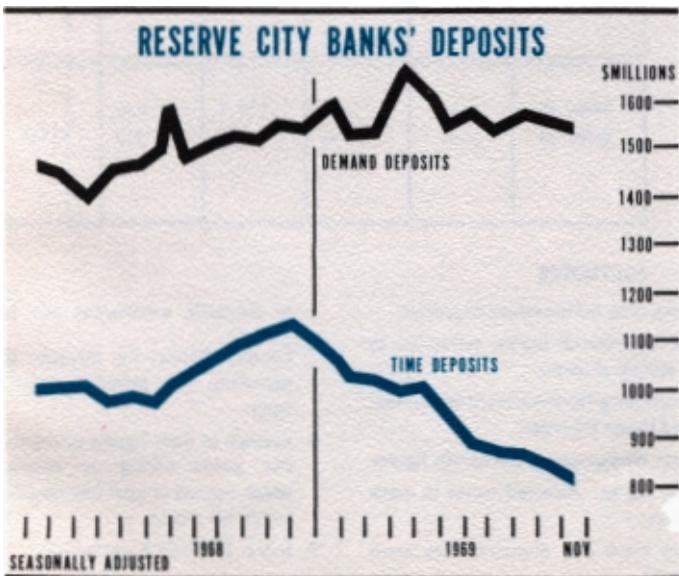
Contract awards in the district in recent months have displayed large month-to-month variations with no readily apparent trend. The average level of contract awards during the six months ending in October was lower than during the early months of 1969. For the first ten months of 1969 contract awards ran about 7 percent below the comparable period a year earlier. The largest decline in contract awards was in the residential sector.

Mortgage rates showed no signs of abating during October, and the average effective interest rate for new homes rose in both the nation and the Twin Cities. The Federal Home Loan Bank Board reported that the average rate in the nation rose to 8.12 percent from the 8.05 percent recorded during the previous month. In the Minneapolis-St. Paul metropolitan area the average effective mortgage rate rose to 8.06 percent. Although this rate surpasses Minnesota's interest rate ceiling, the figure reported by the Federal Home Loan Bank Board apparently includes certain closing costs which are not regraded as interest for purposes of the Minnesota usury law.

TOTAL CREDIT REVERSES EARLIER TREND BY SPURTING UPWARD IN NOVEMBER

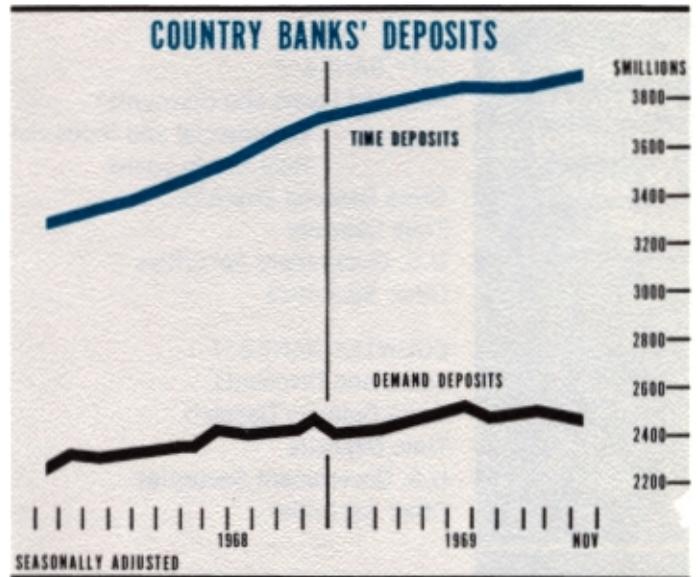
Total credit, seasonally adjusted, rose sharply in November at district member banks. The rise followed four months of steady, though mild contraction in total loans and investments. The November increase was partially a result of a special transaction related to U. S. government deposits, and therefore the expansion may not have continued into the last month of the year.

Loans, seasonally adjusted, advanced strongly in November following a sharp decline in October. Since mid-year, however, loans have shown virtually no growth



after having expanded at an annual rate of 9 percent in the first half of 1969. The second half slowdown has occurred primarily at country banks due in large part to a slowdown in deposit inflows and tight liquidity positions.

The November surge in total credit reflected a large increase in holdings of U. S. government deposits stemming from purchases of a new issue of Treasury tax anticipation bills at the end of the month. Banks were allowed to pay for these securities by crediting U. S. government demand deposits. It seems likely that a portion of these securities were sold at the time government deposit balances were drawn down. Therefore, unless offset by growth in loans and other securities, total credit may well have declined in December.



Total deposits, seasonally adjusted, at district member banks declined rather sharply during November continuing the downward trend that has existed since mid-year. During the first half of 1969 total deposits increased slightly as demand deposit inflow more than offset the decline in time deposits. Since mid-year, however, total deposits have declined at a 5 percent annual rate as time deposit outflow increased and demand deposits were flowing out of district banks.

The liquidity position of reserve city banks deteriorated further during November. The loan-deposit ratio stood at 75 percent at the end of November up sharply from the preceding month. The ratio of total borrowings to required reserves also climbed rapidly -- from 137 percent in October to 166 percent in November. A year ago the increase for comparable periods was smaller and, in addition, the level in November, at 113 percent, was substantially below the current level.

At country banks, the loan-deposit ratio declined in November in line with the seasonal pattern. The level of the loan-deposit ratio, however, at 60 percent at the end of November, was 4 percentage points above that at the comparable date in 1968.

NINTH DISTRICT income and finance

INDICATOR	UNIT	1969			1968	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,		136.56 ^e	137.85 ^e	129.35	+ 5.6
	Consumer Installment Credit Outstanding ²	Million \$		1,339	1,338	1,198	+11.7
	Time and Savings Deposits at Member Banks	Million \$		4,773	4,760	4,846	- 1.5
	Savings Balances at Savings & Loan Assoc. ³	Million \$		n.a.	3,321 ^p	3,192	
Cash Farm Receipts ³	Million \$		n.a.	n.a.	471		
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS ^{4,5}						
	Adjusted Loans and Discounts ⁶	Million \$	2,344	2,273	2,204	2,242	+ 1.4
	Commercial and Industrial Loans	Million \$	1,069	1,039	1,012	1,083	- 4.0
	Real Estate Loans	Million \$	465	467	460	421	+10.9
	Gross Demand Deposits	Million \$	2,335	1,963	2,057	1,924	+ 2.0
	Time Deposits	Million \$	1,237	1,238	1,241	1,555	-20.3
	U.S. Government Securities	Million \$	324	339	385	363	- 6.6
	Other Securities	Million \$	540	519	478	529	- 1.9
	COUNTRY BANKS ^{4,7}						
	Loans and Discounts	Million \$	n.a.	3,523	3,500	3,114	+13.1
	Gross Demand Deposits	Million \$	n.a.	2,332	2,228	2,229	+ 4.6
	Time Deposits	Million \$	n.a.	3,535	3,519	3,291	+ 7.4
	U.S. Government Securities	Million \$	n.a.	1,065	1,028	1,194	-10.8
	Other Securities	Million \$	n.a.	1,077	1,057	971	+10.9
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$	690	686	681	667	+ 3.0
	Required Reserves	Million \$	678	678	672	658	-11.1
	Excess Reserves	Million \$	12	8	8	9	17.1
	Borrowings from FRB	Million \$	31,764	74,786	39,888	23,588	+10.0
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent	65.9	72.2	68.6	65.6	+ 6.4
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent	n.a.	60.0	60.9	56.4	
MEASURES OF PRICE LEVELS	Consumer Price Index ⁹ —Minneapolis	Index, sa	n.a.	n.a.	130.3	n.a.	
	Prices Received by Farmers ⁹ —Minnesota	Index, sa	n.a.	100	124	113	-11.5

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	1969			1968	UNIT	INDICATOR	
	December	November	October	November			
+ 7.8		766.9p	763.7	711.5	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 7.7		744.4p	741.4p	691.5	Billion \$, saar	Nonagricultural Personal Income	
+ 5.1		132.36	132.28	125.97	Dollars	Average Weekly Earnings in Manufacturing	
+ 9.3		40.0	40.0	36.6	Billion \$	Consumer Installment Credit Outstanding ²	
- 8.2		149.7	150.7	163.1	Billion \$	Time and Savings Deposits at Member Banks	
+ 3.3		134.4	134.2	130.1	Billion \$	Savings Balances at Savings & Loan Assoc.	
		n.a.	n.a.	4.9	Billion \$	Cash Farm Receipts	
+ 9.4		168.5	167.5	154.0	Billion \$	CITY BANKS ^{4,5}	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 9.7		78.0	77.6	71.1	Billion \$	Adjusted Loans and Discounts ⁶	
+ 7.6		34.1	34.0	31.7	Billion \$	Commercial and Industrial Loans	
+ 8.6		135.7	131.7	125.0	Billion \$	Real Estate Loans	
-13.9		96.3	97.2	111.9	Billion \$	Gross Demand Deposits	
-15.2		23.9	23.3	28.2	Billion \$	Time Deposits	
- 6.7		35.7	35.2	38.3	Billion \$	U.S. Government Securities	
						Other Securities	
+10.2		60.6	60.0	55.0	Billion \$	COUNTRY BANKS ^{4,7}	
+ 2.0		46.0	44.3	45.1	Billion \$	Loans and Discounts	
+ 4.3		53.3	53.5	51.1	Billion \$	Gross Demand Deposits	
+11.8		16.4	16.4	18.6	Billion \$	Time Deposits	
+ 9.2		19.0	19.0	17.4	Billion \$	U.S. Government Securities	
						Other Securities	
+ 3.7		27,721p	27,331	26,744	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 3.9		27,498p	27,181	26,458	Million \$	Required Reserves	
-22.0		223p	148	286	Million \$	Excess Reserves	
+24.0p		1,212p	1,127	541	Million \$	Borrowings from FRB	
+12.7		75.2	75.7	66.7	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
+ 6.8		61.0	61.3	57.1	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 5.8		130.5	129.8	123.4	Index, sa	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
+ 8.3		118	115	109	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

INDICATOR	UNIT	1969		1968	Percent Change Nov-Nov	
		November	October	November		
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining ²	Index, sa	265	269	243	+ 9.1
	Production Worker Manhours: ¹	Index, sa	127p	129	123	+ 3.3
	Manufacturing	Index, sa	135p	137	131	+ 3.1
	Mining	Index, sa	86p	87	82	+ 4.9
	Total Construction Contracts Awarded	Million \$, sa	n.a.	193.9	132.3	
	Residential Buildings	Million \$, sa	n.a.	70.4	72.0	
	Nonresidential Buildings	Million \$, sa	n.a.	73.2	50.7	
	All Other Construction	Million \$, sa	n.a.	50.3	9.6	
	Bldg. Permits: New Housing Units ²	Number	n.a.	3,940	3,063	
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,612e	2,578p	2,542r	+ 2.8
	Total Civilian Employment	Thousands, sa	2,522e	2,486p	2,453r	+ 2.8
	Number Unemployed	Thousands, sa	90e	92p	89r	+ 1.1
	Unemployment Rate ³	Percent, sa	3.5e	3.6p	3.5r	0.0
	Average Weekly Hours in Manufacturing ³	Hours, sa	41.0p	41.1	41.1	- 0.3
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ³	Thousands, sa	1,913p	1,897	1,857r	+ 3.0
	Manufacturing	Thousands, sa	385p	383	379r	+ 1.6
	Mining	Thousands, sa	34p	34	34r	0.0
	Construction	Thousands, sa	97p	94	96r	+ 1.0
	Transport., Comm., & Public Utilities	Thousands, sa	134p	132	130r	+ 3.1
	Trade	Thousands, sa	465p	462	447r	+ 4.0
	Finance, Insurance & Real Estate	Thousands, sa	86p	86	83	+ 3.6
	Service Industries	Thousands, sa	310p	306	298r	+ 4.0
	Government	Thousands, sa	402p	400	390r	+ 3.1
	MEASURES OF SPENDING	Total Retail Sales*				
New Passenger Car Registrations		Thousands, sa	n.a.	24.2	20.1	
Bank Debits ⁴		Billion \$, saar	152.5	166.5	139.3	+ 9.5

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	1969		1968	UNIT	INDICATOR	
	November	October	November			
+ 7.5	171p	173	159	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
- 0.9	116p	118p	117	Index, sa	Electrical Energy Consumption: Mfg. and Mining*	
- 0.8	119p	122p	120	Index, sa	Production Worker Manhours: ¹	
0.0	83p	84p	83	Index, sa	Manufacturing	
- 8.8	4973.2	5663.6	5450.5	Million \$, sa	Mining	
-18.2	1823.6	2137.8	2228.3	Million \$, sa	Total Construction Contracts Awarded	
-24.9	1618.3	2258.4	2155.1	Million \$, sa	Residential Buildings	
+43.5	1531.3	1267.4	1067.1	Million \$, sa	Nonresidential Buildings	
	n.a.	n.a.	106.4	Thousands	All Other Construction	
					Bldg. Permits: New Housing Units ⁵	
+ 2.9	81,295p	81,486	79,042	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 2.8	78,497p	78,325	76,388	Thousands, sa	Total Civilian Employment	
+ 5.4	2,798p	3,161	2,654	Thousands, sa	Number Unemployed	
0.0	3.4p	3.9	3.4	Percent, sa	Unemployment Rate	
- 0.7	40.5p	40.5	40.8	Hours, sa	Average Weekly Hours in Manufacturing	
+ 2.9	70,621p	70,642	68,664	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 0.4	19,982p	20,156	19,897	Thousands, sa	Manufacturing	
+ 1.3	630p	632	622	Thousands, sa	Mining	
+ 4.2	3,452p	3,415	3,313	Thousands, sa	Construction	
+ 3.2	4,490p	4,486	4,352	Thousands, sa	Transport., Comm., & Public Utilities	
+ 4.0	14,863p	14,291	14,291	Thousands, sa	Trade	
+ 4.6	3,611p	3,594	3,453	Thousands, sa	Finance, Insurance & Real Estate	
+ 4.2	11,245p	11,235	10,787	Thousands, sa	Service Industries	
+ 3.3	12,348p	12,297	11,949	Thousands, sa	Government	
+ 1.9	29,346p	29,605	28,806	Million \$, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	955.5	757.0	Thousands, sa	New Passenger Car Registrations	
+12.5	3051.8	3144.7	2711.5	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

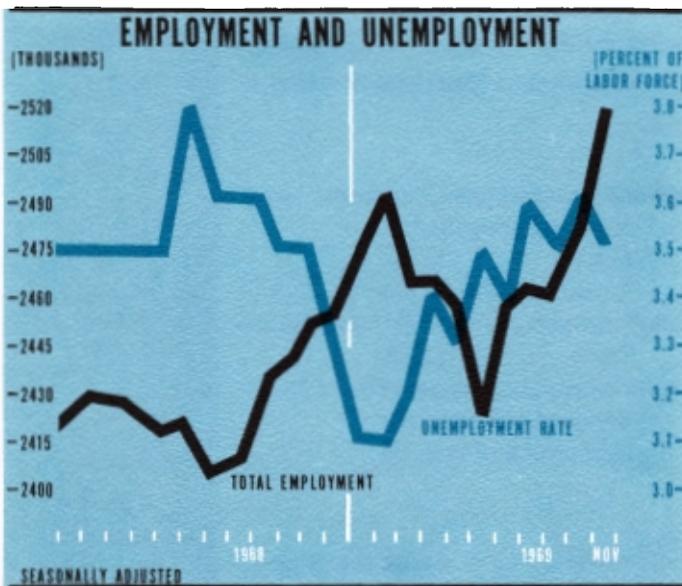
EMPLOYMENT, UNEMPLOYMENT, HOURS AND WAGES:
Employment Security Departments; Minnesota, North Dakota, South Dakota, Montana, Michigan, and U.S. Department of Labor, Bureau of Labor Statistics
RETAIL SALES: U.S. Department of Commerce, Bureau of Census
NEW PASSENGER CAR REGISTRATIONS:
Automotive News Magazine

REVIEW OF ECONOMIC DEVELOPMENTS IN 1969

The economy of the Ninth Federal Reserve District prospered during 1969. Employment, sales by manufacturing firms and agricultural income were all greater than in the previous year.

By the end of 1969, however, there were scattered indications that the pace of economic expansion was slowing. In the Ninth District by year's end, the percentage of the labor force unemployed was hovering around 3.5 percent, having edged up slowly from the record 3.1 percent rate of the first two months of 1969. Although the unemployment rate in both the district and the nation rose during 1969, the 3.5 to 4.0 percent range prevailing at the end of the year represented an extremely low level of unemployment compared with earlier years.

The total number of civilian workers employed in the Ninth District fluctuated sharply during the course of 1969. After rising to a sharp peak of just under 2.5 million in February 1969, employment drifted downward through the spring and summer months. By late fall, however, employment had recovered from the mid-year dip.

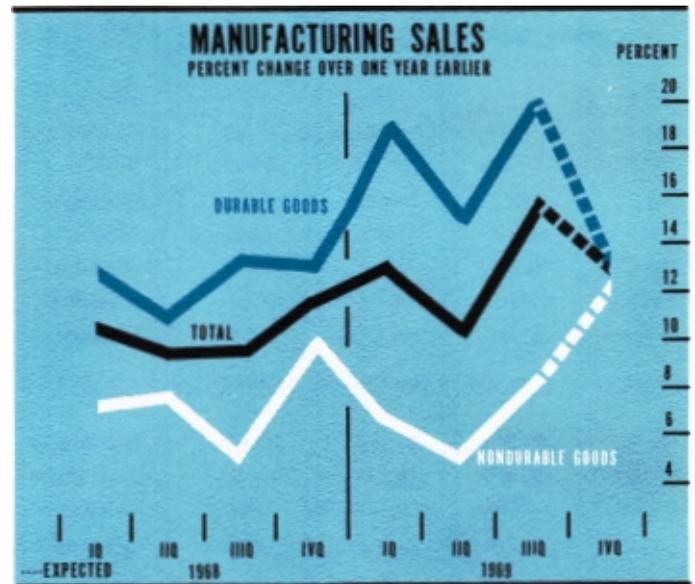


Paradoxically, the level of employment and the rate of unemployment both rose beginning in July. This apparent contradiction appears to be attributable to an increase in the civilian labor force that was greater than even the rising level of district employment could absorb.

Construction was the weakest sector of the Ninth District's economy in 1969. The level of construction employment declined sharply in the first six months of the year, and despite a mild recovery in the fall, remained well below the previous year at the close of 1969. Housing starts and new contracts awarded remained below their respective 1968 levels during most of the year.

On the other hand, results of the Industrial Ex-

pectations Survey conducted by this bank in November were optimistic about the remainder of 1969. The manufacturing firms sampled enjoyed a record 15.9 percent increase in sales during the third quarter over a year earlier. Firms manufacturing durable goods scored a dramatic 22.4 percent increase in sales.



The firms anticipated a sales increase of 13.4 percent for the fourth quarter of 1969. Reversing the pattern of the first three quarters of the year, manufacturers of nondurable goods expected a rise in their rate of sales gains to 12.8 percent during the fourth quarter, while manufacturers of durable goods were less optimistic.

District financial markets reflected the high level of economic activity through the autumn, but thereafter some leveling off was also evidenced in this area. Loans by the commercial banks rose 9 percent in the first half of the year. The expansion halted at mid-year, and from July through October there was almost no expansion in commercial bank loans. In the last two months of the year, there was some renewal of growth in loans.

The district's agricultural sector generally fared well during 1969. Farm income was relatively high and prospects were good that this situation would continue into the spring of 1970. Crop prices improved only slightly between 1968 and 1969, but the fast and efficient wheat harvest resulted in large supplies which enabled farmers to take advantage of this small increase. The primary reason for the 9 percent rise in farm income between 1968 and 1969 was the dramatic rise in livestock prices between the two years.

The district economy was strong as the year 1969 drew to a close. Evidence of weakness in a few sectors of the economy suggested that prospects for early 1970 were good, with perhaps somewhat lower levels of income and output than in the peak periods of 1969.