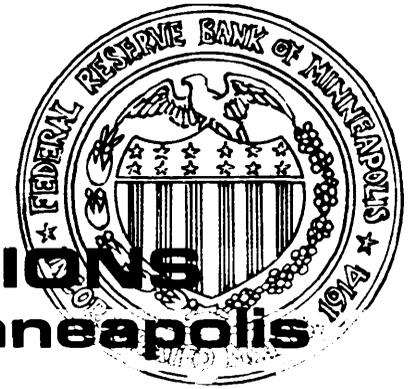


monthly statistical report

NINTH DISTRICT CONDITIONS federal reserve bank of minneapolis



MILD RECESSION FORCES HIT NINTH DISTRICT AS APRIL UNEMPLOYMENT RATE RISES FURTHER

The Ninth District is feeling the effect of the mild recession currently in progress in the nation as many business indicators are displaying characteristics of a downturn. The rate of unemployment continues to rise while the level of employment remains flat. Savings inflows at banks and other financial institutions continued to advance strongly in April and early May. The end of the longslide in housing construction is the brightest spot on the current economic scene.

District business activity continues to recede. District wage and salary employment decreased during April for the second consecutive month according to preliminary seasonally adjusted data. Declines were noted in most sectors. The current level of district wage and salary employment is in fact only slightly above the level at the close of 1969.

This slowing in district employment growth has caused unemployment to increase. The district's unemployment rate climbed to 4.1 percent in April, the highest level since October 1965. This represents a considerable recent softening in district labor markets, because the district's unemployment rate was still as low as 3.4 percent in January.

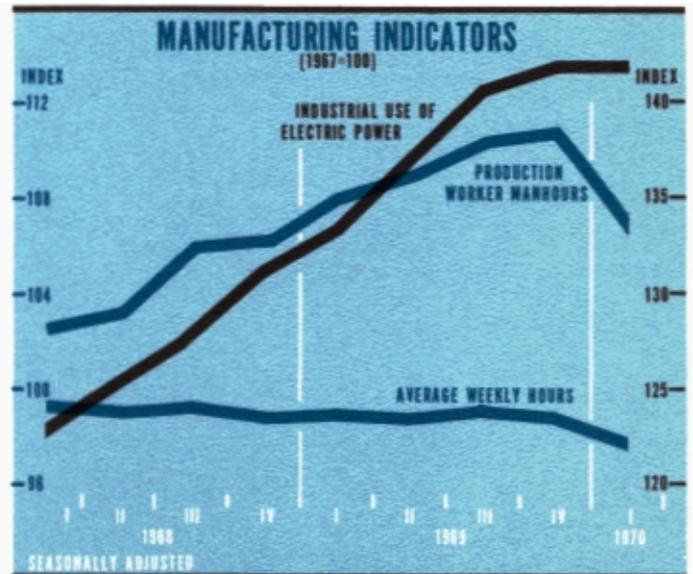
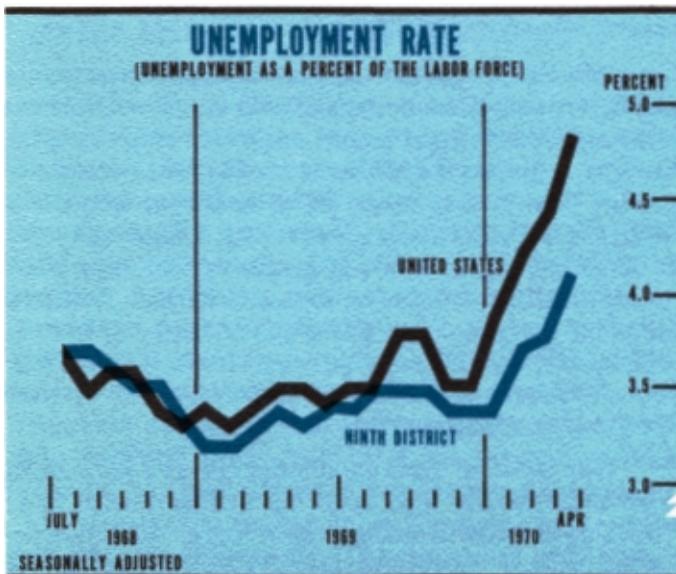
Although district employment growth has slow-

ed, the Ninth District appears to be faring better than the rest of the United States. Nationally, the unemployment rate rose to 4.8 percent in April. Wage and salary employment in the district has grown faster than in the nation since last fall. In the important manufacturing sector, employment in the nation has decreased 2.8 percent at a seasonally adjusted annual rate since last fall, while in the district it has remained virtually unchanged.

A number of district manufacturing indicators confirm this slowing trend. The results of the latest quarterly Industrial Expectations Survey conducted by this bank (see back page) reveal a slowing in district manufacturing sales growth. The industrial use of electric power declined 2.0 percent at an annual rate in the first quarter. Production worker manhours dropped 10.8 percent in the same period. Primarily as a result of a sharp drop in April, average weekly hours worked in manufacturing declined 7.8 percent at an annual rate in the three month period ending in April.

Consumer spending has also fallen off. January and February retail sales in Minnesota, seasonally adjusted, were 8.0 percent below the level of the two previous months. In contrast, retail sales nationally increased 1.1 percent in the same two months.

Cutbacks in defense spending partially explain



the current slowing in national economic activity. The fact that defense expenditures are less vital in the Ninth District than in other parts of the nation partially accounts for the relative strength of the Ninth District's economy. Prime defense contracts awarded during the first three quarters of the 1970 fiscal year (July 1969 through June 1970) declined 17.9 percent from a year earlier in the nation. In contrast, these awards were up 5.4 percent in the district in the same period.

The district's gain can be traced primarily to the construction of the ABM site in North Dakota, for prime defense contracts awarded in North Dakota so far this fiscal year are five times greater than a year ago. Prime defense contract awards are also up substantially in South Dakota for this same period. In Minnesota, where defense spending is primarily related to the production of goods rather than the construction of installations, prime defense contracts awarded are down 21.8 percent so far this fiscal year. This cut-back is having a depressing effect on district manufacturing activity. In Montana, prime defense contracts awarded are 20.1 percent lower than a year earlier.

HOUSING CONSTRUCTION OUTLOOK OPTIMISTIC

Although the number of housing units authorized in the district slipped somewhat in April following the sharp jump in March, the outlook for housing construction in the district is still more optimistic than it was earlier in the year. There are a number of reasons for this optimism. First, a recent survey of mortgage bankers in the district revealed that they have noticed an easing in mortgage market conditions during the past two months. As a result, most of these people reported that they expect housing starts in their local areas to rise between now and the end of the year.

Second, lumber and wood products manufacturers in the district are also anticipating an upturn in housing. In the latest Industrial Expectations Survey, lumber and wood products manufacturers, who have

been reporting year-to-year decreases in sales during the past three quarters, still expect sales to continue their decline during the current quarter. However, they now anticipate a rise above year-earlier levels during the third and fourth quarters of this year. Third, savings and loan associations in the district experienced strong savings inflows during March and April and as a result have increased their mortgage lending activity.

Other sectors of the construction industry are also expected to expand during coming months. Based on the valuation of building permits for nonresidential buildings, nonresidential building appears to be somewhat below last year's level. On the other hand, contract awards for nonresidential building projects during the first quarter of this year were 8 percent greater than a year ago. Although much of this year-to-year increase can be attributed to increases in construction costs, the diverging trends of permit activity and contract awards implies that construction has not yet begun on many projects for which contracts have already been awarded. This, in turn, implies that some upswing in nonresidential building construction can be expected.

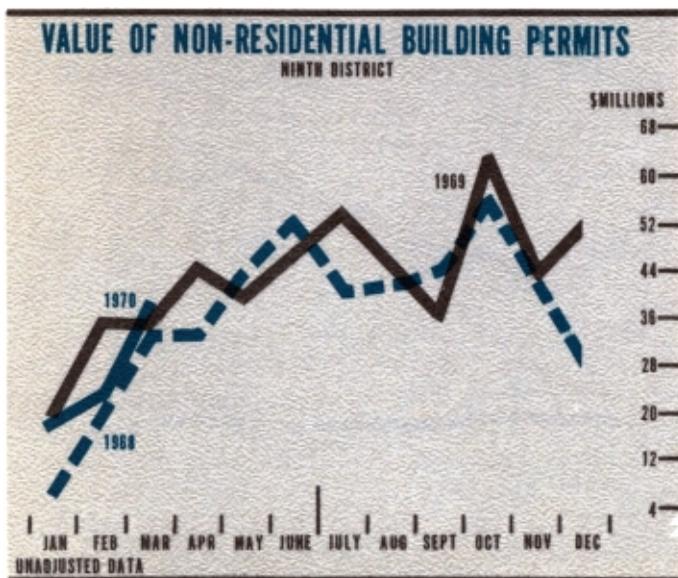
A recent survey conducted by the McGraw-Hill Company reveals that highway construction in the district will not be as strong as in the nation. According to the survey, state highway departments in the district expect awards to rise by only 6 percent in 1970 compared with a 12 percent increase projected for the nation.

RECENT DEPOSIT INFLOWS KEEP ON RISING SPURRED BY BIG TIME AND SAVINGS INFLOWS

Total deposits at district member banks continued to increase strongly through mid-May. Although demand deposits appear to have contributed somewhat to the relatively stronger total deposit inflow in recent months, the main impetus has come from time and savings deposits. In the six weeks ending in mid-May, district bank time and savings deposits grew at an annual rate of about 9 percent unadjusted. This is in sharp contrast to the 3 percent decline in these deposits registered in 1969.

The recent growth in time and savings deposits at district banks has been relatively widespread. However, one group that has not experienced any growth in time and savings deposits during this period are reserve city banks, which hold a disproportionately large share of large CDs. These large CDs are thought to be relatively sensitive to yields available on alternative investment opportunities such as U. S. Treasury bills and commercial paper. Even though banks may well be offering the maximum rates permitted on large CDs, they have thus far been unsuccessful in increasing the level of outstanding time deposits.

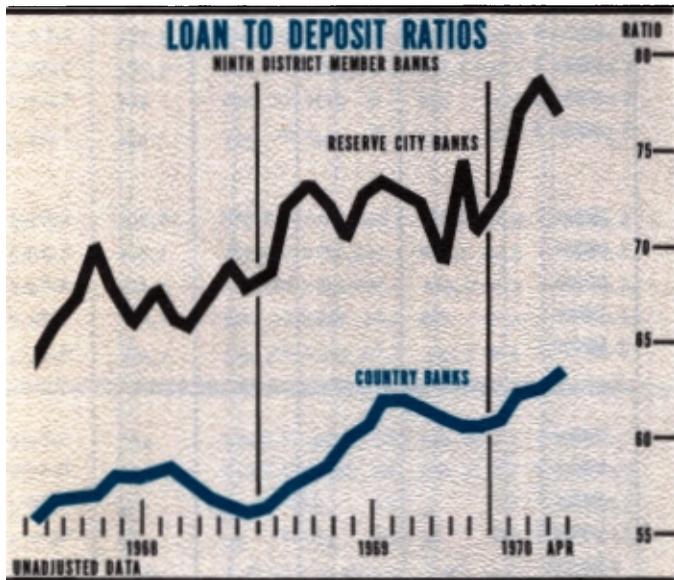
Outstanding loans at district banks continue to grow more slowly than is normal at this time of year. This slower growth in both March and April has occurred mainly at reserve city banks and largely re-



flects tight liquidity positions rather than an easing in loan demand.

Loan growth at rural banks eased somewhat in April from the strong March advance. During the two months combined, the increase in loans was greater than usual. This may have reflected an unusually large need for loans due to postponement of acreage diversion payments from March to July.

The recent trends in deposits and loans has resulted in slightly improved liquidity positions for district banks as a whole. Levels of liquidity are still very tight by historical standards. The improvement in terms of loan-deposit ratios has occurred entirely at reserve city banks. The aggregate loan-deposit ratio at these banks was 77 percent in April, the same as in February. Normally this ratio rises by at least two percentage points between these two months, since loans usually grow relatively faster than deposits at this time of year. The aggregate loan-deposit ratio for all other district member banks (designated country banks on the graph) rose from 62 percent in February to 63 percent in April, an increase which closely follows the seasonal pattern.



FARMERS' MILK PRICES REMAIN NEAR PEAK

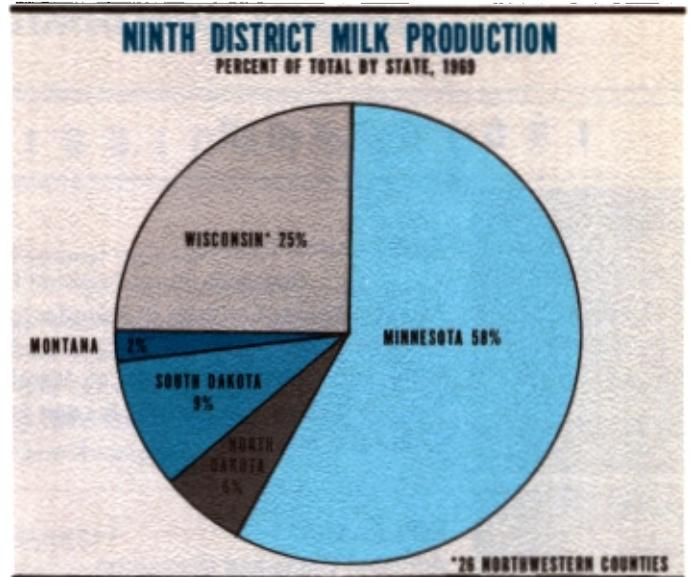
The average price paid to district farmers for milk in April was \$4.73 per hundredweight. This was down slightly from the record high of \$4.91 paid in November and December of 1969, but was at a generally higher level than in 20 years.

The higher district prices are part of a nationwide increase in milk prices that began in 1966. In that year, total U. S. milk production dropped sharply, and as a result the percent of production allocated to fluid products increased. Use of milk in fluid products is the most highly priced use available to about 70 percent of all milk. Total milk production has gradually declined since 1966, and the percent of milk allocated to fluid products has retreated somewhat.

Demand has been buoyed by increasing population and higher incomes. The result has been higher farm prices for milk. Total U. S. farmers' cash receipts

from milk in 1969 were 4 percent above 1968, which was the previous peak, and 15 percent above 1965.

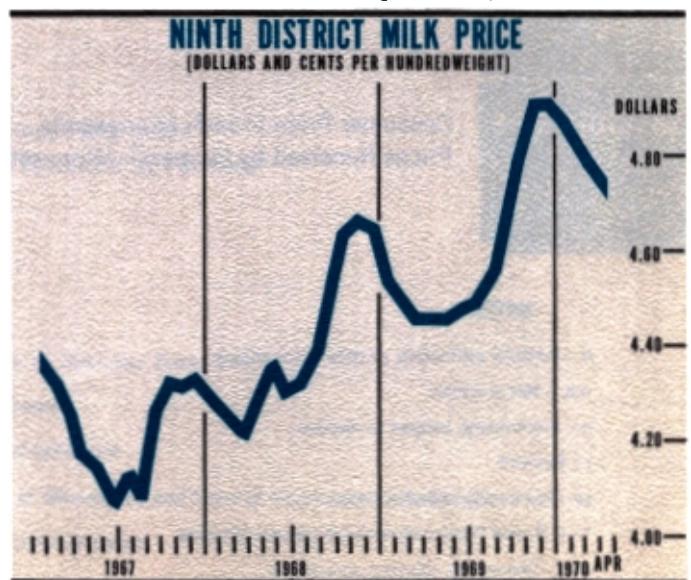
Price increases from 1965 to the current levels



have been about the same, in percentage terms, among district states: 35 percent in all states except Montana. The increase in Montana has been smaller (21 percent), but Montana prices are generally about \$1.00 per hundredweight higher than prices in other states of the district.

While total U. S. production of milk has been declining, production in the Ninth District has been about constant, centering around 17.7 billion pounds annually for the past 4 or 5 years. This is about 15 percent of total national production.

The constant district output of milk, however, has been produced with a declining number of cows. Since 1965, dairy herds have been declining by about 70-90 thousand head annually. Although detailed 1969 data are not yet available for the 26 Wisconsin counties, it appears that last year's decrease in the district will be near the high end of this range as high prices for beef facilitated the culling of low-producing cows.



NINTH DISTRICT income and finance

INDICATOR	UNIT	1970			1969	Percent Change APRIL-APRIL	
		MAY	APRIL	MARCH	APRIL		
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*						
	Nonagricultural Personal Income*						
	Average Weekly Earnings in Manufacturing ¹	Dollars,	n.a.	137.90e	137.37e	132.55	+ 4.0
	Consumer Installment Credit Outstanding ²	Million \$	n.a.	n.a.	1,323	1,252	
	Time and Savings Deposits at Member Banks	Million \$	n.a.	4,823	4,778	4,814	+ 0.2
	Savings Balances at Savings & Loan Assoc. ³	Million \$	n.a.	n.a.	n.a.	3,257	
Cash Farm Receipts ³	Million \$	n.a.	n.a.	n.a.	264		
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS^{4,5}						
	Adjusted Loans and Discounts ⁶	Million \$	2,348	2,300	2,307	2,268	+ 1.4
	Commercial and Industrial Loans	Million \$	1,014	991	991	1,065	- 7.0
	Real Estate Loans	Million \$	457	459	460	436	+ 5.3
	Gross Demand Deposits	Million \$	1,855	1,906	1,845	1,974	- 3.5
	Time Deposits	Million \$	1,192	1,180	1,176	1,392	-15.2
	U.S. Government Securities	Million \$	324	312	309	344	- 9.3
	Other Securities	Million \$	512	604	531	514	+17.5
	COUNTRY BANKS^{4,7}						
	Loans and Discounts	Million \$	3,672	3,631	3,595	3,254	+11.6
	Gross Demand Deposits	Million \$	2,078	2,079	2,121	2,084	- 0.2
	Time Deposits	Million \$	3,674	3,643	3,601	3,422	+ 6.5
	U.S. Government Securities	Million \$	928	933	955	1,060	-12.0
	Other Securities	Million \$	1,073	1,074	1,068	1,027	+ 4.6
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$	672	676	678	669	+ 1.0
	Required Reserves	Million \$	666	669	670	661	+ 1.2
	Excess Reserves	Million \$	6	7	8	8	-12.5
	Borrowings from FRB	Million \$	16	39	20	42	- 7.2
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent	78.7	76.6	78.4	68.4	+12.0
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent	63.8	63.5	62.8	59.1	+ 7.4
MEASURES OF PRICE LEVELS	Consumer Price Index ⁹ —Minneapolis	Index, sa	n.a.	135.1	n.a.	125.1	+ 8.0
	Prices Received by Farmers ⁹ —Minnesota	Index, sa	n.a.	127	130	119	+ 6.7

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
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 to domestic commercial city banks
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 APRIL - APRIL	1970			1969	UNIT	INDICATOR	
	MAY	APRIL	MARCH	APRIL			
+ 8.9		801.1p	783.3r	735.3	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 9.1		778.2p	760.4r	713.5	Billion \$, saar	Nonagricultural Personal Income	
+ 3.3		131.80p	132.40	127.58	Dollars	Average Weekly Earnings in Manufacturing	
- 3.6		n.a.	40.0	37.9	Billion \$	Consumer Installment Credit Outstanding ²	
+ 2.3		154.3	151.8	160.1	Billion \$	Time and Savings Deposits at Member Banks	
		136.1	135.9	133.0	Billion \$	Savings Balances at Savings & Loan Assoc.	
		n.a.	n.a.	3.1	Billion \$	Cash Farm Receipts	
+ 3.8		168.5	168.3	162.4	Billion \$	CITY BANKS ^{4,5}	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 2.9		78.9	78.9	76.7	Billion \$	Adjusted Loans and Discounts ⁶	
+ 1.5		33.4	33.5	32.9	Billion \$	Commercial and Industrial Loans	
- 2.2		131.8	130.8	134.8	Billion \$	Real Estate Loans	
- 7.1		99.3	97.4	106.9	Billion \$	Gross Demand Deposits	
- 7.7		22.9	21.9	24.8	Billion \$	Time Deposits	
- 1.1		38.0	36.9	38.4	Billion \$	U.S. Government Securities	
						Other Securities	
+ 8.2		61.7	60.9	57.0	Billion \$	COUNTRY BANKS ^{4,7}	
- 0.5		44.0	43.4	44.2	Billion \$	Loans and Discounts	
+ 3.6		55.1	54.4	53.2	Billion \$	Gross Demand Deposits	
-13.1		15.3	15.5	17.6	Billion \$	Time Deposits	
+ 4.8		19.5	19.2	18.6	Billion \$	U.S. Government Securities	
						Other Securities	
+ 3.6		28,083p	27,521	27,114	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 3.8		27,984p	27,350	26,957	Million \$	Required Reserves	
-37.0		99p	171	157	Million \$	Excess Reserves	
-14.8		844p	894	990	Million \$	Borrowings from FRB	
+ 9.7		75.6	76.4	68.9	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
+16.4		68.1	67.8	58.5	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 6.0		134.0	133.2	126.4	Index, sa	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
+ 3.6		116	120	112	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	1970		1969	Percent Change APRIL-APRIL
			APRIL	MARCH	APRIL	
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	269	261	248	+ 8.5
	Production Worker Manhours: ¹	Index, sa	n.a.	124p	127	
	Manufacturing	Index, sa	n.a.	133p	136	
	Mining	Index, sa	n.a.	83p	85	
	Total Construction Contracts Awarded	Million \$, sa	n.a.	n.a.	155.8	
	Residential Buildings	Million \$, sa	n.a.	n.a.	57.9	
	Nonresidential Buildings	Million \$, sa	n.a.	n.a.	53.1	
	All Other Construction	Million \$, sa	n.a.	n.a.	44.8	
	Bldg. Permits: New Housing Units ²	Number	3,336	2,497	4,273	-21.9
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,550e	2,590p	2,526	+ 1.0
	Total Civilian Employment	Thousands, sa	2,445e	2,492p	2,440	+ 0.2
	Number Unemployed	Thousands, sa	105e	98p	86	+22.1
	Unemployment Rate ³	Percent, sa	4.1e	3.8p	3.4	+20.6
	Average Weekly Hours in Manufacturing ³	Hours, sa	40.3e	40.5p	41.3	- 2.4
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ³	Thousands, sa	1,927p	1,947	1,886	+ 2.2
	Manufacturing	Thousands, sa	388p	393	391	- 0.8
	Mining	Thousands, sa	32p	33	31	+ 3.2
	Construction	Thousands, sa	97p	104	98	- 1.0
	Transport., Comm., & Public Utilities	Thousands, sa	132p	133	132	
	Trade	Thousands, sa	466p	470	452	+ 3.1
	Finance, Insurance & Real Estate	Thousands, sa	89p	89	85	+ 4.7
	Service Industries	Thousands, sa	313p	314	302	+ 3.6
	Government	Thousands, sa	410p	411	395	+ 3.8
MEASURES OF SPENDING	Total Retail Sales*					
	New Passenger Car Registrations	Thousands, sa	n.a.	16.2	19.4	
	Bank Debits ⁴	Billion \$, saar	167.3	158.8	154.3	+ 8.4

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

- Index: 1957-59 Base Period
- A sample of permit issuing centers
- Excluding Northwestern Wisconsin
- Six standard metropolitan statistical areas
- A sample of centers blown up to represent total permits issued
- 226 centers excluding the seven leading centers

UNITED STATES production and employment

Percent Change APRIL-APRIL	1970		1969	UNIT	INDICATOR	
	APRIL	MARCH	APRIL			
- 1.2	170	171 _r	172	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
- 4.2	113 _p	113 _p	118	Index, sa	Electrical Energy Consumption: Mfg. and Mining*	
- 4.9	116 _p	117 _p	122	Index, sa	Production Worker Manhours: ¹	
- 3.6	80 _p	79 _p	83	Index, sa	Manufacturing	
+17.3	6814.2	5912.6	5810.4	Million \$, sa	Mining	
- 3.3	2152.0	1902.5	2224.1	Million \$, sa	Total Construction Contracts Awarded	
+14.7	2584.3	2165.2	2252.9	Million \$, sa	Residential Buildings	
+55.8	2077.9	1844.9	1333.4	Million \$, sa	Nonresidential Buildings	
-21.5	125.6 _e	117.0 _p	159.9 _r	Thousands	All Other Construction	
					Bldg. Permits: New Housing Units ⁵	
+ 3.0	82,872 _p	82,769	80,434	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 1.7	78,924 _p	79,112	77,589	Thousands, sa	Total Civilian Employment	
+38.8	3,948 _p	3,657	2,845	Thousands, sa	Number Unemployed	
+37.1	4.8 _p	4.4	3.5	Percent, sa	Unemployment Rate	
- 2.0	40.0 _p	40.2	40.8	Hours, sa	Average Weekly Hours in Manufacturing	
+ 1.7	70,972 _p	71,060	69,789	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
- 1.9	19,721 _p	19,865	20,111	Thousands, sa	Manufacturing	
+ 0.6	628 _p	633	624	Thousands, sa	Mining	
+ 0.4	3,378 _p	3,443	3,363	Thousands, sa	Construction	
+ 0.9	4,477 _p	4,511	4,439	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.1	14,983 _p	14,947	14,533	Thousands, sa	Trade	
+ 4.3	3,682 _p	3,665	3,531	Thousands, sa	Finance, Insurance & Real Estate	
+ 3.6	11,439 _p	11,422	11,044	Thousands, sa	Service Industries	
+ 4.3	12,664 _p	12,574	12,144	Thousands, sa	Government	
+ 2.7	30,193 _p	29,734	29,409 _r	Million \$, sa	Total Retail Sales	
	n.a.	820.9	786.5	Thousands, sa	New Passenger Car Registrations	
+12.4	3323.6	3214.6 _r	2956.7 _r	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

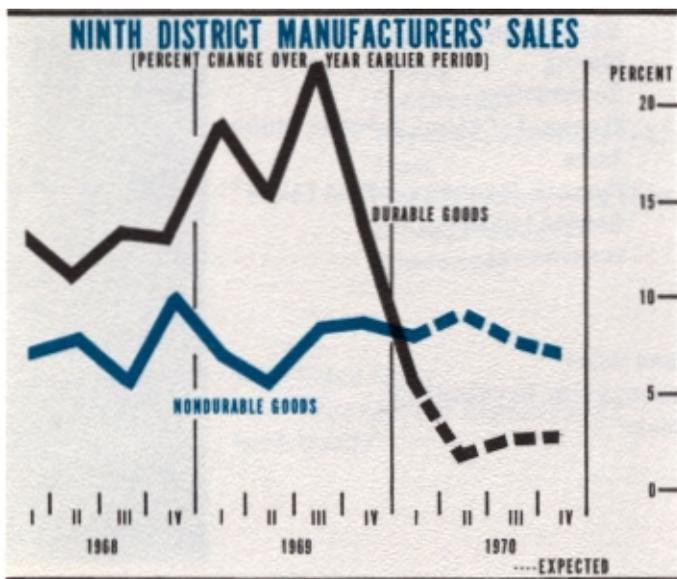
INDUSTRIAL EXPECTATIONS SURVEY

SALES EXPANSION SLOWS SUBSTANTIALLY BUT LESS DRASTICALLY THAN FIRMS EXPECTED

Industrial activity in the Ninth Federal Reserve District slowed appreciably during the first quarter of 1970 according to the results of the latest Industrial Expectations Survey taken around the first of May. First quarter industrial sales in the district increased only 10.3 percent on a year-to-year basis after advancing 17.6 percent in the fourth quarter. This slowing in industrial sales, however, was not as severe as respondents had anticipated earlier in the year: at the time of the survey report in February, firms had expected their sales for the first quarter to exceed year-earlier levels by only 7.5 percent.

According to the latest survey results, respondents now look for their sales in the current quarter to be 7.2 percent above a year earlier. In the third and fourth quarters industrial sales are anticipated to increase 5.4 and 3.2 percent respectively.

The slowing in industrial sales during the first half of 1970 is limited to the manufacturing sector. Mining sales in the first quarter were up 29.5 percent from a year ago and are expected to increase 17.0 percent in the current quarter. During the last half of 1970, however, the rate of growth in mining sales is anticipated to slacken considerably, and they are expected to exceed year-earlier levels by 7.7 percent in the third quarter before falling 4.1 percent in the fourth quarter.



District manufacturing sales exceeded year-ago levels by 6.5 percent during the first quarter of this year and are expected to be only 5.2 percent above a year earlier in the current quarter. Sales increases of this magnitude are considerably below the district's average 12.7 percent year-to-year sales gain in 1969. During the last half of 1970, district manufacturing sales are expected to surpass year earlier levels by 4.9 percent in the third quarter and 4.7 percent in the

fourth quarter. These sales expectations are little changed from those anticipated in the first quarter survey.

Most of the decline in manufacturing sales expectations are in the durable goods industries. Durable goods sales increased 5.4 percent above a year ago in the first quarter and are expected to advance only 1.7 percent in the current quarter. During the last half of this year, durable goods manufacturers anticipate sales to surpass last year's level by about 2.6 percent.

This slowing in durable goods sales can largely be attributed to the large nonelectric machinery industry. It is interesting to note that two industries, lumber and wood products and scientific instruments, expect sales declines during the first half of this year but look for sales increases during the last half of 1970.

TOTAL MANUFACTURING SALES						
(percent change from one year earlier)						
	1969				1970	
	I	II	III	IV	I	II
Ninth District	13.3	10.6	15.9	11.1	6.5	5.2
United States	9.6	8.2	9.2	7.3	5.7	5.5

Nondurable goods sales are expected to hold up better than durables. Manufacturers in these industries expect sales in the current quarter to exceed year-earlier levels by about 9.1 percent before slipping to around 7.0 percent above last year's level in the second half of the year. During the first quarter of this year, sales of nondurable goods manufacturers were 7.8 percent greater than during the comparable year-earlier period.

This pattern of slowing in durable goods sales relative to nondurable goods sales is to be expected in a period of business softening. In the two preceding recessions of 1957-58 and 1960-61, durable goods sales declined more than nondurable goods sales. This pattern is definitely emerging in the district (see chart); in contrast to the 22.4 percent rise in durable goods sales between the third quarters of 1968 and 1969, durable goods manufacturers now expect their sales in the fourth quarter of 1970 to be only 4.7 percent higher than at the end of last year. In comparison, the rate of increase in nondurable goods sales is expected to record a modest decline from 8.5 percent to 6.8 percent over the same period.

In the nation a pattern of manufacturing sales growth similar to that of the district is also appearing. Durable goods sales in the nation surpassed year earlier levels by 12.1 percent in the third quarter of last year and are expected to increase 5.1 percent in the second quarter of 1970, while the rate of increase in nondurable sales is not expected to change appreciably during this period.