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monthly statistical report

NINTH DISTRICT CONDITIONS

federal reserve bank of minneapolis

JOBLESSNESS REMAINS NEAR 5 PERCENT WEEKLY HOURS WORKED FLATTEN OUT

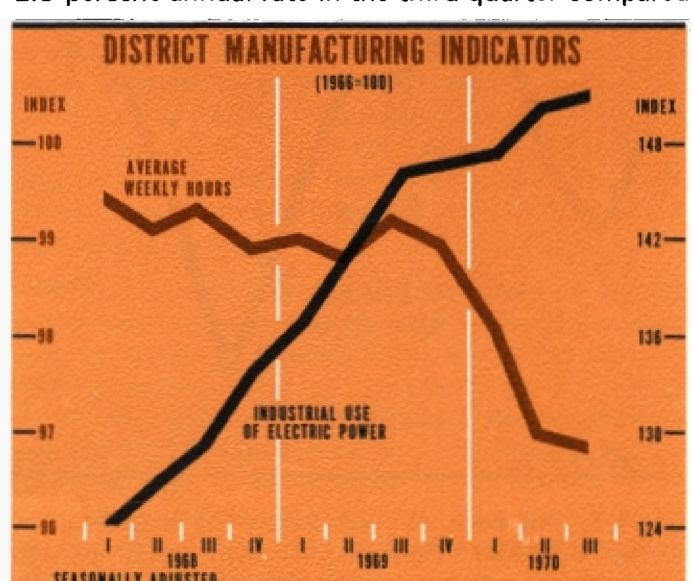
The district's economic slowdown appears to have moderated somewhat in the third quarter. The employment situation seemed to stabilize in July-September, while other indicators of business activity presented a mixed picture. At the same time, district mortgage markets showed some further signs of easing, and savings inflows to commercial banks sustained a rapid growth rate through October.

Information suggests that the deterioration in district labor markets tempered during the third quarter. The percentage of the labor force unemployed in September was 5.2 percent, seasonally adjusted, compared with the 5.5 percent recorded in the nation. After rising very sharply in the first half of 1970, the district's unemployment rate has hovered around 5 percent since July.

There were other signs indicating that labor market conditions remained relatively stable during the third quarter. District initial claims for unemployment insurance, seasonally adjusted, advanced only 7 percent compared with a 57 percent increase between the first and second quarters. Moreover, the decline in average weekly hours worked in manufacturing flattened out during the third quarter, after falling 5.4 percent in the April-June period. There was also a slight improvement in new hirings in Minnesota manufacturing, as the seasonally adjusted rate rose from 3.1 workers per hundred employees in July to 3.7 workers in August.

The decline in district payroll employment may have bottomed out. District wage and salary employment, seasonally adjusted, decreased only 1.8 percent at an annual rate in the third quarter. This was less than the 2.7 percent annual rate of decline experienced nationally in the same period, and substantially smaller than the 6.4 percent drop that the district had recorded in the second quarter. This district's low third quarter rate of decrease occurred despite the continuing steep decline in manufacturing employment, which dropped 10.2 percent at an annual rate in July-September. Increased employment in the district's construction, mining and service sectors partially offset the further fall in manufacturing employment.

Other indicators, however, suggest little improvement in the district's level of economic activity. The industrial use of electric power increased at only a 2.8 percent annual rate in the third quarter compared



to a 6.7 percent rate of advance in the second quarter. Business failures have continued to rise. The number of business failures was 41.3 percent greater than a year ago in the June-August period, according to Dun and Bradstreet, and the liabilities of failing businesses were more than three times as great.

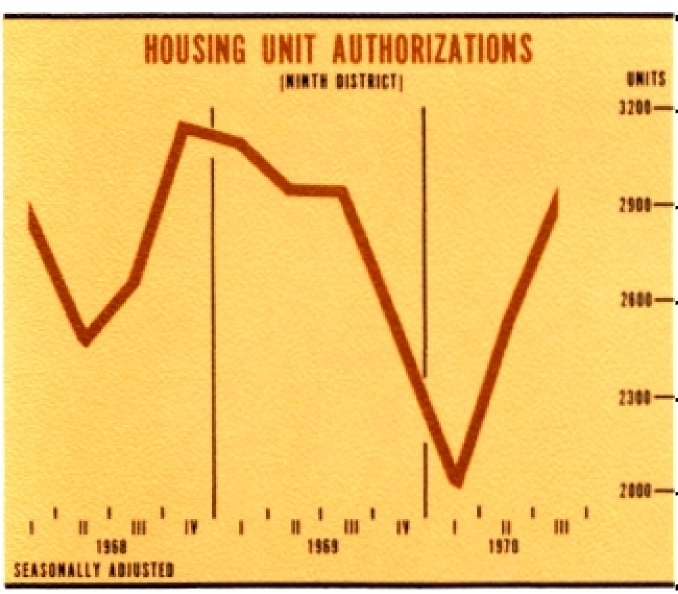
District consumer spending apparently has improved. Minnesota retail sales, seasonally adjusted, advanced at a 10.6 percent annual rate in the three-month period ending in August. In the nation, retail sales increased at a 4.7 annual rate in the corresponding three-month period.

MORTGAGE MARKET CONDITIONS EASE
HOUSING UNITS AUTHORIZED CLIMB HIGHER

Surveys of mortgage lending institutions reveal that mortgage market conditions in the Ninth District loosened slightly again late in the third quarter. Although mortgage rates are still near record high levels, discount points on government-insured mortgages have been shaved slightly. Conventional mortgage rates, which at 8 percent are still below mortgage market rates, have not softened, but there are indications that other lending terms have been liberalized.

The district housing sector has responded strongly to these looser mortgage market conditions, and homebuilding has expanded dramatically in recent months. During the third quarter, an average of approximately 2,900 new housing units were authorized by building permits each month. This was about 11 percent greater than during the second quarter and was nearly the same level that prevailed in 1968 before the housing downturn began.

Contract awards for nonresidential building projects rose somewhat between the second and third

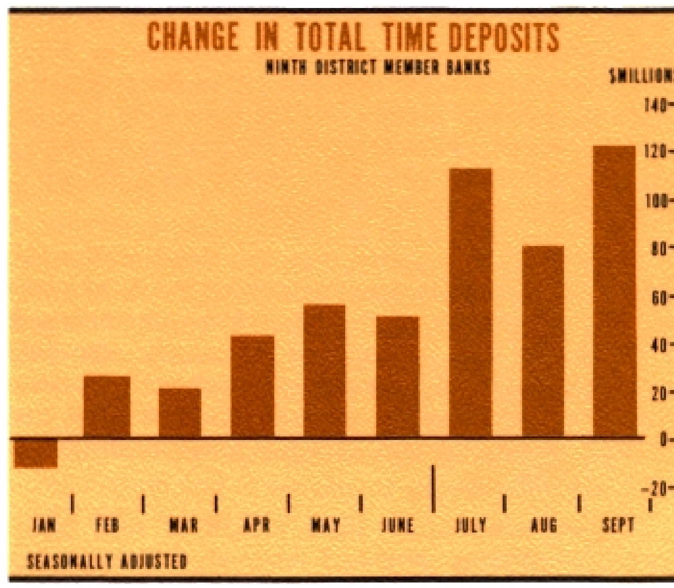


quarters, but were still well below the levels reached earlier this year. Comparisons with earlier periods highlight the relatively weak conditions in this sector; nonresidential building contract awards during the third quarter, seasonally adjusted, were about 20 percent below the first quarter and were approximately 10 percent below last year's third quarter.

"Heavy" construction awards fluctuated widely from month to month during the third quarter but were at a substantially higher level than during 1969 and earlier this year. The higher level in the third quarter emphasized primarily the low level of contract activity in this sector over the past 18 months but also reflected state and local governments' abilities to successfully float bond issues.

SAVINGS INFLOWS CONTINUE RAPID RISE
UPSURGE IN LARGE CDs CONTRIBUTES MOST

Time and savings deposit inflows to Ninth District member banks have continued at a vigorous pace. During the third quarter, total time and savings deposits



rose at a seasonally adjusted annual rate of 26 percent, and this rapid pace was sustained during the first half of October.

This strong growth largely reflects the upsurge in large ($100,000 and over) time certificates of deposit (CDs) which has taken place since late June when the interest rate ceiling on short-term, large CDs was suspended. Large CDs accounted for more than one-half of the inflow of total time and savings deposits during the third quarter, and this pattern has continued during the early part of the fourth quarter. Growth in smaller, consumer-type time deposits and passbook savings also proceeded at a robust pace in the first half of October after rising sharply during the third quarter.

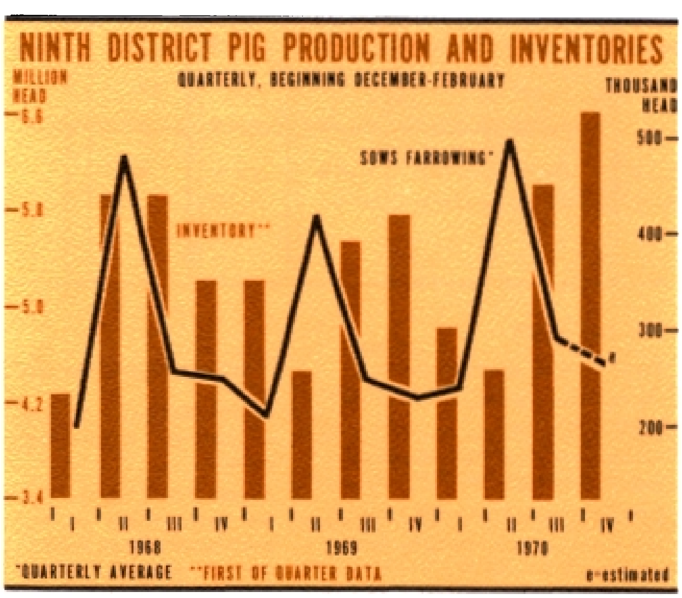
The pace of loan expansion at district member banks has slowed in recent months. After rising at a seasonally adjusted annual rate of 10 percent during the first seven months of 1970, district bank loans increased by only 7 percent in August-September, and the advance in the first half of October was substantially weaker. This slowdown may be due to the concerted efforts of district bankers to strengthen liquidity positions, but it may also indicate an easing in the demand for bank loans.

With loans currently growing at a slower rate, district banks have been allocating a relatively larger share of their deposit inflow to the purchase of securities and the repayment of borrowings. Holdings of U.S. government securities increased at a seasonally adjusted annual rate of 17 percent in the third quarter following the nominal 2 percent rise during the first half of 1970. All other securities, mainly those issued by local governments, rose by a 15 percent annual rate in the third quarter, up sharply from the 3 percent advance in the first half. District bank borrowings, which consist primarily of short-term borrowings from other banks, have declined steadily from the April peak, but are still considerably above the October 1969 level.

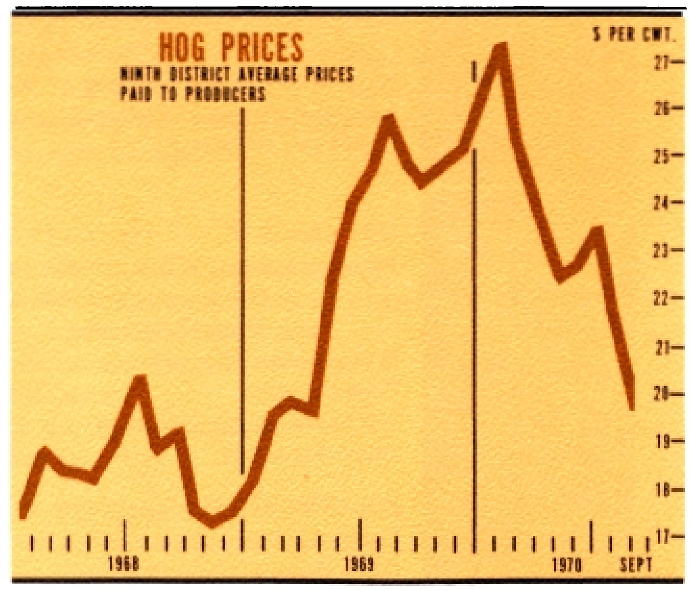
HOG AND PIG INVESTMENTS HIT 4 YEAR PEAK INCREASED MARKETINGS LIKELY FOR FUTURE

The number of hogs and pigs on Ninth District farms is sharply higher than one year ago, according to the most recent quarterly U.S.D.A. estimates. This increase is in response to profitable conditions for hog production. Last fall district farmers held back large numbers of animals from marketings and then used these animals for breeding purposes.

The largest jump in the reported inventory of hogs and pigs occurred in the period March through May of this year when most of these held-back animals farrowed. During this interval, the total number of hogs increased from 4.5 to 6.2 million in South Dakota and Minnesota, the two states which produce nearly all of the district's hogs. Continuing increases in June through August brought the district's inventories to a four-year high of 6.6 million hogs. An estimated 792,000 sows farrowed in the district between March 1 and August 31 of this year, compared with only 674,000 last year and 743,000 two years ago.



The district's low farrowings last year were consistent with national conditions which led to low total pork production and high prices. From June 1969 to April 1970, prices received for fattened hogs at district farms ranged from $23 to $27 per hundredweight. This is higher than hog prices had been since early 1966.



These high hog prices offered an important inducement to increase farrowings, particularly compared to the prices for corn, which is the major cost of feeding. Although corn prices were not exceptionally low last winter, they were low enough so that it took from 26 to 28 bushels of corn to equal the value of 100 pounds of fattened hogs during the period November 1969 through February 1970. This is a relatively high ratio.

Beginning in March, however, slightly higher prices for corn and lower prices for hogs caused this ratio to slip. The downward movement in the ratio continued and then accelerated with the news of this year's disappointing corn crop which caused corn prices to soar. Recent calculations show that it takes only about 16 bushels of corn to equal the value of 100 pounds of fattened hogs. This is near the margin where farmers prefer to market corn as grain rather than feed it to hogs.

The large district hog and pig inventory and the recent price situation suggest large future hog marketings in terms of numbers. The recent estimates of inventories show that 5.8 million of the 6.6 million head total inventory are described as hogs that will be marketed. This figure, like the total inventories, is a four-year high. It was attained mainly because of the very large total but also because of a decline in the percent that is accounted for by the other component of inventories, breeding stock.

NINTH DISTRICT income and finance

INDICATOR		UNIT	1970 OCTOBER	1970 SEPTEMBER	1970 AUGUST	1969 SEPTEMBER	Percent Change SEPT.-SEPT.
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*						
	Nonagricultural Personal Income*						
	Average Weekly Earnings in Manufacturing[1]	Dollars,	n.a.	140.55e	140.73e	139.42	+ 0.8
	Consumer Installment Credit Outstanding[2]	Million $	n.a.	n.a.	1,374	1,330	
	Time and Savings Deposits at Member Banks	Million $	n.a.	5,273	5,150	4,759	+10.8
	Savings Balances at Savings & Loan Assoc.[3]	Million $	n.a.	3,552	3,527	3,345	+ 6.2
	Cash Farm Receipts[3]	Million $	n.a.	n.a.	n.a.	426	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS[4,5]						
	Adjusted Loans and Discounts[6]	Million $	2,464	2,509	2,457	2,241	+12.0
	Commercial and Industrial Loans	Million $	1,088	1,111	1,098	1,022	+ 8.7
	Real Estate Loans	Million $	460	461	459	464	- 0.7
	Gross Demand Deposits	Million $	2,051	2,062	1,945	1,942	+ 6.2
	Time Deposits	Million $	1,468	1,435	1,343	1,264	+13.5
	U.S. Government Securities	Million $	406	367	346	309	+18.8
	Other Securities	Million $	528	516	504	561	- 8.0
	COUNTRY BANKS[4,7]						
	Loans and Discounts	Million $	3,813	3,790	3,785	3,495	+ 8.4
	Gross Demand Deposits	Million $	2,363	2,257	2,206	2,201	+ 2.5
	Time Deposits	Million $	3,892	3,838	3,806	3,495	+ 9.8
	U.S. Government Securities	Million $	1,099	999	977	994	+ 0.5
	Other Securities	Million $	1,190	1,135	1,106	1,043	+ 8.8
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves[8]	Million $	698	701	712	670	+ 4.6
	Required Reserves	Million $	691	692	703	661	+ 4.7
	Excess Reserves	Million $	7	9	9	9	
	Borrowings from FRB	Million $	9	5	37	23	-78.3
	Ratio of Loans to Total Deposits—City Banks[4]	Percent	72.1	73.6	76.6	71.5	+ 2.9
	Ratio of Loans to Total Deposits—Country Banks[4]	Percent	61.0	62.2	62.9	61.3	+ 1.5
MEASURES OF PRICE LEVELS	Consumer Price Index[9]—Minneapolis	Index, sa	n.a.	n.a.	n.a.	n.a.	
	Prices Received by Farmers[9]—Minnesota	Index, sa	n.a.	n.a.	124	128	

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 SEPT.-SEPT.	1970 OCTOBER	1970 SEPTEMBER	1970 AUGUST	1969 SEPTEMBER	UNIT	INDICATOR	
+ 6.7		811.8p	806.4	760.7	Billion $, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 7.0		789.4p	784.0	738.1	Billion $, saar	Nonagricultural Personal Income	
+ 2.5		136.17p	134.13	132.84	Dollars	Average Weekly Earnings in Manufacturing	
		n.a.	41.9	39.8	Billion $	Consumer Installment Credit Outstanding[2]	
+13.5		171.9p	167.1	151.5	Billion $	Time and Savings Deposits at Member Banks	
		n.a.	139.7	134.6	Billion $	Savings Balances at Savings & Loan Assoc.	
		n.a.	n.a.	4.5	Billion $	Cash Farm Receipts	
						CITY BANKS[4,5]	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 4.7		175.6	171.8	167.7	Billion $	Adjusted Loans and Discounts[6]	
+ 4.0		81.2	79.2	78.1	Billion $	Commercial and Industrial Loans	
+ 0.3		33.9	33.7	33.8	Billion $	Real Estate Loans	
+ 8.7		140.0	130.6	128.8	Billion $	Gross Demand Deposits	
+16.0		113.6	109.7	97.9	Billion $	Time Deposits	
+11.7		24.8	24.6	22.2	Billion $	U.S. Government Securities	
+10.8		40.1	38.6	36.2	Billion $	Other Securities	
						COUNTRY BANKS[4,7]	
+ 6.2		63.8	63.4	60.1	Billion $	Loans and Discounts	
+ 4.7		46.5	45.3	44.4	Billion $	Gross Demand Deposits	
+ 8.6		58.2	57.4	53.6	Billion $	Time Deposits	
- 2.4		16.0	15.7	16.4	Billion $	U.S. Government Securities	
+10.5		21.0	20.6	19.0	Billion $	Other Securities	
+ 6.6		28,806p	28,358	27,022	Million $	Total Reserves[8]	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 6.8		28,572p	28,183	26,760	Million $	Required Reserves	
-10.7		234p	175	262	Million $	Excess Reserves	
-44.6		596p	881	1,075	Million $	Borrowings from FRB	
- 6.8		71.4	74.2	76.6	Percent	Ratio of Loans to Total Deposits—City Banks[4]	
- 0.7		60.9	61.7	61.3	Percent	Ratio of Loans to Total Deposits—Country Banks[4]	
+ 5.6		136.6	136.0	129.3	Index, sa	Consumer Price Index[9]	MEASURES OF PRICE LEVELS
+ 1.8		116	114	114	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 SEPTEMBER	1970 AUGUST	1969 SEPTEMBER	Percent Change SEPT.-SEPT.
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining[1]	Index, sa	258	270	262	- 1.5
	Production Worker Manhours:[1]	Index, sa	122p	123	128	- 4.7
	Manufacturing	Index, sa	130p	132	136	- 4.4
	Mining	Index, sa	85p	84	87	- 2.3
	Total Construction Contracts Awarded	Million $, sa	n.a.	n.a.	136.4	
	Residential Buildings	Million $, sa	n.a.	n.a.	57.3	
	Nonresidential Buildings	Million $, sa	n.a.	n.a.	61.2	
	All Other Construction	Million $, sa	n.a.	n.a.	17.9	
	Bldg. Permits: New Housing Units[2]	Number	3,235	3,038	2,907	+ 11.3
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force[3]	Thousands, sa	2,574p	2,541	2,536	+ 1.5
	Total Civilian Employment	Thousands, sa	2,437p	2,417	2,447	- 0.4
	Number Unemployed	Thousands, sa	137p	124	89	+53.9
	Unemployment Rate[3]	Percent, sa	5.4p	4.9	3.5	+54.3
	Average Weekly Hours in Manufacturing[3]	Hours, sa	39.5e	40.5e	41.5	- 4.8
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm[3]	Thousands, sa	1,904p	1,900	1,903	+ 0.1
	Manufacturing	Thousands, sa	375p	376	394	- 4.8
	Mining	Thousands, sa	33p	32	32	+ 3.1
	Construction	Thousands, sa	96p	93	98	- 2.1
	Transport., Comm., & Public Utilities	Thousands, sa	129p	129	133	- 3.0
	Trade	Thousands, sa	461p	461	457	+ 0.9
	Finance, Insurance & Real Estate	Thousands, sa	90p	89	87	+ 3.4
	Service Industries	Thousands, sa	317p	314	307	+ 3.3
	Government	Thousands, sa	403p	406	395	+ 2.0
MEASURES OF SPENDING	Total Retail Sales*					
	New Passenger Car Registrations	Thousands, sa	n.a.	20.2	22	
	Bank Debits[4]	Billion $, saar	169.5	162.4	151.6	+ 11.8

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 SEPT.-SEPT.	1970 SEPTEMBER	1970 AUGUST	1969 SEPTEMBER	UNIT	INDICATOR	
- 4.6	166.0p	168.9	173.9	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
					Electrical Energy Consumption: Mfg. and Mining*	
- 8.4	109p	111	119	Index, sa	Production Worker Manhours:[1]	
- 9.0	112p	114	123	Index, sa	Manufacturing	
- 4.8	79p	82	83	Index, sa	Mining	
+ 6.2	5,744.8	5,426.0	5,410.4	Million $, sa	Total Construction Contracts Awarded	
+12.2	2,286.2	2,119.8	2,037.7	Million $, sa	Residential Buildings	
- 2.4	2,062.8	2,107.0	2,113.4	Million $, sa	Nonresidential Buildings	
+10.8	1,395.8	1,199.2	1,259.3	Million $, sa	All Other Construction	
-10.5	119.0p	114.4	132.9	Thousands	Bldg. Permits: New Housing Units[5]	
+ 2.1	83,031p	82,676	81,325	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 0.3	78,424p	78,445	78,194	Thousands, sa	Total Civilian Employment	
+47.1	4,607p	4,231	3,131	Thousands, sa	Number Unemployed	
+44.7	5.5p	5.1	3.8	Percent, sa	Unemployment Rate	
- 3.4	39.4p	39.8	40.8	Hours, sa	Average Weekly Hours in Manufacturing	
- 0.3	70,380p	70,384	70,567	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
- 4.8	19,276p	19,276	20,252	Thousands, sa	Manufacturing	
- 1.5	614p	620	623	Thousands, sa	Mining	
- 5.9	3,232p	3,301	3,436	Thousands, sa	Construction	
+ 1.5	4,526p	4,522	4,459	Thousands, sa	Transport., Comm., & Public Utilities	
+ 1.3	14,931p	14,910	14,739	Thousands, sa	Trade	
+ 2.5	3,675p	3,668	3,584	Thousands, sa	Finance, Insurance & Real Estate	
+ 2.2	11,533p	11,515	11,289	Thousands, sa	Service Industries	
+ 3.3	12,593p	12,572	12,185	Thousands, sa	Government	
+ 5.1	30,750p	30,690	29,259	Million $, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	745.5	802.6	Thousands, sa	New Passenger Car Registrations	
+ 6.7	3,389.1	3,309.5	3,176.2	Billion $, saar	Bank Debits[6]	

SOURCES

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 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

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

AGRICULTURAL CREDIT CONDITIONS

FALL FARM INCOME DROPS FROM YEAR AGO POOR CROP YIELDS CITED AS CHIEF CAUSE

The important fall season seems to be leaving Ninth District farmers and ranchers in a lower income situation than was the case one year ago. The current survey, which reflects October 1 conditions, obtained the responses of 142 agricultural bankers. These responses indicated that current farm receipts were lower than last year and suggested that this condition would continue throughout the fourth quarter. The lower receipts have already caused a drop in the level of farmer and rancher spending and slowed the rate of debt repayment. Bankers expect that, with the slower debt repayment, the demand for farm debt refinancing will increase in the fourth quarter. Relatively tight farm credit conditions still prevail at banks, even though the current survey indicates some easing from earlier conditions.

Two reasons were often cited by the bankers as accounting for the lower incomes this fall. The major reason cited was poor crop yields caused by dry weather in the Dakotas and northwestern Minnesota during the last half of the growing season. Some bankers noted that slightly higher grain prices would only partially offset the loss of income caused by lower crop yields. In livestock feeding areas, some bankers referred to declining prices, especially for hogs, as an additional cause of lower farm income.

The indication of lower spending was found in the percentage of bankers reporting that farmers' and ranchers' spending was "less," compared to a year earlier. This figure jumped from 19 percent in the previous survey to 27 percent in the current survey. One year ago, 18 percent had reported less spending. Responses indicated that lower incomes were causing less spending on all items but fewer purchases of farm machinery were emphasized. Expectations were that the lower spending would continue throughout the fourth quarter.

The rate of farmer debt repayment is slower than usual because of the lower farm income. Sixteen percent of the respondent banks indicated a "slow" rate of farm debt repayment in this survey, while only 6 percent had reported this rate one year ago. The 16 percent represents no change from the previous survey, however, even though income seems to have dropped.

The current survey gives strong indications that there are more farmers and ranchers at their debt limits than there were one year ago. This is consistent with this year's lower income situation, but debt limits seem to be less of a problem now than they were in July when the income picture was somewhat stronger. The percentage of bankers indicating more farmers were at their debt limit has increased from 11 percent on October 1, 1969 to 20 percent this quarter. In the July survey, 26 percent reported "more at debt limit than one year ago."

FARM DEBT REFINANCING APPEARS TO RISE

Closely related to slow debt repayment and lower income is an apparent increase in demand for farm debt refinancing. Also, there was a sharp increase in the number of banks expecting an increase in demand for farm debt refinancing in the upcoming quarter. This figure increased from 15 percent on July 1 to 20 percent in the current survey. One year ago, 10 percent of the respondents had had such expectations.

Agricultural interest rates at banks are still rising, but apparently the increases are smaller and fewer than they have been for some time. Respondent banks reporting an "upward" trend in short-term rates during the past quarter decreased from 39 to 18 percent. This was a large shift from one year ago when 74 percent had reported this trend. The percentage of banks reporting an "upward" trend in long-term rates also decreased, going from 43 to 23 percent. One year ago 74 percent had also reported an "upward" trend in long-term rates. There were no reported rate increases in the current survey that were larger than one-half percent per annum and 2 percent of the respondents reported decreasing long-term rates.

AG CREDIT CONDITIONS EASE SLIGHTLY BUT REMAIN TIGHTER THAN YEAR EARLIER

Consistent with this slowdown in the rise of interest rates is the appearance of some evidence of easing credit conditions at agricultural banks. The percentage of banks reducing or refusing a loan because of a fund shortage during the past quarter decreased from 32 to 22 percent. At the same time, the percentage of bankers actively seeking new farm loan accounts increased from 32 to 35 percent, and the percentage of bankers expecting problems in meeting loan requests decreased from 19 to 7 percent. Still, rates are above levels of a year ago when credit conditions were described as being relatively tight. It appears that loan-to-deposit ratios, too, are lower with respect to normal bank operations than they were last quarter. Although this also suggests some slackening in credit tightness, the ratios are still very high. The current survey shows 31 percent of the respondent banks reporting their ratios "high" compared with 23 percent one year ago and 13 percent two years ago.