

monthly statistical report

NINTH DISTRICT CONDITIONS federal reserve bank of minneapolis



ECONOMIC CONDITIONS MOSTLY UNCHANGED VIGOROUS SAVINGS GROWTH CONTINUES

Economic conditions in the Ninth District remained essentially listless, although recent changes in a few indicators may foreshadow renewed activity. Agricultural income prospects also appear to have improved recently.

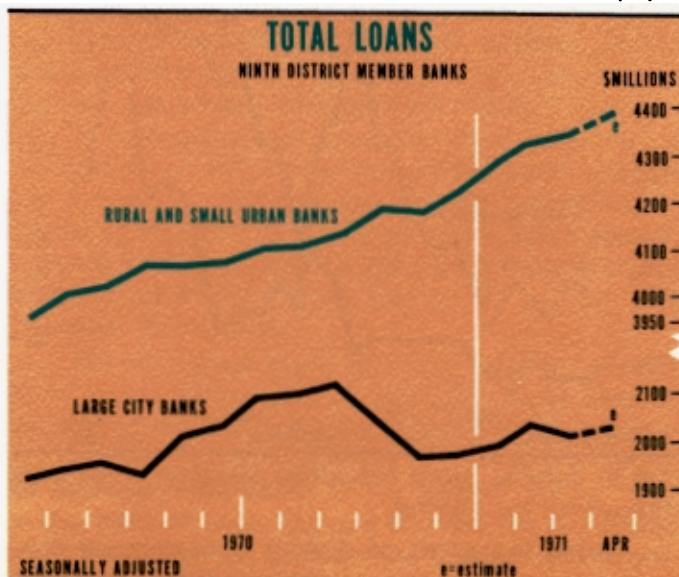
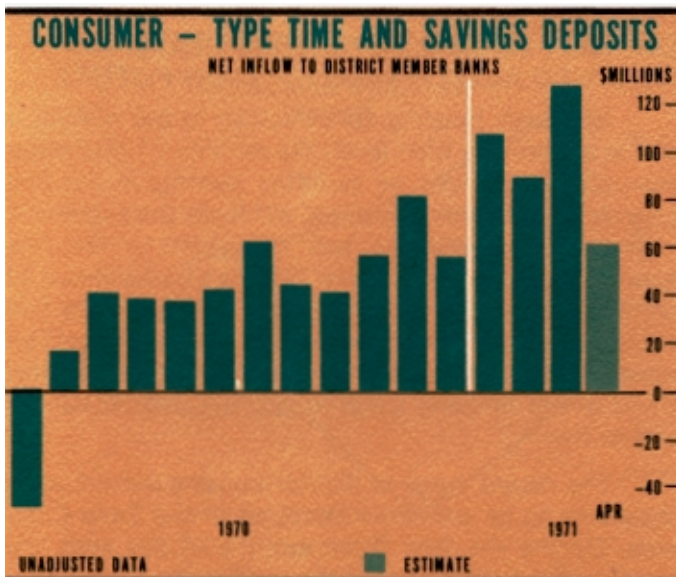
Ninth District member banks continue to experience strong time deposit growth. The March increase was at a seasonally adjusted annual rate of 20 percent, about equal to the growth rate of the preceding three-month period, and this pace appears to have continued during the first half of April. The recent growth in total time deposits evident at both urban and rural banks reflects the exceptionally heavy inflow of consumer-type time and savings deposits. Large negotiable CDs, at least those at large city banks, have remained essentially flat since the latter part of 1970.

While consumer uncertainty about future economic conditions is probably an important factor in the vigorous growth of small CDs and savings deposits, large investors apparently have also been attracted by the favorable rates paid on these deposits. Interest

rates on such savings have recently been higher than other money market rates. Moreover, large investors seeking highly liquid assets are likely to be attracted to this type of savings account. Since these accounts feature frequent crediting of interest earned to deposit balances as well as few restrictions of the timing of withdrawals, individuals and nonprofit institutions usually form the bulk of this market. Should short-term interest rates rise above the 4½ percent ceiling rate banks are currently permitted to pay on such accounts, however, these funds are likely to flow to more profitable investment opportunities.

Loans at district member banks increased very little in March after two months of vigorous expansion. There are indications, however, of renewed loan expansion during the first half of April.

The March slowdown was especially noticeable at reserve city banks, although some tapering off also occurred at rural and other urban banks. Business loans at reserve city banks advanced little during March after rising rapidly during the first two months of the year. Business loan growth over the mid-month tax and dividend period was weak, suggesting that corporate income tax liabilities may have been below normal or, in view of the fact that commercial paper



rates have been lower than the prime rate, that corporate borrowers used other loan sources. Real estate loans and consumer installment loans at reserve city banks declined slightly during March, continuing the weak trends evident for more than a year.

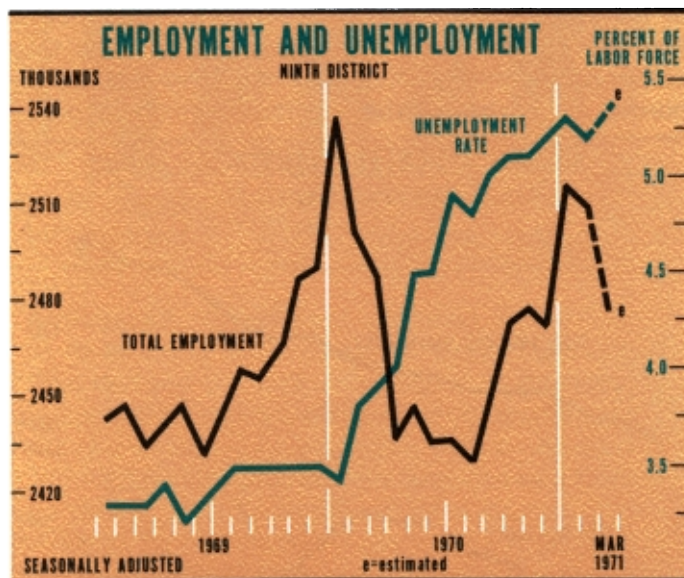
The loan rebound in early April occurred for the most part at reserve city banks and chiefly reflected a greater than normal increase in nonclassified loans.

UNEMPLOYMENT RATE RISES SLIGHTLY BUT WEEKLY HOURS WORKED INCREASE

Recent business indicators fail to reveal any conclusive signs of a turnaround in district economic activity during the first quarter of 1971. District unemployment edged up in the first quarter to 5.3 percent of the labor force, seasonally adjusted. This was slightly above the 5.1 percent experienced during the fourth quarter of last year.

The national unemployment rate, while still well above that in the district, remained at 5.9 percent between 1970's fourth quarter and the first quarter of this year. One factor causing the stabilization of national unemployment was the recovery from the GM strike which had little impact in the Ninth District. Both the district's and the nation's rates of joblessness, however, climbed between February and March: from 5.2 to 5.3 percent and from 5.8 to 6.0 percent, respectively.

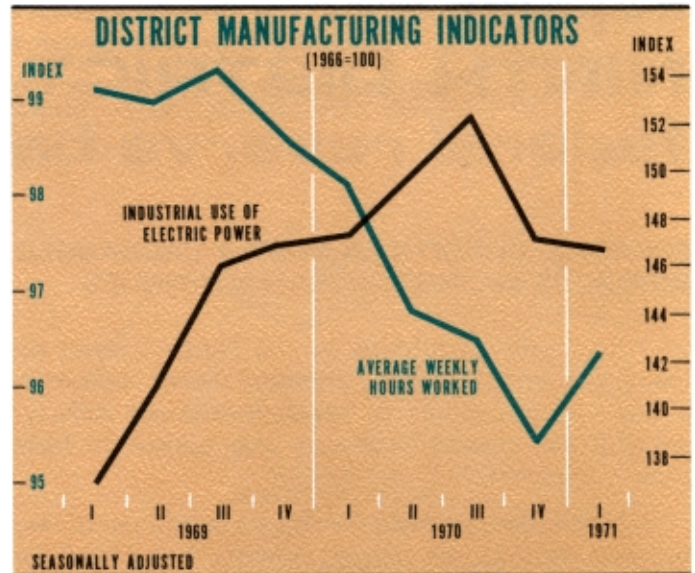
The district's recent increases in unemployment can be attributed to labor force growth, which has exceeded that in employment. District wage and salary employment rose at a seasonally adjusted annual rate of 2.4 percent in the first quarter. The continuing decline in manufacturing employment partially offset increases in all other sectors. Within the manufacturing sector, nondurable goods employment increased while



that in durable goods industries persisted in declining throughout the quarter.

Other indicators of district labor demand show no improvement in labor market conditions so far this

year. The district's help wanted advertising index in the first quarter stayed at its fourth quarter level and was currently 40 percent below the first quarter of 1970. The new hire rate in manufacturing declined slightly in January and was down more than 50 percent from a year ago. In addition, the manufacturing layoff rate in January and February was essentially unchanged from the fourth quarter average.



Two indicators, however, currently offer some encouragement that district economic conditions may be improving. First, employers appear to be utilizing their existing work forces more intensively. Average weekly hours worked in district manufacturing industries advanced at a 3.4 percent annual rate in the first quarter, this indicator's first quarterly gain in more than a year. Second, the industrial use of electric power maintained its fourth quarter level during the first three months of this year, after declining during the second half of 1970. The first quarter use of electric power by nondurable manufacturers, however, was up nearly 7 percent from the fourth quarter. Electric power usage by durable good manufacturers, meanwhile, has changed very little since December.

DISTRICT HOUSING CONSTRUCTION EASES RENEWED ACTIVITY EXPECTED IN FUTURE

Although housing construction in the district is still at a relatively high level, the number of new housing units authorized by building permits in the first quarter of this year has edged off from the extremely high levels experienced late last year. In the first quarter, housing unit authorizations slipped about 13 percent below the fourth quarter rate but were still about 15 percent above the same period last year. This recent easing in the district contrasts with the national trend where housing starts in the first quarter continued to rise.

The recent surge in district housing permit activity seems to be primarily centered in the Twin Cities area. During the first three months of this year, the number of housing units authorized in the Twin Cities

was about 20 percent ahead of those issued in the same period in 1970. On the other hand, housing unit authorizations in most other SMSAs and in all states outside of Minnesota fell behind those of a year ago.

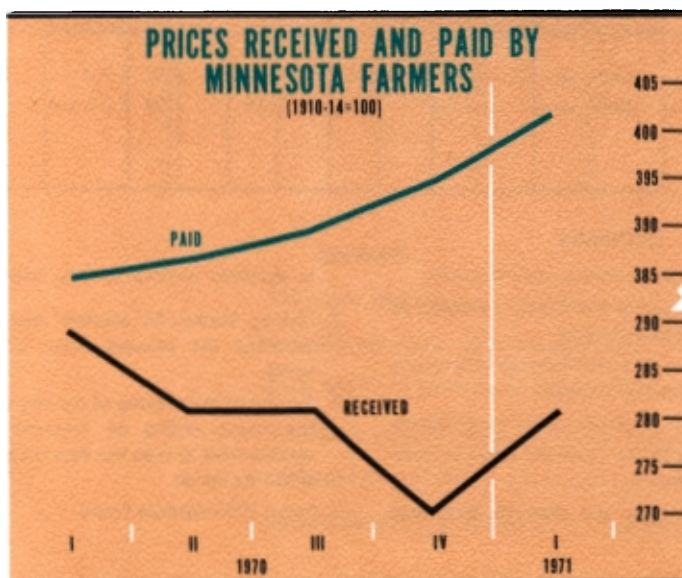
General indications suggest that housing will gather renewed strength. Savings flows to district thrift institutions continued strong throughout the first quarter, and mortgage activity remains robust. Mortgage interest rates have remained relatively steady over the past month, with conventional rates ranging around 7½ percent and government-insured mortgages at 7 percent plus 2 to 4 points.

The slack in nonresidential building construction, which has been evident for most of the past year, continued through the first quarter. During the three months ending in March, the value of nonresidential building contract awards slipped about 25 percent below last year's first quarter. In the same period, the valuation of building permits for nonresidential buildings was about 15 percent below a year ago.

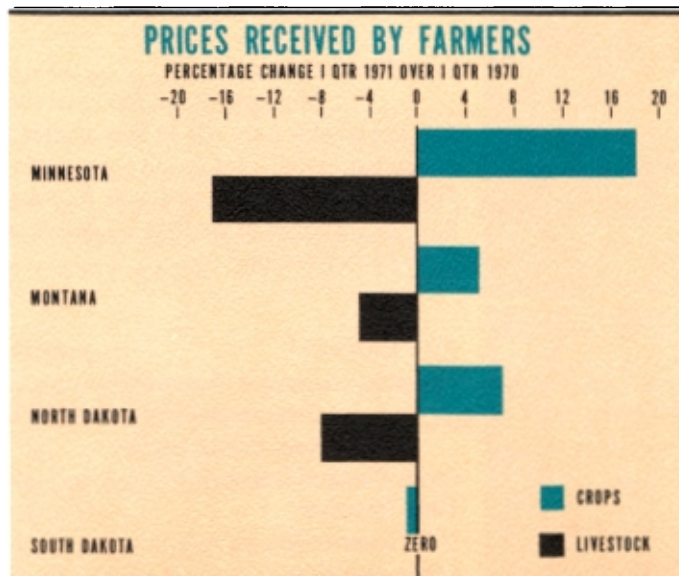
Information regarding contract awards for such things as roads, dams, and bridges suggests that this sector has not changed significantly over the past few months. Although the level of contract awards jumped in the first quarter on a seasonally adjusted basis, this was due primarily to one large contract awarded in January. Even with this large award, the valuation of "heavy" construction awards during the first quarter this year was only 11 percent above the same period last year. After taking into account price increases over the last 12 months, the real value of contract awards was about the same as it was a year earlier.

1971 FARM INCOME PROSPECTS IMPROVE

The outlook for district crop production appears favorable. Clear skies and warm weather have permitted district farmers to get an early start on planting operations, and indications are that they will achieve their expansion in acreage that was predicted earlier this year.



In the first quarter of 1971, prices received by district farmers rose. Product prices increased broadly in all district states during January and February and were little changed in March, except in North Dakota. Higher prices for cattle offset lower prices for crops. North Dakota registered a slight overall decline in prices during March, mainly due to weaker demand for farm-stored wheat.



Livestock prices contributed most to the first quarter rise in prices received by district farmers. The district average price received for hogs was \$14.84 in December, rapidly climbed to about \$19 per hundredweight by February, and then settled back to about \$17 in March. In December, the district average price received for cattle was \$23.60 per hundredweight. Cattle prices increased steadily to slightly over \$28 in March.

Crop prices increased more modestly during the first quarter of this year. Corn climbed from \$1.20 per bushel in December to about \$1.30 in February and held that level in March. Soybeans moved from \$2.63 in December to \$2.79 in February and, like corn, held to the February level.

Though providing the greater impetus to the recent overall price rise, livestock prices are lower than one year ago while crop prices are higher. The difference in livestock prices is largely due to hogs, which averaged about \$26.50 per hundredweight during the first quarter of 1970 but are now 35 percent lower. On the other hand, the price of wheat was 8 percent higher in the first quarter of this year compared to the same period in 1970, corn was up 30 percent, and soybeans, 22 percent.

The long-term trend of prices paid for district farm inputs shows steady, gradually rising costs in contrast to the essentially flat pattern in prices received. The index of prices paid by farmers in Minnesota, for example, rose about 3 1/3 percent during 1970 on the 1910-14 base. The cost increase has moderated since the first of the year, and no increase was recorded between February and March.

NINTH DISTRICT income and finance

| I N D I C A T O R | | UNIT | 1971 | | | 1970 | Percent Change |
|--|---|------------|-------|---------|----------|--------|----------------|
| | | | APRIL | MARCH | FEBRUARY | MARCH | MAR., -MAR., |
| MEASURES OF CONSUMER INCOME & FINANCIAL POSITION | Total Personal Income* | | | | | | |
| | Nonagricultural Personal Income* | | | | | | |
| | Average Weekly Earnings in Manufacturing ¹ | Dollars, | n.a. | 147.09e | 145.11e | 137.31 | + 7.1 |
| | Consumer Installment Credit Outstanding ² | Million \$ | n.a. | 1,355 | 1,344 | 1,323 | + 2.4 |
| | Time and Savings Deposits at Member Banks | Million \$ | 5,870 | 5,831 | 5,716 | 4,778 | +22.0 |
| | Savings Balances at Savings & Loan Assoc. ³ | Million \$ | n.a. | 3,953 | 3,849 | 3,421 | +15.6 |
| | Cash Farm Receipts ³ | Million \$ | n.a. | n.a. | 328 | 319 | |
| MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS | CITY BANKS ^{4,5} | | | | | | |
| | Adjusted Loans and Discounts ⁶ | Million \$ | 2,548 | 2,486 | 2,476 | 2,307 | + 7.8 |
| | Commercial and Industrial Loans | Million \$ | 1,163 | 1,141 | 1,130 | 991 | +15.1 |
| | Real Estate Loans | Million \$ | 451 | 447 | 448 | 460 | - 2.8 |
| | Gross Demand Deposits | Million \$ | 1,998 | 1,979 | 1,972 | 1,845 | + 7.3 |
| | Time Deposits | Million \$ | 1,626 | 1,623 | 1,591 | 1,176 | +38.0 |
| | U.S. Government Securities | Million \$ | 415 | 447 | 439 | 309 | +44.7 |
| | Other Securities | Million \$ | 613 | 560 | 563 | 531 | + 5.5 |
| | COUNTRY BANKS ^{4,7} | | | | | | |
| | Loans and Discounts | Million \$ | 4,015 | 3,932 | 3,894 | 3,595 | + 9.4 |
| | Gross Demand Deposits | Million \$ | 2,163 | 2,191 | 2,167 | 2,121 | + 3.3 |
| | Time Deposits | Million \$ | 4,244 | 4,208 | 4,125 | 3,601 | +16.9 |
| | U.S. Government Securities | Million \$ | 1,032 | 1,044 | 1,076 | 955 | + 9.3 |
| | Other Securities | Million \$ | 1,257 | 1,255 | 1,229 | 1,068 | +17.5 |
| MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS | Total Reserves ⁸ | Million \$ | 707 | 718 | 716 | 678 | + 5.9 |
| | Required Reserves | Million \$ | 702 | 713 | 707 | 670 | + 6.4 |
| | Excess Reserves | Million \$ | 5 | 5 | 9 | 8 | -37.5 |
| | Borrowings from FRB | Million \$ | 1 | 1 | 1 | 20 | -95.0 |
| | Ratio of Loans to Total Deposits—City Banks ⁴ | Percent | 72.7 | 72.4 | 71.8 | 78.4 | - 7.7 |
| | Ratio of Loans to Total Deposits—Country Banks ⁴ | Percent | 62.7 | 61.4 | 61.9 | 62.8 | - 2.2 |
| | | | | | | | |
| 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. | 123 | 124 | 130 | - 5.4 |

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

- Excluding Northwestern Wisconsin
- All commercial banks, estimated by a sample of banks
- Excluding Northwestern Wisconsin and Upper Michigan
- Last Wednesday of the month figures
- City Banks—Selected banks in major cities
- Net loans and discounts less loans to domestic commercial city banks
- Country Banks—All member banks excluding the selected major city banks
- Average of daily figures of the four or five weeks ending on Wednesday which contain at least four days falling within the month
- Index: 1957-59 Base Period

UNITED STATES income and finance

| Percent Change MAR.-MAR. | 1971 | | | 1970 | UNIT | I N D I C A T O R | |
|-----------------------------|-------|---------|----------|--------|------------------|---|---|
| | APRIL | MARCH | FEBRUARY | MARCH | | | |
| + 6.2 | | 836.3p | 830.4 | 787.6 | Billion \$, saar | Total Personal Income | MEASURES OF CONSUMER INCOME & FINANCIAL POSITION |
| + 6.6 | | 815.1p | 809.2 | 764.3 | Billion \$, saar | Nonagricultural Personal Income | |
| + 5.5 | | 139.74p | 138.29 | 132.40 | Dollars | Average Weekly Earnings in Manufacturing | |
| + 4.0 | | 41.6 | 41.4 | 40.0 | Billion \$ | Consumer Installment Credit Outstanding ² | |
| +27.5 | | 193.6 | 188.5 | 151.8 | Billion \$ | Time and Savings Deposits at Member Banks | |
| +14.5 | | 155.8p | 151.7 | 136.1 | Billion \$ | Savings Balances at Savings & Loan Assoc. | |
| | | n.a. | 3.3 | 3.5 | Billion \$ | Cash Farm Receipts | |
| + 5.3 | | 177.2 | 175.6 | 168.3 | Billion \$ | CITY BANKS ^{4,5} | MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS |
| + 2.9 | | 81.2 | 80.8 | 78.9 | Billion \$ | Adjusted Loans and Discounts ⁶ | |
| + 3.3 | | 34.6 | 34.4 | 33.5 | Billion \$ | Commercial and Industrial Loans | |
| +12.0 | | 146.5 | 135.3 | 130.8 | Billion \$ | Real Estate Loans | |
| +32.6 | | 129.2 | 125.8 | 97.4 | Billion \$ | Gross Demand Deposits | |
| +28.3 | | 28.1 | 27.6 | 21.9 | Billion \$ | Time Deposits | |
| +28.7 | | 47.5 | 46.0 | 36.9 | Billion \$ | U.S. Government Securities | |
| | | | | | | Other Securities | |
| + 8.7 | | 66.2 | 65.4 | 60.9 | Billion \$ | COUNTRY BANKS ^{4,7} | |
| + 7.6 | | 46.7 | 45.9 | 43.4 | Billion \$ | Loans and Discounts | |
| +18.4 | | 64.4 | 62.7 | 54.4 | Billion \$ | Gross Demand Deposits | |
| +10.3 | | 17.1 | 17.2 | 15.5 | Billion \$ | Time Deposits | |
| +21.4 | | 23.3 | 22.7 | 19.2 | Billion \$ | U.S. Government Securities | |
| | | | | | | Other Securities | |
| + 8.0 | | 29,710 | 29,855 | 27,521 | Million \$ | Total Reserves ⁸ | MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS |
| + 7.9 | | 29,502 | 29,608 | 27,350 | Million \$ | Required Reserves | |
| +21.6 | | 208 | 247 | 171 | Million \$ | Excess Reserves | |
| -63.7 | | 325 | 329 | 894 | Million \$ | Borrowings from FRB | |
| -12.3 | | 67.0 | 70.3 | 76.4 | Percent | Ratio of Loans to Total Deposits—City Banks ⁴ | |
| - 4.3 | | 59.6 | 60.2 | 62.3 | Percent | Ratio of Loans to Total Deposits—Country Banks ⁴ | |
| + 4.6 | | 139.3 | 138.9 | 133.2 | Index, sa | Consumer Price Index ⁹ | MEASURES OF PRICE LEVELS |
| - 2.5 | | 117 | 117 | 120 | 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

| I N D I C A T O R | | UNIT | 1971 | | 1970 | Percent Change |
|--|---|------------------|--------|----------|-------|----------------|
| | | | MARCH | FEBRUARY | MARCH | MAR. -MAR. |
| MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION | Total Industrial Production* | | | | | |
| | Electrical Energy Consumption: Mfg. and Mining ¹ | Index, sa | 262 | 264 | 261 | + 0.4 |
| | Production Worker Manhours: ¹ | Index, sa | 115e | 116p | 124 | - 7.3 |
| | Manufacturing | Index, sa | 122e | 123p | 133 | - 8.3 |
| | Mining | Index, sa | 83p | 85 | 82 | + 1.2 |
| | Total Construction Contracts Awarded | Million \$, sa | n.a. | 143.9 | 150.4 | |
| | Residential Buildings | Million \$, sa | n.a. | 72.2 | 46.1 | |
| | Nonresidential Buildings | Million \$, sa | n.a. | 29.9 | 52.6 | |
| | All Other Construction | Million \$, sa | n.a. | 41.8 | 51.7 | |
| | Bldg. Permits: New Housing Units ² | Number | 2,201 | 1,075 | 2,511 | -12.4 |
| MEASURES OF MANPOWER UTILIZATION | Civilian Work Force ³ | Thousands, sa | 2,617e | 2,646p | 2,628 | - 0.4 |
| | Total Civilian Employment | Thousands, sa | 2,477e | 2,509p | 2,487 | - 0.4 |
| | Number Unemployed | Thousands, sa | 140e | 137p | 100 | +40.0 |
| | Unemployment Rate ³ | Percent, sa | 5.3e | 5.2p | 3.9 | +35.9 |
| | Average Weekly Hours in Manufacturing ³ | Hours, sa | 39.9e | 40.3p | 40.5 | - 1.5 |
| EMPLOYMENT BY INDUSTRY SECTOR | Wage and Salary Employment, Nonfarm ³ | Thousands, sa | 1,938e | 1,940p | 1,947 | - 0.5 |
| | Manufacturing | Thousands, sa | 361e | 362p | 394 | - 8.4 |
| | Mining | Thousands, sa | 33e | 33p | 32 | + 3.1 |
| | Construction | Thousands, sa | 101e | 101p | 105 | - 3.8 |
| | Transport., Comm., & Public Utilities | Thousands, sa | 132e | 133p | 133 | - 0.8 |
| | Trade | Thousands, sa | 471e | 474p | 470 | + 0.2 |
| | Finance, Insurance & Real Estate | Thousands, sa | 90e | 90p | 89 | + 1.1 |
| | Service Industries | Thousands, sa | 324e | 324p | 315 | + 2.9 |
| | Government | Thousands, sa | 426e | 423p | 409 | + 4.2 |
| MEASURES OF SPENDING | Total Retail Sales* | Thousands, sa | n.a. | n.a. | 16.2 | |
| | New Passenger Car Registrations | Billion \$, saar | 175.1 | 174.8 | 158.8 | +10.3 |
| | Bank Debits 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

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 MAR.-MAR. | 1971 | | 1970 | UNIT | I N D I C A T O R | |
|-----------------------------|----------|----------|---------|------------------|---|--|
| | MARCH | FEBRUARY | MARCH | | | |
| - 3.5 | 165.2p | 164.9 | 171.1 | Index, sa | Total Industrial Production | MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION |
| -13.2 | 99p | 106 | 114 | Index, sa | Electrical Energy Consumption: Mfg. and Mining* | |
| - 7.7 | 108p | 109 | 117 | Index, sa | Production Worker Manhours: ¹ | |
| +21.3 | 97p | 77 | 80 | Index, sa | Manufacturing | |
| + 4.7 | 6,058.2 | 6,186.9 | 5,787.3 | Million \$, sa | Mining | |
| +38.7 | 2,577.0 | 2,376.5 | 1,858.0 | Million \$, sa | Total Construction Contracts Awarded | |
| + 0.6 | 2,205.6 | 2,014.6 | 2,192.2 | Million \$, sa | Residential Buildings | |
| -26.6 | 1,275.6 | 1,795.8 | 1,737.1 | Million \$, sa | Nonresidential Buildings | |
| +40.8 | 165.9p | 102.7 | 117.8 | Thousands | All Other Construction | |
| | | | | | Bldg. Permits: New Housing Units ⁵ | |
| + 1.1 | 83,475p | 83,384 | 82,600 | Thousands, sa | Civilian Work Force | MEASURES OF MANPOWER UTILIZATION |
| - 0.6 | 78,475p | 78,537 | 78,969 | Thousands, sa | Total Civilian Employment | |
| +37.7 | 5,000p | 4,847 | 3,631 | Thousands, sa | Number Unemployed | |
| +36.4 | 6.0p | 5.8 | 4.4 | Percent, sa | Unemployment Rate | |
| - 0.8 | 39.9p | 39.5 | 40.2 | Hours, sa | Average Weekly Hours in Manufacturing | |
| - 1.0 | 70,568p | 70,559 | 71,242 | Thousands, sa | Wage and Salary Employment, Nonfarm | EMPLOYMENT, BY INDUSTRY SECTOR |
| - 6.5 | 18,655p | 18,718 | 19,944 | Thousands, sa | Manufacturing | |
| - 0.6 | 622p | 624 | 626 | Thousands, sa | Mining | |
| - 7.2 | 3,229p | 3,182 | 3,481 | Thousands, sa | Construction | |
| + 0.3 | 4,515p | 4,515 | 4,502 | Thousands, sa | Transport, Comm., & Public Utilities | |
| + 1.0 | 15,135p | 15,133 | 14,984 | Thousands, sa | Trade | |
| + 2.4 | 3,753p | 3,745 | 3,665 | Thousands, sa | Finance, Insurance & Real Estate | |
| + 2.1 | 11,780p | 11,786 | 11,537 | Thousands, sa | Service Industries | |
| + 3.0 | 12,879p | 12,856 | 12,503 | Thousands, sa | Government | |
| | | | | | | |
| | n.a. | 31,341p | 29,801 | Million \$, sa | Total Retail Sales | MEASURES OF SPENDING |
| | n.a. | n.a. | 820.9 | Thousands, sa | New Passenger Car Registrations | |
| +12.3 | 3,610.1p | 3,507.8 | 3,213.9 | 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

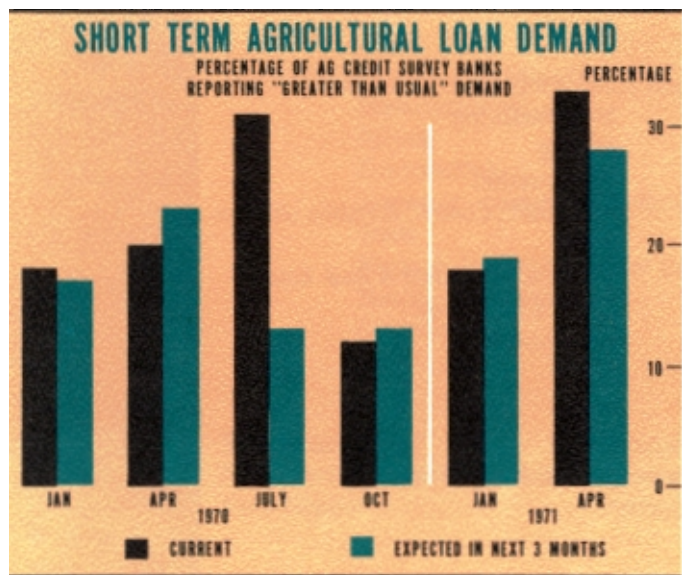
EMPLOYMENT, UNEMPLOYMENT, HOURS AND WAGES:
Employment Security Departments; Minnesota, North Dakota, South Dakota, Montana, Michigan, and U.S. Department of Labor, Bureau of Labor Statistics
RETAIL SALES: U.S. Department of Commerce, Bureau of Census
NEW PASSENGER CAR REGISTRATIONS: Automotive News Magazine

AGRICULTURAL CREDIT SURVEY

SHORT-TERM LOAN DEMAND STILL STRONG BANKERS ANTICIPATE FURTHER RISES

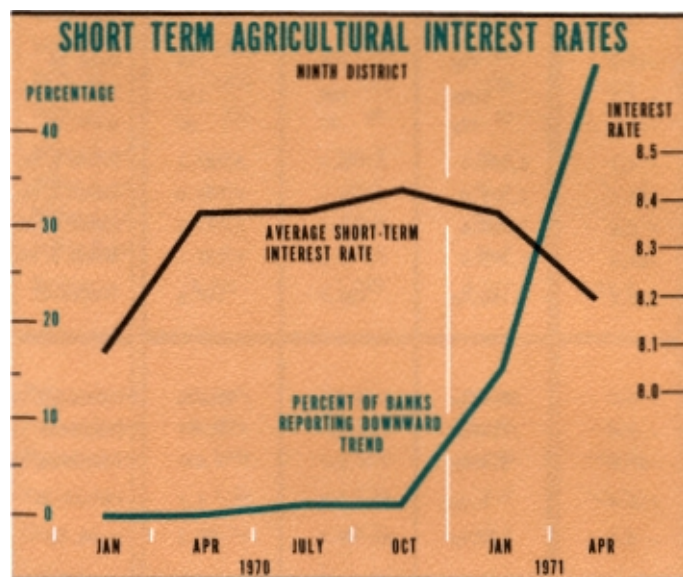
Demand for short-term agricultural credit at banks continues to strengthen in the district. Low incomes in the large farming sector coupled with unabated increases in farm expenses are the main reasons. These forces have been active in stimulating demand for short-term agricultural loans since last fall and continue to do so now even though the income situation has improved somewhat since the January survey. In the smaller ranching sector, incomes are better in relation to expenses but stronger credit demand is evidenced here, too. Expanding cattle operations seem to account for the stronger demand by ranchers.

The consensus of the 152 agricultural bankers responding to this survey seems to be that the demand for short-term agricultural loans will advance even further in the next three months. An increase in short-term loan demand is usual at this time of the year, but expectations are that demand will be especially strong this year.



Anticipation of renewed spending by farmers appears to be the primary reason for expecting short-term loan demand to reach new heights of intensity. The percentage of respondents expecting spending in the next three months to be greater than in the same period of the previous year shows a large increase from the last survey. It is known from other sources that Ninth District farmers intend to plant more total acres of crops this spring. If these intentions are realized, it will mean greater expenditures on soil preparation, planting, weed control and fertilizing. Furthermore, district farmers intend to devote a greater share of their total crop acres to higher-cost crops.

The renewed spending by farmers will be in the form of "out-of-pocket" expenditures. Indicators of demand for financing of farm capital expenditures suggest that willingness to invest has recovered only slightly from the extreme lows of last fall and winter. The renewal has been small even though interest rates have moved downward noticeably.



Reported decreases from interest rate levels quoted on the previous survey were numerous and evenly distributed throughout the district. Minnesota shared in the decreases this time as rates there fell away from the ceiling imposed by the state usury law. Interest rates charged to farmers are higher in the western areas of the district which seems to reflect tighter credit availability at banks. Western bankers rated their credit demand as strong. The tight credit conditions may result from accommodating this demand, something they would be more inclined to do than other district bankers since, on the average, their customers are in more credit-worthy financial positions.

Overall credit availability at Ninth District agricultural banks has increased since the last survey. More bankers reported that they were seeking new farm loan accounts, and more rated their current loan-to-deposit ratio as "low." Most gains in credit availability were in the central and eastern areas of the district. For the most part, these appeared to be the usual outcome of seasonally heavy farm marketings and resultant loan payoffs in these areas during the January-April period.

In general, credit at district agricultural banks is more available than it was one year ago. The average of reported loan-to-deposit ratios remains high in historic perspective, however. At 59 percent it is currently one percentage point higher than it was in April 1970 when the survey found respondents regarding themselves as being in very tight liquidity positions.