

monthly statistical report

NINTH DISTRICT CONDITIONS

federal reserve bank of minneapolis



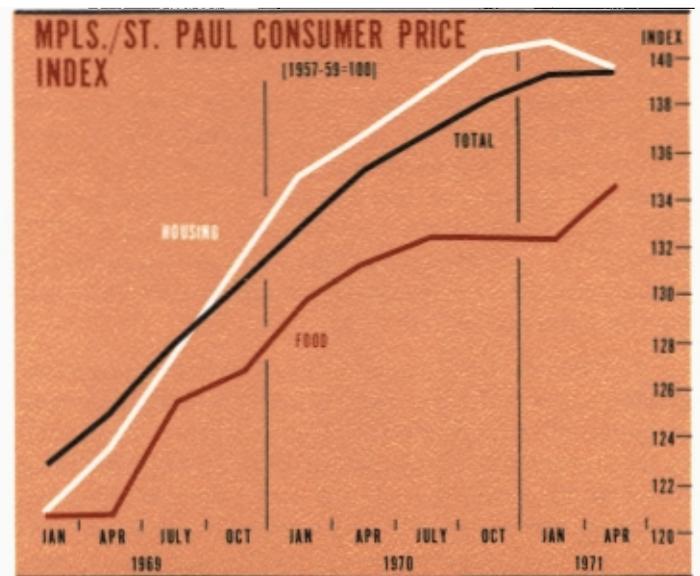
BUSINESS ACTIVITY IMPROVES SLIGHTLY ALTHOUGH LABOR CONDITIONS STILL WEAK

Although conditions in district labor markets continue weak, the district's business climate seems to be improving. District unemployment is still at a relatively high level; the preliminary April rate was at 5.3 percent of the labor force, seasonally adjusted. Although this was down from the revised March figure of 5.4 percent, for the three-month period ending in April the district's unemployment rate averaged 5.3 percent compared to 5.2 percent in the preceding three-month period. Meanwhile, the national unemployment rate was 6.1 percent in April compared to an average of 5.9 percent in the first quarter.

District employment has failed to exceed 1970's level so far this year. This lack of employment growth can largely be attributed to the manufacturing sector where employment was down 7.5 percent. In addition, construction employment was down 1.8 percent from a year earlier. Employment in the trade sector, the district's largest industrial sector, was essentially unchanged from a year ago. Employment in the service and government sectors was up 2.8 and 3.6 percent, respectively, during the first four months of 1971 from 12 months earlier.

The downward trend in several district business indicators has terminated, and these indicators have either leveled off or risen modestly since the beginning of the year. In the four-month period ending in April, average weekly hours worked in manufacturing advanced at a 1.8 percent annual rate compared to a 4.4 percent decline in the four preceding months. The industrial use of electric power during the first four months of 1971 maintained the fourth quarter level after declining during the second half of 1970. As of April, the district's help wanted advertising index had changed very little since the end of 1970. In addition, respondents to our latest Industrial Expectations Survey anticipate noticeable improvement in their sales performance during the last half of 1971 (see back page).

Any expected improvement in district industrial activity will occur despite a continued decline in defense spending in the district. During the first three quarters of fiscal 1971, prime defense contracts allocated to Minnesota amounted to \$297.2 million compared with \$417.8 million during the same period a year ago, a 29 percent drop. As defense spending in Minnesota is largely for the procurement of military goods from durable goods manufacturing industries,



this fall is an important factor in explaining the 13 percent employment decline from a year ago in Minnesota durable goods manufacturing. In North Dakota, where large defense construction contracts were awarded last year, the value of such awards fell from \$173.3 million to \$44.7 million. In South Dakota, on the other hand, prime defense contracts awarded rose from \$7.4 million to \$10.9 million and in Montana they climbed from \$13.2 million to \$18.0 million; in both these states, defense expenditures are primarily related to the construction and maintenance of military installations rather than to the procurement of goods.

A resurgence in district consumer spending has yet to become evident in published data. Minnesota retail sales, seasonally adjusted, were 2.6 percent higher at an annual rate in the first quarter than in the fourth quarter and were only 1.4 percent above 1970's first quarter sales. In the nation, however, retail sales advanced at a 16.2 percent annual rate between the first and fourth quarters and were up 6.3 percent from a year earlier.

This divergence in sales performance between Minnesota and the nation can be partially explained by the fact that while first quarter national automobile sales were up 14 percent from a year ago, Minnesota new car sales only matched those for 1970. In addition, Minnesota department store sales in the first quarter were the same as a year earlier, in contrast to the 8 percent rise in the nation.

The consumer price index (CPI) for Minneapolis/St. Paul was essentially unchanged between January and April. Falling mortgage interest rates are partially responsible for curbing Twin Cities price increases and have largely accounted for the 0.6 percent drop in housing costs between these two months. In addition, transportation costs fell 2.8 percent. Food prices, on the other hand, were 1.7 percent higher in April than January, while apparel prices and health and recreation costs increased 1.2 and 2.1 percent, respectively.

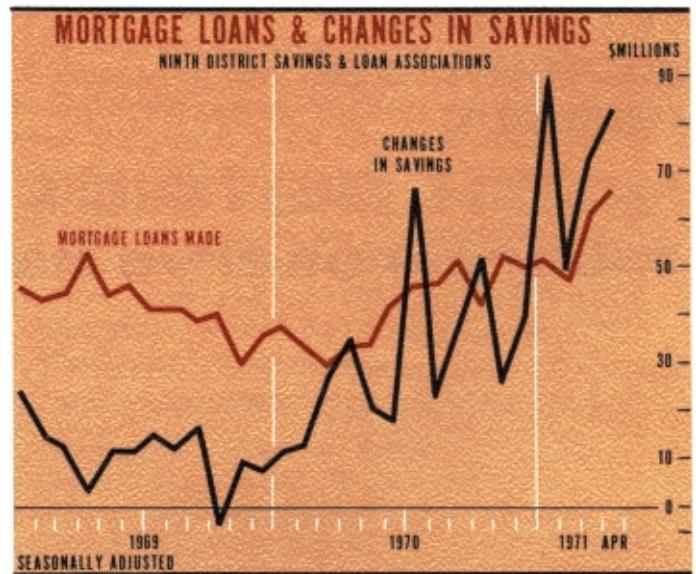
HOUSING CONSTRUCTION RESUMES GROWTH MORTGAGE ACTIVITY CONTINUES STRONG

Housing construction appears to have resumed its upward trend after leveling off earlier this year. Responding to the increased availability of mortgage funds, the number of district housing units authorized in April jumped to the highest level since June 1969. During the three months ending in April, housing unit authorizations were about 15 percent higher than during the same period last year.

Although mortgage rates remained relatively stable during April and early May, indications are that housing will remain strong. Savings inflows to district thrift institutions continued at high rates throughout the first four months of this year, thus maintaining robust mortgage activity. New loans made by district S&Ls are well above year-ago levels, and the current

record-high level of commitments suggests that the strength in housing will continue.

Nonresidential building construction is still relatively weak. The valuation of nonresidential building



permits during the first quarter was down about 8 percent from the preceding quarter and about 3 percent below a year earlier. A breakdown of permits, however, shows that the current slowdown is primarily centered in industrial and commercial building. Public construction during the first quarter was about 4 percent above a year ago.

Prospects for construction activity other than housing are not encouraging. The volume of contract awards for nonresidential building projects, which foreshadow changes, was down about 40 percent from a year earlier during the first quarter. "Heavy" construction awards were also at depressed levels.

BANK TIME DEPOSIT GROWTH MODERATES SPURT IN LOANS OCCURS IN APRIL/MAY

District member banks continued to record strong deposit inflows during April and early May, despite some slowing in time deposit growth. Time deposits grew at a 16 percent annual rate in April and the first half of May after increasing at a rate of more than 20 percent in the first quarter. A small decline in large negotiable certificates of deposit and a moderation in the inflow of consumer-type time and savings deposits accounted for the slowing.

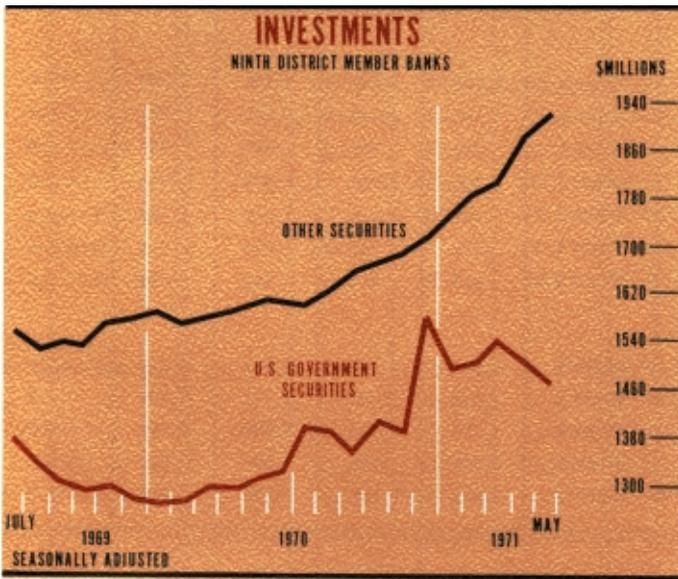
The reduced pace of consumer-type time deposit inflow to banks in both the district and the nation may have partly been due to the recent upward movement in other interest rates such as those on U. S. government securities. Commercial banks have not been able to effectively meet this increased competition for financial assets since bank rates on consumer-type time and savings deposits are effectually at the highest levels permitted by regulation.

District member bank loans, seasonally adjusted, rose vigorously in April and the first half of May after

advancing at a modest pace in March. The resurgence was broadly based but particularly strong at reserve city banks.

Investments by district member banks have exhibited a strong upward trend in recent months. The fact that district banks have been able to expand investments while accommodating the substantial increase in loans which has occurred thus far in 1971 attests to the vigorous growth of bank deposits.

During the first four months of 1971, the rise in total investments consisted largely of additions to holdings of municipal securities and U. S. government agency issues (labeled "other securities" on the graph). These holdings increased at a seasonally adjusted annual rate of nearly 30 percent after a 13 percent advance in the second half of 1970.



Holdings of U. S. government securities have tended to remain on a plateau since February, aside from the sharp monthly fluctuations due to bank purchases and sales of new Treasury issues. In contrast, such holdings rose 18 percent in the preceding 12 months, reflecting district banks' efforts to restore liquidity positions which had eroded during 1969.

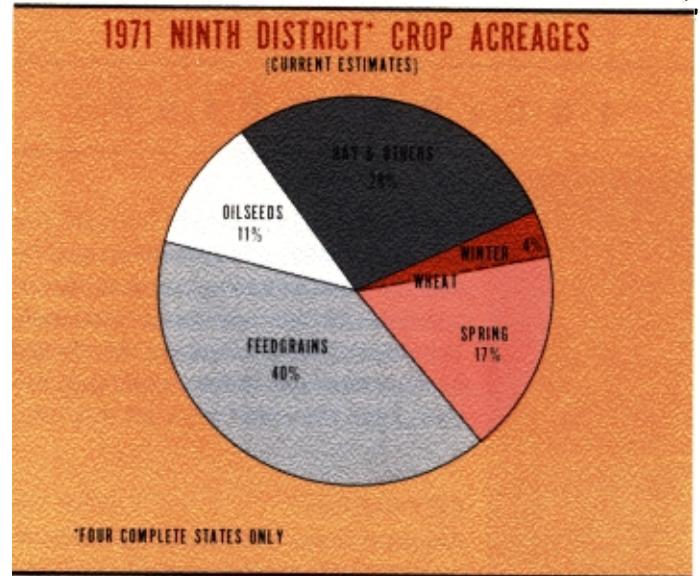
WINTER WHEAT PRODUCTION INCREASES RISE ATTRIBUTABLE TO GOOD YIELDS

The district's current winter wheat crop is estimated to be 27 percent larger than last year's crop. These estimates, based on the condition of the growing crop, indicate a large increase in yield per acre.

Montana, which usually accounts for about three-fourths of the district's total winter wheat acreage, is expected to show a 33 percent increase in production this year. At the same time, South Dakota's production is expected to increase 7 percent. Together, Montana and South Dakota usually grow about 95 percent of the district's total winter wheat output.

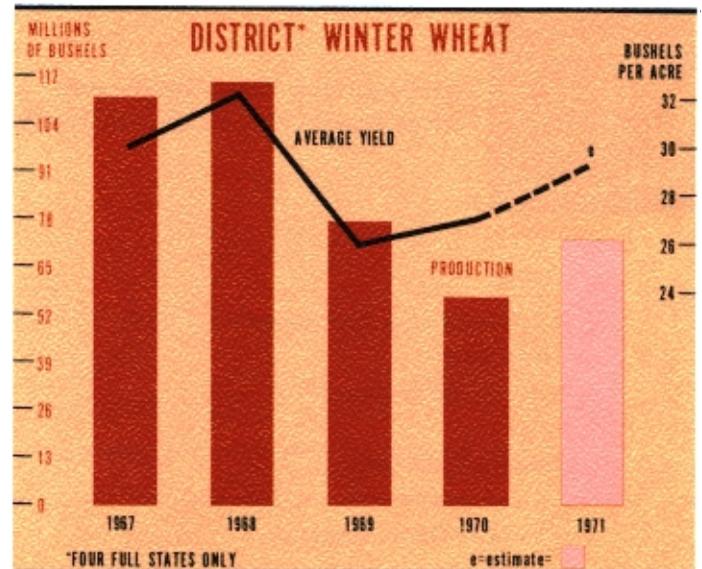
Favorable winter and spring weather boosted crop prospects. Very little winter-kill and wind damage

were reported at the start of the growing season. South Dakota reported some losses due to wind erosion in south central areas, but this difficulty was totally



offset by exceptionally warm spring weather which caused faster-than-normal growth in the undamaged fields. In Montana the important moisture factor was satisfactory for early crop development. At least 80 percent of the crop was rated "good" and 10 to 15 percent "excellent" in weekly government reports covering the period from the beginning of spring growth to the important "stooling" stage, when the stalks are developing.

The overall condition of the crop this year suggests that the district's average yield per acre will be the highest since 1968. The 1969 and 1970 district winter wheat crops suffered from retarded spring growth. Also, Montana suffered some wind damage last year. The expected yield per acre in Montana is 31 bushels this year, compared to last year's harvest of 27 bushels. South Dakota's yield is only expected to increase from 27 bushels per acre last year to 28 bushels this year, partly because of wind erosion in the south central areas.



NINTH DISTRICT income and finance

INDICATOR	UNIT	1971			1970	Percent Change APR.-APR.	
		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.	146.55e	146.92e	137.84	+ 6.3
	Consumer Installment Credit Outstanding ²	Million \$	n.a.	n.a.	1,355	1,324	
	Time and Savings Deposits at Member Banks	Million \$	5,932	5,870	5,831	4,823	+21.7
	Savings Balances at Savings & Loan Assoc. ³	Million \$	n.a.	4,001	3,953	3,425	+16.8
Cash Farm Receipts ³	Million \$	n.a.	264	319	294	-10.2	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS^{4,5}						
	Adjusted Loans and Discounts ⁶	Million \$	2,600	2,548	2,486	2,300	+10.8
	Commercial and Industrial Loans	Million \$	1,161	1,163	1,141	991	+17.4
	Real Estate Loans	Million \$	459	451	447	459	- 1.8
	Gross Demand Deposits	Million \$	2,058	1,998	1,979	1,906	+ 4.8
	Time Deposits	Million \$	1,641	1,626	1,623	1,180	+37.8
	U.S. Government Securities	Million \$	375	415	447	312	+33.0
	Other Securities	Million \$	615	613	560	604	+ 1.5
	COUNTRY BANKS^{4,7}						
	Loans and Discounts	Million \$	4,094	4,015	3,932	3,631	+10.6
	Gross Demand Deposits	Million \$	2,267	2,163	2,191	2,079	+ 4.0
	Time Deposits	Million \$	4,291	4,244	4,208	3,643	+16.5
	U.S. Government Securities	Million \$	1,048	1,032	1,044	933	+10.6
	Other Securities	Million \$	1,299	1,257	1,255	1,074	+17.0
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$	718p	707	718	676	+ 4.6
	Required Reserves	Million \$	713p	702	713	669	+ 4.9
	Excess Reserves	Million \$	5p	5	5	7	-28.6
	Borrowings from FRB	Million \$	1p	1	1	39	-97.4
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent	72.5	72.7	72.4	76.6	- 5.1
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent	62.4	62.7	61.4	63.5	- 1.3
MEASURES OF PRICE LEVELS	Consumer Price Index ⁹ —Minneapolis	Index, sa	n.a.	139.5	n.a.	135.1	+ 3.3
	Prices Received by Farmers ⁹ —Minnesota	Index, sa	n.a.	127	123	127	

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 APR.-APR.	1971			1970	UNIT	INDICATOR	
	MAY	APRIL	MARCH	APRIL			
+ 4.4		841.3p	836.8	806.0	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 4.8		820.2p	815.7	783.0	Billion \$, saar	Nonagricultural Personal Income	
+ 6.1		139.83p	139.74	131.80	Dollars	Average Weekly Earnings in Manufacturing	
		n.a.	41.6	40.2	Billion \$	Consumer Installment Credit Outstanding ²	
+25.9		194.2	193.6	154.3	Billion \$	Time and Savings Deposits at Member Banks	
+16.0		158.1p	155.9	136.3	Billion \$	Savings Balances at Savings & Loan Assoc.	
		3.3	3.5	3.3	Billion \$	Cash Farm Receipts	
+ 5.2		177.2	177.2	168.5	Billion \$	CITY BANKS ^{4, 5}	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 2.9		81.2	81.2	78.9	Billion \$	Adjusted Loans and Discounts ⁶	
+ 3.9		34.7	34.6	33.4	Billion \$	Commercial and Industrial Loans	
+ 7.4		141.5	146.5	131.8	Billion \$	Real Estate Loans	
+30.2		129.3	129.2	99.3	Billion \$	Gross Demand Deposits	
+16.2		26.6	28.1	22.9	Billion \$	Time Deposits	
+29.2		49.1	47.5	38.0	Billion \$	U.S. Government Securities	
						Other Securities	
+ 8.8		67.1	66.2	61.7	Billion \$	COUNTRY BANKS ^{4, 7}	
+ 5.7		46.5	46.7	44.0	Billion \$	Loans and Discounts	
+17.6		64.8	64.4	55.1	Billion \$	Gross Demand Deposits	
+11.8		17.1	17.1	15.3	Billion \$	Time Deposits	
+21.5		23.7	23.3	19.5	Billion \$	U.S. Government Securities	
						Other Securities	
+ 6.2		29,870p	29,696	28,118	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 6.1		29,694p	29,498	27,980	Million \$	Required Reserves	
+27.5		176p	198	138	Million \$	Excess Reserves	
-82.0		152p	325	844	Million \$	Borrowings from FRB	
- 9.7		68.3	67.0	75.6	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
- 3.1		60.3	59.6	62.2	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 4.3		139.8	139.3	134.0	Index, sa	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
		116	117	116	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	1971		1970	Percent Change APR.-APR.	
		APRIL	MARCH	APRIL		
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	267	262	269	- 0.8
	Production Worker Manhours: ¹	Index, sa	117p	115	122	- 4.1
	Manufacturing	Index, sa	123p	122	129	- 4.7
	Mining	Index, sa	87p	83	88	- 1.1
	Total Construction Contracts Awarded	Million \$, sa	n.a.	152.1	150.4	
	Residential Buildings	Million \$, sa	n.a.	67.9	46.1	
	Nonresidential Buildings	Million \$, sa	n.a.	46.2	52.6	
	All Other Construction	Million \$, sa	n.a.	38.0	51.7	
	Bldg. Permits: New Housing Units ²	Number	4,848	2,226	3,452	+40.4
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,596e	2,622p	2,538	+ 2.3
	Total Civilian Employment	Thousands, sa	2,458e	2,481p	2,435	+ 0.9
	Number Unemployed	Thousands, sa	138e	141p	103	+34.0
	Unemployment Rate ³	Percent, sa	5.3e	5.4p	4.0	+32.5
	Average Weekly Hours in Manufacturing ³	Hours, sa	39.9e	39.9p	40.4	- 1.2
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ³	Thousands, sa	1,926p	1,940	1,927	- 0.1
	Manufacturing	Thousands, sa	361p	362	387	- 6.7
	Mining	Thousands, sa	32p	33	32	
	Construction	Thousands, sa	99p	103	97	+ 2.1
	Transport., Comm., & Public Utilities	Thousands, sa	133p	133	133	
	Trade	Thousands, sa	465p	470	468	- 0.7
	Finance, Insurance & Real Estate	Thousands, sa	90p	90	89	+ 1.1
	Service Industries	Thousands, sa	321p	324	313	+ 2.6
Government	Thousands, sa	425p	425	408	+ 4.9	
MEASURES OF SPENDING	Total Retail Sales*					
	New Passenger Car Registrations	Thousands, sa	n.a.	18.5	24.6	
	Bank Debits ⁴	Billion \$, saar	172.7	175.1	167.3	+ 3.2

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 APR., -APR.	1971		1970	UNIT	INDICATOR	
	APRIL	MARCH	APRIL			
- 2.5	166.0p	165.5	170.2	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
- 5.3	107p	106	113	Index, sa	Electrical Energy Consumption: Mfg. and Mining*	
- 6.9	108p	108	116	Index, sa	Production Worker Manhours: ¹	
+15.0	92p	91	80	Index, sa	Manufacturing	
+14.8	7,354.2	6,058.2	6,404.2	Million \$, sa	Mining	
+28.6	2,764.4	2,577.0	2,149.5	Million \$, sa	Total Construction Contracts Awarded	
-13.4	1,996.2	2,205.6	2,305.4	Million \$, sa	Residential Buildings	
+33.1	2,593.6	1,275.6	1,949.3	Million \$, sa	Nonresidential Buildings	
+55.8	202.9p	168.6	130.2	Thousands	All Other Construction	
					Bldg. Permits: New Housing Units ⁵	
+ 1.2	83,783p	83,475	82,760	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
- 0.2	78,698p	78,475	78,886	Thousands, sa	Total Civilian Employment	
+31.3	5,085p	5,000	3,874	Thousands, sa	Number Unemployed	
+29.8	6.1p	6.0	4.7	Percent, sa	Unemployment Rate	
- 0.5	39.8p	39.9	40.0	Hours, sa	Average Weekly Hours in Manufacturing	
- 0.6	70,719p	70,662	71,149	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
- 5.8	18,645p	18,679	19,795	Thousands, sa	Manufacturing	
- 0.2	621p	622	622	Thousands, sa	Mining	
- 3.5	3,307p	3,258	3,426	Thousands, sa	Construction	
+ 0.3	4,481p	4,517	4,468	Thousands, sa	Transport., Comm., & Public Utilities	
+ 1.0	15,143p	15,142	14,991	Thousands, sa	Trade	
+ 2.9	3,779p	3,753	3,673	Thousands, sa	Finance, Insurance & Real Estate	
+ 2.0	11,791p	11,807	11,564	Thousands, sa	Service Industries	
+ 2.7	12,952p	12,884	12,610	Thousands, sa	Government	
	n.o.	32,183p	30,536	Million \$, sa	Total Retail Sales	
	n.o.	908.7	689.1	Thousands, sa	New Passenger Car Registrations	
+11.5	3,705.3p	3,610.9	3,324.4	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

CAUTIOUS OPTIMISM KEYNOTES NEW QIES HIGHER SALES EXPECTED IN 2ND HALF YEAR

Responses to our second quarter Industrial Expectations Survey suggest that district businessmen are imbued with about the same degree of cautious optimism we found last February.

The results of our early May survey show that industrial sales were 2.1 percent below a year earlier in the first quarter and are now expected to increase only 1.8 percent in the second quarter. District industrial sales are anticipated to surpass year-ago levels by 5.2 percent in the third quarter and 6.4 percent in the fourth quarter.

In contrast to the survey's manufacturing component, mining sales are not expected to enjoy any substantial sales growth this year. In the first quarter, mining sales declined 10.3 percent from a year earlier and are expected to be essentially unchanged from 12 months ago this quarter. District mining respondents see no significant year-to-year sales gains for the last half of 1971.

After falling behind year-earlier levels during the last half of 1970, district manufacturing sales matched last year's performance in the first quarter and are expected to advance to 2.1 percent in the second quarter. During the last half of 1971 manufacturing sales are anticipated to increase 6.7 percent in the third quarter and 7.2 percent in the fourth quarter. Although these sales expectations are somewhat lower than those recorded in the first quarter survey, this is the third consecutive survey in which manufacturing respondents expect their sales to strengthen over the forecast period.

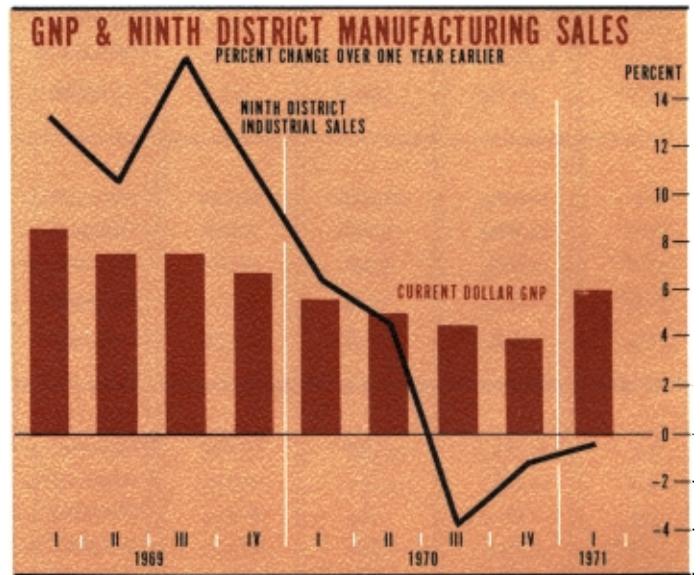
The expected boost in manufacturing sales growth in the last half of 1971 can be traced to the cyclically sensitive durable goods industries. Durable goods manufacturers look for their sales to surpass 1970 levels by 8.2 and 8.6 percent in the third and fourth quarters respectively, after declining 4.7 percent in the first quarter and an expected drop of 0.9 percent in the second quarter.

DURABLE GOODS SALES SPUR TOTAL GROWTH MOST DURABLE INDUSTRIES PARTICIPATE

Most durable goods industries expect their sales to improve during the second half of 1971. In the large nonelectric machinery industry, sales are expected to surpass year-earlier levels by 3.7 percent in the third quarter and by 10.7 percent in the fourth. The primary metals, electric machinery, transportation, fabricated metals and scientific instrument industries also look for strong sales increases during the second half of 1970.

Sales in the nondurable goods industries are expected to continue to expand throughout 1971.

Nondurable goods sales were up 4.3 percent from a year ago in the first quarter and are expected to exceed year-earlier levels by around 5.0 percent in the current and remaining two quarters. The rate of sales gain in the food and kindred products industry, however, is expected to taper off. After increasing 3.9 percent in the first quarter these sales are anticipated to increase 4.3 percent in the current quarter, but in the third and fourth quarters food and kindred product sales are expected to increase by 1.5 and 1.9 percent. Large sales gains in the paper and allied products, printing and publishing, chemical products, petroleum products, and the rubber and plastic products industries are expected to offset the weakening in food and kindred products sales.



It is interesting to note the relationship between district manufacturing sales and the overall level of national economic activity in the past nine quarters. There are noticeable similarities between the pattern of the year-over-year percentage change in quarterly gross national product and the percentage changes in district manufacturing sales on a year-to-year basis. The rate of growth in gross national product slowed in 1969 and 1970 and in the first quarter of this year showed the first resurgence in activity. Although district manufacturing sales growth resembles gross national product's growth pattern, it was more volatile than gross national product because of its greater susceptibility to business fluctuations.

The district's growth in manufacturing sales is not expected to exceed national manufacturing sales during this year's first two quarters. Whereas no growth was experienced in district manufacturing sales in the first quarter, respondents to the national survey on manufacturing sales expectations look for their sales to advance 4.1 percent from a year ago. In the current quarter, national manufacturing sales are expected to increase 5.9 percent as compared to an anticipated 2.1 percent district advance.