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monthly statistical report

NINTH DISTRICT CONDITIONS
federal reserve bank of minneapolis

DISTRICT'S ECONOMY BOTTOMS OUT
CROP CONDITIONS APPEAR EXCELLENT

There are a few signs that the slowdown in the district's economy may have bottomed out, although conditions in labor markets remained weak throughout the second quarter. Housing construction, the brightest spot on the district economic scene, continues to be very strong although the boom may be leveling off on a high plateau. Deposit inflows to banks and other financial institutions have moderated in recent months, but the demand for loans has strengthened.

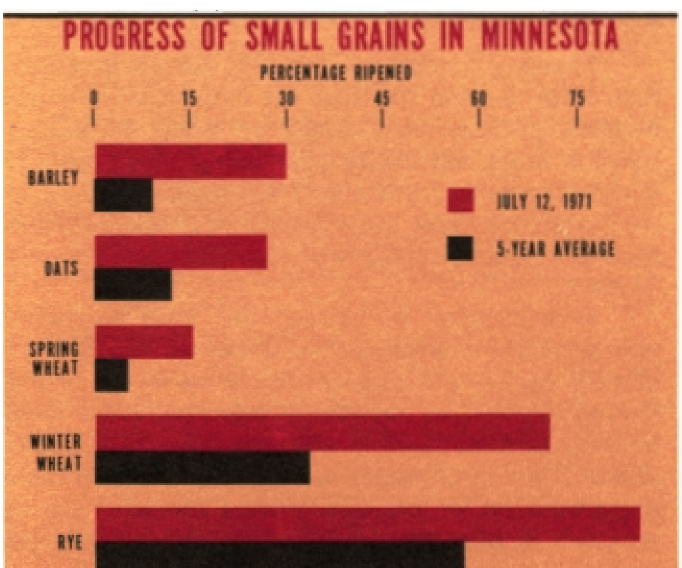
District crops have generally continued their unusually advanced development, despite the heavy rains and hail which hit many areas during the first half of July. The major portion of the district's corn crop had begun tasseling by July 12, having reached an average height of 45 inches, which, is 14 inches above normal. In addition to corn, good conditions have been reported for other district crops, most notably soybeans and barley. In fact, barley was so far advanced that a few fields had already been swathed by mid-July.

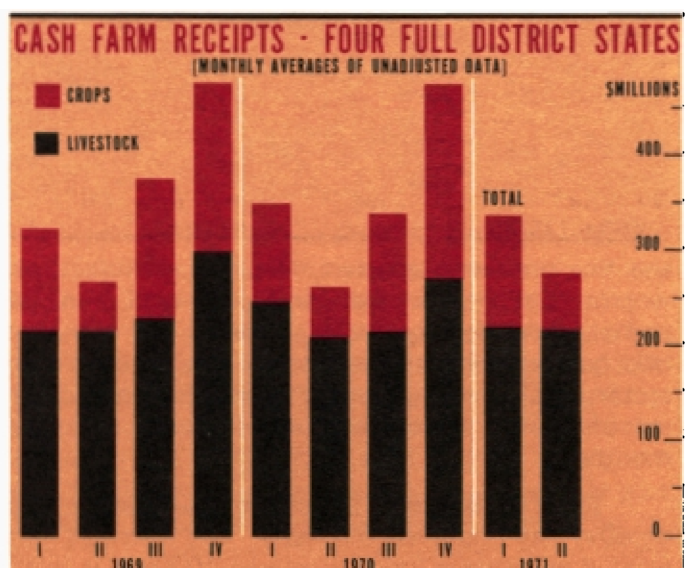
Crop conditions were best in Minnesota, where all crops were reaching their various stages of development at least one week ahead of normal progress. This much advancement in all crops is very unusual and suggests favorable cash farm receipts during the fourth quarter of this year and the early months of 1972.

The possibility of good income flows is also reflected in the U.S. Department of Agriculture's estimates of wheat production and yields per acre. This year's district production of winter wheat is now estimated at 74.5 million bushels, which is an increase of 29 percent over last year's output with only 14 percent more acres planted. The spring wheat crop has been estimated at 402.5 million bushels, an increase of 66 percent with 40 percent more acres planted.

The only district crop threatened at mid-July was corn. Though it was in excellent condition then, the total output was uncertain due to spreading plant disease and pest infestation. Threats to the corn crop throughout the nation had caused anticipations of a small total crop, and consequently, corn prices remained strong through mid-summer.

High corn prices, together with high beef cattle and soybean prices, resulted in improved cash receipts for district farmers in early summer. (See the report on the July 1 Agricultural Credit Conditions Survey on the last page.) Better cash receipts, combined with prospects for good crop output, brightened the outlook for this year's farm income.



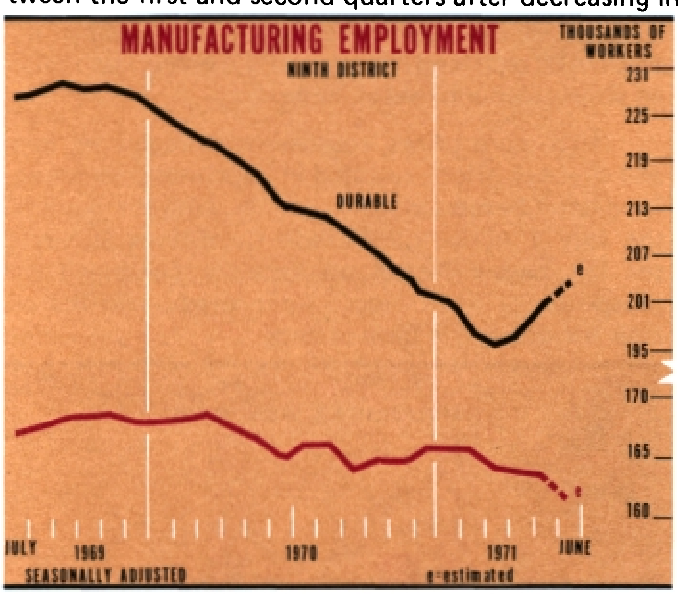


However, because recent gains in receipts were caused primarily by high crop prices, this optimistic view should be qualified by a word of caution, particularly in the case of corn. Because recent corn prices have been high in anticipation of national crop damage, a successful yield could cause corn prices to drop considerably, dragging the prices of other important farm products down with them. If this occurs, total district farm income will be adversely affected.

DISTRICT UNEMPLOYMENT REMAINS HIGH BUT MANUFACTURING JOBS STOP FALLING

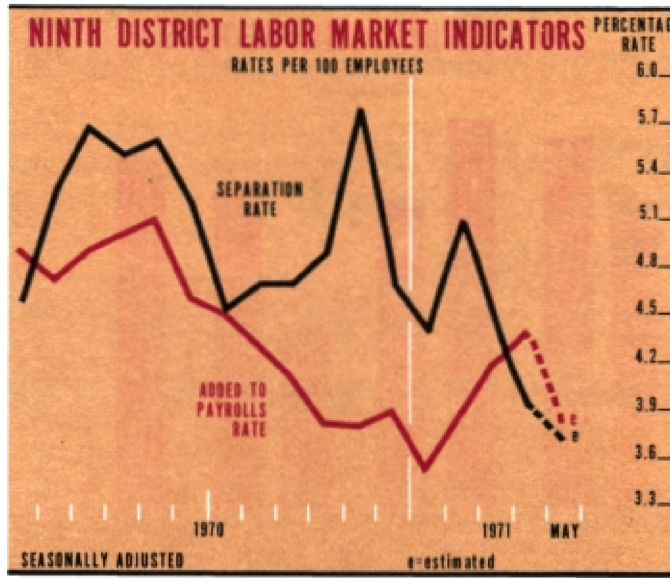
Despite some mildly encouraging signs, business activity remained mainly lackluster in the second quarter. Unemployment continued to creep upward as 5.3 percent of the district's labor force was out of work in the second quarter compared with 5.2 percent in the first quarter. The unemployment rate in the nation, meanwhile, rose from 5.9 to 6.0 percent between the first and second quarters. In June, however, the district and national unemployment rates both dropped, with the district's rate falling from 5.5 percent in May to 5.3 percent in June.

District wage and salary employment, seasonally adjusted, changed very little in early summer, but in the second quarter the number of workers on district payrolls was up slightly from 12 months earlier. The most encouraging development was that the number of district manufacturing jobs remained the same between the first and second quarters after decreasing in



the five preceding quarters. National manufacturing employment, on the other hand, continued to decline and was down 1.3 percent at an annual rate in the second quarter. With the exception of the government sector, employment growth in the district's major nonmanufacturing sectors has been lethargic in recent months.

There are scattered indications that district labor demand has improved modestly. The district's help-wanted advertising index increased 10 percent in the



second quarter, due to a large advance in June. It was, however, still 45 percent below the peak attained in February 1969. Also, the number of workers added to district manufacturing payrolls in April and May exceeded the number of workers released for the first time since January 1970.

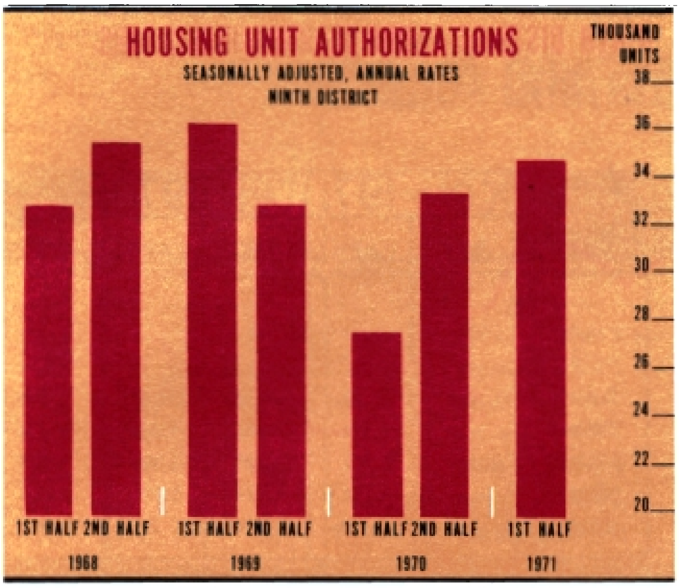
District industrial activity continued slow. In addition to the fact that manufacturing employment remained constant in the second quarter, electric power consumption and average weekly hours worked in manufacturing were unchanged between the first and second quarters. District mining activity was also sluggish. The American Iron Ore Association reported that iron ore shipments from Great Lakes ports through June of this year were running slightly behind a year ago.

Consumer spending appears to have picked up in the district. In the three-month period ending in May, Minnesota retail sales, seasonally adjusted, advanced 4.9 percent after experiencing no growth in the preceding three months. National retail sales increased 5.8 percent in the same period.

HOUSE BUILDING STILL AT HIGH LEVEL

Housing construction in the district is still at a high level. During the first six months of this year, building permits were issued for about 35,000 new housing units, seasonally adjusted at an annual rate. Although this was only about 4 percent above the last six months of 1970, housing permit activity was more than 25 percent higher than during the first half of 1970.

A breakdown of housing unit data reveals that this strength is general throughout all types of residential building and geographic areas in the district. During the first six months of this year, single-family housing unit authorizations were about 26 percent ahead of the same period last year, while multi-family units were up 17 percent. During the same period, however, public housing permits were behind a year ago.



The outlook for district housing is cloudy. On the one hand, savings flows to district thrift institutions have slowed in recent months, and mortgage rates have tightened a notch. These factors suggest that housing activity will not continue to expand as fast as it has during the past year. On the other hand, outstanding mortgage loan commitments at district S&Ls are at record levels, indicating that housing activity will not recede (and could even rise modestly) as these commitments are worked down over the next few months.

The slowdown in nonresidential construction, which began early in 1970, continued through the first half of this year. Information regarding building permits, however, reveals that the current weaknesses are centered in the private sector. During the first five months of this year, the valuation of permits for private nonresidential construction projects was down about 32 percent while the valuation of public building construction permits, primarily for schools, was higher than in the same period a year earlier. At the same time, contract awards for such "heavy" construction work as roads, dams, and bridges were at essentially the same levels as a year ago.

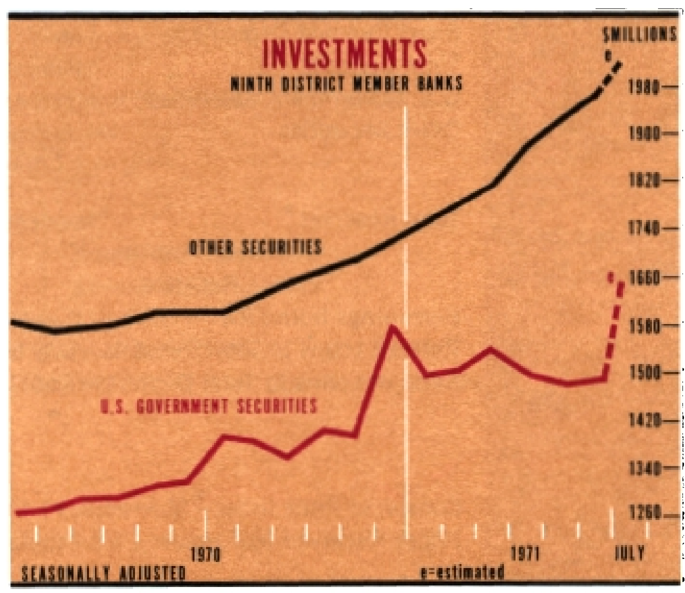
TOTAL DEPOSIT GROWTH EASES MARKEDLY WHILE LOAN PACE ADVANCES MORE RAPIDLY

District member banks have experienced a marked slowdown in deposit inflows during recent months. Time and savings deposits increased by 15 percent in the second quarter and the first half of July, after having risen at a 22 percent seasonally adjusted annual rate in the first three months of 1971. Demand deposit growth slowed perceptibly during the April-June period, following a very strong first quarter. The weaker demand deposit advance during the second quarter was essentially limited to large city banks, while the slowdown in time deposits occurred among a broad spectrum of district banks. Meanwhile, demand deposit growth at rural and small urban banks continued strong during the second quarter.

Total loans at district member banks rose at a 16 percent seasonally adjusted annual rate during the second quarter. This was considerably faster than the 11 percent advance recorded in the first quarter and about double the growth rate experienced throughout 1970. The more rapid advance for the district as a whole reflected faster loan growth at large city banks in such categories as loans to securities dealers and nonbank financial institutions. This expansion in loans to other financial concerns partially reflected a relative increase in commercial paper rates throughout the second quarter. Loan growth at rural and smaller urban banks generally remained unchanged. (For a discussion of banks which devote a large share of their loan portfolios to farm loans, see page 8 for results of the most recent Agricultural Credit Conditions Survey.)

Investments by district member banks in "other securities" (mainly muncipal bonds and federal agency issues) increased vigorously during the second quarter. This advance at 35 percent seasonally adjusted annual rate continues the strong expansionary trend in evidence since the last half of 1970.

The large increase in holdings of "other securities" during the past 12 months was associated with the heavy inflow of time and savings deposits. In view of the slower growth in time deposits and the strength exhibited by loan demand in recent months, district banks may begin to slow down their acquisitions of "other securities."



Holdings of U.S. government securities, seasonally adjusted, remained on a plateau between February and June. This reflected the low yields on U.S. government securities relative to other bank assets which prevailed throughout most of the first half of 1971. District banks purchased large quantities of new Treasury issues in late June and early July. It seems doubtful, however, that the higher level reached in July will hold, since the reason for such purchases was in part related to mid-year "window dressing" and also reflected a response to attractive purchase terms which favors holding such securities for only a limited period.

NINTH DISTRICT income and finance

INDICATOR		UNIT	1971 JULY	1971 JUNE	1971 MAY	1970 JUNE	Percent Change JUN-JUN
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income *						
	Nonagricultural Personal Income *						
	Average Weekly Earnings in Manufacturing[1]	Dollars	n.a.	149.39e	147.18e	139.67	+ 7.0
	Consumer Installment Credit Outstanding[2]	Million $	n.a.	1,424	1,395	1,361	+ 4.6
	Time and Savings Deposits at Member Banks	Million $	6,101	6,026	5,932	4,913	+22.7
	Savings Balances at Savings & Loan Assoc.[3]	Million $	n.a.	4,111	4,038	3,495	+17.6
	Cash Farm Receipts[3]	Million $	n.a.	272p	269	255	+ 6.7
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS[4,5]						
	Adjusted Loans and Discounts[6]	Million $	2,621	2,650	2,600	2,447	+ 8.3
	Commercial and Industrial Loans	Million $	1,146	1,154	1,161	1,081	+ 6.8
	Real Estate Loans	Million $	462	472	459	457	+ 3.3
	Gross Demand Deposits	Million $	1,990	2,277	2,058	1,923	+18.4
	Time Deposits	Million $	1,677	1,691	1,641	1,199	+41.0
	U.S. Government Securities	Million $	387	437	375	312	+40.1
	Other Securities	Million $	633	628	615	502	+25.1
	COUNTRY BANKS[4,7]						
	Loans and Discounts	Million $	4,201	4,137	4,094	3,729	+10.9
	Gross Demand Deposits	Million $	2,480	2,368	2,267	2,090	+13.3
	Time Deposits	Million $	4,424	4,335	4,291	3,713	+16.8
	U.S. Government Securities	Million $	1,141	1,062	1,048	922	+15.2
	Other Securities	Million $	1,360	1,341	1,299	1,079	+24.3
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves[8]	Million $	753	720	718	667	+ 7.9
	Required Reserves	Million $	744	714	712	659	+ 8.3
	Excess Reserves	Million $	9	6	6	8	-25.0
	Borrowings from FRB	Million $	5	3	1	62	-51.6
	Ratio of Loans to Total Deposits—City Banks[4]	Percent	74.5	69.1	72.5	80.3	-14.0
	Ratio of Loans to Total Deposits—Country Banks[4]	Percent	60.8	61.7	62.4	64.3	- 4.0
MEASURES OF PRICE LEVELS	Consumer Price Index[9]—Minneapolis	Index	n.a.	n.a.	n.a.	n.a.	
	Prices Received by Farmers—Minnesota	Index	n.a.	110	111	112	- 1.8

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. 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: 1967 Base Period

UNITED STATES income and finance

Percent Change JUN-JUN	1971 JULY	1971 JUNE	1971 MAY	1970 JUNE	UNIT	INDICATOR	
+ 8.6		870.3p	850.1	801.4	Billion $, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 8.9		848.1p	828.0	778.8	Billion $, saar	Nonagricultural Personal Income	
+ 6.8		143.51p	141.65	134.40	Dollars	Average Weekly Earnings in Manufacturing	
+ 4.9		43.0	42.5	41.0	Billion $	Consumer Installment Credit Outstanding[2]	
+27.7		198.7	196.7	155.6	Billion $	Time and Savings Deposits at Member Banks	
			160.2	138.8	Billion $	Savings Balances at Savings & Loan Assoc.	
+ 5.7		3.7p	3.4	3.5	Billion $	Cash Farm Receipts	
						CITY BANKS[4,5]	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 7.7		182.8	178.6	169.7	Billion $	Adjusted Loans and Discounts[6]	
+ 3.6		82.5	81.6	79.6	Billion $	Commercial and Industrial Loans	
+ 6.3		35.6	35.0	33.5	Billion $	Real Estate Loans	
+17.2		153.0	136.1	130.5	Billion $	Gross Demand Deposits	
+32.3		131.9	131.1	99.7	Billion $	Time Deposits	
+22.6		26.6	25.6	21.7	Billion $	U.S. Government Securities	
+30.8		49.7	48.9	38.0	Billion $	Other Securities	
						COUNTRY BANKS[4,7]	
+10.1		68.9	68.2	62.6	Billion $	Loans and Discounts	
+12.0		49.6	47.0	44.3	Billion $	Gross Demand Deposits	
+19.7		66.9	65.6	55.9	Billion $	Time Deposits	
+12.4		17.2	17.0	15.3	Billion $	U.S. Government Securities	
+25.6		25.0	24.2	19.9	Billion $	Other Securities	
+ 9.2		30,097	30,349	27,566	Million $	Total Reserves[8]	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 9.2		29,883	30,118	27,374	Million $	Required Reserves	
+11.5		214	231	192	Million $	Excess Reserves	
-43.2		482	298	848	Million $	Borrowings from FRB	
-12.7		66.9	69.4	76.6	Percent	Ratio of Loans to Total Deposits—City Banks[4]	
- 5.3		59.2	60.6	62.5	Percent	Ratio of Loans to Total Deposits—Country Banks[4]	
+ 4.5		121.5	120.8	116.3	Index	Consumer Price Index[9]	MEASURES OF PRICE LEVELS
+ 2.7		113	113	110	Index	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 JUNE	1971 MAY	1970 JUNE	Percent Change JUN-JUN
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining[1]	Index, sa	132	128	129	+ 2.3
	Production Worker Manhours:[2]	Index, sa	100p	99	104	- 3.9
	Manufacturing	Index, sa	100p	99	105	- 4.8
	Mining	Index, sa	100p	100	101	- 1.0
	Total Construction Contracts Awarded	Million $, sa	176.3p	199.4	192.4	- 8.4
	Residential Buildings	Million $, sa	56.8p	56.7	47.5	+19.6
	Nonresidential Buildings	Million $, sa	44.9p	88.9	33.1	+35.6
	All Other Construction	Million $, sa	74.6p	53.8	111.8	-33.3
	Bldg. Permits: New Housing Units[3]	Number	4,498	3,656	3,034	+40.3
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force[4]	Thousands, sa	2,591e	2,608p	2,561	+ 1.2
	Total Civilian Employment	Thousands, sa	2,451e	2,465p	2,440	+ 0.5
	Number Unemployed	Thousands, sa	140e	143p	121	+15.7
	Unemployment Rate[4]	Percent, sa	5.4e	5.5p	4.7	+14.9
	Average Weekly Hours in Manufacturing[4]	Hours, sa	40.0p	40.1	39.9	+ 0.3
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm[4]	Thousands, sa	1,918e	1,932p	1,912	+ 0.3
	Manufacturing	Thousands, sa	365p	365	380	- 4.0
	Mining	Thousands, sa	31p	31	32	- 3.1
	Construction	Thousands, sa	98e	101p	92	+ 6.5
	Transport., Comm., & Public Utilities	Thousands, sa	132e	134p	133	- 0.8
	Trade	Thousands, sa	460e	464p	461	- 0.2
	Finance, Insurance & Real Estate	Thousands, sa	89e	90p	88	+ 1.1
	Service Industries	Thousands, sa	318e	320p	314	+ 1.3
	Government	Thousands, sa	425e	427p	412	+ 3.2
MEASURES OF SPENDING	Total Retail Sales*					
	New Passenger Car Registrations	Thousands, sa	n.a.	n.a.	24.2	
	Bank Debits[5]	Billion $, saar	177.5	175.9	160.1	+10.9

NOTES

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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. Index: 1967 Base Period; Weights: 1963
2. Index: 1967 Base Period; Weights: 1958
3. A sample of permit issuing centers
4. Excluding Northwestern Wisconsin
5. Eight standard metropolitan statistical areas
6. A sample of centers blown up to represent total permits issued
7. 226 centers excluding the seven leading centers

UNITED STATES production and employment

Percent Change JUN-JUN	1971 JUNE	1971 MAY	1970 JUNE	UNIT	INDICATOR	
- 0.5	167.9p	167.3	168.8	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
					Electrical Energy Consumption: Mfg. and Mining*	
- 3.1	95p	95	98	Index, sa	Production Worker Manhours:[2]	
- 4.1	94p	95	98	Index, sa	Manufacturing	
+ 3.0	103p	98	100	Index, sa	Mining	
+24.5	7,313.7	6,155.6	5,873.3	Million $, sa	Total Construction Contracts Awarded	
+57.2	3,051.7	2,684.5	1,941.9	Million $, sa	Residential Buildings	
+46.9	2,718.5	1,918.6	1,850.7	Million $, sa	Nonresidential Buildings	
-25.8	1,543.5	1,552.5	2,080.7	Million $, sa	All Other Construction	
+37.9	195.3p	201.9	141.6	Thousands	Bldg. Permits: New Housing Units[6]	
+ 1.1	83,132p	84,178	82,213	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 0.2	78,443p	78,961	78,299	Thousands, sa	Total Civilian Employment	
+19.8	4,689p	5,217	3,914	Thousands, sa	Number Unemployed	
+16.7	5.6p	6.2	4.8	Percent, sa	Unemployment Rate	
+ 0.5	40.0p	39.9	39.8	Hours, sa	Average Weekly Hours in Manufacturing	
	70,581p	70,891	70,629	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
- 4.5	18,606p	18,721	19,477	Thousands, sa	Manufacturing	
	620p	623	620	Thousands, sa	Mining	
- 3.3	3,215p	3,268	3,324	Thousands, sa	Construction	
- 0.3	4,499p	4,496	4,511	Thousands, sa	Transport., Comm., & Public Utilities	
+ 1.4	15,129p	15,217	14,927	Thousands, sa	Trade	
+ 2.9	3,786p	3,780	3,679	Thousands, sa	Finance, Insurance & Real Estate	
+ 2.1	11,777p	11,820	11,532	Thousands, sa	Service Industries	
+ 3.1	12,949p	12,966	12,559	Thousands, sa	Government	
+ 8.3	33,045p	32,523	30,518	Million $, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	n.a.	833.9	Thousands, sa	New Passenger Car Registrations	
+15.7	3,847.9	3,642.0	3,327.0	Billion $, saar	Bank Debits[7]	

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

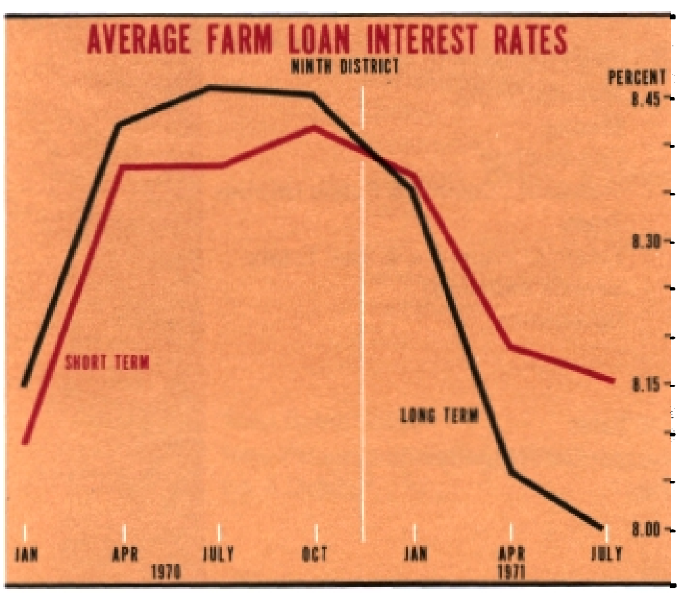
AGRICULTURAL CREDIT CONDITIONS

FARM INCOME IMPROVES IN SECOND QTR RESULTING IN DECREASED LOAN DEMAND

Demand for agricultural loans at banks in the Ninth District has moderated somewhat from the intense demand noted in April. This decline was a result of the improved flow of farm income during the second quarter, which reduced the strong need for short-term loans in many areas.

More borrowers have, however, been seeking long-term or real estate loans because interest rates on such loans have declined significantly. Due to the backlog of farmers' long-term financing plans, these declining interest rates have been particularly effective in encouraging more loan requests. In addition, demand continues strong for long-term loans to finance expansion in dairy production. This recent show of strength in the demand for long-term credit has not, however, been sufficient to offset the decline in demand for short-term loans, and overall credit demand has declined.

Bankers seem to expect that overall credit demands will continue to be at a reduced level. These expectations reflect the recently improved farm income situation. Respondents expressed certainty that increased income would be used to avoid further short-term borrowing or to repay existing debt. In general, bankers expect that the improved farm incomes will remain. But some respondents expressed caution in this outlook, pointing out that the better incomes were the result of the currently high prices for several important farm products and that these prices could fall pending uncertain market outcomes.



Uncertainties surrounding the national corn crop and corn prices appear to be the most important of these changeable situations. Anticipated small corn production has resulted in high corn prices, but the national corn crop could be much larger than expected. A drop in corn prices would depress the prices of other feed grains and cattle and hogs.

Although overall spending by farmers has increased, many respondents indicated that the reason was simply greater "out-of-pocket" expenditures necessary to raise this year's increased acreage of high-cost crops. This increased spending apparently does not reflect a return of farmer optimism with its associated farm capital spending since there were no significant indications that the demand for intermediate-term credit has increased. Yet an increase may be in the offing: the share of overall intermediate-term borrowing used to purchase farm machinery and equipment increased more in the recent April to July period than it had in the corresponding periods of the two previous years. Comments suggested that good crops this fall plus a continuation of high corn and cattle prices would increase farmer capital spending and the demand for intermediate-term farm credit.

The willingness of bankers to offer loans to farmers, as measured by the percent of respondent bankers actively seeking new farm loan accounts, remained essentially unchanged from April. It increased in the small grain and livestock producing areas in the central part of the district apparently because bankers felt that good crops and cattle prices had strengthened borrowers' financial positions. In the western wheat producing and ranching areas of the district, it decreased because of less fund availability at banks. Respondents were consistent throughout the district in rating their loan-to-deposit ratios as remaining "high" in relation to desired or normal levels. In areas where willingness to lend increased, bankers are apparently expecting good loan repayments this fall.