

monthly statistical report

NINTH DISTRICT CONDITIONS federal reserve bank of minneapolis



MIDSUMMER ECONOMIC ACTIVITY LISTLESS DESPITE IMPROVED BUSINESS INDICATORS

At midsummer, prior to the President's announcement of a new economic program, the district's economy continued to show only modest signs of recovery. Its overall condition was best described as listless. The most hopeful signs of strength originated from the expectations of a continued high level of home construction and a record production of crops. Further encouragement has resulted from the improvement of a few business indicators, although business activity in general was sluggish.

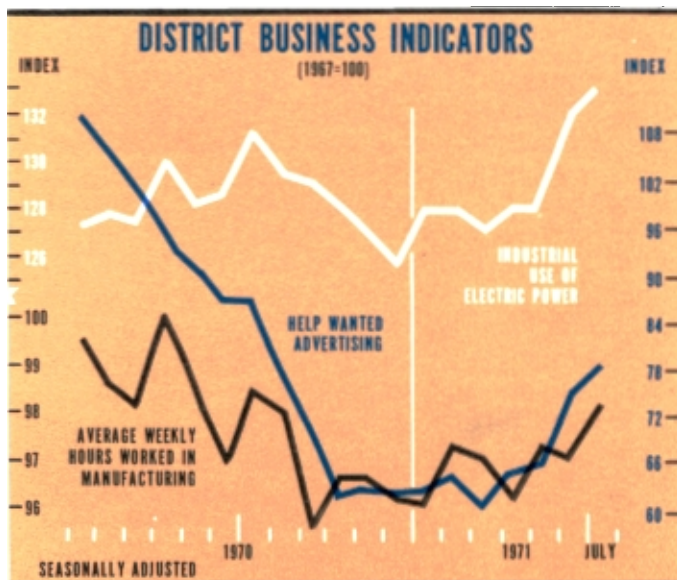
Evidence of sluggishness was manifested in the district's unemployment rate, which returned in July to its May level of 5.5 percent, seasonally adjusted, after having declined to 5.4 percent in June. Nationally, the rate of joblessness rose from 5.6 to 5.8 percent between June and July but did not return to its May high of 6.2 percent.

Several district indicators have improved in recent months, offering some encouragement that district business activity may be picking up. The district's help wanted advertising index, for example, jumped sharply in July for the second consecutive

month and rose 15.6 percent in the three-month period ending in July. Average weekly hours worked in manufacturing continued an upward trend by rising 1.1 percent in July. Meanwhile, the industrial use of electric power increased 4.0 percent from May to July. An additional optimistic note was expressed by the respondents to our latest Industrial Expectations Survey who anticipated a noticeable improvement in sales performances during the remainder of 1971 and early 1972 (see back page).

Other indicators, however, are less encouraging regarding the state of the district's economy. The number of workers on district payrolls, for instance, was unchanged in July from the number employed a year ago. In addition, despite the termination of the decline in manufacturing employment, this July figure was still down 5.1 percent from that of July 1970. Moreover, year-ago comparisons indicate that the trade and service sectors employed essentially the same number of workers this July as they did 12 months earlier.

One result of the district's business slowdown has been an increase in 1971's business failures over year-earlier levels, according to Dun and Bradstreet,



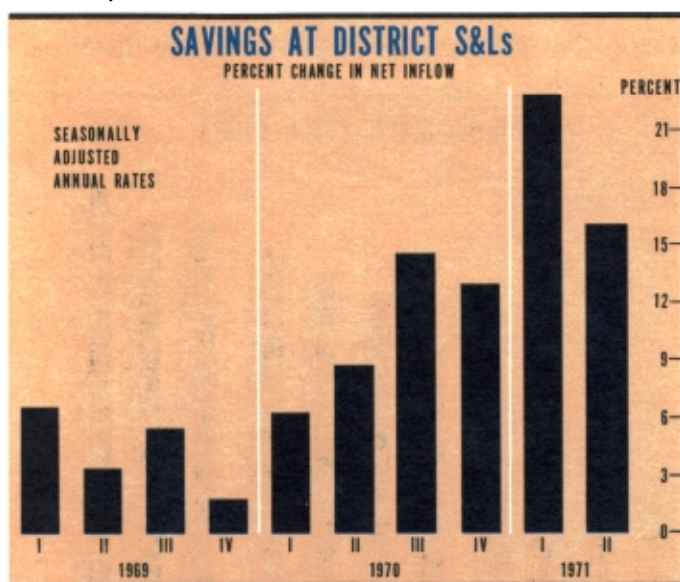
Inc. In the second quarter, failures were up 8.4 percent from a year ago, and the liabilities of the failures were more than twice as high as last year's total of \$6.5 million. Furthermore, new district business incorporations during the first half of 1971 were running 4.6 percent below the year-ago total.

After remaining unchanged during the preceding three-month period, the consumer price index (CPI) for Minneapolis/St. Paul rose 1.3 percent between April and July. This increase in consumer prices primarily resulted from a 4.4 percent leap in food prices, a 1.9 percent rise in housing costs, and an increase in transportation costs of 0.6 percent. Prices in two categories, apparel and upkeep and health and recreation, fell 1.0 and 1.5 percent, respectively. Compared with the Twin Cities' 1.3 percent rise in consumer prices in the second quarter, the national CPI rose 1.6 percent in the same period.

HOUSING CONSTRUCTION CONTINUES STRONG

District housing construction is still at a high level and is expected to remain there, partially as a result of recent changes instituted by the National Home Loan Bank Board. The number of new housing unit authorizations during the three months ending in July reached a seasonally adjusted annual rate of about 40,000 units. The highest rate of permit activity attained in the last ten years, this surpassed the previous peak reached during the fourth quarter of 1968 by around 2 percent. All types of housing and all states in the district shared in the general increase.

Savings flows to district savings and loan associations are still at a relatively high level, although there are indications that the strength in savings inflows is receding. During the second quarter, savings at district S&Ls grew at a 16 percent seasonally adjusted annual rate. This was still substantially above normal rates in recent years but was lower than the record increase



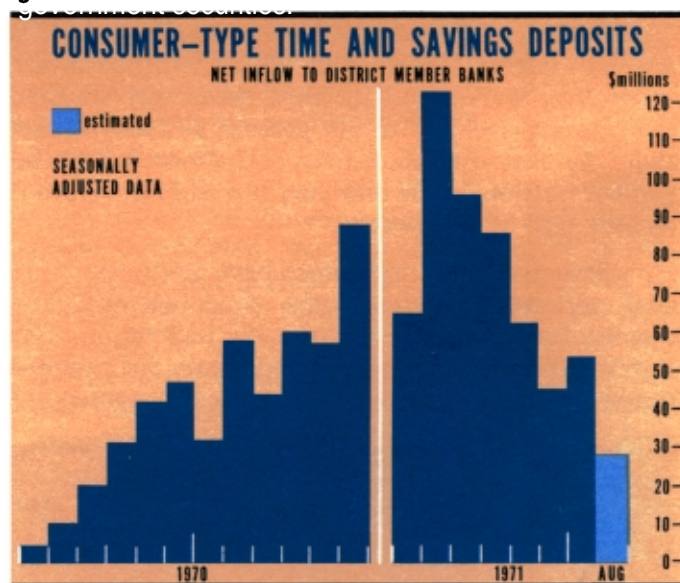
noted in the first quarter. Moreover, net savings inflows during each month of the second quarter fell below the preceding month.

Despite the slowing in deposit growth, mortgage activity at district S&Ls has remained high. Mortgage loan closings remained at a high level, and commitments to make new loans, which have been rising steadily over the last year and a half, reached another record level in June.

Private nonresidential building is still weak, with permits during the first half of this year valued about 25 percent below a year ago. Public building construction, on the other hand, responded to the easier municipal bond market conditions of 1970 and early 1971 by rising substantially above last year's depressed level.

DEPOSIT INFLOWS CONTINUE TO MODERATE BANK LIQUIDITY POSITIONS STRENGTHEN

Time and savings deposit inflows to Ninth District member banks have continued to moderate. Total deposits increased at a 13 percent annual rate in July and at a somewhat slower pace during the first half of August, after having advanced at a 15 percent seasonally adjusted annual rate in the second quarter. This slowing mirrors the recent trend in savings flows at commercial banks as well as other thrift institutions throughout the nation. It is also consistent with the recent uptrend in interest rates on the individual saver's alternative financial assets, such as U. S. government securities.

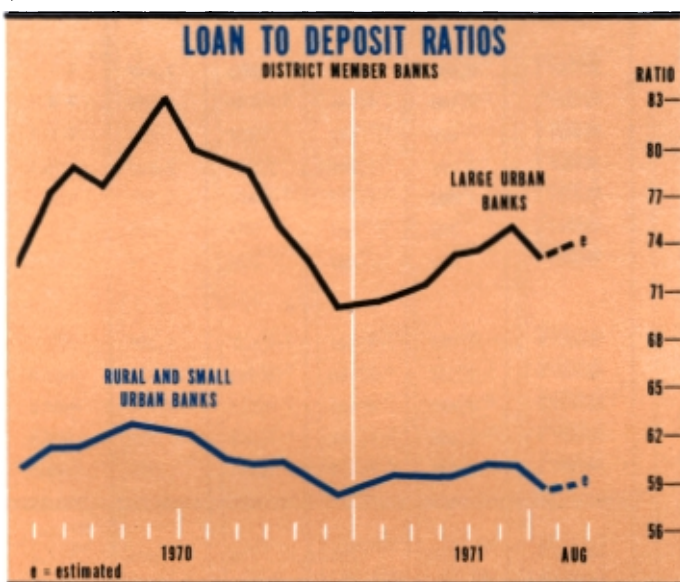


Total loans at district banks experienced a general slowing in July and early August. The growth of loans at rural banks was retarded as farmers repaid bank indebtedness with proceeds from farm acreage diversion programs. This slowdown confirms the diminishing loan demand indicated in our most recent Agricultural Credit Conditions Survey, conducted in late June. At large city banks the slower growth in total loans was general: most types of loans were weak.

The increased liquidity resulting from the combination of high, if moderated, deposit inflows and weak loan demand has permitted district member banks to increase their holdings of investments in recent months. Most of the recent growth in total

investments can be attributed to increases in holdings of non-U. S. government securities, which expanded at a 34 percent seasonally adjusted annual rate in July and remained strong in the first half of August. Increases in bank holdings of municipal securities have been strongest, indicating a possible revival in planned public construction in the district.

Holdings of U. S. government securities have remained essentially flat in recent months. The jump registered in July was mainly attributable to purchases of new Treasury issues, which were paid for by increasing Treasury tax and loan accounts. When these balances were subsequently withdrawn, banks sold U. S. government securities in order to replenish their reserve balances. Thus, by mid-August, the level of U. S. government securities had fallen to about the pre-July level.



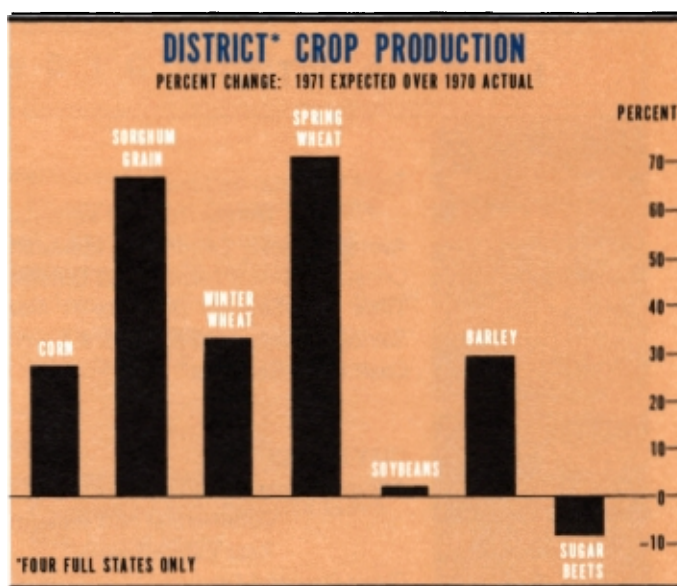
Recent movements in loan-deposit ratios provide further evidence that district banks have strengthened their liquidity positions. Rural and small urban banks had a July loan-deposit ratio of 58.5 percent, down one percentage point from the April level; normally, the ratio would rise between these time periods. At large city banks, where the seasonal pattern also calls for a rise between April and July, the loan-deposit ratio remained essentially unchanged at 73.0 percent.

BUMPER CROPS FORECAST FOR DISTRICT ONLY SUGAR BEET PRODUCTION DECLINES

Preliminary production reports of the district's major crops indicate that many new records may be set in 1971. District crop forecasts predict gains over last year of 20 percent in feed grains and 64 percent in food grains.

The corn crop, which has been the source of considerable question during the year, looked promising in early August. Despite the effects of southern corn leaf blight, the latest available estimates place national corn output at a record high of 5.3 billion bushels. This figure is 30 percent above last year's total and tops the previous high in 1967 by 12 per-

cent. Of this total, about 635 million bushels are expected to come from this district, which represents an increase of 27 percent over 1970's district corn crop.



Part of the increase in corn production in the district can be attributed to the additional 200 thousand acres of corn planted when farmers shifted their original planting intentions. Another important factor is the district's near-record forecasted yield of 73.3 bushels of corn per acre.

However, potential threats to the corn crop still exist. Although district corn is mostly out of reach of this year's blight infection, corn borer infestations and dry weather are currently troubling district farmers.

New production records are expected when the harvest of the nation's wheat crop has been completed. At the present time, a national output of 1.6 billion bushels is predicted with a record yield of 33.1 bushels per acre. A record crop of spring wheat is anticipated for the district, as North Dakota and Minnesota, the nation's primary producers, estimate a total of 238.4 million bushels. Winter wheat harvest continued ahead of schedule in South Dakota and parts of Montana, where, respectively, 93 and 60 percent were completed by the first week in August.

The district's production of soybeans is expected to surpass last year's record production despite the fact that fewer acres were planted this year. The acreage is down slightly primarily because farmers shifted land for soybeans into corn production at the last minute.

Of all the major district crops, only sugar beet output is expected to decline this year. At 3.5 million tons, the district's predicted sugar beet production is 8 percent below last year's crop. District sugar beet acreage is down 21 percent from last year. Yield prospects in the district appear to be very good, however. Currently, the predicted average yield for the district is nearly 15 tons per acre, up from about 12.5 tons in 1970.

NINTH DISTRICT income and finance

I N D I C A T O R	UNIT	1971			1970	Percent Change
		AUG.	JULY	JUNE	JULY	JUL. - JUL.
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income *					
	Nonagricultural Personal Income *					
	Average Weekly Earnings in Manufacturing ¹	Dollars, n.a.	149.56e	149.00e	141.04	+ 6.0
	Consumer Installment Credit Outstanding ²	Million \$ n.a.	n.a.	1,424	1,369	
	Time and Savings Deposits at Member Banks	Million \$ 6,113	6,101	6,026	5,071	+20.3
	Savings Balances at Savings & Loan Assoc. ³	Million \$ n.a.	4,156	4,111	3,527	+17.8
	Cash Farm Receipts ³	Million \$ n.a.	n.a.	272	287	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS^{4,5}					
	Adjusted Loans and Discounts ⁶	Million \$ 2,646	2,621	2,650	2,449	+ 7.0
	Commercial and Industrial Loans	Million \$ 1,146	1,146	1,154	1,080	+ 6.1
	Real Estate Loans	Million \$ 470	462	472	458	+ 0.9
	Gross Demand Deposits	Million \$ 2,096	1,990	2,277	2,008	- 0.9
	Time Deposits	Million \$ 1,682	1,677	1,691	1,301	+28.9
	U.S. Government Securities	Million \$ 362	387	437	368	+ 5.2
	Other Securities	Million \$ 629	633	628	474	+33.5
	COUNTRY BANKS^{4,7}					
	Loans and Discounts	Million \$ 4,213	4,201	4,137	3,305	+27.1
	Gross Demand Deposits	Million \$ 2,354	2,480	2,368	1,931	+28.4
	Time Deposits	Million \$ 4,430	4,424	4,335	3,770	+17.3
	U.S. Government Securities	Million \$ 1,056	1,141	1,062	909	+25.5
	Other Securities	Million \$ 1,381	1,360	1,341	951	+43.0
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$ 750p	753	720	688	+ 9.4
	Required Reserves	Million \$ 743p	744	714	678	+ 9.7
	Excess Reserves	Million \$ 7p	9	6	10	-10.0
	Borrowings from FRB	Million \$ 5p	5	3	35	-85.7
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent 73.5	74.5	69.1	76.0	- 2.0
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent 62.1	60.8	61.7	62.5	- 2.7
MEASURES OF PRICE LEVELS	Consumer Price Index—Minneapolis ⁹	Index, sa n.a.	121.9	n.a.	117.9	+ 3.4
	Prices Received by Farmers ⁹ —Minnesota	Index, sa n.a.	111	110	115	- 3.5

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: 1967 Base Period

UNITED STATES income and finance

Percent Change JUL. - JUL.	1971			1970	UNIT	I N D I C A T O R	
	AUG.	JULY	JUNE	JULY			
+ 6.7		859.1p	870.1	805.3	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 6.6		836.3p	848.0	784.3	Billion \$, saar	Nonagricultural Personal Income	
+ 5.1		141.33p	143.51	134.46	Dollars	Average Weekly Earnings in Manufacturing	
		n.a.	43.0	41.7	Billion \$	Consumer Installment Credit Outstanding ²	
+22.3		199.7	198.7	163.3	Billion \$	Time and Savings Deposits at Member Banks	
+18.2		164.8	163.3	139.4	Billion \$	Savings Balances at Savings & Loan Assoc.	
		n.a.	3.7	3.9	Billion \$	Cash Farm Receipts	
+ 5.2		180.8	182.8	171.9	Billion \$	CITY BANKS ^{4,5}	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 3.2		81.8	82.5	79.3	Billion \$	Adjusted Loans and Discounts ⁶	
+ 7.4		36.1	35.6	33.6	Billion \$	Commercial and Industrial Loans	
+ 8.5		139.7	153.0	128.7	Billion \$	Real Estate Loans	
+24.9		133.0	131.9	106.5	Billion \$	Gross Demand Deposits	
+ 8.5		25.4	26.6	23.4	Billion \$	Time Deposits	
+31.4		49.8	49.7	37.9	Billion \$	U.S. Government Securities	
						Other Securities	
+ 9.5		69.0	68.9	63.0	Billion \$	COUNTRY BANKS ^{4,7}	
+ 8.5		48.7	49.6	44.9	Billion \$	Loans and Discounts	
+17.6		66.8	66.9	56.8	Billion \$	Gross Demand Deposits	
+11.5		17.4	17.2	15.6	Billion \$	Time Deposits	
+26.2		25.5	25.0	20.2	Billion \$	U.S. Government Securities	
						Other Securities	
		n.a.	30,097	28,156	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
		n.a.	29,883	27,996	Million \$	Required Reserves	
		n.a.	214	160	Million \$	Excess Reserves	
		n.a.	482	1,398	Million \$	Borrowings from FRB	
- 8.1		69.3	66.9	75.4	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
- 3.6		59.7	59.2	61.9	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 4.4		121.8	121.5	116.7	Index, sa	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
+ 0.9		113	113	112	Index, sa	Prices Received by Farmers ⁹	

SOURCES

PERSONAL INCOME: U.S. Department of Commerce, Office of Business Economics

SAVINGS AND LOAN ASSOCIATIONS: Federal Home Loan Bank Board

CASH RECEIPTS FROM FARM MARKETINGS: U.S. Department of Agriculture

FINANCIAL DATA OF MEMBER BANKS: Federal Reserve Bank of Minneapolis and Board of Governors of F. R. System

CONSUMER PRICE INDEX: U.S. Department of Labor, Bureau of Labor Statistics

PRICES RECEIVED BY FARMERS: U.S. Department of Agriculture and Minnesota Farm Price Report

NINTH DISTRICT production and employment

I N D I C A T O R		UNIT	1971		1970	Percent Change
			JULY	JUNE	JULY	JUL. - JUL.
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	133	132	131	+ 1.5
	Production Worker Manhours: ²	Index, sa	96p	100	104	- 7.7
	Manufacturing	Index, sa	97p	100	105	- 7.6
	Mining	Index, sa	94p	102	102	- 7.8
	Total Construction Contracts Awarded	Million \$, sa	149.8	176.3	143.0	+ 4.8
	Residential Buildings	Million \$, sa	58.1	56.8	46.6	+24.7
	Nonresidential Buildings	Million \$, sa	47.2	44.9	46.1	+ 2.4
	All Other Construction	Million \$, sa	44.5	74.6	50.3	-11.5
	Bldg. Permits: New Housing Units ³	Number	3,388	4,498	2,328	+45.5
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ⁴	Thousands, sa	2,593e	2,592p	2,573	+ 0.8
	Total Civilian Employment	Thousands, sa	2,449e	2,452p	2,447	+ 0.1
	Number Unemployed	Thousands, sa	144e	140p	126	+14.3
	Unemployment Rate ⁴	Percent, sa	5.5e	5.4p	4.9	+12.2
	Average Weekly Hours in Manufacturing ⁴	Hours, sa	40.5e	40.0p	40.7	- 0.5
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ⁴	Thousands, sa	1,917e	1,915p	1,919	- 0.1
	Manufacturing	Thousands, sa	357e	361p	379	- 5.8
	Mining	Thousands, sa	29e	31p	32	- 9.4
	Construction	Thousands, sa	98e	99p	97	+ 1.0
	Transport., Comm., & Public Utilities	Thousands, sa	134e	132p	131	+ 2.3
	Trade	Thousands, sa	464e	460p	464	
	Finance, Insurance & Real Estate	Thousands, sa	89e	89p	88	+ 1.1
	Service Industries	Thousands, sa	318e	317p	317	+ 0.3
	Government	Thousands, sa	428e	426p	411	+ 4.1
MEASURES OF SPENDING	Total Retail Sales*					
	New Passenger Car Registrations	Thousands, sa	n.a.	n.a.	16.3	
	Bank Debits ⁵	Billion \$, saar	186.9	177.5	167.7	+11.4

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

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. Six 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 JUL. - JUL.	1971		1970	UNIT	I N D I C A T O R	
	JULY	JUNE	JULY			
- 1.4	106.0e	106.9	107.5	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
- 5.1	93p	94	98	Index, sa	Electrical Energy Consumption: Mfg. and Mining*	
- 6.1	92p	94	98	Index, sa	Production Worker Manhours: ²	
	99p	97	99	Index, sa	Manufacturing	
				Index, sa	Mining	
+24.5	6,944.5	7,313.7	5,579.6	Million \$, sa	Total Construction Contracts Awarded	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
+42.9	3,079.8	3,051.7	2,154.8	Million \$, sa	Residential Buildings	
+ 5.7	2,293.1	2,718.5	2,169.0	Million \$, sa	Nonresidential Buildings	
+25.1	1,571.6	1,543.5	1,255.8	Million \$, sa	All Other Construction	
+37.1	196.6p	196.2	143.4	Thousands	Bldg. Permits: New Housing Units ⁶	
+ 1.4	83,829p	83,132	82,711	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 0.5	78,941p	78,443	78,574	Thousands, sa	Total Civilian Employment	
+18.2	4,888p	4,689	4,137	Thousands, sa	Number Unemployed	
+16.0	5.8p	5.6	5.0	Percent, sa	Unemployment Rate	
- 0.5	39.9p	40.0	40.1	Hours, sa	Average Weekly Hours in Manufacturing	
- 0.2	70,456p	70,647	70,587	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
- 4.6	18,502p	18,634	19,402	Thousands, sa	Manufacturing	
- 2.8	601p	621	618	Thousands, sa	Mining	
- 3.6	3,195p	3,231	3,314	Thousands, sa	Construction	
- 1.4	4,474p	4,484	4,539	Thousands, sa	Transport., Comm., & Public Utilities	
+ 1.7	15,193p	15,171	14,933	Thousands, sa	Trade	
+ 3.1	3,790p	3,796	3,676	Thousands, sa	Finance, Insurance & Real Estate	
+ 2.1	11,750p	11,778	11,514	Thousands, sa	Service Industries	
+ 2.9	12,951p	12,932	12,591	Thousands, sa	Government	
+ 6.9	32,860p	33,110	30,729	Million \$, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	829.0	772.2	Thousands, sa	New Passenger Car Registrations	
+13.9	3,846.0	3,847.4	3,375.3	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 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

INDUSTRIAL EXPECTATIONS SURVEY

BUSINESS OUTLOOK IMPROVES THRU 1971 EXPECTED 2ND QTR SALES UNFULFILLED

Improved sales performance throughout the second half of 1971 and early 1972 is forecast by district businessmen, according to the results of our third quarter Industrial Expectations Survey. As of early August, following a second quarter gain of 2.7 percent from last year, district industrial sales were expected to increase 6.6 percent in the current quarter, 9.9 percent in the fourth quarter, and 8.3 percent in the first quarter of 1972.

Although the sales expectations of district manufacturers for the second quarter were not fulfilled, few changes occurred in their projections for the remainder of 1971. Making essentially the same predictions they made in the second quarter survey, manufacturing respondents foresee their sales surpassing year-earlier levels by 6.5 and 7.1 percent in the current and fourth quarters, respectively. A 6.3 percent increase over 1971 is expected in the first quarter of 1972. Last May, district manufacturers anticipated a 2.1 percent sales gain for the second quarter; however, the current survey shows that sales were essentially unchanged last quarter from a year ago.

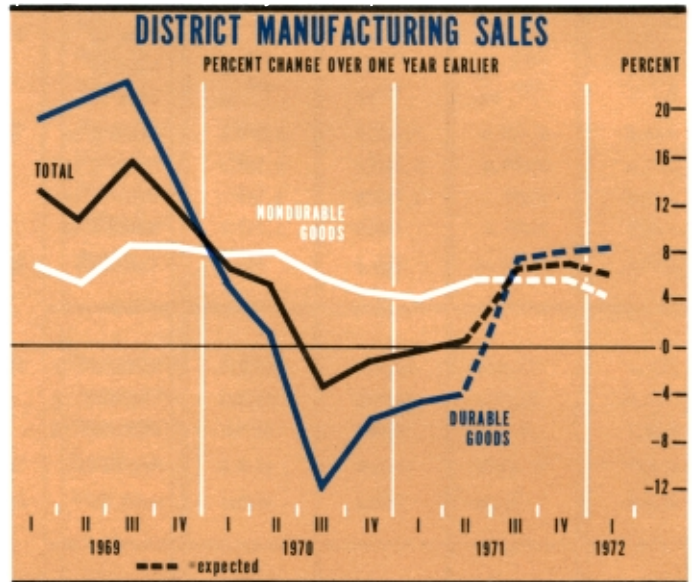
The optimistic outlook for district manufacturing sales can be attributed to a rejuvenation in durable goods sales. After failing to reach year-earlier levels in the preceding four quarters, district sales of durable goods are expected to exceed year-earlier levels by approximately 7.5 percent in the last half of 1971 and 8.3 percent in the first quarter of 1972. While in the previous survey firms had predicted that durable goods sales would match year-ago levels in the second quarter, our latest survey indicates second quarter sales were down 4.1 percent from a year ago.

DURABLE GOODS INDUSTRIES SPUR RISE OTHER INDICATORS REFLECT SALES GAINS

The optimism expressed by district manufacturers has affected most durable goods industries, as their sales are expected to strengthen over the forecast period. Nonelectric machinery sales are anticipated to be up 5.6 percent from a year earlier in the current quarter, 8.3 percent in the fourth quarter, and 11.2 percent in the first quarter of 1972. A similar pattern of growth is also forecast for the electric machinery, primary metals, fabricated metals, and transportation industries. Sales in the scientific instrument industry, however, are not expected to exceed year-earlier levels during the forecast period.

Sales in the nondurable goods industries surpassed year-earlier levels by 5.7 percent in the second quarter and are predicted to increase 5.9 and 6.0 percent in the third and fourth quarters, respectively, before

dropping to 4.0 percent in the first quarter of 1972. These projections are in keeping with those made in the second quarter survey. Although food and kindred products manufacturers continue to look for a tapering in their rate of sales gains, in the second quarter these sales were up 6.6 percent, a rate greater than the 3.9 percent increase they had expected.



The improved outlook for district manufacturing sales has recently been reflected in other indicators of manufacturing activity. After decreasing in the five preceding quarters, manufacturing employment remained unchanged between the first and second quarters. In addition, the declines in electric power consumption and average weekly hours worked in manufacturing, which have been evident for the past year, ended last quarter. The industrial use of electric power increased at a 5.3 percent annual rate in the second quarter, while average weekly hours worked in manufacturing were unchanged between the first and second quarters.

If this survey's results are realized, district manufacturing sales growth in the third quarter should approximate that expected for the nation. National manufacturing sales are expected to be up 7.0 percent in the current quarter as compared to the district's anticipated 6.5 percent gain.

Respondents in the mining sector expect their sales to strengthen considerably over the forecast period. Although the second quarter's 13.5 percent sales gain was expected to subside to 7.3 percent in the third quarter, large gains of 23.8 percent and 18.6 percent were forecast for the fourth quarter of 1971 and the first quarter of next year, respectively. These projected sales advances should be interpreted with caution, however, for they have been very erratic in the past and are distorted by labor disputes.