

# monthly statistical report

## NINTH DISTRICT CONDITIONS federal reserve bank of minneapolis



### DISTRICT ECONOMY IMPROVES SLIGHTLY NUMBER OF AVAILABLE JOBS INCREASES

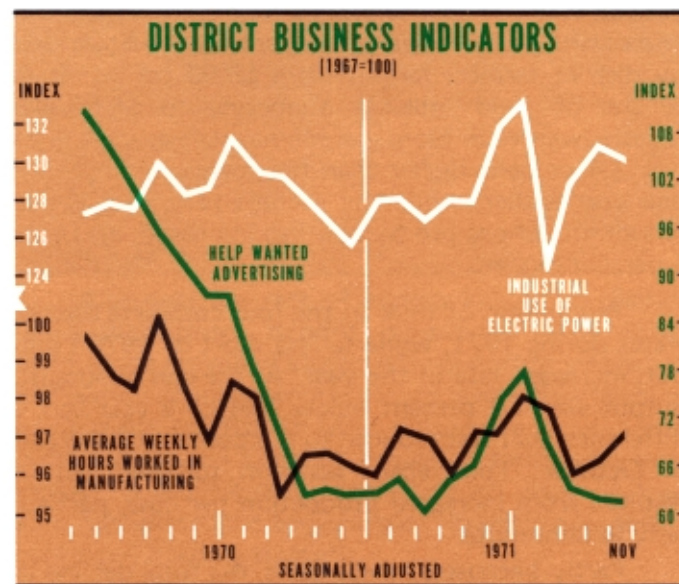
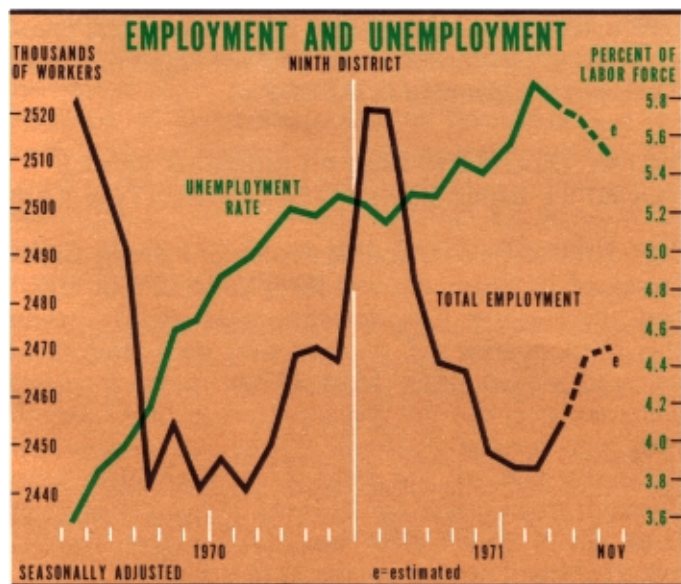
Results of several economic indicators suggest that the district's economy improved during the final months of 1971. The district's unemployment rate declined, primarily because the number of jobs available in the district expanded. Loan commitments indicated that district homebuilding will maintain the strength it demonstrated throughout 1971. Despite the encouragement of such indicators, however, reserve city banks in the district reported a continued weak loan demand, particularly for business loans.

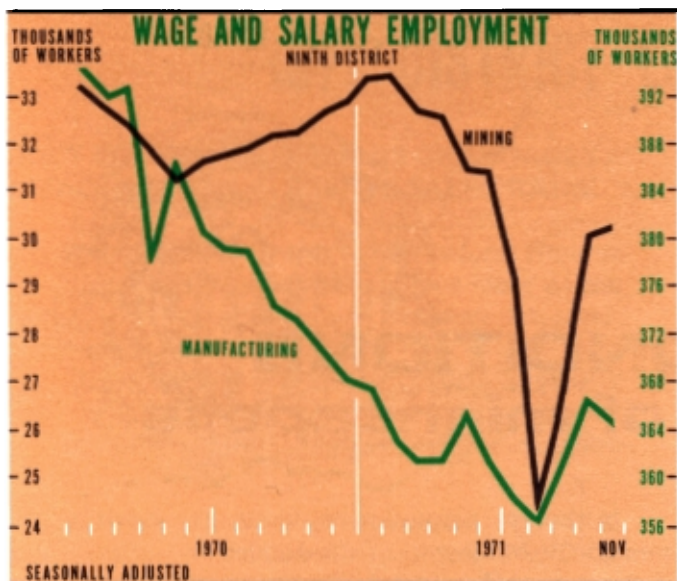
Several important measures of district business activity improved during the fourth quarter of 1971. Revised seasonally adjusted data revealed that district unemployment rates had declined from a high in August of 5.9 percent to 5.5 percent of the district's labor force in November. Because the size of the district's labor force, seasonally adjusted, remained essentially unchanged since August, the declines in the district's unemployment rate can be attributed to increases in the number of jobs. Gains in the nation's rate of employment matched those of the district from August to November, but growth of the labor force kept the national rate of joblessness about 6.0 percent.

Although employment levels expanded in all nonagricultural sectors of the district's economy, most of the growth in district jobs can be attributed to the manufacturing, mining, and construction industries. Between August and November, mining employment increased 25.0 percent, and construction and manufacturing employment advanced 6.1 and 2.1 percent, respectively. Most of the gains in the manufacturing and mining sectors were caused by settlements of labor disputes.

Declines in other important indicators have apparently also abated. The average weekly hours worked in district manufacturing rose in October and November, following decreases in the preceding two months. Despite sharp falls during the three-month period ending in October, the district's help wanted advertising index changed little from October to November. The industrial use of electric power also remained essentially unchanged during that period.

Although the district's relative gain in manufacturing sales was surpassed by anticipated national sales during the first half of 1971, district sales expansions are expected to accelerate during the first quarter of 1972. A December survey on manufacturing sales expectations reported that 1971 national sales exceed-





ed 1970's by 4.8 percent in the third quarter and are expected to advance 8.8 percent in the fourth; the corresponding third and fourth quarter district figures are 3.8 and 7.8 percent, respectively. During the first quarter of 1972, however, while a national sales increase of 5.6 percent over those of the previous year is anticipated, district manufacturers expect their sales to rise 6.4 percent.

The number of business failures in the district during 1971 declined from 1970's record figure, suggesting further recovery. Dun and Bradstreet reported that 345 businesses failed in the Ninth District during the first ten months of 1971, whereas 361 failed during the same period in 1970. Business failures declined in Minnesota, North Dakota, and South Dakota in 1971 but increased in Montana. The liabilities of these district failures totaled \$34 million in 1971 and \$41 million in 1970.

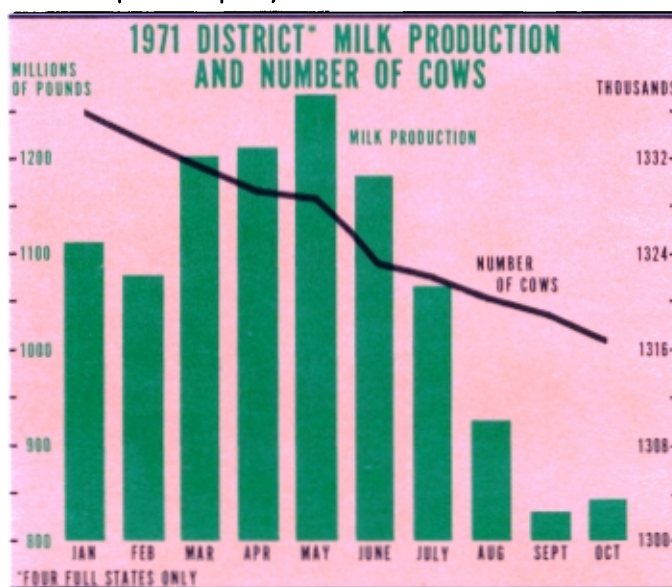
### MILK PRICES RISE IN DISTRICT STATES DECREASING MILK PRODUCTION PERSISTS

Milk prices continued to advance in all Ninth District states though increases have been smallest in Wisconsin. The average prices received in November by district farmers ranged from \$5.06 per hundred-weight of fluid milk in Minnesota to \$6.00 per hundredweight in Montana. Minnesota's average price was 1.4 percent higher than the corresponding price one year earlier, while the average price received in Wisconsin, whose production has increased, was only 1 percent higher.

Production of milk in the four complete district states during 1971, while falling short of 1970's output, increased late in the year. At the end of August, output was 0.9 percent below that of a year ago, a difference that was reduced to 0.6 percent by the end of October. This recent addition to total output resulted from increased production per cow, particularly in Minnesota.

Partly because of these gains, the total decline in

district milk production during 1971 was less than that for 1970. Milk production in the four complete district states declined 125 million pounds or 1.0 percent from 1969 to 1970; at the end of October, 1971 production was 0.6 of a percent or 68 million pounds less than the accumulated output one year earlier. This year's stronger showing was mostly the result of a lower rate of decline in the number of dairy cows. In month-to-month comparisons, dairy herds in Minnesota, Montana, and the Dakotas were shrinking at an annual rate of about 5 percent early in 1970, a rate of decline which stabilized in mid-1971 at about 2 percent per year.



Unlike the other district states, Wisconsin has slowly expanded its dairy production since early 1971. The 26 Wisconsin counties included in the Ninth District produced 28 percent of the district's total output of milk in 1970, an increase from the 25 percent noted in 1969. These counties probably will contribute an even larger portion in 1971, assuming they reflect the changes which have occurred in state-wide figures. The total number of cows in Wisconsin increased one-half of one percent from mid-1970 to mid-1971, and the total production of milk over the same period rose nearly 3 percent. These expansions contrasted noticeably with continuing declines noted elsewhere in the district.

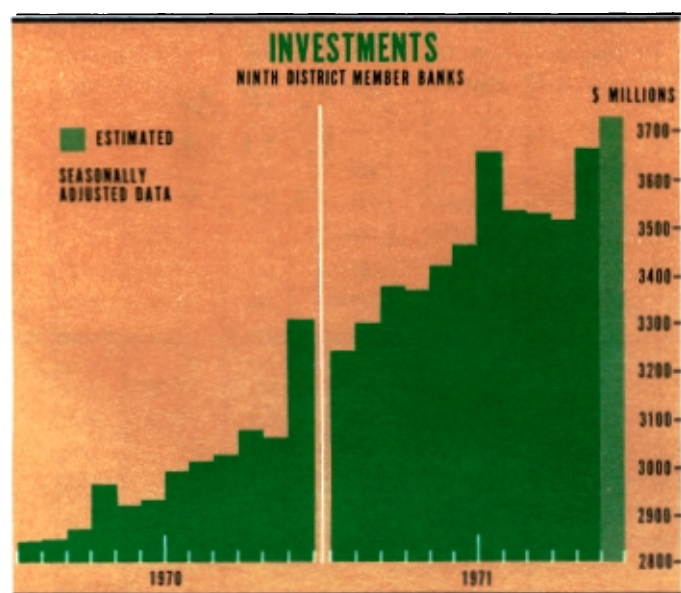
### TOTAL LOANS EXPAND AT MEMBER BANKS COUNTRY BANKS EXPERIENCE GREATER GAIN

Total loans outstanding at district member banks increased in November and early December at about half the October rate but were only slightly below the third quarter's 7 percent gain on a seasonally adjusted annual basis. Most of the recent increases were centered at rural and small urban banks, which have experienced relatively strong loan expansions since the end of the third quarter. A weak loan demand, particularly for business loans, prevailed at large urban banks after the third quarter, causing loans outstanding at these banks to decline.



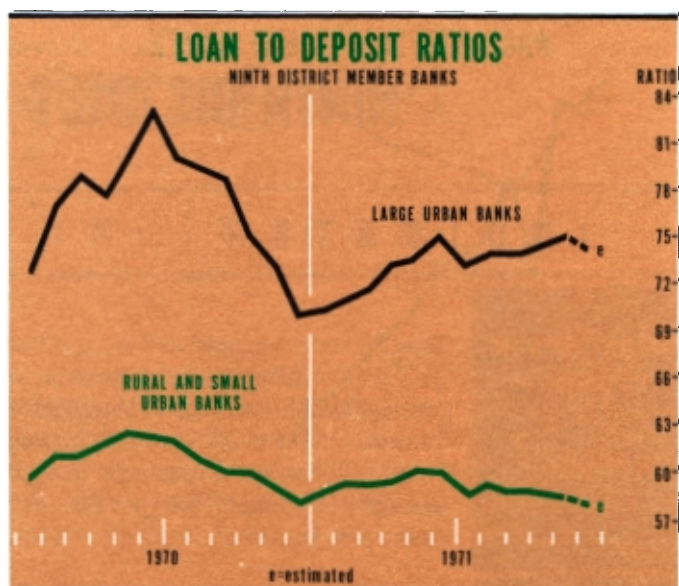
Time and savings deposit inflows at district member banks accelerated in early December after easing somewhat in November from October's pace. The overall advance for November and the first part of December was slightly faster than the October increase. In the November-December period, total time deposits expanded as inflows to both consumer-type time and savings deposits and large negotiable certificates of deposit increased at all types of district banks. Time deposit growth during the second half of 1971 through early December attained a seasonally adjusted annual rate of 13 percent, considerably less than that experienced in the first half of the year.

Large urban banks reported time deposits increasing at a 19 percent seasonally adjusted annual rate in October and a much faster pace in the November-December period. While October's growth was due to increases in large CD's, the most recent expansion resulted from consumer-type time and savings deposit gains as well. At rural and small urban banks, time deposit expansion dropped from 13 percent in October to 10 percent in November and the early part of December.



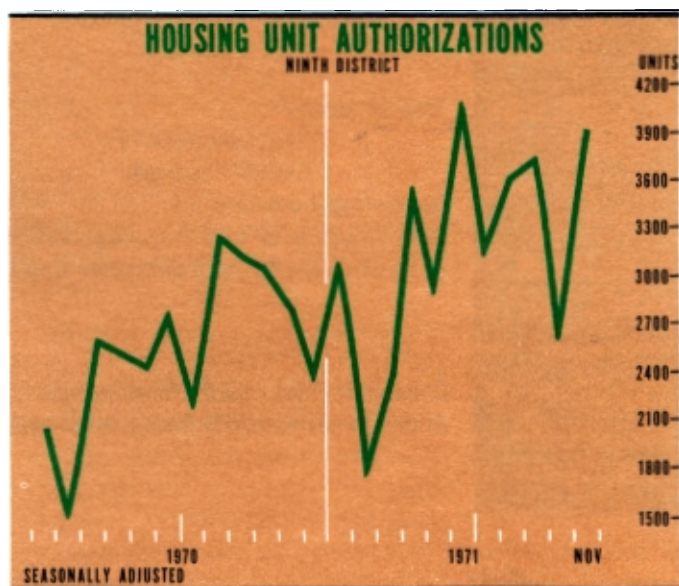
Greater liquidity resulting from strong inflows of deposits and relatively slow loan expansions recently permitted district member banks to increase their holdings of investments. During November and the early part of December, investments increased very rapidly, mainly in the form of U. S. government securities. These increased holdings occurred at all types of district banks and chiefly coincided with heavy Treasury financing.

Recently movements in loan-deposit ratios also provided evidence of strengthened liquidity positions at district banks. At rural and small urban banks, this ratio has declined since the end of September, nearly matching the 58 percent level reported at the end of 1970. Loan-deposit ratios at large urban banks apparently returned to their September level of 73.8 percent in early December.



## DISTRICT HOMEBUILDING REMAINS STRONG HOUSING UNIT AUTHORIZATIONS REBOUND

The strength exhibited by district housing construction in previous months persisted in the fourth quarter of 1971. After a sharp decline in October, district housing unit authorizations rebounded in November to a seasonally adjusted annual rate of approximately 47,000 units, the second highest monthly level of permit activity in the last ten years. As a result of the recent advances, district housing unit authorizations in the six-month period ending in November were 33 percent above the number authorized during the preceding six months.



Although the rate of savings inflows to district S&Ls diminished, deposit growth at these thrift institutions remained vigorous by historical standards, and savings deposits were at record levels. New housing loans made by district S&Ls during the three-month period ending in October exceeded those of a year earlier by 49 percent, and the high level of loan commitments at the beginning of November suggested continued housing strength.

# NINTH DISTRICT income and finance

| I N D I C A T O R  |   | UNIT       | 1971     |          |         | 1970     | Percent Change |
|--|---|------------|----------|----------|---------|----------|----------------|
|  |   |            | DECEMBER | NOVEMBER | OCTOBER | NOVEMBER | NOV. -NOV.     |
| MEASURES OF CONSUMER INCOME & FINANCIAL POSITION             | Total Personal Income*                                      |            |          |          |         |          |                |
|  | Nonagricultural Personal Income*                            |            |          |          |         |          |                |
|  | Average Weekly Earnings in Manufacturing <sup>1</sup>       | Dollars    | n.a.     | 150.65e  | 149.97e | 142.44   | + 5.8          |
|  | Consumer Installment Credit Outstanding <sup>2</sup>        | Million \$ | n.a.     | 1,488    | 1,481   | 1,370    | + 8.6          |
|  | Time and Savings Deposits at Member Banks                   | Million \$ | 6,490    | 6,390    | 6,262   | 5,511    | +15.9          |
|  | Savings Balances at Savings & Loan Assoc. <sup>3</sup>      | Million \$ | n.a.     | 4,332    | 4,297   | 3,666    | +18.2          |
|  | Cash Farm Receipts <sup>3</sup>                             | Million \$ | n.a.     | n.a.     | 563     | 431      |                |
| MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS              | CITY BANKS <sup>4,5</sup>                                   |            |          |          |         |          |                |
|  | Adjusted Loans and Discounts <sup>6</sup>                   | Million \$ | 2,867    | 2,711    | 2,697   | 2,438    | +11.2          |
|  | Commercial and Industrial Loans                             | Million \$ | 1,267    | 1,146    | 1,140   | 1,087    | + 5.4          |
|  | Real Estate Loans   | Million \$ | 502      | 496      | 486     | 460      | + 7.8          |
|  | Gross Demand Deposits                                       | Million \$ | 2,435    | 1,968    | 2,293   | 1,999    | - 1.6          |
|  | Time Deposits   | Million \$ | 1,897    | 1,821    | 1,743   | 1,557    | +17.0          |
|  | U.S. Government Securities                                  | Million \$ | 622      | 537      | 549     | 401      | +33.9          |
|  | Other Securities  | Million \$ | 651      | 659      | 615     | 499      | +32.1          |
|  | COUNTRY BANKS <sup>4,7</sup>                                |            |          |          |         |          |                |
|  | Loans and Discounts   | Million \$ | 4,361    | 4,300    | 4,284   | 3,854    | +11.6          |
|  | Gross Demand Deposits                                       | Million \$ | 2,708    | 2,474    | 2,549   | 2,319    | + 6.7          |
|  | Time Deposits   | Million \$ | 4,592    | 4,569    | 4,519   | 3,954    | +15.6          |
|  | U.S. Government Securities                                  | Million \$ | 1,338    | 1,131    | 1,147   | 1,054    | + 7.3          |
|  | Other Securities  | Million \$ | 1,481    | 1,459    | 1,452   | 1,186    | +23.0          |
| MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS | Total Reserves <sup>8</sup>                                 | Million \$ | 770      | 770      | 756     | 709      | + 8.6          |
|  | Required Reserves   | Million \$ | 766      | 762      | 749     | 702      | + 8.5          |
|  | Excess Reserves   | Million \$ | 4        | 8        | 7       | 7        | +14.3          |
|  | Borrowings from FRB   | Million \$ | 3        | 2        | 1       | 1        | +100.0         |
|  | Ratio of Loans to Total Deposits—City Banks <sup>4</sup>    | Percent    | 68.5     | 74.2     | 69.1    | 70.3     | + 5.5          |
|  | Ratio of Loans to Total Deposits—Country Banks <sup>4</sup> | Percent    | 59.7     | 61.1     | 60.6    | 61.4     | - 0.5          |
|  |   |            |          |          |         |          |                |
| MEASURES OF PRICE LEVELS                                     | Consumer Price Index <sup>9</sup> —Minneapolis              | Index      | n.a.     | n.a.     | 123.7   | n.a.     |                |
|  | Prices Received by Farmers <sup>9</sup> —Minnesota          | Index      | n.a.     | 107      | 109     | 104      | + 2.9          |

## 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<br>NOV., -NOV., | 1971     |          |         | 1970     | UNIT             | I N D I C A T O R   |   |
|--------------------------------|----------|----------|---------|----------|------------------|---|---|
|                                | DECEMBER | NOVEMBER | OCTOBER | NOVEMBER |                  |   |   |
| + 7.4                          |          | 876.0p   | 872.5   | 815.7    | Billion \$, saar | Total Personal Income                                       | MEASURES OF<br>CONSUMER<br>INCOME &<br>FINANCIAL<br>POSITION                |
| + 7.1                          |          | 851.7p   | 848.1   | 795.0    | Billion \$, saar | Nonagricultural Personal Income                             |   |
| + 7.5                          |          | 144.72p  | 144.00  | 134.58   | Dollars          | Average Weekly Earnings in Manufacturing                    |   |
| + 8.9                          |          | 45.4     | 44.9    | 41.7     | Billion \$       | Consumer Installment Credit Outstanding <sup>2</sup>        |   |
| +18.0                          |          | 207.5    | 206.1   | 175.8    | Billion \$       | Time and Savings Deposits at Member Banks                   |   |
|                                |          | n.a.     | 170.2   | 143.9    | Billion \$       | Savings Balances at Savings & Loan Assoc.                   |   |
|                                |          | n.a.     | 6.1     | 5.7      | Billion \$       | Cash Farm Receipts  | MEASURES OF<br>FINANCIAL<br>CONDITION OF<br>MEMBER<br>BANKS                 |
| + 7.4                          |          | 186.2    | 186.0   | 173.3    | Billion \$       | CITY BANKS <sup>4,5</sup>                                   |   |
| + 3.4                          |          | 82.6     | 83.1    | 79.9     | Billion \$       | Adjusted Loans and Discounts <sup>6</sup>                   |   |
| +11.4                          |          | 38.0     | 37.5    | 34.1     | Billion \$       | Commercial and Industrial Loans                             |   |
| + 6.8                          |          | 141.5    | 144.4   | 132.5    | Billion \$       | Real Estate Loans   |   |
| +18.6                          |          | 138.0    | 137.2   | 116.4    | Billion \$       | Gross Demand Deposits                                       |   |
| + 4.2                          |          | 27.3     | 26.2    | 26.2     | Billion \$       | Time Deposits   |   |
| +20.9                          |          | 50.9     | 51.0    | 42.1     | Billion \$       | U.S. Government Securities                                  |   |
|                                |          |          |         |          |                  | Other Securities  |   |
| +11.9                          |          | 72.6     | 70.5    | 64.9     | Billion \$       | COUNTRY BANKS <sup>4,7</sup>                                |   |
| + 7.4                          |          | 50.7     | 50.6    | 47.2     | Billion \$       | Loans and Discounts   |   |
| +17.0                          |          | 69.5     | 69.0    | 59.4     | Billion \$       | Gross Demand Deposits                                       |   |
| + 5.5                          |          | 17.3     | 17.4    | 16.4     | Billion \$       | Time Deposits   |   |
| +23.6                          |          | 26.7     | 26.6    | 21.6     | Billion \$       | U.S. Government Securities                                  |   |
|                                |          |          |         |          |                  | Other Securities  |   |
|                                |          | n.a.     | 30,830  | 28,677   | Million \$       | Total Reserves <sup>8</sup>                                 | MEASURES OF<br>RESERVE<br>POSITION AND<br>"LIQUIDITY"<br>OF MEMBER<br>BANKS |
|                                |          | n.a.     | 30,646  | 28,426   | Million \$       | Required Reserves   |   |
|                                |          | n.a.     | 184     | 251      | Million \$       | Excess Reserves   |   |
|                                |          | n.a.     | 344     | 418      | Million \$       | Borrowings from FRB   |   |
| - 3.3                          |          | 69.7     | 69.0    | 72.1     | Percent          | Ratio of Loans to Total Deposits—City Banks <sup>4</sup>    |   |
| - 0.8                          |          | 60.4     | 59.0    | 60.9     | Percent          | Ratio of Loans to Total Deposits—Country Banks <sup>4</sup> |   |
| + 3.5                          |          | 122.6    | 122.4   | 118.5    | Index            | Consumer Price Index <sup>9</sup>                           | MEASURES OF<br>PRICE<br>LEVELS  |
| + 7.5                          |          | 114      | 113     | 106      | Index            | Prices Received by Farmers <sup>9</sup>                     |   |

## 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 |
|--|---|------------------|----------|---------|----------|----------------|
|  |   |                  | NOVEMBER | OCTOBER | NOVEMBER | NOV.-NOV.      |
| MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION | Total Industrial Production *                               |                  |          |         |          |                |
|  | Electrical Energy Consumption: Mfg. and Mining <sup>1</sup> | Index, sa        | 130      | 131     | 127      | + 2.4          |
|  | Production Worker Manhours: <sup>2</sup>                    | Index, sa        | n.a.     | 98p     | 102      |                |
|  | Manufacturing   | Index, sa        | n.a.     | 99p     | 103      |                |
|  | Mining  | Index, sa        | n.a.     | 93p     | 102      |                |
|  | Total Construction Contracts Awarded                        | Million \$, sa   | n.a.     | 210.7   | 170.5    |                |
|  | Residential Buildings                                       | Million \$, sa   | n.a.     | 77.5    | 55.3     |                |
|  | Nonresidential Buildings                                    | Million \$, sa   | n.a.     | 42.6    | 63.1     |                |
|  | All Other Construction                                      | Million \$, sa   | n.a.     | 90.6    | 52.1     |                |
|  | Bldg. Permits: New Housing Units <sup>3</sup>               | Number           | 3,894    | 3,546   | 2,793    | +39.4          |
| MEASURES OF MANPOWER UTILIZATION                       | Civilian Work Force <sup>4</sup>                            | Thousands, sa    | 2,616e   | 2,619e  | 2,608    | + 0.3          |
|  | Total Civilian Employment                                   | Thousands, sa    | 2,475e   | 2,470e  | 2,473    | + 0.1          |
|  | Number Unemployed   | Thousands, sa    | 141e     | 149e    | 135      | + 4.4          |
|  | Unemployment Rate <sup>4</sup>                              | Percent, sa      | 5.4e     | 5.7e    | 5.2      | + 3.8          |
|  | Average Weekly Hours in Manufacturing <sup>4</sup>          | Hours, sa        | 40.0e    | 39.9p   | 39.8     | + 0.5          |
| EMPLOYMENT BY INDUSTRY SECTOR                          | Wage and Salary Employment, Nonfarm <sup>4</sup>            | Thousands, sa    | 1,948e   | 1,943e  | 1,931    | + 0.9          |
|  | Manufacturing   | Thousands, sa    | 366e     | 368p    | 372      | - 1.6          |
|  | Mining  | Thousands, sa    | 31e      | 29p     | 32       | - 3.1          |
|  | Construction  | Thousands, sa    | 104e     | 104e    | 102      | + 2.0          |
|  | Transport., Comm., & Public Utilities                       | Thousands, sa    | 135e     | 135e    | 131      | + 3.1          |
|  | Trade   | Thousands, sa    | 467e     | 468e    | 467      |                |
|  | Finance, Insurance & Real Estate                            | Thousands, sa    | 91e      | 91e     | 89       | + 2.2          |
|  | Service Industries  | Thousands, sa    | 323e     | 320e    | 324      | - 0.3          |
|  | Government  | Thousands, sa    | 431e     | 428e    | 414      | + 4.1          |
|  |   |                  |          |         |          |                |
| MEASURES OF SPENDING                                   | Total Retail Sales *  | Thousands, sa    | n.a.     | n.a.    | 15.1     |                |
|  | New Passenger Car Registrations                             | Billion \$, saar | 181.7    | 167.8   | 160.6    | +13.1          |
| Bank Debits <sup>5</sup>                               |   |                  |          |         |          |                |

## 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: 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<br>NOV. - NOV. | 1971     |         | 1970     | UNIT             | I N D I C A T O R                                |  |
|-------------------------------|----------|---------|----------|------------------|--|--|
|                               | NOVEMBER | OCTOBER | NOVEMBER |                  |  |  |
| + 4.3                         | 107.0p   | 106.2   | 102.6    | Index, sa        | Total Industrial Production                      | MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION |
|                               | 93p      | 94      | 93       | Index, sa        | Electrical Energy Consumption: Mfg. and Mining * |  |
| + 3.3                         | 95p      | 94      | 92       | Index, sa        | Production Worker Manhours: <sup>2</sup>         |  |
| -19.4                         | 79p      | 97      | 98       | Index, sa        | Manufacturing                                    |  |
|                               |          |         |          |                  | Mining   |  |
| +22.9                         | 7,277.9  | 6,152.3 | 5,919.8  | Million \$, sa   | Total Construction Contracts Awarded             |  |
| +52.8                         | 3,394.8  | 2,936.1 | 2,221.7  | Million \$, sa   | Residential Buildings                            |  |
| +23.7                         | 2,320.6  | 1,931.7 | 1,876.6  | Million \$, sa   | Nonresidential Buildings                         | MEASURES OF MANPOWER UTILIZATION                       |
| -14.2                         | 1,562.5  | 1,284.5 | 1,821.5  | Million \$, sa   | All Other Construction                           |  |
|                               | n.a.     | n.a.    | 114.4    | Thousands        | Bldg. Permits: New Housing Units <sup>6</sup>    |  |
| + 2.0                         | 85,172p  | 84,783  | 83,473   | Thousands, sa    | Civilian Work Force                              |  |
| + 1.9                         | 80,022p  | 79,845  | 78,550   | Thousands, sa    | Total Civilian Employment                        |  |
| + 4.6                         | 5,150p   | 4,938   | 4,923    | Thousands, sa    | Number Unemployed                                |  |
| + 1.7                         | 6.0p     | 5.8     | 5.9      | Percent, sa      | Unemployment Rate                                |  |
| + 1.3                         | 40.1p    | 39.8    | 39.6     | Hours, sa        | Average Weekly Hours in Manufacturing            |  |
| + 1.3                         | 70,915p  | 70,831  | 69,985   | Thousands, sa    | Wage and Salary Employment, Nonfarm              | EMPLOYMENT BY INDUSTRY SECTOR                          |
| + 0.4                         | 18,591p  | 18,552  | 18,517   | Thousands, sa    | Manufacturing                                    |  |
| -17.5                         | 515p     | 519     | 624      | Thousands, sa    | Mining   |  |
| + 0.2                         | 3,301p   | 3,289   | 3,294    | Thousands, sa    | Construction                                     |  |
| - 1.4                         | 4,445p   | 4,442   | 4,506    | Thousands, sa    | Transport., Comm., & Public Utilities            |  |
| + 2.1                         | 15,211p  | 15,264  | 14,902   | Thousands, sa    | Trade  |  |
| + 3.6                         | 3,854p   | 3,833   | 3,721    | Thousands, sa    | Finance, Insurance & Real Estate                 |  |
| + 2.5                         | 12,049p  | 12,008  | 11,750   | Thousands, sa    | Service Industries                               | MEASURES OF SPENDING                                   |
| + 2.2                         | 12,949p  | 12,924  | 12,671   | Thousands, sa    | Government                                       |  |
|                               | n.a.     | 34,846  | 31,282   | Million \$, sa   | Total Retail Sales                               |  |
|                               | n.a.     | 825.7p  | 573.9    | Thousands, sa    | New Passenger Car Registrations                  |  |
| +21.0                         | 3,982.1  | 3,783.1 | 3,289.8  | Billion \$, saar | Bank Debits <sup>7</sup>                         |  |

## 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

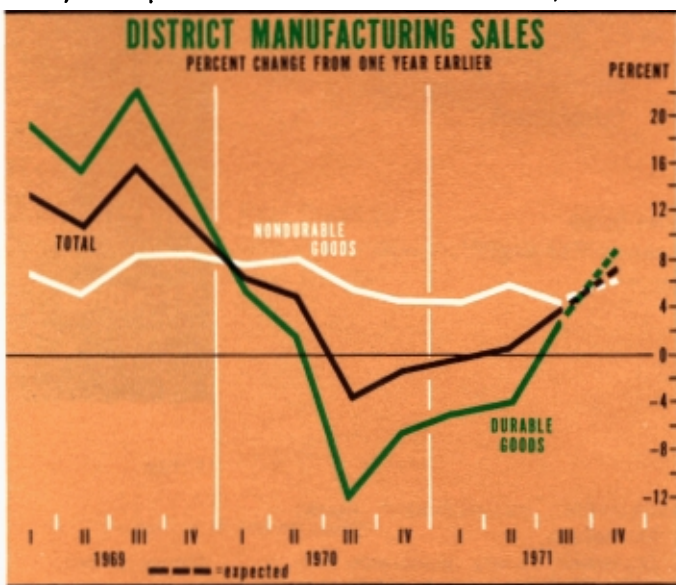
# 1971 DISTRICT ECONOMIC REVIEW

## DISTRICT ECONOMY RECOVERS GRADUALLY MANUFACTURERS ANTICIPATE SALES GAINS

Economic activity in the Ninth Federal Reserve District, which had declined throughout most of the first half of 1971, stabilized late in the second quarter. Only scattered signs of weakening remained after midyear. Most district indicators suggest a general business recovery in the months ahead; however, growth probably will be gradual, especially in certain sectors.

The problem of declining employment was eased as the district's economic activity stabilized. Total district wage and salary employment in four major sectors (manufacturing, construction, trade, and services) fell at an annual rate of 6 percent from the first to the second quarter of 1971 but only 2 percent from the second quarter to the third. Because the number of district jobs did not increase, the normal increase in the number of people eligible for work caused the unemployment rate to rise from 5.3 to 5.9 percent during the year. Unemployment rose at a faster pace after midyear due to a slowdown in mining and mining-related activities.

The rapid contraction of district manufacturing activity, which began last year, was arrested in the second quarter. Since that quarter, manufacturing employment has remained virtually unchanged; no expansion has occurred and an imminent rise is unlikely. Respondents to our Industrial Expectations



Survey reported that the dollar volume of their sales in the second quarter exceeded year-earlier levels for the first time in nine months. The help wanted advertising index, a general indicator of overall business activity in the district, has suggested no significant gains in the near future.

Residential construction was the strongest sector of district economic activity throughout 1971. New housing units authorized by building permits rose nearly 25 percent over 1970's figure, and substantial flows of savings to district thrift institutions helped lenders accommodate the demand for new housing.

## QTR. I TIME DEPOSIT GAINS SHORT-LIVED WEAK LOAN DEMAND PREVAILS IN 1971

Time deposit expansion at district member banks varied during 1971 between annual rates of 22 percent in the first quarter and 9 percent at the end of the third. The high expansion rate which prevailed throughout the early part of 1971 resulted when savers shifted their funds from other earning assets to time deposits at commercial banks. Late in the year, as this shifting process ended, the expansion rate returned to levels more consistent with normal inflow patterns.

Although loan expansion in the district accelerated when deposit inflows were heaviest, overall demand has not been particularly strong. The anticipated surge in the demand for loans has not materialized despite the announcement of the President's new economic program.

## LOW FARM INCOME ANTICIPATED IN 1971 PRICES FOR DISTRICT FARM CROPS SLIP

The expected level of 1971 district farm income reveals little change from 1970's depressed level despite the income gains farmers accumulated last spring. At that time district farmers responded to improved farm product prices with heavy marketings of grain stocks. During the middle months of 1971, cattle marketings increased, and marketings of district hogs were at the relatively high levels they maintained throughout the year.

In the fall, however, 1971 farm income deteriorated as record crop production drove prices to sharply lower levels. At harvest time, the price of wheat was 15 to 20 percent lower than a year earlier. Corn prices declined even more dramatically -- from \$1.33 per bushel in June to \$.94 at the onset of harvest -- resulting in an average price about 20 percent below the 1970 figure. Additional downward pressure was applied to cash flows when livestock marketings diminished late in the year, causing income from these operations to fall.

The high prices paid for farm production inputs combined with the additional expenses associated with expanded corn and wheat acreages have about precluded the possibility of gains in 1971 net farm income. As a result, net income per district farm is expected to change little from the \$5800 reported in 1970.