

monthly statistical report

NINTH DISTRICT CONDITIONS

federal reserve bank of minneapolis



DISTRICT ECONOMY ADVANCES GRADUALLY DESPITE SHARP INCREASE IN UNEMPLOYMENT

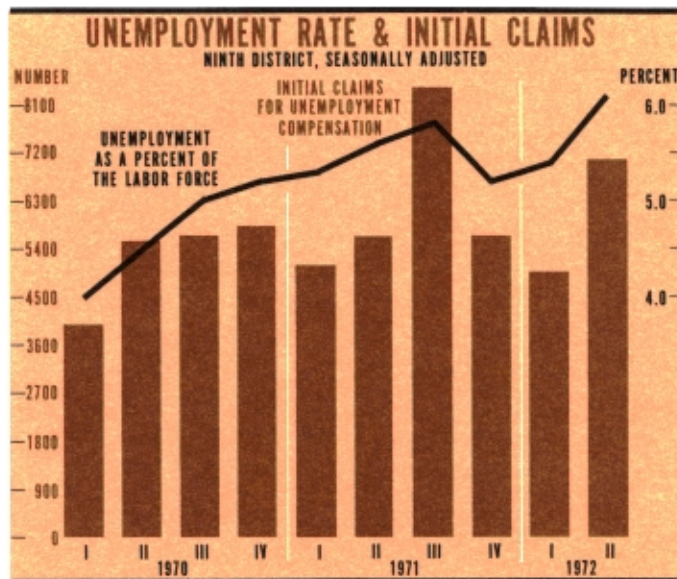
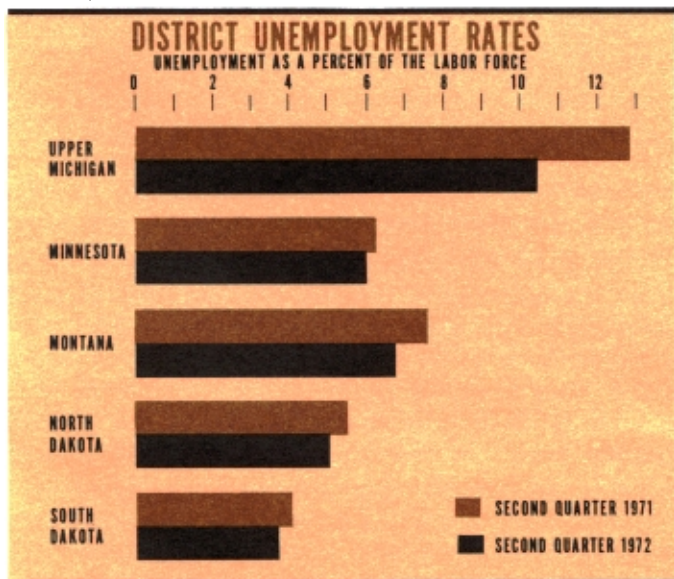
Continued expansion in Ninth District economic activity despite recent temporary interruptions prompts optimism for the second half of 1972. Although work stoppages and abnormal weather conditions have contributed to further unemployment, manufacturing sales, residential and private nonresidential construction, and lending at large city banks have remained strong or improved. In addition, in spite of the unfavorable weather and resultant late plantings, district farmers' first-half year cash receipts exceeded a year ago's and at midyear crops were developing well ahead of normal.

District unemployment swelled in the second quarter to its highest level since the third quarter of 1961 and above the national rate for the first time in two and one-half years. From 5.4 percent in the first quarter, the district's rate of joblessness, seasonally adjusted, climbed to 6.1 percent in the second, while unemployment in the nation remained at 5.8 percent.

This sharp second-quarter increase resulted from a combination of factors which put some people out of work and denied jobs to others. More people were seeking work throughout the district, as the numbers

of both entrants and reentrants to the labor force in the second quarter surpassed year-ago totals. At the same time, however, employment opportunities were being limited. Abnormal weather conditions -- ice and rain -- delayed the start of such seasonal work as shipping in the Great Lakes and construction and agriculture in South Dakota and Minnesota. In addition, district layoffs continued at a high level. Many jobs were lost, for example, by the cessation of work on the Montana ABM site. And the Minnesota Department of Manpower Services reported May rises from a year ago of involuntary job separations from manufacturers of food products and transportation equipment. June labor disputes further idled construction, mining, and airline workers in that state, enough to push the total district number of initial claims for unemployment compensation 54.5 percent above a year ago in June.

These forces succeeded in reducing employment despite the fact that more employers were seeking workers. The district help wanted advertising index rose for the second consecutive month in June and climbed 16.0 percent in both the first and second quarters. Nevertheless, reflecting the unemployment rise, wage and salary employment in the district still declined 0.6 percent between those two quarters, as



decreases in trade, construction, and service industries more than offset modest gains in the manufacturing and government sectors.

Third-quarter labor market developments will be greatly influenced by the timing of labor dispute settlements. Unemployment will undoubtedly remain quite high in July, but should start to decline in August. In addition, recent increases in the district's help wanted advertising index indicate that district employers will probably continue to increase their work forces.

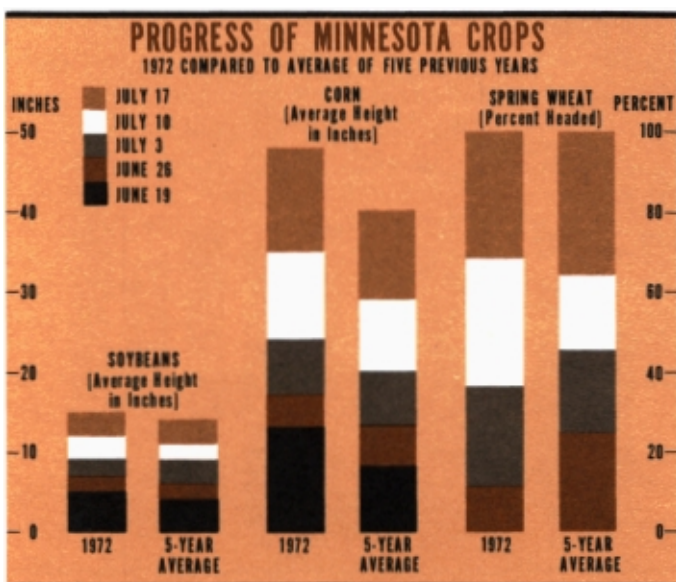
The abnormal weather conditions which contributed to rising unemployment also slowed district iron mining activity somewhat in the second quarter. According to the American Iron Ore Association, iron ore shipments from Great Lakes ports through June of this year were 17 percent below a year ago, undoubtedly mainly due to the ice-delayed opening of this year's shipping season.

Although district manufacturing activity did not expand in the second quarter either, strong sales expectations persist. Both the average weekly hours worked in these industries and their use of electric power remained essentially unchanged between the first and second quarters. Manufacturers foresee some improvement in the third quarter, however, with the realization of a 9.5 percent year-to-year sales advance anticipated last May.

CROPS GROW WELL DESPITE LATE STARTS

Delays in crop plantings caused by unfavorable weather continued throughout the planting season in the district this year. Excessive moisture retarded fieldwork operations, and, in eastern portions of the district, damage caused by standing water necessitated replanting in many fields.

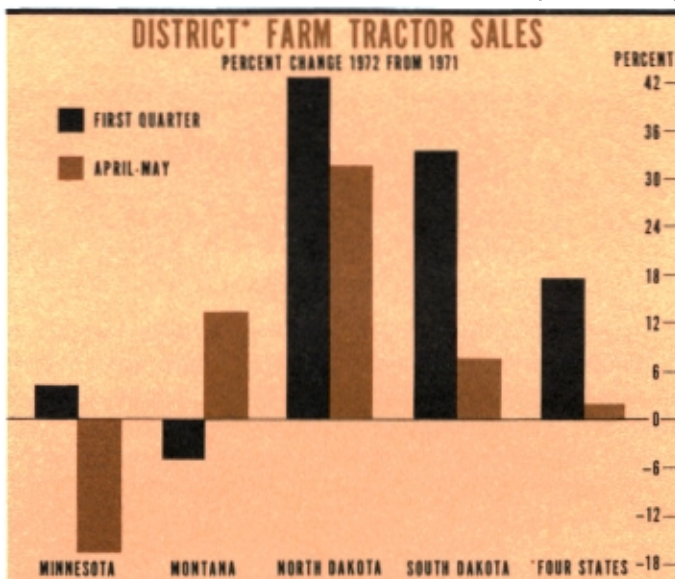
More favorable district weather conditions during late June and early July, however, advanced crop development ahead of normal despite these late plantings. On July 10, for example, most crops in Minnesota were progressing faster than usual: 38 per-



cent of the winter wheat was turning ripe and 68 percent of the spring wheat was heading compared to five-year averages of 34 and 64 percent, respectively, while the average heights of corn and soybeans were slightly above normal. One week later in South Dakota, yield prospects for small, spring-planted grains were also rated "good."

Although district crop development has apparently not been delayed by the late plantings, other effects remain. In an effort to minimize the increased risk of weather damage before harvest, farmers have replaced many maximum-profit crops, especially corn, with shorter-maturity, lower-cost crops, and some lower yields and returns will undoubtedly result. Correspondingly, farmer spending in the district seems to have slowed: banker-respondents to our second-quarter Agricultural Credit Conditions Survey rated overall current spending somewhat below the year-earlier pace (see back page).

As the late spring reduced farmers' spending as well as their optimism, district farm machinery purchases slackened in the second quarter. Sales of tractors, always a significant dollar item in first-half year district farm machinery sales, followed a 17.6 percent first-quarter gain from a year ago with a mere 1.8 percent gain in the combined months of April and May. North Dakota recorded the highest gains during

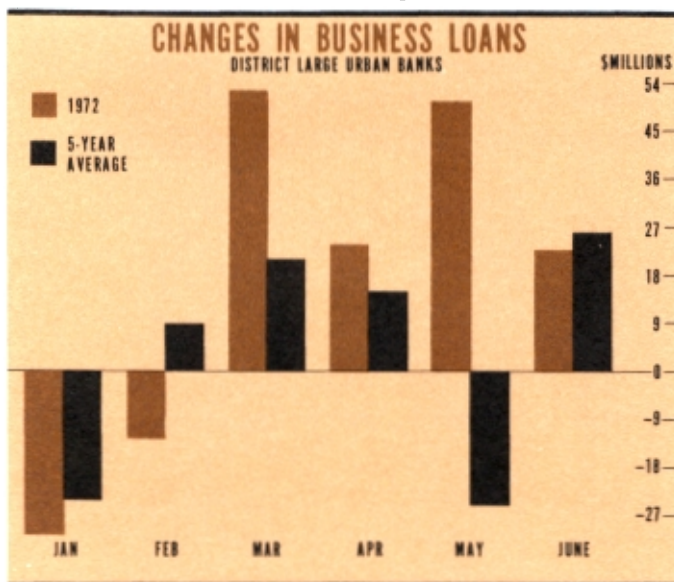


both periods while sales in Minnesota, where the wet-weather problems were most severe, fell to 16.6 percent less than one year ago in April and May.

Not all categories of farm machinery suffered from the wet spring, however. In fact, the resultant flourishing hay crop produced dramatic April-May increases in sales of hay- and forage-handling equipment. Baler sales, for example, soared from the first-quarter 61.6 percent rise from a year ago to 92.3 percent ahead in the following two-month period, while forage harvester sales jumped from a 2.9 percent year-ago drop to a 28.7 percent gain. These machines generally comprise a fairly small share of the district's total returns from farm machinery sales.

BANK LENDING EXPANDS IN FIRST-HALF 1972 BOTH CITY AND COUNTRY BORROWING RISES

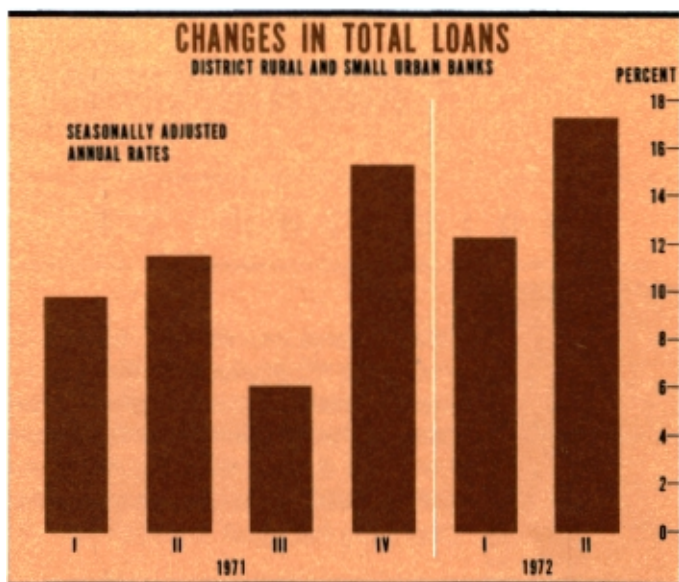
Increased and widespread lending by district member banks in the first half of 1972 provides evidence of a gradually expanding district economy. While loans outstanding at banks in the nation rose at about a 16 percent seasonally adjusted annual rate during that time, district banks registered a 19 percent rate of gain. This first-half year growth occurred throughout the district, as evidenced by the major improvements: rapid gains in business borrowing at large banks and strong first-quarter borrowing for agricultural purposes at outlying banks.



A consistent uptrend in lending at the district's large urban banks enabled them to increase net lending at a 23 percent seasonally adjusted annual rate in the first half of 1972. About three-fourths of this \$237 million gain in loans outstanding was in business loans, which were stronger than usual throughout most of the period. Indications are that district firms in the services, construction, and durable goods-producing industries were the major users of this additional bank credit.

While large district banks registered a greater-than-seasonal advance in business lending, gains at large banks in the nation were considerably less than would be expected by past years' performances: after an average gain of slightly over \$2 billion in the previous five years, loans to businesses by the nation's largest banks rose \$1.2 billion from the end of December 1971 to the end of June. This below-normal increase can be traced to large money-center banks in New York; favorable liquidity positions have kept many of these banks' largest corporate customers from heavy reliance on bank financing. Business loans at the nation's other large banks showed a slightly greater-than-seasonal gain during this time.

In agricultural sections of the district, farmers made considerable use of bank loans to purchase machinery and equipment during the first quarter, a trend which began late last year and reflected an



improved farm income situation. Additional increases occurred in long-term agricultural lending, as last year's high farm output led to land purchases and other long-term capital investments.

Although the impact of these forces on loan demand at district country banks subsided during the second quarter, it was replaced by normal increases in borrowing for other purposes. Total loans outstanding at the district's rural and small urban banks advanced 17 percent on a seasonally adjusted annual basis in the second quarter after a gain of 12 percent in the first. The larger of these banks also reported specific rises in loans to businesses and in consumer installment credit.

NONRESIDENTIAL CONSTRUCTION IMPROVES DISTRICT HOMEBUILDING REMAINS ROBUST

Both nonresidential and nonbuilding construction in the district strengthened during the first five months of 1972. The value of permits issued for buildings other than homes by the end of May surpassed last year's level by 15 percent. This gain can be traced to a 47 percent rise in private, primarily commercial construction, for at the same time public building fell 20 percent due to a 70 percent drop in the construction of educational institutions. The value of contracts awarded for district nonbuilding construction during the January-May period also rose from a year ago, but only 4 percent. Growth in this sector was restrained by a general slowing in district highway construction.

District housing activity, meanwhile, remained quite robust but tapered off from last winter's high level. In the second quarter, district housing unit authorizations, seasonally adjusted, fell 10 percent from the first quarter and 7 percent from a year ago, but still averaged 26 percent more than two years earlier. Slackening apartment construction is mainly responsible for this slowdown: the number of building permits issued for large apartments dropped 38 percent from a year ago in the second quarter while the number issued for single-family homes rose 30 percent.

NINTH DISTRICT income and finance

I N D I C A T O R		UNIT	1972			1971	Percent Change
			JULY	JUNE	MAY	JUNE	JUNE-JUNE
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*						
	Nonagricultural Personal Income*						
	Average Weekly Earnings in Manufacturing ¹	Dollars	n. a.	159.63e	157.62p	152.25	+ 4.8
	Consumer Installment Credit Outstanding ²	Million \$	n. a.	n. a.	1,561	1,424	
	Time and Savings Deposits at Member Banks	Million \$	6,968	6,839	6,781	6,026	+13.5
	Savings Balances at Savings & Loan Assoc. ³	Million \$	n. a.	4,830	4,732	4,111	+17.5
	Cash Farm Receipts ³	Million \$	n. a.	n. a.	n. a.	267	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS ^{4,5}						
	Adjusted Loans and Discounts ⁶	Million \$	3,081	3,093	2,984	2,650	+16.7
	Commercial and Industrial Loans	Million \$	1,390	1,398	1,362	1,154	+21.1
	Real Estate Loans	Million \$	569	556	547	472	+17.8
	Gross Demand Deposits	Million \$	2,082	2,016	2,184	2,277	-11.5
	Time Deposits	Million \$	1,917	1,866	1,855	1,691	+10.3
	U.S. Government Securities	Million \$	445	491	485	437	+12.4
	Other Securities	Million \$	658	689	691	628	+ 9.7
	COUNTRY BANKS ^{4,7}						
	Loans and Discounts	Million \$	4,807	4,692	4,620	4,137	+13.4
	Gross Demand Deposits	Million \$	2,515	2,429	2,545	2,368	+ 2.6
	Time Deposits	Million \$	5,052	4,979	4,926	4,335	+14.9
	U.S. Government Securities	Million \$	1,121	1,126	1,170	1,062	+ 6.0
	Other Securities	Million \$	1,542	1,550	1,530	1,341	+15.6
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$	787p	782	788	720	+ 8.6
	Required Reserves	Million \$	780p	777	782	714	+ 8.8
	Excess Reserves	Million \$	7p	5	6	6	-16.7
	Borrowings from FRB	Million \$	23p	3	1	3	
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent	79.5	79.9	74.6	67.9	+17.7
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent	63.5	63.3	61.8	61.7	+ 2.6
MEASURES OF PRICE LEVELS	Consumer Price Index—Minneapolis ^{9,10}	Index	n. a.	n. a.	n. a.	n. a.	
	Prices Received by Farmers—Minnesota ⁹	Index	n. a.	124	121	110	+12.7

NOTES

- e—Partially estimated; all data not available
n.a.—Not available
p—Preliminary; subject to revision
r—Revised
sa—Seasonally adjusted
*—District and U.S. data not comparable
saar—Seasonally adjusted annual rate

FOOTNOTES

- Excluding Northwestern Wisconsin to domestic commercial city banks
- All commercial banks; estimated by sample
- Excluding Northwestern Wisconsin and Upper Michigan
- Last Wednesday of the month figures
- Selected banks in major cities
- Net loans and discounts less loans
- All member banks, excluding the selected major city banks
- Average of daily figures of the four or five weeks ending on Wednesday which contain at least four days falling within the month
- Index: 1967 Base Period
- Quarterly

UNITED STATES income and finance

Percent Change JUNE-JUNE	1972			1971	UNIT	I N D I C A T O R	
	JULY	JUNE	MAY	JUNE			
+ 5.8		924.0p	924.0	873.4	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 5.7		898.5p	898.3	849.8	Billion \$, saar	Nonagricultural Personal Income	
+ 7.7		154.63p	153.09	143.51	Dollars	Average Weekly Earnings in Manufacturing	
		n.a.	48.0	43.0	Billion \$	Consumer Installment Credit Outstanding ²	
+13.5		225.6	224.2	198.7	Billion \$	Time and Savings Deposits at Member Banks	
		n.a.	188.8	163.0	Billion \$	Savings Balances at Savings & Loan Assoc.	
		n.a.	n.a.	3.7	Billion \$	Cash Farm Receipts	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+11.1		203.1	200.0	182.8	Billion \$	CITY BANKS ^{4,5}	
+ 3.0		85.0	84.8	82.5	Billion \$	Adjusted Loans and Discounts ⁶	
+17.4		41.8	41.0	35.6	Billion \$	Commercial and Industrial Loans	
- 4.4		146.2	150.2	153.0	Billion \$	Real Estate Loans	
+13.5		149.7	149.1	131.9	Billion \$	Gross Demand Deposits	
- 2.3		26.0	27.0	26.6	Billion \$	Time Deposits	
+ 8.9		54.1	54.2	49.7	Billion \$	U.S. Government Securities	
						Other Securities	
+12.9		77.8	76.3	68.9	Billion \$	COUNTRY BANKS ^{4,7}	
+ 4.2		51.7	53.0	49.6	Billion \$	Loans and Discounts	
+13.5		75.9	75.1	66.9	Billion \$	Gross Demand Deposits	
+19.2		17.2	17.4	17.2	Billion \$	Time Deposits	
		29.8	29.6	25.0	Billion \$	U.S. Government Securities	
						Other Securities	
		n.a.	32,871p	30,097	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
		n.a.	32,704p	29,883	Million \$	Required Reserves	
		n.a.	167p	214	Million \$	Excess Reserves	
		n.a.	111p	482	Million \$	Borrowings from FRB	
+ 8.4		72.5	70.2	66.9	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
+ 2.9		60.9	59.5	59.2	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 2.9		125.0	124.7	121.5	Index	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
+10.6		125	123	113	Index	Prices Received by Farmers ⁹	

SOURCES

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

AVERAGE WEEKLY EARNINGS: Michigan, Minnesota, Montana, North Dakota, and South Dakota Employment Security Departments; U.S. Department of Labor, Bureau of Labor Statistics

COMMERCIAL BANK FINANCIAL DATA: Federal Reserve Bank of Minneapolis; Board of Governors of Federal Reserve System

SAVINGS AND LOAN ASSOCIATIONS: Federal Home Loan Bank Board

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

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

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

NINTH DISTRICT production and employment

I N D I C A T O R		UNIT	1972		1971	Percent Change JUNE-JUNE
			JUNE	MAY	JUNE	
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	140	135	131	+ 6.9
	Production Worker Manhours: ¹	Index, sa	99p	99	98	+ 1.0
	Manufacturing	Index, sa	101p	101	97	+ 4.1
	Mining	Index, sa	84p	90	101	-16.8
	Total Construction Contracts Awarded	Million \$, sa	n.a.	176.6	171.8	
	Residential Buildings	Million \$, sa	n.a.	71.4	58.6	
	Nonresidential Buildings	Million \$, sa	n.a.	46.6	49.9	
	All Other Construction	Million \$, sa	n.a.	58.6	63.3	
	Bldg. Permits: New Housing Units ²	Number	4,007	4,208	4,578	-12.5
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,649e	2,675p	2,603	+ 1.8
	Total Civilian Employment	Thousands, sa	2,493e	2,507p	2,459	+ 1.4
	Number Unemployed	Thousands, sa	156e	168p	144	+ 8.3
	Unemployment Rate ³	Percent, sa	5.9e	6.3p	5.5	+ 7.3
	Average Weekly Hours in Manufacturing ³	Hours, sa	40.5e	40.3p	40.2	+ 0.7
	EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ³	Thousands, sa	1,957p	1,965	1,925
Manufacturing		Thousands, sa	368p	371	362	+ 1.7
Mining		Thousands, sa	28p	29	31	- 9.7
Construction		Thousands, sa	97p	99	97	
Transport., Comm., & Public Utilities		Thousands, sa	128p	128	128	
Trade		Thousands, sa	479p	480	472	+ 1.5
Finance, Insurance & Real Estate		Thousands, sa	92p	93	90	+ 2.2
Service Industries		Thousands, sa	322p	323	319	+ 0.9
Government		Thousands, sa	443p	442	426	+ 4.0
MEASURES OF SPENDING		Total Retail Sales*	Thousands, sa	n.a.	n.a.	20.3
	New Passenger Car Registrations	Billion \$, saar	n.a.	n.a.	177.5	
	Bank Debits ⁴					

NOTES

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saar—Seasonally adjusted annual rate

FOOTNOTES

1. Index: 1967 Base Period; Weights: 1967
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 standard metropolitan statistical areas, excluding the seven leading centers

UNITED STATES production and employment

Percent Change JUNE-JUNE	1972		1971	UNIT	I N D I C A T O R	
	JUNE	MAY	JUNE			
+ 4.9	112.7p	112.4	107.4	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
	n.a.	96p	93	Index, sa	Electrical Energy Consumption: Mfg. and Mining ²	
	n.a.	96p	93	Index, sa	Production Worker Manhours: ¹	
	n.a.	96p	97	Index, sa	Manufacturing	
	n.a.	96p	97	Index, sa	Mining	
+ 5.4	7,687.4	7,617.8	7,294.9	Million \$, sa	Total Construction Contracts Awarded	MEASURES OF MANPOWER UTILIZATION
+26.4	3,778.1	3,711.6	2,987.9	Million \$, sa	Residential Buildings	
-11.2	2,415.6	2,522.1	2,721.6	Million \$, sa	Nonresidential Buildings	
- 5.8	1,493.7	1,384.1	1,585.4	Million \$, sa	All Other Construction	
	n.a.	n.a.	185.2	Thousands	Bldg. Permits: New Housing Units ⁵	
+ 3.6	86,395p	86,486	83,401	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 3.9	81,667p	81,394	78,600	Thousands, sa	Total Civilian Employment	
- 1.5	4,728p	5,092	4,801	Thousands, sa	Number Unemployed	
- 5.2	5.5p	5.9	5.8	Percent, sa	Unemployment Rate	
+ 1.5	40.6p	40.5	40.0	Hours, sa	Average Weekly Hours in Manufacturing	
+ 2.7	72,556p	72,540	70,657	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 1.6	18,908p	18,961	18,608	Thousands, sa	Manufacturing	
- 2.9	601p	602	619	Thousands, sa	Mining	
- 0.3	3,245p	3,255	3,255	Thousands, sa	Construction	
+ 1.1	4,551p	4,545	4,500	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.4	15,651p	15,650	15,135	Thousands, sa	Trade	
+ 3.0	3,923p	3,920	3,807	Thousands, sa	Finance, Insurance & Real Estate	
+ 3.9	12,359p	12,306	11,895	Thousands, sa	Service Industries	
+ 3.7	13,318p	13,301	12,838	Thousands, sa	Government	
+ 7.7	36.4	36.9	33.8	Million \$, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	792.9	792.7	Thousands, sa	New Passenger Car Registrations	
	n.a.	n.a.	3,795.9	Billion \$, saar	Bank Debits ⁶	

SOURCES

INDUSTRIAL PRODUCTION: Board of Governors of Federal Reserve System

ELECTRICAL ENERGY CONSUMPTION: Federal Reserve Bank of Minneapolis

PRODUCTION WORKER MANHOURS: Federal Reserve Bank of Minneapolis

CONSTRUCTION CONTRACTS AWARDED: Board of Governors of Federal Reserve System; F. W. Dodge Corporation

NEW HOUSING UNITS AUTHORIZED: Federal Reserve Bank of Minneapolis; U.S. Department of Commerce, Bureau of Census

EMPLOYMENT, UNEMPLOYMENT, AND HOURS: Michigan, Minnesota, Montana, North Dakota, and South Dakota Employment Security Departments; 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

BANK DEBITS: Board of Governors of Federal Reserve System

AGRICULTURAL CREDIT CONDITIONS

FARM INVESTMENT LOAN DEMAND DECLINES DESPITE IMPROVED AGRICULTURAL INCOME

Although Ninth District farm earnings strengthened during the second quarter, farmers' willingness to invest in capital items declined after a pronounced first-quarter increase in investment spending, according to our July 1 Agricultural Credit Conditions Survey. This decreased demand for long- and intermediate-term loans corresponded to a general slowing in the rate of overall farm spending.

Increased caution was the main cause of this spending slowdown and was reflected primarily in farmers' unusually low demand for intermediate-term credit. Between the April and July surveys, the share of banker-respondents reporting that this credit was used primarily to purchase machinery and equipment rose from 61 to 65 percent, while last year's comparable increase was from 65 to 73 percent. District farm spending was also constrained by Red River Valley sugar-beet producers' need to accumulate cash in preparation for funding a large cooperative sugar refining venture.

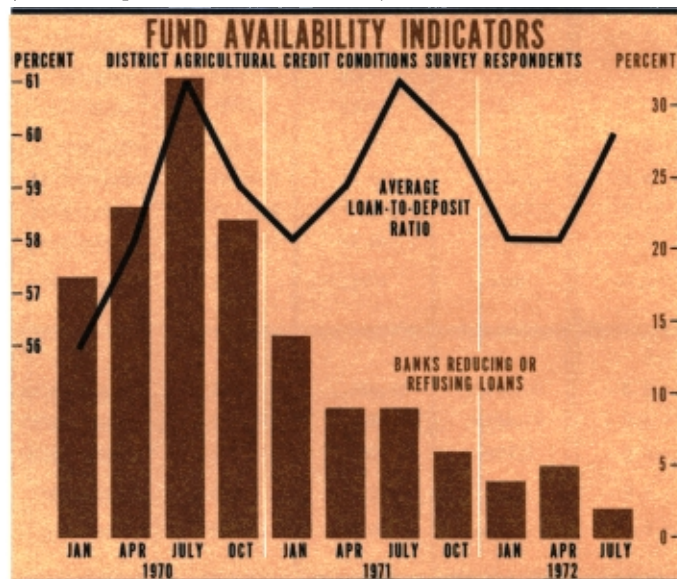
According to the July survey, second-quarter declines in long-term credit demand did not occur uniformly throughout the district. Banks in the feed grains- and livestock-producing areas of southwestern Minnesota and eastern South Dakota and in the wheat-producing regions of central North Dakota and northern Montana reported that concern over late-seeded crops had reduced farmers' optimism and thus their inclinations to undertake long-term investments. In some areas of the district, however, the demand for long-term credit showed greater strength as farmers planned to build large-scale feed-handling facilities and make other long-term improvements necessary for larger dairy and beef cattle herds.

SHORT-TERM BORROWING UNDIMINISHED FUND AVAILABILITY GROWS AT AG BANKS

Short-term loan demand remained unchanged from the previous quarterly survey, sustained by high input prices, especially for feeder cattle, and continued holdings of last year's grain. Declines during the third quarter are foreseen, however, to accompany the large government payments to district farmers which are expected to relieve the need for further borrowing and hasten the normal seasonal repayments of short-term loans.

The second-quarter strengthening of farm earnings occurred mostly in the dairy, livestock-feeding, and livestock-producing areas of the district, where both livestock and milk prices rose considerably. Although earnings apparently did not change much in other areas of the district, patterns shifted somewhat. Earnings reported by several banks indicated less

variation among farmers in the Red River Valley and the wheat-producing areas of North Dakota and Montana; in these areas, the percentages of respondents rating earnings both "less than" and "greater than one year ago" fell from the previous survey. More variation was reported, however, in eastern South Dakota and western Montana, where the respective percentages increased since April.



The combination of increased farm earnings and decreased spending resulted in greater fund availability at district agricultural banks during the second quarter. The share of respondents reporting that they had reduced or refused a loan request because of fund shortages dropped to a very low level, and the average reported loan-to-deposit ratio was 60 percent on July 1 compared to 61 percent one year earlier. Bankers rating loan referrals to nonbank credit agencies "greater than usual" fell from 8 to 3 percent, suggesting that banks used their increased lendable funds to compete more aggressively for available borrowers. Loan referrals to correspondents grew at a few banks, but mostly due to higher feeder cattle prices, which raised borrowers' credit needs above the local banks' lending limits, rather than to local banks' inability to provide resources.

Although the increase in supplies of lendable funds was widespread throughout the district, banks in western areas were constrained by relatively tighter credit positions throughout the quarter. Banks in the mixed agricultural area of far western Montana averaged a loan-to-deposit ratio of 63 percent on July 1 compared to all surveyed banks' 60 percent. In the wheat-producing region of northern Montana, 13 percent of the respondent banks reported that they had reduced or refused a loan because of a shortage of funds, a figure unchanged from the previous survey; only 2 percent of all district respondents reported such actions, and this was a slight decline since April.