Volume 6, Issue 9
Issued September 14, 1972

monthly statistical report

NINTH DISTRICT CONDITIONS
federal reserve bank of minneapolis

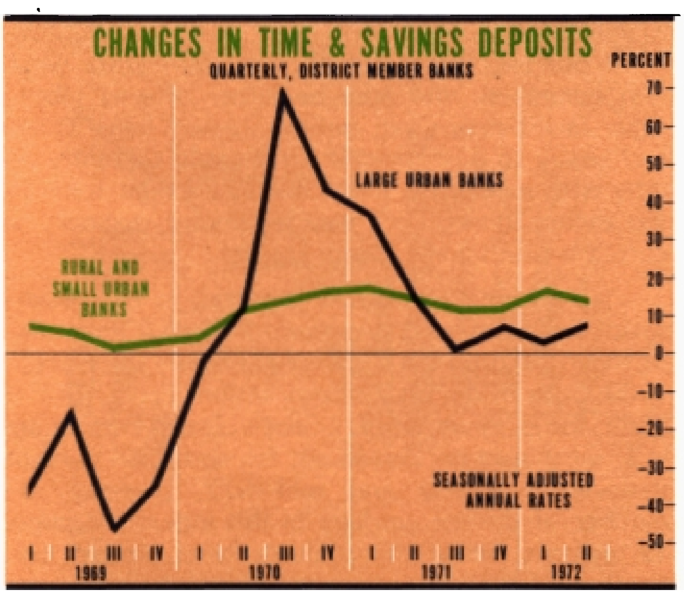
DISTRICT ANTICIPATES FURTHER EXPANSION
WILLINGNESS TO SAVE CONTINUES STRONG

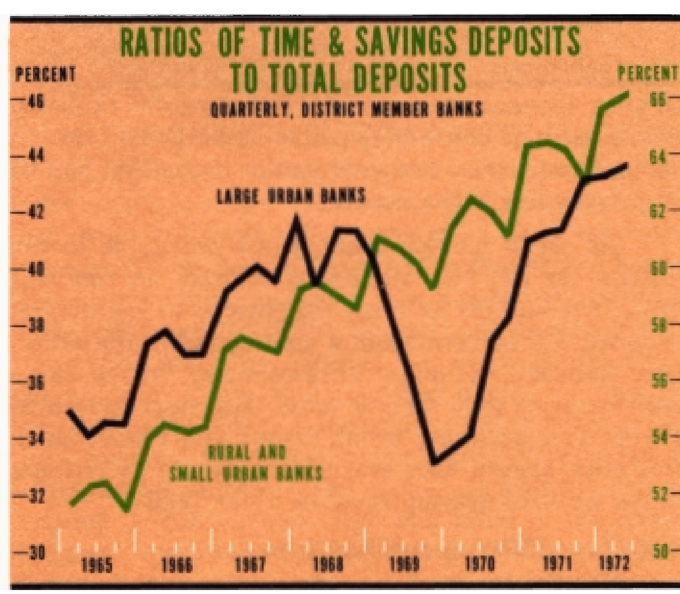
Strengthening business and industrial activity as well as a bright farm outlook encourage expectations of further expansion in the Ninth District's economy. Manufacturers recently reported strong sales gains which they foresee continuing through early 1973, and the increasing demand for labor along with resumed construction activity should result in an unemployment dip in August. In addition, good crop conditions and still-high livestock prices suggest that this year's farm income will easily surpass its level a year ago. The realization of these expectations will probably also strengthen the demand for credit at district member banks.

Since the beginning of 1972, time and savings deposits at the district's member banks have been growing somewhat slower than last year. After gaining at a 16 percent seasonally adjusted annual rate in 1971, these deposits rose 14 percent in the first half of this year, then slowed further to an advance of about 12 percent in the July-early August period. As additions to consumer-type time and savings deposits accounted for nearly all the most recent gain, however, district consumers' willingness to save apparently remains relatively strong amid spending expansions and savings rate reductions nationally.

The continuing inclination of district depositors to save has caused a rise in the ratio of time and savings deposits to total deposits at district member banks. A measure of the importance of these deposits as a source of bank funds, this ratio has increased steadily for a number of years but more rapidly since the end of 1969; by mid-1972 it had risen 8 percentage points to a level of 60 percent for all district member banks.

Large and small banks have experienced somewhat divergent changes in this ratio, most evidently in the 1969-70 two-year period. During 1969, the amount of funds invested in large CDs declined at large banks, where they are principally issued, because their regulation-limited return was less than other investments'. As a result, the ratio of total time and savings deposits to total deposits dropped at these banks. This difference between returns narrowed in the following year, in part due to relaxed regulations allowing higher interest payments on large CDs, and a higher ratio was thus reinstated at large banks. At the district's rural and small urban banks, meanwhile, the time and savings-total deposits ratio rose only slightly more than usual during the 1969-70 period.





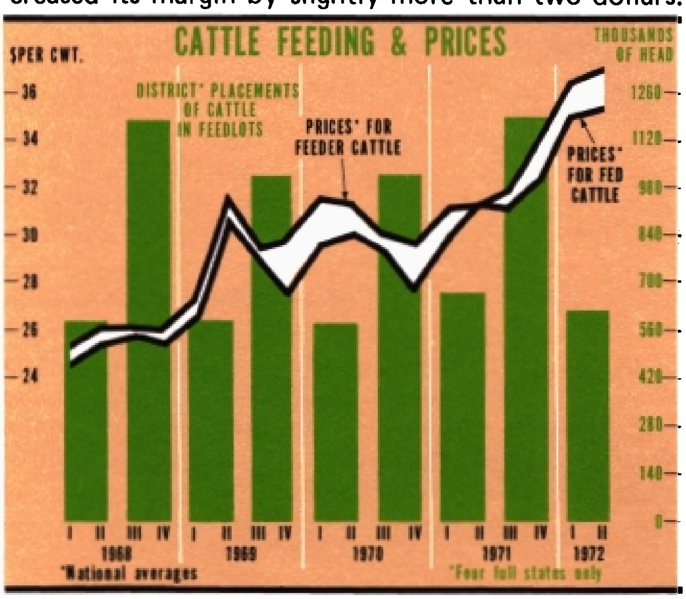
CATTLE FEEDING & BEEF PROCESSING SLOWS TIGHT MARKETS & COMPETITION AFFECT JOBS

Tightness in markets for cattle and beef seems to have slowed cattle feeding and beef processing in the Ninth District. Low supplies and high prices have prevailed in varying degrees for the past 3½ years, and when extreme, buying competition from surrounding area processors has apparently increased. During the first half of 1972, resulting cutbacks in district beef processing sharply reduced employment in the district's meat packing industry.

Feeders & Processors Respond to Price Changes

District production of fed cattle slowed in the first six months of this year: the average number in feedlots grew only 2 percent from one year earlier, and the number marketed from them remained unchanged at about 864,000 head.

This slackening first became apparent in 1969 when prices for cattle to feed rose sharply to high levels maintained throughout the first nine months of 1970. From the first to the second halves of 1969, the U.S. average price paid per hundredweight for young cattle to be placed on feed (feeder cattle) — normally above the price of fattened cattle — increased its margin by slightly more than two dollars.

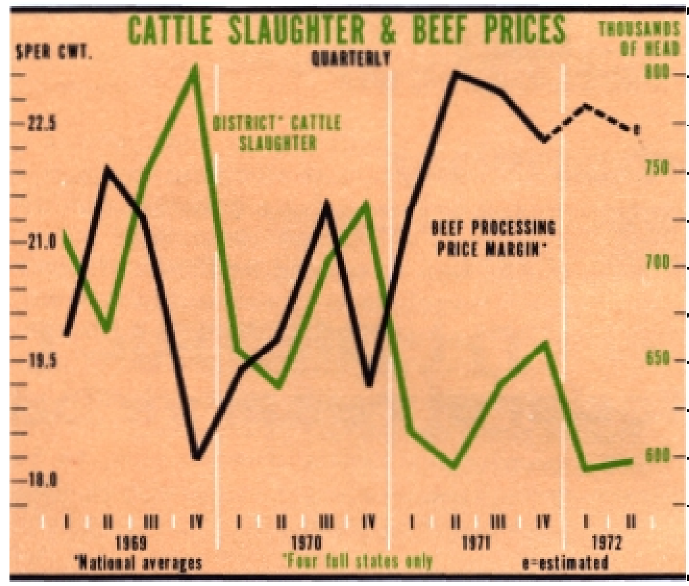


District feeders responded by dramatically reducing the number of cattle they placed in feedlots, from 17 percent more than one year earlier in the first half to 21 percent less in the second.

As cattle feeding became less profitable in the district, so did the processing of beef. In first-half 1972, the number of head slaughtered in the district dropped 1.3 percent from a year ago after the difference between the price processors pay for fed cattle and the price they receive for dressed beef continued a year-long declining trend. Drops and recoveries in this price margin have also been followed by changes in the levels of district slaughter since 1969.

Activity in Other Areas Expands

Nondistrict beef processors have at the same



time been able to bid more of the fewer district-fed cattle away from district processors, thus also contributing to the downtrend of beef processing activity. Although total marketings from district feedlots did not change from a year ago during the first half of 1972, the number of cattle slaughtered fell. Iowa, particularly, (the nation's second largest beef processing state) appeared to have imported much Ninth District cattle: the number slaughtered commercially there increased 13 percent despite a 2.5 percent drop in Iowa-fed cattle marketings.

District changes in cattle feeding and beef processing have not paralleled national conditions. The contrast was greatest in cattle feeding, which has grown very little in the district. Between the halves of 1969, when the district experienced the sharp cutback, the number of cattle placed in all U.S. feedlots actually expanded.

District Meat Packing Employment Declines Further

The district's short supplies, high prices, and increased nondistrict competition have recently reduced beef processing activity — and thus, employment — to varying degrees at several district plants. The Armour Food Company announced a shutdown of its operations in South St. Paul, Minnesota, where 400 employees will now be either offered jobs at other facilities or given early retirement benefits. Old and costly to operate, this plant could currently run only with substantial losses due to the high prices for fed cattle. In addition, two temporary cutbacks occurred in Sioux Falls, South Dakota.

These recent cutbacks occurred in an industry which had been curtailing its work force at an average of slightly more than 1 percent annually since before 1969, both in the district and nation. From 1966 to 1969, for example, employment in Ninth District and U.S. meat packing companies fell about 3½ percent. Between mid-1969 and mid-1972, however, the number of district workers in this industry dropped 12 percent while the nation's total slipped only another 3½ percent.

Cattle and Beef Future Uncertain

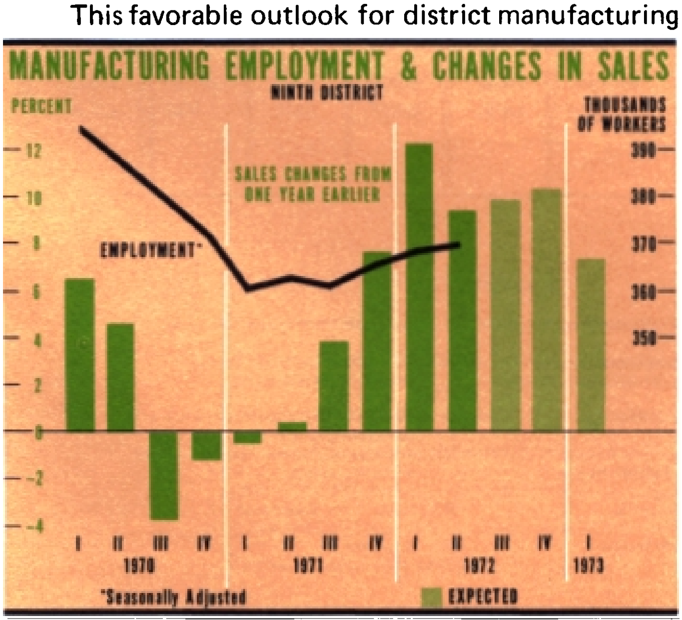
If lower district meat packing employment and lower levels of beef processing and cattle feeding are truly related to tightness in markets for cattle, help may be on the way in the form of larger national supplies. Although the number of cattle on feed in the district on July 1 was only 3 percent larger than one year ago, 14 percent more cattle was being fed in the nation — the largest increase in 12 quarters — and national cattle prices have already declined slightly in August, partly a result of expectations of greater future supplies. With this expansion, district beef processing should increase sufficiently in the short run to account for a slightly greater share of the national total, and the recent exceptionally sharp reductions in meat packing employment should be arrested.

Beyond October or November, however, cattle and beef markets could be tightened further by extreme changes in the nation's beef cow herd. If a very large expansion in the cow herd begins immediately, fed cattle supplies may soon become very short as heifers are diverted to calf production. Yet if little or no expansion is undertaken, supplies will be more adequate for the rest of 1972 and early 1973, but extreme tightness could occur in late 1973 or early 1974 as the resulting lack of expansion in calf production is felt in fed cattle markets.

HIGH MFG SALES EXPECTED THRU EARLY '73

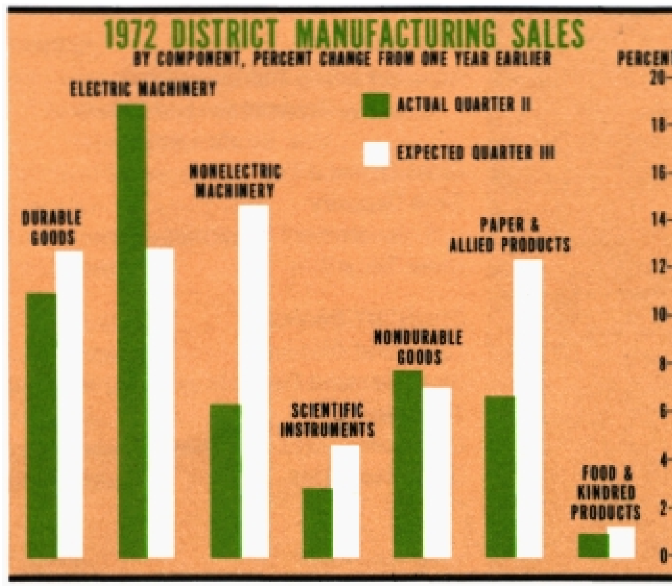
Continued expansion in district manufacturing activity is foreseen by respondents to our third quarter Industrial Expectations Survey. The value of goods sold by district manufacturers surpassed last year's level by 9.5 percent in the second quarter and is expected to rise even more during the last half of this year before recording a still-high 7.5 percent gain in the first quarter of 1973. Such optimism implies subsequent expansions in employment in these industries and in their use of electric power.

This favorable outlook for district manufacturing



sales can be traced primarily to producers of durable goods, who were even more optimistic for second-half 1972 than they were last May. After increasing 11.1 percent in the second quarter, the value of all durables sold by these surveyed manufacturers is expected to climb 12.8 and 16.1 percent over last year's level in the third and fourth quarters, respectively, and then advance 9.0 percent during the first three months of 1973.

Ninth District producers of nondurable goods were not quite as optimistic, and they did not significantly revise earlier sales expectations. The total sales value of all such goods is anticipated to exceed that of a year ago by 7.0 percent during the last half of 1972 and 5.9 percent in the first quarter of 1973. In the second quarter, sales of nondurables increased 7.8 percent.



If these respondents' expectations are realized, district manufacturing sales growth in the third quarter should surpass that foreseen for the nation for the third consecutive quarter. Whereas district producers anticipate a 10.1 percent gain from a year ago in this quarter, the value of goods sold by all U. S. manufacturers is expected to rise only slightly more than half that — 5.2 percent — after a 2.5 percent jump in the second quarter.

DROP IN DISTRICT UNEMPLOYMENT FORESEEN

Largely due to midsummer labor disputes, district unemployment remained high throughout July, but August should bring some reduction. According to preliminary data, 6.1 percent of the district's labor force were without jobs in July, a seasonally adjusted rate unchanged from the second quarter. At the same time, however, the demand for labor continued to strengthen: in the three months ending in July the district's help wanted advertising index rose 18 percent from the preceding three months. As Minnesota's construction lockout has ended, therefore, and although 7,000 workers were still idled at the end of August, the unemployment rate should drop slightly in that month.

NINTH DISTRICT income and finance

INDICATOR		UNIT	1972 AUGUST	1972 JULY	1972 JUNE	1971 JULY	Percent Change JULY-JULY
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*						
	Nonagricultural Personal Income*						
	Average Weekly Earnings in Manufacturing [1]	Dollars	n.a.	159.92e	159.61p	149.87	+ 6.7
	Consumer Installment Credit Outstanding [2]	Million $	n.a.	1,627	1,600	1,432	+13.6
	Time and Savings Deposits at Member Banks	Million $	7,024	6,968	6,846	6,077	+14.7
	Savings Balances at Savings & Loan Assoc. [3]	Million $	n.a.	4,890	4,830	4,156	+17.7
	Cash Farm Receipts [3]	Million $	n.a.	n.a.	321	288	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS [4,5]						
	Adjusted Loans and Discounts [6]	Million $	3,078	3,081	3,093	2,621	+17.6
	Commercial and Industrial Loans	Million $	1,372	1,390	1,398	1,146	+21.3
	Real Estate Loans	Million $	585	569	556	462	+23.2
	Gross Demand Deposits	Million $	2,031	2,082	2,016	1,990	+ 4.6
	Time Deposits	Million $	1,929	1,917	1,866	1,677	+14.3
	U.S. Government Securities	Million $	405	445	491	387	+15.0
	Other Securities	Million $	731	658	689	633	+ 3.9
	COUNTRY BANKS [4,7]						
	Loans and Discounts	Million $	4,882	4,807	4,702	4,201	+14.4
	Gross Demand Deposits	Million $	2,550	2,515	2,429	2,463	+ 2.1
	Time Deposits	Million $	5,096	5,052	4,979	4,400	+14.8
	U.S. Government Securities	Million $	1,129	1,121	1,126	1,141	- 1.8
	Other Securities	Million $	1,575	1,542	1,540	1,360	+13.4
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves [8]	Million $	801	790	782	753	+ 4.9
	Required Reserves	Million $	797	782	777	744	+ 5.1
	Excess Reserves	Million $	4	8	5	9	-11.1
	Borrowings from FRB	Million $	3	19	3	5	+280.0
	Ratio of Loans to Total Deposits—City Banks [4]	Percent	78.4	79.5	79.9	73.1	+ 8.8
	Ratio of Loans to Total Deposits—Country Banks [4]	Percent	63.8	63.5	63.5	61.2	+ 3.8
MEASURES OF PRICE LEVELS	Consumer Price Index—Minneapolis [9,10]	Index	n.a.	125.5	n.a.	121.9	+ 3.0
	Prices Received by Farmers—Minnesota [9]	Index	n.a.	127	124	110	+15.5

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

1. Excluding Northwestern Wisconsin
2. All commercial banks; estimated by sample
3. Excluding Northwestern Wisconsin and Upper Michigan
4. Last Wednesday of the month figures
5. Selected banks in major cities
6. Net loans and discounts less loans to domestic commercial city banks
7. 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
10. Quarterly

UNITED STATES income and finance

Percent Change JULY-JULY	1972 AUGUST	1972 JULY	1972 JUNE	1971 JULY	UNIT	INDICATOR	
+ 8.3		934.2p	922.9	862.4	Billion $, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 8.4		908.6p	897.5	838.4	Billion $, saar	Nonagricultural Personal Income	
+ 8.0		153.50p	155.01	142.09	Dollars	Average Weekly Earnings in Manufacturing	
+14.7		49.9	49.2	43.5	Billion $	Consumer Installment Credit Outstanding[2]	
+14.2		228.0	225.6	199.7	Billion $	Time and Savings Deposits at Member Banks	
+18.5		194.9	192.6	164.5	Billion $	Savings Balances at Savings & Loan Assoc.	
		n.a.	4.0	4.0	Billion $	Cash Farm Receipts	
						CITY BANKS[4,5]	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+13.2		204.6	203.1	180.8	Billion $	Adjusted Loans and Discounts[6]	
+ 4.2		85.2	85.0	81.8	Billion $	Commercial and Industrial Loans	
+18.0		42.6	41.8	36.1	Billion $	Real Estate Loans	
+ 3.9		145.2	146.2	139.7	Billion $	Gross Demand Deposits	
+13.8		151.4	149.7	133.0	Billion $	Time Deposits	
+ 1.6		25.8	26.0	25.4	Billion $	U.S. Government Securities	
+ 8.0		53.8	54.1	49.8	Billion $	Other Securities	
						COUNTRY BANKS[4,7]	
+15.1		79.4	77.8	69.0	Billion $	Loans and Discounts	
+10.3		53.7	51.7	48.7	Billion $	Gross Demand Deposits	
+14.7		76.6	75.9	66.8	Billion $	Time Deposits	
- 1.7		17.1	17.2	17.4	Billion $	U.S. Government Securities	
+16.9		29.8	29.8	25.5	Billion $	Other Securities	
+ 8.2		33,027p	32,498	30,531	Million $	Total Reserves[8]	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 8.1		32,824p	32,304	30,373	Million $	Required Reserves	
+28.5		203p	194	158	Million $	Excess Reserves	
-73.4		221p	85	830	Million $	Borrowings from FRB	
+ 5.3		73.0	72.5	69.3	Percent	Ratio of Loans to Total Deposits—City Banks[4]	
+ 2.0		60.9	60.9	59.7	Percent	Ratio of Loans to Total Deposits—Country Banks[4]	
+ 3.0		125.5	125.0	121.8	Index	Consumer Price Index[9]	MEASURES OF PRICE LEVELS
+13.4		127	125	112	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

INDICATOR		UNIT	1972 JULY	1972 JUNE	1971 JULY	Percent Change JULY-JULY
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining[1]	Index, sa	135	139	134	+ 0.7
	Production Worker Manhours:[1]	Index, sa	n.a.	99p	96	
	Manufacturing	Index, sa	n.a.	101p	97	
	Mining	Index, sa	n.a.	84p	91	
	Total Construction Contracts Awarded	Million $, sa	n.a.	198.7	156.1	
	Residential Buildings	Million $, sa	n.a.	86.1	59.3	
	Nonresidential Buildings	Million $, sa	n.a.	66.3	48.4	
	All Other Construction	Million $, sa	n.a.	46.3	48.4	
	Bldg. Permits: New Housing Units[2]	Number	3,203	4,007	3,313	- 3.3
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force[3]	Thousands, sa	2,591e	2,644p	2,608	- 0.7
	Total Civilian Employment	Thousands, sa	2,434e	2,489p	2,458	- 1.0
	Number Unemployed	Thousands, sa	157e	155p	150	+ 4.7
	Unemployment Rate[3]	Percent, sa	6.0e	5.8p	5.8	+ 3.4
	Average Weekly Hours in Manufacturing[3]	Hours, sa	41.0e	40.4p	40.1	+ 2.2
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm[3]	Thousands, sa	1,931e	1,955p	1,922	+ 0.5
	Manufacturing	Thousands, sa	370e	368p	361	+ 2.5
	Mining	Thousands, sa	30e	28p	29	+ 3.4
	Construction	Thousands, sa	71e	96p	94	-24.5
	Transport., Comm., & Public Utilities	Thousands, sa	125e	128p	129	- 3.1
	Trade	Thousands, sa	480e	479p	474	+ 1.3
	Finance, Insurance & Real Estate	Thousands, sa	92e	92p	91	+ 1.1
	Service Industries	Thousands, sa	321e	321p	320	+ 0.3
	Government	Thousands, sa	442e	443p	424	+ 4.2
MEASURES OF SPENDING	Total Retail Sales*					
	New Passenger Car Registrations	Thousands, sa	n.a.	n.a.	18.2	
	Bank Debits[4]	Billion $, saar	211.4	210.8	186.9	+13.1

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

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 JULY-JULY	1972 JULY	1972 JUNE	1971 JULY	UNIT	INDICATOR	
+ 6.4	113.6p	113.3	106.8	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
					Electrical Energy Consumption: Mfg. and Mining*	
+ 4.3	96p	96p	92	Index, sa	Production Worker Manhours:[1]	
+ 4.3	96p	96p	92	Index, sa	Manufacturing	
+ 4.3	98p	100p	94	Index, sa	Mining	
+ 6.1	7,260.5	7,687.4	6,842.2	Million $, sa	Total Construction Contracts Awarded	
+16.1	3,481.1	3,778.1	2,999.1	Million $, sa	Residential Buildings	
- 5.5	2,089.1	2,415.6	2,211.2	Million $, sa	Nonresidential Buildings	
+ 3.6	1,690.3	1,493.7	1,631.9	Million $, sa	All Other Construction	
	n.a.	n.a.	176.0	Thousands	Bldg. Permits: New Housing Units[5]	
+ 3.0	86,467p	86,395	83,930	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 3.4	81,682p	81,667	79,014	Thousands, sa	Total Civilian Employment	
- 2.7	4,785p	4,728	4,916	Thousands, sa	Number Unemployed	
- 6.8	5.5p	5.5	5.9	Percent, sa	Unemployment Rate	
+ 1.8	40.7p	40.7	40.0	Hours, sa	Average Weekly Hours in Manufacturing	
+ 2.9	72,565p	72,647	70,531	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 2.0	18,898p	18,995	18,533	Thousands, sa	Manufacturing	
	597p	598	597	Thousands, sa	Mining	
- 2.3	3,153p	3,242	3,228	Thousands, sa	Construction	
+ 1.0	4,520p	4,532	4,476	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.8	15,730p	15,729	15,158	Thousands, sa	Trade	
+ 3.1	3,923p	3,934	3,806	Thousands, sa	Finance, Insurance & Real Estate	
+ 4.4	12,449p	12,358	11,921	Thousands, sa	Service Industries	
+ 3.8	13,295p	13,259	12,812	Thousands, sa	Government	
+11.0	37.4	36.7	33.7	Million $, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	808.4	748.0	Thousands, sa	New Passenger Car Registrations	
+14.6	4,370.8	4,404.4	3,812.6	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

NINTH DISTRICT EMPLOYMENT CHANGES: 1961-1971

TOTAL EMPLOYMENT EXPANDS IN DISTRICT FARM AND SELF-EMPLOYED SECTORS SHRINK

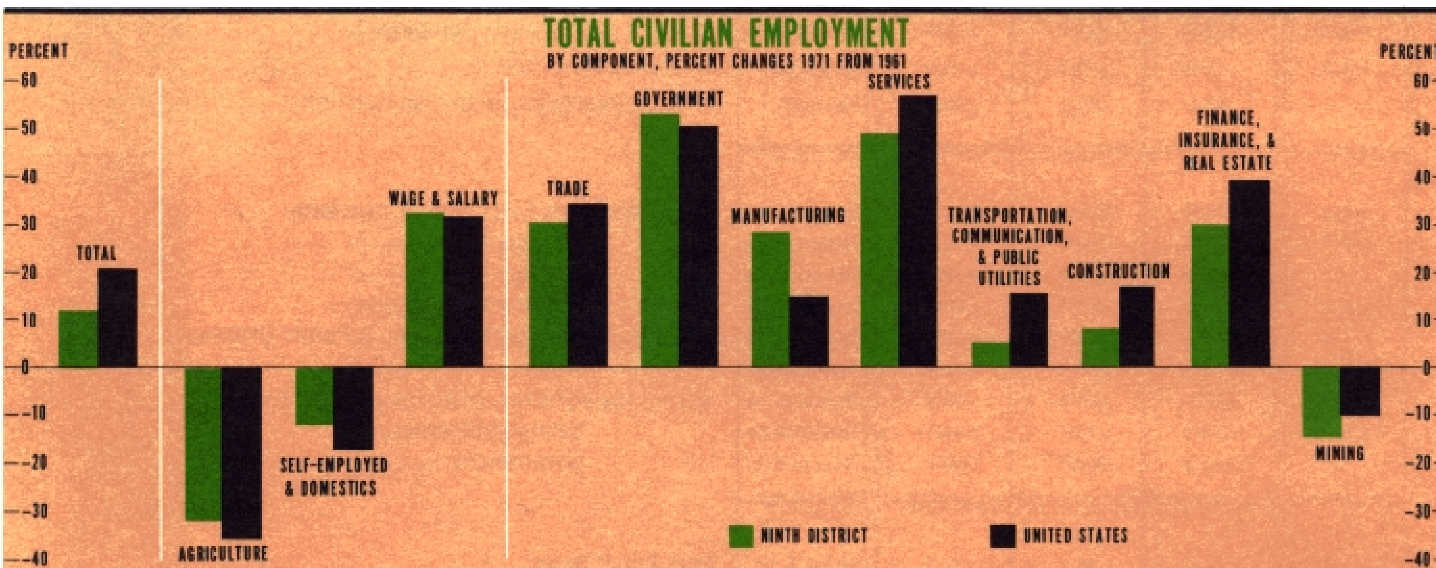
Economic changes during the past ten years have altered the structure of employment in the Ninth District: as needs shifted within and between industries, so did district workers. The number of persons with civilian jobs grew nearly 12 percent from 1961 to 1971, but neither these additional workers nor those already employed were distributed equally among the ten major employment sectors; although most expanded during this period, others shrank significantly.

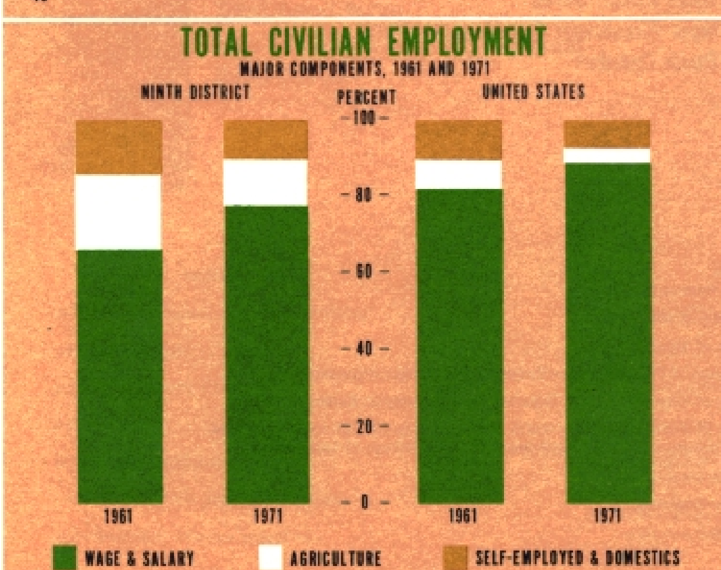
Total civilian employment consists of three basic categories: wage and salary, agriculture, and self-employed and domestic. Wage and salary earners predominate in the district, and during the last ten years, this category expanded almost 32 percent to bring its share of total civilian employment to 78 percent in 1971, a rise of 12 percentage points. Within the category, all eight industry groups except mining contributed to this growth, government and service sectors the most with gains of 52 and 48 percent, respectively.

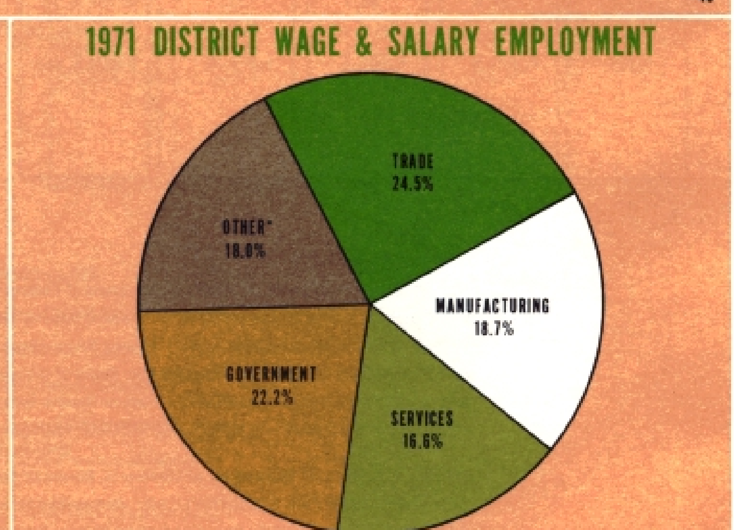
Employment in the district's agriculture and self-employed categories declined from 1961 to 1971 as workers shifted to other types of jobs or withdrew from the labor force. Agriculture's contraction was particularly significant because of its major influence on the district's economy: technological progress and the decrease in the number of farms eliminated 32 percent of the district's farm jobs during this period. (The United States as a whole also reported a drop in farm employment, but agriculture represents a smaller share of total national civilian employment.) The number of district persons self-employed or working as domestics, meanwhile, declined almost 12 percent, and in 1971 this category represented only 10 percent of total civilian employment in the district.

---

*For this article, the Ninth District includes only Minnesota, Montana, North Dakota, South Dakota, and Upper Peninsula Michigan; employment data for district counties in Northwestern Wisconsin are not available. All data are seasonally adjusted.







*Includes Transportation, Communication, & Public Utilities, 6.7%; Construction, 5.0%; Finance, Insurance, & Real Estate, 4.7%; and Mining, 1.6%.

recycled paper