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CURRENT ECONOMIC CONDITIONS BY DISTRICT

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by the Staff

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SUMMARY*

Most districts report continued improvement in economic activity and a generally optimistic outlook for business. Consumer durables are still selling well. Manufacturing and residential construction remain strong. Doubts persist regarding the likely paths of business investment in inventories and in plant and equipment. In the agricultural sector, low prices and drought are having depressing effects on farm income in some areas. The demand for bank loans is generally strong, but business loans are weak in some districts.

Reports on consumer spending vary, although most districts note a continued high demand for durables. Kansas City says retail sales are much stronger. St. Louis reports a continued rise, and Chicago a continued vigor in consumer spending. Boston observes that retail sales have recovered from a recent slump. Minneapolis finds slowing growth in retail sales; Richmond reports little change in the level of retail sales; and Atlanta says retail trade presents a mixed picture. Philadelphia describes department store sales as uneven, while New York calls them "slack" in June. Strength in durables is mentioned by New York, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, and Kansas City. Cleveland finds expectations of a reduced pace of consumer spending during the second half of 1977, but retailers are reported as optimistic by Kansas City, Boston, New York, and Minneapolis. In contrast, Philadelphia describes merchants as generally bearish about the second half as a whole. Summer tourism is reported as excellent by Minneapolis and Philadelphia, but as off to a slow start by Atlanta.

Manufacturing activity continues to increase, but at an apparent

*Prepared by the Federal Reserve Bank of Kansas City.

slower rate. San Francisco finds production still strong in aerospace and pulp and paper industries. Dallas notes growing manufacturing output generally, except in transportation equipment. St. Louis says manufacturing appears to have leveled off somewhat, and Philadelphia describes conditions in the industrial sector as only marginally better. But Richmond reports improvement in the manufacturing sector, especially in machinery and electrical equipment. Boston says its region's manufacturers are experiencing strong demand, while Atlanta mentions increased demand for certain hard goods such as castings. Cleveland reports a mixed recovery continuing in capital goods industries.

An unusual degree of caution characterizes investments in inventories and capital projects. New York feels capital spending plans are slowly gaining momentum, but Philadelphia finds no substantive change during the month. San Francisco describes investment plans as mixed, while Richmond finds manufacturers content with current capacity. Atlanta sees an acceleration in industrial building activity, but Cleveland projects a weakening in steel production. Just as inconclusive are the observations on inventories. St. Louis describes them as being maintained at very low levels. Boston and Cleveland, however, report possible overaccumulation. Kansas City, Minneapolis, and Philadelphia retailers call their inventories satisfactory; Philadelphia and Richmond manufacturers appear content with their current levels.

Residential construction is continuing its boom, according to reports from Atlanta, New York, Chicago, St. Louis, and Minneapolis. Dallas and Chicago say high occupancy rates are spurring construction of office buildings, and New York notes an impressive recovery in demand for Manhattan real estate. Atlanta finds commercial construction is increasing.

Particularly encouraging were scattered comments about lower inflation and inflationary expectations. Philadelphia notes a lessening in upward pressure on prices. Boston says fears of inflation seem to have abated. Retailers reporting to Kansas City do not expect inflation to accelerate. New York observes that builders' concerns about inflation appear to be waning, and New York respondents do not expect reimposition of wage-price controls. Dallas, however, projects no appreciable slowdown in the current rate of inflation.

Agricultural developments are touched upon in several district reports. Minneapolis, Chicago, Kansas City, Dallas, and San Francisco point to low farm prices. Dallas reports reduced cash flows to Texas farmers due to low wheat prices. Kansas City expects a large wheat crop, and other crops are reported doing very well by Chicago, San Francisco, St. Louis, and Minneapolis. Atlanta indicates heavy losses resulting from drought, and a rise in price for Florida citrus fruit. Richmond reports being hard-hit by drought, too, but District farm income is up there nonetheless.

Loan demand is reported as strong by Minneapolis, Richmond, Cleveland, Kansas City, and, at small banks, by St. Louis. St. Louis finds business loans demand relatively low at large banks, while Philadelphia says business loan demand is still weak although consumer loans are generally increasing. San Francisco reports a very modest growth in business loan demand. Chicago sees little change in the generally sluggish loan demand for large businesses.

FIRST DISTRICT--BOSTON

First District directors and businessmen report a continuation of the favorable trends that have characterized most of the past six months. The region's manufacturers are experiencing strong demand. Retail sales are well above a year ago, although somewhat less than retailers expected. Price increases are more moderate than in the first quarter and, as a result, fears of inflation seem to have abated. In general the outlook is for steady growth.

Retail sales have recovered from what appears to have been a slight slump. Sales are significantly above the level of a year ago, although the increase is a little less than the industry expected. However, because the last couple of weeks have been particularly good many retailers are quite optimistic. One major retailer in the region reported that inventories are higher than desired. They are not accumulating, but are being watched carefully. He feels that this situation is quite widespread in the trade and, in addition, that manufacturers as well as retailers are being very cautious regarding inventory buildup. On the other hand, a June survey of purchasing agents indicated that a majority of those surveyed plan to increase their inventories slightly because the delivery times for some industrial products and materials are getting longer.

Manufacturing activity in New England is continuing to recover. Business expectations are favorable: most foresee an extended period of moderate growth. At present demand is particularly strong for building supply products, like hardware. Manufacturers of automobile parts are doing well and in Connecticut the defense-related industries are having a good year.

Fears of inflation definitely seem to have moderated. Recent price increases are reported to have been numerous but generally modest. Most respondents expect continued gradual increases.

Capacity limitations are not creating any problems for New England firms, even those experiencing particularly strong demand. There have been no unusual difficulties in obtaining materials although one durable goods manufacturer expressed concern about the energy situation next winter. Nationally, a local economic consultant specializing in the process industries reports that there continues to be no danger of shortages during 1977.

Professors Eckstein, Houthakker, Samuelson, and Tobin were contacted this month for their views on the appropriate long-range monetary growth targets. There was no sentiment for changing the targets from their current values. This unanimity, however, masked a divergence in views about where the economy ought to be headed. Houthakker stated that the Administration's long-term economic outlook could not be attained with the present monetary targets. He feels the Administration is willing to live with too high inflation and is too optimistic about real growth. He believes that the present targets are consistent with 4 percent increases in prices and output which would produce continued gains in employment though only a small decline in the unemployment rate. The stubbornness of the unemployment rate is due to large increases in the labor force which cannot be dealt with by monetary and fiscal policies.

Eckstein's long-term forecast--4.6 percent real growth and a 5.6 percent inflation rate through 1980--is based on top-of-range monetary growth and moderate increases in interest rates of the next year. He believes it is a probable and desirable compromise between "a dash to full employment" and "a dash to deflation." He argues it would be a mistake to aim at targets lower than those on which his forecast was based.

Samuelson's target is a 5.5 percent real growth rate. The present monetary growth targets would prove adequate if we are lucky enough to benefit from favorable exogenous shocks on the price front--if for example, "Congress does not frustrate Nature's desire for lower food prices by instituting price support programs." The growth targets can be met with moderate (50-75 basis points) rises in the federal funds rate if the inflation rate is 4 1/2 percent but with large (150-200 basis points) increases if inflation holds in the 6 to 7 percent range.

Tobin feels that monetary policy targets should be expressed in terms of desired rates of growth of nominal GNP rather than money stocks. The present procedure places undue weight on the highly speculative question of velocity behavior. Money stock targets are not sacred and, as Chairman Burns has pointed out, have different implications depending on the behavior of velocity. Policy goals should be a revival in business investment and a balanced budget in the early 1980s. These goals can only be achieved with continued real growth and high employment. The major concern for investors is the fear of a collision between the recovery and the money targets. Business investment has been held back by both high capital costs and by expectations of sagging sales and profits in the years ahead.

SECOND DISTRICT--NEW YORK

Economic activity in the Second District continues to gain according to reports from directors and other business leaders contacted recently. While department store sales slackened in June, demand for consumer durable goods remained strong and merchants view the outlook as favorable. Real estate and residential construction activity have posted solid gains and inventories of unsold homes are in good balance with sales. Capital spending plans in the Second District appear to be slowly gaining momentum. Respondents apparently discount the possibility that wage-price controls will be reimposed in the foreseeable future. Current labor supplies are adequate for the most part, but a few shortages of skilled labor have emerged.

Department store sales were described as sluggish in June. The chairman of a large apparel company characterized sales in the first part of June as the worst in three months. Another retailing executive attributed the sluggishness of sales to the warm weather in May which had encouraged purchases of seasonal apparel that would normally have taken place in June. For the most part, it appears that the slowdown was concentrated in nondurable goods. Despite this softening, all of the retail executives contacted were optimistic about the outlook for merchandising. One retailer emphasized that care would be required in interpreting July retail sales data. He pointed out that July is traditionally marked by clearance campaigns, and sales are thus more likely indicative of the size of markdowns required to move unsold goods than of underlying demand.

Outside of department stores, strong demand for consumer products was reported by several respondents. A supplier of electrical components to the appliance industry reported shipments running well ahead of the near-record pace of the previous year. In addition, a major producer of components for writing instruments was experiencing excellent sales and was operating at full capacity.

The continued improvement of the regional economy was also reflected in a pickup of real estate activity and residential construction. According to the president of a real estate management company, demand for Manhattan real estate has been recovering impressively. Blocks of prime rental space are now scarce, with the large vacancies concentrated in secondary or less desirable buildings. In New Jersey, the president of a large mortgage banking firm held a sanguine assessment of the outlook for single-family construction. In his judgment, while housing prices are high, financing costs are being met through the contribution of working wives and/or moonlighting on the part of breadwinners. Barring an unforeseen tightening in credit, deferred demand remains unsatisfied and construction activity is expected to continue to advance. Furthermore, builders' concerns about inflation appear to be waning, so that cost escalators are no longer being built into sales contracts.

Businessmen continue to keep a close watch on inventories. As a consequence, inventories generally remain in good balance with sales. Petroleum inventories, which experienced a sharp rundown last winter, have returned to normal levels and were reported to be well above the level of a year ago. The chairman of an international oil company felt that summer gasoline prices could weaken as a result. Reports from the chemical industry suggest that inventories are satisfactory.

Capital spending appears to be slowly gaining momentum. On the negative side, the president of a major life insurance company reported that businessmen are hesitant to increase their capital spending plans because the outlook for profits remains uncertain. More positively, a major automotive producer has a $22 million plant under construction in the Rochester area. Elsewhere in Western New York, capital spending by industry was described as moderate. Reporting on the agricultural sector in Upstate New York, one director indicated that investment in both fixed assets and equipment was exceptionally strong. In New Jersey, a manufacturer of plastic products is planning near-record outlays on machine tools in order to meet robust demand.

Contributing to the positive outlook, directors and businessmen generally did not expect a reimposition of formal wage and price controls. One industrial economist felt that the appointment of Mr. Barry Bosworth as director of the Council on Wage and Price Stability was suggestive of some greater attempts to keep the lid on prices. However, this respondent expected these to be more in the form of "jawboning" than actual controls. In the view of the chairman of a major New York City bank, an informal program of price controls already appeared to be in effect. He expects to see a reaction by the Administration to large price increases similar to the reaction to recent increases in bank prime rates.

While labor supplies were considered adequate overall, some shortages of certain skills were noted by respondents. In the upstate area, the Buffalo directors reported a slight shortage of skilled workers--most notably qualified draftsmen and engineers. A manufacturer of plastic products reported that production was limited somewhat by an inadequate supply of skilled toolmakers and mold designers.

THIRD DISTRICT - PHILADELPHIA

Economic activity in the Third District is showing fewer signs of strength in July. Department store sales are uneven, and conditions in the industrial sector are only marginally better after improving steadily since January. New orders and shipments show little change this month, and inventories are holding steady as well. Employment in manufacturing is up minimally, but the workweek is unchanged. For the longer term, retailers anticipate continued softness, while manufacturers look for a pickup in business conditions. However, there has been no substantive change during the month in the capital spending plans of area manufacturers. Bankers report that consumer loans are generally increasing, but business loan demand is still weak. Resort areas in the district are having an excellent season so far, and prospects for the rest of the summer are good.

Manufacturers responding to this month's Business Outlook Survey report that general business conditions are only marginally better than in June. Twenty-three percent of the executives surveyed say that business has improved this month, while 15 percent indicate a slackening. This "net improvement" of 8 percentage points is the lowest since December. Both new orders and shipments are unchanged in July after increasing last month, and inventories are holding steady for the third month in a row. At the same time, factory employment is up fractionally, and the average workweek is unchanged. Each of these showed slight improvement last month.

Despite the lack of bullishness at the moment, manufacturers are optimistic about economic conditions over the next six months. Seventy-three percent of those polled expect business to improve by January. Specific increases are projected in new orders, shipments, and inventories, and gains in employment are expected as well. Twenty-five percent of the respondents plan to hire additional employees by the beginning of next year, and 28 percent expect to extend working hours. Increases in capital spending are anticipated at one-third of the sampled firms--about the same as last month.

Prices in the industrial sector continue to climb, but at a markedly slower pace than in the first half of this year. Forty percent of the respondents to the current survey report paying more for inputs, while 23 percent are receiving higher prices for finished products. These are the lowest proportions reporting such increases since mid-winter. By January, 88 percent expect to be paying more for supplies, and 78 percent anticipate receiving higher prices for the products they sell.

Department store sales in the area are mixed. Reports of current dollar sales range from 9 percent above to 5 percent below year-ago levels. In general, sales are equal to or below expected levels. Stores in the immediate Philadelphia area are experiencing slower sales than those in other areas of the district. Retailers indicate that inventory levels are generally satisfactory, and that their desired inventory-sales ratios are lower than they were a year ago. Over the next six months they expect to maintain the current ratio or increase it slightly.

Merchants are looking for a modest pickup of sales in the third quarter, but are generally bearish about the second half as a whole. While one expects year-end sales to be 12 percent above December '76 levels, most of those contacted project gains in the 5-6 percent range.

Reports from the Pocono Mountain and South Jersey shore resorts indicate that business has been better than expected so far this season, with record crowds over the Fourth of July weekend. Contacts in these areas attribute this to good weather conditions, improvements in the economy, and, in Atlantic City, the imminent beginning of casino gambling. In that city, some tourists have been attracted by the mistaken belief that they could gamble already, while others have come for one last look before the onset of the casinos. In addition, favorable weather has given a boost to commercial and sport fishing. Prospects for the rest of the season are good. Inquiries and advance reservations are said to be well ahead of last year's levels and much higher than expected in both resort areas.

Area bankers report that while consumer loan demand is generally strong, business loan volume remains weak. There is some pickup noted in business borrowing by regional customers, but totals are being kept down by a depressed national market. One local bank is making loans outside the Philadelphia area at rates below prime in order to attract borrowers in those regions. All of the banks contacted have maintained their prime rate at 6 3/4 percent, and no reduction is anticipated.

Bankers do not appear to be concerned about excessive deposit outflows as their "wild cards" mature. Some, however, have recently raised CD rates to the legal maximum, and are giving holders of "wild cards" advance notice of debenture offerings in an effort to retain those customers.

For the rest of the year, bankers' expectations about business borrowing are mixed. A few look for moderate gains, but one banker contacted anticipates no movement at all. Interest rates are expected to be steady or move up gradually with a prime by year-end in the 6 3/4 - 7 1/4 percent range.

FOURTH DISTRICT--CLEVELAND

A moderated rate of growth in economic activity during the second half of 1977 is generally expected in the Fourth District. A reduced pace in consumer spending, lower output in steel, and a slower rate of inventory accumulation account for the expected moderation in overall activity. Capital goods recovery continues rather mixed. Bankers report strong loan demand and a few expect liquidity pressures may develop in the months ahead.

Directors, financial officers, and economists contacted generally expressed confidence that the economy will continue to expand for the next several quarters but at a moderated pace from the first half of 1977. Auto sales and housing are expected to either ease or show smaller gains in the second half of the year as consumers take on new debt less rapidly than they did during the past several months.

Opinions vary on whether consumer spending will be sustained at recent high rates. Automobile retailers remain optimistic for this year. One bank economist expects 1978 new car sales to increase 5 per cent from this year. The home remodeling business continues very strong, although an economist with a major department store chain headquartered in the District commented that gains in general merchandise sales remain below those previously experienced at this stage of an expansion.

Steel economists expect production in the third quarter will drop about 5 to 10 per cent from second quarter levels. They are optimistic, however, that output this half will be much stronger than in the second half of last year because steel consumption is stronger and inventories are not nearly as large as last year's. One economist expects the industry's operating rate to average about 80 to 82 per cent capacity this quarter and in the mid- to high-80's next quarter.

Expectations are that the recent overall inventory buildup will slow this half. The buildup in recent months has been both voluntary and involuntary according to a number of economists. Firms with rising sales trends expect to continue rapid buildup in the months ahead, if not into early 1978, to protect higher production schedules. Steel inventories, increase last quarter partly as a hedge against price increases, are not judged to be as excessive as they were last summer. On the other hand, last quarter's rapid building in crude oil and motor gasoline have placed inventories well above a year ago. Refinery output may be cut back unless demand increases. A retailer estimates that general merchandise inventories, especially in apparel and home furnishings, have been built up too rapidly in recent months, with the result that adjustment of these inventories will last through the fall. Inventories of conventional tires have been rebuilt following depletion caused by the rubber strike last fall. Radial tire stocks still remain low.

Some capital goods producers experiencing a sharp rebound in orders earlier in the recovery have noted a flattening in recent months. This is especially the case with a large machine tool builder who expects that 12 to 13 per cent gains in plant and equipment this year and again next year are about the maximum that can be expected. On the other hand, orders for printing, communications, and electronic components business are running about 25 per cent ahead of shipments according to one producer, and demand for new technology and labor-saving equipment will remain strong. Latecomers in the capital goods recovery, including construction machinery and overhead cranes, are gaining strength in response to improving dealer inventories and increased construction activity.

Several bankers in the District expressed a view that continued strength in all types of loans, including commercial and industrial, would lead to upward pressure on short-term rates. Some report that recent increases in loan demand are unlikely to taper off in the summer months as is typically experienced. Therefore, for the first time since 1974, liquidity may be run down and banks will likely step up issuance of CD's. Inability to roll over CD's could squeeze the liquidity of small banks in farm areas of southwestern Ohio and northern Kentucky. Some of these banks have loan-deposit ratios of 70 to 80 per cent that reflect farm loans in support of the high cost of farm machinery. One banker also noted a recent switch by correspondent banks from sellers to buyers of Federal funds.

Upward price pressures appear to have lessened in recent weeks. Several directors and economists commented on the moderation of prices in glassware, containers, some petrochemical products, and raw materials used by the construction industry. Preliminary results from this bank's latest monthly manufacturers' survey show that the proportion of respondents who expect price increases in July is the lowest in several months. The latest labor contract settlement completed by a firm in the District includes an 8 per cent yearly wage hike, which was generally better than expected.

FIFTH DISTRICT - RICHMOND

Responses to our latest survey of Fifth District business conditions suggest continued moderate expansion of activity during June. In the manufacturing sector, shipments, new orders and backlogs of orders rose further during the month. Much of this improvement, however, was accounted for in the machinery and electrical equipment industries. Retailers report little change in the overall level of sales, although there was apparently some increase in relative sales of big ticket items. Employment was up slightly among manufacturers and unchanged among retailers, and manufacturers also report some lengthening of the work week. Employee compensation was up broadly among respondents, as were other prices paid, but there was no apparent deviation from the trend of recent months. Most manufacturers surveyed remain content with current inventory levels and with current plant and equipment capacity. Concerning the outlook for the next six months, most respondents foresee little change in the level of activity, although a sizeable minority anticipate continued improvement. Demand for bank credit remains strong in the District.

Among manufacturers responding to our survey approximately one-third experienced increased levels of shipments, new orders, and backlogs of orders during June. Of these indicators the volume of new orders apparently showed the strongest performance with reports of increases more than double reports of declines. Expansion of manufacturers' inventories was somewhat greater than in May, but more than two-thirds of the respondents view current levels as about right. Manufacturing employment rose only slightly during June, according to our survey, and the manufacturing work week was extended at a few responding firms. Prices paid by manufacturers, including employee compensation, rose broadly, but only a few firms report receiving higher prices. Current plant and equipment capacity and current expansion plans continue to be viewed as about right by most manufacturing respondents.

Among individual industries, only the machinery and equipment and electrical equipment groups report consistent, across the board, improvements. Performance in the textile and apparel industries continues mixed and no industry-wide patterns are discernible. Employment has expanded rapidly in the textile industry in recent months, but has yet to return to 1974 levels. Reports from the furniture industry indicate only slight and scattered improvement in the level of activity over the past month. Much the same is true of District firms in the chemicals and primary metals sectors.

In the retail sector, sales of responding firms were flat in June although one-third of those surveyed report relative increases in sales of big ticket items. Inventories at retail were unchanged to slightly lower in June. Two-thirds of the retailers surveyed report higher average hourly earnings for employees, and one-half report that other prices, paid and received, were higher last month than a month earlier.

Manufacturers' expectations for the next six months remain basically optimistic, but slightly over one-half of the respondents foresee no change in the level of activity nationally, locally, or for their respective firms during that time period. Very few expect conditions to worsen. Two-thirds of the retail respondents expect no change in the level of activity nationally or locally within six months, but one-third anticipate some improvement in their own sales.

In the banking sector credit demand continues strong as undiminished demand for consumer installment loans is accompanied by steady increases in demand for business loans. Large District banks have recently returned to the CD market as an additional source of funds.

Drought conditions and record-breaking temperatures highlight the District's agricultural situation. Dry, hot weather has taken its toll of some crops — especially corn, hay, and pastures -- in wide sections of Virginia and South Carolina and to a lesser extent in North Carolina. The drought-stricken corn crop is being cut for silage and hay in a few areas. Some Virginia and South Carolina farmers are selling their cattle because of poor pasture conditions. Thousands of chickens and turkeys have died in North Carolina from the tremendous heat built up inside truck coops as they were being transported from farm to market.

District farm income continues to run well ahead of last year, registering a 9 percent increase during the January-April period compared with less than a 1 percent gain nationally. Record high prices, improved quality, and sharply larger volume characterized the marketing season for the 1976 crop of Southern Maryland tobacco.

SIXTH DISTRICT - ATLANTA

An unsettled pattern dominated the Southeast's midsummer economic climate, reflecting current or past aberrations in weather. Agricultural production continues to suffer ill effects from the drought. Tourist traffic made a late start this year; and retail trade presents a mixed picture. Rapid gains in residential construction continue, while commercial and industrial building activity is accelerating. Certain hard goods producers have experienced increased demand. Some manufacturers are attempting to insulate themselves from impending energy shortages. Prices for Florida citrus fruit and lumber are rising. Savings and loan association activity continues to increase.

The drought has taken an increasing toll on District farm revenues, depressing sales in stricken areas, though late June showers gave hope for recovery of some late-planted crops. Projections of this year's crop losses have mounted to several hundred million dollars. The corn crop is nearly a complete failure. In some areas where corn has withered, herbicides applied to aid the corn crop now prevent replanting in soybeans because rainfall has been inadequate to dissipate the chemicals. Extensive damage to hay raises the possibility of a serious shortage this winter. Forced liquidation of cattle continues to depress prices. Peanuts and tobacco are seriously threatened, as are soybeans in some areas. The cotton crop is holding up well; however, rice, sugarcane, and some vegetables appear to be relatively unaffected. One hundred and thirty Georgia counties are receiving Federal disaster assistance; thirty-five of these were already in an emergency state because of worm infestations which plague the cotton and tobacco crops.

Florida's tourist traffic improved noticeably during June, following a series of below-average months. Sources indicate that the extended school year in northern states caused by severe weather delayed the normal seasonal influx.

In contrast to its uniformity during the earlier months of this year, consumption spending now exhibits wide variations in strength. Auto sales remain generally strong, but exceptions have grown more numerous. Some areas report flatness, and some note actual slippage, except for imported models. Used car sales, particularly of large models, are poor in parts of Florida. In a drought-stricken area of Alabama, new car sales are suffering; used car sales are up in number, but profits have fallen. The same spottiness is found in department store and apparel sales. Again, the greatest weakness occurs in hard-hit agricultural areas. Elsewhere, yearly gains range from 6 to 12 percent. Sales of retailers, particularly pleasure boat dealers, in parts of Florida have flattened; this trend may also reflect the late-starting tourist season. Reports on consumer borrowing are mixed in tone. One source reports that collections are slow, while another reports declining repossessions.

Rapid gains continue in residential construction, according to directors' reports from many areas of the Southeast. Single-family home building is up 25 to 60 percent from year-ago levels for the first half of this year. The most rapid gains are in the previously depressed Florida market. In Alabama, lots are being sold from plats before roads are built; homes are also being sold before completion. Some sources regard the sales pace as unsustainable; in Tennessee, sales resistance to high home prices is noted. Multifamily residential construction, the core of Florida's oversupply problem, is also reviving. Apartment vacancies have fallen significantly and rents are rising. Absorption of condominiums in South Florida has accelerated. Construction of new condominium units is being started, and some apartment units are being converted successfully to condominiums. But in other areas, there remain condominiums where no units have been sold.

Commercial and industrial construction activity is also on the rise. In parts of Florida, small building construction is keeping contractors busy and inquiries about future projects are increasing. Commercial and industrial construction activity in rural Tennessee is showing considerable strength.

Some hard goods producers such as manufacturers of castings for the auto and farm implements industries are enjoying strong demand. A large manufacturer of railroad equipment anticipates a sharp increase in business during the second half of the year, barring problems in upcoming labor talks. However, pipe and structural steel fabricators still face slack demand conditions. Pulp and paper industry conditions are stable, despite a continuing surplus of pulp inventories. The severance tax on Florida phosphate producers has been increased from 5 percent to 10 percent of the value of extracted minerals; some firms report losses of sales to foreign competitors. Manufacturers in several parts of Tennessee are bracing for another winter of energy shortages; they anticipate natural gas cutoffs as a result of reduced deliveries from producers to local distributors. Stand-by energy systems are being installed; but for some companies, capital costs are a deterrent to such investments.

Futures prices of citrus products have risen as buyers, fearing that last winter's freeze damage may reduce next season's crop, attempt to guarantee their supplies. Growers caution that many buyers may hold contracts and take delivery; they feel that the number of contracts outstanding should be watched closely to preserve an orderly market. Citrus juice price increases have not immunized Florida growers from financial losses. Substantially lower juice yields, stemming from the effects of last winter's freeze, have resulted in higher unit costs of harvesting, processing, and transportation.

Elsewhere in Florida, reduced demand for ground coffee as a result of high prices has resulted in a layoff of one-quarter of the work force at the nation's second largest coffee plant. Full production is expected to resume in late summer. Lumber prices continue to rise, reflecting the strong pace of construction activity.

Savings and loan associations' activities continue to expand. During July, a Florida association will open an office contained in a supermarket, the first facility of its kind in that state. Savings inflows and loan demand are generally strong. Two savings and loan associations in Alabama have raised their real estate loan rates to 9 percent. Banks in Tennessee have benefited from an increase in the spot price of coal, which has permitted payment of delinquent loans and thereby reduced loan losses.

SEVENTH DISTRICT - CHICAGO

The general business outlook in the Seventh District appears favorable through 1977 and into 1978. Widespread confidence that activity will continue to expand, however, is tempered by an unusual degree of caution in making commitments to invest in inventories or substantial capital spending projects beyond obvious requirements. Consumer spending continues vigorous, especially for durables. The housing market has lost some of the "frenzy" of last spring but retains great momentum. Crops are growing well in virtually all areas of the district.

Few basic products, either raw materials or components, are in short supply, but there are complaints of limited availability of rail and highway transportation. A major producer of building materials, for example, says both freight cars and trailers have been short and some units furnished have not been usable. An analyst of the trucking industry has argued for several months that a capacity crush was developing in highway transport and that orders for new trucks and trailers, while up sharply from last year, were not rising at an adequate pace. A major Western railroad has been pleased with the pickup in important classes of traffic this year. This line recently ordered 124 new locomotives, compared to none in 1976. Track maintenance work has been increased substantially.

Purchasing managers in Chicago and Milwaukee reported continued gains in output, employment, new orders, and order backlogs for June. Prices paid continue upward at about the rate of recent months. Inventories are increasing only moderately. Most companies expect the expansion to continue well into 1978. Inflation is the number one concern.

The improvement in demand for capital equipment is still underway, but the heavier types of equipment are still lagging. On the whole, the picture is somewhat disappointing with the expansion at a relatively advanced stage. A number of large capital goods producers are taking longer vacation shutdowns this July, up from two to three weeks, as required by union contracts.

Consumer spending still buttresses the expansion, with emphasis on durable goods. Credit is being used freely with fewer collection problems. Larger purchases of durables, including most types of appliances, have helped the performance of large chains specializing in these goods.

Production schedules for cars and trucks have been increased, at least for the most popular models, as a result of strong sales. Sales of recreational vehicles are reported to have rebounded vigorously after a slump that followed the President's energy messages in April.

Office space occupancy in the Chicago area has returned to 1972 levels. Construction of three sizable (not "giant") office buildings is now definitely slated for the Loop, and other sites are under active consideration. Some analysts expect an office "space crunch" in two to three years. On the other hand, few new shopping centers are underway or planned. Moreover, rents must rise substantially further to justify large new apartment buildings. Even so, plans for such buildings are again under active consideration. A large supply of vacant industrial buildings exists in Chicago and other large district centers. Most new industrial buildings are either specialized types or are expansions of existing properties.

The frenzied demand for single-family homes appears to have moderated somewhat. The picture is somewhat clouded because of seasonal trends. Also, some builders have stopped taking orders for this year or have pushed out delivery dates from the usual four to five months to seven to 12 months. Finally, buyers have begun to show resistance to rapid price increases. Apartment building has picked up, but with more buildings of only four to 12 units. Several large apartment units are being converted to condominiums, with rapid sellouts if prices are right.

Some S&Ls have stopped accepting mortgage loan applications except from customers. But "customer" is defined broadly to include referrals from builders or brokers with whom the lender has a "relationship." The typical rate on 80 percent 25-year loans is still 8.75 percent. No severe credit stringency is expected. Capacity to process loans is taxed, however. Savings inflows have held up well, and loan repayments are very large. Large S&Ls are more interested in obtaining funds from sales of large CDs. Substantial funds could be borrowed from the FHLBs.

Recent declines in prices of major crops, paced by soybeans, have disturbed some bankers with substantial portfolios of loans to farmers. Growing conditions are favorable, much better than had been expected earlier in the year. Higher livestock prices, partly reflecting reduced estimates of pork supplies in the second half, have eased concerns of bankers emphasizing livestock loans.

Most banks see little change in the generally sluggish demand for loans from large businesses. Many large firms have ample internal cash flows. Some have sizable holdings of Treasuries that could be liquidated. Sales of securities, including private placements, have reduced needs for bank loans. Medium- and smaller-sized firms have been using bank lines all through the expansion. Some banks have been seeking out smaller companies more aggressively. There is a trend toward reducing, even eliminating, compensating balances.

EIGHTH DISTRICT--ST. LOUIS

The Eighth District economy continues to expand, but at less than the rate of gain achieved earlier this year. Consumer spending continues to rise in most areas of the District. Manufacturing activity, after large gains from February through May, appears to have leveled off somewhat. Home construction remains at a high level, but home sales have declined in recent weeks. Agricultural conditions are generally good. Inventories generally remain at a low level. Business loan demand remains relatively low at large banks, but loan demand at smaller banks is strong.

Consumer spending in June, as measured by retail sales, was about 10 per cent above the dollar level of a year ago, or about 4 per cent above a year ago in real terms. One retailer noted that the strongest selling items were weather-related goods, such as air conditioners, fans, and watering equipment. Automobile sales are still strong, but have apparently remained level in the past 2 or 3 months.

The rate of increase in manufacturing activity apparently slowed in June and early July after sizable gains earlier this year. A representative of a major chemical firm notes a relatively high level of incomeing orders, but finds little change from a month ago. Some weakness was reported in a few items such as plastics. A boxboard manufacturer reported strong sales gains in March through May, but a leveling off in June. Firms producing consumer products, including apparel, shoes, and appliances, also noted little change in orders in the past 2 months. Steel shipments were reported to be strong in the second quarter, but are expected to decline more than seasonally in the third quarter and pick up in the fourth quarter. Defense-related manufacturing is generally at a high level and continuing to gain strength as real defense spending increases. A representative of a paint and coatings firm reports good sales and profit gains in recent months. On the other hand, a manufacturer of telecommunications equipment has experiended weak demand.

Home construction remains one of the strongest sectors in the District. The value of newly constructed single-family dwellings in the St. Louis area is more than double that of a year ago. During the spring, sales outpaced construction; however, builders report that sales have declined in recent weeks. Single-family homes have been the strongest part of the housing market, but apartment construction has made gains. Much of the recent gain in the apartments, however, involves projects with Government financing. A construction representative noted that further increases in rents will be necessary before a substantial boost in privately financed apartments can be expected. Rent increases in the St. Louis area over the past 5 years have been small relative to increases in other major cities. Currently, apartment dwellings in St. Louis are virtually at full occupancy.

A "shortage" of skilled workmen in the home building industry continues in the St. Louis region. Workers are now coming from out of town and the number of apprentices is increasing. Builders also report delays in procurement of certain building materials. For example, the delivery time for bath tubs and a number of other plumbing items has increased from 7 to as much as 30 days.

Recent rains have greatly improved crop production prospects over most of the District, although a few areas continue to report drought conditions. Cotton is reported to be in the blooming stage and is generally in excellent condition. About 20 per cent of the cotton crop is reported to be sold forward. Soybean plantings were delayed in several areas and this crop is somewhat behind schedule. The corn and tobacco crops are reported to be in excellent condition in most areas of the District. The recent rains have caused a slowing in cattle sales in the District as the pasture and hay crops have improved.

Both manufacturers and retailers report that inventories are being maintained at very low levels. Retailers have been especially cautious about the buildup of inventories during the current expansion. A representative of a major steel company reported that both steel manufacturers and steel fabricators were carrying a month less than the normal supply of inventories.

Representatives of the larger banks in the District continue to report sluggish demand for business loans. However, some expect such demand to gradually rise over the second half of the year as business inventories are increased. Loan demand at smaller banks is generally strong, reflecting rising demand for consumer, real estate, agricultural, and small business loans. Bankers are generally expecting a modest rise in interest rates of 50 to 75 basis points for short-term paper and 25 to 50 basis points for long-term by the end of the year.

Savings and loan associations report rising demand for mortgages, reflecting the high demand for new and older homes. On the supply side, however, these institutions have had sizable increases in net savings in recent weeks, particularly since mid-June. One savings and loan association, offering maximum interest rates, reported that some funds are now being received through brokers on the East coast where rates are below maximum levels. Mortgage interest rates have generally remained unchanged over the past month.

NINTH DISTRICT - MINNEAPOLIS

The district's midyear economic situation is quite hopeful, except in the agricultural sector. Retail sales growth recently slowed, but autos are selling well and merchants are looking for a good autumn. Homebuilding is strong. Tourism is excellent. And unemployment has been falling. But, despite better moisture conditions, worries about low ag prices make agricultural conditions a concern. The current expansion in the nonfarm sector and refinancing in the farm sector have boosted loan growth. The strength in loan demand, along with a slowing in deposit inflows, has resulted in some declines in liquidity.

Consumer Spending: Major Minneapolis-St. Paul area retailers report some slowing in June sales gains after fairly strong sales this past winter and early spring. Several think this letup was caused by early June's unseasonably cool weather which cut into summer apparel sales. Furniture, appliances, and other hard goods, on the other hand, have been moving quite well in the region's urban areas. But concern over farm incomes is holding back rural customers' catalog purchasing. District retailers don't expect a great pickup in sales in July and August, but their outlook for this fall is quite optimistic.

A late June survey of district automobile distributors shows recently strong auto sales. Major manufacturers are enjoying sales gains of 10 percent or more above last year's May-June period.

Production Activity: While nonagricultural activity is expanding quite vigorously, concerns continue about the agricultural situation.

Homebuilding is strong. District housing unit building permit authorizations (at a seasonally adjusted annual rate) so far in 1977 have risen well above 1972's record level. Single-family units make up much of the renewed growth in housing activity. With the current high level of loan commitments at S&Ls, strength in this market should continue. A significant pickup in the multiunit market over the near term is not likely. Additionally, district nonbuilding and nonresidential construction have improved this year.

Despite this rather bright outlook, capacity constraints could curb further increases in homebuilding. Carpenters are in very short supply in the Minneapolis-St. Paul area. The demand is also strong for roofers, plumbers, electricians, and bricklayers.

The region is enjoying a good tourist season. Minnesota and Wisconsin resorts, full over the July 4 weekend, expect business to remain excellent through July and August.

The agricultural situation is not nearly as encouraging. Prices, rather than drought, are the main concern. Moisture conditions are ample in most of Minnesota and South Dakota. Some dry areas remain in Montana and North Dakota. The weather's dramatic turnaround is maturing crops two to three weeks faster than normal. But prospects of abundant crops and large carryovers will likely exert more downward pressures on grain prices. Feeder and slaughter cattle prices remain at unprofitably low levels too. Hog prices, however, have increased in recent months and should remain profitable through the summer.

Inventories: Although unanticipated weakened sales in early June resulted in some unexpected inventory build-up, most major retailers view their inventories as satisfactory. Regional car distributors consider dealer inventories to be about right in light of expected sales.

Financial Sector Developments: Mirroring nonagricultural and agricultural developments, loan demand at district banks and S&Ls has been strong. The recent strength in homebuilding has brought a large increase in mortgage lending and no letup is foreseen. Business loans at large district banks have increased at a 33 percent annual rate during the first half of 1977, compared to a 5 percent increase nationally. This broadly based growth is due to increased financing of manufacturers' stocks and accounts receivable, of commodity dealer loans reflecting higher soybean prices, of automobile financing by dealers, and of interim construction. Our faster rate also stems from regional banks lending mostly to smaller businesses with limited financing options. Moreover, due to last year's drought and falling prices, farmers have felt the need to renew loans, greatly increasing farm debt outstanding.

As in the nation, time and savings deposit inflows have recently slowed at district S&Ls and banks. Consequently, liquidity positions at district financial institutions have tightened, but no immediate problems meeting the district's credit demands are expected as a result.

Other: Improved district nonfarm activity has influenced labor markets. This spring's unemployment rate, seasonally adjusted, was 5.4 percent, compared to 6.3 percent in the final months of 1976. Furthermore, recent increases in both average weekly hours worked in manufacturing and help wanted advertising point toward further job growth.

TENTH DISTRICT--KANSAS CITY

Tenth District retailers report sales in May and June to be much stronger than in preceding months, with durable home goods leading the way. Retail inventories are generally viewed as satisfactory. None of the businessmen surveyed expect an acceleration of inflation during the last half of the year. The wheat harvest is proceeding, and preliminary estimates suggest a large crop. Bankers in the Tenth District report continuing strong loan demand.

Retail sales in May and June, at large department stores in major metropolitan areas of the Tenth District, were generally much stronger than in March and April, and also stronger than in the same period a year ago. Most respondents report business to be at least as good, and often better, than they had expected earlier this year. Durable goods sales tend to be up more than sales of soft goods. Furniture, major appliances, carpeting, and other home furnishings are selling very well. Several businessmen relate such sales to a housing boom in their areas. Store managers in both Kansas City and Omaha note an improvement in peoples' confidence, some of which they attribute to better weather for agriculture.

Nearly all of the retailers surveyed report that their inventories are in satisfactory condition. In some instances, this means higher stocks than last year; in other instances, lower. Where inventories are slightly out of line, improving sales in the second half of the year, or special sales promotions, are expected to correct the situation. Virtually none of the respondents expect to cut back on their purchasing to correct an inventory imbalance. None of the major retailers are encountering any shortages of goods, nor are they experiencing any trouble with their suppliers.

With few exceptions, the businessmen surveyed are optimistic about the continued strength of consumer spending and retail sales in the second half of the year. None of them believe that the rate of inflation will accelerate during the rest of 1977.

Sales of new automobiles, both foreign and domestic, continue to be strong in the Tenth District. Some sellers of domestic cars are experiencing difficulties in achieving the right inventory mix as the model year comes to an end, while most foreign car dealers report stocks much lower than they would like them to be. In general, both foreign and domestic dealers expect continued strength in sales into the 1978 model year.

The wheat harvest is making good progress despite weather delays in several areas. Heavy rains slowed the harvest in central Kansas for several days and caused some damage, but for the most part the wheat harvest in the nation's major producing state is nearing the completion stage. Preliminary figures indicate that the crop will amount to at least 375 million bushels--down somewhat from earlier estimates but still a very large harvest by historical standards. Last year, 339 million bushels were harvested in Kansas. The harvest is now moving into Nebraska at a fast clip, and the early reports are that yields are generally quite good. Thus, wheat output in the Tenth District should exceed last year's level by about 12 to 15 per cent.

Farm prices fell 5 per cent in June, posting their first monthly decline in 7 months. Although prices had been rising for several months, the decline in June pushed the average level of farm prices 6 per cent below the year-earlier figure. In light of recent reports on prospective supplies of crops and livestock products, future developments in farm prices are not likely to exert much upward pressure on food prices.

Most Tenth District bankers contacted for the July Redbook indicated that loan demand continues strong in their areas. Increased residential construction loans were reported in the western region of the District. Oklahoma and Colorado bankers indicated that energy-related business loans have increased substantially. Agricultural loan demand was reported buoyant by rural bankers and their correspondents.

Most of the banks surveyed have increased their lending rates in line with the recent increases in the national prime rate. A number of respondents indicated that they would further increase lending rates if the national prime rate rose in the future.

Only a few bankers reported a slowdown in the rate of growth of time and savings deposits as a result of the increase in market interest rates. Most indicated that deposit growth is moderately strong and will be sufficient to enable them to meet anticipated loan demand. A few respondents said they intend to be more aggressive in their attempts to attract CD funds.

ELEVENTH DISTRICT--DALLAS

Economic activity in the Eleventh District continues to improve. Although the unemployment rate for the four southwestern states inched up to 5.8 percent, total employment remains high. Directors and manufacturers contacted believe the size of union wage settlements will rise moderately this year, and they see no appreciable slowdown in the current rate of inflation. Industrial production in the District is being bolstered by growing manufacturing output, but transportation equipment remains one of the weaker industries in the Texas economy. High occupancy rates are generating an increase in office building construction. A recent survey of agricultural credit conditions reports reduced cash flows to Texas farmers from low wheat prices.

According to the directors and manufacturers surveyed this month, union wage settlements will continue to rise moderately for the remainder of the year. Most agree that the proposed increase in the Federal minimum wage, when enacted, will boost U.S. labor costs substantially, and they anticipate no appreciable slowdown in the current rate of inflation. Others are concerned that prices might be rising at an annual rate as fast as 8 percent nationwide by the end of the year. However, one director feels that we are currently placing too much emphasis on the problem of inflation. He believes this has intensified the fears of inflation and has reduced plans for U.S. business investment.

Industrial production in the Eleventh District is being spurred by growth in manufacturing output. Increased production is fairly well balanced between durable and nondurable goods industries.

Output of primary metals in Texas is climbing as demand is strengthening for steel and aluminum products. Steel inventories are at desirable levels, but stocks of aluminum are off. Prices of Mexican steel imports are substantially lower than domestic prices, and producers are concerned that Mexican steel will gain a significant share of the Texas market. Production of copper, however, is down because of soft demand and a large buildup of inventories.

Apparel production is exhibiting evidence of further improvement. Demand is strong for women's dresses, lingerie, and accessories, while orders for men's clothing are now beginning to grow. Manufacturers confirm earlier reports that retail prices for fall and winter merchandise are likely to rise at least 10 percent. As a result, all producers are disturbed that retailers are reluctant to order significant amounts of high-priced goods in the face of stiff consumer price resistance.

Output of chemicals continues to expand. Input prices are up about 11 percent from a year ago, but most producers have not raised product prices. A rubber manufacturer reports a mild shortage of butadiene, but inventories of most chemicals are in line with demand.

Petroleum refiners are shifting their mix of output from primarily gasoline to winter fuel oil. Some refiners express concern about possible shortages of storage capacity for winter fuel oil because current high levels of gasoline stocks are taking up much of the capacity. However, post-Fourth of July reductions in wholesale gasoline prices, along with strong demand, should lead to a sharp drawdown in stocks.

Transportation equipment production continues to trend downward. Cancellations of the B-1 bomber program will force the Dallas-Fort Worth based Vought Corporation to lay off 260 employees. That is on top of 1,000 layoffs announced earlier when the A7 aircraft and Lance missile programs were cancelled. But helicopter sales remain strong, and one manufacturer has hired additional workers recently in order to reduce the rising backlog of unfilled orders for some models. Automobile production also remains high, but 1978 model changeover is estimated to take longer than usual because of large-scale length and weight reductions that are necessary to meet new fuel consumption requirements. As a result, production is likely to decline more than usual during the changeover period.

High occupancy rates are leading to an increase in construction of new office buildings. In Houston and Dallas, first-class downtown office space is 98 percent and 92 percent occupied, respectively. Houston has three major construction projects underway, and two others will soon be started. Construction of two large projects totaling $300 million will begin this summer and fall in downtown Dallas.

According to our latest quarterly survey of agricultural credit conditions, reduced cash flows from low wheat prices are adversely affecting the financial condition of farmers in the High and Rolling Plains of Texas. Agribankers note that many "tenant farmers" are unable to pay rent, harvest expenses, and cover both the interest and principal of operating loans. Renewals and extensions of operating and machinery loans are up sharply, and numerous farm failures or bankruptcies are likely this year. Many wheat producers, however, minimized losses by grazing out their wheat and sidestepped the added costs of harvesting and hauling. With prices well below costs of production, a large portion of the harvested crop is being stored and placed under the Commodity Credit Corporation loan program. Much of the wheat is being stored on the farm, causing the demand for new storage facilities to soar. Conversely, the survey results show cotton farmers are generally in good financial condition.

TWELFTH DISTRICT - SAN FRANCISCO

Economic activity in the Twelfth District is currently characterized by moderate growth. Current investment plans are mixed, with considerable investment activity taking place in energy and aerospace and little activity taking place in agriculture, aluminum, pulp and paper (except for some environmentally induced investment in the latter two). Production continues strong in aerospace, pulp and paper, and agriculture, and the latter sector is facing unprofitably low prices. Business loan demand is generally experiencing a very modest growth, though this, too, varies considerably within the District. Twelfth District banks are not experiencing a significant net outflow of savings.

Investment plans vary considerably by industry with the largest increases coming in aerospace and the smallest in agriculture. Likewise, the share of investment devoted to meeting environmental and worker safety regulations varies by industry. Boeing, for example, reports that their 1977 level of investment will be three times the average for the past five years, with practically all of this going for equipment replacement and facility modernization. They report environmentally-induced expenditures to be negligible. On the other hand both the aluminum and the pulp and paper industries report low levels of investment with substantial shares being used to meet environmental standards. An aluminum spokesman sees no significant investments to increase either primary or secondary capacity due to a) energy uncertainties, b) environmental delays, and c) poor profits in recent years. The pulp and paper industry also faces slow growth in capacity (2.5 percent for both 1976 and 1977) -- considerably below the expected growth in demand, and attributable to low prices. One large pulp and paper firm is devoting one-third of this year's investment to pollution abatement. Substantial investments by energy companies are reported in domestic gas exploration, coal gasification, and facilities for liquifying natural gas shipped from Alaska to California. Major oil producers, however, are said to be concentrating their investment offshore since the domestic investment climate is still not favorable.

Low prices and a drought-induced increase in operating costs have kept investment in the agricultural sector to a minimum, and at least one more lean year for both profitability and investment is expected. The only exception to this is a considerable increase in grain storage facilities prompted by low grain prices and aided by a new government program providing 7 percent, five-year loans covering 85 percent of the value of new storage facilities.

Aerospace continues brisk production and sales, with Boeing having sold out of 747's through June 1979. Factor and product prices in that sector are rising at about the general rate of inflation. Production in the pulp and paper industry also continues at full swing, though there are some reports of weakening demand, especially export demand. Still, prices continue rising and are expected to average about 20 percent over last year. Aluminum production is not expected to keep pace with demand at current prices and prices are expected to rise for the remainder of this year.

Large world and national crops have kept most district agricultural prices (especially those for grain and cattle) relatively low. While the effects of the drought still linger, one increasingly gets the impression that concern earlier this year was overplayed. For example, irrigated wheat output in one area of Washington is now expected to be roughly 120 percent of normal. Good pear, apple, peach, prune and potato crops are also reported for the Pacific Northwest.

Business loan demand, like investment activity, varies markedly within the district. While the overall picture that emerges is one of very moderate growth, Utah reports rapid growth and Idaho and Washington report zero growth in loans to businesses. Continued population growth is at least partially responsible for Utah's strong business loan demand, and one banker said that demand has increased so much that he had adopted a more restrictive loan policy as of June 1. While a number of respondents described business loan demand as continuing flat, several areas in California and Oregon did report some strengthening over the past several weeks. Almost all growth in business loan demand is attributable to local, intermediate-sized enterprises and practically none to national corporate clients.

Our directors were asked about savings flows, and they saw little evidence to confirm the unseasonably large outflow of savings observed nationally over the past two months. Only one Los Angeles director reported having a visible outflow of some interest-sensitive money and most did not even observe a significant net ouflow of savings over the past two months. Several Oregon banks reported a weak May and strong June while two southern California banks reported just the opposite. Only one Idaho bank reported a significant recent outflow of savings, but this was attributable to very localized competition from a credit union.