

NORTHWESTERN Banker Newsletter

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October 4, 1976

Predicts Long Term, Balanced Expansion

"Fears that the economic recovery in the U.S. is running out of steam are unfounded and exaggerated," according to Gabriel Hauge, chairman, Manufacturers Hanover Trust Company, New York. He also pointed to signals that "capital spending may be picking up soon."

Mr. Hauge said, "The groundwork is being laid now for a long-term, well-balanced expansion that could last well into 1978." He noted that sluggish capital spending in the U.S. traces to several factors, including excess capacity in many industries, caution among businessmen growing out of the 1973-74 experience, and some uneasiness over the possibilities of future price controls.

"But there is no basis for undue concern with the tardiness of capital spending's revival when so many other indicators are flashing green," Mr. Hauge said. He cited increases in orders for machinery and reports of increased capital appropriations.

Turning to the banking industry, Mr. Hauge said that once capital spending picks up, he expects an increase in business loan demand. "This should become noticeable early next year with growing momentum subsequently," he said.

"Rising Concern"

A rising concern about the

United States economy is whether it is in a pause that refreshes or has stalled in mid-flight. Basic to this question is continued sluggishness in capital spending. While the early



GABRIEL HAUGE

stages of a recovery are typically fueled by consumer spending, at this point in the cycle we usually look for additional impetus from capital expenditures. This has not yet occurred.

In the U.S., this slow-paced capital spending traces to several factors: excess capacity in many industries, caution among businessmen growing out of the 1973-74 experience, some uneasiness over

the possibilities of future price controls and the impact of sharply higher costs of plant and equipment on anticipated rates of return on new investment.

But there is no basis for undue concern with the tardiness of capital spending's revival when so many indicators are flashing green.

Employment is at a record high. Corporate profits will be up 25 per cent or more, price inflation continues to slow, aggregate personal income is growing at twice the rate of inflation, and I expect retail sales will look better after the new autos are introduced.

Capital Spending

As to capital spending, there are signals that it may be picking up soon. I am encouraged by a healthy increase in orders for machinery over the past several months and reports in the second quarter of strong increases in capital appropriations. Both these developments suggest that significant corporate spending will add to the strength of the recovery by early next year.

I do not think, however, that we will see a resumption of the 9 per cent growth rate experienced in the first quarter of this year. That is all to the good since it argues well for the price temperature as well as the durability of the recovery.

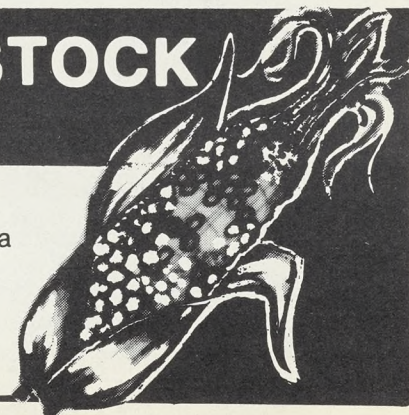
EXPANSION
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ABA Convention Now in Session

The American Bankers Association's Bicentennial Convention is now in session in Washington, D.C. A complete, on-the-spot news and picture report will be made by Malcolm Freeland, publisher, Ben Haller, editor, and Mike Freeland, business manager.

Iowa News

DES MOINES: The executive council of the Iowa Independent Bankers has elected Verlon Britt, president, Elgin State Bank, to the council to succeed Edwin A. Langley, who resigned recently as chairman of the Capital City Bank, Des Moines. Richard W. Berglund was advanced to executive vice president at IIB headquarters and Diane Gibbs was appointed executive secretary.

GOLDFIELD: David G. Wergeland has joined the Goldfield State Bank as farm representative and management trainee.

GRAND JCT.: Floyd Scholten has joined the Peoples Trust & Savings Bank. He formerly was with the First State Bank in Babbitt, Minn.

HARLAN: Harlan National Company has received permission to become a bank holding company through acquisition of the Harlan National Bank and to engage in permissible insurance agency activities through the acquisition of Bank Insurance Agency, Harlan.

HILLS: The Hills Bank and Trust Company recently completed a sale of additional common stock which increased the total capital structure of the bank by \$455,000.

NEOLA: Farmers & Merchants State Bank has increased its capital from \$150,000 to \$200,000.

PACKWOOD: J. Bill Williams, president of the Farmers Savings Bank, has announced the formation of the Williams-Newlin Insurance Co., located in the bank. Wesley Coleman has joined the bank to manage the insurance. He previously was with Dodds Insurance Co. of Mt. Pleasant.

WALNUT: Walnut State Bank has announced the addition of Alan C. Schmeidel as officer trainee. He is a recent graduate of the University of Northern Iowa, Cedar Falls.

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Nebraska News

The Nebraska Bankers Association's 1976 Agricultural Credit Symposium is in session at the Lincoln Hilton. Topics to be discussed include accounts receivables, crop production, grain elevator financing and problems in agricultural loans.

BENNET: A public hearing is scheduled for November 16 on the application to form the Bennet State Bank with a proposed capital of \$250,000.

HUBBELL: Jack Long and Harold Porter of Chester have purchased the Hubbell Bank and the Hubbell Insurance Agency from Louis and Aileen Gombert of Fairbury. They plan to share time at Hubbell, operating the bank with the present personnel.

JUNIATA: An application for a state bank here has been filed. Named as chairman and treasurer of the bank is DeWayne Boesen, a management consultant with Professional Management Mid-West

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Corp., Kenesaw. A hearing is scheduled for November 30 at 9:30 a.m. at the Nebraska Department of Banking and Finance offices in Lincoln.

LEXINGTON: Funeral services were held recently for Lyman Stuckey, 64, chairman of the Lexington State Bank & Trust Co. He was a past president of the Nebraska Bankers Association.

WAYNE: Columbus Federal S&L has opened a branch here.

Minnesota News

The Minnesota Bankers Association Bank Staff Seminars, scheduled for October 18—November 11, deal with the overall message of communications, stressing how the service concept can add profits to the bank and its employes. Included in the one and a half hour presentation will be marketing and communications, cross-selling techniques and human behavior. The format will be the same for all meetings. Registration is at 5 p.m., with dinner at 5:30 p.m., followed by the seminar. George M. Morvis, president, Financial Shares, Corp., Chicago, will conduct the seminars on the topic, "Communicating and Selling—Myth or Miracle." Meetings adjourn at 8:30 p.m. The schedule follows:

- Oct. 18—Best Western Motel, Thief River Falls.
- Oct. 19—Holiday Inn, Bemidji.
- Oct. 20—Holiday Inn, Eveleth.
- Oct. 21—Holiday Inn, Grand Rapids.
- Oct. 25—Holiday Inn, Brainerd.
- Oct. 26—Holiday Inn, Detroit Lakes.
- Oct. 27—Arrowwood Lodge, Alexandria.
- Oct. 28—Germain Hotel, St. Cloud.
- Nov. 8—Leamington Hotel, Minneapolis, and Kahler Hotel, Rochester.
- Nov. 9—Holiday Inn, Mankato, and Radisson, St. Paul.
- Nov. 10—Sheraton Inn Northwest, Brooklyn Park, and Ramada Inn, Marshall.
- Nov. 11—Holiday Inn, Willmar, and Ramada Inn, Bloomington.

DULUTH: The Minnesota Bankers Association will conduct its Junior Bank Officer and Staff Conference October 13-14 at the Radisson Hotel here. Registration begins at 3 p.m., Oct. 13, with a reception at 5:30 p.m. and dinner and program

at 7 p.m. Remarks will be by Clyde Fischer, president of the American Institute of Banking and controller, Northwestern National Bank, Sioux Falls, S.D.

MAYNARD: M. T. Wiley has been appointed assistant vice president of the Security State Bank. He was insurance agent with Dakota Bank Holding Company in South Dakota.

Illinois News

More than 40 Illinois banks have given notice to regulatory agencies of their plans to establish facilities under the state's new liberalized statute permitting banks to set up the limited service installations within two miles of the main offices. Some industry observers see the facility law as the first major departure from the state's long adherence to a strict unit banking structure. The law, which gives banks a second facility, does not require formal application from the bank to set up a facility although the Illinois Commissioner of Banks and Trust Companies Richard K. Lignoul has issued guidelines on the amount of bank investments in a facility.

North Dakota News

DICKINSON: Robert Stranik has been elected president of the First National Bank & Trust Co. here following the death of Mrs. E. A. Nachtwey, the former president, on

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National Bank of Waterloo

September 2. Mr. Stranik had been serving the bank as executive vice president since 1970. He joined the bank in 1965.

Colorado News

DENVER: United Bank of Denver is offering \$5,000,000 of subordinated notes due seven years from date of issuance, in denominations of \$500 or more with an 8% interest rate, payable quarterly or annually at the buyer's option. Chairman and President John D. Hershner said the funds would be added to the bank's capital base.

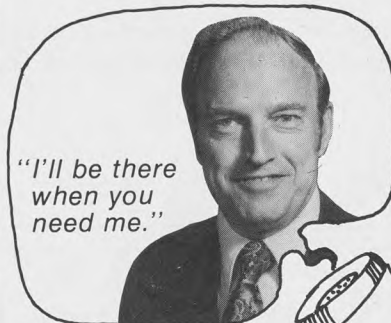
South Dakota News

SIOUX FALLS: Area bankers will attend an open house at the First Financial Center—the new home of the First National Bank, on Oct. 9.

EXPANSION
[Continued from page 1]

In the banking industry, we have not experienced in the U.S. the increased demand for domestic business credit that had been expected at this point in the recovery. This is the result of

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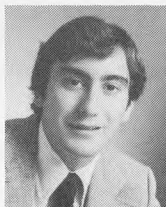
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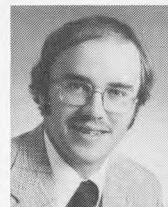


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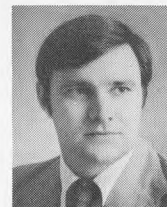
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strong corporate cash flows, sluggish capital spending, and the ready availability of alternate means of financing. Once capital spending picks up, we do look for increases in loan demand. This should become noticeable early next year with growing momentum subsequently. International loan demand remains active, although not at the levels of a year ago.

As to interest rates, we expect short-term credit demands to increase as corporations add to their inventories and move more aggressively into capital investment. This, coupled with the U.S. Treasury's financing short-term of large deficits, will tend to push short-term interest rates higher over the next year.

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AGRI-LOAN—Need department head for small rural Ks. bank . . . \$18,000
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