Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

JUNE 1948

REVIEW OF BUSINESS CONDITIONS

A RENEWAL of business optimism appeared in the second quarter of 1948. Prices were rising again, and total loans of weekly reporting banks rose significantly in May, following a slight decline in April. The mid-May upsurge in the stock market brought industrial share averages to the highest point since the fall of 1946. A change in consumer psychology also became apparent, attributed in part to "war talk" and plans for expanded military expenditures. For example, reports from the automobile industry as early as April indicated a strong upturn in the demand for automobiles, and most manufacturers reported a backlog of orders as large or larger than those of a year earlier. After a slight rise in March, department store sales rose sharply in April, and reached an all-time high in May on a seasonally adjusted basis.

Prices near January peak

Prices were again on the way up after the break earlier in the year in most commodity markets. In the week ended June 19 wholesale prices were practically up to the high mid-January level (according to the Bureau of Labor Statistics index), and even farm products were within about 3.5 percent of the January peak. Wholesale building material prices, continuing their steady advance, had risen about 3 percent since January. The wholesale food price index advanced to the highest level since the week ended January 17, 1948, and was less than one percent below the early January peak. The Bureau of Labor Statistics consumer price index, which had fallen slightly in February and March, rose in April and again in May to an all-time high one percent above the January figure. Retail food prices had recovered from their February and March slump, and on May 15 were on the average slighly higher than on January 15. In the Twelfth District cities of Los Angeles, San Francisco, and Seattle, the combined retail food price index, after declines in February and March, rose in both April and May, reaching a new record level about one percent higher than in January.

The Federal Reserve index (seasonally adjusted) of industrial production increased 2 percent in May to 192 percent of the 1935-39 average. This was close to the postwar peak of 194 attained in February of this year. Production had declined in March and April, due largely to the lower output of iron and steel resulting from the coal strike between the middle of March and mid-April.

Investment in producers' durable equipment, according to Department of Commerce estimates, was at an annual rate of $18.8 billion in the United States during the first quarter of 1948. While this was at the same rate as during the fourth quarter of 1947, it was substantially higher than in the first three months of 1947, when capital goods were being acquired at the rate of $16.4 billion a year. The increase over last year is, of course, in part a reflection of price inflation. In view of the recent optimistic turn in business expectations, it is expected that the rate of capital investment again will turn upward.

United States exports of goods and services in the first quarter of 1948 were valued at $4.8 billion, which was $400 million lower than in the preceding quarter, and at an annual rate about 15 percent below the record rate attained in the second quarter of 1947, according to Department of Commerce reports. Foreign payments for these goods and services were financed to a greater extent by United States imports and United States Government loans and grants, and much less by liquidation of foreign gold and dollar assets, than in the fourth quarter of last year. With the increasing dependence of our exports upon Government loans and grants, they may be expected to show a substantial expansion as the European Recovery Program gathers momentum.

Higher grain support prices

Reflecting continuing price inflation, the United States Department of Agriculture announced late in May price-supporting loan rates on grains at levels considerably higher than last year. Loans will be offered on early wheat at interim rates averaging $1.96 a bushel, farm basis, effective until regular rates can be determined by the parity price as of July 1. Rates on last year's wheat crop averaged $1.83. The new loan rates on oats average 70 cents a bushel compared with 63 cents last year; on barley $1.15 this year and $1.03 last year. An average loan rate of $1.29 per bushel is established for rye, which had no loan program last year.

Retail sales in upswing

District retail sales turned upward in March after a two-month decline and have been rising continuously and sharply since then. Department store sales in May, after allowance for seasonal variation, were at an all-time high.

At the same time consumers are trying to get as much as possible for their dollar, as shown by the more rapid rise of basement sales than total department store sales since July 1947. Durable goods continue to lead in the expansion of retail sales. The high level of demand for durable goods still reflects the pent-up demand of the war years, as well as a continued high level of personal income.

In April and again in May the seasonally adjusted index of department store inventories dropped from the all-time high recorded in March, but remained well above that of a year ago. The decline from March levels may reflect the first effects of the sharp reduction in orders outstanding reported since January. At the end of April orders outstanding were more than 43 percent below January 1948 and 11 percent below April last year. The pattern followed by orders outstanding thus far in 1948 is similar to that of the first part of 1947. Department stores again seem hesitant to place orders for goods in any great volume because of the higher prices demanded by suppliers. If, however, consumer demand continues high, stores may find it necessary to order heavily to meet their seasonal needs, whether or not prices decline.

In the country as a whole, consumer instalment credit has risen sharply since the beginning of the year. In the first two months of the year, however, the expansion in instalment credit was more than offset by the decline in charge account credit from the seasonal peak in December. Since March, however, charge account credit has been increasing, and in May total consumer credit reached a new high of $13.8 billion.

Commercial banks have been confronted with a more rapid rate of increase in consumer instalment loans than for loans generally. Between the first of this year and the end of April consumer instalment loans outstanding at all commercial banks in this District increased 13 percent while total bank loans increased a little less than 3 percent. For the United States the increase in consumer instalment loans of all commercial banks was 9 percent during the first 4 months of the year against 1½ percent for total loans.

Bank loans rise in May after April decline

The trend of bank loans offers another indication of the comparatively recent resumption of business optimism. Following a small increase in the first quarter of the year, total loans of Twelfth District member banks decreased slightly in April, but experienced a larger percentage increase in May than in any month so far this year. Since real estate and consumer loans have been rising steadily, the April decline in total loans was the result of a decrease in commercial, industrial, and agricultural loans. These loans at District weekly reporting member banks declined for six weeks starting in mid-March, moved upward substantially in the first half of May, and then declined slightly the last half of that month. The trend of commercial, industrial, and agricultural loans of weekly reporting member banks in the country as a whole was generally downward during the three months ending with April. This trend was reversed, however, in May. Total loans of these banks also moved upward in May, following two months of decline.

Despite the fact that the percentage increase in total loans of weekly reporting member banks in the April-May period was twice as large in the Twelfth District as in the country as a whole, demand and time deposits, as well as total deposits, declined slightly in the District but increased somewhat in the country as a whole. The District decline was probably due largely to an excess of interdistrict payments over receipts, other than on Treasury account.

Construction up over last year

Californians led the nation in total construction expenditures in the first quarter of 1948, spending close to $500 million, twice as much as the Texans, who placed second. Twelfth District states combined spent about $640 million, over 20 percent more than they did during the first quarter of 1947, but about 13 percent less than in the last quarter. Of the $640 million, about $340 million went for residential building, 50 percent more than in the first three months of last year but still 14 percent less than in the last quarter of 1947. Americans throughout the nation spent $6 billion for new construction by the end of May, of which $2.5 billion was for new nonfarm housing—over 60 percent more than in the same period last year. Total industrial construction continued to decline, however, and was 18 percent below the level of the first five months of last year.

Lumber production declines in April and May

Twelfth District lumber production topped 4.6 billion board feet in the first four months of 1948, 200 million feet above the corresponding period of 1947, although April production fell short of that of March (1.2 billion board feet as against 1.3 billion), and preliminary estimates show an even smaller figure for May. Construction needs, increased by a sharp spring-time rise in home building, brought about an increase in average weekly lumber orders in April, although average weekly shipments fell off. Total shipments in the first four months this year, however, top those of the same period last year, while orders were below. The four-month decline in orders is attributable to the large reduction in orders for export (419 million board feet in the first four months of 1948 against 533 million in 1947) which was not fully made up by an increase in domestic cargo and local orders.

The April decline in production was brought about by very wet weather and the strike of the boommen (the men who herd logs into rafts for towing along the streams and rivers to mills) in the West Coast area. These men, though few in number, play such an important role in the whole process of lumber production that several of the area's largest sawmills were forced to close. The May decline was the result of devastating floods. This production decline and the increase in demand for lumber have combined to bring about a recent sharp upswing in lumber prices.

Petroleum output continues high

Crude oil production in California hit a new all-time peak during the week ended June 19 with a daily average of 951,900 barrels, as compared with 921,000 barrels for the comparable week last year, according to estimates of the American Petroleum Institute. During the first 24 weeks of 1948, average daily output averaged around 940,000 barrels, which is significantly higher than the average of approximately 912,000 barrels during the entire year 1947.

Government aircraft orders will boost West Coast production

West Coast airplane manufacturers will build 2,039 planes or 60 percent of the orders for 3,366 aircraft announced in June by the Air Force and the Navy, according to an analysis by the Aircraft Industries Association of America. The Association does not anticipate any considerable increase in employment until the procurement program gathers momentum after the end of 1948. It is expected that the seven major West Coast aircraft companies, with a present working force of about 84,000, will have approximately 100,000 employees within a year. The employment of manufacturers of parts and equipment also will rise.

Flood hits Pacific Northwest industry

Economic activities in the Pacific Northwest were seriously affected late in May and much of June by the worst flood in that area since 1894. Hardest hit was the Portland-Vancouver area where the Willamette River flows into the Columbia. Transportation and communications were temporarily disrupted, and numerous industrial plants were forced to close. Among the industries affected were aluminum, lumber, plywood, paper, meat packing, and textiles. It was expected that normal operations in some of the flooded plants could not be resumed for a considerable period. Power production was curtailed at the Bonneville and Grand Coulee dams by the high waters which greatly reduced the distance of the water fall and the speed of the turbines. Because of the reduced demand, however, there was no general power shortage, although deficiencies were reported in a number of communities.

TRENDS IN HOUSING FINANCE AND RESIDENTIAL CONSTRUCTION

PRESENT conditions and future prospects in the closely related fields of housing finance and residential construction pose some interesting and highly significant problems. The development which is attracting most attention currently is the growing scarcity of mortgage credit in the form of Government-guaranteed or insured 4 percent loans. This has given rise to the consideration of some change in credit terms that will stimulate the flow of credit for the purchase of houses.

The present trend toward less easily obtainable credit involves larger down payments and larger monthly payments than have generally been required since 1945. It is possible that these stricter credit requirements will not reduce demand for new houses at present prices sufficiently to affect the present high level of residential construction. Should stricter credit requirements result in a substantial decline in demand, however, at least a temporary drop in the volume of residential construction could develop within the next several months. If the labor and materials thus freed are not transferred to other types of construction, such a drop should result sooner or later in a decrease in the selling prices of houses. That in turn would enable some of the people who are now excluded from the housing market by high prices to enter the market. Full employment of men and materials in the field of residential construction might then be restored, but at a lower level of prices for the finished product. It is impossible to predict the amount of time required for such a chain of developments to run its course, though it probably would vary considerably among different market areas.

The immediate effect of easier credit terms, on the other hand, would be to support the demand for houses and hence maintain pressure upon prices in an already highly inflated sector of our economy. In the longer run, easier terms would encourage the creation of a large volume of mortgage credit, incurred during a period of high prices, on which borrowers would find it difficult to maintain their payments in a period of recession. Such a development would also mean in all probability losses to lenders and to the Government because of its guarantee on loans.

Volume of Government guaranteed mortgages in postwar period

In the postwar period, Federal credit aids to privately-financed housing have consisted of mortgage insurance or guarantees granted by the Federal Housing Administration and the Veterans' Administration to protect the lending institutions from too great a risk of loss arising from bad loans. Most of the insured loans have been on small homes, but insurance is also obtainable for the financing of rental projects and farms.

As a result of the growing volume of new construction and the continuing need for refinancing properties resold in a rising market at higher prices, small home (1 to 4 family house) mortgage debt rose from about $20 billion at the end of 1945 to about $29 billion at the end of 1947. A slight decline in FHA insured home loans during that period was much more than offset by a large increase in VA guaranteed loans, with the result that total insured home loans rose from $4.3 billion (FHA had 4.1 billion) at the end of 1945 to an estimated $9.5 billion (FHA had $3.7 billion) at the end of 1947. At the end of 1947 about one-third of all outstanding small home loans was insured, compared with about one-fifth at the end of 1945.

During the first quarter of 1948 gross insurance written by the FHA on small homes was about four times as large in dollar amount as in the corresponding period a year ago, and 14 percent above the last quarter of 1947. A significant part of this increase was due, however, to a rush of applications before the expiration on March 31, 1948 of the authority to make new loans under Title VI of the National Housing Act. This authority was extended for one additional month but with an amendment providing for a much more conservative appraisal policy. The number of loan applications received by the Veterans' Administration in the first quarter of this year was substantially smaller, however, than that received in the first quarter of 1947. In fact, starting in July 1947, the number of applications received each month has been below the level of the corresponding month in the preceding year.

Major provisions of Government guarantee of mortgages

Insurance of residential mortgages by the Federal Housing Administration was established by the National Housing Act passed in 1934. The greater part of the permanent program of FHA mortgage insurance has been conducted under Title II of that Act. Under Section 203 of Title II, insurance may be obtained on mortgages on small houses (1 to 4 family) up to 80 percent of the FHA appraised value, with a maximum insurance of $16,000. Such mortgages may run for 20 years and the maximum rate of interest according to law is 5 percent, but according to administrative regulation the actual rate is now 4.5 percent, plus 0.5 percent for mortgage insurance. More liberal terms apply to small owner-occupied houses. Insurance equal to 90 percent of the first $6,000 of value and 80 percent of the remainder may be obtained on mortgages on owner-occupied houses valued at not more than $10,000 and built under FHA inspection. The same interest rate applies to these mortgages, but they may run for 25 years.

Since properties mortgaged under Title II must be appraised according to their long-term values, the mortgages obtainable bear a lower ratio to current construction costs than the formula would appear to provide. Consequently most of the FHA insurance written in the last year and a half has been under the more liberal provisions of Title VI.

Title VI of the National Housing Act was originally passed in March 1941 to provide for FHA insurance of mortgages extended for the construction and purchase of war housing. It was restored to operation in May 1946 as part of the Veterans' Emergency Housing Program, and was allowed to lapse as of April 30, 1948. Title VI provided that FHA insurance could be obtained on mortgages up to 90 percent of the necessary current cost of residential property. The maximum loan on a single family home was $8,100, with larger maxima for two, three, or four family homes. Such mortgages had a maximum maturity of 25 years and a maximum interest rate of 4 percent, plus 0.5 percent for mortgage insurance.

Sections of both Title II and Title VI also provided for insurance on mortgages for multiple-unit rental housing. In this case also the provisions of Title VI were more liberal than those of Title II.

The Veterans' Administration, under authority granted by the Servicemen's Readjustment Act of 1944, as amended at the end of 1945, guarantees loans obtained by qualified veterans for the purchase of homes up to an amount of $4,000, or 50 percent of the total loan, whichever is lower. The maximum interest rate is 4 percent and the loans shall not run for more than 25 years. The full purchase price of the property cannot exceed the reasonable value thereof as determined by an appraiser designated by the Administrator. It is possible for a veteran to obtain an insured mortgage from FHA for the maximum amount and to supplement this with a second mortgage guaranteed by the Veterans' Administration. This combination could provide guaranteed loans covering the entire cost of the property.

Growing scarcity of 4 percent mortgage credit

In recent months there has been a growing scarcity of mortgage credit at 4 percent despite the guarantees of the Veterans' Administration and of the Federal Housing Administration. The principal reason for this development has been a rise in yields on alternative investments with the result that lending institutions look with relatively less favor upon 4 percent mortgages than they did several months ago. Within the past 12 months yields on long-term Government securities and on high grade corporate bonds have gradually risen about 0.25 percent. Long-term Government bonds now yield nearly 2.5 percent, and high grade corporate bonds of similar maturity yield about 2.75 percent. The net yield on 4 percent insured home mortgages running for 20 or 25 years is only slightly above 3 percent, however. Because of the greater risk attached to mortgages, they are not very attractive investments at the present time in view of the alternatives available.

Lending institutions state that a greater flow of mortgage credit would be forthcoming at an interest rate above 4 percent, 4.5 percent being the minimum rate most frequently recommended. A moderate increase in the rate of interest would not, however, significantly affect the demand for mortgage credit. The demand is conditioned more by the selling prices of houses, the amount of down payment required, and the size of monthly payments as determined by the length of maturity than it is by a difference of 0.5 percent, for example, in the interest rate charged.

The terms for uninsured mortgages are considerably less liberal than those for insured ones. In the Twelfth District, the most common rate of interest on uninsured mortgages is 5 percent. In such cases, commercial banks, for example, generally will lend about 60 percent of the appraised value of the property for a period of 10 years. On this basis the present high prices of houses result in such large down payments and in such large monthly payments that many of the people most in need of housing cannot afford to buy. At the same time, rental housing is also very difficult to obtain. Mortgages insured under

Title II of the National Housing Act carry smaller monthly payments than a straight bank loan because of their much longer maturities. In most cases, however, a Title II mortgage equal to 80 percent of the long-term appraised value of a property, which is less than its current market value, requires a down payment sufficiently large to exclude from the market many people urgently in need of housing. Since the lapse of Title VI, with its more liberal terms, many people find it impossible to buy a house on the credit terms currently available.

Trends in residential construction

The volume of residential construction has not yet been perceptibly affected by the growing scarcity of 4 percent mortgage credit. Measured in terms of the number of family units for which urban building permits were issued, residential construction activity in the Twelfth District in the first quarter of this year was 40 percent above the corresponding period of 1947, and 10 percent above the last quarter of 1947. Activity in the first quarter of this year was boosted, however, by the rush to get financing before March 31, the initial termination date of Title VI of the National Housing Act. Because of the lag between the start of construction and the placing of a completed house on the market, the effect of the growing scarcity of 4 percent mortgage credit upon the volume of construction will not become fully apparent for several months.

Congressional action

Congress, in the session just ended, has decided, for the present at least, not to make mortgage credit terms any easier or to revive Title VI of the National Housing Act. This leaves in effect Title II with its less liberal appraisal policies, higher down-payment requirements, and a prevailing interest rate of 4.5 percent which the Federal Housing Administrator may at his discretion raise to 5 percent. The Veterans' Administration will continue to guarantee housing loans to qualified veterans with a maximum rate of interest of 4 percent. It is reported, however, that the Veterans' Administration intends to tighten up again on its appraisal policies, which have generally been quite liberal, particularly during the first year or so of large-scale operation in this field.

The only positive action with respect to housing finance which Congress took in the recent session was to provide a secondary market for loans guaranteed by the Veterans' Administration. The Federal National Mortgage Association, a subsidiary of the Reconstruction Finance Corporation, had maintained a secondary market for VA loans until June 30, 1947, but was prohibited from doing so thereafter by Congressional action. The FNMA has maintained a secondary market for FHA loans since 1938. In the bill recently passed, the FNMA was authorized to continue its secondary market for FHA loans, but on a modified basis, and again to maintain a secondary market for VA loans. Lending institutions may sell 25 percent of their FHA or VA mortgages made after April 30, 1948 to the FNMA, which has an authorized capital of $840 million. To be eligible for purchase by the FNMA, individual mortgages must have original principal amounts not in excess of $10,000 and must be on properties which meet FHA construction specifications.

To the limited extent that the present scarcity of 4 percent mortgage credit is due either to a lack of funds or to a belief that yields on alternative investments may rise in the near future, the existence of a secondary market may provide some encouragement to the granting of 4 percent loans. But to the extent that funds are already being diverted from 4 percent mortgage credit to more attractive investments, the existence of a secondary market will not have much effect upon real estate loan policy. The prospect for the immediate future, therefore, appears to be a continuation of the trend toward a growing scarcity of 4 percent mortgage credit.

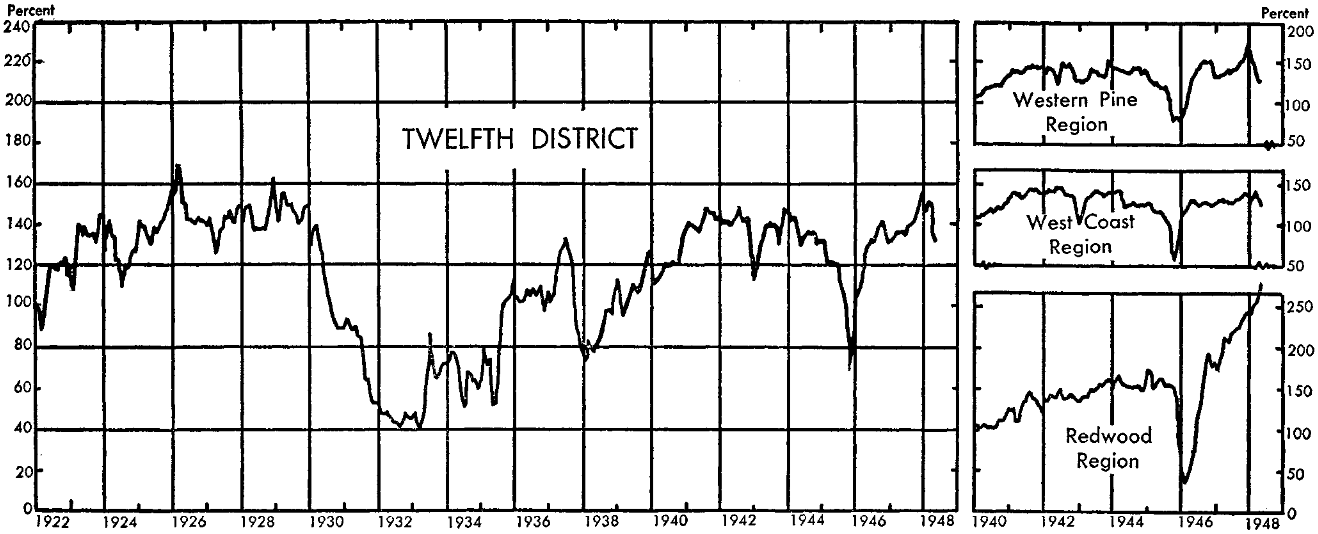
REVISION OF LUMBER PRODUCTION INDEXES—TWELFTH DISTRICT

THIS BANK's indexes of lumber production in the Twelfth District have been recently revised for the years 1940 to date. The revised indexes show that District production in 1947 was only slightly below the war-time peak but still 4 percent below the all-time high achieved in 1929. The high rate of production attained in 1947 was not maintained during the first quarter of 1948 because of a late thaw and strikes in some of the logging areas.

The revision altered the unadjusted indexes only slightly through 1944 but the indexes for 1945, 1946, and 1947 were raised significantly. The higher production indexes for the last three years resulted from the adjustment to more recent Forest Service and Census annual data on total production.

Total production in the Twelfth District is estimated monthly from reports issued by the three lumber associations in the District. The West Coast Lumbermen's Association reports the production (mainly Douglas fir) of a sample of the mills located in the area west of the crest of the Cascade Range in Oregon and Washington; the Redwood Association reports on the Northern California coastal region; and the Western Pine Association reports on the remainder of Oregon, Washington, and California, plus the production of eight other Western states. In order to make this reported production conform with Twelfth District production, monthly data for each region are adjusted to the most recent annual reports of total production made by the Forest Service and the Bureau of the Census.

Besides revising the unadjusted indexes, the factors used in computing the seasonally adjusted indexes were recomputed. These new factors show that of the three



LUMBER PRODUCTION—TWELFTH DISTRICT, 1922-48; BY AREAS, 1940-48

Monthly indexes, adjusted for seasonal variation. 1935-39 daily average = 100.
Latest shown are for April 1948. Note: Redwood figures estimated since January 1946.

areas, the monthly production in the Western Pine region follows the most widely fluctuating seasonal pattern, although the war-time demand for lumber caused this pattern to become less marked than during the pre-war years. The post-war pattern of production in this region has remained more stable and has not as yet indicated a return to the pre-war basis. The monthly production in the Redwood and West Coast areas has continued to show a less marked seasonal pattern than that in the Western Pine region.

ECONOMIC ASSISTANCE TO WESTERN EUROPE

THE PROGRAM of economic assistance to Western Europe, under discussion since June 1947, became law on April 3, 1948 (the Economic Cooperation Act of 1948, which is Title I of the Foreign Assistance Act of 1948). The proposed European aid requirements as presented in the September 1947 Report of the Committee on European Economic Cooperation (CEEC) covered a four-year period. As enacted the law does not obligate the United States beyond one year. Continuation of the assistance program through June 30, 1952 is anticipated, however, in the law itself. The Economic Cooperation Act authorizes the United States Government to furnish commodities and services not exceeding $5.3 billion to participating countries[1] during the period April 1, 1948 to March 31, 1949. The Foreign Assistance Act authorized additional funds for foreign aid, namely under Title II, special assistance to the International Children's Fund of the United Nations ($60 million); under Title III, additional assistance to Greece and Turkey as a continuation of the special assistance program authorized in 1947 and now under way ($275 million); and, under Title IV, special assistance for China consisting of two authorizations, one for $338 million which may be spent only according to the provisions of Title I and another for $125 million for other purposes (presumably military). Moreover, in other legislation the Government asked from Congress $70 million for the International Refugee Organization and $1.4 billion for government and relief expenditures in the occupied areas. The following discussion is restricted exclusively to the assistance to the Western European countries as defined in the Economic Cooperation Act, and is based on the assumption of an expenditure of $5.3 billion for one year.[2]

This Act created the Economic Cooperation Administration (ECA) for the administration of the aid program. The ECA is headed by an Administrator with cabinet rank. The ECA has a Special Representative in Europe, with the rank of Ambassador, for the purpose of aid coordination in Europe and liaison with the European counterpart of ECA, explained below. In addition, in every participating country there is to be a special United

[1] The term "participating countries" as defined in the Act means: the countries which signed the CEEC Report of September 22, 1947 and their dependent areas, namely, Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom, and in addition, Western Germany. Furthermore, it is open to any other country wholly or partly in Europe provided that such country adheres to, and as long as it remains an adherent to, a joint program of European recovery designed to accomplish the purposes of the Act. To qualify for aid, nations must not only agree to mutual cooperation, but must also sign bilateral agreements with the United States binding them to trade and recovery measures outlined in the law.

[2] The amount actually appropriated for this purpose was $5,055 million. According to press reports, Congress passed a bill on June 19, 1948, which the President signed on June 28, appropriating $4 billion for the first 15 months of the European Recovery Program, but gave the President the discretionary power to spend this amount within 12 months if necessary. Congress also made available $35 million for the International Children's Fund, $225 million for Greece and Turkey, $400 million for China (including $125 million for military assistance), $70.7 million for the International Refugee Organization, and $1.3 billion for government and relief in the occupied areas. In addition to the $4 billion appropriated for the ERP, $1 billion was made available as a loan from the Treasury by the Economic Cooperation Act itself. And $55 million remained available from the Interim Aid Program. The sum of all these amounts is $7,085.7 million.

States economic mission, whose function will be to see that the aims of the aid program are being fulfilled. As economic assistance to foreign countries represents perhaps the most important arm of United States foreign policy today, the Act provides for close coordination between the ECA and the Department of State, both in Washington and in the field.

The participating countries established in April 1948 an economic coordinating organization of their own, known as the Organization for European Economic Cooperation (OEEC), located at Paris. The aim of the OEEC is to coordinate the recovery policies and programs of the participating nations, to assist in screening of aid requirements, etc.

The funds for the financing of the European Recovery Program (ERP) will come from two sources, funds to be appropriated by Congress (under our earlier assumption \$4.3 billion) and funds to be obtained as a loan from the Treasury (\$1 billion). Pending appropriation of funds by Congress, ECA operations were financed by advances from the Reconstruction Finance Corporation. The law provides that \$3 billion from the budget surplus of the current fiscal year ending June 30, 1948 be set up as a special trust fund for the financing of the aid program. Only the balance of \$1.3 billion is to come out of the budget for the fiscal year 1949. This unusual distribution of expenditures between the 1948 and 1949 budgets does not affect the timing of the cash outflow from the Treasury, however.

The ECA may furnish aid to the participating countries either in the form of outright grants or in the form of loans. The maximum amount which may be made in the form of grants is \$4.3 billion or approximately four-fifths of the total.[1] In deciding between grants and the extension of credits to the participating countries, and in deciding upon terms of repayment of these credits, the Administrator is required to act in consultation with the National Advisory Council on International Monetary and Financial Problems, of which he is a member. Funds for assistance in the form of credit are to be allocated to the Export-Import Bank, which will make and administer the loans. Whenever assistance is furnished as a grant, the participating country is required to deposit a commensurate amount in its own currency in a special account. These funds are to be used within the country, by agreement with the Administrator, for such purposes as monetary and financial stabilization, the stimulation of production, and the local currency administrative expenses of the United States.

The economic aim of ERP

The basic economic aim of the European Recovery Program is to help the participating countries solve the problem of the deficit in their balance of payments (dollar shortage), and thereby help them toward economic recovery and financial and monetary stability. Fundamental to this program are (1) an increased production effort in each of the countries participating in the program, and (2) effective economic cooperation among these countries. This approach emphasizes self-help and mutual cooperation and utilizes American aid only as an instrument to fill the remaining gap. The economic significance of filling this gap is, however, much greater than might be indicated by the ratio of the ERP aid to the national income of the participating countries, since the gap is concentrated in several strategic sectors, such as food, fertilizers, steel, coal, petroleum, railway equipment, and agricultural machinery.

[1] This amount was reduced to \$4,055 million by the appropriations bill passed on June 19.

The balance-of-payments deficit

For the period April 1, 1948 to June 30, 1949 it was estimated that current dollar earnings and drawings on cash reserves of participating countries would finance shipments from the Western Hemisphere of \$4.5 billion, and that loans and credits other than Economic Cooperation Administration funds would provide another \$2.1 billion. Since total imports from the Western Hemisphere and other net dollar payments of Western European countries were estimated at \$13.6 billion, however, this left a gap of almost \$7 billion. Consequently, the Administration requested from Congress \$6.8 billion for the 15-month period and Congress authorized \$5.3 billion for the 12-month period ending March 31, 1949.

Total shipments to the participating countries during the next 12 months from the Western Hemisphere will depend not only upon the appropriation for the ERP, but also upon the future course of prices. The requirements as presented in September 1947 by the Committee on European Economic Cooperation were based on July 1, 1947 prices. The tentative ECA supply program is based on prices of November 1947 which means at a level about 7½ percent higher than July 1, 1947. By November

Estimated Balance-of-Payments Deficits[1] for the Fiscal Year 1948-49 and Tentative Allocations of Funds by the E.C.A. for the Period April 1, 1948 to March 31, 1949
(millions of dollars)

	Balance-of-Payments deficit to Western Hemisphere	ECA allocations[2]
Austria	197	186
Belgium-Luxembourg and dependencies	487	295
Denmark	188	131
France and dependencies	1,199	1,131
Greece	129	106
Iceland	12	11
Ireland	122	114
Italy	746	704
Netherlands and dependencies	763	600
Norway	107	33
Portugal and dependencies	75	—
Sweden	105	28
Switzerland	+112	—
Turkey	13	10
U. K. and dependencies	1,527	1,324
Western Germany-Bizone	899	437
Western Germany—French Zone	106	96
Western Germany-Saar	17	16
Administrative and other expenses	—	78
Total	6,580	5,300

[1] At July 1, 1947 prices.
[2] Based on the assumption of a total allocation of \$5.3 billion. In the Economic Cooperation Act and in the special appropriations act, Congress made available \$5,055 million.

Source: *European Recovery Program—Estimated Balance of Payments on Current Account of the Participating Countries,* April 1, 1948—June 30, 1949, p. 2. *European Recovery Program—Proposed Distribution of Economic Cooperation Act Financing by Country and Commodity,* April 8, 1948, p. 7.

1947 prices of certain important commodities included in the ECA supply program, such as grains, coal, steel and steel products, petroleum products, and various chemicals, were already considerably more than 7½ percent above the July 1, 1947 level. Any further rise in prices above the levels on which the ECA supply program has been based obviously will require a reduction in quantities shipped.

As prospective dollar earnings and available gold and dollar assets of various participating countries differ, so do the respective deficits in their balance of payments with the Western Hemisphere and the United States, and so do the tentative amounts of grants and loans which may be made available to these countries. (See the accompanying table.)

Switzerland is the only participating country (in addition to some dependencies whose balances were combined with those of their respective mother countries) that has a prospective favorable balance-of-payments with the Western Hemisphere.

Tentative allocations of ECA grants and loans for the first quarter of its program, April 1 to June 30, 1948, amounted up to the middle of May to $1,186 million of which $908 million is in grants and $278 million in loans. Through June 19, procurement authorizations by ECA to Western Europe were $578.2 million.

The tentative supply program for Western Europe

The Report of the Committee on European Economic Cooperation of September 1947 presented over-all import requirements of the participating countries, which were expected to come from the Western Hemisphere and from the United States, and were to be financed either by loans or grants. These requirements underwent considerable revision, however, between September 1947 and March 1948. The European requirements as submitted in September 1947 were a product of hurried work, resulting mostly from a simple addition of requirements submitted by individual countries without being first subjected to a critical review and screening. Under closer scrutiny some requirements proved to be greater than prospective needs, while others appeared to be too small because they assumed a larger European production than is probable. Other requirements, although found realistic in terms of European needs, had to be scaled down because some commodities are still in short supply in this country and in the world economy. There was, finally, another factor which played a role in the preparation of the tentative ERP supply programs, namely, the threat of relative glut on the market in the United States of such products as dried fruits and tobacco. This led apparently to a substantial programing of such less essential commodities.

The accompanying table contains a tentative estimate of purchases of the participating countries of various commodities in the United States during the 1948-49 fiscal year, and the tentative amounts of ECA funds which may be made available. There are two observations to be made about the figures in this table. In the case of some commodities including grains, fats and oils, rice, sugar, coffee, cotton, wool, timber, nonferrous metals, and newsprint, the ECA expects to make more funds available than needed for the purchase of these commodities from the United States. That means that part or the whole of these commodities will be purchased outside of the United States, mostly in other countries of the Western Hemisphere. In the case of tobacco, agricultural machinery, coal mining machinery, steel products, electrical equipment, petroleum equipment, vehicles, and a great number of other commodities which are included under the heading of "miscellaneous commodities," the ECA expects to provide only a part of funds necessary for payments of prospective purchases in the United States by the participating countries. It is assumed that the remainder will be financed from other sources of foreign exchange expected to be at the disposal of these countries.

Needless to say, the present ECA supply program is extremely tentative and may be changed for reasons originating on either the demand or the supply side. For example, according to a statement of May 28, by an ECA official, the increased domestic demand for steel, copper,

ESTIMATED WESTERN EUROPEAN PURCHASES FROM THE UNITED STATES FOR THE FISCAL YEAR 1948-49 AND TENTATIVE ALLOCATIONS OF FUNDS BY THE E.C.A. FOR THE PERIOD APRIL 1, 1948 TO MARCH 31, 1949

(millions of dollars at July 1, 1947 prices)

	Value of purchases from U.S.[1]	ECA allocations[2]		Value of purchases from U.S.[1]	ECA allocations[2]
Grains	722	957	Trucks	58	48
Fats and oils	67	132	Freight cars	60	53
Oil cake and meal	18	60	Steel equipment	48	28
Sugar	29	118	Timber equipment	16	13
Meat	12	84	Electrical equipment	95	43
Dairy products	161	134	Copper	25	86
Eggs	20	12	Lead	7	54
Dried fruits	27	7	Zinc	11	37
Rice	6	35	Aluminum	—	14
Coffee	—	26	Wool	—	25
Other foods (legumes, fresh fruits)	73	20	Cotton yarns	4	3
Tobacco	219	110	Cotton cloth	85	73
Cotton	438	511	Newsprint	—	23
Nitrogen fertilizer	14	21	Rubber	3	2
Phosphates	2	1	Hides, skins, and leather	18	89
Agricultural machinery	136	82	Fish	42	47
Coal	271	245	Chemicals	184	166
Coal mining machinery	82	49	Machinery, not elsewhere specified	451	329
Petroleum products	479	380	Vehicles, not elsewhere specified	201	89
Timber	97	142	Petroleum equipment	227	67
Finished steel	123	75	Miscellaneous commodities	1,056	240
Crude and semi-finished steel	43	20	Ocean freight	873	[3]
			Total	6,503[4]	4,750[5]

[1] Including purchases from all sources of funds.

[2] For purchases both in the United States and abroad.

[3] Ocean freight costs presumably are included in the individual allocations in this column.

[4] Other estimated current payments of the participating countries to the United States are as follows: tourist expenditures in the United States, $50 million; interest and amortization on United States credits, $204 million; interest, profits, amortization, dividends, $154 million; and other payments $215 million, bringing estimated total current obligations of participating countries to the United States to $7,126 million.

[5] Other estimated uses of ECA funds are as follows: shipments from non-Western Hemisphere sources, $160 million; payments on invisible account, $22 million; ECA administrative and other expenses, $78 million; and, finally, for an over-all adjustment for the July-November 1947 increase in prices, $290 million, bringing the grand total to $5,300 million.

Source: Column 1, *European Recovery Program—Estimated Commodity Imports and Exports of the Participating Countries by Value and Quantity.*

Column 2, *ERP—Proposed Distribution of Economic Cooperation Act Financing by Country and Commodity.*

aluminum and many other industrial materials due to expanded needs for national defense, may necessitate some downward adjustments in the tentative ECA allocations of these products. Moreover, political changes in participating countries, which might be interpreted as not in the interest of the United States, could lead to a cessation of aid to such countries. On the other hand, the good prospects for the 1948 crop in Europe may reduce the import requirements for food.

The economic significance of the ERP

The inauguration of the European Recovery Program raises several issues of importance for the American economy and for the economy of the Twelfth District. First is the question of how the program may affect employment in the American economy. It should be pointed out, however, that according to all indications the program will not raise either total exports or the net export surplus during this year to the record figures of 1947. To be sure, had the United States Government not launched the European assistance program, exports from the United States would probably be greatly curtailed. One should not forget that for many years the United States export surplus has been largely maintained by credits and grants-in-aid, although methods have varied and economic and political goals have changed.

Although net exports are likely to be smaller than in 1947, prices of selected commodities will be subject to considerable pressure. In the first few months most of the exports under ERP will consist of food. In later months more and more ECA funds will be used for the financing of exports of such items as steel, coal, petroleum products, coal mining machinery, agricultural machinery, freight cars, and fertilizers. Most of these commodities are still in short supply and such demand is apt to boost their prices. The problem is aggravated by the fact that the American economy has been subject to strong inflationary pressures for several years and is now operating virtually at capacity. The European Recovery Program comes at a time when the tax cut, the new preparedness program, and the third round of wage increases may well exercise additional pressure on prices.

At the same time the ERP will take from the market a part of the supply of certain products, such as dried fruits and tobacco, which are in surplus supply. This will serve as a brake against otherwise unavoidable downward adjustments in prices of these commodities. The Act contains stipulations which may be of considerable importance for export of commodities which the Secretary of Agriculture finds to be "surplus agricultural commodities," namely, commodities the supply of which is in excess of domestic requirements, as such exports would enjoy special subsidization. When the Secretary declares a commodity to be a "surplus agricultural commodity," and informs various agencies of the Government administering foreign assistance laws, "thereafter the department, agency, or establishment administering any such law shall, to the maximum extent practicable, consistent with the provisions and in furtherance of the purposes of such law, and where for transfer by grant and in accordance with the requirements of such foreign country, procure or provide for the procurement of such quantity of such surplus agricultural commodity."

To safeguard the interests of the domestic economy, the ECA is required to proceed so as to (1) "minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the fulfillment of vital needs of the people of the United States."[1]

ERP and the economy of the Twelfth District

The influence of the program on employment and prices in the economy as a whole will be reflected indirectly in the economy of the District because of its interdependence with the remainder of the country. The direct effect on the District economy will result primarily from the demand of the program for District-produced commodities. Several important crops will be thus influenced. The wheat and flour-producing Pacific Northwest is an important export area and the program will help to keep wheat and flour exports high. Washington, Oregon, and Idaho produced 9 percent of the country's wheat crop of 1.37 billion bushels in 1947. The cotton production of California and Arizona, which in 1947 represented 8 percent of the country's output of 11,694,000 bales, will also be favorably affected by ERP-induced demand. The Twelfth District also produces considerable quantities of most other foods to be shipped to Europe under the aid program, such as dairy products, eggs, rice, legumes, fresh fruits, dried fruits, fish, and several industrial products such as timber, petroleum, and nonferrous metals. Thus many branches of the District economy will profit directly from exports under the ERP or will find the demand for and prices of their products enhanced by its operations in the national market for these commodities. The possibility of investing capital in the participating countries with a limited guarantee by the United States Government of transfers of earnings in dollars to this country may be of some benefit to the motion picture industry of California, since provision for guarantees applicable to enterprises distributing movies of an informational nature is indicated. (The entire "guaranteed investment" section of the Act is not yet operative, however.)

The industry which may possibly profit most and immediately from the operation of the ERP is the dried

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[1] The Act contains a number of important directives for the Economic Cooperation Administrator. One of the most important requires that, whenever possible, procurement should be accomplished through normal trade channels. The law requires also that petroleum and petroleum products should be procured "to the maximum extent practicable," from sources outside the United States and that, in view of the present and anticipated world shortage in petroleum products, the use of petroleum-consuming machinery should not be encouraged where alternative uses of fuel or power are available. The Act requires that not less than 25 percent of the aggregate amount of wheat and flour produced in the United States to be transferred to the European countries by grant under this program must be procured in the form of flour processed in this country. It is provided also that not less than 50 percent of gross tonnage of the commodities procured in the United States for shipment as aid to foreign countries shall be transported in United States flag vessels if such vessels are available, at market rates. Furthermore, in the case of commodities in short supply, no exports will be authorized for European countries not participating in the aid program, if the supply is not sufficient for the participating countries, unless such exports are decided by the department or agency in charge of export licensing to be in the national interest of the United States.

fruit industry of the Pacific Coast and especially of California, which contributes the bulk of the nation's output. This industry, especially the producers of prunes, raisins, and apricots, had for many years sold a sizeable portion of its output in foreign markets. The dollar shortage in the importing countries reduced the demand for these products greatly, as in many countries they are considered quasi-luxuries. The Foreign Assistance Act provides that the agricultural commodities which may be declared in surplus should be exported with the help of Government subsidy, provided these exports are compatible with the objectives of ERP as regards the participating countries. After reporting on the bids which the Government invited in mid-May for California dried fruits to be used for school lunch and institutional feeding programs and for export to occupied areas and countries receiving ERP aid, the *California Fruit News* (May 22, 1948, p. 6) writes: "If such tonnages are purchased by the Government, the holdings here will be sufficiently cleared, of course, so that an improved market, with consequent advance in quotations may be anticipated."

Some longer-run considerations

Will the European assistance program achieve its economic goals? According to the authors of the CEEC Report, the countries of Western Europe need foreign assistance until 1951. Through these years their domestic production is to be progressively increased so that by 1951 all these countries may be able again to pay their own way economically. The problem is to raise the industrial and agricultural production of the participating countries so that their exports may be raised, some of their import needs reduced or eliminated, and, generally, their balance-of-payments problem solved. To achieve this aim, it would seem most essential that European requirements for economic reconstruction be met as fully as possible. As it now appears, about half the ECA funds in the first year will be spent on relief and about half on reconstruction supplies. The degree of economic recovery in Europe resulting from the assistance program may depend more on the composition of the aid shipments than on their total volume. Related to the total national income of the participating countries of about $100 billion, the ERP will supply only about 5 percent of the total, but the significance of reconstruction supplies for increasing their national income is relatively far greater. One should not forget, of course, that the aid program is only a lever, and that the over-all progress of economic reconstruction in Europe will depend on the recovery efforts of the individual participating countries, on their mutual cooperation, and on the intensification of the exchange of goods between the eastern and western European states which was characteristic of the European economy in prewar days.

The Western European economy has been based in the past and will be based in the future on imports of raw materials and food and exports of industrial products and services. These countries cannot prosper without freer international trade. Since many of them have lost their traditional creditor position in the world economy and have become debtor countries, they will not be able to pay their debts without an export surplus in their merchandise and service account. The unusually large volume of total foreign trade and the unusually large export surplus of the United States in the past few years was due to war and postwar conditions. In the future, especially after Western Europe fully recovers, this country will be able to have large exports and the benefits which follow for its economy from large exports, only if it is prepared to increase greatly its imports. A corollary of the ERP is therefore further liberalization of foreign trade policies of this country. One-way trade on the part of the United States would lead to one-way capital movements, or to a system of permanent subsidization of debtor countries and of our exports.

Through the provision of this large-scale aid, the United States will play a role unprecedented in peacetime in the economic life of almost a score of other countries. It is practically the only large exporter of a number of key commodities in short supply. It may have an important voice in determining the nature and direction of the foreign trade of participating countries. It will have an influence in their monetary and fiscal policies. Herein lies the great opportunity, but also the great responsibility of the United States toward European and in fact toward world recovery. The United States, in the pursuit of this great undertaking, must show an understanding of common interests rather than short-sighted selfishness. It must exhibit self-control rather than impatience, respect for the national sovereignty and self-esteem of the participating countries rather than interference in their affairs. It must show concern for basic long-term achievements rather than for less important but more obvious short-run successes, if the expectations which millions of people have attached to the ERP are to be fulfilled. At the same time the United States will be serving its own self-interest. A prosperous Europe is essential to the economic and political health of the United States. There is little doubt that our handling of the ERP represents a most crucial test of our world leadership.

Special Offering of United States Savings Bonds of Series F and G

The Secretary of the Treasury announced on June 10 that institutional investors will be permitted to purchase United States Savings Bonds of Series F and Series G during the period from July 1 through July 15, 1948, inclusive, in amounts in excess of existing limitations. Each investor in the following categories will be permitted to purchase Series F and G savings bonds combined up to a total amount of $1,000,000 (issue price) for the calendar year 1948, provided that any bonds in excess of the existing limit of $100,000 must be purchased during the period from July 1 through July 15, 1948: 1. Insurance companies. 2. Savings banks. 3. Savings and loan associations and building and loan associations, and cooperative banks. 4. Pension and retirement funds, including those of the federal, state, and local governments. 5. Fraternal benefit associations. 6. Endowment funds. 7. Credit unions.

Each commercial and industrial bank holding savings deposits or issuing time certificates of deposit in the names of individuals, and of corporations, associations, and other organizations not operated for profit, will be permitted to purchase F and G savings bonds combined up to $100,000 (issue price) from July 1 to July 15, 1948, inclusive.

BUSINESS INDEXES—TWELFTH DISTRICT

(1935-39 average=100[1])

Year and month	Industrial production (physical volume)[2]									Total manufacturing employment[5]		Factory payrolls[5]	
	Lumber[3]		Petroleum[4] Crude	Petroleum[4] Refined	Cement		Wheat flour	Electric power				California	
	Adjusted	Unadjusted	Unadjusted	Unadjusted	Adjusted	Unadjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted
1929	....	148	121	193	....	110	106	....	83	....	....	....	111
1930	....	112	95	168	....	96	100	....	84	....	....	....	93
1931	....	77	78	140	....	74	101	....	82	....	....	....	73
1932	....	46	74	134	....	48	89	....	73	....	....	....	54
1933	....	62	72	127	....	54	88	....	73	....	....	....	53
1934	....	67	73	123	....	70	95	....	79	....	....	....	64
1935	....	83	86	140	....	68	94	....	85	....	88	....	78
1936	....	106	89	154	....	117	96	....	96	....	100	....	96
1937	....	113	99	163	....	112	99	....	105	....	112	....	115
1938	....	88	104	159	....	92	96	....	102	....	96	....	101
1939	....	110	93	160	....	114	107	....	112	....	104	....	110
1940	....	120	93	158	....	124	103	....	122	....	118	....	134
1941	....	142	96	172	....	164	103	....	136	....	155	....	224
1942	....	141	103	175	....	194	104	....	167	....	230	....	460
1943	....	137	118	194	....	160	115	....	214	....	306	....	705
1944	....	136	129	226	....	128	119	....	231	....	295	....	694
1945	....	109	135	243	....	131	132	....	219	....	229	....	497
1946	....	130	131	219	....	165	128	....	219	....	175	....	344r
1947	....	141	138	239	....	193	133	....	256	....	184	....	401
1947													
April	136	139	137	234	193	196	133	254	252	185r	184	390	392
May	139	154	138	243	193	195	129	251	253	183	183	392	394
June	134	153	139	240	186	202	138	251	257	182	182	394	396
July	140	140	139	236	184	195	126	252	262	181	181	397	392
August	142	159	139	254	185	201	125	252	263	183	183	407	410
September	143	154	139	254	193	207	123	259	259	184	185	413	412
October	148	152	140	247	187	203	133	260	253	187	187	419	423
November	154	151	141	246	205	199	133	263	258	188	188	421	420
December	162	133	140	241	215	200	116	275	271	188	188	423	423
1948													
January	144	120	141	248	218	188	114	278	275	186	186	418	413
February	152	137	141	251	207	188	104	283	278	186	185	417	415
March	149	141	142	243	216	199	101	274	271	186	185	406	408
April	132	135	143	252	216	220	116	274	272	182p	182p	396	398

Year and month	Carloadings (number)[6]						Department store sales (value)[2]					Dept. store stocks (value)[8]		Retail food prices[9]
	Total		Merchandise and miscellaneous		Farm, forest, and mineral products[7]		District		California	Pacific Northwest	Utah & So. Idaho	District		
	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Adjusted	Adjusted	Adjusted	Unadjusted	Unadjusted
1929	....	135	....	120	....	162	....	112	104	140	97	....	134	132.0
1930	....	116	....	112	....	124	....	104	99	123	89	....	127	124.8
1931	....	91	....	95	....	85	....	92	91	101	83	....	110	104.0
1932	....	70	....	78	....	55	....	69	70	72	61	....	86	89.8
1933	....	70	....	75	....	63	....	66	67	68	64	....	78	86.8
1934	....	81	....	86	....	71	....	74	73	77	77	....	83	93.2
1935	....	88	....	91	....	84	....	86	86	86	89	....	88	99.6
1936	....	103	....	103	....	105	....	99	98	100	100	....	96	100.3
1937	....	109	....	108	....	111	....	106	105	105	106	....	108	104.5
1938	....	96	....	96	....	96	....	101	101	100	99	....	101	99.0
1939	....	104	....	102	....	107	....	109	110	109	106	....	107	96.9
1940	....	110	....	105	....	118	....	119	120	118	115	....	114	97.6
1941	....	127	....	123	....	136	....	139	138	147	135	....	137	107.9
1942	....	137	....	128	....	153	....	171	164	189	177	....	190	130.9
1943	....	133	....	126	....	145	....	203	196	219	232	....	174	143.4
1944	....	140	....	138	....	146	....	223	221	232	250	....	178	142.1
1945	....	134	....	140	....	124	....	247	225	252	280	....	182	146.3
1946	....	135	....	140	....	129	....	305	307	312	348	....	235	167.4
1947	....	142	....	140	....	147	....	330	329	336	351	....	295	200.3
1947														
April	147	142	138	130	163	166	320	302	320	321	355	307	304	197.8
May	138	136	139	130	137	147	325	302	325	332	340	285	296	197.3
June	141	150	142	150	141	151	330	299	332	333	343	282	287	194.8
July	141	151	139	150	145	153	327	278	328	332	350	270	286	196.5
August	141	151	142	153	140	150	348	308	355	345	361	248	273	197.9
September	139	151	138	151	142	152	336	336	338	340	341	257	290	206.6
October	141	155	138	156	148	155	333	343	331	348	343	287	318	204.8
November	143	139	137	137	153	143	339	410	339	344	360	319	338	209.4
December	144	129	137	126	156	134	352	554	357	353	358	342	280	213.0
1948														
January	141	130	142	132	141	126	339	274	336	349	380	352	310	215.4
February	130	124	137	128	127	119	319	288	329	303	321	366	321	213.0
March	131	121	130	117	134	128	331	319	334	332	331	380	353	211.6
April	130	125	132	124	126	128	353	325	357	347	386	377	372	216.0

[1] The terms "adjusted" and "unadjusted" refer to adjustment of monthly figures for seasonal variation. Excepting department store statistics, all indexes are based upon data from outside sources, as follows: Lumber, various lumber trade associations; Petroleum and Cement, U.S. Bureau of Mines; Wheat flour, U.S. Bureau of the Census; Electric power, Federal Power Commission; Manufacturing employment, U.S. Bureau of Labor Statistics and cooperating state agencies; Factory payrolls, California State Division of Labor Statistics and Research; Retail food prices, U.S. Bureau of Labor Statistics; and Carloadings, various railroads and railroad associations.
[2] Daily average. [3] Revised Series. Data for earlier periods, by months, available on request. Explanation of revision appears in this issue.
[4] 1923-25 daily average=100. [5] Excludes fish, fruit and vegetable canning. Factory payrolls index covers wage earners only.
[6] Revised Series. Seasonal factors for recent years revised, and base shifted from 1923-25 to 1935-39.
[7] Grain and grain products, livestock, forest products, coal and coke, and ore.
[8] At retail, end of month or end of year. [9] Los Angeles, San Francisco, and Seattle indexes combined. p—preliminary. r—revised.

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition items of all member banks[1]									
	Loans and discounts					Investments		Demand deposits adjusted[2,3]	Time deposits (except U.S. Gov't)[3]	U.S. Gov't deposits[3]
	Total	Coml., ind. & agric.	For purch., carry'g secs.	Real estate	All other	U.S. Gov't securities	All other securities			
1929	2,239	...	...	647	...	495	458	1,234	1,776	36
1930	2,218	...	...	721	...	467	561	1,158	1,915	49
1931	1,898	...	...	711	...	547	560	984	1,667	99
1932	1,570	...	...	635	...	601	528	840	1,515	148
1933	1,486	...	...	668	...	720	510	951	1,453	233
1934	1,469	...	...	670	...	1,064	575	1,201	1,759	228
1935	1,537	...	...	662	...	1,275	587	1,389	2,006	167
1936	1,682	...	...	686	...	1,334	614	1,791	2,078	96
1937	1,871	...	...	730	...	1,270	498	1,740	2,164	90
1938	1,869	663	82	798	327	1,323	486	1,781	2,212	127
1939	1,967	664	76	864	362	1,450	524	1,983	2,263	118
1940	2,130	735	65	931	399	1,482	590	2,390	2,351	68
1941	2,451	933	59	1,000	460	1,738	541	2,893	2,417	144
1942	2,170	870	51	974	275	3,630	538	4,356	2,603	307
1943	2,106	934	62	899	211	6,235	557	5,998	3,197	842
1944	2,254	956	184	885	228	8,263	698	6,950	4,127	1,442
1945	2,663	1,103	343	908	309	10,450	795	8,203	5,194	2,050
1946	4,068	1,882	195	1,431	560	8,426	908	8,821	5,781	303
1947	5,363	2,338	121	2,153	750	7,243	872	8,928	5,988	148
1947										
May	4,558	...	...	...	...	7,662	862	8,260	5,851	235
June	4,658	2,047	134	1,828	649	7,370	871	8,297	5,908	103
July	4,755	...	...	...	...	7,375	874	8,366	5,888	148
August	4,879	...	...	...	...	7,353	871	8,462	5,887	208
September	4,997	...	...	...	...	7,364	889	8,600	5,909	216
October	5,158	...	...	...	...	7,361	896	8,722	5,949	192
November	5,240	...	...	...	...	7,361	884	8,797	5,907	205
December	5,363	2,338	121	2,153	750	7,243	872	8,928r	5,988	127
1948										
January	5,413	...	...	...	...	7,264	848	8,854	6,006	139
February	5,467	...	...	...	...	7,021	833	8,495	6,048	190
March	5,510	...	...	...	...	6,945	846	8,452	6,029	246
April	5,509	...	...	...	...	6,943	854	8,461	6,004	250
May	5,569	...	...	...	...	6,883	863	8,445	5,993	240

Year and month	Member bank reserves and related items[4]								Bank debits index 31 cities[7]
	Reserve bank credit[5]	Commercial operations[5]	Treasury operations[5]	Coin and currency in circulation		Reserves[6]			
				Total[5]	F.R. notes of F.R.B. of S.F.	Total	Required	Excess	Unadjusted
1929	− 34	0	+ 23	− 6	189	175	171	4	146
1930	− 16	− 53	+ 89	+ 16	186	183	180	5	126
1931	+ 21	− 154	+ 154	+ 48	231	147	154	− 4	97
1932	− 42	− 175	+ 234	+ 30	227	142	135	8	68
1933	− 2	− 110	+ 150	− 18	213	185	142	37	63
1934	− 7	− 198	+ 257	+ 4	211	242	172	84	72
1935	+ 2	− 163	+ 219	+ 14	280	287	201	100	87
1936	+ 6	− 227	+ 454	+ 38	335	479	351	119	102
1937	− 1	− 90	+ 157	− 3	343	549	470	70	111
1938	− 3	− 240	+ 276	+ 20	361	565	418	142	98
1939	+ 2	− 192	+ 245	+ 31	388	584	459	138	102
1940	+ 2	− 148	+ 420	+ 96	493	754	515	257	110
1941	+ 4	− 596	+1,000	+ 227	700	930	720	245	134
1942	+ 107	−1,980	+2,826	+ 643	1,279	1,232	1,025	262	165
1943	+ 214	−3,751	+4,486	+ 708	1,937	1,462	1,343	103	211
1944	+ 98	−3,534	+4,483	+ 789	2,699	1,706	1,598	104	237
1945	− 76	−3,743	+4,682	+ 545	3,219	2,033	1,878	136	260
1946	+ 9	−1,607	+1,329	− 326	2,871	2,094	2,051	59	298
1947	− 302	− 443	+ 630	− 206	2,639	2,202	2,085	70	326
1947									
May	+ 34	− 14	+ 49	+ 10	2,714	1,993	1,934	59	297
June	− 21	− 41	− 7	− 13	2,695	1,992	1,944	51	322
July	− 234	− 213	+ 381	− 23	2,669	1,963	1,956	60	305
August	− 48	+ 78	+ 124	− 23	2,685	2,078	1,985	62	322
September	− 87	− 85	+ 172	− 10	2,675	2,095	2,028	80	325
October	+ 23	− 39	+ 35	− 16	2,656	2,137	2,046	77	346
November	− 4	0	+ 33	+ 3	2,653	2,130	2,059	65	344
December	− 25	− 5	+ 49	− 18	2,639	2,202	2,085	70	365
1948									
January	+ 14	+ 48	− 253	− 113	2,541	2,113	2,086	83	352
February	+ 20	+ 153	− 244	− 2	2,532	2,045	2,037	57	354
March	− 49	+ 29	− 19	− 37	2,497	2,066	2,001	64	347
April	+ 9	− 75	+ 29	− 17	2,477	2,048	1,998	61	353
May	+ 30	− 14	+ 45	+ 26	2,489	2,068	2,008	48	341

[1] Annual figures are as of end of year; monthly figures are as of last Wednesday in month or, where applicable, as of call report date.
[2] Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection.
[3] Monthly data partly estimated. [4] End of year and end of month figures. [5] Changes only.
[6] Total reserves are as of end of year or month. Required and excess: monthly figures are daily averages, annual figures are December daily averages.
[7] Debits to total deposit accounts, excluding interbank deposits. 1935-39 daily average = 100.
p—preliminary. r—revised.