



# MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

AUGUST 1954

FEDERAL RESERVE BANK OF SAN FRANCISCO

## REVIEW OF BUSINESS CONDITIONS

**S**TABILITY has characterized most lines of business activity in the Twelfth District for the past two or three months. The seasonally adjusted index of District non-agricultural employment, after dropping to slightly below 120 percent of the 1947-49 average in April, remained stable through May and June. Seasonally adjusted manufacturing employment was also stable from May to June at about 136 percent of its 1947-49 average. And preliminary July reports from California, which accounts for about two-thirds of the District labor force, indicate that nonagricultural and manufacturing employment have changed no more than seasonally from June to July.

One exception to the over-all stability is the lumber industry, where a strike beginning on June 21 has cut employment and production severely. According to July reports from the Douglas fir region, production has fallen to its lowest monthly level since the end of 1945, when prolonged labor-management disputes also were responsible for a drop in output. The work stoppage of May 1952 in western lumber mills has been dwarfed by the current strike; July 1954 output in the Douglas fir region was less than half of the May 1952 output. Douglas fir prices increased by an average of 9.4 percent from May to July, under the pressure of the reduced supply. In Washington, employment in the lumber industry was cut by more than 50 percent from June to July. Employment in other major Washington industry-groups, however, appears not to have been affected so far by the loss of income and the scarcity of lumber caused by the strike.

Apart from the lumber industry, the over-all business stability marks a halt to the downturn in business activity which began in the second half of 1953. In the District, seasonally adjusted employment indexes in most major industry-groups have settled at a few percent below their 1953 peaks. For nonagricultural employment as a whole, the decline has been about 3 percent. For manufacturing, it has been 4 percent, while for government, it has been 2 percent. For construction, however, it has been far more severe—9 percent as of June.

The 9 percent drop in District construction employment from May 1953 to June 1954 is in contrast to a 7 percent increase in the nation as a whole. One cause of the drop was a sharp decline in the rate of housing starts during late 1953 and early 1954 which reduced the vol-

ume of construction in process. Residential building permits for major District metropolitan areas have been running fairly high during the last few months, however, possibly indicating that District builders plan to expand employment in the near future. The scarcity of lumber may interfere with builders' plans; so far, lumber has been available, but at rising prices, according to scattered reports.

Certain individual District manufacturing industries—notably the metals and machinery industries—have had declines in employment in the last year even more severe than those in the District construction industry; but in the case of the manufacturing industries, the drops have been in the nation as well as in the District. Recent months have brought stability, and in some cases improvement, to these industries. Nationally, production of machinery and of fabricated metal products rose, on a seasonally adjusted basis, from June to July, although it remains well below the 1953 peaks. Production of primary metals dropped 4 percent from June to July, after a 3 percent May-June rise. In California, advanced July figures show slight employment gains in the fabricated metal products and electrical machinery industries, and drops—in part seasonal—in the nonelectrical machinery and primary metals industries. A work stoppage in many Twelfth District copper mines in August may cause some cutback in District primary metals output.

District unemployment in June was 4.7 percent of the labor force, compared to 3.3 percent in June 1953. The difference of 1.4 percentage points between the two months is slightly smaller than the year-to-year differences in February, March, and April, and therefore indicates a moderate improvement in the unemployment situation through the spring of this year. For California, weekly insured unemployment (a less comprehensive,

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but more current, series than total unemployment) shows approximately the same year-to-year margins through the weeks of July. For Washington and Oregon, however, the rise in insured unemployment has been greater than seasonal through July, even though the workers in-

involved in the labor dispute are not among the insured unemployed. The rise is largely a result of the secondary effects of the lumber strike on such firms as shingle mills, certain sawmills not involved in the dispute, and tugboat lines.

### CANNING REVIEW AND PROSPECTS

**P**ROFIT prospects during the current canning season are somewhat improved over a year ago. Last season began in an atmosphere of uncertainty, with lengthy negotiations over cannery labor rates and reluctance of canners to go along with proposed raw material prices. Furthermore, the rate of movement of fruits and vegetables from District canneries during the first half of the season was disappointing. However, the rate of movement picked up considerably during the latter part of the 1953-54 marketing season, and it is this improved marketing situation, induced in part by reduced freight rates on canned goods, which forms the basis for optimism during the present season.

#### 1953-54 season marked by smaller pack and decreased movement

The District pack of fruits and vegetables in 1953, which is marketed during the 1953-54 season, was somewhat reduced from that of the previous year. A larger fruit pack, with increases principally in apricots, cling peaches, and fruit packs closely allied with cling peaches such as fruit cocktail, was more than offset by the reduced canning of vegetables. Within the vegetable pack, increases were quite general with only tomatoes, tomato products, and green peas declining in volume. However, tomatoes and tomato products account for about one half of the District's vegetable canning volume and, on a case basis, the eleven million case reduction from the 1952 pack more than offset the increases of other vegetables as well as the larger District fruit pack.

#### PRINCIPAL FRUIT AND VEGETABLE PACKS—CALIFORNIA, OREGON, WASHINGTON, IDAHO, AND UTAH—1950-1953

|                                    | (thousands of cases) |        |        |        |
|------------------------------------|----------------------|--------|--------|--------|
| Fruit packs <sup>1</sup>           | 1950                 | 1951   | 1952   | 1953   |
| Peaches                            | 14,417               | 19,145 | 14,964 | 17,163 |
| Cling peaches                      | 1,979                | 3,409  | 3,605  | 3,575  |
| Other                              | 7,475                | 9,003  | 7,489  | 8,228  |
| Fruit cocktail                     | 6,048                | 6,215  | 6,002  | 5,185  |
| Pears                              | 3,661                | 4,655  | 4,010  | 4,762  |
| Apricots                           | 930                  | 2,217  | 1,470  | 1,263  |
| Plums                              | 774                  | 814    | 1,312  | 1,130  |
| Cherries                           | 1,503                | 792    | 925    | 1,337  |
| Apples and applesauce              | 1,854                | 2,454  | 2,462  | 2,360  |
| Other fruits and berries           |                      |        |        |        |
| Total fruits and berries           | 38,640               | 48,704 | 42,239 | 45,003 |
| <b>Vegetable packs<sup>2</sup></b> |                      |        |        |        |
| Tomatoes                           | 4,062                | 8,306  | 10,903 | 8,047  |
| Tomato juice                       | 6,493                | 12,053 | 11,610 | 10,600 |
| Other tomato products              | 16,137               | 32,994 | 27,112 | 19,989 |
| Peas                               | 9,089                | 9,030  | 8,652  | 8,703  |
| Beans, string                      | 5,426                | 6,003  | 5,106  | 6,123  |
| Corn                               | 2,903                | 4,221  | 4,175  | 4,491  |
| Asparagus                          | 2,864                | 2,923  | 2,667  | 2,710  |
| Spinach                            | 2,500                | 3,304  | 2,591  | 2,271  |
| Other vegetables                   | 4,771                | 5,602  | 6,678  | 6,861  |
| Total vegetables                   | 54,246               | 84,436 | 79,494 | 69,795 |

<sup>1</sup> Basis: 24 No. 2½ cans (except Utah, actual cases).

<sup>2</sup> Actual cases, all grades and sizes.

Source: Canners' League of California; Northwest Canners Association, *Western Canner and Packer*.

Movement of District canned fruits and vegetables during the 1953-54 marketing season was smaller than during the previous season. Increased movement of cling peaches and apricots was more than offset by the decreased movement of other fruit packs and tomato products. District movement data for several vegetable packs are not available, but national data suggest that the movement of sweet corn and green peas from District canneries was probably less than during the 1952 season. Movement of most canned fruits and vegetables during the early part of the season was disappointing. Hence, the freight reduction which became partially effective on November 12, 1953<sup>1</sup> and prospects of the development of an export market in the United Kingdom under Section 550 of the Foreign Assistance Act for canned apricots and peaches from the United States were welcomed by District canners.

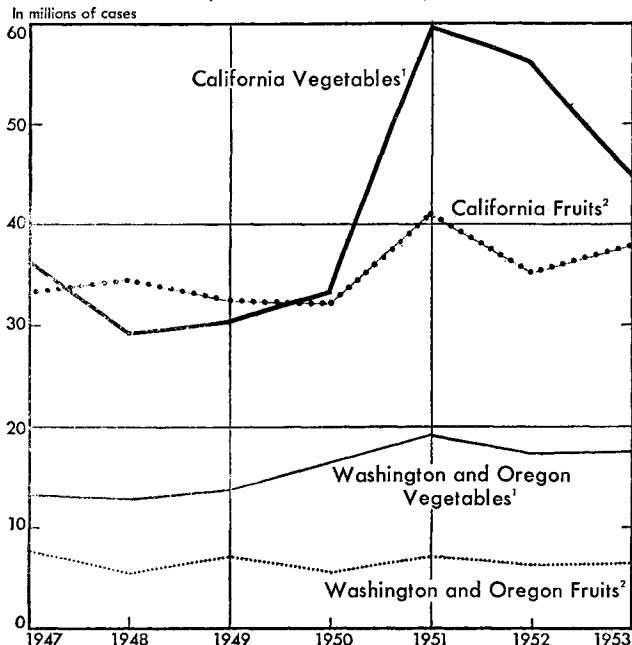
The movement of that portion of the District 1953 pack in the No. 303 (small) container was especially disappointing. During recent canning seasons, the rate of pack in the 303 container has been running below the rate of movement from canner stocks. In response to this indication of demand for the smaller container, canners have been increasing its use at a rapid rate. However, it appeared by early this spring that perhaps the increase had been carried too far. A check of cannery stocks at the close of the 1953 marketing season indicates that in several instances the carry-over stocks in 303 containers were relatively large. Some adjustments in the container composition of the present pack may, therefore, be forthcoming.

#### 1953-54 carry-over stocks smaller

District cannery stocks of canned fruits and vegetables at the beginning of the current packing season were smaller than at the same time a year ago. The stocks of major District canned fruits on June 1, 1954 totaled over 7 million cases, which is about 200 thousand cases larger than last year. Incomplete data on District stocks of canned vegetables, however, indicate a considerable reduction from the stocks carried into the 1953 season in contrast to an increase in national cannery stocks. On a national basis, stocks of snap beans, sweet corn, green peas, and tomato juice were larger than on comparable dates a year ago. Although these vegetables are of considerable importance within the District, the reduction in District stocks of tomatoes and of tomato products other than tomato juice of about 5 million cases should be sufficient to offset in terms of physical volume the increased

<sup>1</sup> Freight rate reductions on rail shipments of canned goods destined for mid-western points became effective November 12, 1953, for southern points, January 1, 1954, and for eastern points, February 4, 1954. These rate reductions, varying within each area, ranged from about 4 percent to 8 percent.

**CANNED FRUIT AND VEGETABLE PACKS—CALIFORNIA, OREGON, AND WASHINGTON, 1947-1953**



<sup>1</sup> Actual cases.  
<sup>2</sup> No. 2½ can basis.  
 Source: Cannery League of California and Northwest Cannery Association.

carry-over of canned fruits and of several other vegetables. Cannery stocks of tomatoes and tomato products remain above the general levels of carry-over stocks that existed prior to the record 1951 pack. In addition to stocks of tomatoes and tomato products, District cannery stocks of spinach and asparagus were also reduced from last year.

**Cannery raw materials supply reduced for 1954 packing season**

The volume of fruits and vegetables available for canning this season within the District is indicated as being smaller than the supply for the 1953 season. A widespread early season frost reduced the prospective deciduous fruit production in major District producing states other than California. Even California deciduous fruit did not escape all weather hazards. Apricot production was drastically reduced by a combination of various adverse growing conditions. In contrast, June 1 cling peach production estimates indicated a cling peach crop considerably larger than the 1953 output.<sup>1</sup> Between the June 1 estimates and the July 1 estimates of the Crop Reporting Service, however, the predicted cling peach production for California decreased by more than 4 million bushels. This was a result of a "green drop" program under which a specified proportion of immature peaches is removed from the trees. The so-called "green drop" is authorized by the cling peach marketing order which has been set up under the California Marketing Act of 1937. Production estimates based on July 1 conditions indicate that District

<sup>1</sup> After completion of this article, rain and unfavorable weather conditions contributed to the rapid spread of brown-rot on cling peaches. At this writing, the extent of damage has not been officially estimated. Much of the fruit, however, already had been harvested prior to widespread incidence of the disease.

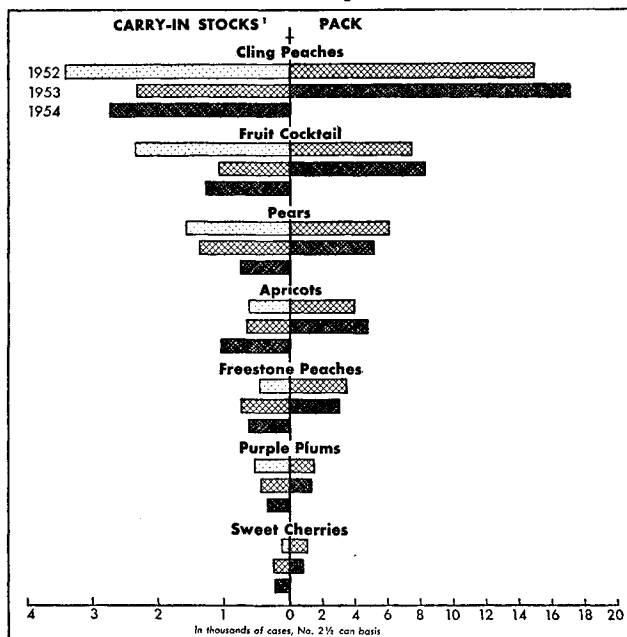
production of peaches, sweet cherries, plums, and prunes (except for drying) is expected to be smaller than in 1953. The recently completed 1954 pack of California apricots totaled 2.7 million cases, 43 percent smaller than last year's pack.

Available acreage and production estimates indicate that District production of vegetables for processing will be somewhat smaller than a year ago. The planted California tomato acreage intended for processing was reduced from the 1953 level and was the smallest since 1926. Unless yields continue to improve, production will also be smaller than last year. Other District canning vegetables, such as sweet corn, snap beans, and green peas, are also processed in frozen form and the volume processed in this manner will affect the volume available for canning. Green pea acreage for harvest is indicated as being larger than a year ago, but the increased acreage is expected to be more than offset by lower yields with predicted output smaller than a year ago. Sweet corn acreage, like tomato acreage, is smaller than last year. Of the major District canning vegetables, snap bean production is expected to show the largest increase, about 25 percent. Both indicated snap bean yields and acreage are considerably larger than in 1953. The 1954 pack of California asparagus has been completed and is placed at 2.7 million cases, No. 2½ can basis, which is 600 thousand cases larger than the 1953 pack.

**Price-cost margin about the same as for the 1953-54 season**

Prices paid by District canners for labor and containers are expected to be about the same as last year while

**CARRY-IN STOCKS AND PACKS OF MAJOR FRUITS TWELFTH DISTRICT 1952-54 Canning Seasons**



<sup>1</sup> The volume of canner stocks (sold and unsold) carried into a marketing season from the previous marketing season.  
 Source: Cannery League of California and Northwest Cannery Association.

prices paid for raw fruits and vegetables are expected to average slightly higher. Where wage rate increases did occur they were confined to local areas, principally in the Pacific Northwest. Based on stocks of canned products carried over into the present canning season and production estimates for specific raw products, some change from the raw product prices paid last year can be expected. In most cases prices are either unchanged or higher than a year ago. In only a few instances are raw materials prices indicated as being somewhat below prices in 1953. Cannery sweet corn and early contract tomato prices are two of these few instances in which prices are indicated as being lower than last year in the District.

Canners' price quotations in early August reflected the changes in raw product prices. California canners' price quotations on August 7, 1954 for apricots, cherries, pears, fruit cocktail, asparagus, and spinach were higher than on a comparable date in 1953. Peach and tomato price quotations were generally lower than a year ago although some items in each pack were being quoted at unchanged or higher prices.

#### ***Favorable profit prospects***

Government sources indicate that the general level of retail prices of canned fruits and vegetables is expected to remain about the same as in 1953. Cannery wages and container prices are also expected to be about the same as a year ago. Although many raw material prices have changed since last year, these changes have been largely offset by price adjustments for the canned product. Since little or no change is expected in the price-cost margin as compared with a year ago, an increase or decrease in the volume of annual sales could be expected to affect profits in the same direction. If the rate of movement during the last half of the 1953 season continues throughout the 1954 season, profits may also be expected to increase. Bolstering the possibility of an increased movement of District canned fruits and vegetables is the reduced freight rates on canned goods which will be effective for the entire marketing season, and on a wider scope than last year. Profit prospects for the District fruit and vegetable canning industry as a whole seem to indicate that earnings for the 1954-55 season will be at least as good as last year.

### **CONSUMER EXPENDITURES RISE IN FIRST HALF OF 1954**

**D**ECLINES in the rate of business investment (particularly in new business inventories), in Federal Government expenditures, and in expenditures for consumer goods are the three major factors which have contributed to the drop of \$14 billion in gross national product during the past twelve months. The first reversal of these declines occurred during the first quarter of 1954, when the seasonally adjusted annual rate of personal consumption expenditures increased slightly. Preliminary estimates show a continued increase in consumer expenditures during the second quarter to a figure slightly more than 1 percent above the first-quarter level. At the current annual rate, personal consumer expenditures have reached a level somewhat above the all-time high recorded for the third quarter of 1953.

The significance of this change in direction in consumer expenditures is enhanced by the fact that it reflects primarily a rise in spending on goods, both durable and nondurable, as well as a continued increase in spending on services. The upturn in spending on consumer durable goods in the second quarter of 1954 is of special importance since a decline in such spending in the fourth quarter of 1953 had accounted for most of the earlier drop in total consumer expenditures. Generally, a change of consumer spending in favor of services has a much smaller effect on production and employment than a comparable change in consumer spending on goods. Moreover, under current conditions any tendencies favoring durable as opposed to nondurable goods are likely to be important.

Nearly two-thirds of the total output of goods and services of the economy are absorbed by consumer demands, and nearly all output in the nongovernmental sec-

tors is geared to those demands. Thus changes in rate as well as in volume of consumer buying may have major indirect, as well as direct, repercussions on the economy by effecting changes in business investment in inventories and in producers' durables and equipment.

From available data, it appears that consumer buying in the Twelfth District paralleled the national trend over the first half of 1954. Retail sales in the District, largely reflecting consumer expenditures for goods, generally moved in the same direction as retail sales in the country as a whole.

#### ***Consumer expenditures show stability during current recession***

Consumer spending on goods and services combined has shown considerable stability during the current adjustment period. Consumer spending dipped by slightly more than one half of 1 percent from the record high third quarter of 1953 to a recession low in the fourth quarter, turned up slightly in the first quarter of this year and continued to rise to a new recorded high of \$233.1 billion (seasonally adjusted annual rate) in the second quarter.

Although there are many factors explaining changes in consumer spending, probably the most important measurable determinants are (1) disposable income, (2) consumer prices, and (3) the asset-debt position of individuals. Despite a decline in personal income since the third quarter of last year, consumer income after taxes has remained high, setting a new record of \$252.9 billion (seasonally adjusted annual rate) during the second quarter of 1954. The sustained high level of disposable income has been largely the result of the cut in personal taxes beginning in January of this year and to a certain "built-

in flexibility" in the economy in the form of unemployment compensation and veterans' allowances. During the first quarter of 1954, benefits paid under employment security laws compensated for roughly one-third of the decline in wages and salaries after personal taxes. The sustained high level of disposable income has enabled consumers to allocate a fairly stable proportion of their incomes to savings during the current adjustment period, which is in marked contrast to the 1948-49 recession when consumer spending was largely maintained through a reduced rate of saving.

A general stability in consumer prices, continuing since mid-1952, has probably also been conducive to maintaining a high level of consumer buying. In July of this year the Consumer Price Index for all items was at the same level as it had been in January, with only minor fluctuations occurring during the intervening months. Price cutting of many durable consumer goods at retail levels—changes which may not be fully reflected in the highly specialized construction of the Consumer Price Index—have probably also encouraged consumers to maintain a high level of retail buying.

Movements in consumer credit outstanding during the first half of this year suggest that consumers may have been attempting to improve their asset-debt positions. Both total consumer credit and instalment credit outstanding fell substantially during the first quarter. This decline was partially offset by a rise in the second quarter, but at the end of June the amounts of total consumer credit and of instalment credit outstanding were still significantly below the levels at the end of 1953. That is the first time since the first half of 1951 (Regulation W was then in effect) that the amounts outstanding of total consumer credit and of instalment credit were less at mid-year than they had been six months before. The decline this year was concentrated in automobile and other consumer goods paper, reflecting a drop in the purchases of new automobiles and other consumer durable goods.

In summary, consumers, confronted with relative stability in prices and in disposable income during the first half of the year, maintained a fairly constant high level of total spending while at the same time they reduced their outstanding short- and intermediate-term indebtedness.

#### ***Consumer spending on durable goods showed an upturn in second quarter***

The significant factor in the rise in personal consumption expenditures, particularly in the second quarter of this year, is the increase in the buying of goods, although the continuation of the upward trend in consumer spending on services is also important. Spending on durable goods rose in the second quarter for the first time in more than a year. Increased expenditures on goods, both durable and nondurable, accounted for slightly more

than three-fourths of the \$2.6 billion increase in total consumer expenditures from the first to the second quarter of this year. As these figures suggest, the comparative stability of total consumption expenditures is somewhat deceptive in that it obscures much of the source of instability during the present period of adjustment. What occurred in the second half of 1953 was a decline in consumer spending on goods which was largely offset by an increased demand for services. Gross national product dropped \$9.4 billion from its 1953 peak in the second quarter to the fourth quarter of that year, when personal consumption expenditures reached their low in the current period of readjustment. A decrease in consumer expenditures on goods accounted for approximately 34 percent of this decline in total output of goods and services, durables accounting for 24 percent and nondurables 10 percent.

The shift in consumer spending between goods and services reflects, among other things, comparative sensitivities of these different kinds of expenditure to changes—and expected changes—in incomes. Durable goods sales are generally more sensitive to changes in income than consumer spending on nondurable goods and services. Consumer spending on services during both the 1948-49 and current recessions continued to climb upward in contrast to cyclical patterns traced by both durable and nondurable goods buying. The upward movement in spending on services also reflects a strong demand among consumers for more and better housing. Housing and household operations costs account for approximately 50 percent of personal service expenditures. The strong demand for increased housing services, largely observed in a postwar movement into suburban communities, has been a prime factor in sustaining the level of private residential construction.

Though the shift in consumer spending between goods and services has contributed to increased expenditures on construction, there has been a marked decline in the production of manufactures—particularly durables. The effect of the shift in spending occurring during both the 1948-49 and current recessions is shown in resultant unplanned high inventory-sales ratios and consequent decreases in consumer goods production and employment. So far the decline in the manufacture of consumer durables has been greater during the current adjustment than in the 1948-49 recession. The Federal Reserve Board's newly revised Index of Total Output of Consumer Durable Goods, adjusted for seasonality, dropped 12 percentage points from peak-to-trough during the 1948-49 recession. During the current recession this same index declined from 138 to 109 percent of the 1947-49 average—a drop of 29 percentage points—between May and December of 1953. The index has since turned up from the December low, reaching 120 in July. This probably reflects more optimistic expectations among

businessmen and the second quarter increase in durable goods buying.

#### **Retail sales show varied fluctuations during first half of 1954**

Seasonally adjusted changes in retail sales provide a month-to-month description of the trend in consumer spending on goods.<sup>1</sup> Retail sales (seasonally adjusted) declined from last December to January, then alternately increased and decreased over the remaining five months of the first half of 1954, largely reflecting the changes in automobile purchases. A preliminary estimate of seasonally adjusted retail sales showed a rise from May to June, resulting in a figure slightly below the immediately preceding high point in July 1953. On the whole there appeared to be an upward movement from a January low in total retail sales during the first half of this year.

Changes in total retail sales over the first half of the year appeared to be closely tied to fluctuations in automobile buying. The six-month upward trend in total sales largely reflected the movement in automobile buying. The indicated increase in total sales from May to June, based upon a seasonally adjusted preliminary estimate, primarily reflected a nearly 10 percent rise in purchases from automobile dealers and automotive parts stores. In contrast, seasonally adjusted sales by household furniture and appliance stores, after increasing from December to January, showed a downward trend through June.

In the nondurable goods sector, apparel group stores had continued increases in sales (seasonally adjusted) through the first two quarters of this year. By June, the adjusted apparel sales figure rose to a level only slightly below that of July 1953. Changes in food sales, on the other hand, generally paralleled the alternately upward and downward movements in total retail sales during the first six months of the year.

#### **District retail sales parallel national trend**

A special report on retail sales by "large" stores in the Twelfth District suggests that consumer spending in this region has generally paralleled the national trend during the first half of 1954. Both District and national retail sales moved in similar directions, decreasing in January and February and then rising from March through June of the current year. This series does not take account of seasonal factors, so its figures must be interpreted cautiously. The Retail Trade Report, published by the Bureau of the Census, which permits year-to-year comparisons, indicates varied fluctuations among the major components of retail sales in the metropolitan areas of the District. Food sales in the Los Angeles, San Francisco-Oakland, and Seattle metropolitan areas were larger during the first six months of 1954 than in the corresponding period of 1953 while in the country as a whole they remained unchanged. A similar period-to-period com-

parison indicates that sales of automotive group stores showed no change in the Los Angeles metropolitan area, experienced a moderate decrease in the nation as a whole, and suffered a sharp setback in the Seattle metropolitan area and in the city of San Francisco. From January through June of this year, sales of motor vehicle dealers in San Francisco were 14 percent below those of the corresponding period in 1953.

Further evidence of similarity in the behavior of the sales of consumer goods in the District and nation is indicated by this bank's published reports. Apparel store sales in both the District and the nation show about a 5 percent decline in sales from January through June of this year compared with the corresponding period in 1953. A similar six-month comparison for furniture store sales indicates a District decline of approximately 9 percent, nearly twice as large as the national decreases. The seasonally adjusted index of District department store sales showed somewhat greater stability than the national series. The District index declined slightly from January to February and showed an upward movement from February, registering a January to June rise of 5 percentage points.

#### **Outlook for second half of 1954**

The upturn in consumer spending on goods cannot be taken to herald the end of the current recession. However, the increase in a major component of the economy which accounted for about 34 percent of the decline in total output from the second to the fourth quarters of 1953 is certainly a basis for some optimism about the second half of this year. Of the three major sectors in the economy contributing to the downturn, consumer expenditures on goods have been the first to indicate a revival.

Still another potential source of optimism, complementing the upturn, is the findings of the 1954 Survey of Consumer Finances of the Board of Governors of the Federal Reserve System which suggests a possible continued high level of consumer buying during the second half of the year. If consumer plans made at the beginning of the year can be used as a guide to consumer behavior during the entire year, then we can anticipate a continued high level of retail sales in the last six months of 1954. Quoting from the findings, "There appeared to be some tendency for consumers to time their plans to buy more heavily in the latter part of the year than was the case a year ago. This tendency may indicate that consumer buying interest will be more active later in the year, or it may indicate that consumer plans are more tentative than in other recent years." Considering the importance of changes in automobile sales on total retail sales during the first half of 1954, the findings note that "The proportion of consumers planning to buy new automobiles within the year was smaller in early 1954 than in early 1953 or early 1950 but larger than in early 1952 or 1951."

<sup>1</sup>In addition to consumer goods purchases from retail outlets, retail sales include business purchases of items such as automobiles, building materials, hardware, and farm implements. Some services are also included, e.g., those furnished by automotive outlets.

And that "There also appeared to be some tendency on the part of those planning to buy new cars in 1954 to defer their purchases until the latter part of the year."

These optimistic signs are very far from certain predictions, however, for a number of reasons. First, the preliminary estimates of the components of gross national product for the second quarter of 1954 are subject to revision, and it is possible that the moderate improvement in consumer spending disclosed by the preliminary

figures may disappear when revisions are made. Second, plans by spending units, even if accurately measured, may not be realized. Unanticipated changes in prices, incomes, or asset values may deter consumers from carrying out their planned expenditures. Similarly, automobile sales, a major factor in fluctuations of retail sales, may show varied and unpredictable changes due to the introduction of new car models on the market during the second half of the year.



**BUSINESS INDEXES—TWELFTH DISTRICT<sup>1</sup>**  
(1947-49 average=100)

| Year and month | Industrial production (physical volume) <sup>1</sup> |                        |         |        |                   |                     |                          |                | Total nonagri-cultural employment | Total mfg employment <sup>2</sup> | Car-loadings (num-ber) <sup>3</sup> | Dep't store sales (value) <sup>2</sup> | Retail food prices <sup>4, 5</sup> | Waterborne foreign trade <sup>6, 7</sup> |         |
|----------------|--|------------------------|---------|--------|-------------------|---------------------|--------------------------|----------------|-----------------------------------|-----------------------------------|-------------------------------------|--|------------------------------------|--|---------|
|                | Lumber   | Petroleum <sup>1</sup> |         | Cement | Lead <sup>8</sup> | Copper <sup>1</sup> | Wheat flour <sup>2</sup> | Electric power |                                   |                                   |                                     |  |                                    | Exports                                  | Imports |
|                |  | Crude                  | Refined |        |                   |                     |                          |                |                                   |                                   |                                     |  |                                    |  |         |
| 1929           | 80a  | 87                     | 78      | 54     | 165               | 105                 | 90                       | 29             | ....                              | ....                              | 102                                 | 30                                     | 64                                 | 190                                      | 124     |
| 1931           | 42a  | 57                     | 55      | 36     | 100               | 49                  | 86                       | 29             | ....                              | ....                              | 68                                  | 25                                     | 50                                 | 138                                      | 80      |
| 1933           | 34a  | 52                     | 50      | 27     | 72                | 17                  | 75                       | 26             | ....                              | ....                              | 52                                  | 18                                     | 42                                 | 110                                      | 72      |
| 1935           | 45a  | 62                     | 56      | 33     | 86                | 37                  | 87                       | 30             | ....                              | ....                              | 47                                  | 66                                     | 24                                 | 135                                      | 109     |
| 1937           | 61a  | 71                     | 65      | 56     | 114               | 88                  | 84                       | 38             | ....                              | ....                              | 60                                  | 81                                     | 30                                 | 170                                      | 119     |
| 1938           | 48a  | 75                     | 64      | 45     | 92                | 58                  | 81                       | 36             | ....                              | ....                              | 51                                  | 72                                     | 28                                 | 164                                      | 87      |
| 1939           | 60a  | 67                     | 63      | 56     | 93                | 80                  | 91                       | 40             | ....                              | ....                              | 55                                  | 77                                     | 31                                 | 163                                      | 95      |
| 1940           | 65a  | 67                     | 63      | 61     | 108               | 94                  | 87                       | 43             | ....                              | ....                              | 63                                  | 82                                     | 33                                 | 132                                      | 101     |
| 1941           | 77a  | 69                     | 68      | 81     | 109               | 107                 | 87                       | 49             | ....                              | ....                              | 83                                  | 95                                     | 40                                 | 52                                       | ....    |
| 1942           | 77a  | 74                     | 71      | 96     | 114               | 123                 | 88                       | 60             | ....                              | ....                              | 121                                 | 102                                    | 49                                 | 63                                       | ....    |
| 1943           | 74a  | 85                     | 83      | 79     | 100               | 125                 | 98                       | 76             | 100                               | 164                               | 99                                  | 59                                     | 69                                 | ....                                     | ....    |
| 1944           | 74a  | 93                     | 93      | 63     | 90                | 112                 | 101                      | 82             | 101                               | 158                               | 105                                 | 65                                     | 68                                 | ....                                     | ....    |
| 1945           | 61a  | 97                     | 98      | 65     | 78                | 90                  | 112                      | 78             | 96                                | 122                               | 100                                 | 72                                     | 70                                 | ....                                     | ....    |
| 1946           | 80a  | 94                     | 91      | 81     | 70                | 71                  | 108                      | 78             | 95                                | 97                                | 101                                 | 91                                     | 80                                 | 89                                       | 57      |
| 1947           | 94a  | 100                    | 98      | 96     | 94                | 106                 | 113                      | 90             | 99                                | 100                               | 106                                 | 99                                     | 96                                 | 129                                      | 81      |
| 1948           | 102a   | 101                    | 100     | 104    | 105               | 101                 | 98                       | 101            | 102                               | 102                               | 100                                 | 104                                    | 103                                | 88                                       | 98      |
| 1949           | 104a   | 99                     | 103     | 100    | 101               | 93                  | 88                       | 108            | 99                                | 97                                | 94                                  | 98                                     | 100                                | 85                                       | 121     |
| 1950           | 116a   | 98                     | 103     | 112    | 109               | 115                 | 86                       | 119            | 103                               | 105                               | 97                                  | 105                                    | 100                                | 91                                       | 137     |
| 1951           | 115a   | 106                    | 112     | 128    | 89                | 115                 | 95                       | 136            | 111                               | 122                               | 100                                 | 109                                    | 113                                | 186                                      | 157     |
| 1952           | 111a   | 107                    | 116     | 124    | 86                | 112                 | 96                       | 144            | 118                               | 132                               | 101                                 | 114                                    | 115                                | 171                                      | 200     |
| 1953           | 119a   | 109                    | 123     | 130    | 74                | 111                 | 96                       | 161            | 122                               | 139                               | 100                                 | 116                                    | 113                                | 140                                      | 308     |
| 1953           |  |                        |         |        |                   |                     |                          |                |                                   |                                   |                                     |  |                                    |  |         |
| June           | 111a   | 110                    | 121     | 134    | 77                | 105                 | 99                       | 170r           | 122                               | 141                               | 103                                 | 121                                    | 113                                | 114                                      | 372     |
| July           | 114a   | 110                    | 125     | 140    | 64                | 108                 | 96                       | 172            | 121                               | 142                               | 98                                  | 117                                    | 113                                | 123                                      | 356     |
| August         | 118a   | 109                    | 124     | 134    | 69                | 110                 | 92                       | 168            | 122                               | 139                               | 99                                  | 114                                    | 113                                | 127                                      | 337     |
| September      | 113a   | 109                    | 126     | 133    | 73                | 111                 | 101                      | 166            | 124                               | 140                               | 98                                  | 110                                    | 114                                | 129                                      | 368     |
| October        | 114a   | 109                    | 125     | 137    | 69                | 112                 | 99                       | 163            | 123                               | 141                               | 95                                  | 111                                    | 114                                | 133                                      | 316     |
| November       | 115a   | 110                    | 121     | 128    | 69                | 112                 | 98                       | 157            | 121                               | 137                               | 97                                  | 112                                    | 113                                | 139                                      | 287     |
| December       | 114a   | 109                    | 125     | 120    | 67                | 104                 | 96                       | 158            | 121                               | 138                               | 102                                 | 109                                    | 113                                | 141                                      | 256     |
| 1954           |  |                        |         |        |                   |                     |                          |                |                                   |                                   |                                     |  |                                    |  |         |
| January        | 122a   | 109                    | 121     | 114    | 60                | 107                 | 99                       | 163            | 121                               | 138                               | 93                                  | 108                                    | 114                                | 108                                      | 210     |
| February       | 122a   | 109                    | 120     | 117    | 79                | 102                 | 97                       | 160            | 121                               | 137                               | 90                                  | 107                                    | 114                                | 156                                      | 271     |
| March          | 119a   | 108                    | 118     | 116    | 76                | 99                  | 98                       | 171            | 120                               | 136                               | 94                                  | 111                                    | 113                                | 156r                                     | 233     |
| April          | 120a   | 107                    | 119     | 134    | 71                | 98                  | 96                       | 168            | 120                               | 136                               | 90                                  | 111                                    | 113                                | 156                                      | 232     |
| May            | 124a   | 107                    | 123     | 143    | 67p               | 103                 | 96                       | 174r           | 120                               | 136                               | 97                                  | 114                                    | 114                                | ....                                     | 231     |
| June           | 103a   | 107                    | 119     | 140    | 65p               | 105p                | 96                       | 183            | 120p                              | 136                               | 96p                                 | 114                                    | 114                                | ....                                     | ....    |

**BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT**  
(amounts in millions of dollars)

| Year and month | Condition items of all member banks <sup>1</sup> |                       |                                       |                     | Bank rates on short-term business loans <sup>2</sup> | Member bank reserves and related items <sup>10</sup> |                                     |                                   |  |          | Bank debits index 31 cities <sup>11</sup> (1947-49=100) <sup>12</sup> |
|----------------|--|-----------------------|---------------------------------------|---------------------|--|--|-------------------------------------|-----------------------------------|--|----------|---|
|                | Loans and discounts                              | U.S. Gov't securities | Demand deposits adjusted <sup>3</sup> | Total time deposits |  | Reserve bank credit <sup>11</sup>                    | Commercial operations <sup>12</sup> | Treasury operations <sup>13</sup> | Coin and currency in circulation <sup>14</sup> | Reserves |   |
| 1929           | 2,239  | 495                   | 1,234                                 | 1,790               | .....  | - 34   | 0                                   | + 23                              | - 6  | 175      | 42  |
| 1931           | 1,898  | 547                   | 984                                   | 1,727               | .....  | + 21   | - 154                               | + 154                             | + 48   | 147      | 28  |
| 1933           | 1,486  | 720                   | 951                                   | 1,609               | .....  | - 2  | - 110                               | + 150                             | - 18   | 185      | 18  |
| 1935           | 1,537  | 1,275                 | 1,389                                 | 2,064               | .....  | + 2  | - 163                               | + 219                             | + 14   | 287      | 25  |
| 1937           | 1,871  | 1,740                 | 1,740                                 | 2,187               | .....  | - 1  | - 90                                | + 157                             | - 3  | 549      | 32  |
| 1938           | 1,869  | 1,323                 | 1,781                                 | 2,221               | .....  | - 3  | - 240                               | + 276                             | + 20   | 565      | 29  |
| 1939           | 1,967  | 1,450                 | 1,983                                 | 2,267               | .....  | + 2  | - 192                               | + 245                             | + 31   | 584      | 30  |
| 1940           | 2,130  | 1,482                 | 2,390                                 | 2,360               | .....  | + 2  | - 148                               | + 420                             | + 96   | 754      | 32  |
| 1941           | 2,451  | 1,738                 | 2,893                                 | 2,425               | .....  | + 4  | - 596                               | + 1,000                           | + 227  | 930      | 39  |
| 1942           | 2,170  | 3,630                 | 4,356                                 | 2,609               | .....  | + 107  | - 1,980                             | + 2,826                           | + 643  | 1,232    | 48  |
| 1943           | 2,106  | 6,235                 | 5,998                                 | 3,226               | .....  | + 214  | - 3,751                             | + 4,486                           | + 708  | 1,462    | 60  |
| 1944           | 2,254  | 8,263                 | 6,950                                 | 4,144               | .....  | + 98   | - 3,534                             | + 4,483                           | + 789  | 1,706    | 66  |
| 1945           | 2,663  | 10,450                | 8,203                                 | 5,211               | .....  | - 76   | - 3,743                             | + 4,682                           | + 645  | 2,033    | 72  |
| 1946           | 4,068  | 8,426                 | 8,821                                 | 5,797               | .....  | + 9  | - 1,607                             | + 1,329                           | - 326  | 2,094    | 86  |
| 1947           | 5,358  | 7,247                 | 8,922                                 | 6,006               | .....  | - 302  | + 510                               | + 698                             | - 206  | 2,202    | 95  |
| 1948           | 6,032  | 6,366                 | 8,655                                 | 6,087               | .....  | + 17   | + 472                               | - 482                             | - 209  | 2,420    | 103   |
| 1949           | 5,925  | 7,016                 | 8,536                                 | 6,255               | 3.20   | + 13   | - 930                               | + 378                             | - 65   | 1,924    | 102   |
| 1950           | 7,093  | 6,415                 | 9,254                                 | 6,302               | 3.35   | + 39   | - 1,141                             | + 1,198                           | - 14   | 2,026    | 115   |
| 1951           | 7,866  | 6,463                 | 9,937                                 | 6,777               | 3.66   | + 21   | - 1,582                             | + 1,983                           | + 189  | 2,269    | 132   |
| 1952           | 8,839  | 6,619                 | 10,520                                | 7,502               | 3.95   | + 7  | - 1,912                             | + 2,265                           | + 132  | 2,514    | 140   |
| 1953           | 9,220  | 6,639                 | 10,515                                | 7,997               | 4.14   | - 14   | - 3,073                             | + 3,158                           | + 39   | 2,551    | 150   |
| 1953           |  |                       |                                       |                     |  |  |                                     |                                   |  |          |   |
| July           | 9,167  | 6,675                 | 10,005                                | 7,729               | .....  | + 75   | - 184                               | + 275                             | + 3  | 2,452    | 148   |
| August         | 9,229  | 6,589                 | 9,950                                 | 7,749               | .....  | + 100  | - 98                                | + 176                             | + 36   | 2,397    | 142   |
| September      | 9,241  | 6,481                 | 10,018                                | 7,794               | 4.17   | + 113  | - 308                               | + 217                             | + 4  | 2,425    | 149   |
| October        | 9,255  | 6,556                 | 10,248                                | 7,854               | .....  | + 19   | - 391                               | + 394                             | + 7  | 2,449    | 142   |
| November       | 9,248  | 6,693                 | 10,255                                | 7,815               | .....  | - 137  | - 149                               | + 330                             | + 23   | 2,476    | 149   |
| December       | 9,220  | 6,639                 | 10,515                                | 7,997               | 4.19   | + 50   | - 432                               | + 438                             | - 26   | 2,551    | 158   |
| 1954           |  |                       |                                       |                     |  |  |                                     |                                   |  |          |   |
| January        | 9,198  | 6,844                 | 10,540                                | 7,995               | .....  | + 1  | - 308                               | + 125                             | - 86   | 2,468    | 146   |
| February       | 9,176  | 6,667                 | 10,138                                | 8,071               | .....  | + 98   | - 245                               | + 80                              | - 2  | 2,398    | 153   |
| March          | 9,106  | 6,500                 | 9,922                                 | 8,175               | 4.12   | - 125  | - 213                               | + 315                             | - 29   | 2,413    | 158   |
| April          | 9,045  | 6,903                 | 10,190                                | 8,234               | .....  | + 5  | - 324                               | + 381                             | + 7  | 2,477    | 150   |
| May            | 9,001  | 6,991                 | 10,045                                | 8,306               | .....  | + 9  | - 148                               | + 136                             | + 36   | 2,432    | 143   |
| June           | 9,049  | 6,981                 | 10,087                                | 8,428               | 4.14   | - 21   | - 254                               | + 277                             | + 15   | 2,413    | 157   |
| July           | 8,989  | 7,190                 | 10,310                                | 8,444               | .....  | + 29   | - 307                               | + 170                             | + 3  | 2,308    | 145   |

<sup>1</sup> Adjusted for seasonal variation, except where indicated. Except for department store statistics, all indexes are based upon data from outside sources, as follows: lumber, various lumber trade associations; petroleum, cement, copper, and lead, U.S. Bureau of Mines; wheat flour, U.S. Bureau of the Census; electric power, Federal Power Commission; nonagricultural and manufacturing employment, U.S. Bureau of Labor Statistics and cooperating state agencies; retail food prices, U.S. Bureau of Labor Statistics; carloadings, various railroads and railroad associations; and foreign trade, U.S. Bureau of the Census.  
<sup>2</sup> Daily average. <sup>3</sup> Not adjusted for seasonal variation. <sup>4</sup> Excludes fish, fruit, and vegetable canning. <sup>5</sup> Los Angeles, San Francisco, and Seattle indexes combined. <sup>6</sup> Commercial cargo only, in physical volume, for Los Angeles, San Francisco, San Diego, Oregon, and Washington customs districts; starting with July 1950, "special category" exports are excluded because of security reasons. <sup>7</sup> Annual figures are as of end of year, monthly figures as of last Wednesday in month or, where applicable, as of call report date. <sup>8</sup> Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. <sup>9</sup> Average rates on loans made in five major cities during the first 15 days of the month. <sup>10</sup> End of year and end of month figures. <sup>11</sup> Changes from end of previous month or year. <sup>12</sup> Minus sign indicates flow of funds out of the District in the case of commercial operations, and excess of receipts over disbursements in the case of Treasury operations. <sup>13</sup> Debits to total deposits except interbank prior to 1942. Debits to demand deposits except Federal Government and interbank deposits from 1942. <sup>14</sup> a—New revised series. p—Preliminary. r—Revised.