Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO
TWELFTH FEDERAL RESERVE DISTRICT

September 1960

In This Issue

Review of Business Conditions

THE economy has continued during the summer of 1960 at what appears to be a high-elevation plateau of activity, as measured by rates of spending for major economic sectors. For more than two years, the economy has been generally expanding, but the rate of expansion has slowed perceptibly in recent months. The absence of significant upward pressures in June, July, and early August—after allowances are made for the usual summer "doldrums"—invites the question whether the signs of a flattening out in economic activity this summer portend an economic downturn in the near future, whether the present high level of activity can continue for some time, or whether this is a pause that refreshes.

The views of some observers that a downturn is approaching appear to be based on a variety of factors. There has been a lack of or slowing in expansion of industrial production, homebuilding, employment, personal income, and consumer spending in recent months, and this follows a relatively small rate of growth in gross national product in the second quarter of the year. Many industries possess ample excess capacity, and a larger proportion of the labor force is unemployed than in earlier prosperous periods. Raw materials also appear to be relatively abundant as indicated by the weakening in their wholesale prices this year and increasing reports of sales at below list or posted prices. There is some evident feeling that the unsatisfied demand for large outlay items, such as cars, houses, and other durable goods, is much smaller than in prior years, and that future expansion, at least for the next few years, must be geared to a lower rate of family formation and population growth. Mid-year surveys of consumer sentiment reveal less optimism concerning prospects for income and spending in the latter part of this year. Reported profits have declined, and common stock prices, while above the low of mid-March, are under a year ago.

Other observers find evidence in favor of continued high-level business activity. A lower rate of inventory investment, following an unusually high rate in the first quarter, was a dominant factor in the slowed rate of growth during the second quarter. If inventory investment has already been adjusted to a more balanced rate of spending, there now is little danger of an inventory liquidation that could precipitate a decline in total spending. Additionally, some rise in Federal outlays is widely expected in the second half of the year, after a decline during the first half. This expectation is based upon a moderate acceleration of defense expenditures and the Federal pay increases which became effective in July. State and local expenditures have continued to rise this year, and assistance payments from the Highway Trust Fund at an increased rate during the current fiscal year should provide an added stimulant. In further support of the high level of domestic business activity is our present position as a net exporter of merchandise, and this favorable balance of trade is expected to continue during the latter part of the year.

By late August, no clear trend in business activity had emerged from this mixture of favorable and unfavorable factors. It has been evident for some time, however, that much of the uncertainty about future prospects is linked to developments in steel and steel-using industries, as a more detailed description of recent developments in the major indicators reveals.

Industrial production remains stationary

Industrial production did not rise during the first half of 1960, aside from the immediate post-steel strike period at the beginning of the year, and output was unchanged during July from the June rate of 109 percent of the 1957 average, after elimination of seasonal factors. There was a sharp cutback in July automobile production due to the model changeover period. This is partly attributable to a strike at one major firm but probably was also influenced by the weakening in sales during the month plus a high level of dealer inventories. In addition, production of other consumer goods declined slightly in July, with the exception of such staples as food and fuel, which rose. This marks the second month of slight easing in consumer goods production and reflects an adjustment by producers of consumer durables — home goods as well as autos — to recent undesirably heavy inventory positions. Production of items further removed from final demand showed signs of stability, however, after declining for several months. Production of business equipment and materials rose slightly in July. Iron and steel production declined less in July than at any time since the start of the downturn in steel output in March. Actual rates of steel production were slow to turn up in August because there was a strike in one major producing area, and orders from steel-users, especially auto producers, did not rise in accordance with earlier expectations. The gain in operating rates from 53.9 percent of capacity in the first week of August to an expected 54.5 percent for the fourth week was a smaller than seasonal rise. Western operating rates showed a slightly larger gain. Production for the fourth week in August was scheduled at 53 percent, up from a low of 47 percent in the second week of the month.

Manufacturers inventories and sales showed mixed trends through June

Although inventory data are not as current as information about production, the sources of the slackened rate of inventory spending, which explains much of the slow growth rate of the economy in recent months, are evident. Through June, no major manufacturing group had significantly reduced inventories, on a seasonally adjusted basis. Indeed, except for fabricated metals and nonautomotive transportation industries, inventories continued to increase. This was partly a reflection of so-called involuntary accumulation, particularly in major household appliances and automobiles, but it is not at all clear that factory stocks at mid-year were considered so far out of line as to spur liquidation. It is possible for selected industries to continue liquidation and for reduced rates of accumulation to take place generally in the latter part of the year. The rate of inventory accumulation was \$11.4 billion in the first quarter and dropped to \$5.3 billion in the second quarter. Further such drastic declines could only be warranted by general declines in manufacturers' sales and new orders, but most of the weakness in these indicators through June was focused in primary metals. Almost all of the \$900 million decline in factory sales from February through June was accounted for by this industry group. Shipments by most durables manufacturers held fairly close to earlier highs, while sales of nondurables producers gained fairly steadily during this period.

Employment rises slightly

Civilian employment rose to a record 68.7 million workers during July, while unemployment declined to 4.0 million, a seasonally adjusted 5.4 percent of the labor force. Nonfarm employment rose by a modest 80,000 workers during July to a new high of 61.8 million. Despite the rise in overall employment, some weaknesses were evident during the month. Employment in the steel industry fell for the fifth month; automobile manufacturers cut employment for an early model changeover, while parts shortages resulting from a labor dispute reduced assembly line activity for most of the month at some plants. Moreover, much of the July drop in unemployment was associated with the absorption of some 600,000 of the June teen-age entrants to the temporary labor force. For adults, layoffs in durable goods manufacturing were not offset by openings in other fields. Unemployment rates higher than a year ago are now common in many categories of the experienced labor force.

In the Twelfth District, employment has also been affected by cutbacks in aircraft, steel, auto, and lumber production this year, and these reductions have had some effect on other industries. The gain in District nonagricultural employment for the first seven months of the year was about 1 percent, compared with a rise of 2.4 percent in the same period last year. In July, nonfarm employment rose by about 0.3 percent, seasonally adjusted, following an almost negligible increase in June, and despite slight declines in the Pacific Northwest. Most of the additional 20,000 workers were added to California payrolls. The industries accounting for most of the net gain in District employment were contract construction, services, and government. Employment declined in trade, and mining employment was reduced by rather extensive vacation shutdowns. Although small increases occurred in most nondurables manufacturing industries, total manufacturing employment fell slightly further, partly because of labor disputes. Steel and nonelectrical machinery payrolls were also down moderately, and California aircraft firms made additional cutbacks involving almost 3,000 workers. Aircraft and ordnance employment fell by about 1,200 workers in Arizona. In Washington, on the other hand, aircraft employment increased by a small amount after a year and a half of reductions. There was also a resurgence of hiring at electrical machinery firms in California.

The rate of District unemployment remained at about 6 percent of the labor force, on a seasonally adjusted basis, as employment increases in California offset the declines in Washington and Oregon as well as the additions to the labor force.

Construction outlook mixed

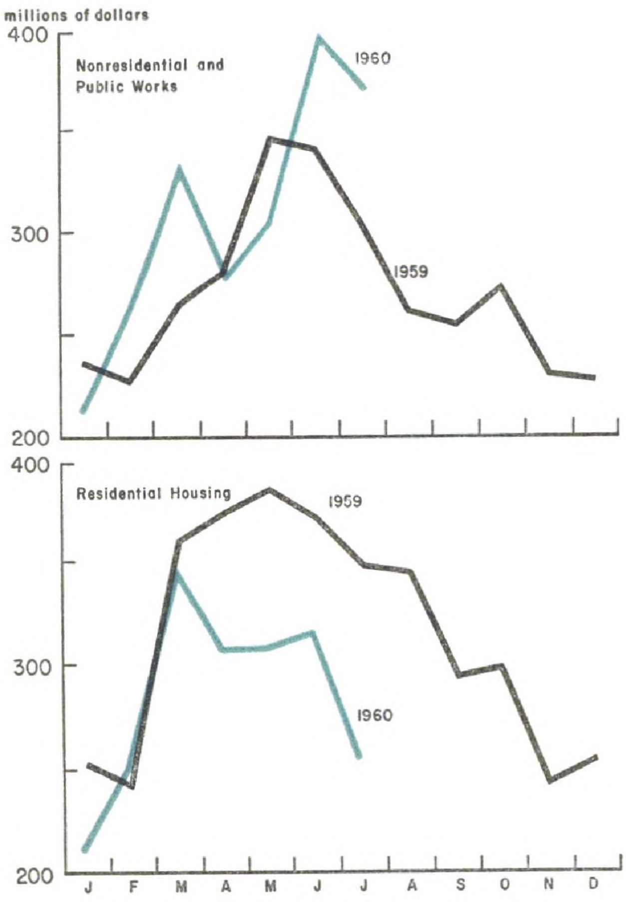
Construction outlays were not an expansive force in the first half of the year, largely because of a weakening in demand for residential building. No sign of an upturn in housing demand was evident in July. Preliminary estimates indicate the value of new construction put-in-place in July amounted to $5.2 billion. This was 3 percent above the June 1960 level, which is approximately the normal increase between June and July. Private outlays recorded a minor rise as both residential and nonresidential building increased slightly. The latter was largely the result of increased spending on industrial and farm buildings. On the other hand, public construction declined slightly, reflecting primarily lower spending on highways and military facilities. However, it is anticipated that highway construction will increase since contracts for it are running above last year's level.

Despite increased outlays on residential construction during July, the signs in the housing market are mixed. Housing starts dropped to a seasonally adjusted rate of 1,173,000 in July, nearly 10 percent below the June rate and 26 percent below July of last year. Furthermore, Census officials were pessimistic about the possibility of an improved rate for August since building permits, the basis of estimating most housing starts, have been declining for several months.

In the mortgage market, the Federal Housing Administration indicated that, on a national basis, secondary market prices on FHA-insured 5¾ percent mortgages averaged $96.80 per $100 of face value on August 1, up 10 cents from the previous month. This was the smallest discount reported so far this year. The Federal National Mortgage Association, for the second time in two months, announced an increase in the price it will pay for federally-insured mortgages in its secondary market operations. The new price schedule adds ½ point to the face value of most of the FHA and VA mortgages purchased.

Total construction in the Twelfth District, as measured by contracts, fell 12 percent during July and was 4 percent below the corresponding month of last year. Most of this decline centered in homebuilding and nonresidential construction. Residential contracts fell 19 percent from June and were 27 percent below July of last year. Private nonresidential construction contracts were 21 percent below the June level and 22 percent under July 1959. With the exception of industrial buildings, this decline was reflected in all components of this type of construction. On the other hand, contracts for public works and utilities construction rose 7 percent during July and were twice as large as in the corresponding month of 1959. Much of this rise is attributable to increased contracts for highway construction.

Construction contract awards in Western States[1]



[1]Includes Wyoming, New Mexico, and Colorado in addition to Twelfth District States.
Source: F. W. Dodge Corporation, *Construction Contracts Region VIII.*

Lumber and plywood industries face adjustment to homebuilding decline

The lumber industry has had difficulties this year because of reduced sales in its major market, residential building. The repercussions have been quite sharp in the Twelfth District, where much of the nation's lumber output is concentrated. District lumber production in July declined slightly further to the lowest level in more than two years, on a seasonally adjusted basis. There was almost no progress in reducing the high level of inventories, as mill shipments in July were approximately equal to production. Lumber prices continued to ease lower in July and early August, although part of the decline was seasonal.

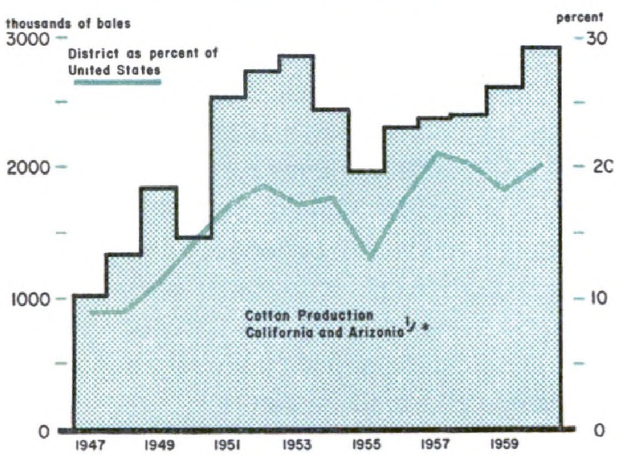
The softwood plywood industry experienced a cycle of price-output cutting in late July and the first part of August. Production in the first half of 1960 was up 6 percent from a year ago, but shipments rose only 4 percent, and new orders gained only 1.5 percent. Overproduction of plywood is usually reflected in price cuts until some "rock-bottom" price is reached since the industry tries to operate close to capacity levels while carrying relatively small inventories. This year the "rock-bottom" level was about $64 per thousand square feet in terms of the key ¼ inch sanded grade, but quotations from some companies fell as low as $60 in late July as inventories rose. Industry production for the first half of August was scheduled for a cut approximating 20 percent of capacity, whereupon some major firms restored prices to the $64 level, and, in early September, at least two firms raised the price to $68.

Another peak harvest in 1960

This year's harvest in the nation will be the most bountiful ever if official August forecasts are realized. Crop production is estimated at 119 percent of the 1947-49 average, up slightly from the 118 percent peak of the preceding two years. The major factor in this year's gain is an expected 20 percent boost in wheat production. The cotton crop is expected to be slightly smaller than last year. Cotton acreage is up 3 percent, but growing conditions have been unfavorable in parts of the South.

Different conditions prevail in the Twelfth District for these two crops. Pacific Northwest wheat output is estimated to be 14 percent below a year ago, owing to hot, dry weather in July. However, the cotton harvest may be nearly 3 million bales, the largest such crop ever produced in the West (see chart). Cotton production also rose sharply last year

Cotton production moves West



[1]Excludes American Egyptian cotton.
*Acreage allotments required in 1950 and 1954-60. For 1959 and 1960 allotments were liberalized. Producers were permitted to increase acreage by a maximum of 40 percent if they accepted the lower of two price support levels.
Source: United States Department of Agriculture, Agricultural Marketing Service, *Crop Reports;* Board of Governors of the Federal Reserve System.

when the Government introduced its "Plan B", whereby plantings can be increased if relatively low price supports are accepted. Western cotton growers have an incentive to raise output when possible since the crop is typically of high quality and can be sold above price support levels. District overall crop production usually rises from year to year, but August forecasts indicate a slightly smaller harvest in 1960 because of declines in wheat, some feed grains, and deciduous fruit.

Retail trade declines

Consumer demand has shown signs of weakening since mid-year. Total retail sales in the nation in July were down 1 percent from June, after seasonal adjustment. Nondurable goods stores showed a slight drop in sales, although the greater part of the decline occurred in durable goods. This reflected primarily a decline in auto sales, which were 1.5 percent below year-ago levels. There was some pickup in auto sales in the first part of August to a point 0.5 percent above the same year-ago period.

Retail sales in the Twelfth District have also declined since the end of the second quarter. Department store sales for July were off 5 percent from a year ago and continued to remain relatively low during the first two weeks of August. California auto registrations in July dropped below month-ago and year-ago levels for the second consecutive month. Registrations totaled 49,861, down 7.4 percent from a year ago. In the first week of August, registrations were 24 percent below those in the corresponding period of July.

Personal income gained at a reduced rate in July

Personal income in the nation continued to rise in July, on a seasonally adjusted annual basis, but the $1 billion increase was a continuation of a slowing down in month-to-month gains since April. The most important sources of the July increase were higher government payrolls, as Federal civilian pay increases became effective, and larger payrolls for construction. Transfer payments also rose because of increased unemployment insurance benefit payments. Manufacturing wage and salary disbursements declined, as they have in most months this year. The $0.7 billion decline in July in such payments was the largest to occur since last October. Farm income also fell off slightly in July.

Credit market easier

The money and credit markets have been generally easier since mid-year. The net free reserve position of member banks (the difference between their excess and borrowed reserves) rose during July and August, with the Federal Reserve System contributing to the increase through open market purchases of Government securities. In addition, by early September, all of the Federal Reserve Banks had reduced their discount rates by ½ of 1 percent. On August 8, the Board of Governors announced changes in reserve requirements estimated to add $600 million to member bank reserve balances by September 1. As of August 25, country banks were permitted to consider as reserves any vault cash held in excess of 2½ percent of their net demand deposits in contrast with the previously effective 4 percent rule. A similar change, effective September 1, permitted reserve city and central reserve city member banks to count as reserves all vault cash in excess of 1 percent of net demand deposits, compared with the prior 2 percent. It was originally estimated that these changes would provide about $480 million in additional reserves, of which somewhat more than half was at country banks and almost all of the remainder at reserve city banks. Also on September 1, the reserve requirements of central reserve city banks were reduced ½ of 1 percent to 17½ percent, thus freeing an estimated $125 million in reserves.

Short-term yields mixed as bill yields increase; interest rates generally lower

After declines to 1960 lows at the beginning of August, yields on new Treasury issues of 3-to 6-month bills moved sharply upwards by 40 basis points during the following four weeks. This reflected the lack of investment demand for Government securities that had been anticipated to arise from those investors who received $1.5 billion in cash in connection with the Treasury refunding in the first half of August. As a consequence, dealers had heavy inventories of Governments. Market yields on Treasury bills continued to fluctuate mildly about the late June and July levels.

Money market rates on prime commercial instruments edged lower during July and August. Rates on prime commercial paper showed the sharpest decline, falling from 3.61 percent at the beginning of July to 3.38 percent by mid-August. Prime bankers acceptances (90-day maturities) and directly placed finance company paper (3-to 6-month maturities) fell slightly further during the first three weeks of August after firming in July. Both rates are down almost a full percent below their late April highs.

In the fourth week of August, the prime rate charged by commercial banks was reduced to 4½ percent. The rate had been 5 percent since September 1, 1959. Stock prices moved up sharply in the days immediately thereafter, reacting more sharply to the reduction in the prime rate than to the lowering of margin requirements in late July.

In the longer maturities, virtually all yields moved downward steadily during July and August. By mid-August, yields on 3-to 5-year United States Government securities were more than 1 percent below the mid-May high, while long-term bond yields fell to their lowest level in over a year. State and local government yields fell sharply in August to the lowest level since the summer of 1958.

Both Aaa and Baa grades of corporate bond yields fell steadily during both July and early August.

Municipal bond market strong; yields drop rapidly

The tone of the municipal bond market strengthened in late July through late August. Municipal bond yields had been relatively sticky in July while long-term United States Government security yields were falling, but they began to join in the decline by the last week of the month and dropped sharply during August. The Bond Buyer's 20 bond yield index fell 24 basis points, from 3.51 on July 21 to 3.27 on August 25.

Twelfth District governmental units issued a seasonally smaller volume of new securities in August than in July. District agencies marketed new issues in August at significantly lower interest rates than prevailed in July. The State of California sold $15 million in Harbor Bonds on August 17 at a net interest cost of 3.309 percent, having rejected a June 28 bid for the same bonds at 4.01 percent. Part of the reduced rate, however, was attributable to the fact that the second time the bonds were offered the maturity was reduced by 10 years.

CHANGES IN SELECTED BALANCE SHEET ITEMS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

(dollar amounts in millions)

	Twelfth District				United States			
	From July 27, 1960 to August 24, 1960		From August 26, 1959 to August 24, 1960		From July 27, 1960 to August 24, 1960		From August 26, 1959 to August 24, 1960	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
ASSETS:								
Total loans and investments	+418	+ 1.90	+158	+ 0.71	— 349	—0.33	+ 488	+ 0.46
Loans and investments adjusted[1]	+281	+ 1.29	+141	+ 0.64	— 295	—0.28	+ 540	+ 0.52
Loans adjusted[1]	+ 58	+ 0.39	+947	+ 6.76	— 58	—0.09	+3,162	+ 4.89
Commercial and industrial loans[2]	+ 13	+ 0.25	+541	+11.57	— 84	—0.27	+1,919	+ 6.62
Real estate loans[2]	— 12	— 0.23	— 46	— 0.88	+ 40	+0.32	+ 207	+ 1.68
Agricultural loans	+ 16	+ 2.48	+ 66	+11.09	+ 20	+2.02	+ 84	+ 9.06
Loans for purchasing and carrying securities	+ 45	+ 29.22	— 14	— 6.57	+ 208	+7.12	— 398	—11.28
Loans to nonbank financial institutions	— 9	— 1.09	+213	+35.15	— 296	—4.85	+ 236	+ 4.24
Loans to domestic commercial banks	+137	+110.48	+ 17	+ 6.97	— 54	—3.93	— 52	— 3.79
Loans to foreign banks	— 14	— 6.76	+ 22	+12.87	— 26	—3.72	+ 59	+ 9.62
Other loans	+ 19	+ 0.65	+197	+ 7.15	+ 80	+0.53	+1,145	+ 8.17
U. S. Government securities	+225	+ 4.45	—648	—10.93	— 174	—0.64	—2,120	— 7.24
Other securities	— 2	— 0.10	—158	— 7.67	— 63	—0.66	— 502	— 5.02
LIABILITIES:								
Demand deposits adjusted	— 63	— 0.58	—262	— 2.36	—1,363	—2.27	—2,183	— 3.59
Time deposits	+170	+ 1.57	+ 4	+ 0.04	+ 568	+1.74	+ 843	+ 2.60
Savings accounts	+ 34	+ 0.37	— 13	— 0.14	n.a.	n.a.	n.a.	n.a.

n.a. Not available.
[1] Exclusive of loans to domestic commercial banks and after deduction of valuation reserves; individual loan items are shown gross.
[2] Dollar and percent change figures for the Twelfth District do *not* reflect a reclassification of $40 million in loans from commercial and industrial to real estate as shown on this Bank's published FR 416x report of August 24, 1960.
Source: Board of Governors of the Federal Reserve System and Federal Reserve Bank of San Francisco.

District bank loans and deposits increased in August

After a decline of $230 million in July, loans[1] at District weekly reporting member banks rose $58 million in the first four weeks of August. All loan categories, except real estate loans, loans to nonbank financial institutions, and loans to foreign banks, shared in the expansion. Business loans increased $13 million, and consumer loans rose $19 million, a reversal of the downward trend which prevailed for these two loan categories throughout July. Loans to brokers and dealers for purchasing and carrying Government securities increased $47 million during this period. Agricultural loans rose $16 million as District farmers continued to increase their bank debt. After a small rise in July, real estate loans again moved downward in August.

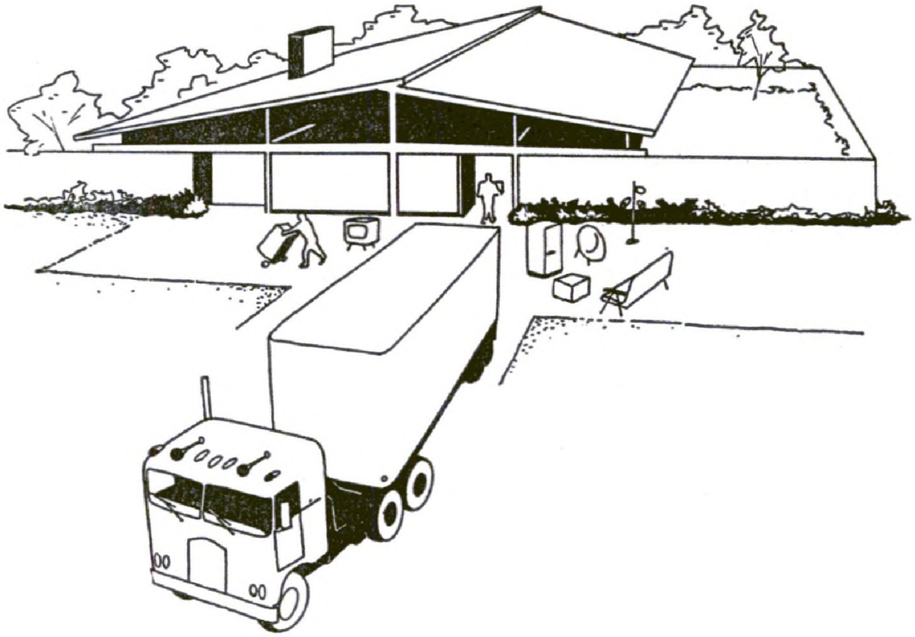
Since mid-year there does not yet appear to be any conclusive evidence of a marked decline in demand for bank credit in the District. The exceptions to this generalization may be some slight slackening in demand for credit to finance consumer expenditures and a decline in demand for financing of speculative business projects. Over the past year and a half, banks in the District have expanded their loan portfolios by record amounts. As a result, the ratio of loans to deposits at reporting banks has increased from 53 percent in January 1959 to 64 percent in July 1960. Banks have, therefore, become increasingly selective in their loan policies, and the momentum built up by bank management to be selective may persist after considerable easing in their reserve positions.

Although demand deposits adjusted at District reporting member banks declined $63 million in the first 4 weeks of August, time deposits rose $170 million, with savings deposits increasing $34 million. Thus, since April, District reporting banks have been recovering some of the time deposits lost during the heavy drains which occurred during the first months of the year; total time deposits are now only slightly below the year-end level.

In the first four weeks of August, District weekly reporting banks continued to increase their portfolios of Government securities as they had in July. Total holdings rose $225 million; Treasury bills were up $81 million and certificates of indebtedness $96 million. The increase in bank holdings of Governments also extended to notes and bonds, both intermediate- and long-term.

[1] Total loans less loans to domestic commercial banks.

The Current Housing Situation in Perspective



RESIDENTIAL construction, after declining throughout the last half of 1959 and the early part of this year, leveled off and has been moving without a clear cut trend for the last several months. Housing starts reached a low point in March but rose in April to a seasonally adjusted annual rate of 1.3 million and continued at about this pace through June. In July, however, starts declined to a rate of 1.17 million. The seasonally adjusted annual rate of residential outlays has been about $22 billion since the first of this year, dropping slightly during the January-April period, but with minor increases in May and June and a decline in July and August. Is this relative stability a prelude to a further decline, or are we on the threshold of a rising volume of residential building? There have been some signs, especially in the mortgage market, that point toward improvement in the latter part of this year. One difficulty encountered in determining whether we are entering into the upswing stage of the housing cycle is that housing is subject to the influence of a wide range of factors that shift in importance over time. As a result, it is possible to make the mistake of basing judgments on developments that are of less significance currently than they were in earlier periods. A look at the three most recent housing booms may provide some perspective for assessing current happenings in the housing market as they bear on the outlook for homebuilding.

Housing booms, 1949-59

Although there have been five periods from the beginning of 1949 through 1959 in which the level of homebuilding has risen consistently for at least six months, not all of these can be considered as booms. Booms, whether within the entire economy or in particular markets, are generally considered to be periods in which there is not only a sustained but a substantial increase in the level of activity. Table 1 indicates that only the in-

TABLE 1

BOOMS IN RESIDENTIAL CONSTRUCTION

	Duration in Months	Percentage Increase
NEW PRIVATE PERMANENT DWELLING UNIT STARTED		
I Feb. 1949 - Aug. 1950	18	90.8
II July 1951 - April 1953	21	23.5
III Aug. 1953 - Dec. 1954	16	43.3
IV Mar. 1957 - Aug. 1957	5	13.2
V Feb. 1958 - April 1959	14	56.7
PRIVATE RESIDENTIAL CONSTRUCTION EXPENDITURES		
I April 1949 - Sept. 1950	17	79.0
II Aug. 1951 - June 1953	22	20.4
III Sept. 1953 - June 1955	21	39.7
IV June 1957 - Oct. 1957	4	4.9
V April 1958 - May 1959	14	41.8

Source: Housing and Home Finance Agency.

creased activity in the years of 1949-50, 1953-55, and 1958-59 had the dimensions of a housing boom.

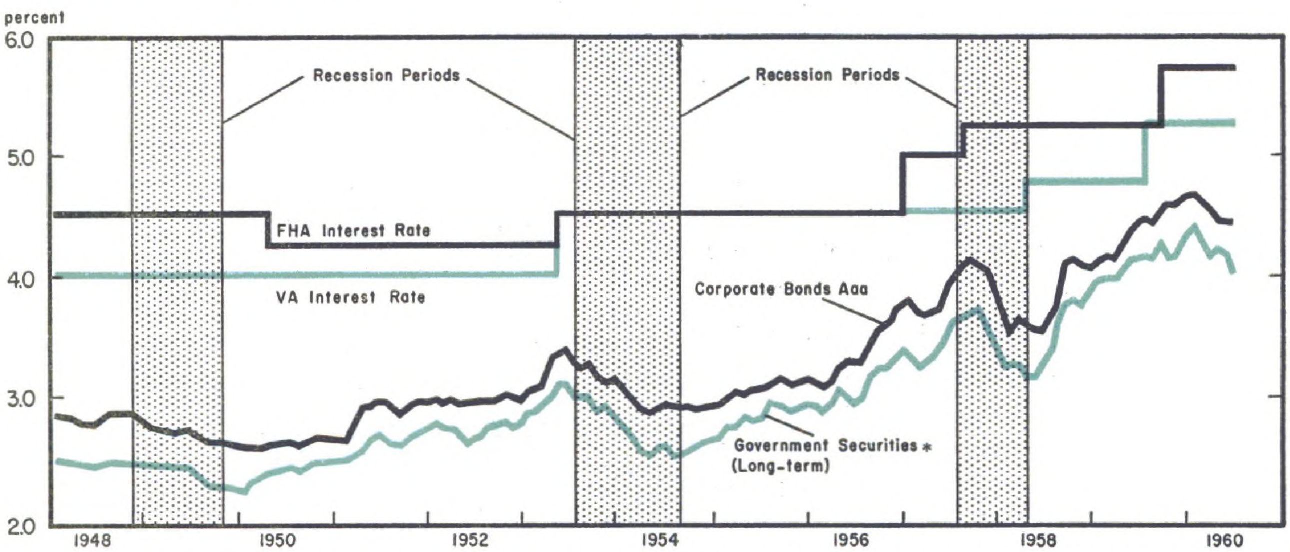
The 1949-50 boom

In the early part of 1949, both housing starts and residential construction expenditures began to rise and continued to increase through the latter part of 1950. During this period, the level of new home construction almost doubled. Total mortgage debt also increased substantially; and its rise of over $14 billion during those two years accounted for approximately 28 percent of the net increase in total private debt.

This increased pace of activity resulted from a combination of factors. A strong demand for new housing existed at the time. Households were being formed at record rates. The presence of a large number of couples still doubled up in dwelling units also added strength to demand. Furthermore, much of the pent-up demand for better housing carried over from World War II had not been fully satisfied. Congress paved the way for the realization of this demand by liberalizing credit terms on both FHA-insured and VA-guaranteed mortgages in its 1948 housing legislation.

Equally important was the increased availability of funds for mortgages which began to appear in the early part of 1949. The business recession which developed in the latter

Spread between yields on bonds and interest on mortgages
increases during recession



*From January 1948 to April 1952, this series includes bonds due or callable after 15 years. From April 1952 to January 1957, the series is based on fully taxable 2½ percent bonds first callable after 12 years. From January 1957 on, the series is based on bonds maturing or callable in 10 years or more.
Source: *Federal Reserve Bulletin.*

part of 1948 brought with it a decline in the overall demand for borrowed funds. In combination with measures taken at the time by the monetary authorities to ease credit conditions, this slowing of business activity caused a gradual decline in the level of interest rates. The yields on corporate bonds, approximately 2.80 in July of 1948, declined to about 2.60 by mid-1949 and remained there until mid-1950. Correspondingly, long-term Government security yields fell from 2.45 to around 2.20. Since the rates on FHA and VA mortgages were fixed at 4½ and 4 percent, respectively, these mortgages became increasingly attractive relative to other types of long-term obligations, particularly to investors such as commercial banks, insurance companies, and mutual savings banks. An indication of investor response is reflected in the data in Table 2 which shows the increases in net holdings of federally-insured mortgages during these two years.

TABLE 2

NET CHANGE IN MORTGAGE DEBT OUTSTANDING BY TYPE OF FINANCE FOR SELECTED INVESTORS

(Billions of dollars)

	Savings and Loan Associations			Insurance Companies			Commercial Banks			Mutual Savings Banks			Federal National Mortgage Association		
	FHA	VA	Conv.	FHA	VA	Conv.	FHA	VA	Conv.	FHA	VA	Conv.	FHA	VA	Conv.
1947	—	1.0	.7	.2	.5	.4	.1	1.0	.6	.1	.3	—	—	—	—
1948	.1	.4	.9	.9	.3	.4	.5	.3	.4	.3	.3	.1	.1	—	—
1949	.2	.2	.9	1.2	.1	.4	.4	.2	—	.2	.3	.4	.2	.4	—
1950	.1	.4	1.5	1.1	.8	.8	.7	.2	.9	.7	.4	.3	—.2	.8	—
1951	—	.1	1.7	.6	1.1	.8	.3	.3	.2	.9	.2	.5	—	.5	—
1952	.1	.3	2.4	.5	.2	.8	.3	.1	.4	.7	.5	.1	.1	.3	—
1953	.1	.6	2.8	.3	.3	.9	.2	.1	.5	.3	.9	.3	.3	—.1	—
1954	.2	.7	3.3	.1	1.0	.9	.2	.3	.8	.3	1.2	.3	.2	—.2	—
1955	.2	1.2	3.7	.2	1.5	1.0	.4	.3	1.0	.6	1.5	.3	.1	.1	—
1956	.1	.7	3.4	.3	1.2	.9	.2	.2	.7	.1	1.3	.7	.1	.3	—
1957	.1	.4	3.9	.1	.4	1.1	.1	—.3	.4	.4	.7	.2	.3	.7	—
1958	.6	.1	4.5	.9	—	.4	.7	—.3	.9	.7	.8	.4	.2	—.3	—
1959	.8	.1	6.0	.9	—.6	1.1	.7	—.2	1.2	.8	—	.6	1.1	.6	—

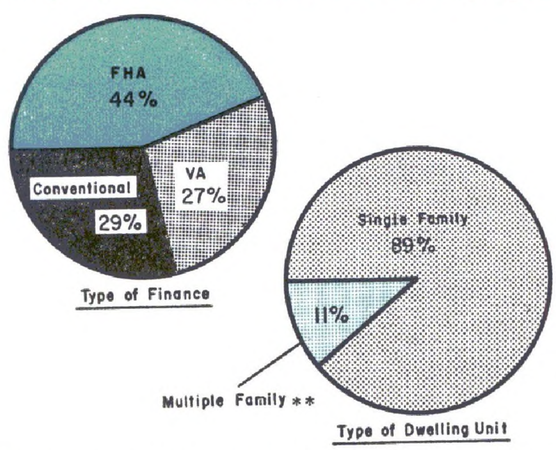
Source: Housing and Home Finance Agency, *Housing Statistics*, March, 1960.

The importance of these additional funds stems from the fact that over 70 percent of the increased construction was financed by the use of FHA and VA mortgages. During most of this period, although the rate on VA mortgages was ½ percent below that on FHA mortgages, funds were still being made available to veterans through VA-guaranteed mortgages. This availability was partly related to the respective credit terms on FHA and VA mortgages. Loans without downpayment were permissible under the VA program whereas most FHA loans required at least a 10 percent downpayment. There were many veterans in the market for homes at the time who found the no-downpayment loan most attractive, and the large demand for such mortgages was accompanied by a willingness on the part of lenders to invest a substantial volume of funds in them. In addition, some investors preferred VA-guaranteed mortgages because of the procedure by which the Veterans Administration settled default claims. The VA made cash payments as compared with the Federal Housing Administration procedure of issuing debentures equal in value to the amount of the claim, and at that time those debentures were selling for substantially less than par.

An additional factor was the expansion of VA mortgage purchases by the Federal National Mortgage Association. Congress, openly concerned with the shortage of VA mortgage funds that appeared to be developing in 1948, gave FNMA in July of that year both the authority and the appropriation with which to purchase a substantial quantity of VA mortgages at par. The Association was also authorized to issue advance commitments to builders to purchase these mortgages. A rapid expansion of purchases by FNMA ensued and increased its VA mortgage holdings from $11 million at the end of 1948 to $1,177 million by the end of 1950. This growth in FNMA holdings represented approximately 35 percent of the total increase in VA-guaranteed mortgage debt during those two years.

The accompanying chart shows that most of the increase in construction consisted of single family dwelling units. This growth re-

1949-50 housing boom financed chiefly by federally-insured mortgages*



*The increase in housing starts is measured as the difference between total housing starts during the years 1948 and 1950.
**Includes two or more family dwelling units.
Source: Housing and Home Finance Agency.

flected the increasingly liberal terms on federally-insured mortgages which made home ownership possible for many families who had been previously excluded from this market as well as a growing preference for home ownership. Rental unit construction also increased somewhat, primarily as a result of the strong demand for rental housing. Net household formations were at peak levels, reflecting in part the high marriage rates which prevailed at the time. Since young married couples, then, as now, were inclined toward renting rather than buying, this put considerable pressure on the existing stock of rental units. The Federal Housing Administration, acting under the provision of section 608 of Title VI of the National Housing Act, provided assistance through a program of insuring mortgages for rental housing projects in amounts up to $5 million and up to 90 percent of FHA's estimate of the cost.

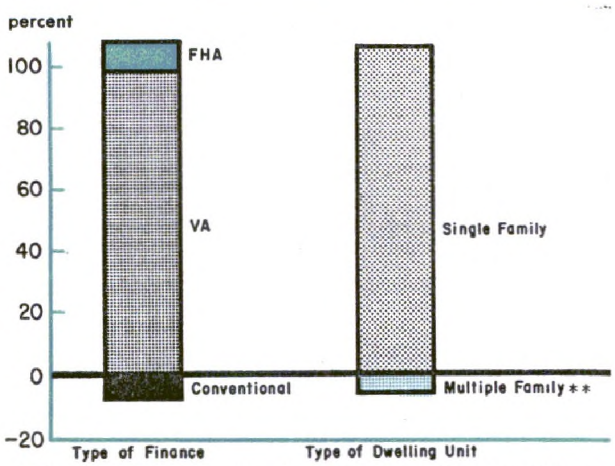
The 1953-55 boom

The housing boom that developed during the years 1953 through 1955 was similar to the earlier one in that the increasing levels of activity were associated with trends in business activity and in the overall credit market. The decline in business activity which started in the late summer of 1953 brought about a reduction in the overall demands for credit. This falling demand coupled with the effects of a Federal Reserve policy of credit ease led to a decline in interest rates. The yields on Aaa corporate bonds, close to 3.35 in June of 1953, declined to 2.90 by March 1954 and remained approximately at this level through the remainder of the year. Long-term Government security yields, about 3.00 in mid-1953, fell to a level of 2.50 by March the following year. As the rates on both FHA and VA mortgages were fixed at 4½ percent throughout this period, the spread between the yields on these mortgages and competitive investments increased, thereby making mortgages increasingly attractive to investors. The extraordinary response of investors to the financial system is once again apparent in the increase in the federally-insured mortgage holdings of the major investors in this market during the years 1954 and 1955, shown in Table 2.

The impact of these financial developments on the level of homebuilding began to become apparent in the latter part of 1953. Both housing starts and residential construction expenditures increased and continued to rise for approximately a year and one-half. During this period both expenditures and housing starts increased by close to 40 percent, less than the rise in the 1949-50 period. Total mortgage debt rose by over $23 billion during 1954 and 1955, accounting for more than 32 percent of the net increase in total private debt.

In spite of those elements of similarity, that boom differed considerably from the earlier one. Whereas the 1949-50 boom reflected increased construction of both single and multiple dwelling units financed by all

VA housing boom in 1954 and 1955*



*The increase in housing starts is measured as the difference between total housing starts during the years 1953 and 1955.
**Includes two or more family dwelling units.
Source: Housing and Home Finance Agency.

three types of mortgages, FHA, VA, and conventional, the 1953-55 increase was almost exclusively the result of an expansion in the construction of single family dwelling units financed with VA-guaranteed mortgages. The reasons for these differences are largely related to housing demand. By 1954 the underlying determinants of new housing demand had lost much of the urgency they possessed during the earlier period. The net addition to the nonfarm household population was running below one million per year, and the number of families doubled up had declined considerably. There were, however, many families, especially among renters, who wanted better housing but who had been excluded from the market because they had neither the money to make a downpayment nor the income to keep up the monthly mortgage payments under existing mortgage financing terms. In effect, these families were given access to the housing market by a series of administrative and Congressional actions taken during this period which not only removed the restrictions imposed during the early stages of the Korean conflict but further liberalized the credit terms on FHA and VA mortgages. However, these families could only become a part of effective demand when funds were made available at these liberal terms, and in this sense financial factors were more important during this period. Investors made funds available in the form of FHA and, more particularly, VA mortgage loans because these loans represented the best investment opportunities at the time.

TABLE 3

MATURITY AND DOWNPAYMENT PROVISIONS OF VA PRIMARY NEW AND PROPOSED HOME LOANS

	Percent of Loans With				
	Maturity			Down Payment	
Year	Less than 25 years	25 years	26-30 years	Yes	No
1949	62	38	0	62	38
1950	47	46	7	46	54
1951	35	45	20	78	22
1952	44	45	11	93	7
1953	44	49	7	89	11
1954	14	49	37	67	33
1955	5	30	65	52	48
1956	6	37	57	68	32
1957	6	32	62	92	8
1958	5	13	82	71	29
1959	2	5	93	34	66

Source: Housing and Home Finance Agency.

Most of the funds went to home buyers through VA-guaranteed rather than FHA-insured mortgages even though the rates on these two were both fixed at 4½ percent throughout the period. Again, this reflects in part the investors' preference for VA-guaranteed mortgages which provide cash payments for defaults. More important during this period, however, is the fact that VA mortgage loans were in greater demand by home buyers because of their liberal terms. Beginning in April 1953, the no-downpayment, 30 year maturity loan was permissible under the VA loan insurance program. This was also the period of the "no-no-downpayment" loan, in which the veteran was even relieved of closing costs. In contrast, it was not until August 1954 that Congress raised the permissible maturities on FHA mortgages to 30 years, and there was a downpayment requirement on all FHA mortgage loans of at least 5 percent.

TABLE 4

LOAN-VALUE AND MATURITY PROVISIONS OF FHA (SEC. 203) NEW HOME LOANS

Year	Maturity Average Length in Years	Loan-Value Ratios—Percent of Loans With 75% or less	75-90%	91-95%	96-97%
1949	22.8	10.8	78.5	10.8	—
1950	24.1	7.2	76.8	16.0	—
1951	23.4	14.1	67.7	18.2	—
1952	21.7	18.2	71.6	10.2	—
1953	22.2	11.1	66.2	22.7	—
1954	22.9	11.0	66.0	22.8	—
1955	25.6	9.3	57.4	33.3	—
1956	25.5	11.0	70.9	18.1	—
1957	25.5	11.9	75.8	11.5	.7
1958	27.3	5.5	40.3	39.7	14.5

Source: Housing and Home Finance Agency.

The 1958-59 boom

As in the prior two booms, the expansion during this period was associated with events taking place in the economy and in the overall credit market. Economic activity declined in the second half of 1957, turning down sharply late that year. Again, one consequence of this was a decline in the overall demand for credit which helped to push down the level of interest rates. The yields on Aaa corporate bonds, hovering around 4.10 in October 1957, declined to 3.60 by June 1958. The yields on long-term Government securities also fell from 3.70 to around 3.15 during this same period. After June, the yields on both of these types of bonds began to rise and continued increasing throughout the remainder of 1958 and all of 1959. FHA and VA mortgage rates were 5¼ and 4¾ percent, respectively, for the first part of this period but in mid-1959 were both increased by ½ percent. Thus, during the latter part of 1957 and through the first half of 1958, FHA and VA mortgage rates became increasingly attractive to investors. It was at this time the housing boom began to develop. Both housing starts and residential construction expenditures began to rise in the early part of 1958 and increased for a period of slightly over one year. Housing starts reached a peak in April 1959, whereas expenditures turned down after May. During this period both expenditures and housing starts increased by approximately one-half, slightly more than the 1953-55 rise but less than in 1949-50. Total mortgage debt rose substantially, increasing $27 billion during 1958 and 1959 and accounting for over 34 percent of the net increase in total private debt. In sharp contrast with the previous period, approximately 60 percent of the increase in housing starts in the recent boom was in conventionally-financed construction. To a large extent this reflects the net inflow of funds into savings and loan associations during 1958 and 1959, almost one-third again as large as the total during the years 1956 and 1957. Moreover, these associations had additional access to funds by virtue of their heavy borrowing from the Federal Home Loan Banking System throughout 1959. This inflow of funds into savings and loan associations had a significant impact on the level of conventionally-financed construction since these associations invest most of their funds in conventional home mortgages. Savings and loan associations alone accounted for approximately 56 percent of the net increase in conventionally-financed mortgage debt during this two-year period.

Other major investors in the mortgage market, particularly commercial banks, also increased their investment in conventional mortgages. Over 50 percent of the increase in the total nonfarm mortgage holdings of commercial banks, insurance companies, and mutual savings banks during the 1958-59 period was accounted for by conventional mortgages, a substantially larger proportion than in the two earlier periods of boom. This reflects what seems to be a growing preference for conventional mortgages by these investors. This preference is partly related to

Table 5

SELECTED FACTORS AFFECTING THE DEMAND FOR HOUSING

Year	Net Household Formations (Thousands)	Married Couples Without Own Households (Thousands)	No. of Marriages (Thousands)	Marriage Rates per Thousand Population
1948	1,443	2,464	1,811	12.4
1949	1,571	2,168	1,585	10.6
1950	1,592	2,016	1,667	11.1
1951	1,308	1,758	1,595	10.4
1952	967	1,558	1,539	9.9
1953	949	1,546	1,546	9.8
1954	896	1,471	1,490	9.2
1955	844	1,304	1,531	9.3
1956	893	1,263	1,585	9.5
1957	1,189	1,229	1,518	8.9
1958	899	1,215	1,451	8.4
1959	685	1,109	1,494	8.5

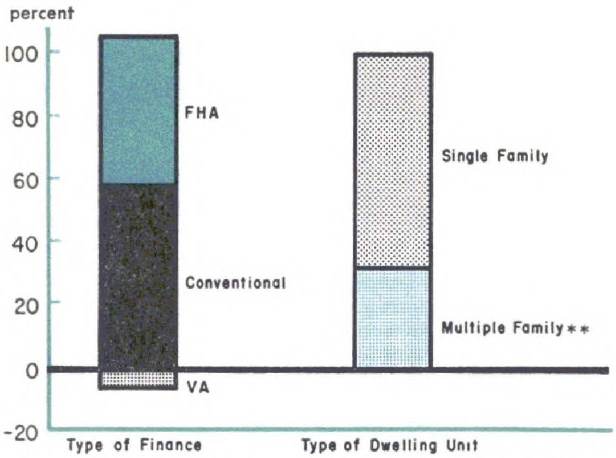
Source: Housing and Home Finance Agency.

the fact that they have more control over the terms of conventional mortgages and since the payment period is usually shorter for these mortgages, funds are tied up for shorter periods. In addition, there is less "red tape" associated with conventional mortgages.

The underlying determinants of demand were much the same as in the 1953-55 period, i.e., they were not so strong nor as pressing as in the immediate postwar period. As indicated above, the expansion in 1954-55 resulted primarily from the shift into homeownership encouraged by the liberal terms on VA-guaranteed mortgages. Since the conventional mortgage generally provides less of a basis for entry of the "marginal" buyer and since the underlying determinants of demand do not appear to have been sufficiently strong enough to have brought about the levels of construction attained during the peak of the boom, it is reasonable to ask what was the basis of demand.

Although the factual information needed to answer this question is not fully available, there are several observations that can be made. It is likely that some of the demand resulted from home purchases by families who entered the market for the purpose of "upgrading" their housing standards. Some of these undoubtedly were "upper" income families who had little worry over downpayment provisions or monthly mortgage payments. On the other hand, many of these families probably did not have the money for a large downpayment but made a purchase by resort to a junior mortgage or other form of supplemental lending. Data on the total volume of this kind of lending during this period are scant. However, it is significant to note a substantial increase in the conventional mortgage holdings of "individuals and others." The net increase in their holdings of these mortgages during the 1958-59 period was half again as large as that during 1957 and 1958 and over twice as large as that during the two previous boom periods. This suggests an increased volume of supplemental lending as most of these mortgage loans are held by persons and institutions in this classification.

Multiple and conventionally-financed housing starts rose in 1958-1959*



*The increase in housing starts is measured as the difference between total housing starts during the years 1957 and 1959.
**Includes two or more family dwelling units.
Source: Housing and Home Finance Agency.

It also appears that some of the increased construction was speculative in nature and resulted in a certain amount of overbuilding. As shown in the accompanying chart, more than 30 percent of the increase in construction was in multiple or rental dwelling units. Corresponding to the 1954-55 period, rental housing demand was not so strong as it was in the late forties. Both net household formations and the number of marriages were still well below the early postwar levels. Of course, there were developments taking place which probably added some strength to the demand for rental units, e.g., a growing number of single persons setting up private housekeeping units, increased movement back to the city and into apartment units, especially by mature couples, etc. Part of the apartment house boom during the 1958-59 period may have been the result of the actions of some builders who reportedly began to build rental units as a means of utilizing the production capacity for single family homes built up during the early stages of the boom. In any event, it has become apparent in recent months that some over-building did occur, as rental vacancy rates have risen during the first two quarters of 1960 in spite of the declining levels of construction over the past year.

In contrast to its importance in the earlier booms, construction financed with VA mortgages contributed little to the expansion during this period. As indicated above, the earlier importance of the VA program resulted largely from the exceptionally liberal credit terms of the VA-guaranteed mortgage. Liberal terms still prevailed during the 1958-59 period, as shown in Table 3, yet the VA program was of much less consequence. This was chiefly the result of an interest rate fixed well below what was deemed competitive. By October 1957, the spread between the 4½ percent rate on the VA mortgage and the yield on Aaa corporate bonds had been reduced to 40 basis points, well below what it had been in earlier periods when these mortgages had trouble competing for funds. The declining yields on these bonds raised the spread to 1.15 percentage points by June of 1958, but this still compared unfavorably with earlier periods, e.g., 1.40 in 1950 and 1.60 in 1954, and with the current spread of 1.65 between FHA mortgages and these bonds. Theoretically, this low rate on VA mortgages was offset by the larger discounts which were applied to these mortgages. However, a number of financial institutions were reluctant to acquire them at large discounts. Many felt that acceptance of such discounts might expose them to public disapproval because of the "unethical" stigma they felt was attached to this practice. This attitude was reinforced by recurrent adverse Congressional reaction to mortgage discounts. Moreover, builders were not very receptive to large discounts on VA mortgages. Although both FHA and VA appraisals did not recognize discounts on mortgages as cost items, these discounts were easier to pass on to the buyer who financed the purchase with a FHA mortgage since the buyer was not legally prohibited from paying more than the

FHA appraisal. On the other hand, the "reasonable" value placed on the home by the VA controlled the maximum price the veteran was permitted to pay for the home, thus, forcing the builder to absorb the discount out of his profits.

A final distinguishing feature of this period is the important role of mortgage purchases by the Federal National Mortgage Association in the expansion of new construction financed by FHA-insured mortgages. In April 1958, as an antirecession measure, Congress appropriated $1 billion to FNMA which the Association used under its special assistance function to purchase FHA and VA mortgages on low- and medium-income housing. The Association also expanded its secondary market purchase in response to the "tightness" which developed in the mortgage market in mid-1959. As a result, its mortgage holdings increased by close to $1.6 billion during 1958 and 1959. However, in contrast to its expanded operations during the 1949-50 period, the majority of these purchases were of FHA rather than VA mortgages. FNMA's holdings of FHA-insured mortgages increased by over $1.3 billion during 1958 and 1959, accounting for approximately 16 percent of the total net increase in FHA debt during this period.

The current housing situation

Throughout the last half of 1959 and the early part of 1960, homebuilding was in the downswing stage of the housing cycle. Both housing starts and residential outlays fell continuously during this period. Recently, this downward movement has leveled off, and there have been signs in the mortgage market that provide some basis for expecting improvement in the latter part of the year. After being under heavy pressure last fall and winter, residential mortgage markets have eased slightly in recent months. However, it does not automatically follow that residential construction is entering the early stages of an upswing in the housing cycle. In the current situation there is uncertainty arising out of such unfavorable developments as a continued rise in rental vacancy rates and the failure of FHA applications and VA appraisal requests to pick up as much as expected during June and July.

It is clear from our discussion above that what the future holds in store for housing is related in large part to what is currently happening in the economy. Since all three housing booms have been associated with periods of economic decline, it is significant to note that the economy has exhibited little exuberance in recent months. The gross national product increased only slightly during the second quarter, rising from $501 billion to $505 billion on a seasonally adjusted annual basis. Industrial production has leveled off in recent months. Interest rates have also turned down sharply. In contrast, the yields on FHA and VA mortgages have remained relatively unchanged. Certainly our past experience suggests this increasing spread between the yields on FHA and VA mortgages and competitive forms of investment should make these mortgages more attractive to investors, and, therefore, FHA and VA mortgage funds should become more plentiful in the near future. Conceivably, the impact could be greater than it was earlier since the interest rates on these mortgages are higher now. Another favorable financial factor is the continued heavy flow of savings. For example, the net increase in the savings capital of savings and loan associations in the first half of 1960 was 7 percent above the record level of the corresponding period of a year ago. This means substantial additions to the supply of funds available for home purchase, especially in the form of conventional mortgage loans.

These are favorable signs from the availability side of mortgage funds. In themselves, assuming that the current trends continue, they portend rising levels of construction in the near future. However, is it possible to assume the presence of a demand sufficient to support a rising level of homebuilding?

Because of the anticipated increase in the level of family formations, the opportunities for housing in the sixties are generally considered to be favorable. However, the increasing number of family formations is not expected to materialize until after 1965. Currently, this most important demographic factor is about the same as it was throughout the 1950's. Thus, the underlying demand conditions are similar to what they were during the boom periods of 1953-55 and 1958-59. During the 1953-55 period, additional buyers were attracted into the market by the exceptionally liberal terms on VA mortgages. During the 1958-59 period, the boom was sustained in part by what appears to be speculative apartment building construction. Neither of these two appear to be important factors in the current period. There is some doubt as to how much more demand can be stimulated by further liberalizing mortgage credit terms, partly because there is not much room left in which to liberalize. Rising rental vacancy rates should exert some drag on new apartment building. Another unfavorable factor is the relatively high interest cost on mortgages which might discourage some families from making a home purchase.

It is possible that the number of decisions made to postpone home purchase during the recent period of decline, i.e., the pent-up demand, will provide the basis for future increasing levels of new construction. However, the basic demand situation, the higher overall level of interest rates, and the relatively high rental vacancy rates suggest that there are more impediments in the way of a strong upswing in housing construction than in the earlier periods.

Note: The series, Bank Debits Index—31 cities, which is published in the Banking and Credit Statistics and Business Indexes table, has been revised beginning with 1953 data. Figures previously published were based on a six-day week, while the revised series is based on a five-day week. The revised indexes reflect new seasonal factors.

BANKING AND CREDIT STATISTICS AND BUSINESS INDEXES—TWELFTH DISTRICT[1]

(Indexes: 1947-1949=100. Dollar amounts in millions of dollars)

Year and Month	Condition items of all member banks[2]				Bank debits index 31 cities[4, 5]	Bank rates on short-term business loans[6]	Total nonagricultural employment	Total mf'g employment	Carloadings (number)[5]	Dep't store sales (value)[5]	Retail food prices[7, 8]
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[3]	Total time deposits							
1929	2,239	495	1,234	1,790	42	....	...	...	102	30	64
1933	1,486	720	951	1,609	18	....	...	...	52	18	42
1939	1,967	1,450	1,983	2,267	30	....	60	57	77	31	47
1950	......	......	......	......	...	....	103	105	98	107	100
1951	7,866	6,463	9,937	6,777	132	3.66	112	121	100	112	113
1952	8,839	6,619	10,520	7,502	140	3.95	118	130	100	120	115
1953	9,220	6,639	10,515	7,997	150	4.14	121	137	100	122	113
1954	9,418	7,942	11,196	8,699	153r	4.09	120	134	96	122	113
1955	11,124	7,239	11,864	9,120	173r	4.10	127	143	104	132	112
1956	12,613	6,452	12,169	9,424	190r	4.50	134	152	104	141	114
1957	13,178	6,619	11,870	10,679	204r	4.97	138	156	96	140	118
1958	13,812	8,003	12,729	12,077	209	4.88	138	154	89	143	123
1959	16,537	6,673	13,375	12,452	237	5.36	143	163	93	157	123
1959											
August	15,924	6,932	12,797	12,378	242r	....	144	164	105	157	123
September	15,978	6,717	12,850	12,365	240r	5.54	144	163	87	157	123
October	16,010	6,702	12,963	12,316	243r	....	144	161	71	158	123
November	16,252	6,651	13,133	12,138	243r	....	145	164	91	155	123
December	16,537	6,673	13,375	12,452	240r	5.71	145	165	98	158	123
1960											
January	16,354	6,304	12,971	12,111	248r	....	146	167	99	157	124
February	16,388	5,976	12,493	12,017	243r	....	147	167	92	159	123
March	16,660	5,707	12,553	11,986	242r	5.72	147	167	95	157	123
April	16,933	5,999	12,810	12,042	254r	....	148	166	95	159	126
May	17,104	5,813	12,290	12,142	255r	....	148	164	95	153	125
June	17,131	5,738	12,298	12,277	255r	5.73	148	163	85	153	125
July	16,895	5,967	12,608	12,253	260r	....	148	163	81	159	126
Augustp	17,145	6,301	12,584	12,455	...	....	...	...	...	...	...

Year and month	Industrial production (physical volume)[5]							Waterborne Foreign Trade Index[9, 10]					
		Petroleum[7]						Exports			Imports		
	Lumber	Crude	Refined	Cement	Steel[7]	Copper[7]	Electric power	Total	Dry Cargo	Tanker	Total	Dry Cargo	Tanker
1929	95	87	78	55	...	103	29	190	150	247	124	128	7
1933	40	52	50	27	...	17	26	110	...	...	72	...	...
1939	71	67	63	56	24	80	40	163	107	243	95	97	57
1950	114	98	103	112	125	115	120	91	80	108	142	145	103
1951	113	106	112	128	146	116	136	186	194	175	163	140	733
1952	115	107	116	124	139	115	145	172	200	129	206	142	1,836
1953	116	109	122	131	158	113	162	141	138	146	314	163	4,239
1954	115	106	119	133	128	103	172	133	141	123	268	166	2,912
1955	122	106	124	145	154	120	192	165	178	149	313	187	3,614
1956	120	105	129	156	163	131	209	201	261	117	459	219	7,180
1957	106	101	132	149	172	130	224	231	308	123	582	216	10,109
1958	107	94	124	158	142	116	229	176	212	123	552	218	9,096
1959	116	92	130	174	138	99	253	186	221	135	682	283	11,083
1959													
July	118	92	136	192	79	118	267	166	215	96	612	284	9,168
August	111	92	136	191	11	76	256	196	265	97	654	254	11,074
September	113	92	132	176	13	36	248	171	217	107	678	269	11,344
October	115	91	132	186	15	40	249	231	289	150	702	261	12,206
November	117	91	133	154	148	43	257	148	202	71	807	290	14,284
December	129	91	131	152	212	40	257	209	266	128	858	302	15,333
1960													
January	127	90	130	141	197	67	263	229	296	134	958	277	18,687
February	127	90	127	140	206	116	258	230	271	172	720	259	12,719
March	120	91	131	153	183	134	273	287	316	246	607	296	8,707
April	113	91	137	180	162	141	262	240	287	172	811	286	14,484
May	112	91	136	180	164	144	272	251	330	139	...	...	...
June	101	91	132	180	158	142	...	...	...	...	...	...	...
July	...	...	...	165	134p	...	...	...	...	...	...	...	...

[1] Adjusted for seasonal variation, except where indicated. Except for department store statistics, all indexes are based upon data from outside sources, as follows: lumber, California Redwood Association and U.S. Bureau of the Census; petroleum, cement, and copper, U.S. Bureau of Mines; steel, U.S. Department of Commerce and American Iron and Steel Institute; 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. [2] Annual figures are as of end of year, monthly figures as of last Wednesday in month. [3] Demand deposits, excluding interbank and U.S. Government deposits, less cash items in process of collection. Monthly data partly estimated. [4] Debits to total deposits except interbank prior to 1942. Debits to demand deposits except U.S. Government and interbank deposits from 1942. [5] Daily average. [6] Average rates on loans made in five major cities, weighted by loan size category. [7] Not adjusted for seasonal variation. [8] Los Angeles, San Francisco, and Seattle indexes combined. [9] Commercial cargo only, in physical volume, for the Pacific Coast customs districts plus Alaska and Hawaii; starting with July 1950, "special category" exports are excluded because of security reasons. [10] Alaska and Hawaii are included in indexes beginning in 1950. p—Preliminary. r—Revised.