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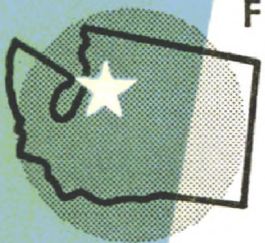
ALASKA

Monthly Review



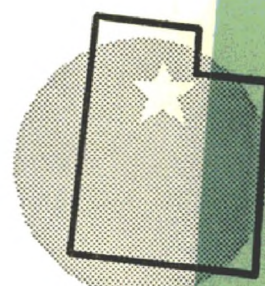
IDAHO

FEDERAL RESERVE BANK OF SAN FRANCISCO
TWELFTH FEDERAL RESERVE DISTRICT



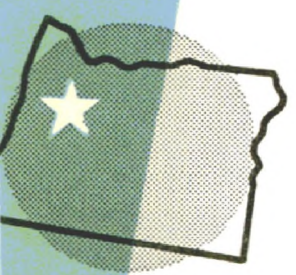
WASHINGTON

Annual Review Issue

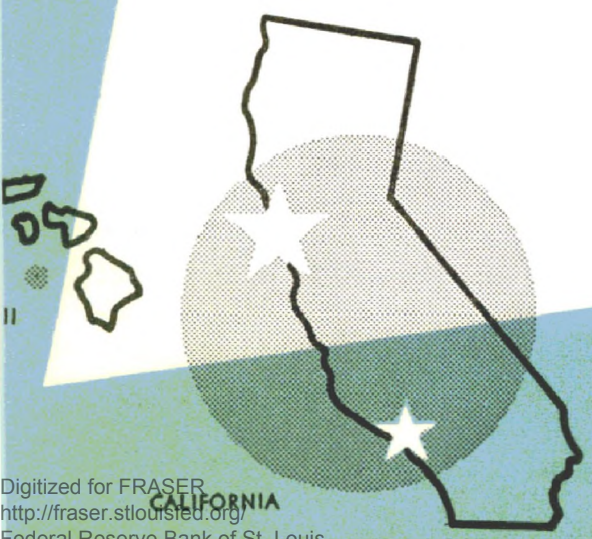


UTAH

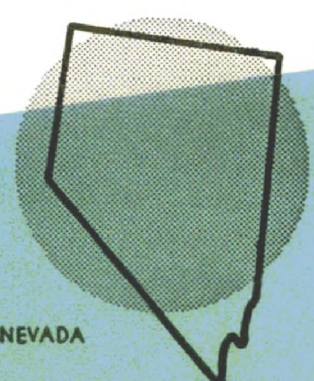
March 1963



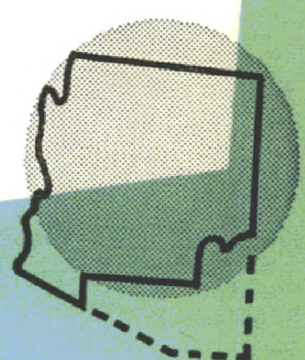
OREGON



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ARIZONA

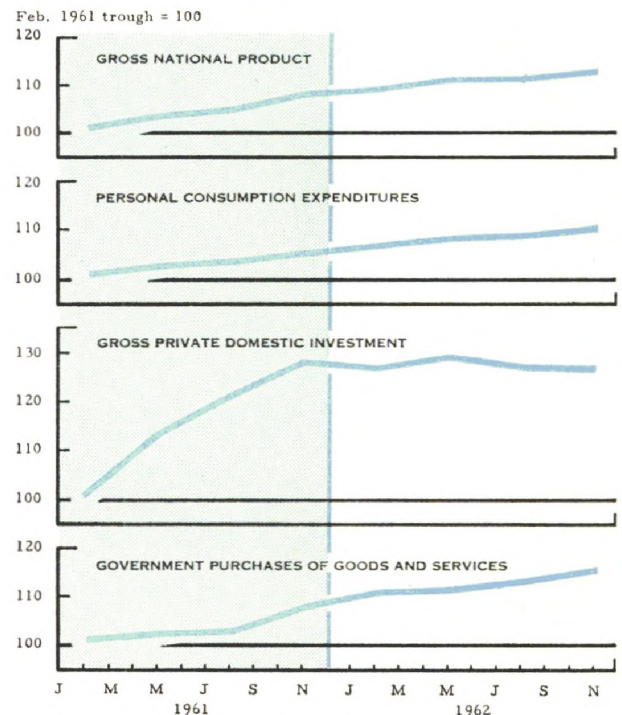
1962 . . . Annual Review

HIGH hopes were held out for the national economy at the beginning of 1962 because of the upthrust generated during the preceding three quarters by a 7.5 percent increase in gross national product, a 13 percent rise in industrial production, and a 27.5 percent spurt in private investment which was paced by a turnaround from inventory liquidation to inventory accumulation. But, as the year wore on, the rate of expansion was not maintained, although a number of major economic indicators moved up to record highs. The leveling off in economic activity, particularly after mid-1962, fostered disappointment and doubts about the strength of the recovery and led to increased cautiousness on the part of both producers and consumers (with the exception of consumer purchases of automobiles). The disappointment was reinforced, moreover, by continued under-utilization of plant capacity, a persistently high unemployment rate, and by a still sizable balance of payments deficit, all of which received considerable attention in the press. Nevertheless, measured by the percentage gain from the low point of the recession, business activity was at about the same stage of recovery by the end of 1962 as in previous upswings, because the slower rate of expansion in 1962 followed a sharp upsurge in 1961. The steadiness of the economy at high levels over a period of months tended eventually to temper fears of a recession, and by year-end a somewhat greater degree of optimism was being voiced by many observers of the economic scene.

The slowdown in the rate of economic expansion in 1962 was most evident in the weakness of total private investment and net exports of goods and services. Consumer spending and government purchases of goods and services provided the principal support for the upswing, but insufficient support to stimulate investment very much. The reduction in net exports was due both to a leveling

Weakness in investment mainly responsible for leveling off of GNP

(Seasonally adjusted)



Source: United States Department of Commerce.

off in exports as major industrial countries abroad expanded less rapidly and to higher imports responding to improved levels of domestic business activity.

Inventories were the chief contributor to the lackluster performance of private investment in 1962. After the turnaround in inventories from liquidation to net accumulation in the second quarter of 1961, restocking moved up smartly through the next three quarters. Stocks of steel in particular rose substantially in the first quarter of 1962 in anticipation of a steel strike which failed to materialize. Subsequently, these stocks were worked down, and the decline in the rate of inventory accumulation became fairly widespread. By the end of 1962, inventory accumulation had fallen to an annual rate of only \$1.2 billion, and stocks were relatively low

in relation to the level of economic activity. Rebuilding of stocks has been dampened both by uncertainties regarding the near-term outlook and by more efficient inventory practices.

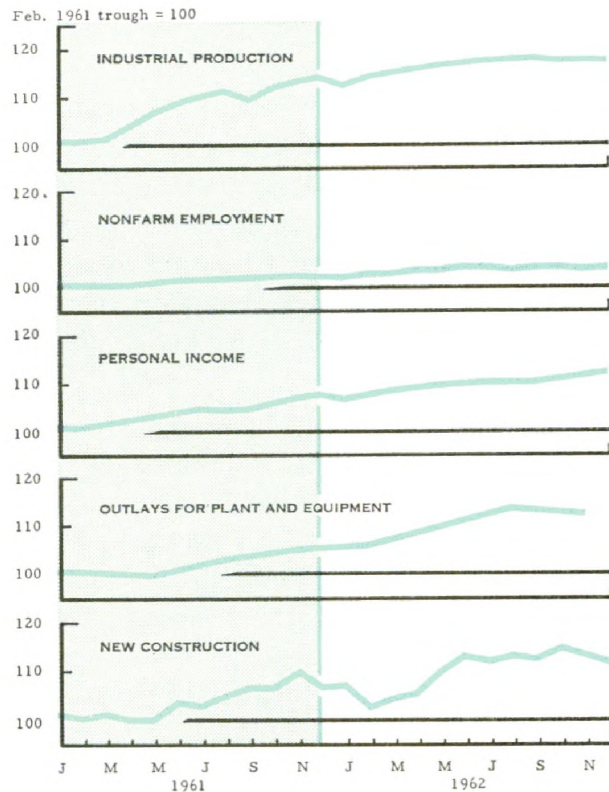
Most of the expansive force in 1962 of business outlays for plant and equipment, on the other hand, was spent by the third quarter, and in the fourth quarter, capital expenditures fell off. No change is expected in capital outlays in the first three months of this year. The sluggishness of plant and equipment spending was due in part to the reluctance of many firms to undertake major capital spending programs when there is substantial excess capacity and narrowing profit margins. The issuance by the Treasury in July 1962 of more liberal depreciation guidelines and the passage of an investment incentive tax program later in the year, therefore, were designed to stimulate investment by business, both currently and over the longer run. New construction—the other major component of fixed investment—after declining in the first quarter of 1962, rose to a record \$45 billion for the year. Much of the increase, however, was achieved in the first nine months of the year.

Spending by consumers and government, which constituted the chief sustaining factor in earlier recessions, played a similar role in the 1961-62 recovery. Government purchases of goods and services accounted for 40 percent of the rise in the nation's output of goods and services from the final quarter of 1961 to the end of 1962. More than half of the increase in this GNP account was due to higher Federal government expenditures, mainly for national defense and space programs, and the rest was due to increased Government employment and a general wage hike for Federal employees in October. State and local government spending also rose steadily over the year, with a fourth-quarter bulge caused by stepped-up highway expenditures.

Personal income climbed 6 percent in 1962

Most major indicators steady at high levels in second half of 1962

(Seasonally adjusted)



Source: Council of Economic Advisers, *Economic Indicators*.

to a record high, but the rate of increase diminished in the latter half of the year. Since all but a small proportion of disposable personal income generally is spent, consumer spending was a major stimulus to the economy in 1962. Spending on durables, nondurables, and services all shared in the 1962 expansion, in contrast to a decline in spending on durables in 1961. Automobiles contributed heavily to durable goods sales, since both 1962 and 1963 car models were received favorably. Domestic automobile sales reached 6.8 million units in 1962, second only to the 1955 record.

Reflecting the rise in consumer, government, and investment expenditures, industrial production advanced 9 percent in 1962, but the index was practically unchanged at 119 to 120 percent of the 1957-59 level after mid-year. All of the major sectors shared in the gain, but automobiles, machinery and equipment, and defense industries showed greater

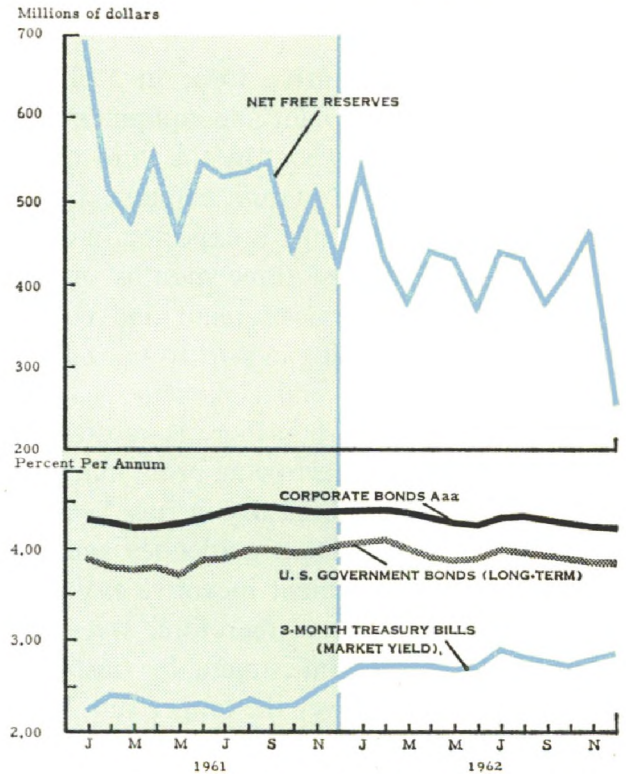
than average increases. The steel industry, which had boosted output sharply in the early part of the year, closed the year at a reduced rate of production; output for the year as a whole was about unchanged from 1961. After a promising rise in the backlog of orders in the spring months, new orders also began to lag; by the end of the year, unfilled orders generally were below their year-ago levels. Steel users, for example, drew down stocks accumulated earlier in the year, thus bringing steel inventories into somewhat better balance with orders and output.

Nonagricultural employment ended the year at a record level, but the number of persons employed showed little change after June, on a seasonally adjusted basis. Although all sectors participated in the first-half increase, most of the improvement was concentrated in durable goods manufacturing and in retail trade. After June, employment in the service industries and in state and local government continued to rise, offsetting a drop in manufacturing employment. The jobless rate fell through July but subsequently failed to maintain its earlier gains, averaging 5.6 percent in 1962 compared with 6.7 percent in 1961. Productivity rose as output advanced more rapidly than employment, and prices remained fairly steady throughout the year.

Monetary and credit policy took account of both internal and external requirements

Fiscal and monetary policy in 1962 took into account problems posed by both our domestic economy and our international payments position. Upward pressures were maintained on short-term interest rates for balance of payments reasons. Long-term rates meanwhile remained at levels that should tend to encourage investment. The Treasury increased its security issues in the shorter maturities and conducted advance refundings in the longer term area, building up its cash

Net free reserves steady but lower in 1962; spread between short- and long-term rates narrowed



Source: Board of Governors of the Federal Reserve System.

balances in the process by more than the amount needed to cover its cash requirements in order to keep pressure on short-term interest rates. Net Treasury borrowing of \$7 billion from the market was about the same as in 1961 and resulted in a more than \$1 billion addition to securities due within 1 year, a decline of over \$3 billion in the volume of securities due in 1 to 5 years, and a rise of \$9 billion in bonds due in more than 5 years.

The Federal Reserve System, in seeking to promote both internal and external balance and economic growth, provided commercial banks with an ample supply of funds during the year. Net free reserves of member banks, after a high of \$555 million in January, ranged from \$375 to \$470 million—except for a decline to \$265 million in December, compared with a range of \$420 to \$550 million in 1961 (except in January).

Federal Reserve System policy continued to be expansionary, but open market operations were conducted with a view to offsetting downward pressures on short-term rates. Purchases of United States Government securities, as in 1961, were carried out over the whole maturity range. On balance the System added \$1.9 billion to its Government securities portfolio, with securities in the 1- to 5-year range accounting for most of the increase. Near the end of 1962 when seasonal credit demands were expected to increase, the System reduced reserve requirements on time deposits from 5 to 4 percent, releasing about \$780 million in reserves. This diminished the need to supply reserves through purchase of Treasury bills, which would have tended to raise their price and lower their market yield. Relatively easy credit conditions, adequate short-term accommodation through the Federal funds market, and the comparatively large volume of Treasury bills

held by banks kept down borrowing from Federal Reserve banks, except in midsummer and in the latter part of the year.

Commercial bank credit meanwhile rose \$19 billion for a postwar record as Federal Reserve operations kept commercial banks plentifully supplied with reserves. All of the gain was accounted for by loans and by increases in holdings of securities other than United States Government obligations. The \$15 billion expansion in time and savings deposits at banks was a response primarily to the higher rates paid on such deposits in 1962. The combined impact of Treasury, Federal Reserve, and commercial bank operations in 1962 operated in the same direction—3-month Treasury bill rates averaged 2.77 percent compared with 2.36 percent in 1961, while long-term Treasury bond rates were comparatively steady at levels close to the 1961 averages.

A DESCRIPTION OF THE CHART FORMAT

One of the features of the Twelfth District economy in 1962 was its steady, if not spectacular, upward movement throughout the year, in contrast to a tendency for the United States economy as a whole to level off after mid-year. Most of the charts in this issue have therefore been designed to point up some of the principal differences between District and national behavior over the past year. In addition, 1961 data have been included (the shaded blue area) to show developments from 1961 to 1962 as the recovery progressed. Data on many of the charts have been converted to an index, with the trough month of the 1960-61 recession—February 1961—calculated as equal to 100. The trough month is that of national economic activity as determined by the National Bureau of Economic Research—and not necessarily the cyclical lows of the individual indicators plotted. Where this method has not been feasible or relevant because of the nature of the data, absolute amounts have been used instead.

Expansion in Business Activity Greater In Twelfth District than in the Rest of the Nation

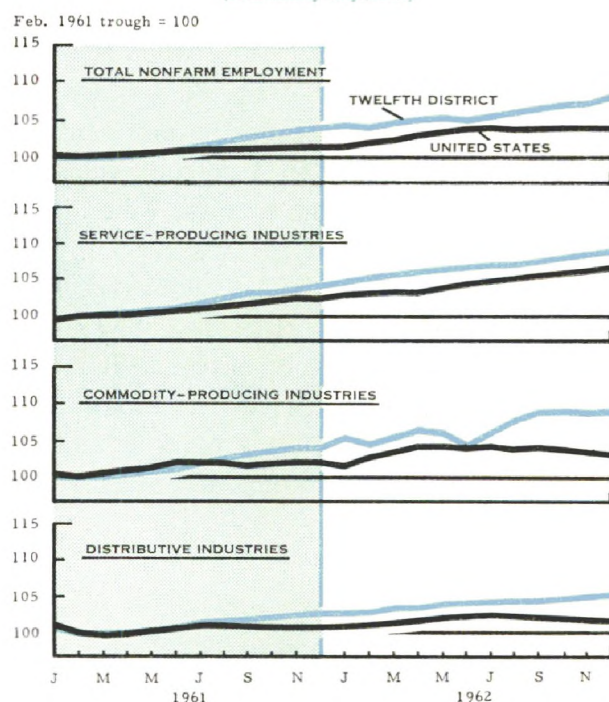
AFTER an encouraging first half, the United States economy began to show signs of hesitation in the last half of 1962, a pattern that was not repeated by the major indicators of Twelfth District activity. Although this District lagged behind the nation initially after the upturn in 1961, its performance improved over the remainder of that year. In 1962 the District produced an even more creditable performance as activity expanded throughout the year in most major sectors. The leveling off in business activity that characterized the national scene in the second half of the year was noticeably absent on the District level. The upswing in the second year of recovery, however, probably was somewhat weaker in the Twelfth District than it had been in prior postwar recoveries.

Sustained growth in District employment

In terms of employment, recovery from the 1960-61 recession began in the Twelfth District in February 1961 (as it did for general business activity in the nation as a whole) and proceeded almost without interruption through December 1962. Twelfth District nonagricultural payroll employment,¹ which had declined only moderately during the recession period, increased on the average by

¹ Nonfarm payroll employment data for the District exclude Alaska and Hawaii because data for these two states are not seasonally adjusted. In 1962, nonfarm employment averaged 57,600 workers in Alaska—up 2.9 percent from 1961—and 195,300 in Hawaii—up 0.5 percent, bringing total employment in the Twelfth District to an average of 7,522,000. Contract construction employment in both states fell on the average from 1961 and was well below the high level of construction activity in these states during 1960. Wholesale trade and Federal government employment also decreased in Alaska, but rose significantly in Hawaii. Hawaii showed a year-to-year decline in the average number of workers in nondurable goods manufacturing, caused primarily by a 7.5 percent drop in food and kindred products. However, in both states, the finance, insurance, and real estate and the service industries chalked up sizable gains which helped to offset losses in other sectors.

Nonfarm employment rose faster in the District than in the nation
(Seasonally adjusted)



Note: Service-producing industries include finance, insurance and real estate; government; and services. Commodity-producing industries include manufacturing, mining, and contract construction. Distributive industries include transportation, communication, electric, gas, and sanitary services; and wholesale and retail trade.

Source: State departments of employment and United States Department of Labor.

4.3 percent in 1962, after a rise of only 2 percent in the preceding year.¹ New highs were established in each succeeding month except February and June, reaching a total of 7,660,000 jobholders by the end of the year. By mid-December 1962, every major sector of employment except mining was at, or above, its previous high. Nationally, however, payroll employment rose by only 2.3

¹ The percentage changes cited in the discussion of employment and unemployment are based on the average number of people employed in each year, unless otherwise specified.

percent in 1962, with all of the increase occurring in the first seven months; by December, five of the eight major sectors of employment had fallen below their highs for the year. Agricultural employment on the Pacific Coast, as in the nation, continued to shrink in 1962, as it has during the last several years, although the decrease in the West was, as usual, smaller—1 percent compared with 5 percent for the nation.

Employment in the service sector (including Government), which accounts for nearly 40 percent of District wage and salary jobs, again expanded more rapidly than did other sectors of employment in both the District

and the nation. Federal and state and local government added nearly 63,000 persons to District payrolls—a rise of 4.5 percent. Over 80 percent of this growth was at the state and local level; employment in California public school systems alone rose by 22,000. Services was the fastest growing component, increasing by 5.4 percent over the year. Employment in finance, insurance, and real estate continued its steady climb and was up by 4.4 percent in 1962.

Employment in defense-related industries moved up sharply

Jobs in commodity-producing industries increased on the average by nearly 110,000, or 4.7 percent, as both manufacturing and construction increased; mining declined slightly. Mining employment continued the slow absolute and relative decline which began in the mid-fifties and accounted in 1962 for less than 1 percent of total employment.

In 1962, District manufacturers hired 94,600 additional employees, a rise of 5.2 percent, and ended the year with a work force substantially equal to the record seasonally adjusted total of 1,936,000 reached in October. This pattern was in sharp contrast to the nation, where manufacturing employment rose only 3 percent in 1962 and by December was 233,000 below its June peak. Durable goods industries accounted for over 85 percent of the District expansion as the West continued to benefit from heavy defense expenditures. Employment in defense-related industries¹ increased by 58,000 or 10.8 percent and thus was responsible for over 60 percent of the growth in total jobs in manufacturing. Lumber and wood products employment² averaged 1.5 percent higher in 1962,

TABLE 1

TWELFTH DISTRICT NONFARM PAYROLL EMPLOYMENT, BY INDUSTRY

(in thousands)

	1962 (Average of monthly figures)	1962 change from 1961	
		Amount	Percent
Total	7,521.5	+ 308.9	+ 4.3
Mining	68.0	— 0.9	—1.3
Contract construction	446.1	+ 15.8	+ 3.7
Manufacturing	1,905.9	+ 94.6	+ 5.2
Durable goods ¹	1,206.9	+ 76.2	+ 6.7
Nondurable goods ¹	553.4	+ 10.2	+ 1.9
Transportation and public utilities	531.7	+ 6.9	+ 1.3
Trade	1,631.4	+ 56.4	+ 3.6
Wholesale trade	434.6	+ 9.6	+ 2.3
Retail trade	1,196.8	+ 46.8	+ 4.1
Finance, insurance, and real estate	368.5	+ 15.6	+ 4.4
Service	1,124.3	+ 57.6	+ 5.4
Government	1,445.6	+ 62.9	+ 4.5
Federal	409.6	+ 10.5	+ 2.6
State and local	1,036.0	+ 52.4	+ 5.3

¹ Pacific Coast States only.

Note: These data exclude estimates of Alaska and Hawaii.
Source: State departments of employment.

¹ Defense-related industries include aircraft and parts, ordnance, and electrical equipment.

² Includes data for Arizona, California, Idaho, Oregon, and Washington only—the District states that report this category separately.

but gains over a year-ago were concentrated at the beginning and end of the year. Scattered strikes within the industry and a weakening in demand, partly attributable to construction strikes in California, Nevada, and the Pacific Northwest, depressed employment below year-ago levels during the summer. Despite the slight overall improvement, employment still reflected the inroads of competition from other materials and from foreign producers because the number of jobs in 1962 was roughly 40,000 below the levels achieved in the early '50's.

Employment in primary metals¹ increased during the first six months of 1962 but declined below year-ago levels for the remaining six months. The net result was a decrease of nearly 1 percent over the year despite fractional gains in California and Washington. This roughly paralleled changes at the national level, although in the rest of the nation the downturn following the signing of the steel wage contract occurred earlier. Primary metals employment in the West also failed to register the moderate December increase experienced in other parts of the country, presumably due to the fact that automobile production is of lesser importance to steel mills in this District.

Employment in industries producing nondurable goods increased by less than 2 percent, although every industry reported gains ranging from less than 1 percent for food and kindred products to 3.8 percent for textiles and apparel and also for paper products.² Jobs in industries specializing in food and kindred products, the largest employer in the nondurable goods industries on the Pacific Coast, fluctuated erratically during the summer—as a result of late harvest of crops usu-

ally processed in June—and reached a record seasonally adjusted high of 220,000 persons in October on the strength of a bumper tomato crop. Employment in printing and publishing continued its steady secular climb, increasing by an average of 1.6 percent over the year. Other nondurable goods industries, including chemicals, petroleum, leather, and rubber products, were up 2 percent in 1962.

District employment in contract construction rose 3.7 percent in 1962, although severe weather curtailed activity in February and a protracted labor dispute on the West Coast sharply reduced employment in the early summer. As in manufacturing, the District fared better than the nation as a whole; for the nation, the average number of construction jobs decreased by 2.3 percent.

In the distributive industries, District performance was less impressive than the growth in the commodity- and service-producing industries, although it still was better than on the national level. Trade employment rose by 3.6 percent, while transportation and utilities edged up 1.3 percent over the year. Comparable figures for the nation showed transportation employment unchanged and a less than 2 percent increase in trade, which ended the year 57,000 below its peak level in July.

Little change in Pacific Coast unemployment

Notwithstanding the comparatively steady expansion of District employment, unemployment in the West, as reflected in Pacific Coast labor force data¹, declined very little during 1962. The seasonally adjusted rate of unemployment, after falling from 7.3 percent in May 1961 to 5.7 percent in January 1962, fluctuated within relatively narrow limits through December and closed the year at 5.6

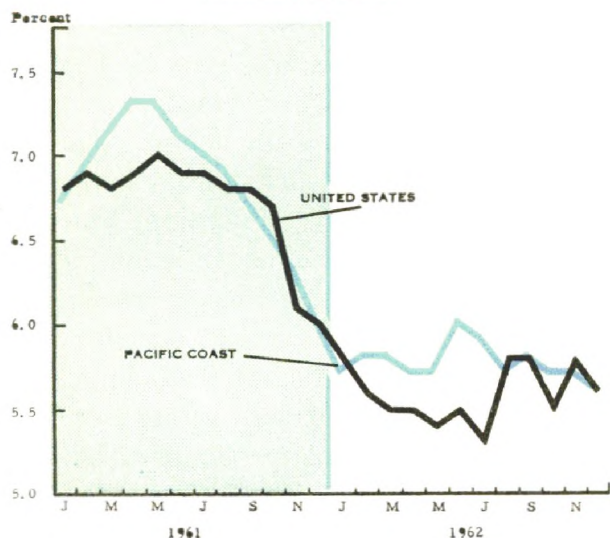
¹ Includes data for Arizona, California, Oregon, Utah, and Washington only—the District states that report this category separately.

² The breakdown of manufacturing employment into durables and nondurables is available only for the Pacific Coast States.

¹ Since some states do not publish labor force estimates, the rate of unemployment for the entire Twelfth District cannot be ascertained. The discussion above is therefore based on data for the three Pacific Coast States only.

Pacific Coast jobless rate changed little in 1962

(Seasonally adjusted)



Source: State departments of employment and United States Department of Labor.

percent. The District unemployment rate was the same as the nation's at the end of the year, although, in the case of the United States as a whole, gains made earlier in the year had not been maintained. The stability of the District rate resulted largely from a growth of 2.3 percent in the civilian labor force, which tended to cancel the favorable impact of increased employment on the level of joblessness. By contrast, the stability in the national rate of unemployment, especially in the latter half of the year, resulted more from a lack of growth in the demand for labor than from an increase in the labor force.

Average weekly earnings rose moderately in 1962

Average hourly earnings of production workers in manufacturing industries in the District rose 2.6 percent in 1962. This increase combined with a slightly longer workweek of 40 hours to boost average weekly earnings to \$110.40, a gain of 3.4 percent over 1961. For the nation as a whole, average earnings increased by 4.6 percent to \$96.56; both average hourly earnings and

the factory workweek increased more in the nation than in the District. Factory employees in the West, however, still earned 14.3 percent more than the national average, while working 0.4 hours less per week.

Income and consumption set new records in 1962

During 1962, disposable personal income and consumption in the nation reached record levels. The \$19 billion or 5 percent increase in disposable personal income was accompanied by a rise of \$18.5 billion in personal consumption expenditures. In real terms, the rise in consumption was 4.5 percent, double the 1961 gain, after adjustment for the slightly less than 1 percent increase in prices between the two years. Durable goods purchases, mainly automobiles, contributed heavily to 1962's better showing—reversing a decline in 1961, while spending for nondurable goods and for services also rose above 1961.

Although there are no strictly comparable income and consumption data for the District, available data on retail sales of companies with 1-10 stores (Group I stores), department stores, and automobile registrations indicate that this area did as well as or better than the nation as a whole during 1962. A greater increase in District income and consumption is more or less a corollary of the generally faster rate of growth in population and employment in the District, as compared with the nation, in 1962 and in earlier years.

Sales of Group I stores in the Twelfth District in 1962 were 11 percent above 1961, compared with 8 percent for the nation as a whole. This type of pattern applied to both durable and nondurable goods stores. Sales of durable goods rose 19 percent above the year-ago level and, except for a relatively slow third quarter, showed a fairly stable growth pattern each month throughout the year. Sales by furniture and appliance dealers and by lumber and building suppliers, which

had declined in 1961, rose in 1962 in line with increased activity in residential construction. Most of the gain in sales of durables, however, was due to automotive stores, which account for about 70 percent of total durable goods sales. Spring automobile sales were brisk, and the fourth quarter broke all records. The third quarter, while above the year-ago period, was a slack period because of smaller than usual inventories in the hands of automobile dealers. This, in turn, may explain in part the spectacular reception accorded the 1963 models when they appeared in the showrooms. At any rate, by the end of the year, new car registrations for the year—an alternative measure of automobile purchases—were at a record high for the District, while 1962 was only the second best year for the nation as a whole. Just over 14 percent of all new cars registered in the United States were in the nine District states, unchanged from 1961 but about 0.5 percent above 1960.

While movements in District sales of durable goods appear to have been more dramatic, sales by nondurable goods stores also rose at a faster rate in the District than nationally—9 percent compared with 6 percent. General merchandise stores, including department stores, showed a greater than average sales growth as did eating and drinking establishments and gasoline service stations. Food stores, which have been experiencing a rising sales trend, continued to expand sales in 1962, but their sales grew at a less rapid rate than for stores which, in addition to supplying necessity items, cater to purchasers of luxury goods and less essential articles.

Consumers increased use of credit to finance purchases

An 11 percent increase in national consumer instalment credit outstanding in 1962, in comparison with only a nominal rise in 1961, was again typical of a recovery period; consumer credit tends to lag in the early phases of a recovery but subsequently picks

up significantly. During 1962, total outstandings rose without interruption throughout the year except for a brief setback in February.

From reports on consumer credit extended by commercial banks and by other financial institutions, it seems that consumer borrowing in the District and the nation from both bank and nonbank lenders followed much the same pattern in 1962. Extensions exceeded repayments in each successive month; by the end of the year, outstandings at commercial banks in the District were 13 percent above the December 1961 figures. The national increase was slightly smaller. Automobile credit accounted for the largest part of the gain due to record sales, rising 17 percent between December 1961 and December 1962—one percentage point more than the national figure for commercial banks.

Construction activity gained in 1962

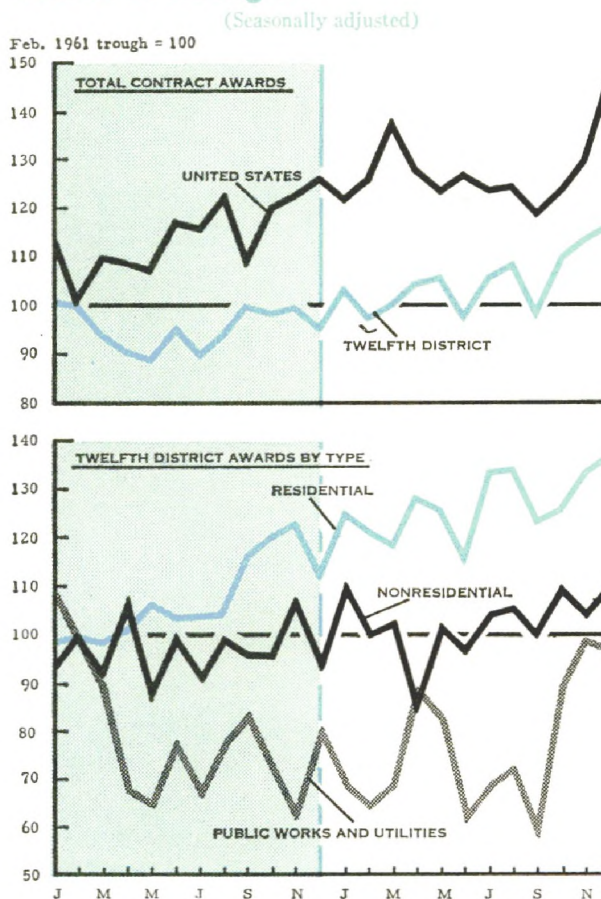
Twelfth District construction activity had a fairly impressive increase in 1962 but somewhat less than for the nation as a whole. Measured by the volume of construction contracts awarded during the year, Twelfth District states rolled up a 1962 total of \$8.2 billion in contracts let for all types of construction—a rise of 10 percent above the 1961 figure.¹ Nationally, however, the gain was 11 percent, and contracts totaled \$41.3 billion. District performance in total residential construction contracts resulted in a gain of 19 percent, well in excess of the 12 percent increase for the nation, but the 1962 rise in nonresidential building was slightly less than nationally. The major factor holding back the District was the failure of contracts for public works and utilities construction to surpass their 1961 volume; depressed levels of utilities construction were responsible for a decline of 4 percent in “heavy engineering” contracts from 1961, compared with a 15 percent growth in the nation.

¹ Construction contract data are those of the F. W. Dodge Corporation and include figures for all District states except Alaska and Hawaii.

Residential contracts were a major source of strength in District construction activity in 1962

Contracts for all types of residential building in 1962 were almost 19 percent above the preceding year. As was true nationally, the major element in this expansion was a substantial increase in the dollar volume of contracts for multi-family dwellings, although awards for single-family homes also rose during 1962. The relatively rapid growth of multiple dwellings in the past several years has begun to arouse considerable comment from those interested in the housing market. The recent increase in apartment buildings has been interpreted by some as a shift away from home ownership in suburban areas back into central-city apartments because of increasing property tax rates in rapidly growing suburban communities, the present age-group distribution of the population, increased commuting time and traffic congestion, and some disenchantment with the responsibilities of home ownership. This change in the pattern of demand for housing accommodation may be partly an outgrowth of urban renewal projects in central-city areas, many of which are providing new multiple-dwelling units in price ranges attractive to middle- and upper-income consumers, with the added advantage of convenient access to downtown shopping areas. Evidence of the upsurge in apartment building can be seen particularly in the San Francisco Bay Area and in the Los Angeles area, as well as in other metropolitan centers in the District. In several of these centers, the proportion of multi-family to total dwelling units started each year has at least tripled from 1955 to 1962. Multi-family units constituted approximately 60 percent of the dwelling units for which building permits were issued in 1962 in the Los Angeles and San Francisco metropolitan areas, a ratio substantially higher than in other major District metropolitan centers. Data on housing vacan-

Growth in District construction held back by heavy engineering; residential building has been main source of strength



Source: F. W. Dodge Corporation.

cies in the West also indicate that there was a decline in 1962 in the vacancy rate for rental units (which are mainly multiple dwellings) and a slight rise in the proportion of vacancies in homes available for sale (primarily single-family dwellings being sold by the owner-occupier).¹

Nonresidential building contract awards in 1962 moved 6 percent ahead of 1961, somewhat less than the increase for the nation over the same period. Elements of strength in this sector included both commercial and manufacturing building awards; contracts for institutional buildings also rose sig-

¹ Housing starts and vacancy rate data are compiled by the Department of Commerce. The "West" includes Montana, Wyoming, Colorado, and New Mexico in addition to all of the nine District states.

FEDERAL RESERVE BANK OF SAN FRANCISCO

TABLE 2
HOUSING STARTS AND HOUSING VACANCIES IN THE WEST
AND THE UNITED STATES

Period	Housing Vacancies ¹				Housing Starts ²	
	Rental Units		Owned Homes		West ³	United States
	West ³	United States	West ³	United States		
1961						
First Quarter	11.0	8.0	1.1	1.2	74,400	243,000
Second Quarter	10.7	8.1	1.2	1.4	81,300	362,400
Third Quarter	9.4	7.9	1.3	1.4	82,200	372,100
Fourth Quarter	9.5	7.7	1.2	1.2	78,900	303,700
1962						
First Quarter	8.5	7.7	1.4	1.2	81,600	268,400
Second Quarter	10.3	7.4	1.7	1.3	104,800	431,400
Third Quarter	9.0	7.3	1.4	1.3	98,200	387,900
Fourth Quarter	8.3	7.4	2.0	1.4	90,200p	340,600p

¹ Vacancy rate based on sample surveys.

² Privately built, nonfarm housing units.

³ Includes Montana, Wyoming, Colorado, and New Mexico in addition to District states.

p—Preliminary.

Source: United States Department of Commerce.

nificantly above 1961. In all three cases, relative gains exceeded those for the nation as a whole.

Awards of heavy engineering contracts in the District in 1962, however, fell 4 percent short of their 1961 volume. There was a substantial rise in building of sanitation facilities, a lesser increase in contracts for public works, and only a slight improvement in contracts for streets and highways. But more than offsetting these increases was a substantial decline in District contracts for public utilities construction, which contrasted with a sizable rise in this category for the nation. The speed-up in late 1962 in highway building under the Federal Interstate Highway program apparently had little effect on this District.

Mortgage credit continued to grow, with some easing in terms

One of the most significant developments in the housing market in the past year was the ready availability of funds for mortgage lending, both in this District and throughout

the country. Since mid-1961, rates on conventional mortgages have been relatively stable at levels lower than had been charged since early 1959. Secondary market prices of FHA-insured home mortgages have risen fairly continuously in the West¹ during the last two years and, more recently, in the nation as a whole. Thus, in 1962, not only has mortgage credit been abundantly available, but substantial inflows of savings into mortgage lending institutions may have led to some liberalization of their credit standards.

In the Twelfth District, one of the major lenders on mortgages is the large group of savings and loan associations located here, particularly in California. As an indication of their regional concentration, tabulations of the 100 largest of these savings institutions indicate that 37 are located in District states—30 in California alone. These large savings and loan associations in California held 38 percent of the total combined assets of the

¹ Includes Montana and Wyoming in addition to the nine District states.

100 largest associations and 37 percent of total combined savings accounts as of December 31, 1962.

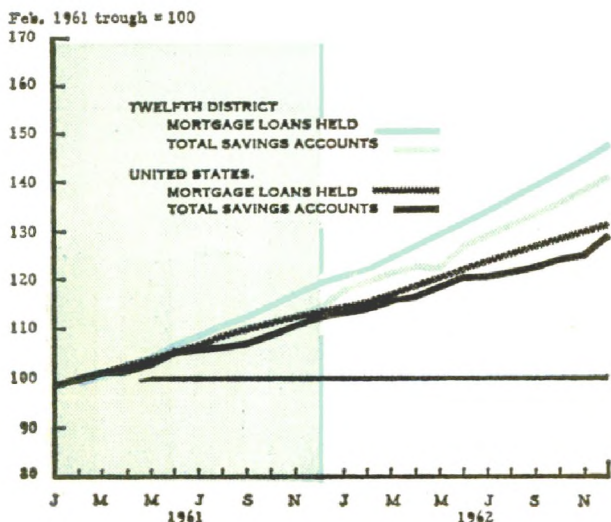
Savings and loan associations in this District racked up some impressive gains in savings and lending during 1962, exceeding both their own performance during 1961 and that of the nation as a whole last year. During 1962 insured associations in District states had a 22 percent addition to their savings accounts, compared with 14 percent in the nation, and they increased their holdings of real estate loans by 24 percent, compared with 15 percent in the nation as a whole. Rates paid by associations in California exceed those paid elsewhere in the nation, while those paid in other District states also tend to be higher than rates paid in the East and Midwest by comparable institutions.

Government-insured housing activity declined somewhat during 1962

Data from District insuring offices of the FHA indicate that there was a decline of 1.5 percent in total applications for insurance on

new-home loans in 1962 from the 1961 total; however, housing begun under FHA inspection in 1962 rose slightly. Several explanations can be advanced for the reduction in housing activity represented by initial FHA applications. One is the recent substantial gain in savings at District commercial banks and savings and loan associations and the resultant pressure for higher earnings. Lenders have actively sought mortgages, and the abundance of funds has pushed down interest rates on real estate loans. Under these circumstances, conventional mortgages, which carry higher rates than do FHA and VA loans, have become relatively more attractive to both lenders and borrowers. Another factor may have been somewhat greater caution by FHA insuring directors in accepting or approving applications for loan insurance on new homes, especially in areas where substantial numbers of new homes were unsold or where housing vacancies were relatively high or rising. There was also a decline in FHA applications nationally, with 1962 applications 9 percent under 1961; FHA-inspected housing starts in the nation, in addition, were fractionally below their prior-year levels.

Savings accounts and loans of District savings and loan associations outpace the nation



Note: Data cover only Federally insured savings and loan associations.
 Source: Federal Home Loan Bank of San Francisco and Federal Home Loan Bank Board.

Lumber output only slightly better than depressed 1961 level

Lumber production and employment in the Twelfth District, which failed in 1961 to regain their 1960 levels, showed only nominal improvement in 1962. Boosted by rising housing starts, which reached a peak in the second quarter of the year, and by hedge-buying in anticipation of a possible strike in the lumber industry, mill orders in the District showed steady improvement in the opening months of 1962 through July. In response to the quickening pace of construction across the nation, lumber prices rose during this period; the national wholesale price index for softwood lumber in July was 97.6 (1957-59 = 100), 2.7 percent higher than its level a year earlier

and 5.6 percent higher than in December 1961.¹ Orders, however, failed to maintain their earlier pace during the remainder of the year and lagged behind production. Lumber prices reflected the drop in demand; they declined in the last six months of the year but by December were still 2.8 percent above December 1961.

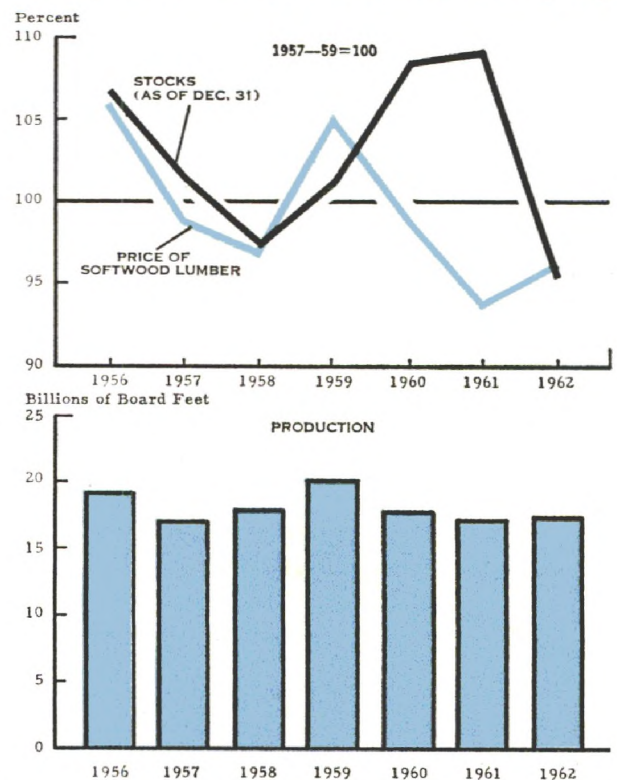
Orders in the Douglas fir region in 1962 were 6 percent higher than in 1961, while orders in the Western pine and Redwood regions showed only slight gains. Douglas fir and Western pine production surpassed their 1961 levels by 3 and 1 percent, respectively, but production was cut back in the California redwood region. By the end of the year, however, the industry was in a somewhat better position as production was geared more closely to orders. Inventories were reduced significantly by December, and unfilled orders were up substantially over year-ago levels. Employment in the lumber and wood products industry increased slightly over the year but at a slower rate than other manufacturing sectors in the Twelfth District.

The failure of the lumber industry to share more substantially in the 1961-62 recovery in economic activity and to regain its 1959 output level has been attributed by the industry to three principal factors: (1) Canadian import competition, (2) the trend toward multi-family dwelling units, and (3) substitution of other materials for lumber. The trend toward multi-family residential building is particularly detrimental to lumber manufacturers because their volume market for decades has been dependent on single-family units which require more lumber in construction. Since World War II, plywood and particleboard have also furnished stiff competition for lumber, a situation which has been aggravated in recent years by depressed prices for plywood.

¹Crow's composite lumber price for the Pacific Coast reached its peak for the year in the two-week period ending July 5 at \$77.39 per thousand board feet, up \$5.34 from December 21 and \$2.40 above the same period in 1961.

The competition encountered by the domestic lumber industry from foreign producers is a somewhat more complicated problem. Waterborne shipments of lumber from the Pacific Northwest and California to Atlantic Coast ports declined 12 percent in 1962, while shipments from British Columbia to the same destination rose 7 percent. At the same time, softwood imports into the United States—mainly from Canada—are accounting for an increasing proportion of domestic softwood consumption. Because developments in 1962 were but a continuation of recent trends, the industry filed an application with the United States Tariff Commission asking for import quotas and higher tariffs. The plea was turned down in February 1963 on the grounds that the trade agreement concessions on lum-

District lumber stocks fell and prices rose, while output increased slightly



Note: The price index for softwood lumber is the softwood lumber component of the wholesale price index for the United States. Source: United States Department of Labor, Bureau of Labor Statistics, and National Lumber Manufacturers Association.

ber were not “the preponderant cause” of increased imports of softwood lumber. The Commission found high labor, stumpage, and rail costs in this country mainly responsible for the successful foreign penetration of domestic markets.

Plywood production expanded again; prices low

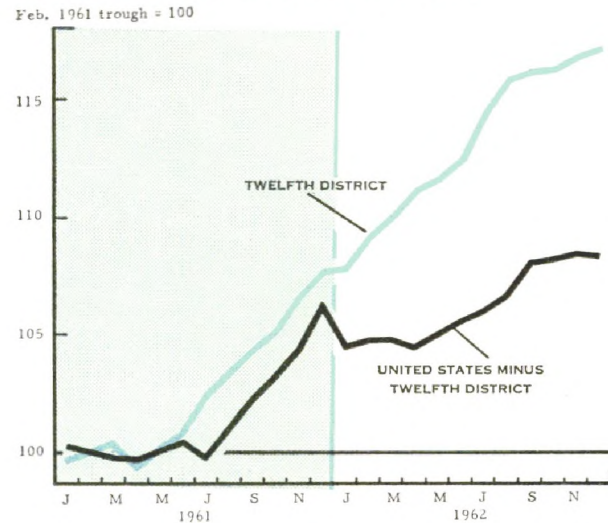
Plywood production in the District in 1962 expanded for the 17th consecutive year, to 9.7 billion square feet. The 7 percent increase in output was the combined result of an 8 percent rise in softwood plywood, to 9.2 billion square feet, and a 3 percent reduction in the output of hardwood plywood, to 511 million square feet. Although a record output, the industry on the average operated at only 80 percent of capacity. Prices consequently remained depressed. The price of quarter-inch sanded stock, which was at a post-World War II low of \$60 per thousand square feet at the beginning of the year, was raised in April to \$64. The price could not be held at that level in face of a weak demand situation, however, and it fell back to the \$60 level in May where it stayed through the rest of the year.

Defense spending spurred District business activity

Outlays by the Federal government for national defense activities continued to make an important contribution to economic activity in the District in 1962, with firms throughout the District—but particularly in California—benefiting from these Federal expenditures. The bulk of the spending for defense in the District consists of maintenance and operation of military facilities and procurement of materials and services by the Department of Defense.

Although not strictly classified as defense expenditures, space technology outlays related to space exploration and flight have increased considerably in recent years under the National Aeronautics and Space Administration (NASA) and have supplemented

Employment in defense-related industries rose faster in District than in the rest of the United States



Source: State departments of employment and United States Department of Labor.

Defense Department expenditures in the Twelfth District. Contract awards by the NASA to business firms in the United States jumped 143 percent from fiscal 1961 to 1962, with District firms participating heavily in the expanding activities of the NASA. In fiscal 1962, the direct award of contracts of \$25,000 or more to District firms constituted almost half the dollar volume of such awards nationally and totaled \$452 million. This amount was larger than the total of all such awards to business firms across the nation a year earlier.

As a measure of defense expenditures within a region, attention generally is focussed on prime contract awards by agencies of the Department of Defense for the purchase of such items as aircraft, missiles, ships, and other military equipment. Even larger, however, in terms of the budget of the Department, are the outlays for military personnel and the operation and maintenance of equipment and facilities. Some idea of the importance of such expenditures in the District can be gathered from the large number of military personnel stationed in the nine-state area. In mid-1961

FEDERAL RESERVE BANK OF SAN FRANCISCO

INDEXES OF INDUSTRIAL PRODUCTION—TWELFTH DISTRICT

(1957-59 = 100)

INDUSTRIAL PRODUCTION	1957	1958	1959	1960	1961	1962 ^p
Copper	113	101	86	112	119	128
Lead	116	92	93	76	99	104
Zinc	109	94	96	86	97	102
Silver	105	102	94	91	105	106
Gold	106	104	90	99	92	85
Steel Ingots	114	94	92	102	111	100
Aluminum	112	87	101	101	97	107
Crude Petroleum	106	98	96	95	96	96
Refined Petroleum	102	96	101	104	108	111
Natural Gas	101	96	104	112	121	124
Cement	93	99	108	101	105	111
Lumber	93	98	109	98	95	97
Wood Pulp	99	98	103	106	109	114
Douglas Fir Plywood	83	97	120	119	131	141
Canned Fruit	97	91	112	111	114	119
Canned Vegetables	97	107	95	101	89	106
Meat	104	95	101	107	111	113
Sugar	101	91	108	105	107	115
Flour	96	102	102	102	99	101
Creamery Butter	102	96	102	112	120	119
American Cheese	100	97	103	112	111	111
Ice Cream	96	101	103	102	106	105

^p—Preliminary.

Note: Data given above supersede all previously published annual indexes. To make these indexes comparable to most other statistical series, the base period has been changed from 1947-1949 = 100 to 1957-1959 = 100.

Source: Federal Reserve Bank of San Francisco.

(the latest data available), approximately 500,000 military personnel were stationed in District states, more than one-fourth of the total stationed in the United States. Also of importance in the defense budget are research and development expenditures. Although data are not available for these outlays on a state basis, the relatively large volume of awards to business firms in the District by the NASA suggests that research and development expenditures in the District by the Department of Defense may be substantial.

The District economy has derived benefits from the increased emphasis on the procurement of missiles and electronic equipment in recent years. During the Korean conflict, the Pacific and Mountain states received 19 per-

cent of the prime contract awards in the country. In fiscal 1961 almost one-third of total military prime contracts went to these states. Awards to District firms during the first three quarters of 1962 totaled \$6.1 billion. This was 18 percent or \$839 million larger than during the comparable period of 1961 and represented a larger share of the expanding dollar volume of awards. All District states shared in the increase except Alaska and Oregon. The magnitude of the prime contract awards to District firms thus points up the significance of these awards to the District.

It should be noted, however, that the volume of prime contract awards in the District does not necessarily represent final defense purchases in the area because of the practice

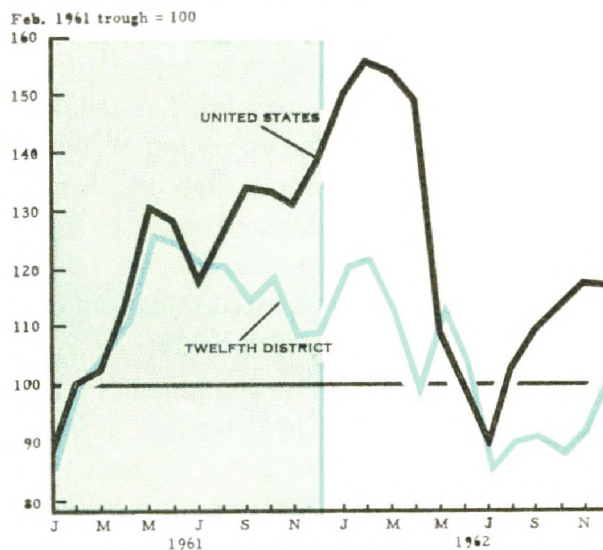
of subcontracting—possibly to firms outside the region—by prime contractors. But the flow of payments on subcontracts is not exclusively from District firms; firms in the West also act as subcontractors on jobs awarded to other areas.

Despite problems of translating purchases of goods and services precisely into direct employment, it is clear that defense and space exploration expenditures are a major source of jobs within the District. Defense-related manufacturing employment in District states advanced steadily from the low of 523,000 workers in April 1961 to 617,000 in December 1962. On a monthly average basis, jobs in defense industries increased almost 11 per cent from 1961 to 1962. The employment gain over 1961 was shared among District states, with the largest gain registered in employment by electrical equipment firms in California. Almost 30,000 employees were added by these California firms in 1962, about 50 percent more than in 1961. Employment by aircraft firms in Washington, although averaging higher than in 1961, dropped by more than 4,000 workers from its August 1962 peak to the end of the year, apparently due largely to a decline in the order backlogs for commercial jet aircraft. There were also some losses in aircraft employment in California. On the whole, however, the increase in employment in defense-related industries added significantly to the expansionary forces in the District economy in 1962.

District steel industry suffered setback in 1962

The District steel industry looked forward to 1962 with some anticipation, after having experienced a more successful year in 1961 than steel producers outside the District; however, the outcome in 1962 was reversed. District production of 4.9 million tons was 9.5 percent below 1961 and about equal to 1960

District steel output in 1962 less affected by hedge buying and automobile production



Source: American Iron and Steel Institute.

output, while national production of 98 million tons was 0.3 percent higher than in 1961.

The year started off on an encouraging note, with orders and output expanding rapidly in January and February to meet seasonal increases in consumption and substantial purchases for inventory by steel users as a hedge against a possible strike in the steel industry by mid-year. Both District and national output increased approximately 12 percent from December 1961 to February 1962. The pace of production slowed in March, however, as expectations of a peaceful settlement of contract negotiations spread, but nationally the industry still operated at 80 percent of capacity.

The settlement reached at the end of March set off a wave of inventory liquidation which had adverse repercussions on the industry for the remainder of the year. The industry's unsuccessful attempt in April to raise prices by \$6 a ton further clouded the outlook for steel. The impact on the District was considerably milder than in the rest of the nation because much of the build-up in stocks had centered on types of steel used primarily by

automobile and appliance manufacturers, who are relatively much less important in the Twelfth District. Steel output in the West, however, was depressed somewhat by a construction strike in June and early July. After the usual vacation slowdown in July, District steel output increased through the remaining months of 1962, with the exception of October. By December, prospects had brightened considerably due to demand arising from Government defense contracts and a build-up in mill inventories in expectation of an improved level of orders in early 1963.

The most important development in the District steel picture in 1962 was an average \$12 per ton reduction in prices of steel mill products by Western steel producers. The move, of both long range and immediate significance, was designed to enhance the competitive position of Western steel mills over their Eastern rivals in the Western market and to combat rising foreign steel imports. The cuts removed most of the historic price differential between steel prices on the West and East Coasts and resulted in some additional absorption of freight charges by Eastern mills. With the price advantage of foreign steel significantly reduced by the cut, imported products tended to become less attractive to domestic steel consumers. Foreign steel imports, particularly from Japanese mills, have made substantial inroads into the West Coast market in recent years. Steel imports through West Coast ports have almost trebled since 1958 when imports first appeared in volume on Western markets. By 1962 imports from foreign sources accounted for more than 10 percent of total steel receipts in the seven Western states.

Stable prices and record output for District copper producers

The copper situation in the District in 1962 was characterized by record mine output, stable prices, and high levels of consumption.

Increases in mine production that began in the fourth quarter of 1961 continued through the first quarter of 1962, and District production reached its peak for the year in April. Continuing large orders for refined copper by brass and wire mills kept mine production at high levels.

Subsequent developments in the world copper markets (where production was at record levels), accompanied by increases in domestic inventories and declines in shipments, aroused concern that world production might be significantly in excess of foreseeable world demand. Voluntary reductions in mine production were announced by the three leading United States producers and several African producers at the end of June and again in September, reducing output altogether by 5 percent of free world production. Despite the fact that stocks of refined copper held by primary producers in the United States rose 51 percent in July, the price of 31 cents a pound for refined copper that had been set on May 19, 1961 held firm and was unchanged throughout 1962—the longest period of price stability since World War II when price controls were in effect. For the entire year, production of copper from District mines was almost 8 percent above its previous record established in 1961 and accounted for 77 percent of national production, about the same as in 1961.

Output of other nonferrous metals also increased

District production of zinc, lead, and aluminum in 1962 surpassed 1961 levels by approximately 10, 4, and 11 percent, respectively. Zinc and aluminum output were the highest since 1957, and lead output set a new record.

As in the case of copper, the market for nonferrous metals is affected by both national and international developments. The failure of the International Lead-Zinc Study Group to agree on limitations on production, and

thus on exports, exerted a depressing effect on prices and resulted in a ½ cent a pound reduction in the price of zinc to 11½ cents a pound (East St. Louis). Zinc buying, however, continued dull through July until orders for zinc from the steel industry for galvanizing operations and from the automobile industry for die castings picked up in the second half of the year.

The market for lead in the first quarter of 1962 was depressed, resulting in three reductions in lead prices of ¼ cent each in January and February to bring the price to 9½ cents per pound, the lowest quotation since 1946. The District's share of the nation's lead output rose, however, from 48 percent in 1961 to 58 percent in 1962 because of a strike in southeast Missouri which brought national production for the year below 1961. The reduction in stocks due to the strike resulted, in turn, in a ½ cent increase in the price of lead in November.

Although output and consumption of aluminum products were at very high levels in 1962, increased foreign competition was responsible for price reductions in the fourth quarter. Price cuts in fabricated aluminum sheet initiated in late September spread to the basic forms of the metal, ingot and billet, in early December. Ingot prices were reduced 1½ cents a pound to 22½ cents, and the price of soft extrusion billet also was cut. The price reductions were posted by the major United States producers, including those with mills in the District. Foreign imports of aluminum ingots and alloys into the United States in the first eleven months of 1962 were almost 41 percent higher than imports in the comparable 1961 period, while exports of these products by United States producers showed only a 9 percent increase during the same period.

Petroleum refining continued to increase in 1962

Refining activity in District V¹ increased in 1962 for the fourth consecutive year. Operations were up 3 percent from 1961; a daily average of 1,252 thousand barrels of crude petroleum was processed at this area's refineries. The national increase was at the same rate. Much of the rise in refining activity in District V came during the last seven months of 1962, following unseasonably low levels of activity in March and April.

Domestic demand in District V for refined petroleum products increased by less than 2 percent in 1962. This was considerably smaller than in 1961 and contrasts with the situation nationally where the increase in demand was much sharper in 1962 than in the previous year. Gasoline demand in the Western states was relatively strong, rising 4 percent from 1961; nevertheless, gasoline stocks increased. Stocks of residual oil totaled 23 million barrels at the close of 1962 and were almost 60 percent greater than a year earlier, largely because of a fall-off in deliveries. Production of this product accounts for 20 percent of the refinery output in District V. Practically all of the additions to year-end stocks occurred during the high level of refining activity in the latter part of the year.

The production of crude within District V increased slightly in 1962 to 840,000 barrels per day. Expansion of output in Alaska was sufficient to more than offset the downward trend of production in California. Nevertheless, with refining activity expanding at a faster pace than the production of crude petroleum in Western states, processors relied more heavily in 1962 on supplies of crude from outside the area than a year earlier. These imports were equivalent to one-third of crude petroleum input at District V refineries—about 3 percentage points greater

¹District V consists of Alaska, Arizona, California, Hawaii, Nevada, Oregon, and Washington.

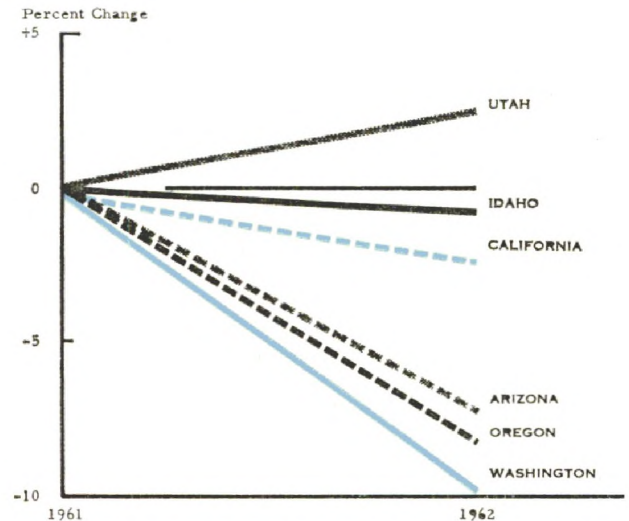
than in 1961. The expansion in District V refinery operations in 1962 was supported primarily by imports of crude from foreign sources. Imports of crude petroleum also increased nationally, but the rate of increase was much less than in the western part of the country where nonquota imports from Canada rose by more than one-third. Foreign crude is of much greater importance as raw material for the refining industry in District V than in the country as a whole. These imports were equivalent to about one barrel in every eight of crude input at the nation's refineries, compared with a ratio of one in four at Western refineries.

More cash for District farmers

After leveling off in 1961, cash receipts of farmers rose to a record level in 1962 in the District and the nation. The rate of increase from 1961 was 4 percent for the District, however, compared with a rise of less than 3 percent for the country as a whole. Higher cash income in the District was due to an increase in returns from marketings to a record \$5.5 billion and to larger Government payments.

Although returns from livestock marketings edged up slightly, a rise of \$190 million in receipts from crop marketings accounted for the bulk of the gain. Crop output in the District rose from 1961 in spite of increased participation in the Government Feed Grain and Wheat Programs, which removed additional acreage from crop production. Yields of a number of important field crops in the District were at or near record levels, more than offsetting a 4 percent, or 800,000 acre, reduction in harvested acreage. Half of the net decrease in acreage occurred in Washington, where the mandatory 10 percent reduction in acreage allotments plus participation in the voluntary portion of the Wheat Program combined to reduce the harvest of wheat in the State by 277,000 acres. In addition, the acreage of barley harvested in that State

Harvested acreage of principal field crops declined in most District states from 1961 to 1962



Note: Data for Nevada are not included. Harvested acreage of principal crops in Nevada increased 68,000 acres or 21 percent from 1961 to 1962.

Source: United States Department of Agriculture.

was reduced by more than 100,000 acres as this crop was added to the Feed Grain Program for 1962. Preliminary estimates indicate that crop prices for the year were about the same as in 1961. The modest advance in livestock receipts, on the other hand, appears to have resulted largely from somewhat higher prices.

Because of increased emphasis on Government agricultural programs that utilize direct payments to farmers, the importance of cash from this source rose sharply in 1961 and 1962. Government payments nationally increased 17 percent from 1961 but rose even more sharply in the District—35 percent. Heavier payments, primarily from the Feed Grain and Wheat Programs, raised the flow of cash to District farmers from the Federal government to \$106 million in 1962.

Net income of District farm operators is estimated to have risen somewhat in 1962, after dropping in 1961—a year of recovery and expansion in general business activity. The growth of more than \$200 million in cash receipts is greater than recent year-to-year

increases in production expenses. Costs incurred by farm operators for production purposes approached \$4.1 billion in 1961 and undoubtedly rose further in 1962.

Although District farm income improved in 1962 along with business activity, little of the improvement can be attributed to a strengthening in the demand for food that might be associated with advancing levels of business activity. Increases in personal income, however, have never been fully reflected in purchases of food and related services during the entire postwar period, and 1962 was no exception. Disposable personal income nationally rose by more than 5 percent from 1961, while the rate of increase in outlays for food was somewhat smaller. The domestic market for food has expanded as the population has grown, but the proportion of per capita disposable income spent for food and related services has dropped from 26 percent in 1947-49 to 19 percent in 1962. Spending for services has been accounting for a rising share of consumer disposable income. Despite this downtrend in the farmer's share of retail expenditures for food, there was no further deterioration in his share in 1962.

Increased activity in fruit and vegetable canning

District canning activity continued to expand in 1962, with the pack of both fruits and vegetables larger than a year earlier. As inventories entering the 1962 marketing season also were somewhat higher, total supplies of canned products were more abundant. However, supplies apparently were not large enough to depress prices, despite the heavier movement of most major items into market channels during the first half of the marketing season. Tending to offset the economies of a larger pack were increased cannery costs for containers and for raw materials (except tomatoes) and higher wage rates. Nevertheless, the pickup in canning activity bolstered

District canned fruit and vegetable production increased in 1962

(in percent)



Note: Each can in the chart represents 1.0 percentage point increase in production from 1961 to 1962. Source: Canners League of California and Northwest Canners and Freezers Association.

employment in the District, with Pacific Coast employment in canning and preserving rising to its highest level since 1956.

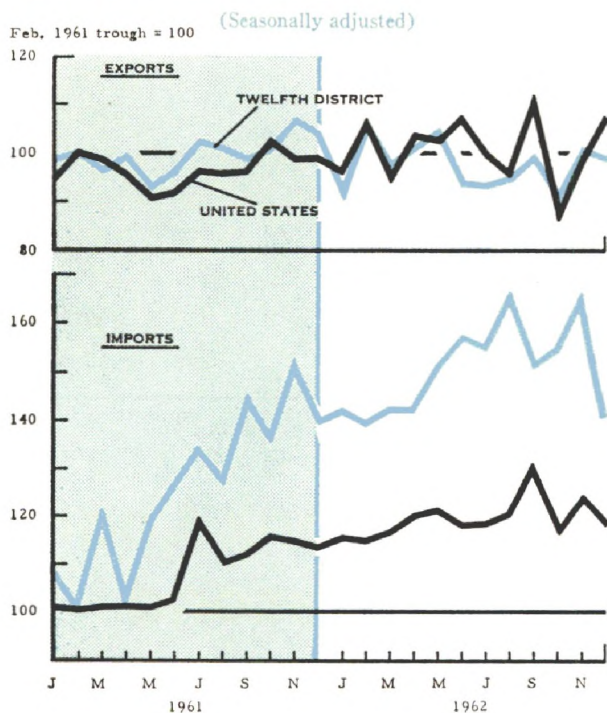
The canned fruit pack in the District reached a record volume of over 65 million cases during the 1962 canning season. A record pack also is indicated nationally. The increase in the District fruit pack was general for most major items and was led by an 11 percent increase in cling peaches. The District pack of 31 million cases of peaches represented 96 percent of all peaches canned in the United States during 1962. Peaches also dominate fruit canning in the District.

Vegetables contributed to the expansion in District canning activity in 1962 largely as a consequence of a heavier pack of tomatoes and tomato products, which occupy a position in District vegetable canning more or less similar to that of peaches in fruit canning. Supplies of tomato products processed in the District also are of considerable significance nationally. About half the nation's supply of canned tomatoes and tomato products is packed in California.

Exports through Twelfth District ports steady in 1962; imports rose sharply

Foreign trade moving through Pacific Coast customs districts in 1962 tended to

Exports through District ports stable in 1962, but imports far exceeded national gain



Note: Data exclude Alaska and Hawaii.
Source: United States Department of Commerce.

follow a pattern quite similar to that in 1961, with exports declining and imports continuing to increase. Export shipments through Pacific Coast ports again exercised little expansionary influence on the Twelfth District economy to the extent that these exports originated within the region. The total value of exports handled by Twelfth District ports was 1 percent below 1961, compared with a decline of 5 percent from 1960 to 1961. But United States merchandise exports were 4 percent larger than in the preceding year, and the gain exceeded the rise from 1960 to 1961. The weakness in export trade was partly attributable to a slowdown in the rate of economic expansion in the major industrial countries abroad and, in the case of this District in particular, to the payments difficulties of Japan. Japan accounts for a larger propor-

tion of the shipments out of West Coast ports than for the United States as a whole. Exports to Canada, on the other hand, are more important outside the San Francisco Federal Reserve District, with the consequence that the recovery in exports to Canada in 1962 had relatively little impact on shipments through this District. Both Pacific Coast and United States exports were strong from May 1961 through the first half of 1962 but dropped off as 1962 drew to a close. The impact of exports on economic activity therefore tended to diminish at the same time that general business activity in the nation leveled off.

The Los Angeles customs district had the sharpest decline in export activity as shipments abroad fell 18 percent below the 1961 total. The Oregon customs district suffered a small reduction in the dollar volume of its exports, while exports from Alaska to foreign countries also declined slightly. Shipments from the remaining customs districts rose above 1961 levels.

Imports entering the United States through the Twelfth District customs districts in 1962 were 17 percent above 1961, almost 6 percentage points more than the rise in United States imports as a whole. This was in rather sharp contrast to the behavior of imports in 1961, when both West Coast and United States purchases abroad were slightly below the 1960 figure because of the sluggish response of imports to the upswing in the economy. In 1962 the lag was more than compensated for by the sharp increase in imports of industrial raw materials, manufactured foodstuffs, and capital and consumer goods. Even after industrial output leveled off after June 1962, imports in the Twelfth District and the United States continued to rise in a somewhat belated response to the recovery, although imports as a percent of gross national product have remained more or less unchanged. Because of a decline in the prices of foodstuffs and industrial materials over the year and steadiness in the prices of finished

manufactures, most of the rise in the dollar value of our imports accrued to the industrialized countries.

The greater expansion of imports through Twelfth District ports than of imports into the United States as a whole was shared by all customs districts in this region. Increases of 20 percent or more were recorded by San Diego, Los Angeles, Oregon, and Alaska; Washington and Hawaii exceeded the average rate of growth for the nation, while San Francisco was slightly below the national average. Part of the explanation for the significantly larger increase in imports on the West Coast, according to limited commodity

data available, lies in the upsurge in imports of steel products and petroleum. The physical volume of steel product imports through Oregon ports increased by almost two-thirds, while imports through the Los Angeles district rose by almost half. Stiffer competition for District steel mills from foreign producers was thus responsible in part for the reduction in steel prices by major District steel producers in October 1962. Crude petroleum imports also rose 17 percent as the Canadian pipeline into the Pacific Northwest came into full operation and as District production continued to provide a declining share of refinery supplies.

Continued Ease Influenced Bank Loans And Investments in the Second Year of Recovery

Although the accelerated pace of activity in some sectors of the economy and continued secular growth in the District contributed to the expansion in loan portfolios and deposits at Twelfth District member banks in 1962, bank performance during the year was also influenced by other factors. Reserves were supplied to member banks by the Federal Reserve System through open market operations so that District banks were under relatively less reserve pressure throughout most of the year than is normally characteristic of the expansionary phase of the business cycle. Reserves also were made available through the reduction from 5 to 4 percent in reserve requirements against time and savings deposits in late 1962.¹ This action had a relatively greater impact on Twelfth District banks, since such deposits constitute a far higher percentage of total deposits at District banks than at other member banks in the rest of the nation.

The development which had the most far-reaching effect on District bank operations, however, was the increase in interest rates paid on time and savings deposits. Most member banks in the District raised rates from 3 percent to the new maximum permissible rate under Regulation Q of 3½ percent on regular savings on deposit for less than one year, while some banks also posted the new maximum rate of 4 percent on savings held for one year or more. Most banks also adjusted their rates upward on time certificates of deposit. In October, the interest ceilings established by Regulation Q were temporarily suspended for three years for time deposits of foreign governments and certain international financial institutions. The higher rates on savings and time deposits, combined with the larger volume of funds attracted by these rates, substantially increased bank costs and, as a consequence, led to modifications in loan and investment policies as banks attempted to minimize the adverse effect on bank profits. Despite efforts to increase earnings, the 36

¹ Effective October 25, 1962 for reserve city banks and November 1, 1962 for all other member banks.

percent increase in interest payments in 1962 was mainly responsible for the 6.4 percent decline in the net income of all member banks in the District. For other member banks in the nation, net income in 1962 was only 0.5 percent lower than in 1961.

Reflecting these developments, District member banks ended 1962 with total loans and investments 9 percent higher than a year earlier and 20 percent above the cyclical trough of February 1961. The increase in bank credit in 1962 was due to an expansion in loan portfolios, whereas investment in securities had accounted for most of the gain in 1961. The 7 percent increase in total deposits in 1962 was less than in the preceding year. The supply of reserves in 1962 and the increase in deposits were sufficient to permit District member banks to expand the volume of outstanding loans without reducing total security holdings. The percentage increases in loans, investments, and total deposits of Twelfth District member banks from February 1961 through 1962 were greater than for all other member banks in the nation. Only in the case of time deposits did the District gain fall below that of the rest of the country.

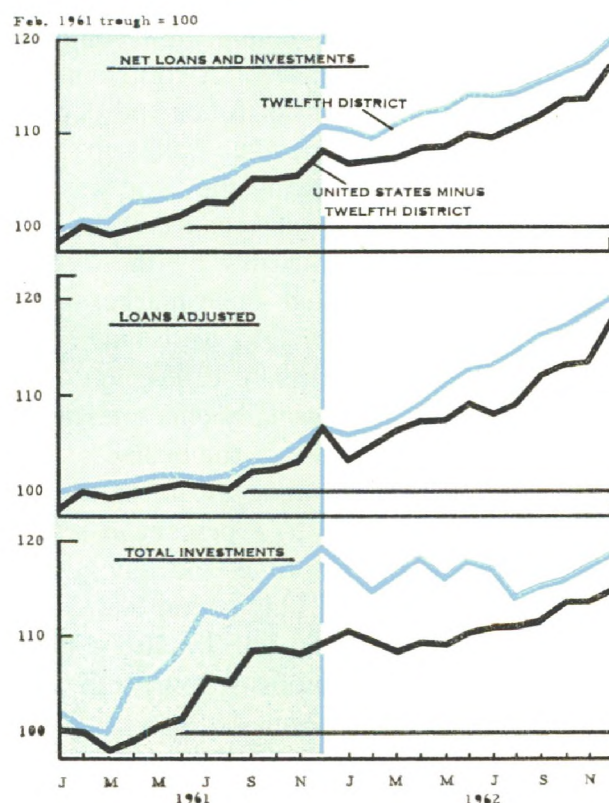
Business demand for credit strengthened in 1962

A more than 10 percent increase in commercial and industrial loans in 1962—almost twice as great as in 1961—contributed to the overall expansion in District bank loans. By the end of the first 22 months of the current cyclical upturn, business demand for credit appeared to be about as strong as in the comparable period of the 1958-60 cycle.¹ But most of the expansion occurred in 1962 as business loans remained substantially above levels of a year earlier throughout the year. After the usual seasonal decline in the first quarter, borrowing by commercial and industrial firms increased at a gradually acceler-

ated pace, whereas in 1961 business loans did not expand materially until the fourth quarter. December tax borrowing by these firms in 1962, however, was not so large as in 1961, and, as a consequence, the fourth quarter gain was smaller than in the comparable year-ago period.

The general availability of loanable funds during 1962 kept average interest rates on short-term business loans by District banks around 5.35 to 5.40 percent. Surveys conducted during the first 15 days of the final month of each quarter showed that rates on new business loans moved within a rather narrow range of 3 to 11 basis points above average rates for the same periods in 1961. The prime rate—the rate charged business borrowers with top credit rating—was unchanged at 4½ percent.

District bank credit continued to increase in 1962; loans accounted for most of the rise

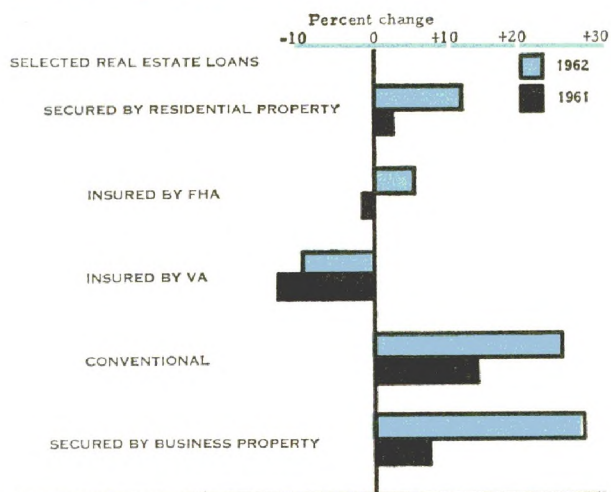


Note: Loans adjusted are total loans less valuation reserves. Data are for member banks only.

Source: Federal Reserve Bank of San Francisco and Board of Governors of the Federal Reserve System.

¹Data for the first 12 months of the 1958-60 cycle are not altogether comparable with more recent commercial and industrial loan data because of reclassification of certain categories.

Search for higher returns on earning assets also stimulated mortgage financing by District banks



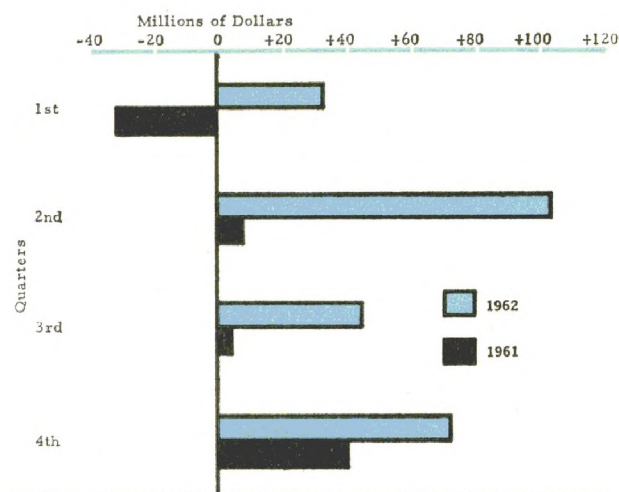
Source: Reports of condition of member banks.

Banks made substantial additions to their mortgage holdings

The major divergence in loan activity in 1962 from a year earlier was in real estate lending. District banks, confronted with mounting interest costs on rapidly expanding time deposits, actively sought mortgage loans as a source of higher earnings. Mortgage holdings increased 15 percent, compared with 3.5 percent in 1961. The increase was achieved in the face of strong competition for mortgages from savings and loan associations and other lenders. From June 1962 to the end of the year, the dollar volume of real estate loans held by District weekly reporting member banks exceeded outstanding commercial and industrial loans. Even substantial tax borrowing by business in December failed to close the gap as real estate loans continued their steady rise.

Mortgages secured by commercial and industrial properties accounted for almost all of the increase in real estate loans in the first quarter of 1962 at member banks in the District, and this type of lending continued at a substantial rate through the rest of the year

Increase in automobile instalment loans in 1962 concentrated mainly in second and fourth quarters



Source: Reports of condition of member banks.

to reach a total of \$1.5 billion outstanding by the end of 1962. After a small first quarter decline, loans secured by residential properties registered gains in excess of \$200 million in each of the three succeeding quarters. A 24 percent increase in conventional mortgages brought outstandings at the end of December 1962 to \$2,485 million, a level only \$61 million under bank holdings of FHA-guaranteed mortgages. District banks also increased their holdings of mortgages secured by farm land by \$40 million in 1962, a 24 percent gain over 1961. Only VA-insured and guaranteed mortgages declined during 1962 in line with the declining trend of these holdings in recent years. Due to their lower yields, they have become relatively less attractive in comparison with other types of loans.

Record District automobile sales boosted consumer loan totals

Consumer borrowing was also a plus factor in bank loan expansion in 1962. The 12 percent gain in consumer loans held by District banks reflected the generally high level of retail sales in 1962 and the increased interest by banks in the relatively high rates of

return on this type of lending. District banks participated actively in the financing of record District automobile purchases, with the result that more than half of the 1962 dollar gain in consumer loans was in automobile instalment loans. The 17 percent increase in automobile credit compares with a gain of only 1.5 percent in 1961.

New extensions of credit for other types of retail consumer instalment loans, however, barely offset repayments during the year. Other types of instalment loans, including loans for residential repair and modernization, rose about 10 percent in 1962 compared with a reduction in 1961. The 11 percent increase in single-payment loans for the year was identical with the increase a year earlier.

Credit to financial intermediaries and for purchasing and carrying securities remained above year-ago levels throughout 1962

The volume of outstanding loans to non-bank financial institutions held by District banks at the close of 1962 was 25 percent greater than at the end of December 1961, remaining above 1961 levels throughout 1962. The margin over a year-ago widened in the last half of the year, with particularly heavy borrowing in December by sales and personal finance companies and other financial intermediaries.

While 1962 year-end figures indicate a reduction from December 1961 in District bank loans to brokers and dealers for financing United States Government securities, the volume of such credit extended throughout 1962 was greater than in 1961, except for the first quarter. Borrowing around quarterly tax dates was particularly heavy in 1962 as more bank credit than usual was needed by dealers to finance their larger inventories. Corporations had been providing much of the additional financing through repurchase agreements, which were made with maturities designed to run off on tax payment dates.

Loans to brokers and dealers and to others for purchasing and carrying other types of securities, on the other hand, remained above year-ago levels during all of 1962, although the spread narrowed somewhat in the last half of the year. Loans for purchasing and carrying securities fluctuate widely over short periods, however, so that comparisons from any one date to another may not be particularly meaningful.

District bank credit to farmers expanded in 1962

Agricultural loans outstanding at District member banks at the close of 1962 were 13 percent above year-end 1961 outstandings, about 3 percentage points less than the gain a year earlier. However, bank loans to farmers, excluding CCC-guaranteed loans, rose 12 percent in 1962 compared with a 6 percent gain in 1961, and the dollar volume of such loans outstanding remained higher throughout 1962. The major increase occurred in the second quarter, when seasonal borrowing needs of farmers are greatest. Bank holdings of CCC-guaranteed loans in 1962 reflected both the ready availability of funds and the relatively attractive yield on these loans compared with alternative short-term investments. During the first half of 1962, CCC loans held by District banks far exceeded outstandings in the comparable period of 1961 as bank portfolio managers followed a somewhat different policy in regard to CCC loans. CCC loans are customarily made in the latter part of the year and presented to the Commodity Credit Corporation for redemption as the need for funds for other purposes arises. But a large proportion of the \$100 million in CCC loans extended by District banks in late 1961 was, contrary to usual practice, held until they matured in August 1962.

Loan-deposit ratios increased in 1962

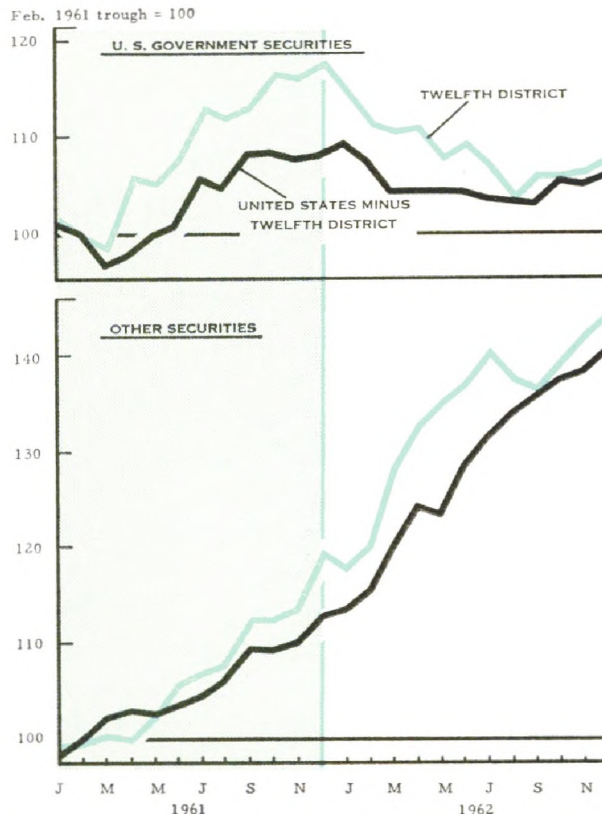
Since the rate of loan expansion at District member banks in 1962 surpassed the 7 percent increase in deposits, the ratio of loans to deposits rose. At the end of 1962, the ratio was 63.2 percent, up from 58.7 percent at the end of 1961. The loan-deposit ratio at the end of 1962 compares with a ratio of 62.3 percent 22 months after the trough of the preceding cycle. Because a larger proportion of District bank deposits in 1962 than in 1960 was in the form of savings and time deposits, which are less volatile than demand deposits, banks had somewhat greater leeway to expand their loan activity.

District bank investment portfolios held more tax-exempts and longer term Treasury issues in 1962

In 1961, District member banks increased their total investment in securities by \$1.6 billion, with United States Government securities and other securities rising at about the same rate. In 1962, on the other hand, total security holdings at year-end were less than \$100 million above December 1961, a gain of only 1 percent compared with a 17 percent increase in 1961. This difference was due largely to the greater expansion in loans and to a smaller gain in deposits in 1962 than a year earlier.

The need to offset higher interest costs on savings and time deposits encouraged banks in 1962 to switch from United States Government securities into tax-exempt issues yielding higher net rates of return. As a result, District bank holdings of United States Treasury issues declined 7 percent, while other security holdings (chiefly state and local government securities) rose 23 percent—5 percentage points above the gain in 1961. By the end of 1962, other security holdings accounted for slightly over one-third of total securities held by District member banks, compared with one-fourth of the total at the beginning of 1961.

Bank holdings of municipals rose as banks sought higher yields on earning assets



Note: "Other securities" are chiefly state and local government issues. Data are for member banks only. Source: Federal Reserve Bank of San Francisco and Board of Governors of the Federal Reserve System.

Sizable shifts also occurred in 1962 in the maturity distribution of United States Government securities held by member banks in the District. Treasury bill holdings declined 17 percent, while notes and bonds maturing in 1 to 5 years and within 1 year also dropped sharply. Although certificate holdings increased, the major gain—\$551 million—was centered in holdings of long-term bonds. This reallocation of funds was partly a result of the Treasury's financing and refunding operations during the year. The search for higher yields, however, also influenced bank management of United States Government security portfolios, as it had affected their other holdings. The continued availability of funds to meet loan demand added to the banks'

willingness to shift into longer term securities. As a result of these shifts in investment portfolios, the ratio of District bank holdings of United States Government securities maturing within one year to total deposits (less cash items in process of collection) declined from 8.3 percent in December 1961 to 6.6 percent in December 1962. This liquidity ratio, however, was still far above the 2.3 percent ratio 22 months after the April 1958 cyclical trough.

Higher interest rates attracted \$2 billion in savings and time deposits

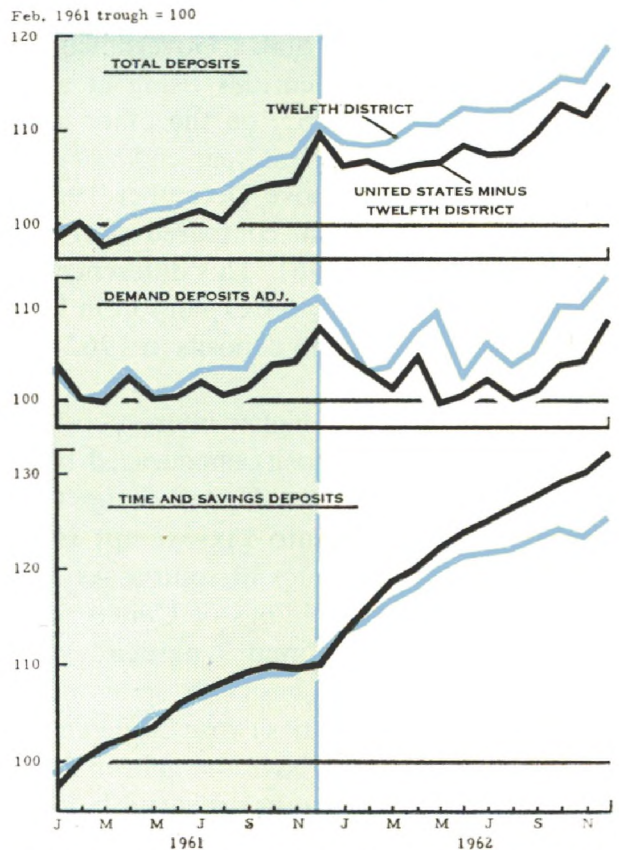
Although member banks in the District gained demand deposits in both the second and fourth quarters of 1962, the net increase for the year was under 1.5 percent, well below the 8 percent increase in 1961. The small increase at District banks was, nevertheless, in contrast to a 2 percent decrease for member banks in the rest of the nation. The major difference in demand deposit behavior in the District in 1962 compared with a year earlier was the smaller increase in deposits of individuals, partnerships, and corporations, due mainly to sizable net withdrawals in the first quarter of the year.

As mentioned earlier, most District member banks raised their rates of interest payable on savings and time deposits at the start of 1962. This action, combined with the adoption in 1961 by many large District banks, particularly in California, of daily computation of interest on savings accounts, permitted District banks to compete more successfully with savings and loan associations and other investment outlets for savings. As a result, total time deposits at District banks rose \$2 billion, a 13 percent gain over December 1961. By the end of 1962, savings and time deposits of District banks constituted 47.9 percent of total deposits. Although a portion of these funds may have been transfers from demand deposits, much of the gain reflected net new deposits.

The largest dollar gain was the \$1.5 billion rise in savings deposits, an increase of 13 percent over 1961. Increases exceeded \$300 million in each quarter of 1962, with the largest gains occurring in the second and third quarters. Other time deposits of individuals, partnerships, and corporations rose \$300 million in 1962, but the gain was concentrated in the first two quarters of the year.

States and political subdivisions also found the higher rates attractive and increased their time deposits \$160 million in 1962. Net additions to time deposits of foreign governments, central banks, and international institutions throughout the year brought the year-end gain in this category to \$62 million.

District deposits rose faster than in rest of the nation despite slower growth in time deposits



Note: Demand deposits adjusted include all deposits except interbank and United States Government deposits, less cash items in process of collection. Data are for member banks only. Source: Federal Reserve Bank of San Francisco and Board of Governors of the Federal Reserve System.

TABLE 3

**SELECTED ASSET AND LIABILITY ITEMS OF ALL MEMBER BANKS
IN THE TWELFTH FEDERAL RESERVE DISTRICT**

(dollar amounts in millions)

	As of Dec. 28, 1962	Change from Dec. 30, 1961		Percent change From Dec. 31, 1960 to Dec. 30, 1961
		Dollar amount	Percent	
Total loans and investments	\$32,512.5	\$+2,758.3	+ 9.3	+ 9.1
Net loans and investments	32,164.2	+2,734.2	+ 9.3	+ 9.1
Loans and discounts—net	20,982.8	+2,634.5	+14.4	+ 4.8
Commercial and industrial	6,985.7	+ 665.3	+10.5	+ 5.8
Real estate	7,226.6	+ 939.6	+15.0	+ 3.5
Agricultural	1,029.5	+ 117.7	+12.9	+15.7
Domestic commercial and foreign banks	415.4	+ 171.3	+70.2	+13.4
Nonbank financial institutions	1,132.3	+ 224.4	+24.7	— 0.5
For purchasing or carrying securities				
To brokers and dealers	156.9	— 4.3	— 2.7	+16.1
To others	120.7	+ 18.8	+18.5	+26.7
Consumer	3,950.8	+ 424.4	+12.0	+ 2.9
All other loans	313.2	+ 101.4	+47.9	+11.8
Total investments	11,181.4	+ 99.7	+ 0.9	+17.0
U. S. Government securities	7,653.1	— 548.6	— 6.7	+16.8
Treasury bills	1,045.2	— 220.8	—17.4	+79.5
Certificates	409.3	+ 101.1	+32.8	+10.4
Notes and bonds maturing:				
Within 1 year	987.3	— 55.5	—53.2	—46.9
1 to 5 years	3,594.2	— 924.6	—20.5	+57.3
After 5 years	1,617.1	+ 551.2	+51.7	—11.3
Other securities	3,528.3	+ 648.3	+22.5	+17.7
Total deposits	35,993.5	+2,300.3	+ 6.8	+10.2
Demand	18,740.7	+ 258.5	+ 1.4	+ 8.3
Time	17,252.8	+2,041.8	+13.4	+12.5
Capital accounts	2,662.9	+ 141.1	+ 5.6	+10.5
Total assets/liabilities and capital accounts	40,060.0	+2,959.3	+ 8.0	+ 9.7

Source: Reports of condition of member banks.

Lower net income in 1962 for District banks as interest costs on time deposits soared

The growth in savings and time deposits in 1962 resulted in a 36 percent increase in interest costs of District member banks. Interest paid on deposits exceeded total salaries and wages for the first time and was largely responsible for the 18 percent increase in

total expenses in 1962. Although banks were successful in increasing earnings from both loans and securities, total revenue in 1962 rose only 11 percent and did not fully offset the increase in expenses. As a result, net income of District banks declined \$15.6 million in 1962, a drop of over 6 percent from 1961. Net profits of individual District banks varied widely in 1962, but profits were generally

less favorable compared with 1961 for the larger banks and for those banks having a high proportion of savings and time deposits to total deposits. As the year progressed, however, most banks found themselves in an increasingly better position to offset higher expenses by increased earnings. By the end of 1962, consequently, the profit outlook for 1963 had improved materially.

Higher earnings and increased volume of operations for the Federal Reserve Bank of San Francisco in 1962

The Federal Reserve Bank of San Francisco registered an 18 percent increase in net earnings in 1962 as income from both discounts and securities rose. Although monetary policy was generally easy throughout the year, discounts held by the Federal Reserve Bank of San Francisco rose from a daily average of \$2.5 million in 1961 to \$5.9 million in 1962. Earnings on the Bank's share of United States Government obligations held in the Federal Reserve System's Open Market Account were 16 percent greater in 1962 than a year earlier. The gain was attributable to larger holdings of securities in the Account, higher average yields on the Treasury issues held, and an increase in the percentage allocation to this Bank of securities in the Account.

The increase in the volume of service operations performed by the Bank in 1962 reflected rising levels of business and financial activity in the District and in the nation. The dollar volume of check collections handled by the Bank rose 12 percent, accompanied by a significant increase in the use of electronic equipment for check processing. The number of electronically sorted checks expanded at head office from a daily average of 79,000 items in January 1962 to 130,000 in December. Sorting was facilitated by the fact that by mid-year approximately 80 percent of cash items were preprinted with magnetic ink, compared with approximately 57

TABLE 4

SELECTED OPERATIONS OF THE FEDERAL RESERVE BANK OF SAN FRANCISCO

(millions of dollars)

	1962	1961	1960
Discounts			
Daily average amount held	6	2	24
Checks handled	147,273	131,908	119,857
Coin and currency			
Coins received and counted	133	129	137
Currency received and counted	3,996	3,946	4,361
Treasury issues			
Other than savings bonds			
Issued	8,504	6,839	6,255
Exchanged	23,630	19,923	15,771
Redeemed	9,760	8,041	8,421
Savings bonds			
Issued	473	466	449
Redeemed	673	689	801

percent in 1961. Use of telegraphic and mail transfer facilities also rose and was 14 percent above the year-ago level, while coin and currency operations continued at about the same level as in 1961. Although more coin was received from the Mint in 1962, periodic and extended shortages of coin throughout the year necessitated rationing of nickels and pennies during some months. At the close of 1962, \$3,219 million in Federal Reserve notes issued by the Federal Reserve Bank of San Francisco were in circulation, a gain of \$253 million from the preceding year.

Due to extensive new financing by the Treasury in 1962, the dollar amount of United States Government obligations (excluding United States savings bonds) originally issued by this Bank increased 24 percent, while redemptions were 21 percent higher. The number of pieces issued declined, however, indicating some increase in the av-

erage size of subscriptions. There were two advance refundings in 1962, and the dollar amount of Treasury issues exchanged rose 19 percent. Purchases of savings bonds in the District increased in 1962, while redemptions declined, continuing a trend which has prevailed since 1959 of reducing the excess of redemptions over sales.

The situation at year-end

The rapid economic expansion of the Twelfth District in the postwar period and the steady influx of population into the area stood the District in good stead in the second year of the 1961-62 upswing. The impetus supplied by this long-run growth was responsible in large part for the better showing of the District in 1962, with employment—the most comprehensive indicator of general economic activity on the District level—continuing to rise throughout the year. Activity in the defense-related industries, as measured by employment and defense contracts, was a major factor in the sustained upward movement of the area's economy as the District maintained its pre-eminent role in national defense work. Increased employment in the service industries and in government, on the other hand, reflected the rising needs of an expanding population. Personal income, retail sales, new car registrations, residential construction, and bank credit, all of which are closely linked with higher employment and population, also developed more favorably in the District than in the nation in 1962

—providing additional evidence that the growing population has been a major element in the District's achievements.

Not all sectors of activity in the District, however, were equally strong in 1962. The steel industry fared less well in the District than in the nation, mainly because of a lesser dependence on the automobile industry, which is a major steel user. The absence of a close relationship with auto production, however, has made the District steel industry somewhat more stable over the business cycle and thus less subject to the ups and downs of the relatively volatile demand for cars. District steel producers, on the other hand, like other steel producers across the nation, were confronted during the year by a growing volume of foreign imports. Strong import competition was also encountered by lumber, plywood, copper, and aluminum producers in the District. The situation is of relatively recent origin and has emerged gradually as foreign producers re-entered world markets. The extent to which both District and national producers succeed in maintaining a competitive position will contribute to longer run domestic growth as well as to a better balance in our international payments.

Although the vigor of the current upswing regionally probably was somewhat weaker than in previous postwar recoveries, the District's experience in 1962 was better than that of the nation as a whole, and the area is in a good position to register further gains in 1963.

FEDERAL RESERVE BANK OF SAN FRANCISCO
BANKING AND CREDIT STATISTICS AND BUSINESS INDEXES—TWELFTH DISTRICT¹
(Indexes: 1957-1959=100. Dollar amounts in millions of dollars)

Year and Month	Condition items of all member banks ^{2, 7}				Bank debits index 31 cities ^{4, 5}	Bank rates on short-term business loans ^{6, 7}	Total nonagricultural employment	Total mfg employment	Car-loadings (number) ⁸	Dep't store sales (value) ⁸	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	19	....	...	...	110	18	53
1933	1,486	720	951	1,609	8	....	...	...	56	11	34
1939	1,967	1,450	1,983	2,267	14	....	...	...	83	19	38
1953	9,220	6,639	10,515	7,997	69	4.14	86	86	108	74	93
1954	9,418	7,942	11,196	8,699	71	4.09	85	84	103	74	93
1955	11,124	7,239	11,864	9,120	80	4.10	90	90	112	82	92
1956	12,613	6,452	12,169	9,424	88	4.50	95	96	112	91	94
1957	13,178	6,619	11,870	10,679	94	4.97	98	101	103	93	97
1958	13,812	8,003	12,729	12,077	96	4.88	98	96	96	98	101
1959	16,537	6,673	13,375	12,452	109	5.36	104	103	101	109	101
1960	17,139	6,964	13,060	13,034	117	5.62	106	103	95	110	103
1961	18,499	8,278	14,163	15,116	125	5.46	108	103	94	115	104
1962	....	....	....	....	141	....	113	109	104	123	...
1962											
February	18,622	7,820	13,163	15,647	135r	....	111	107	105	120	105
March	18,906	7,776	13,235	15,939	138	5.50	112	107	104	123	105
April	19,070	7,811	13,706	16,091	140r	....	112	108	104	118	105
May	19,328	7,582	13,945	16,352	140	....	112	108	102	121	106
June	19,625	7,689	13,101	16,511	143r	5.52	112	108	102	123	106
July	19,669	7,532	13,535	16,587	144r	....	113	109	106	123	105
August	20,017	7,309	13,255	16,655	144r	....	113	109	105	124	105
September	20,165	7,471	13,446	16,772	143	5.49	114	110	107	122	106
October	20,460	7,471	13,969	16,934	142r	....	114	111	104	121	106
November	20,589	7,501	14,012	16,827	144r	....	114	110	102	128	105
December	21,102	7,608	14,431	17,093	146	5.50	115	111	101	127	106
1963											
January	21,035	7,454	13,917	17,390	146	....	116	111	90	127	107
February	21,403	7,130	13,527	17,532	149	....	116p	111p	105	128	107

Year and month	Industrial production (physical volume) ⁵							Waterborne Foreign Trade Index ^{7, 9, 10}					
	Lumber	Petroleum ⁷		Cement	Steel ⁷	Copper ⁷	Electric power	Exports			Imports		
		Crude	Refined					Total	Dry Cargo	Tanker	Total	Dry Cargo	Tanker
1929	84	91	61	34	...	89	13	96	61	193	20	55	*
1933	35	54	39	17	...	15	11	55	...	...	12	...	...
1939	62	70	49	35	16	70	17	82	43	190	16	41r	1
1952	101	112	90	77	92	100	61	86	81	101r	33	61r	18
1953	102	114	95	82	105	98	69	71	56	113	51	70	41
1954	101	111	92	83	85	90	73	67	57	96	44	71	28
1955	107	111	96	90	102	104	82	84	72	117r	52r	80	35
1956	104	109	100	97	108	114	89	101	105	91	75	86	69
1957	93	106	103	93	114	113	95	117r	124	96	95	93	97
1958	98	98	96	99	94	101	97	89	86	96	92	95	91
1959	109	96	101	108	92	86	107	95	90	108	112	113	112
1960	98	95	104	101	102	112	115	122	123	120r	133r	117r	142r
1961	94	96	108	105	111	119	124	126	134	104	134	116	145
1962	...	96	111	111	...	...	...	...	...	...	...	...	...
1962													
January	91	94	108	107	119	124	132	123	131	101r	125	111	133r
February	97	94	110	96	120	138	126	137	143	122r	94	107	86
March	97	95	106	105	112	130	130	133	124	129r	120	128	116
April	93	95	105	113	98	140	129	107	121	67	140	117	154
May	96	96	108	111	107	136	131	134	145	104r	137	138	137
June	94	96	112	94	103	130	128	104	121	59	156	132	170r
July	97	96	115	115	84	112	128	82	85	74	154	122	172
August	94	97	114	117	89	115	134	116	130	76	168	136	186
September	98	96	113	115	90	119	134	105	121	61	137	122	145
October	98	97	112	120	88	128	...	96	105	72	158	154	161
November	104r	97	113	115	91	127	...	...	...	...	...	...	...
December	103	97	113	121	102p	...	...	...	...	...	...	...	...
1963													
January	104	96	113	122	100p	...	...	...	...	...	...	...	...

¹ Adjusted for seasonal variation, except where indicated. Except for banking and credit and department store statistics, all indexes are based upon data from outside sources, as follows: lumber, National Lumber Manufacturers' Association, West Coast Lumberman's Association, and Western Pine Association; 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. Department of Commerce. 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 A new index now combining not only Los Angeles, San Francisco, and Seattle food indexes but also Portland. Reweighted by 1960 Census figures on population of standard metropolitan areas. 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. * Less than 0.5 percent.