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ANALYSIS OF COMMERCIAL AND INDUSTRIAL LOANS

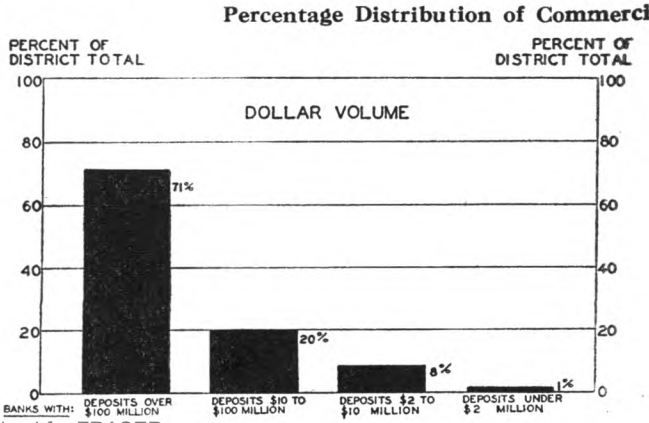
Rapid Growth in Commercial Loan Volume Probably the outstanding banking development during the past year and a half was the rapid increase in the volume of commercial and industrial loans. The current figure at Fourth District reporting member banks is at an all-time high, roughly 75 percent above the level at the close of the war. Loans of this type increased at the unprecedented rate of 6 percent per month during the last half of 1946. The rate of advance has slowed down somewhat thus far during 1947, but substantial gains are still occurring week after week.

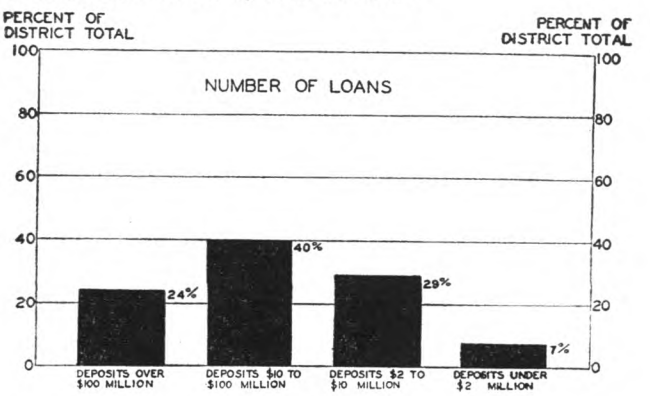
The rapid growth has been of great interest to banks, to business borrowers, and to all those responsible for the orderly functioning of our economy. Commercial and industrial loans now constitute roughly half the loan portfolio of the average bank and are a major source of bank earnings. Business enterprises have relied to a large degree upon bank borrowings for working capital and for expansion of plant facilities. The economic community as a whole has an important stake in these loans, since an adequate volume of credit is essential to a smoothly operating economy.

Commercial Loan Survey Despite the mounting importance of business loans to all elements in the community, relatively little has been known regarding the characteristics of these loans. On what terms are the funds being loaned? How do the terms vary from bank to bank and from community to community? What industries are borrowing and how large are the borrowing concerns? The answers to these and other questions have been supplied through a recent Systemwide survey of the commercial and industrial loans in about one-fourth of the member banks of the System.

In this District, the sample consisted of 165 member banks, holding about 80 percent of the commercial and industrial loans of all 724 member banks. The participating banks supplied ten items of information regarding their loans outstanding on last November 20. On a given loan, the banks stated the dollar amount outstanding, the date made and due, the repayment method, the interest or discount rate, and the security pledged. The borrower was also described as to industry, assets, and date and type of organization. Real estate loans made for business purposes were included in the analysis, but open market paper and Commodity Credit Corporation loans were excluded.

Percentage Distribution of Commercial and Industrial Loans by Size of Bank





Facts About the Lenders

Size of Lending Institutions

The characteristics of commercial loans differ somewhat by size of bank. Therefore, the banks of the District were divided into four size groups. The respective groups are listed in the accompanying table which also indicates average deposits of banks in each group, the average volume of commercial and industrial loans, and the ratio of these loans to deposits.

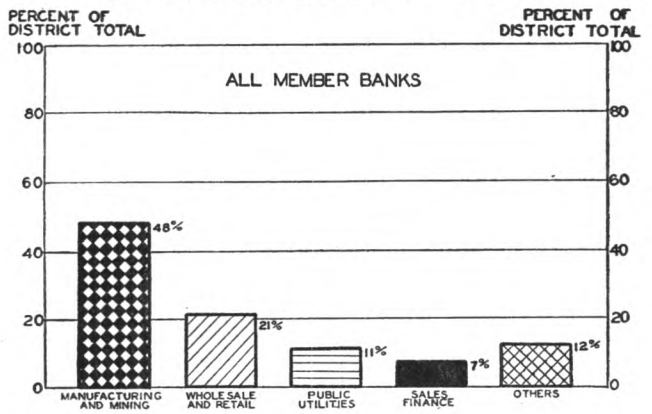
Ratio of Commercial and Industrial Loans to Deposits at 165 Sample Banks

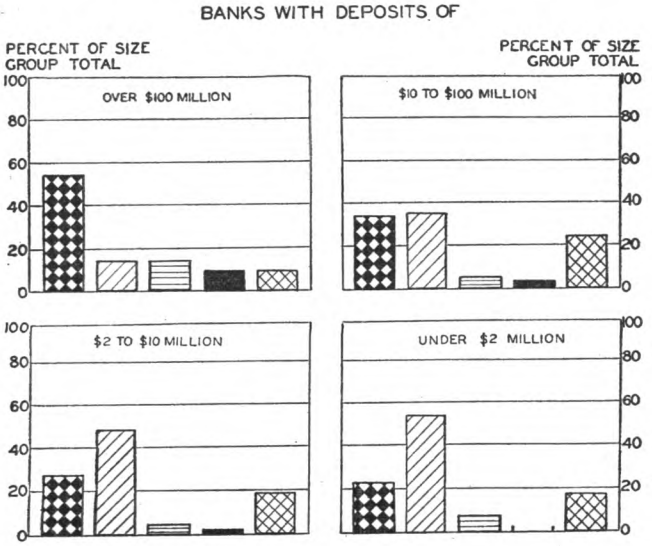
Deposit Range in Millions	Average Deposits*	Average Commercial Loan Volume**	Ratio of Commercial Loans to Deposits
	Thousands of Dollars		
Over $100	$393,200	$37,350	9.5%
$10 to $100	23,100	1,674	7.3
$2 to $10	4,800	158	3.3
Under $2	1,500	45	3.0

* June 29, 1946
** November 20, 1946

The results indicate that commercial and industrial loans constitute a considerably larger portion of the business of the large banks than of the small. The ratio of commercial loans to deposits ranged from a high of nearly ten percent at the largest institutions down to three percent at the smallest banks. Smaller banks have a comparatively large share of their loan portfolios in the form of real estate loans, consumer credit, and loans to farmers.

Percentage Distribution of Dollar Volume of Loans by Industry of Borrower and Size of Bank





PERCENTAGE DISTRIBUTION OF COMMERCIAL AND INDUSTRIAL LOANS BY INDUSTRY

Business of Borrower	Distribution of: Dollar Amount	Number of Loans
Manufacturing and Mining		
Iron, Steel, and non-ferrous metals and their products; electrical and other machinery; and automobiles and other transportation equipment and parts	22.5%	6.1%
Food, liquor, and tobacco	9.5	2.3
Petroleum, coal, chemicals, and rubber	7.9	3.3
Textile, apparel, and leather	1.2	0.5
All other (including lumber; furniture; paper; printing and publishing; and stone, clay, and glass)	6.4	5.2
Total	47.5%	17.4%
Retail Trade		
Apparel, dry goods, shoes, department stores, mail-order houses, variety stores, and general stores	3.4	4.6
Food, liquor, tobacco, restaurants, and drug stores	3.3	13.6
Home furnishings, furniture, and electrical appliance stores; hardware and farm implement dealers; lumber and building material dealers; and plumbing and heating equipment dealers	1.9	9.1
Automobile dealers and auto accessory stores, and filling stations	1.9	6.5
All other (including farm feed, fuel dealers and jewelry stores)	1.5	6.6
Total	12.0%	40.4%
Wholesale Trade		
Home furnishings, furniture, and electrical appliances; hardware, machinery and metal products; lumber and building materials; and plumbing and heating equipment	3.2	3.1
Food, liquor, tobacco, and drugs	3.0	3.5
Automobiles and parts, and petroleum	0.7	1.0
Apparel, dry goods, shoes and related raw materials	0.5	0.5
All other (including farm feed, fuel, jewelry, and paper)	2.0	2.3
Total	9.4%	10.4%
Other		
Transportation companies (railroad, etc.) communication companies, and other public utilities	11.4	6.2
Sales finance companies	7.2	0.7
Services (including hotels; repair services; amusements; personal and domestic services; and medical, legal, and other professional services)	3.4	10.3
Building and road construction contractors and sub-contractors	3.0	5.1
All other (including forestry; fishing; and real estate)	5.7	7.9
Total	30.7%	30.2%
Not Classified	0.4	1.6
Grand Total	100.0%	100.0%

In part because of this greater activity of the large banks in the business loan field, but chiefly because of the concentration of a large proportion of banking resources in the largest institutions, the bulk of the District's estimated $840 million volume of commercial and industrial loans was held by the largest banks. An accompanying chart indicates that at the time of the survey, 16 banks with deposits of over $100 million held 71 percent of the loan volume and another 20 percent was held by the 101 institutions with deposits of $10 to $100 million. The 413 banks in the $2 to $10 million category had loaned 8 percent of the total, and the District's 194 smallest institutions held only 1 percent.

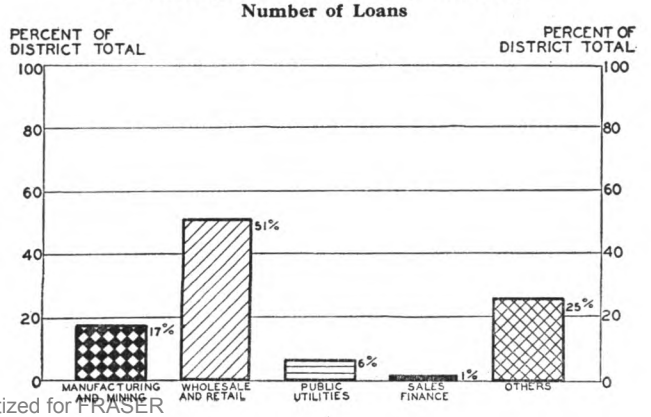
However, the dollar figures, which are weighted so heavily by the large loans at the biggest institutions, tend to obscure the vital role played in the commercial lending picture by the smaller banks. The importance of the small banks is emphasized by an accompanying chart, which reveals that the smallest banks held seven percent of the District's estimated total of 52,000 loans. The average small bank thus had about 20 commercial and industrial loans on its books. The importance of those loans to the economic life of the communities served by the small banks is undoubtedly great.

The next larger banks, with deposits of $2 to $10 million, held 29 percent of the total number of loans. Banks in the $10 to $100 million category had 40 percent of the loans, whereas the largest banks, which had 71 percent of the *dollar* volume of loans, held only 24 percent of the total *number* of loans.

Facts About the Borrowers

Industry of Borrowers Although all industries have relied upon banks for substantial amounts of credit, manufacturing and mining industries accounted for almost half of the estimated $840 million in commercial and industrial loans at all Fourth District member banks as of November 20. An accompanying chart also shows that retail and wholesale establishments together borrowed roughly 20 percent of the total, while borrowing by public utilities amounted to about 12 percent of the aggregate District figure. Sales finance companies accounted for 7 percent of the total and the remaining 12 percent was borrowed by service establishments, construction contractors, and unclassified industries.

Percentage Distribution by Industry
Number of Loans



Distribution of Dollar Volume of Loans by Industry Within Each Bank Size Group

Industry	All Banks	Banks with Deposits of—Over $100 Million	$10 to $100 Million	$2 to $10 Million	Under $2 Million
Mfg. and Mining	48%	54%	34%	27%	22%
Retail	12	6	21	38	49
Public Utilities	11	14	5	4	7
Wholesale	9	8	14	10	5
Sales Finance	7	9	3	1	0
All Other	13	9	24	19	17
Total all Industries	100%	100%	100%	100%	100%

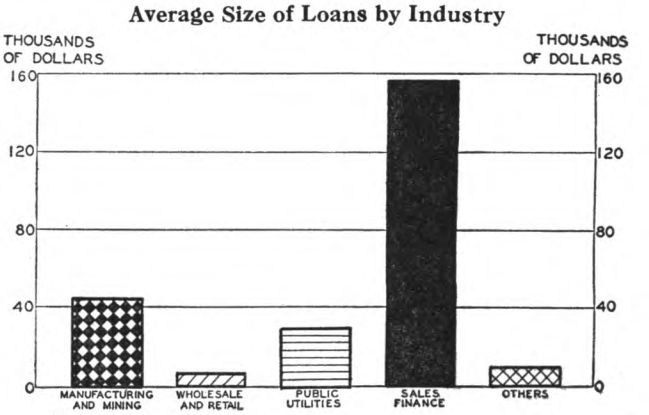
Distribution of Number of Loans by Industry Within Each Bank Size Group

Industry	All Banks	Banks with Deposits of—Over $100 Million	$10 to $100 Million	$2 to $10 Million	Under $2 Million
Retail	40%	29%	39%	49%	54%
Mfg. and Mining	17	22	16	16	15
Wholesale	10	10	12	10	5
Public Utilities	6	6	8	5	6
Sales Finance	1	2	1	0	0
All Other	25	32	25	21	20
Total all Industries	100%	100%	100%	100%	100%

The dominant position of the manufacturing and mining industry in the *dollar* figures for all banks disappears when the comparison is made on the basis of the *number* of loans made to each industry. An adjoining chart shows that about 50 percent of the District's estimated 52,000 loans were to retail and wholesale establishments, 17 percent to manufacturing and mining concerns, and 32 percent to all other categories combined. This variation between dollar figures and the data on the number of loans was caused by the fact that the average loan to wholesalers and retailers is much smaller than the average manufacturing and mining loan.

The average size of manufacturing and mining loans last November was $44,000 and public utility loans averaged about $30,000, whereas the average loan to wholesalers was $15,000 and to retailers $5,000. Loans to finance companies, which constituted 7.0 percent of the dollar total, amounted to only 0.7 percent of the numerical total, a variation that may be attributed to the fact that the average size of the loans to finance companies was $158,000, the highest figure among all the classifications.

Average Size of Loans by Industry



Size of Average Loan By Industry Within Each Bank Size Group

Industry	All Banks	Banks with Deposits of: Over $100 Million	$10 to $100 Million	$2 to $10 Million	Under $2 Million
All Industries	$16,100	$47,400	$8,200	$4,300	$2,300
Sales Finance	$157,500	$244,100	$43,300	$18,700	–0–
Mfg. and Mining	44,100	117,200	17,100	7,300	$3,500
Public Utilities	29,800	119,100	5,200	3,900	2,900
Wholesale	14,700	39,300	9,400	4,300	2,500
Retail	4,800	9,700	4,500	3,400	2,100
All Other	9,100	12,700	7,800	4,000	1,900

Size of Borrowers The results of the survey indicate that Fourth District banks are actively engaged in financing small and medium sized business. The accompanying chart indicates that almost 70 percent of the total number of loans were made to borrowers whose assets amounted to less than $50,000 and approximately 90 percent of the borrowers had assets of less than $250,000. Borrowers with assets in excess of $5 million accounted for only two out of every hundred loans in the portfolios of Fourth District member banks. Furthermore, at the largest banks (deposits in excess of $100 million) almost two-thirds of the borrowers represented firms with assets of less than $50,000.

The dollar figures likewise indicated that banks are channeling a large volume of credit to small business. Because of the large size of the loans to the bigger concerns, firms with assets in excess of $5 million accounted for almost half the total dollar volume of loans in the November survey. Nevertheless, small businesses with assets under $50,000 accounted for 11 percent of the total, while 27 percent of the funds moved to firms with assets under $250,000 and 36 percent of the borrowers had resources of less than $750,000.

Facts About the Various Conditions of the Loans

Loan Maturity About 40 percent of the dollar volume of commercial and industrial loans at Fourth District member banks was scheduled to mature beyond one year from the dates on which the loans were made. Thus a sizable proportion of the total loan volume apparently was designed to meet other than the seasonal or temporary needs of the borrowers.

Percent of Dollar Volume of Loans with Maturity Provision of One Year or Less, by Industry of Borrower and Size of Bank

Industry	All Banks	Banks with Deposits of: Over $100 Million	$10 to $100 Million	$2 to $10 Million	Under $2 Million
All Industries	60%	51%	83%	82%	82%
Sales Finance	90%	89%	100%	100%	–0–
Wholesale	81	74	92	94	100%
Retail	75	69	78	78	79
Mfg. and Mining	55	49	83	88	70
Public Utilities	16	8	75	73	81
All Other	73	63	84	78	100

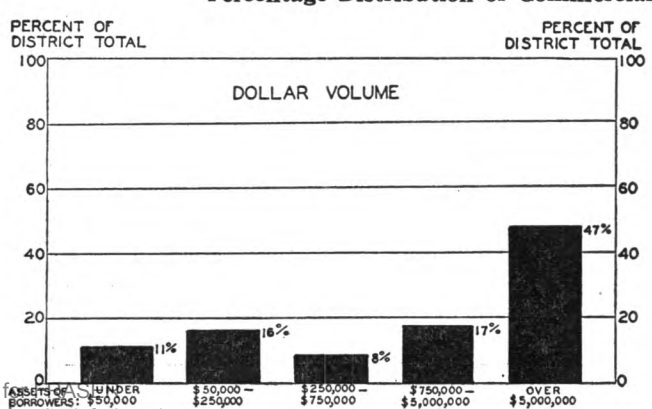
As the above table indicates, only about half the loan volume at the largest banks contained maturity provisions of one year or less, whereas the corresponding percentages at each of the other three size groups approximated 82 percent. Thus, in the Fourth District, the largest banks apparently are the most active in the field of term loans.

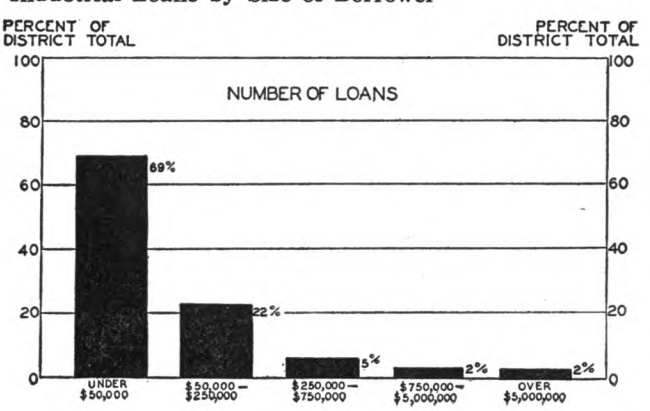
In each bank size group, the highest percentage of year or less maturities was found in the loans to sales finance companies. Wholesale companies ranked second in the various bank size groups with regard to year or less maturities, with retail establishments generally third. The longest maturities were associated with loans to manufacturing and mining industries and to public utilities.

Loan Security At the time of the survey about 60 percent of the total dollar volume of commercial and industrial loans was unsecured. Furthermore, among the various bank size groups, it was the largest institutions which placed the greatest reliance upon the general credit worth of the borrower. Almost 70 percent of the dollar volume was unsecured at the largest banks, compared with about 36 percent at the two middle sized groups and 48 percent at the smallest banks. Furthermore, this tendency for the largest banks to make a comparatively large share of their loans on an unsecured basis was true in the case of each industry.

(*Continued on page 10*)

Percentage Distribution of Commercial and Industrial Loans by Size of Borrower





THE OUTLOOK FOR LEAD

The persistent shortage of lead has affected innumerable industries throughout the Fourth District. Inadequate supplies of the metal have had a continuing effect upon the operations of heavy consumers such as manufacturers of wet batteries, automobiles, paints, and other products of general use. The uncertain lead situation has been of equal importance to producers of glass, lead pipe, solder, tetraethyl lead fluid, galvanized ferrous products, and electrical equipment. Electric utilities require a large amount of the metal in the form of lead-covered cable.

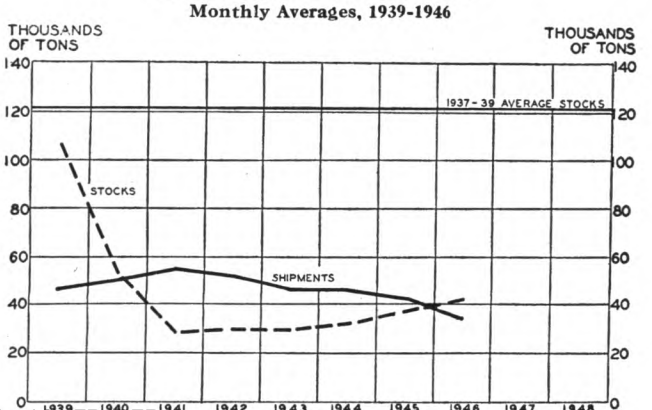
Most of these industries had predicated their postwar production programs on the assumption that lead would be obtainable in sufficient amounts. Yet the available supply of lead from both domestic and foreign sources has been decreasing since the war's end.

The accompanying chart illustrates the narrow margin of reserves on which the domestic lead industry has been operating since 1940. The 1937-39 average end-of-month reserves of refined lead stocks at smelters and refiners was 121,000 tons, or about three months' supply as related to the 43,000-ton average monthly shipments in the same years. In the latter part of 1939 as the rate of consumption surpassed the rate of production, the drain on the reserve stocks began and by mid-1940, stocks were down to one month's supply.

Average month-end reserves at refineries have increased slightly in the past two years and were slightly in excess of one month's supply on December 1, 1946, but still far below the prewar level. Government stocks which were accumulated for security reasons have been steadily drawn down. In December 1942, the Government reserve amounted to 248,000 tons of refined lead, whereas at the end of last September the stockpile was down to 36,000 tons.

Throughout 1946, the deficiency of supply became more and more serious. Government restrictions on prices and the wartime prohibition against private imports were important factors. Long drawn out strikes at both mines and smelters further aggravated the situation.

Lead Shipments and Stocks
Monthly Averages, 1939-1946



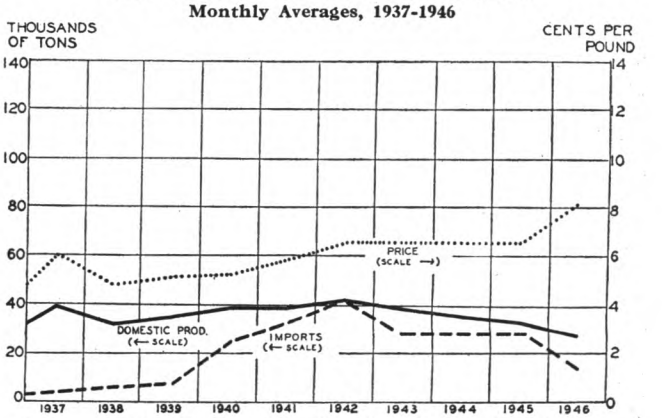
Source: American Bureau of Metal Statistics.

Effect of Price Increases Upon the removal of price ceilings on November 11, the market rose sharply. Quotations advanced from 8.25 to 10.50 cents per pound, New York, and subsequent increases brought the price to 14 cents on February 25, or 70 percent above the former ceiling. Price advances have been initiated in foreign markets (British and Mexican) and the domestic price has risen to the equivalent of the foreign price after allowing for transportation charges and duty of $1\frac{1}{16}$ cents per pound. Domestic producers are apparently committed to proceeding with some caution, at least for a time, lest some of their customers be further encouraged to turn permanently to lead substitutes even though the lead shortage should be overcome. It will be some time before any permanent effect on production due to the higher prices can be ascertained. Existing mines have been worked so intensively throughout the war that a period of rehabilitation of old workings and exploration and development of new properties will have to precede expanded output.

Reference to the accompanying chart shows that prior to the war the production of lead was closely geared to its market price. Output expanded in response to rising prices, and contracted when prices fell. Moreover, domestic producers were able to supply nearly all of the metal that industry required and imports were nominal. With the beginning of the war, the close relationship between price and supply came to an end.

Lead as a Strategic Material Direct Government interest in lead and other minerals was first manifested in June 1939, when the Congress passed the Strategic Materials Act appropriating $100,000,000 to be used by the Procurement Division of the Treasury Department to build stockpiles of various materials, including lead. Before long, as the need for lead expanded, it became apparent that the designated sum was insufficient and that the agency chosen to disburse it was not adapted to act with

Lead Prices, Production and Imports
Monthly Averages, 1937-1946



Source: American Bureau of Metal Statistics; (*Domestic Production*)
Engineering and Mining Journal; (*Prices*)
Department of Commerce. (*Imports*)

appropriate speed. As a consequence, the Metals Reserve Company, a subsidiary of the Reconstruction Finance Corporation, was created in June 1940 to take over the responsibility. The greatly increased scope of the Metals Reserve Company activities is illustrated by the fact that in contrast to the original $100,000,000 to be spent over a period of two years for all critical materials, Metals Reserve in its first two years made foreign commitments of $107,000,000 for lead alone.

On the domestic front the lead supply problem was attacked in three ways: restrictions were imposed on the uses of lead, various efforts were made to alleviate the labor shortage in the industry, and price ceilings were imposed. Lead was in greater demand not only for its customary uses, but as a substitute for even more critical materials and so was placed under priority control in October 1941.

Labor Shortage In the face of increased demand, the lead mines, along with other industries, were confronted with a shortage of labor. The reduction from 19,200 employees in the lead and zinc mines in January 1942 to 14,900 in September 1946 was a major cause of the decline in production. While the average hourly wage in lead and zinc mining was 76 cents in 1941 according to the Bureau of Labor Statistics, jobs paying 20-45 percent more could be found in nearby war industries. The need for upward adjustments in wages was recognized as early as 1942 but rates continued to lag. By January 1946, however, the average hourly wage was $1.09 and by September 1946, it had reached $1.23.

Availability of labor is especially important because lead mining does not lend itself to mechanization, particularly in the numerous smaller mines. Ore deposits are often irregular making mechanical equipment impractical. Hard hand digging is characteristic of the work. The workers are exposed to numerous hazards, and living conditions near many mines are not attractive. So when war jobs beckoned elsewhere, the remainder of the laboring force not in the military draft responded in considerable numbers.

An effort was made to arrest this exodus by freezing workers on the job in September 1942, and a month later the gold mines were closed as a means of encouraging the diversion of gold miners to nonferrous mining. At the same time, the Government released about 4,000 mine-experienced servicemen to work in the nonferrous mines for six months. This measure was repeated in July 1943. These men were allocated to various essential nonferrous mining such as copper and molybdenum, as well as lead and zinc. Through such actions the 1941 level of employment in lead and zinc mines was fairly well maintained until the end of 1943. Although zinc is frequently found in conjunction with lead, zinc was considered the more critical of the two metals and, in the allocation of labor, mines yielding a high proportion of zinc were favored over those yielding a high proportion of lead.

Prices and Production Quotas In 1940 and early 1941, lead prices were fluctuating but generally rising. Pending a more permanent arrangement, lead producers informally agreed in March 1941 to a Government request to adhere to a price of 5.85 cents. This temporary commitment lasted until January 1942 when there was a joint announcement by OPA and OPM (predecessor of WPB and CPA) of the Premium Price Plan to take effect February 1, 1942, for 2½ years. Subsequent extensions have made the plan continuously operative. The purpose of the plan was to induce lead, zinc, and copper mine operators to do all within their power to increase production.

As it pertained to lead, this plan provided for a ceiling price of 6.50 cents per pound for all lead mined in amounts within tonnage quotas set individually for each mine with regard to its 1941 production record. Moreover, in order to increase output, especially where high costs were hampering production, all quantities in excess of this 1941-base quota, known as the A-quota, were to be purchased by Metals Reserve at the rate of 9.25 cents per pound. On the theory that mines with high production were already operating at an attractive profit, especially with the higher price, and needed no additional stimulus, quotas for the large mines were set at 100 percent of 1941 output and all production within that amount would be sold at 6.50 cents per pound, the ceiling price. At the other end of the quota scale were the mines with low production or no production at all which, along with new mines, were assigned zero quotas. In those cases all production could be sold for the premium price of 9.25 cents per pound to Metals Reserve which would resell it to war industries at 6.50 cents. This policy rested on the assumption that low production was due to high operating costs and only a premium price would induce such mine operators to expand production. Many mines received quotas ranging somewhere between zero and 100 percent.

The labor shortage continued to be a stumbling block and in an effort to enable mine operators to pay more attractive wages and meet other increasing costs, B-quotas were established, effective January 1, 1943, above the A-quotas. The new price schedule was 6.50 cents per pound for tonnage under the A-quota, 9.25 cents for tonnage under the B-quota but over the A-quota, and 12 cents for all tonnage over the B-quota. Whereas the A-quota system had been established for the life of the plan, the B-quota system could be changed or revoked at any time on 30 days' notice which created some uncertainty in the mining industry.

The trend of lead production since the inception of the Premium Price Plan reveals a curious anomaly. Figures for the years from February 1942 to the end of 1946 show that a constantly increasing proportion of the nation's lead mine output was being produced over the A-quota and so was receiving a premium price. Overceiling production was 16 percent of total production in 1942, 33 percent in 1943, 50 percent in 1944, 62 percent in 1945, and 66 percent (estimated) in 1946. On the other hand, total pro-

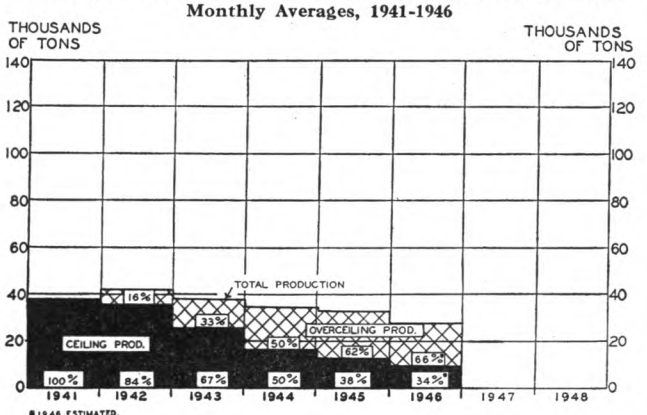
duction was consistently declining in these same years, the figures being 496,000 tons in 1942, 444,000 tons in 1943, 410,000 tons in 1944, and 391,000 tons in 1945. The year 1946 yielded only 333,000 tons.

Not only did the proportion of overceiling production rise, but actual overceiling tonnage output likewise increased. The proportion of ceiling production declined and the drop in actual tonnage of ceiling production brought about the decline in total lead output. An accompanying chart illustrates the failure of the increased over-quota production to effect a corresponding increase in total production.

During the all-out-for-war-production period mine operators were forced to forego developmental work that is normal for long range operations. Not many new mines were located and very little new work was laid out. Although the necessity of developmental work in long range programs was recognized by the quota committee, there was often disagreement as to how much should be allowed for this purpose and the extent to which exploratory work should be sacrificed to get maximum current output. A WPB release of April 13, 1945, states: "The present manpower shortage makes it inadvisable to expend manpower on new mining construction . . . including long-term prospecting, exploration, and development." Rulings varied from time to time and consequently mine operators were reluctant to invest in long range development activities. Many of the older parts of their properties have been worked for so long that the ore now obtainable is of lower grade and lead is therefore more costly to produce.

Quotas were constantly revised on the basis of such considerations as changes in operating costs and depletion of ore. From a sampling of reports on quota revisions, it appears that there was a strong tendency for quotas to be reduced which explains the ever increasing amount of premium payments that were made. If this had continued, eventually the lead mines would have been completely subsidized by the Government. In other words, the premium payments originally designed to enable the high cost producers to operate during the war emergency became essential to more and more producers because

Domestic Lead Production, Ceiling and Over Ceiling
Monthly Averages, 1941-1946



Source: Bureau of Mines.

they were all veering in the direction of becoming marginal producers.

Fluctuations of Imports

Much of the world's lead is produced outside of the United States and the Metals Reserve Company counted heavily on imports to supplement the domestic supply when it took over the complete function of lead importation and its subsequent allotment to industry. Countries which had previously shipped lead to Europe found that the war had closed off that market and they began shipping lead to the United States. Contracts which were entered into with foreign countries often included arrangements to buy all exportable surplus. Precise details of these foreign contracts have not been generally revealed, but it is understood that Metals Reserve absorbed the import duty and stimulated foreign production destined for the United States as much as possible, in some cases making payments in advance of delivery in order to help finance production.

Regardless of the price at which lead was imported, Metals Reserve resold it to industry at the ceiling price. While it might appear that the buying of lead both at home and abroad at overceiling prices and reselling it at the lower ceiling price was costly, it was felt that the system was in fact an economy inasmuch as the Government itself, being a huge purchaser of lead products for military and security purposes, stood to gain in the last analysis by forestalling inflationary prices. But in any case, the tremendous urgency of the need for lead was considered as justifying the expense.

The early success of the import program in meeting that need was notable. Before 1941 foreign imports were very small and were a negligible part of the lead annually used in the United States, but in 1941 the tonnage imported approached the total of the tonnage domestically mined, and equalled it in 1942 when both imports and domestic mine output made available to industry the largest quantity of lead reported at any time from 1936 to date.

A reconstruction of what happened since the end of 1942 shows the whole program going into reverse. By 1943 military requirements appeared sure of fulfilment, speculations about postwar reconversion problems were beginning to be voiced and the Government began to concern itself with oversupply. There was fear that if stockpiles were not tapered off, the dumping of a large surplus at the end of the war would depress the lead market and cause unemployment in the industry. On the basis of the prewar record of lead production and consumption this attitude seemed justifiable, especially with respect to imports since the United States had always been self-sufficient as to lead.

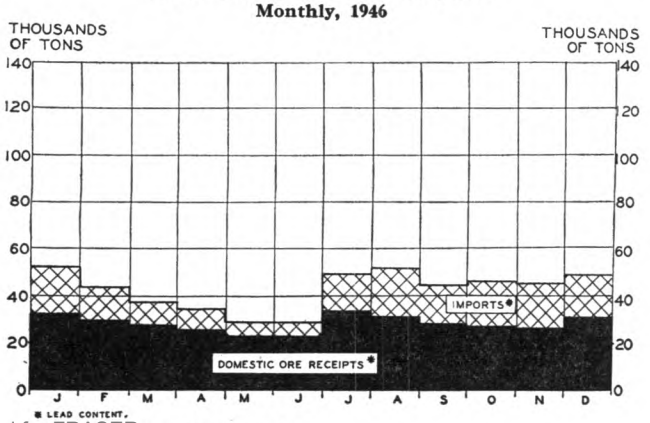
It is not clear whether lower imports in 1943 were due to revisions in international allocation agreements, particularly between the United States and Great Britain, whether they were the result of efforts to drive sharper bargains since the war need was growing less vital, or whether they were due simply

to a decision to reduce purchases for fear of oversupply. In any event, imports decreased in 1943. Combined imports of pig lead from Canada and Australia shrank from 234,000 tons in 1942 to 38,000 tons in 1943, due primarily to the termination of Metals Reserve contracts with those countries and this drop was reflected in the decrease in total imports of 169,000 tons. Annual imports were kept at around 325,000 tons throughout 1943, 1944, and 1945, but the total for 1946 was only 160,000 tons on the basis of preliminary reports.

World Shortage In seeking reasons for the decline in 1946 of Government-purchased imports up to the date of decontrol, a consideration of the world lead situation is necessary. Information on prices and supplies in the world market are incomplete and unofficial, but there seems to be no doubt of a world shortage. Just before the end of price control in this country, estimates by representatives of the lead industry placed the world price at approximately 8.50 cents per pound delivered in Europe, which is equivalent to 10.20 cents at New York, as compared to the last ceiling price of 8.25 cents at New York. Statements by lead representatives that Metals Reserve bought foreign lead at 7.75 cents, New York, in the second quarter of 1946, or midway between the domestic ceiling and world price, suggest that the Government may have been reluctant to lose money on the import program since it was no longer buying for its own use as it did during the war. The lead mining industry as a whole found objections in the policy of buying foreign lead at overceiling prices while a part of domestic production was forced to accept the ceiling price for its output. On the other hand, industries wanting to buy lead for use in manufacturing sought a free hand to make foreign purchases directly and independently in order to augment the short supply from domestic mines. Restrictions against lead imports were lifted November 18, 1946.

It may be significant that following the price rise during the lapse of price control in June and July of 1946, total imports as well as domestic ore receipts by U. S. smelters took a sudden upward spurt as may be seen on the chart. Although it is too early to observe the full impact of higher prices on domestic ore production and on imports since decontrol, a tendency towards improved lead supply from both sources may be discerned from preliminary reports. Since private industry may now compete freely for a greater share of the lead offered in foreign markets, imports will undoubtedly increase in 1947.

Lead Production and Imports
Monthly, 1946



Source: American Metal Market.

Dependence on Foreign Metal The probabilities are that the United States will depend on foreign lead to a considerably greater extent in the future than in the previous peacetime era. Government geological surveys of the mineral reserves in the nation made in 1944 indicate that the known lead supply is sufficient for only twelve years. Although the proof of this estimate admittedly rests with the future, the brevity of the period is cause for concern. Increasing efforts are being directed toward improving technological practices and eliminating waste.

More attention is also being focused on salvaging secondary or scrap metal. Accurate figures for the quantity of secondary lead produced from scrap are impossible to compile and published estimates vary as to the actual quantity. Most authorities agree, however, that the total recovery from scrap has generally ranged above 50 percent of domestic mine production. The primary source of the scrap is untraceable for scrap is derived from all lead regardless of origin, whether imported or domestically mined.

While some of this scrap actually has never been fabricated but is cast off in the refining or manufacturing process, a very considerable quantity of the metal that is used in manufactured articles reverts to the smelters as scrap and is used over again. This is especially true of the lead that goes into storage batteries of which a high percentage comes back rather quickly as scrap to be remelted. Lead in cables also can be recovered but more time passes before this return takes place. On the other hand, lead that is used in the manufacture of paints, chemicals, and leaded fuels is permanently expended.

Over a period of time the supply of secondary lead is contingent upon the supply of primary lead from mines and, with due consideration having been given to this factor, there has been no general dissatisfaction with the scrap lead supply. Nevertheless, higher prices increase the incentive to salvage used lead and first reports of activity in the scrap market since decontrol appear to confirm this fact.

INDUSTRIAL SUMMARY

Iron and Steel The nation's steel industry is turning out the largest tonnage of steel ingots in peacetime history. January production of ingots and steel for castings totaled 7.2 million net tons as compared to 3.9 million net tons in the same month in 1946 when the steel strike began. January operations were at the rate of 93.3 percent of estimated capacity.

According to *Steel*, District mills are operating at a high level. In the third week of February, rates were 100 in Pittsburgh, 92 in Cleveland, 87.5 in Wheeling, 96 in Cincinnati, and 89 in Youngstown. Early February operations were hampered by the shortage of natural gas in some areas.

Despite current high production, metalworking industries continue to exert strong pressure on steel mills for delivery. Demand for flat-rolled steel, pipe and wire is far in excess of output. While additional sheet and strip rolling mill capacity is expected to come into operation within the next few months, no particular relief in the tight supply situation in those items is likely until late in the year.

The industry has agreed to furnish railroad freight car builders with about two million tons of steel products during the next 12 months with shipments to begin in April at a monthly rate of 165,000 tons. Approximate monthly tonnages are classified as plates, 63,000; shapes, 37,000; bars, 24,000; sheets, 22,000; axles, 12,500; pipe, 3,600; and billets, 2,700. About 102,000 tons of this total will be used to construct new cars at the rate of 7,000 monthly and the balance is necessary for repairs and maintenance.

The mills have also voluntarily agreed to furnish 305,000 tons of steel in the second quarter of the year to manufacturers of critically needed housing materials. This is about 10,000 tons more than were allocated for the first quarter under the priority program.

With steel mill production at record levels, consumption of raw materials has been proportionately large. Pig iron supplies remain extremely tight despite continuation of the premium price plan whereby certain high cost furnaces receive $8 to $12 a ton above the market price. Producers of cast iron soil pipe, housing items, and railroad brakeshoes receive preferential treatment in the distribution of pig iron. Such allocation threatens to reduce the quantities of metal needed to maintain present production rates of trucks, automobiles and other consumer durable goods.

The supply of steelmaking and foundry grades of scrap has shown no improvement. Spirited bidding for scrap at some points forced up the general market level another $2.50 a ton in early February. The Pittsburgh price for heavy melting grades is now $35.00 a ton representing a rise of 75 percent since mid-November. Short supply of scrap at principal consuming points also has forced mills to purchase at remote points and to absorb heavy freight and handling charges.

Coal Production of bituminous coal in the United States during January amounted to 60.8 million tons or 4.5 percent greater than the corresponding month last year. On a daily average basis, the increase was about eight percent. This enormous rate of production was achieved despite serious nationwide car shortages which forced some mines to suspend operations altogether for several days at a time, and reduced the rates of production at other mines.

Uninterrupted mining at this rate for the balance of the year would yield approximately 720 million tons of coal. The highest rate of consumption during the war was close to 620 million tons so it appears that coal is being produced at a rate of 100 million tons annually above the nation's peak consumption. The latest estimate of 1947 domestic demand for coal is 525 million tons. To this figure should be added about 30 million tons, or two and a half million tons a month, for export. It is therefore apparent that the mines could produce 165 million tons in excess of present demand. These facts would indicate a future softening of prices and a return to a 35 hour week from the present 42 hour schedule. A prolonged labor dispute, however, could drastically alter these prospects.

January production of bituminous coal in the Fourth Federal Reserve District totaled 22.5 million tons. This is the greatest amount ever produced in January in the District and exceeded the same month last year by eleven percent. Recent cold weather stimulated the domestic demand for coal. Railroads, utilities, and industrial users are building up stocks in anticipation of labor trouble at the mines. Many of the docks in the Great Lakes have very low inventories of special sizes of coal and should be heavy buyers in the spring.

The severe cold spell in the early part of February demonstrated that the substitution of natural gas for solid fuels has proceeded too rapidly in many parts of the District. In the Cleveland area alone, about 800 industrial gas users were deprived of nearly all service for eight days when gas was diverted to domestic customers. Some 10,000 workers were laid off for this period. Moreover, it does not appear that the gas situation can be materially improved during the next twelve months due to the shortage of necessary steel pipe for additional lines.

Preliminary figures released by the Bureau of Mines indicate total coke production of 53.6 million net tons for 1946, a decrease of 14 percent from the 1945 total. Merchant plants averaged slightly more than a million tons a month or about 83 percent of capacity. Furnace plants averaged 3.4 million tons a month or 71 percent of capacity. The operation of the latter type, which is closely associated with the iron and steel industry, ranged from 36 percent of capacity in February to 89 percent in October. Blast furnaces consumed 77 percent of total coke production and iron foundries used about five percent.

The reduction in coking operations caused a substantial decline in derived coal chemicals such as ammonium sulphate, ammonia liquor, benzol, toluol, crude coal tar, and creosote oil.

Rubber Production of passenger car casings for all of 1946 totaled 66.3 million units according to The Rubber Manufacturers Association, an increase of 135 percent above the previous year. Shipments were only slightly less than production. Factory inventories at the end of December were less than two million units or about ten days' supply at the current rate of shipment. Of total shipments during the year, 82 percent was for the domestic replacement market, 17 percent to new car manufacturers, and one percent for export.

Truck and bus casing manufacture amounted to 15.7 million units for the year, or about 570,000 less than in 1945. About 68 percent of shipments was for the replacement market, 27 percent for new trucks, and five percent for export.

The Reconstruction Finance Corporation suddenly increased its selling price in January for natural rubber to 25¾ cents a pound, up 3¼ cents from its long established price of 22½ cents. The R.F.C. is following a first-in first-out inventory policy and is now selling a 150,000 ton lot of rubber acquired at 23½ cents last summer. Subsequent purchases were made at the old Far Eastern price of 20¼ cents, or lower. The price to prevail after this tonnage is sold has not been announced. The Government price for synthetic rubber is pegged at 18½ cents and it is believed that this yields a margin of at least two cents a pound now that expensive grain-alcohol is no longer used to manufacture GR-S.

Rubber Order R-1, which controls specifications for rubber products and end-uses of this material, expires on March 31. Likewise, Government purchase of natural rubber terminates on the same date. Because of the imminence of these events the rubber industry is becoming increasingly concerned over the absence of an official policy regarding the future long range program for the synthetic rubber industry in relation to the use of natural rubber.

Textiles and Clothing District manufacturers indicate that most categories of woolen fabrics are in ample supply and that a definite slackening of demand for low-end woolens has taken place. Worsteds and other hard finished goods, however, continue in good demand.

Manufacturers of men's work clothes report a steady flow of orders and no noticeable lessening of demand. Denims and other cotton fabrics are still scarce. Producers of men's suits are experiencing a heavy demand for their product and a continued short supply of worsted fabrics whose prices were recently increased. Production is still being allocated to retail customers and retail stocks of men's suits continue at abnormally low levels.

Machine Tools Unfilled orders for new machine tools declined nine percent during 1946 and monthly shipments dropped proportionately. Preliminary figures indicate that the trend has continued into this year.

Sellers of machine tools find ample evidence of sales resistance for new standard tools as buyers search through Government stock piles for bargains. Reduced sales of new machine tools has caused several leading manufacturers to effect downward adjustments in their labor forces. The Clayton Formula, under which surplus tools were priced according to the age of the machine, has been largely abandoned. It has been replaced with a fixed price system which, in some cases, has reduced the selling price to only 18 percent of original acquisition cost for machines in good condition. The spread between new machine prices and surplus machines has therefore become substantial.

War Assets Administration estimates that its current inventory of surplus machine tools is worth one billion dollars, original cost, and anticipates that an equal amount of machine tools and production equipment remains to be declared surplus. During 1946, $456 million (original cost) of surplus tools were sold at approximately a 55 percent discount to yield $204 million. A little more than 40 percent of sales were made through approved dealers. According to W. A. A., fixed prices have increased sales 300-500 percent since November 1, 1946.

As a further means of stimulating sales, a new device has been adopted whereby approved dealers who purchase tools for resale are given a 12½ percent discount on the fixed price. Prior to this arrangement, dealers did not buy on their own account but received a 12½ percent commission on all sales made. Priority buyers are also entitled to this additional discount.

Analysis of Commercial and Industrial Loans

(*Continued from page 4*)

On an industry by industry basis, the highest proportion of unsecured loans was accounted for by the manufacturing and mining industries, with 72 percent. About 57 percent of the loans to wholesalers were unsecured, whereas the retail trade and public utility proportions approximated 44 percent.

Percent of Unsecured Loans by Industry of Borrower and Size of Bank

Industry	All Banks	Banks with Deposits of: Over $100 Million	$10 to $100 Million	$2 to $10 Million	Under $2 Million
All Industries	60%	69%	39%	34%	48%
Mfg. & Mining	72%	81%	38%	29%	37%
Wholesale	57	60	54	37	97
Public Utility	45	47	28	36	24
Retail	44	57	36	37	48
All Other	50	58	39	33	59

Other Loan Provisions Other loan provisions, such as method of repayment and interest charges, will be discussed in a subsequent issue of this *Review*.

NEW MEMBER BANK

The Dollar Savings Bank Company, Niles, Ohio.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939 = 100

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	Jan. 1947	Dec. 1946	Jan. 1946	Jan. 1947	Dec. 1946	Jan. 1946
SALES:						
Akron (6)	275	290	258	209	458	196
Canton (5)	310	310	243	238	539	187
Cincinnati (9)	260	268	218	213	453	178
Cleveland (10)	224	255	195	186	403	162
Columbus (5)	277	303	247	225	533	200
Erie (3)	253	273	235	197	480	183
Pittsburgh (8)	247	247	207	186	395	156
Springfield (3)	265	257	247	193	457	180
Toledo (6)	236	255	205	175	434	152
Wheeling (6)	214	219	202	150	414	141
Youngstown (3)	279	284	235	215	460	181
District (96)	256	277	220	194	430	167
STOCKS:						
District	257	258	157	225	214	138

Bank Debits—January, 1947

(29 Fourth District Cities)

The January figure for bank debits in 29 Fourth District cities represents the third largest monthly total on record. It has been exceeded only by the all-time high of last December and by the figure for June 1945 which was a war loan month.

The January total was 18.5 percent above the figure for January a year ago. In recent months the margin over a year ago totals has been declining from the high percentage increase figure of 26 percent recorded last September. The figures for October, November and December were 25, 23, and 14 percent respectively. The small December increase over the year ago figure may be attributed to the war loan drive in December 1945.

TEN LARGEST CITIES

For the sixth successive month, **Toledo** recorded the highest percentage increase over year ago figures with a gain of 41 percent. **Dayton** was second with an increase of 30 percent. **Pittsburgh** ranked third among the ten largest cities with an advance of 23 percent.

Other cities which exceeded the average gain at the ten large centers were **Youngstown, Canton, Akron,** and **Erie.**

NINETEEN SMALLER CITIES

Bank debits were at an all-time monthly high in **Lexington** and **Lima.**

The city of **Butler** led in percentage gains over year ago figures with a mark of 44 percent. **Warren** ranked second with 40 percent and **Mansfield** was third with 35 percent. Mansfield debits exceeded $100 million for the first time in any three month period. Other cities which exceeded the overall average gain at the smaller centers were **Zanesville, Lorain, Portsmouth, Lima, Greensburg** and **Sharon.**

(In thousands of dollars)

		January 1947	% Change from year ago	3 months ended Jan. 1947	% Change from year ago
ALL 29 CENTERS		$5,949,258	+18.5%	$18,374,868	+18.2%
10 LARGEST CENTERS:					
Akron	Ohio	228,164	+21.3	711,582	+27.1
Canton	Ohio	94,883	+22.2	289,882H	+21.7
Cincinnati	Ohio	815,541	+14.1	2,423,124H	+13.4
Cleveland	Ohio	1,539,171	+10.9	4,740,665	+11.2
Columbus	Ohio	403,420	+11.9	1,286,539	+11.0
Dayton	Ohio	205,953	+29.5	607,649H	+26.9
Toledo	Ohio	344,995	+40.6	1,097,957	+41.3
Youngstown	Ohio	113,773	+22.7	345,823	+19.9
Erie	Penna.	74,947	+19.3	230,704H	+16.5
Pittsburgh	Penna.	1,551,888	+23.0	4,952,723H	+22.4
Total		$5,372,735	+18.1%	$16,686,648H	+17.9%
19 OTHER CENTERS:					
Covington-Newport	Ky.	$ 36,220	+16.0%	$ 107,786	+15.7%
Lexington	Ky.	108,747H	+18.5	268,097H	+16.7
Hamilton	Ohio	28,375	+17.9	86,637	+21.0
Lima	Ohio	39,818H	+30.2	115,455H	+28.2
Lorain	Ohio	14,772	+32.8	45,842	+31.3
Mansfield	Ohio	33,703	+34.6	100,730H	+33.6
Middletown	Ohio	28,356	+16.9	88,486	+30.4
Portsmouth	Ohio	18,057	+31.8	55,548	+23.6
Springfield	Ohio	40,971	+20.2	123,106H	+17.9
Steubenville	Ohio	19,915	+17.0	60,020	+14.6
Warren	Ohio	33,430	+39.7	99,251	+32.2
Zanesville	Ohio	22,346	+33.0	65,276H	+26.5
Butler	Penna.	28,057	+43.7	81,219	+32.9
Franklin	Penna.	5,988	— 7.3	19,202	— 3.3
Greensburg	Penna.	17,544	+29.2	53,474	+22.1
Homestead	Penna.	6,378	+17.1	21,417	+30.2
Oil City	Penna.	19,001	+20.9	59,456	+28.2
Sharon	Penna.	21,203	+28.3	65,418	+20.4
Wheeling	W. Va.	53,642	+ 7.7	171,800	+ 6.5
Total		$ 576,523	+22.5%	$ 1,688,220H	+21.1%

H denotes new all-time high for one month or quarter-year.
* Debits to all deposit accounts except interbank balances.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified		January 1947	% change from 1946	December 1946
Retail Sales:				
Department Stores—96 firms	$	47,622	+16	101,240
Wearing Apparel—14 firms	$	1,692	+ 2	3,311
Furniture—57 firms		2,286	+14	3,424
Building Contracts—Total	$		+—	38,070
—Residential	$		+—	12,878
Commercial Failures—Liabilities	$	150	+200	673
—Actual Number		9	+350	8
Production:				
Pig Iron—U. S. Net tons		5,071	+88	3,992
Steel Ingot—U. S. Net tons		7,234	+87	5,760
Bituminous Coal—				
O., W.Pa., E. Ky. Net tons		22,482	+11	16,108
Cement—O., W. Pa., W. Va. Bbls.		1,217a	+61	1,483b

a—December.
b—November.

Time Deposits*—12 Fourth District Cities

(59 Banks)

City and Number of Banks	Time Deposits Jan. 29, 1947	Average Weekly Change During: Second Half 1946	4 Weeks Ended Dec. 24, 1946	5 Weeks Ended Jan. 29, 1947
Cleveland (4)	$ 853,185,000	+$ 927,000	+$ 1,630,000	+$2,274,000
Pittsburgh (13)	328,877,000	+ 429,000	+ 204,000	+ 655,000
Cincinnati (8)	180,120,000	+ 163,000	+ 313,000	+ 229,000
Akron (3)	99,005,000	+ 96,000	+ 168,000	+ 204,000
Toledo (3)	89,651,000	+ 92,000	+ 152,000	+ 281,000
Columbus (3)	70,436,000	+ 107,000	+ 101,000	— 116,000
Youngstown (3)	52,988,000	+ 14,000	— 29,000	+ 54,000
Dayton (3)	49,343,000	— 6,000	— 54,000	+ 31,000
Canton (4)	39,476,000	— 16,000	+ 41,000	— 8,000
Erie (4)	36,453,000	+ 28,000	— 246,000	+ 98,000
Wheeling (6)	28,383,000	— 1,000	— 105,000	+ 56,000
Lexington (5)	10,371,000	+ 15,000	— 12,000	+ 50,000
Total—12 Cities	$1,838,288,000	+$1,848,000	+$2,163,000	+$3,808,000

* of Individuals, Partnerships, and Corporations.

Wholesale and Retail Trade

	Percentage Changes from Preceding Year SALES Jan. 1947	STOCKS Jan. 1947
DEPARTMENT STORES (96)		
Akron	+ 8	+67
Canton	+28	a
Cincinnati	+19	+68
Cleveland	+15	+56
Columbus	+12	+59
Erie	+ 8	+37
Pittsburgh	+19	+64
Springfield	+ 7	a
Toledo	+15	+47
Wheeling	+ 6	+52
Youngstown	+19	a
Other Cities	+25	+52
District	+16	+60
WEARING APPAREL (14)		
Cincinnati	+11	+57
Cleveland	— 4	+67
Pittsburgh	+ 2	+39
Other Cities	+ 3	+28
District	+ 2	+48
FURNITURE (57)		
Canton	+27	+77
Cincinnati	+ 5	+70
Cleveland	+ 9	+58
Columbus	+11	+37
Dayton	+20	a
Pittsburgh	a	a
Allegheny County	+34	a
Toledo	+25	a
Other Cities	— 1	+66
District	+14	+35
WHOLESALE TRADE**		
Automotive Supplies (5)	+26	+15
Beer (6)	−12	+25
Clothing and Furnishings (3)	−14	a
Confectionery (4)	+20	a
Drugs and Drug Sundries (4)	+ 6	a
Fresh Fruits and Vegetables (11)	+ 9	+12
Grocery Group (35)	+ 8	+55
Total Hardware Group (19)	+53	a
General Hardware (8)	+60	+59
Industrial Supplies (5)	+29	a
Plumbing and Heating Supplies (6)	+56	a
Jewelry (7)	−37	a
Lumber and Building Materials (5)	+48	+123
Machinery, Equip. & Sup. (exc. Elect.) (3)	+55	a
Meats and Meat Products (3)	+37	+48
Paints and Varnishes (4)	+32	a
Paper and Its Products (4)	+46	a
Tobacco and its Products (15)	+21	+32
Miscellaneous (14)	+26	+40
District—All Wholesale Trade (149)	+20	+47

** Wholesale data compiled by U. S. Department of Commerce, Bureau of the Census.
a Not available.
Figures in parentheses indicate number of firms reporting sales.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial output reached a new record peacetime level in January—one-sixth higher than at the beginning of last year. Dollar volume of retail sales during January and the early part of February was substantially larger than in the same period last year, reflecting mainly increased prices. Prices of agricultural commodities have risen in recent weeks, following earlier declines, and prices of building materials have shown further increases.

Industrial Production

Total output at factories and mines in January was at a rate of 188 percent of the 1935-39 average, according to the Board's seasonally adjusted index, as compared with 181 in December and with the previous peacetime peak of 183 in November. The large rise in January reflected chiefly sharp gains in output of coal, iron, and steel. Production of these materials had been curtailed in November and December owing to the bituminous coal work stoppage.

Production of iron and steel in January was in the largest volume since May 1945. Steel mill operations averaged 93 percent of capacity and were at a slightly higher scheduled rate during the first three weeks of February. Output of building materials was maintained at an unusually high level for this season, and activity in the nonferrous metals, machinery, and transportation equipment industries was maintained close to the December rate.

Production of nondurable goods was at a rate of 177 percent of the 1935-39 average in January as compared with 173 in November and December. Activity in the chemicals, foods, and paper and printing industries reached new postwar peak rates in January, while output of most textile and leather products was below earlier peak rates.

Output of bituminous coal, after being curtailed in November and December, increased in January to the highest level in twenty years and was nine percent above a year ago. Production of metals advanced somewhat, while output of anthracite and crude petroleum declined slightly.

Employment

Employment in manufacturing and most other nonagricultural industries continued to show little change in January, after allowing for the usual seasonal variation. The number of persons unemployed increased further to a level of 2,400,000.

Construction

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased by one-fourth in January following a marked decline during the preceding seven months. About one-half of the increase was accounted for by public nonresidential construction, reflecting chiefly large awards for Veterans' hospitals. Residential contracts expanded by one-third due principally to awards for several large apartment projects.

Distribution

Value of department store sales in January and the early part of February was maintained close to the level prevailing since last June, after allowance is made for the usual seasonal changes. Sales during the first seven weeks of this year were 17 percent larger than the same period last year. Sales at other retail stores were at a relatively higher level compared with last year, reflecting mainly advanced prices for foods and increased supplies of such durable goods as automobiles and hardware. Unit sales of numerous nondurable goods apparently have declined somewhat from earlier advanced levels.

Freight carloadings increased somewhat further in January, reflecting chiefly increased shipments of coal, iron, steel, and lumber. Shipments of most manufactured products and agricultural commodities showed little change. Shortages of cars continued to limit the movement of some classes of freight.

Commodity Prices

Prices of farm products and foods, which declined from the middle of December to the latter part of January, have risen since that time, reflecting partly severe weather conditions and increased Federal export allocations for grains. Wholesale prices of most industrial products have shown little change but building material prices have increased further.

Bank Credit

Income tax collections greatly increased Treasury deposits at the Reserve Banks in January and the first half of February and placed member banks under moderate reserve pressure. A post-holiday return flow of currency of about 900 million dollars and an increase in monetary gold stock supplied some reserve funds to member banks and there was a decline in required reserves. To maintain their reserve positions, however, banks sold short-term Government securities to the Reserve Banks.

Bank deposits were also reduced by tax collections, notwithstanding the return flow of currency. At member banks in leading cities demand deposits adjusted declined by 1.3 billion dollars in the four weeks ending February 19. Commercial and industrial loans continued to expand during January and early February; the rate of increase was more moderate than during last summer and fall. Government security holdings declined further, reflecting Treasury debt retirement and bank sales of bills and certificates.