

Monthly Review



FEDERAL RESERVE BANK OF SAN FRANCISCO

APRIL 1, 1943

Government Finance and Bank Credit

WAR expenditures of the United States Government increased further in February to an average daily rate of \$253,400,000. These and future expenditures of even greater magnitude underlie the principal financial event scheduled for April—the Second War Loan Drive—and the primary financial operation which occurred in March—unparalleled income tax collections.

The Second War Loan Drive

The Second War Loan Drive will begin on April 12. Its goal is to raise 13 billion dollars in the country as a whole. The goal for the drive of last December was originally set at nine billion dollars but final sales approximated 13 billion, of which 5.1 billion or 39 percent were to commercial banks and 7.8 billion to other investors. These proportions were reversed in the Twelfth District where 800 million dollars were raised, 61 percent from commercial banks and only 39 percent from other investors. The district objectives in the forthcoming drive are not only to distribute a considerably larger dollar volume of securities but also to increase the proportion of sales to investors other than banks. A goal of 675 million dollars in sales to non-bank investors in the Twelfth Federal Reserve District has been set, more than twice the sales to this group in the December drive.

Sales of Securities to Non-Bank Investors

Too great emphasis cannot be placed upon increasing the proportion of sales to investors other than banks. As pointed out many times in this Review and elsewhere, if creation of additional bank deposits is to be minimized, resort to commercial banks as a source of funds to finance Treasury requirements must be kept to a minimum. Special efforts will therefore be made in April by the Victory

Fund Committee and the War Savings Staff under the direction of the War Finance Committee to increase sales to non-bank investors, particularly to individuals. Corporate investors should not require as much urging to subscribe. Lack of alternatives for the disposal of investment funds is considerably more effective in channeling funds of insurance companies and other corporations into Government securities than it is in accomplishing the same end with cash holdings of individuals.

Municipal and corporate financing has been negligible in the district during recent months. The only important securities flotation since the first of the year was a nine million dollar issue of City of Seattle Municipal Transportation System 3½ percent revenue bonds, offered in March. This issue was floated to refund, at a lower rate, bonds held by the RFC.

Banks and the Loan Drive

Even with outstanding success in the sale of Government securities to individuals and other non-bank investors, a substantial volume of sales must be made to commercial banks in order to attain the April goal. Banks in the Twelfth District should be able to absorb their share without difficulty.

Banks have continued to add to their Government security holdings since the December drive, those of weekly reporting member banks in the district having increased by 10 percent from 2,180 million dollars on December 30 to 2,400 million on March 24. Holdings of other securities declined and total loans outstanding reported by those banks fell from 1,020 million dollars to 950 million during the same period. Total earning assets of these banks increased, however, by about 4 percent from 3,500 million dollars to 3,640 million.



WAR FINANCE

"We should remember . . . that helping to finance the war is the privilege mainly of those who still enjoy the receipt of incomes as civilians during the war. It is a modest contribution toward victory when we compare it with the contribution of those in the fighting forces."

—From the President's Budget Message, January 11, 1943.

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THE SECOND WAR LOAN DRIVE STARTS APRIL 12

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Demand deposits of all district member banks increased by approximately 9 percent from late December through mid-March. The consequent increase in required reserves slightly more than offset increases in total reserve balances, and excess reserves averaged 229 million dollars in the first half of March, compared with 251 million in late December.

Income Tax Collections

Income tax collections during March 1943 were substantially larger than in any prior year. Deposits of income tax receipts in the Treasurer's account at the Federal Reserve Bank of San Francisco in March totaled 348 million dollars, 60 percent and 333 percent higher than in March 1942 and 1941. Larger incomes in 1942 and a substantial increase in the number of income receivers in the district, together with the higher tax rates and lower exemptions incorporated in the Revenue Act of 1942 accounted for the larger receipts. The increase in the tax liability of the public resulting from these factors is not fully revealed in the March figures of collections, however, in view of the fact that taxpayers more generally than heretofore elected to meet their obligations on 1942 incomes in quarterly instalments rather than by payment of a lump sum prior to or on March 15.

Means of Payment

Treasury notes (tax series) were utilized in payment of income taxes to a greater extent in 1943 than in the preceding year. Payments in these notes amounted to 71 million dollars, 20 percent of the district total during March, compared with 10 percent of the total in the like month of 1942.

Apparently cash balances of taxpayers held in currency were drawn upon heavily for tax payments, the currency being both paid directly to the Collector of Internal Revenue and used to purchase money orders and bank drafts. Currency in circulation in the district declined by 15.8 million dollars in the week ending March 17 and by 11.8 million in the succeeding week. These withdrawals of currency from circulation exceeded those in any two-week period since January 1941 when a larger post-Christmas reduction in circulation took place. In the corresponding two weeks of last year, currency in circulation declined by only 8.6 million dollars.

Effect of Tax Payments on Bank Reserves

The concentration of large income tax collections at the first quarterly income tax payment date swells total receipts of the Treasury and tends to reduce member bank reserve balances because at such times the funds transferred from taxpayers' bank deposits to the Treasurer's account in the Reserve banks exceed those being disbursed by the Treasury. From March 3 to 24, however, district member bank reserves declined by only a small amount from 1,318 million dollars to 1,290 million dollars, and were well above the March 3 level on all but the last day of the two weeks ending March 24.

One factor contributing to this result was the smaller proportion of tax payments made by checks drawn against taxpayers' deposits in 1943 than in other recent years. As already noted, increased use was made of tax notes. These notes are offered for sale by the Treasury throughout the year and are purchased by many taxpayers in anticipation of the due date of their tax obligation, so that a concentrated drain on reserve balances of banks is avoided. Similar in immediate effect upon reserves was the use of currency drawn from cash balances and of funds obtained through redemption of Government securities. In each of these three circumstances, the drain upon reserves had occurred at the time the securities were purchased or the currency originally paid into circulation.

Treasury Calls on War Loan Accounts

Another factor contributing to the relatively small decline in member bank reserves was the suspension of calls by the Treasury upon war loan deposit accounts during the period of heavy income tax payments. If they are qualified war loan depositaries, banks subscribing to Treasury issues for their own account or for the account of their customers are privileged, within certain limits, to pay for the securities by deposit credit. When the Treasury needs funds to meet its current obligations it "calls" for payment of these deposits, and the banks make payment by authorizing the Reserve banks to debit their reserve accounts and credit the account of the Treasury. Thus, a greater degree of balance is achieved in the flow of funds in to and out of the Treasurer's account with the Reserve banks. In the two months following the heavy Treasury financing operation of last December frequent and large calls were made. Calls were suspended, however, during the period of heavy income tax collections. As a result, this drain upon member bank reserve balances was removed and, with disbursements of the Federal Government continuing unabated, total Treasury disbursements in the district, despite heavy income tax receipts, exceeded total collections by 270 million dollars during the three weeks ending March 24.

Banking and Credit—

Averages of Wednesday figures (millions of dollars)	1943 Mar. ¹	Change From 1943—		1942 Mar.
		Feb.	Jan.	
Condition Items of Weekly Reporting				
Member Banks				
Total loans	954	—13	—36	— 193
Commercial, industrial, and agricultural loans	430	—10	—24	— 77
Open market paper	12	0	+ 1	— 4
Loans to finance securities transactions	44	+ 5	+ 5	— 2
Real estate loans	349	— 5	— 9	— 39
All other loans	119	— 3	— 9	— 71
Total investments	2,636	+44	+112	+1,158
United States Government				
securities	2,344	+45	+115	+1,173
All other securities	292	— 1	— 3	— 15
Adjusted demand deposits	2,232	+45	+ 87	+ 739
Time deposits	1,153	+22	+ 28	+ 58
United States Government deposits ..	133	—39	— 78	— 24
Coin and Currency in Circulation				
Total (changes only)	—	+46	+ 99	+ 656
Federal Reserve Notes of F. R. B.				
of S. F.	1,367	+32	+ 69	+ 611
Member Bank Reserves	1,315	+41	+ 30	+ 301

¹March 31, 1943 not included.

Treasury Financing by the Reserve Banks

The Treasury policy of suspending calls on war loan deposit accounts in March permitted most banks throughout the country, even in areas where income tax payments were particularly heavy, to maintain their reserves above required levels. By this procedure, the Treasury deprived itself of a source of funds with which to meet the large and increasing war expenditures of the Federal Government. To replenish its working balance with the Reserve banks just preceding and during the period of large income tax collections, the Treasury sold special one day certificates of indebtedness to the Federal Reserve System. These special certificates were sold as of the close of business on one day and retired on the following day. Not only did this practice permit the Treasury to forego making calls upon war loan deposit accounts but the disbursement of funds realized through this extension of Reserve bank credit increased bank reserves. This is in contrast to the disbursement of funds realized from taxes and sales of securities which do no more than restore reserves previously reduced by the payment of those funds into the Treasurer's account.

Federal Reserve Purchases of Treasury Bills from Banks

Although Treasury disbursements in the Twelfth District as a whole exceeded collections during the three weeks ending March 24, drains upon the reserve balances of all banks were not balanced by receipts. In a few cases it was necessary for banks to obtain funds temporarily in order to maintain their reserves at required levels. This was done by the sale of Treasury bills, under repurchase agreement, to the Federal Reserve Bank of San Francisco. These sales were made at the established discount of $\frac{3}{8}$ of 1 percent offered by the Reserve System, approximately the discount at which the weekly issues of Treasury bills have been originally distributed in recent months. Holdings by this bank of locally purchased Treasury bills fluctuated widely from day to day, ranging from a minimum of 2.6 million dollars to a maximum of 88 million during the three weeks ending March 24.

Agricultural Credit

Total loans of district member banks declined 281 million dollars during 1942 to 2,170 million at the year end. Included in this reduction was a decline in loans on farm real estate of 14 million dollars to 67 million. Other agricultural loans of member banks increased, however, the only classification of loans to show a gain over the year. Both farm mortgage and total other agricultural loans of agencies of the Farm Credit Administration declined in the Twelfth District.

General Decline in Farm Mortgage Loans

Farm mortgage loans are made by the Federal Land Banks and the Land Bank Commissioner, banks, insurance companies, and private investors. In the four years 1939-42, outstanding farm mortgage loans of member banks and of the two Federal agencies in the Twelfth

District have declined at an increasing rate, despite some rise in farm land values.

District member bank loans secured by farm land declined at a little more rapid rate than mortgage loans held by Federal farm loan agencies but the difference is not large. Throughout the period, farm real estate loans

FARM MORTGAGE LOANS OUTSTANDING—TWELFTH DISTRICT (in thousands of dollars)

	Dec. 31, 1938	Dec. 31, 1939	Dec. 31, 1940	Dec. 31, 1941	Dec. 31, 1942
Member banks					
California	87,533	87,037	81,495	72,244	59,632
Pacific Northwest ..	4,832	5,152	5,415	5,280	4,235
Intermountain ...	3,618	3,705	3,724	3,498	3,349
Total	95,983	95,894	90,634	81,022	67,215
Farm Credit Administration¹					
California	142,580	135,228	132,942	126,771	114,834
Pacific Northwest ..	78,530	76,024	74,670	70,290	60,819
Intermountain ...	72,256	69,355	68,093	67,489	57,232
Total	293,366	280,607	275,705	261,392	232,885

¹Loans of Federal Land Banks and Land Bank Commissioner.

of California banks amounted to between 50 and 60 percent of Federal mortgage loans, in sharp contrast with the situation in other states of the district where bank loans were less than one-tenth of those of the two Federal agencies.

Expansion in Other Agricultural Loans of Banks in 1942

Loans to farmers other than those secured by real estate, are made principally by banks and by agencies of the Farm Credit Administration. Such loans held by Twelfth District member banks totaled \$158,600,000 on December

AGRICULTURAL LOANS OUTSTANDING (EXCLUDING MORTGAGE LOANS)—TWELFTH DISTRICT (in thousands of dollars)

	Dec. 31, 1938	Dec. 31, 1939	Dec. 31, 1940	Dec. 31, 1941	Dec. 31, 1942
Member banks					
California	75,658	77,195	74,128	74,073	71,100
Pacific Northwest	22,566	25,125	27,136	44,005	54,607
Intermountain	26,059	27,609	29,490	34,955	32,860
Total	124,283	129,929	130,754	153,033	158,566
Farm Credit Administration					
Loans to cooperatives					
Bank for cooperatives and Federal intermediate credit bank (direct loans)					
California	10,669	11,865	13,587	19,800	21,038
Pacific Northwest ..	7,502	6,098	5,960	7,463	7,499
Intermountain ...	1,501	1,758	1,804	3,008	3,769
Total	19,672	19,721	21,351	30,271	32,306
Agric. Mktg. Act.	(1)	(1)	5,441	5,386	2,388
Total	(1)	(1)	26,792	35,657	34,694
Short term credit (2)					
California	11,240	9,087	9,855	10,902	10,115
Pacific Northwest	11,081	8,598	9,266	10,634	9,704
Intermountain	15,537	13,971	13,901	13,540	10,921
Total	37,858	31,656	33,022	35,076	30,740

(1) Not available.

(2) Includes loans of production credit associations, emergency crop and feed loan section, and regional agricultural credit corporations. Federal intermediate credit bank loans to and discounts for Farm Credit Administration agencies and private financing institutions excluded.

31, 1942. As shown in the accompanying table, this total was more than twice as large as the aggregate loans outstanding held by the Farm Credit Administration agencies.

Behavior of these other agricultural loans in 1941 and 1942 was markedly different from that of farm real estate loans. In addition, there were noticeable differences between the changes in bank and Farm Credit Administra-

tion holdings of such loans. In contrast with the continued decline in loans secured by farm land, other agricultural loans increased considerably in 1941. In 1942 they expanded further at district member banks, but a decline occurred in the Farm Credit Administration total. Loans of the latter in California, the Pacific Northwest, and the intermountain states conformed roughly to the district pattern, but bank loans in California and in the Pacific Northwest did not. Loans of California member banks have declined slowly since the end of 1939 and did not reflect the 1941 increase at all. In Oregon and Washington, on the other hand, bank loans increased over the period more rapidly than either bank or Farm Credit Administration loans in any other area. The increases in Oregon in 1941 and in Washington in 1941 and 1942 were particularly large.

Production, Wage Payments and Trade

With the advent of more favorable weather, and despite continuing critical manpower shortages, industrial activity in the Twelfth District attained a new high level during February. Pacific Coast shipyards, excluding naval establishments, delivered 70 vessels, compared with 54 in January and a monthly average of 30 in 1942. The February total, a new record, included 56 Liberty and other standard merchant ships, a tanker, and several special type vessels for the armed forces. Operations at district aircraft plants were also increased during February and activity was at a higher level than in any previous month.

Production in the important lumber industry rose somewhat more than seasonally in February from the low point reached in January. During January and February lumber output totalled 1,530 million board feet, a decline of 450 million board feet, or 23 percent, from production in the like two months of 1942. Unusually severe weather in January impeded operations of the industry, but more important is the continued severe labor shortage, particularly at logging camps. On February 26 the War Manpower Commission placed the lumber and nonferrous metals industries under the provisions of the President's executive order of February 9 decreeing a 48-hour week.

Production and Employment—

	Index numbers, 1923-25 average=100				With Seasonal Adjustment				Without Seasonal Adjustment			
	1943		1942		1943		1942		1943		1942	
	Feb.	Jan.	Dec.	Feb.	Feb.	Jan.	Dec.	Feb.	Feb.	Jan.	Dec.	Feb.
Industrial Production ¹												
Lumber ²	p134	123	134	162	p97	85	103	120	p182	179	191	158
Refined Oils	—	—	—	—	—	—	—	—	—	—	—	—
Cement	—	243	254	176	—	171	186	156	—	144	137	124
Wheat Flour	146	144	137	124	146	144	137	124	146	144	137	124
Petroleum	—	—	—	—	p116	116	117	98	p354	353	349	282
Electric Power	p386	382	369	308	—	—	—	—	—	—	—	—
Factory Employment and Payrolls ³												
Employment												
Pacific Coast	—	—	335	244	—	—	325	230	—	—	—	—
California	406	404	383	284	389	381	377	272	—	—	—	—
Oregon	—	—	287	210	—	—	273	189	—	—	—	—
Washington	—	—	262	182	—	—	249	167	—	—	—	—
Payrolls												
Pacific Coast	—	—	578	368	—	—	563	341	—	—	—	—
California	694	680	624	423	659	633	622	402	—	—	—	—
Oregon	—	—	510	318	—	—	479	280	—	—	—	—
Washington	—	—	503	271	—	—	483	244	—	—	—	—

¹Daily average.

²Converted to 1935-39 base.

³Excludes fish, fruit, and vegetable canning.

pPreliminary.

More complete utilization of available manpower in the lumber industry is imperative if 1943 production goals are to be attained.

Wage Differentials in Manufacturing

Generally speaking, manpower shortages have been felt most keenly in industries in which heavy work precludes employment of women and in which wage scales and average earnings are below those prevailing in war industries, notably shipbuilding. Lumbering has been seriously handicapped, and mining and smelting, crude petroleum producing, railroad repair, and certain other heavy industries have also experienced severe manpower losses, particularly in classifications not involving high degrees of skill. Other essential industries having comparatively low average wage scales, but involving work requiring manual dexterity rather than heavy lifting have had less difficulty in replacing men lost to the armed forces and to better paid war industries by drawing upon women. In the Cali-

AVERAGE HOURLY EARNINGS
SELECTED DURABLE GOODS MANUFACTURING INDUSTRIES—
CALIFORNIA—FEBRUARY 1943

	Earnings	Hours Worked
Engines and turbines	\$1.32	52
Shipbuilding and repairing	1.31	46
Sheet metal products, nonferrous	1.31	44
Blast furnaces, steel works, rolling mills	1.22	44
Structural steel and ornamental metal work	1.22	49
Automobiles and equipment	1.17	47
General industrial and metal working machinery	1.12	48
Construction, mine, oilfield, and related machinery	1.10	46
Iron and steel foundries	1.08	45
Cement	1.05	45
Lumber and timber	1.02	42
Aircraft and parts	1.00	46
Electrical machinery and equipment	.98	44
Structural clay products	.83	43

Source: California Division of Labor Statistics and Law Enforcement.

fornia electrical machinery and equipment industry, for example, nearly half the total number of wage-earners employed in January were women. In May 1942 (the first month for which data are available) the proportion was 36 percent.

Average hourly earnings of wage-earners employed in a selected cross-section of California durable goods industries are shown in the accompanying table, together with the average number of hours worked per week in mid-February. These figures do not reflect base rates of

Distribution and Trade—

	Index numbers, 1935-39 daily average=100				With Seasonal Adjustment				Without Seasonal Adjustment			
	1943		1942		1943		1942		1943		1942	
	Feb.	Jan.	Dec.	Feb.	Feb.	Jan.	Dec.	Feb.	Feb.	Jan.	Dec.	Feb.
Retail Trade												
Department Store Sales (value)												
Twelfth District	p238	195	173	166	p184	150	296	132	p184	150	296	132
Southern California	p228	194	175	165	p193	158	300	140	p193	158	300	140
Northern California	p215	175	152	145	p172	136	274	115	p172	136	274	115
Portland	p251	186	188	172	p205	152	288	141	p205	152	288	141
Western Washington	p306	229	209	217	p193	169	364	163	p193	169	364	163
Eastern Washington	—	—	—	—	—	—	—	—	—	—	—	—
and Northern Idaho	p230	193	160	150	p152	123	246	99	p152	123	246	99
Southern Idaho and	—	—	—	—	—	—	—	—	—	—	—	—
Utah	p250	221	175	177	p173	150	306	121	p173	150	306	121
Phoenix	p255	220	174	165	p224	179	309	145	p224	179	309	145
Carloadings (number) ¹												
Total	p113	p109	109	126	p 93	p 86	96	104	p 93	p 86	96	104
Merchandise and Misc.	p120	p120	116	137	p104	p101	103	114	p104	p101	103	114
Other	p 97	p 95	101	113	p 80	p 68	88	92	p 80	p 68	88	92

¹1923-1925 daily average = 100.

pPreliminary.

pay only. They are influenced by overtime work at the higher overtime rates of pay and some part of the differences between industries therefore reflects the varying length of the average workweek prevailing in mid-February.

Average hourly earnings in shipbuilding have been among the highest received in the district and the ability of the shipbuilding industry to attract workers from other activities has been an important factor in its marked expansion. That the aircraft industry, in which average hourly earnings were lower, was able to continue expanding sharply despite the drain on its personnel is explained by the fact that much of the work performed in airframe plants can be done by women. Recruiting of women for the industry has progressed rapidly since mid-1942. More than 92,000 women wage-earners, a large proportion of the total, were employed in California plants during January 1943, compared with 12,000 in May 1942 and less than 500 in February 1941 when total wage-earner employment in California plants exceeded 60,000. In shipbuilding, on the other hand, the proportion of women employed as wage-earners remains comparatively small.

Wage Stabilization in the West Coast Aircraft Industry

Differentials in wage rates and earnings as between industries have been one factor influencing the shift of workers from job to job. Inequalities in the wage rates paid to different individuals in the same labor group within an industry and even within the same plant have also operated to increase labor turnover. In the Pacific Coast shipbuilding industry, wages for given occupations among the various yards, and among individual workers in the same yard, have attained a high degree of uniformity as the result of a series of wage stabilization agreements first effective in April 1941. In the West Coast aircraft industry, substantial progress was made toward wage stabilization and standardization under the ruling of the War Labor Board on February 4, 1943, affecting the nine major West Coast aircraft companies and their employees in California and Washington. This decision covered both wage rates and job classifications. It provided for a general wage increase of 4½ cents an hour in Washington, but denied a general increase to California employees. It is estimated, however, that as a result of the

job classification plan recommended, about half of the California employees would receive increases averaging 7½ cents an hour. Under this plan, known as the Southern California Aircraft Industry Plan, ten grades of jobs are to be established and the number of rated occupations will be reduced by 75 percent.

The War Labor Board based its decision on wages on a strict interpretation of the Administration's stabilization program and the Little Steel formula. This decision granted smaller wage increases than had been proffered by certain of the employers concerned, and allowed a substantial differential between wage rates for less skilled labor in aircraft and in shipbuilding to remain. It split the public members of the Board and elicited a strong protest from labor.

Department Store Trade

Customarily, retail trade in the Twelfth District is duller in February than in any other month of the year except January. This year, however, February trade was unusually active. This bank's adjusted index of department store sales advanced to a record peak of 238 percent of the 1935-39 average from 195 in January and an average of 192 in November-December. Preliminary data indicate that the index declined to about 186 in March. It is interesting to note that the dollar value of department store sales in February was equivalent to average December trade during the period 1936-1940. This sharp expansion in consumer buying was caused largely by fears of imminent rationing of clothing incited by the announcement of shoe rationing on February 7. Its abruptness and extent reflect the large volume of purchasing power held by the public and available for use in the market.

In January and February department store stocks on hand were approximately the same as a year earlier when sales were 24 percent lower. Since September 1942 the volume of new orders placed by department stores has exceeded merchandise received by a considerable margin. As a result, the volume of orders outstanding has risen continuously. On February 28, orders outstanding were equivalent to 141 percent of stocks on hand, compared with 75 percent a year earlier and 45 percent on February 28, 1941.

Changes in the Twelfth District Banking Structure—1942

CONTRACTION in the number of banking offices was the most noticeable change in the banking structure of the Twelfth District during 1942. At the year-end, 14 fewer banks and 13 fewer branches were in operation than on December 31, 1941. The number of banks has declined each year over the past decade, but the decrease in the number of branches in 1942 represents the only interruption during the period to the persistent and offsetting extension of branch banking. In practically all instances banks or branches discontinued during 1942 were consolidated with offices in the same neighborhood, and in no case was there appreciable curtailment in the banking

accommodations available to the public. By and large, the net result was an elimination of duplicate facilities with an accompanying reduction not only in costs of operation but also in the use of needed manpower and equipment.

A total of 15 banks discontinued operations in the district in 1942. Of these, 10 were nonmembers and five were members of the Federal Reserve System. One former nonmember bank was admitted to membership and the one new bank organized during the year, a state-chartered institution, also applied for and was admitted to membership. The 274 member banks accounted for 89.6 percent of the resources of all district banks on December 31,

1942. A year earlier, 277 member banks accounted for 88.2 percent of the total.

Of the 15 banks which ceased operations, two in Washington and one in California liquidated voluntarily, and

established in 1942, while 16 branch offices were discontinued. All but one of the branch offices discontinued had been operated in California and 14 had been units of large branch systems. In all cases, the business of the discontinued branches was consolidated with other offices in the close vicinity.

BRANCH BANK ASSETS—TWELFTH DISTRICT (assets in thousands of dollars)

	Member Branch Banks		Nonmember Branch Banks		Ratio Branch Bank Assets to All Bank Assets	
	1941	1942	1941	1942	1941	1942
Arizona	78,854	126,242	6,020	9,054	89.7	94.4
California	4,436,506	5,620,869	432,350	484,782	83.3	83.9
Idaho	93,758	140,002	3,792	4,909 ¹	70.2	71.4
Nevada	47,000	68,187	120	2,845	82.3	83.1
Oregon	385,022	578,547	5,128	8,862	82.0	82.8
Utah	57,374	96,431	3,662	6,053	26.8	30.4
Washington	571,106	792,193	79,156	96,052	75.7	71.9
Twelfth District	5,669,620	7,422,471	530,228	612,557	80.5	80.4

¹Figures as of June 30, 1942.

five in California, four in Idaho and one each in Oregon, Utah, and Washington were absorbed by other banks. Three of the banks absorbed, two in Idaho and one in Oregon, have since been operated as branches of the statewide branch systems with which they were merged.

The three branches resulting from absorption of previously independent banks were the only new branches

BRANCH BANKS IN OPERATION—TWELFTH DISTRICT

	No. of Bks.	Banks Operating Branches			Number of Branches Operated by			
		Total	Nat.	Mem.	Total	Nat.	Mem.	Non-Mem.
December 31, 1941								
Arizona	8	3	2	0	1	25	21	0
California	220	32	9	7	16	850	683	125
Idaho	50	7	6	0	1	37	35	0
Nevada	12	3	2	0	1	11	10	0
Oregon	73	6	2	0	4	68	64	0
Utah	60	5	2	0	3	12	8	0
Washington	137	10	6	1	3	87	83	1
Total	560	66	29	8	29	1,090	904	126
December 31, 1942								
Arizona	8	3	2	0	1	25	21	0
California	215	32	9	7	16	835	673	121
Idaho	46	7	6	0	1	39	37	0
Nevada	12	3	2	0	1	11	10	0
Oregon	72	6	2	0	4	69	65	0
Utah	59	5	2	0	3	12	8	0
Washington	134	10	6	1	3	86	82	1
Total	546	66	29	8	29	1,077	896	122

BANKS IN OPERATION—TWELFTH DISTRICT (Figures as of December 31. Assets in thousands of dollars)

	Member Banks		Nonmember Banks		All Banks	
	Number	Assets	Number	Assets	Number	Assets
	1941	1942	1941	1942	1941	1942
Arizona	5	82,045	3	12,518	8	94,563
California ¹	113	5,191,111	107	650,997	220	5,842,108
Idaho	28	118,051	22	20,967	50	139,018
Nevada	8	54,908	4	2,318	12	57,226
Oregon	32	436,925	41	38,741	73	475,666
Utah	34	189,407	26	37,997	60	227,404
Washington	57	719,034	80	140,050	137	859,084
Twelfth District	277	6,791,481	283	903,588	560	7,695,069

¹Includes branches of Bank of California N. A., San Francisco, located in Portland, Seattle, and Tacoma.

Securities Available—Second War Loan Drive

United States 2½% Treasury Bonds—1964-69

To speed Victory and to meet your investment needs there is no safer or more vital investment to be made today than these 2½'s. These bonds are available in unlimited amounts in coupon or registered form, in denominations as low as \$500, and as high as \$1,000,000. They are readily marketable and acceptable as bank collateral. Ideally suited for trust fund and estate investments, and to meet the requirements of most individual investors.

A special feature provides that they may be redeemed at par and accrued interest for the purpose of satisfying Federal estate taxes.

Issue price: par plus accrued interest from April 15, 1943 except that no payment of accrued interest is required on individual subscription of \$1,000 or less.

United States of America 2% Treasury Bonds of 1950-52

These bonds will find favor with individuals as well as with banks, savings and loan associations and corporations seeking a higher return than from shorter-term issues.

They will be acquired by many as a secondary cash reserve, and provide added diversification in maturity schedules. Readily marketable and acceptable as bank collateral.

Issue price: par and accrued interest from April 15, 1943 ex-

cept that no payment of accrued interest is required on individual subscription of \$1,000 or less.

United States Treasury 7½% Certificates of Indebtedness (Due April 1, 1944)

Individuals and trusts often have funds for short-term investment which can be used to advantage in the purchase of Certificates of Indebtedness. These are issued in bearer form only, in denominations of \$1,000 to \$1,000,000. Can be used as bank collateral.

Issue price: par and accrued interest from April 15, 1943.

United States Treasury Bills

In addition to the new issues available for subscription during the period of the Second War Loan Drive beginning April 12, 1942, the weekly offering of United States Treasury Bills will continue to be made.

United States War Savings Bonds—Series E

United States Savings Bonds—Series F & G

United States Treasury Tax Savings Notes—Tax Series C

The above popular and widely held issues of Savings Bonds and Tax Notes will also be available for purchase under the same terms and conditions as heretofore.

Summary of National Business Conditions

Released March 26, 1943—Board of Governors of the Federal Reserve System

INDUSTRIAL activity continued to advance in February and the early part of March. Retail sales of merchandise, particularly clothing, were exceptionally large in February but declined somewhat in March. Wholesale prices, particularly of farm products, advanced further.

PRODUCTION

Total industrial output continued to increase in February and the Board's adjusted index rose to 203 percent of the 1935-39 average as compared with 199 in January. Larger output at coal mines, steel mills, and armament plants was chiefly responsible for the rise in the index. February deliveries of finished munitions, including a record of 130 merchant ships, considerably exceeded the previous month.

Activity at steel mills reached the peak set last October. Operations averaged 98 percent of the mills' capacity, which has been increased since that time to a figure above 90 million tons of ingots annually.

Lumber production, which declined in January owing largely to unfavorable weather, increased in February somewhat more than is usual at this season.

Output of textile products remained at the high level of other recent months. Cotton consumption was slightly lower than the corresponding month of the previous year, while rayon and wool consumption were somewhat higher than last year. Shoe production, unchanged from January, was close to the level set by the War Production Board order which limits output of shoes for civilians in the six months beginning March 1 to the number produced in the last half of 1942. Meatpacking declined less than seasonally after a reduction in January, while output of most other foods was lower.

Coal output rose sharply in February with the general adoption of the six-day work week in the mines. Operations in the anthracite mines increased to the high level of last summer while output of bituminous coal was the highest in many years.

The value of construction contracts awarded in February was about the same as in January according to reports of the F. W. Dodge Corporation. Total Federal awards for war construction remained at a level about one-third as large as during last summer. Federal awards for housing continued to decline in February.

DISTRIBUTION

Department store sales increased considerably in February and the Board's seasonally adjusted index rose to a new high level of 167 percent of the 1923-25 average. Previous peaks had been 143 in January 1943 and 138 in January and November 1942. The increase in February reflected a new buying wave that began early in the month and centered chiefly in clothing items. In the first half of March the buying wave subsided somewhat and sales declined from the high level reached during February.

Freight-car loadings showed more than a seasonal rise in February and the first two weeks of March and the Board's adjusted index averaged 4 percent higher than in January. Large off-seasonal movements of grain continued to be the most unusual feature of carloadings.

COMMODITY PRICES

Prices of a number of commodities advanced further in February and in the early part of March. Farm products have continued to show the largest increases and prices received by farmers in the middle of March are estimated to be about 30 percent higher than a year ago. Fruit and vegetable prices are considerably higher now than during the same season last year. Prices of bread grains and grains used for livestock feeding have advanced sharply in recent months and livestock prices have also risen further.

In retail markets the largest advances have continued to be in food prices. In the latter part of February maximum levels were established for leading fresh vegetables following sharp price increases resulting in part from the restrictions on retail sales of canned and dried vegetables and fruits.

BANK CREDIT

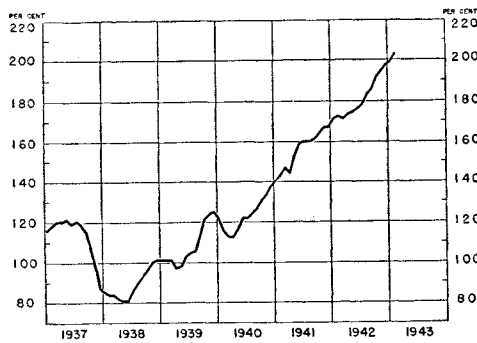
Excess reserves of member banks remained generally above 2 billion dollars during the first two weeks of March, compared with an average of about 1.8 billion during the latter part of February. During the four weeks ending March 17 total Reserve bank holdings of Government securities showed an increase of 470 million dollars. Purchases of special Treasury one-day certificates moderated the effect of large scale shifts of funds over the tax payment period. These purchases began early in March and on March 17 the certificate outstanding was 980 million dollars. Holdings of other United States Government securities declined by 510 millions.

Reflecting the payment of taxes in cash, money in circulation rose less rapidly early in March and declined slightly around the middle of the month.

The gain in reserve funds occurred mainly at banks outside the central reserve cities; at New York City and Chicago bank reserves remained close to requirements.

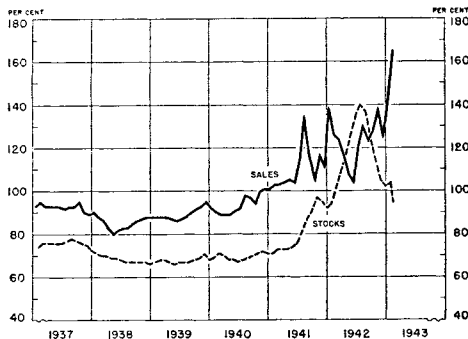
In the four week period ending March 17 member banks in 101 leading cities increased their holdings of Government securities by 920 million dollars. Prices of Government securities continued steady.

Demand deposits at banks in leading cities increased sharply over the four week period. There were also increases in interbank deposits, indicating accumulation of funds by country banks.



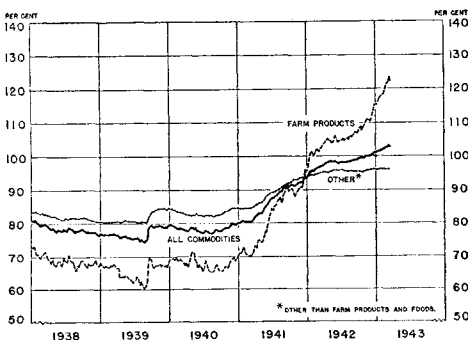
INDUSTRIAL PRODUCTION

Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figure shown is for February 1943.



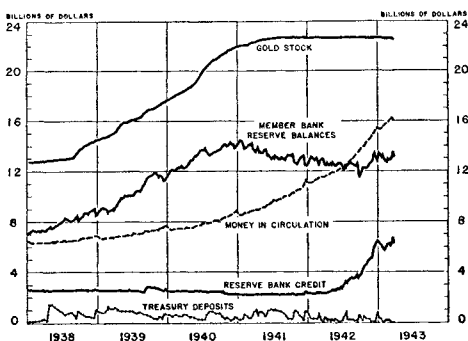
DEPARTMENT STORE SALES AND STOCKS

Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average=100. Latest figures shown are for February 1943.



WHOLESALE PRICES

Bureau of Labor Statistics indexes, August 1929=100. Thursday figures; latest figures shown are for March 20, 1943.



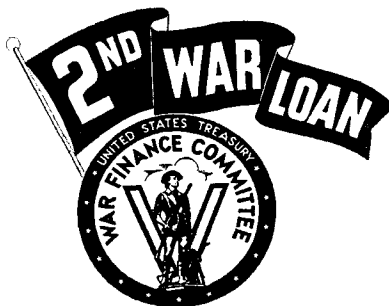
MEMBER BANK RESERVES AND RELATED ITEMS

Wednesday figures. Latest figures shown are for March 17, 1943.

How Much Is Freedom Worth?

FREEDOM IS WORTH WHATEVER IT COSTS

You can write *your* answer in subscriptions
to the



APRIL 1943

They *Give* their LIVES . . . You *Lend* your MONEY

For description of securities available see page 28