

Monthly Review



FEDERAL RESERVE BANK OF SAN FRANCISCO

MAY 1943

The Expansion of Demand Deposits in 1942

OUTSTANDING among wartime monetary developments is the marked increase in demand deposits and currency held by the public. Along with the shrinking supply of civilian goods available in the market, this sharp expansion in the money supply is a principal source of the pressure upon prices which has necessitated the adoption of stringent price control measures and rationing programs.

Although the extent of the increase in demand deposits and currency held by the public is a measure of the added purchasing power immediately available to individuals and firms for the buying of goods and services and for investment, it offers but little suggestion of what actual use may be made of these swollen funds. To shed light on this subject further information is essential, particularly information as to the distribution, geographically and among types of depositors, of the added funds. Where the additional funds have gone, what proportion is held by consumers on the one hand and by business enterprises on the other, and to what extent they are held in active balances or as excess or idle funds, are especially pertinent questions. They have direct bearing on the war finance program, on the probable demands of business for funds to finance post-war adjustments, on the nature and extent of consumer demands for goods after the war, and on the need for continuation of price control measures beyond the immediate war period.

Information which would provide at least partial answers to those questions is meagre. One step in its provision has recently been made, however, through the tabulation by counties of bank deposits of individuals, partnerships, and corporations as of the end of 1941 and 1942. These data are summar-

ized below for the Twelfth Federal Reserve District.

Expansion in District Demand Deposits

Demand deposits of Twelfth District banks have increased almost without interruption and at a faster rate than in the country as a whole since the inception of the defense program in mid-1940. The year 1942 witnessed an especially marked expansion, both in absolute terms and relative to the national total. Time deposits, on the other hand, have shown no substantial change in the past several years.

Twelfth District demand deposits of individuals, partnerships, and corporations increased in 1942 by 1,658 million dollars, rising to 4,584 million on December 31, 1942. The increase of 57 percent was more than double that for the country as a whole and was the largest increase for the year in any Federal Reserve District.

Wide Distribution of Deposit Gains

The most noteworthy feature of this growth in demand deposits in the Twelfth District is the wide geographic distribution of the gains. A substantial increase occurred in almost every county in the district. Only one county, Summit County, Utah, lost deposits, and balances in all but three counties increased by at least 20 percent with gains ranging upward to 232 percent. The expansion exceeded 100 percent in 40 counties throughout the district out of a total of 214 counties in which banking facilities were located.

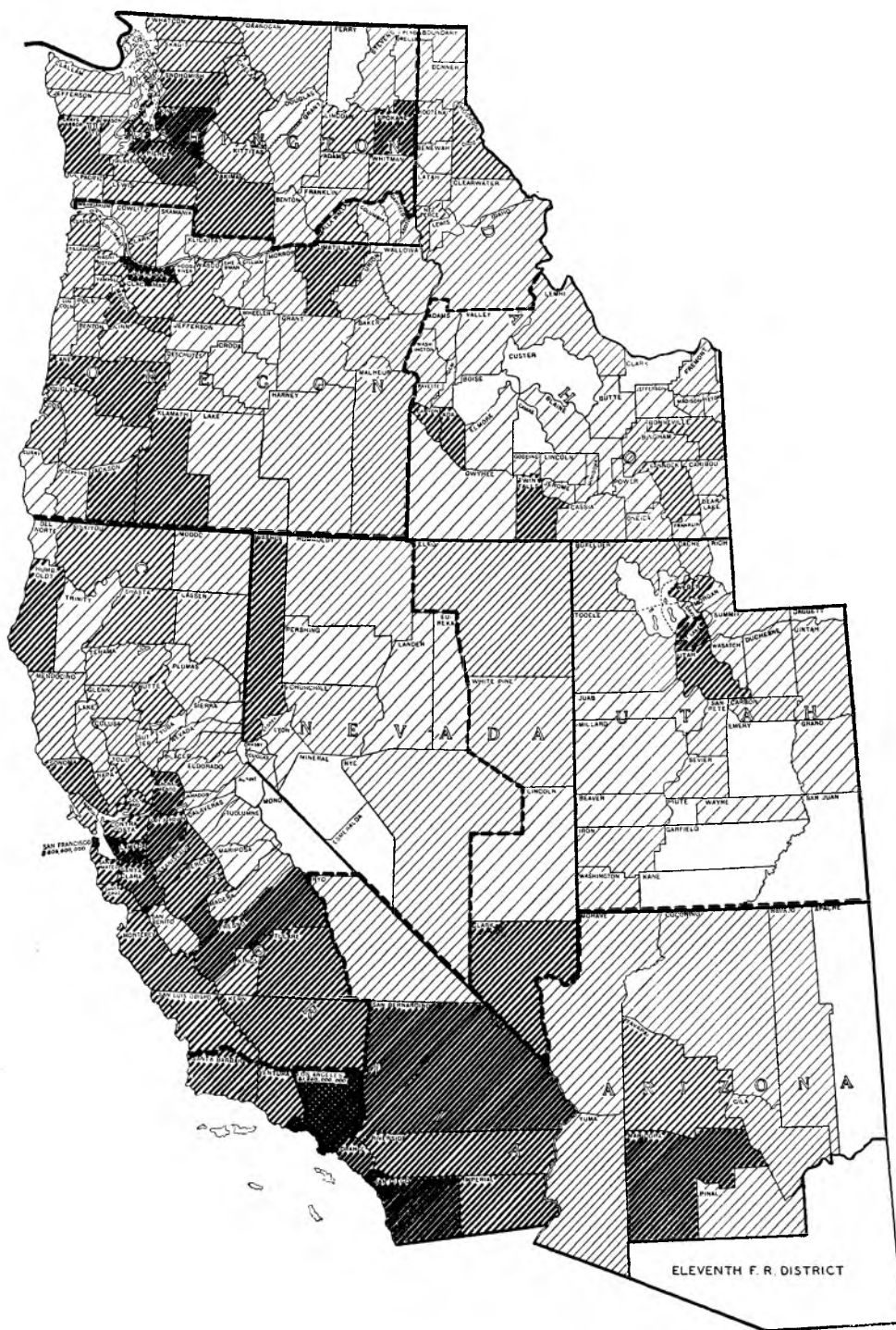
Greater Relative Growth in Non-Metropolitan Counties

That there is no very clear pattern of relative increases in deposits within the dis-



CONTINUE TO BUY WAR BONDS

**EVERY INVESTOR—EVEN THE SMALLEST—CAN BUY SERIES E BONDS
AND SAVINGS STAMPS**

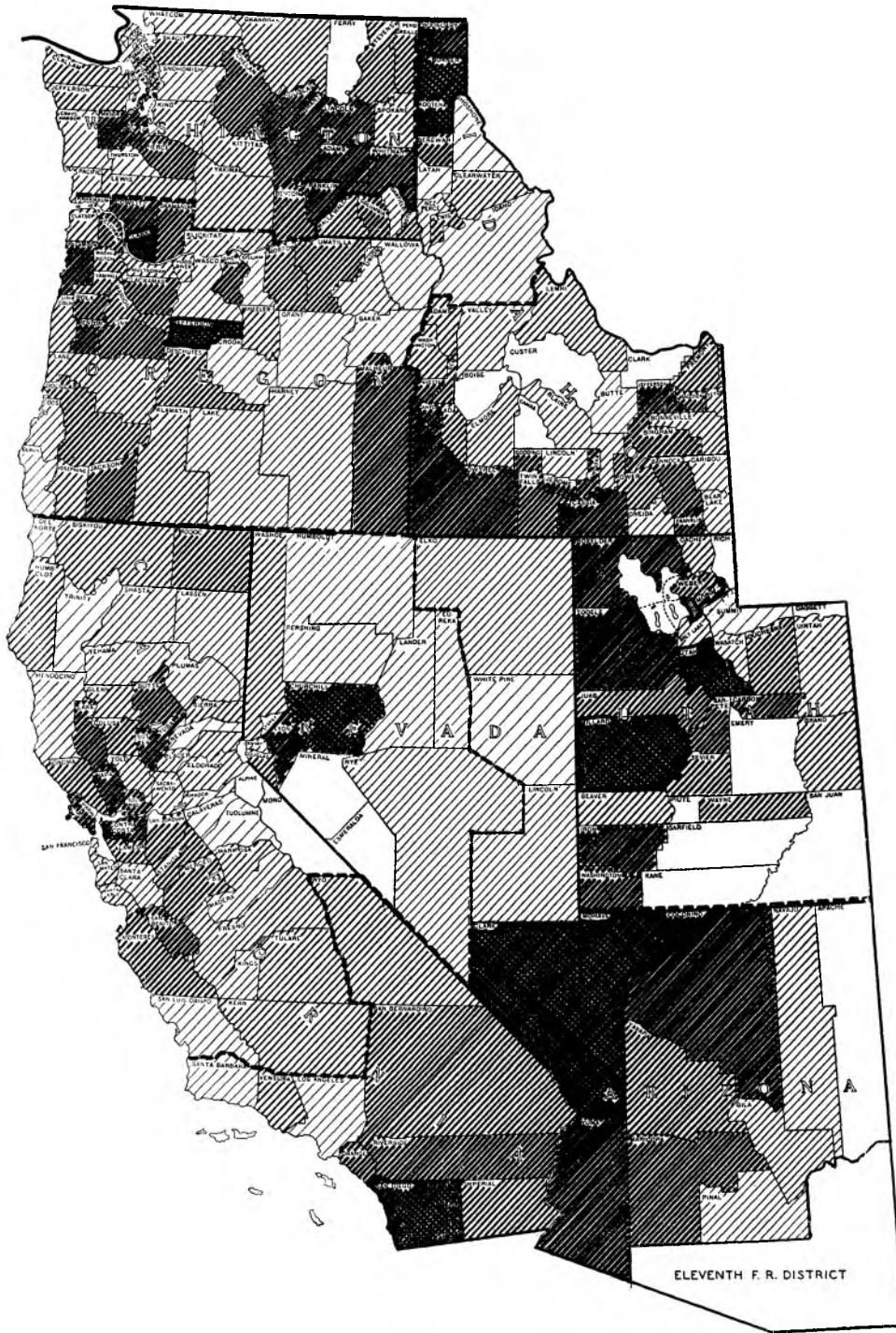


DISTRIBUTION OF DEMAND DEPOSITS BY COUNTIES - TWELFTH DISTRICT*
 DECEMBER 31, 1942

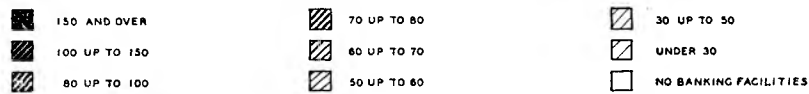
■ \$500,000,000 AND OVER	▨ \$10,000,000 UP TO \$30,000,000	▧ \$1,000,000 UP TO \$3,000,000
▩ \$100,000,000 UP TO \$500,000,000	▨ \$5,000,000 UP TO \$10,000,000	▧ UNDER \$1,000,000
▩ \$30,000,000 UP TO \$100,000,000	▨ \$3,000,000 UP TO \$5,000,000	□ NO BANKING FACILITIES

* DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS

BASE MAP COPYRIGHTED BY RAND McNALLY AND CO., CHICAGO



PERCENTAGE INCREASES IN DEMAND DEPOSITS BY COUNTIES - TWELFTH DISTRICT*
 DECEMBER 31, 1941 TO DECEMBER 31, 1942



* DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS.

NOTE: DEPOSITS IN SUMMIT COUNTY, UTAH, DECLINED 1 PERCENT.

BASE MAP COPYRIGHTED BY RAND MCNALLY AND CO., CHICAGO

trict as may be seen on the map on page 33. It is evident, however, that relative increases in metropolitan counties in general were smaller than in other counties. (Metropolitan counties are defined as those in which at least half the population, according to the 1940 census, live in cities of over 50,000 or in contiguous civil divisions with a population of at least 150 to the square mile.) There also appears to have been a limited tendency for non-metropolitan counties surrounding the major metropolitan counties to have had larger than average percentage increases, a tendency that was least definite in Washington.

The largest dollar increases took place in metropolitan counties, which accounted for 74 percent of the total district gain and had 77 percent of all demand deposits on December 31, 1942. In relative terms deposits in these counties increased 52 percent; in the remainder of the district the increase was 74 percent. In making this comparison, or in making comparisons among individual counties, the considerable variation in size of the dollar bases from which the increases are measured must be kept in mind. For example, demand deposits in Kootenai County, Idaho, increased 232 percent, but the amount of this increase was only three million dollars. On the other hand, the 34 percent increase in San Francisco was a gain of 203 million dollars.

The relation between the location of specific military or industrial developments and sharply increased bank deposits in a considerable number of non-metropolitan counties indicates that non-agricultural factors have been quite important in bringing about the greater relative increase in such areas, although data are not available which would indicate what proportion of the additional deposits are related to those activities and what proportion to agriculture. While the concentration of war contracts in the metropolitan areas, especially along the Pacific Coast, undoubtedly is the basic factor in the larger dollar increase in demand deposits in those centers, there

was certainly no net shift of funds over the year to industrial centers from outlying areas of the district.

The accompanying table and the maps on pages 32 and 33 indicate deposits as of December 31, 1942 and the relative increase in deposits during 1942 by counties of

DISTRIBUTION OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS IN THE TWELFTH DISTRICT
(amounts in millions of dollars)

	Deposits		Increase in		Percentage of	
	December 31, 1941	1942	Amt.	Per- cent	District Deposits Dec. 31, 1942	Total Inc. in Deposits
Head Office Zone	1,039	1,549	510	49	34	31
Metropolitan counties.	863	1,254	391	45	27	24
San Francisco area ¹	736	1,046	310	42	23	19
Fresno	33	53	20	61	1	1
Sacramento	37	59	22	60	1	1
San Joaquin	26	46	20	79	1	1
Santa Clara	32	50	18	56	1	1
Other counties	176	296	120	68	6	7
Los Angeles Branch Zone 1,073	1,661	587	55	36	35	
Metropolitan counties.	988	1,516	528	54	33	32
Los Angeles area ²	898	1,308	410	46	29	25
San Diego	60	154	94	155	3	6
Maricopa	29	55	26	88	1	2
Other counties	85	144	59	69	3	4
Portland Branch Zone.	279	476	197	71	10	12
Portland area ³	136	222	86	63	5	5
Other counties	143	254	110	77	6	7
Salt Lake City Branch Zone	143	253	110	77	6	7
Salt Lake	53	84	31	59	2	2
Other counties	90	169	79	88	4	5
Seattle Branch Zone.	391	645	254	65	14	15
Metropolitan counties.	289	473	184	63	10	12
Seattle-Tacoma area ⁴	247	406	159	64	9	10
Spokane	42	67	25	60	1	2
Other counties	102	172	70	69	4	4
Twelfth District	2,926	4,584	1,659	57	100	100
Metropolitan counties.	2,329	3,549	1,220	52	77	74
Other counties	596	1,035	439	74	23	26

¹San Francisco, Alameda, Contra Costa, Marin, San Mateo, and Solano counties.

²Los Angeles and Orange counties.

³Multnomah and Clackamas counties.

⁴King and Pierce counties.

the district and by regions served by the head office and each of the four branch offices of this bank. Branch offices are located in Los Angeles, Portland, Seattle, and Salt Lake City; and the regions are bounded on the maps by broken lines.

Review of Business Conditions—Twelfth District

Industry, Construction and Trade

EMPLOYMENT and payrolls in manufacturing industries in the Twelfth District during March again established new records. Aircraft production and shipbuilding, industries which have received more than 90 percent of the district's major prime war contracts for materiel and supplies (excluding foodstuffs), continued to account for much of the gains. Pacific Coast shipyards building merchant vessels delivered 80 ships of all types in March and 78 in April, an increase of around 30 percent over the average deliveries in the three preceding months. In some cases these deliveries represented the completion of vessels launched several months earlier but which could not be outfitted immediately because of shortages of propulsion machinery and other equipment. The accompanying table gives a summary of merchant ship deliveries in the Twelfth District from December 1941, the month in

which Liberty ships were first completed by Pacific Coast yards, to April 1943.

SHIP DELIVERIES UNDER THE MARITIME COMMISSION PROGRAM
PACIFIC COAST YARDS
DECEMBER 1, 1941 - APRIL 30, 1943

Period	Liberty Cargo ¹	Long-range C-Type Cargo	Micellaneous Cargo	Special Types for Armed Forces	Total
Dec. 1941 - June 1942					
Monthly Average	17	0	0	0	17
1942					
July	24	0	0	0	24
August	31	0	0	0	31
September	37	3	0	0	40
October	42	1	0	0	43
November	45	3	0	0	48
December	51	2	2	3	58
1943					
January	47	1	0	6	54
February	46	10	1	12	69
March	56	11	2	11	80
April	57	9	7	5	78

¹Figures include 24 ships built for British Government.

Peak in War-Induced Construction Passed

Although it is difficult to say when the transition occurred, it is evident that the peak in construction of industrial facilities induced by the war effort has been passed in this district, and that men and materials are being increasingly diverted to the actual output of war materiel. Contract awards for industrial facilities declined from an average of 92 million dollars per month in the first half of 1942 to 35 million during the last half of the year. Decreases have also been evident in other classes of construction which have consisted largely of defense housing and military installations during the past year.

Total construction employment in the district reached a peak in August 1942, when more than 320,000 workers were employed. There has been considerable decline since that time, but the number of workers engaged in construction remains large when judged by pre-war standards. Included in the larger projects currently engaging substantial numbers of workers are the 150 million dollar steel plant near Provo, Utah, expected to be in operation late in 1943, the 105 million dollar steel plant at Fontana in southern California, scheduled to produce steel in May, and Shasta Dam.

Effect on Building Materials Industries

These developments in construction are reflected in the volume and types of orders being received by district lumber mills. New orders reported during the first quarter of 1943 totaled 3.1 billion board feet compared with 3.9 billion in the corresponding 1942 period, a decline of about one-fifth. In the Douglas fir area, the most important district source of construction lumber, orders decreased 29 percent, while in the western pine region, which also supplies a considerable volume of construction lumber but which is the major source of lumber used in boxes and crates, the decline was only 7 percent.

More than half the district cut of lumber in 1942 was consumed in military and essential civilian construction, the balance being used in approximately equal amounts

for boxing and crating on the one hand, and for fabricating, railroad construction, and miscellaneous purposes on the other. The WPB anticipates, however, that national requirements for construction lumber will decline by one-half in 1943, while boxing and crating needs are expected to call for about a third more lumber.

District lumber output increased in March, but by less than the seasonal amount. During the first quarter of the year output totaled 2.6 billion board feet, compared with 3.1 billion in the like period of 1942. Allowing for seasonal factors, this would appear to be at an annual rate of 13 billion feet. The Twelfth District normally produces slightly less than half the total domestic output of lumber. On the assumption that district mills are expected to meet half the national goal set by the WPB, 1943 output in this area as indicated by production during the first quarter will be deficient by two to three billion feet.

The decline in construction is also reflected in WPB estimates of 1943 cement requirements. For Arizona, California, and Nevada, these estimates are 26 percent below 1942 consumption, and for Oregon and Washington, 6 percent above 1942 consumption. The five states together are expected to consume 19 percent less cement in 1943 than in 1942. Actual production of Pacific Coast cement mills during the first quarter of 1943, however, was 6 percent higher than a year earlier.

Production of Electric Power

The vast expansion in industrial activity in the district and the considerable growth in electro-process plants over the past several years has resulted in a marked increase in demand for electric power. In the first quarter of 1943, electric power production totaled 8.0 billion kilowatt hours, compared with 6.3 billion a year earlier, 5.2 billion in the first quarter of 1941, and 4.7 billion in the like period of 1940. The greater part of the increased output of electrical energy has been met by long-established plants where facilities, in some cases, have been enlarged. Large additions also have been made to the available supply of electric power by generator installations at hydroelectric projects developed by the Federal Government during the past five years, particularly on the Columbia and Colorado Rivers. By the end of 1942, it is estimated that the installed capacity of all Federal-owned hydroelectric projects was approximately 25 percent of that of all plants producing electric power for public use in the Twelfth District.

Expansion in Fuel Oil Demand

Consumption of fuel oil and manufactured and natural gas, used extensively for the production of steam power (part of which is converted into electric energy), has also increased substantially during the past several years. District demand for heavy fuel oil was a third larger during the first quarter of 1943 than a year earlier. Some part of the increased demand originated in industrial plants. Of more importance was consumption by railroads and merchant and naval vessels which, together, have accounted in recent years for considerably more than one-

Production and Employment—

	Index numbers, 1923-25 average=100							
	With Seasonal Adjustment				Without Seasonal Adjustment			
	1943		1942		1943		1942	
	Mar.	Feb.	Jan.	Mar.	Mar.	Feb.	Jan.	Mar.
Industrial Production¹								
Lumber ²	p131	134	123	144	p117	97	85	130
Refined Oils	—	—	—	—	p186	187	179	172
Cement .....	..	180	243	161	..	160	171	162
Wheat Flour	143	146	144	117	140	146	144	114
Petroleum	—	—	—	—	p118	117	116	92
Electric Power	p393	392	382	304	p366	359	353	283
Factory Employment and Payrolls³								
Employment								
Pacific Coast .....	..	352	353	242	..	332	326	236
California	408	406	404	283	398	389	381	275
Oregon .....	..	310	311	216	..	279	271	208
Washington .....	..	268	274	174	..	246	247	172
Payrolls								
Pacific Coast .....	..	633	631	356	..	588	566	351
California	686	694	680	410	677	659	633	405
Oregon .....	..	573	570	332	..	504	473	319
Washington .....	..	536	558	254	..	482	474	254

¹ Daily average.

² Converted to 1935-39 base.

³ Excludes fish, fruit, and vegetable canning.

p Preliminary.

half the consumption of California produced fuel oil used for power production. In 1942, and more particularly since December of that year, rising demand for fuel oil has been accompanied by declining gasoline consumption. As a result, supplies of those jointly produced commodities have become unbalanced, and efforts of the Petroleum Administrator for War and of the petroleum industry have been directed towards satisfying military and industrial demand for fuel oil while preventing excessive accumulations of non-aviation gasoline.

DEMAND-SUPPLY SITUATION FOR RESIDUAL FUEL OIL AND GASOLINE—TWELFTH DISTRICT
(thousands of barrels)

1st Quarter	Demand		Supply		Change in Inventory During Quarter	
	Residual Fuel	Gasoline	Residual Fuel	Gasoline	Residual Fuel	Gasoline
1942	28,200	19,600	23,500	20,100	-4,700	+500
1943	37,100	18,700	35,000	21,600	-2,100	+2,900

To a minor extent, the supply of residual fuel oil has been supplemented by non-gasoline-bearing crude petroleum suitable for fuel purposes. To stimulate the production of this heavy crude petroleum and also crude yielding a high percentage of residual fuel oil, the OPA on March 26 granted Pacific Coast sellers a raise of 25 cents per barrel in the maximum prices for heavy fuel oils and a graduated increase for heavy crudes. This advance is expected to encourage the rehabilitation of sub-marginal wells and to stimulate the drilling of new wells for the production of heavy oil.

Department Store Sales and Stocks

Department store sales have been notably erratic in recent months and, allowing for seasonal influences, they were sharply lower in March than a month earlier. February sales, however, had been swollen abruptly by a rush of buying, particularly of apparel, and despite the large decline in March the seasonally adjusted index was at the January level. Preliminary data indicate a further substantial decline in April.

Active consumer demand traceable to the larger working population and higher per capita income, together with difficulties in replacing some types of merchandise, have been reflected recently in a reduction in stocks of department stores. On March 31 the dollar value of stocks of these stores was 30 percent lower than the

record attained in July 1942 and 9 percent lower than on March 31 a year ago. This decline is accentuated when considered in relation to the expanded sales. Nevertheless, by pre-war standards at least, the dollar value of store inventories is still substantial, despite the virtual disappearance from the market of commodities manufactured from metals and other critical materials. For the seventh consecutive month merchandise received in March by stores from their suppliers was less than new orders placed. Orders outstanding consequently advanced further to a level equivalent to 350 percent of March sales and 150 percent of March 31 stocks.

Government Finance and Bank Credit

On April 8 the President issued an Executive Order on prices and wages, described as a "hold-the-line" order. The line, in general, is that of price and wage stabilization at September 15, 1942 levels. Price and wage increases have been slowed up during the last six months but upward adjustments, each usually of negligible effect by itself, have kept this goal from being achieved. The recent order, calling for stiffer resistance to increases, has already been reflected in Office of Price Administration rulings and in War Labor Board decisions.

The President's statement that the only way to hold the line is to stop trying to find justifications for not holding it here or not holding it there applies to decisions and actions not only of Government agencies but of consumers and business enterprises as well. Aid in holding the line is supplied by every non-bank purchaser of Government securities, with the most effective support provided by those who divert their dollars from scarce commodities to bonds.

Results of the Second War Loan Drive

Total sales of Government securities during the Second War Loan Drive amounted to approximately 18.5 billion dollars, of which 13.5 billion were made to investors other than commercial banks. Sales far exceeded the goal for the drive which was to raise a total of 13 billion dollars with 8 billion of the total to be obtained from non-bank sources.

Preliminary figures indicate that sales in the Twelfth District, excluding Treasury bills for which data are not

Distribution and Trade—

Retail Trade	Index numbers, 1935-39 daily average=100		With Seasonal Adjustment				Without Seasonal Adjustment			
			1943		1942		1943		1942	
	Mar.	Feb.	Jan.	Mar.	Mar.	Feb.	Jan.	Mar.		
Department Store Sales (value)										
Twelfth District	p195	238	195	162	p170	184	150	148		
Southern California	p183	228	194	161	p164	193	158	151		
Northern California	p174	215	175	145	p153	172	136	134		
Portland	p218	251	186	166	p195	205	152	152		
Western Washington	p258	306	229	206	p220	193	169	183		
Eastern Washington and Northern Idaho	p196	230	193	145	p155	152	123	123		
Southern Idaho and Utah	p207	250	221	162	p174	173	150	142		
Phoenix	p192	255	220	162	p192	224	179	166		
Carloadings (number) ¹										
Total	p105	116	109	117	p 98	96	86	109		
Merchandise and Misc.	p112	132	120	127	p104	109	101	118		
Other	p 96	97	95	105	p 89	79	68	98		

¹ 1923-25 daily average = 100.
pPreliminary.

SALES OF GOVERNMENT SECURITIES IN THE UNITED STATES AND THE TWELFTH DISTRICT—SECOND WAR LOAN DRIVE
(in millions of dollars)

	United States			Twelfth District		
	Com'l Bks.	Other	Total	Com'l Bks.	Other	Total
Treasury bills (net)	800	0	800	— not available—		
¾% C. of I's. of 1944	2,138	3,106	5,244	196	219	415
2% Treas. bonds of 1950-52	2,110	2,825	4,935	205	119	324
2½% Treas. bonds of 1964-69	0	3,761	3,761	0	147	147
War Savings bonds, Series E	0	1,473	1,473	0	180	180
Savings bonds, Series F and G	0	667	667	0	72	72
Tax notes	0	1,652	1,652	0	97	97
Total	5,048	13,484	18,532	834		

Note: Data are preliminary and as of May 13, 1943.

yet available, amounted to 1.2 billion dollars or 7 percent of the comparable national total. Sales to investors other than banks accepting demand deposits amounted to 834

million dollars, substantially in excess of the district goal of 675 million and almost three times the amount sold such buyers in the drive last December. District non-bank sales were about 6 percent of the national total of such sales, compared with 4 percent in the earlier drive.

Sales by types of securities and the distribution between commercial banks and other buyers, in both the United States and the Twelfth District, are presented in the accompanying table. Banks accepting demand deposits are not eligible to purchase War Savings bonds, Series E, and Savings bonds, Series F and G, nor to hold the 2½ percent bonds of 1964-69 until ten years after the date of issue.

Removal of Reserve Requirements Against War Loan Deposit Accounts

War loan deposit accounts of insured banks were relieved from Federal Deposit Insurance Corporation assessments for the duration of the war and six months thereafter under the terms of Federal legislation which became effective on April 13. This statute also provided that member banks would not be required, during the same period, to maintain legal reserves against such accounts.

Payment for a considerable share of the subscriptions to United States securities entered in April by banks for the account of their customers and of the purchases by banks for their own account was made by credit to the Treasury's special deposit accounts at banks (war loan deposit). The use of these special accounts for this purpose, as indicated in the April issue of the Review, promotes greater balance in the flow of funds to and from the Treasurer's account with the Reserve banks, and thereby prevents sharp drains upon reserve balances of banks during periods of large scale Treasury financing operations with consequent disturbance to credit conditions. Removal of the necessity for maintaining legal reserves against war loan deposit accounts furthers the effectiveness, in this connection, of these accounts. The purpose is not primarily to provide the banking system as a whole with additional excess reserves, but rather to permit individual banks which have qualified as war loan depositaries to participate in a major war loan drive with-

out immediately decreasing their excess reserves by being subject to larger required reserves. In other words, it lessens the possibility of unexpected temporary fluctuations in reserves from interfering with the participation of banks in Treasury loan drives. Under the new provision, crediting a war loan deposit account with the proceeds of a purchase of Treasury securities by a bank for its own account does not affect the reserve position of that bank in any respect. If the credit is made as a result of a purchase by a customer of a bank, excess reserves actually are increased, since customers' deposits are reduced.

When a Treasury call is made upon war loan accounts, funds are of course transferred from bank reserve balances to the Treasurer's account with the Reserve banks. These calls, while frequent, are for relatively small amounts, and the resulting drain on bank reserves is largely balanced by the return of funds as the recipients of Treasury disbursements deposit their receipts with the banks.

Consumer Credit in March

Credit extended to consumers both by retail establishments and by financial agencies has declined considerably since late 1941. Lack of availability of many consumer durable goods customarily purchased on the installment plan has been an important factor in this decline. Restrictions, under Regulation W, of the terms on which consumer credit may be extended and the generally improved financial status of many individuals as a result of war-time prosperity have also played a part.

All classes of financial concerns actively engaged in extending consumer credit in the Twelfth District reported substantially larger amounts of new loans in

CONSUMER LOANS MADE IN MARCH AND UNPAID BALANCES REPORTED BY PRINCIPAL TYPES OF CONSUMER CREDIT AGENCIES TWELFTH DISTRICT

Type of Loan Agency*	Loan Volume			Total Outstandings		
	March 1943 (thousands of dollars)	Percentage Change From		March 31, 1943 (thousands of dollars)	Percentage Change From	
		Feb. '43	Mar. '42		Feb. '43	Mar. '42
Commercial banks . . .	11,412.0	+40	-28	81,766.0	+5	-56
Industrial banking cos.	1,336.3	+41	+17	6,673.4	-1	-22
Personal finance cos.	2,053.9	+57	+14	9,885.9	+2	-18
Federal credit unions	321.2	+59	-29	1,671.9	-3	-53
State credit unions . . .	93.8	+97	-54	757.0	-3	-47

*Includes data only for reporting firms and consequently represents only a sample of each class of loan agency.

Banking and Credit—

Averages of Wednesday figures (millions of dollars)	1943 April	Change From		
		Mar.	Feb.	1942 April
Condition Items of Weekly Reporting Member Banks				
Total loans	946	- 5	- 20	- 200
Comm'l, ind. & agric. loans	418	- 10	- 22	- 95
Open market paper	11	- 1	- 1	- 6
Loans to finance securities transactions	56	+ 13	+ 17	+ 11
Real estate loans	344	- 5	- 9	- 43
All other loans	117	- 2	- 5	- 67
Total investments	2,786	+142	+194	+1,276
United States Gov't securities	2,487	+135	+188	+1,281
All other securities	299	+ 7	+ 6	- 5
Adjusted demand deposits	2,267	+ 17	+ 80	+ 750
Time deposits	1,158	+ 6	- 26	+ 73
United States Government deposits	201	+ 72	+ 29	+ 71
Coin and Currency in Circulation				
Total (changes only)	-	+ 48	+ 98	+ 687
Fed. Res. notes of F. R. B. of S. F.	1,405	+ 32	+ 70	+ 635
Member Bank Reserves	1,300	+ 3	+ 25	+ 328

March than a month earlier. Although several factors contributed to this increase the most important was borrowing to meet income tax payments due in that month.

Although considerably larger than in the preceding month, new loans made in March were little more than sufficient to balance repayments and to check temporarily the decline in total balances outstanding. The accompanying table shows the dollar value of loans made to consumers and balances of such loans outstanding in March 1943, together with percentage changes from a month and year earlier, reported by a sample of the principal financial agencies making loans to consumers in the Twelfth District.

OUR APPRECIATION

To all those who helped make
The Second War Loan Drive
A Success . . .

★ ★ ★

War Finance Committee

Twelfth Federal Reserve District

CONTINUE TO BUY WAR BONDS AND STAMPS

Summary of National Business Conditions

Released April 22, 1943—Board of Governors of the Federal Reserve System

INDUSTRIAL activity increased slightly in March and prices of commodities advanced further. Retail trade in March and the first half of April was in large volume, although reduced from the February peak.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production advanced from 202 percent of the 1935-39 average in February to 203 in March. The rise in total output continued to reflect chiefly increased production in the machinery and transportation equipment industries producing armaments. At merchant shipyards 146 ships were delivered in March. Completions totaled 1,516,000 deadweight tons, an annual rate of more than 18,000,000 tons.

Steel mills operated at peak levels. Production of lumber, however, increased less than usual in March, continuing the gradual downward trend of production which began a year ago.

Output of fuels reached a new peak in March. Bituminous coal production rose further. Crude petroleum output likewise exceeded the February level as new pipeline facilities for transport of petroleum products to the East Coast were completed.

Output of important nondurable manufactures was maintained in March. In most branches of the wool textile industry production increased to new high levels in February and March following a Federal order allowing an increase in wool consumption for the manufacture of civilian fabrics.

The value of construction contracts awarded in March, according to figures of the F. W. Dodge Corporation, continued at a level considerably lower than that for the year 1942, reflecting chiefly the fact that the construction phase of the war program has been largely completed. Awards for residential building declined for the third consecutive month, while contracts for public works were higher than in February.

DISTRIBUTION

Retail sales, which generally increase from February to March, showed little change this year, following the buying wave that swept the country in February. At department stores, where increases in February had been particularly marked, sales declined in March and the Board's seasonally adjusted index dropped from 167 to 135 percent of the 1923-25 average. Despite this decline, the index continued above the high level that prevailed in the latter part of last year. In the first half of April department store sales increased by about the usual seasonal amount, making allowance for the late date of Easter this year.

Total carloadings of revenue freight in March remained at the February level and other transportation activity was also maintained in large volume.

COMMODITY PRICES

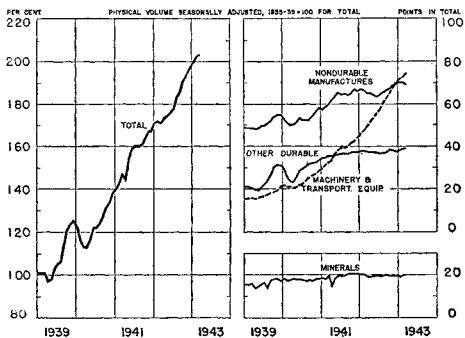
Wholesale commodity prices averaged higher in March and the early part of April reflecting advances in prices of farm products, foods, and a number of industrial commodities. Prices in retail markets also increased further from February to March, with relatively sharp advances in food prices.

On April 8 an Executive Order was issued directing that ceiling prices be placed on all commodities affecting the cost of living, that further increases in ceilings be prevented except to the minimum extent required by law, and that excessively high prices be reduced. Following this and announcements of particular Federal actions to safeguard the stabilization of prices, including an order reducing railroad freight rates, wholesale prices of some commodities declined and on April 16 were lower than at the beginning of the month.

BANK CREDIT

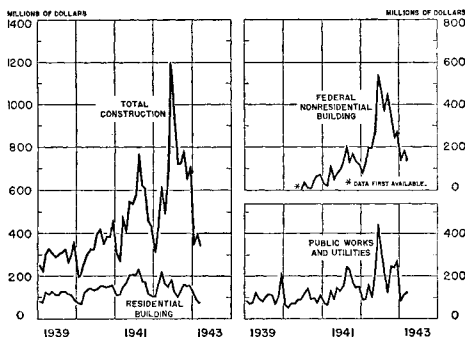
Excess reserves at all member banks, which decreased during the latter half of March from 2.2 billion dollars to 1.5 billion, subsequently rose to 2.6 billion on April 19. In the first week of April, the increase resulted largely from substantial Reserve bank purchases of Government securities; subsequently excess reserves were made available by a decline of a billion dollars in required reserves, which resulted primarily from large payments to war loan accounts for Government securities sold to bank customers. This caused a shift from customers' deposits, subject to required reserves, to Government deposits which have recently been exempted from such requirements.

Government security holdings at reporting banks in 101 leading cities increased substantially during the first two weeks of April following declines in the latter part of March, which had resulted mainly from bill sales by banks in New York and Chicago. Holdings of certificates, notes, and bonds increased over the 4-week period ended April 14. Commercial loans at all reporting banks declined by about 210 million over the 4-week period. At New York City banks, loans to brokers and dealers increased steadily over the period, especially in the week of the 14th at the beginning of the War Loan Drive. Deposits, other than those of the United States Government, increased further in March and the early part of April, but were drawn down sharply around the middle of April to make payments for purchases of new Government securities.



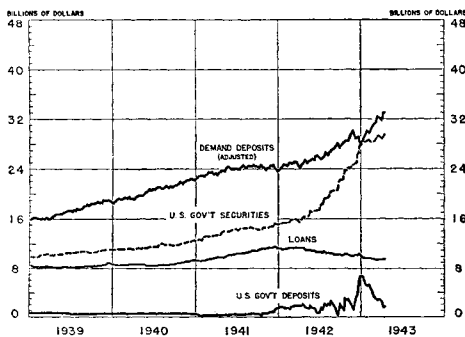
INDUSTRIAL PRODUCTION

Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for March 1943.



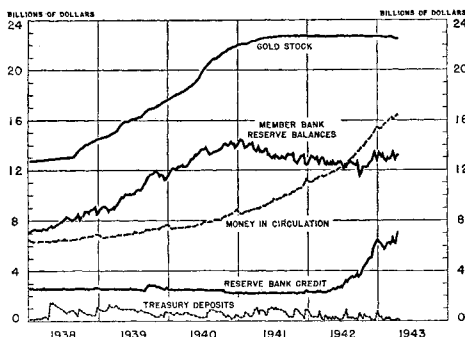
CONSTRUCTION CONTRACTS AWARDED

F. W. Dodge data for 37 Eastern states, total includes state and local government and private nonresidential building not shown separately. Monthly figures, latest shown are for March 1943.



MEMBER BANKS IN LEADING CITIES

Demand deposits (adjusted) exclude U. S. Government and inter-bank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for April 14, 1943.



MEMBER BANK RESERVES AND RELATED ITEMS

Wednesday figures, latest shown are for April 14, 1943.