

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

NOVEMBER 1943

Review of Business Conditions—Twelfth District

THE labor supply situation remains critical in most war production centers of the Twelfth District, intensive recruitment efforts notwithstanding. Estimated labor requirements are not being met, even though anticipated peak employment levels are being reduced by concerns in which output per man-hour has increased substantially. Despite past and current deficits of workers, however, production in the major Twelfth District war industries has continued to expand, although the rate of expansion is slackening. In the older established industries, such as lumbering, production has not shown much change after allowance for seasonal factors, but output in those lines has at least been maintained in recent months.

Expansion of aircraft and shipbuilding output has occurred in the face of employment consistently falling short of hiring schedules, rapid turnover, and, to some extent, interruptions in the flow of materials. This has been made possible by greater efficiency in the utilization of manpower, equipment, and materials on hand.

Factory Employment

The number of wage earners employed in District manufacturing establishments (excluding canneries) increased for 30 successive months through July 1943 when 1,252,000 wage earners were employed. In August, a decline of 2,000 workers occurred in the District as a whole, followed by a decline of 14,000 workers in September. Complete data for October are not yet available, but in California alone a net additional loss of 3,000 wage earners was reported for the durable goods industries, as shown below:

	August to September			September to October Total
	Total	Men	Women	
Aircraft, shipbuilding, and other transportation equipment . . .	-14,500	-11,300	-3,200	-4,900
Iron, steel, and products	-700	-700	0	+600
Furniture and wood products . . .	+700	+200	+500	+600
Electrical machinery	+600	+200	+400	+600
Other machinery	+700	+100	+600	+800
All other durable goods	-900	-800	-100	-100
Total durable goods	-14,100	-12,300	-1,800	-2,400

Source: California State Division of Labor Statistics and Law Enforcement.

The important declines shown are attributed primarily to the reopening of schools and colleges. Whatever their cause, they emphasize the difficulties in achieving further expansion of the present labor force.

Of the numerous steps taken by the War Manpower Commission to utilize manpower resources in the Twelfth District most efficiently, the most drastic was an order, effective November 15, establishing employment ceilings

in 10 San Francisco Bay Area counties. Under the order, no employer of 50 or more persons may hire more total workers than the maximum number on his payroll in October, or more men than 90 per cent of the maximum number of men on his payroll in October. This means that, until the number of men on a payroll drops below 90 per cent of the greatest number employed on any day in October, only women may be hired as replacements. Employers having less than 50 workers are exempted from the 90 per cent limitation on male employees, but the overall employment ceiling, based upon the maximum number employed on any one day in October, applies. The order reaffirms that no worker may transfer employment without conforming with present requirements of the WMC stabilization and referral regulations.

Temporary increases in employment ceilings were granted twelve types of essential civilian activities, including hospital care, scavenging, trucking and other specified transportation services, warehousing, lumbering, and certain food processing.

Production and Productivity in the Major War Industries

Production of airplanes attained a new high in the third quarter of 1943, volume of output being more than three times that of a year earlier and probably ten times that of two years earlier.

Employment in the Pacific Coast aircraft industry has declined moderately since April. In view of the inability of the aircraft industry to maintain, much less increase, employment, slackening in the rate of expansion in output is not unexpected. Production increases which did occur in the third quarter principally reflected increased efficiency, mentioned earlier. Available information indicates that output per man-hour during the third quarter of this year was about four times that of two years earlier.

Work completed on ships built for the Maritime Commission likewise attained a new high during the third quarter, the volume of production reaching a level approximately 80 per cent above that of a year earlier. The bulk of the increase was largely a result of increased employment rather than, as in the aircraft industry, a result of increased output per man-hour. During 1942, output per man-hour increased at about the same rate in the aircraft and shipbuilding industries. In 1943, shipyard output per man-hour increased moderately, but output per man-hour at airframe plants has increased sharply during this year.

★ For Victory ★ Buy War Bonds and Stamps ★

Production and Productivity in the Lumber and Petroleum Industries

During the six months ended October 31, District lumber production showed little change, and was 5 per cent lower than in the corresponding 1942 period. The principal factor limiting production has been labor shortage, largely in the woods, as a result of Selective Service withdrawals and movements into farming and other industries. During the last six months, employment in the Pacific Coast lumber industry averaged 94,000, compared with 112,000 in the corresponding 1942 period, and 119,000 two years earlier. Production held up in 1942, despite employment losses, partly through increases in the average work week. The decline in output this year more nearly reflected the loss of workers, although a moderate increase in output per man-hour is indicated.

Since the first of the year, production of crude petroleum in the Twelfth District has been maintained at an average rate of 776,000 barrels per day, compared with a pre-war level slightly over 600,000 barrels per day. In contrast with the lumber industry, where output has been limited by the manpower shortage, the current rate of petroleum output is apparently at the highest level commensurate with established conservation practices. In mid-October, the Deputy Petroleum Administrator for War stated that petroleum production is and has been for some time at the maximum efficient rate.

The increasing demand for petroleum products has been reflected in shrinking inventories. District stocks of residual fuel oil are less than half as large as in 1939-40, the sharpest decline having taken place this year. Gasoline stocks which reached a peak in April of this year as a result of restrictions on gasoline use have declined sharply since that time, military demand having jumped spectacularly. This was reflected in a cut in western gasoline allotments to A, B, and C coupon holders from four to three gallons per coupon, effective October 12.

Production and Employment—

	Index numbers, 1923-25 average=100				Without Seasonal Adjustment			
	With Seasonal Adjustment			1942	With Seasonal Adjustment			1942
	1943	1943	1943		1943	1943	1943	
Industrial Production ¹	Sept.	Aug.	July	Sept.	Aug.	July	Sept.	
Lumber ^{2,3}	p131	127	141	137	p152	152	150	159
Refined Oils	—	—	—	—	197	198	192	194
Cement	148	135	137	214	157	151	150	226
Wheat Flour	108	121	126	99	128	121	110	118
Petroleum	—	—	—	—	118	118	118	110
Electric Power	p419	389	378	329	p439	426	422	344
Factory Employment and Payrolls ^{2,3,4}								
Employment								
Twelfth District	307	312	314	257	311	315	315	262
California	364	371	370	295	366	372	370	298
Pacific Northwest	235	237	244	215	242	242	246	222
Oregon	221	220	230	199	230	226	232	206
Washington	242	247	252	225	249	251	254	232
Intermountain	154	161	164	147	159	161	168	151
Payrolls								
Twelfth District	636	618	625	463	641	629	621	468
California	747	726	717	524	749	730	716	527
Pacific Northwest	486	470	509	393	497	499	490	402
Oregon	417	399	451	346	402	428	434	334
Washington	525	511	543	420	552	540	537	441
Intermountain	327	335	334	232	332	324	327	231

¹ Daily average.

² 1935-39 average = 100.

³ Revised series. Back figures will be supplied on request.

⁴ Excludes fish, fruit, and vegetable canning.

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Output per man-hour in crude petroleum producing displayed striking gains in 1942, but has since fallen off. The number of barrels of crude petroleum produced per man-hour in the third quarter of 1943 was 8.4, compared with 8.5 a year earlier, and 7.5 in the third quarter of 1941. Net refined production of petroleum products amounted to 10.2 barrels per man-hour in the third quarter of 1943, compared with 10.9 barrels a year earlier, and 11.7 barrels in the third quarter of 1941.

Department Store Trade

During the first 9 months of 1943 department store sales in the Twelfth District were fairly stable, after allowance for seasonal influences, and excepting the February peak prompted by fears of clothing rationing. In October and in November, however, value of daily average sales jumped 11 and 18 percent although on the average no month-to-month change has been customary in recent years, and this bank's seasonally adjusted index advanced 59 points from 189 percent of the 1935-39 average in September to 248 percent in November, the highest level yet reached. Some measure of the importance of that rise is indicated by the fact that in November actual dollar sales per day were exceeded in the past only by December sales in 1942. This indicates that a large number of people are doing their Christmas shopping earlier and more intensively this year than last year, when pre-holiday trade was unusually active.

The fact of increasing sales raises the question of supply: have stores been receiving sufficient goods to meet the demand, or are stores being sold out of business? Preliminary data indicate that on October 31 the value of department store stocks was larger than a year earlier and only 3 percent below the record peak attained in July 1942. Concurrently, inventories offer a less wide selection than in 1942, and the quality of many items has declined. Apparently, however, stores have been able to replenish or find substitutes for their stocks of most goods, the principal exception being major household equipment. Inventories declined by about 33 percent from July 1942 to February 1943. Receipts of merchandise have exceeded sales, however, during each of the past eight months, and, on the basis of preliminary figures adjusted for price changes were considerably larger in October 1943 than

Distribution and Trade—

	Index numbers, 1935-39 daily average=100				Without Seasonal Adjustment			
	With Seasonal Adjustment			1942	With Seasonal Adjustment			1942
	1943	1943	1943		1943	1943	1943	
Retail Trade	Sept.	Aug.	July	Sept.	Sept.	Aug.	July	Sept.
Department Store Sales (value)								
Twelfth District	p189	198	199	176	p197	180	165	184
Southern California	p191	192	195	171	p196	179	166	176
Northern California	p178	174	186	165	p177	158	152	164
Portland	p178	199	205	180	p202	190	174	204
Western Washington	p211	240	241	213	p236	226	199	238
Eastern Washington and Northern Idaho	p182	197	176	171	p207	178	156	193
Phoenix	p245	283	232	206	p215	197	176	180
Carloadings (number) ¹								
Total	108	103	117	112	124	119	119	129
Merchandise and Misc.	113	114	117	118	132	127	125	140
Other	102	89	118	104	113	108	112	116

¹ 1923-25 daily average = 100.

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in any other month since before February 1940 when the figures were first compiled.

Continued large receipts of goods have been one factor in reducing the volume of orders outstanding on October 31 by 28 percent from the wartime peak attained in June 1943. Also, a considerable reduction in new orders placed by department stores with their suppliers occurred during August and September.

The Third War Loan Drive

Total sales of Government securities during the Third War Loan Drive amounted to 18.9 billion dollars, all of which represented purchases by non-bank investors. In

SALES OF SECURITIES, THIRD WAR LOAN DRIVE
UNITED STATES AND TWELFTH DISTRICT BY STATES
(millions of dollars)

	Total	Sales to Individuals, Partnerships (and Personal Trust Accounts— Sav. Bonds)				Other ¹
		Total	Series E	Series F & G	Other	
United States	18,943	5,377	2,472	565	2,340	13,566
Twelfth District ²	1,373	587	316	68	201	785
Arizona ²	37	17	10	2	5	19
California	867	364	191	49	123	503
Idaho	28	16	10	1	5	12
Nevada	11	6	3	1	2	5
Oregon	155	86	37	5	44	69
Utah	54	17	13	1	3	37
Washington	221	81	52	9	19	140

¹Includes corporations, associations, state and local Governments, and Federal agencies and trust funds.

²Including sales in five southeastern counties of Arizona, which are in the Eleventh Federal Reserve District.

Note: Figures do not necessarily add to totals because of minor adjustments.

comparison, sales to non-bank investors in the April drive amounted to 13.5 billion dollars, and in the December 1942 drive to 7.9 billion.

Twelfth District sales in the last drive totaled 1,373 million dollars, about 7 percent of the national total.

Comparable sales in the District in the April and December drives were, respectively, 835 and 288 million dollars.

National sales to individuals, partnerships, and personal trust accounts amounted to 5.4 billion dollars, compared with sales of 3.3 billion in the second drive. Similar sales in the Twelfth District increased to 587 million dollars in the recent drive from 333 million in the second. Increased emphasis upon sales to individuals is reflected in the following relative increases in the third drive over the second: for the United States, total sales increased 40 percent, total sales to individuals, partnerships, and trust accounts increased 63 percent, and sales of Series E savings bonds, all made to individuals, increased 68 percent; for the Twelfth District, the corresponding increases were 64, 76, and 171 percent.

Sales in every state in the District exceeded goals, the largest excess being achieved in Oregon with total sales of 149 percent of the goal. This figure was exceeded by only three states in the nation.

Banking and Credit—

Averages of Wednesday figures (millions of dollars)	1943 Oct.	Change From		1942 Oct.
		1943 Sept.	Aug.	
Condition Items of Weekly Reporting				
Member Banks				
Total loans	1,075	+105	+161	+ 43
Com'l, ind. & agric. loans	520	+ 48	+ 71	+ 40
Loans to finance securities transactions	122	+ 52	+ 85	+ 84
Real estate loans	322	- 3	- 7	- 46
All other loans	111	+ 8	+ 12	- 35
Total investments	3,813	+357	+426	+1,716
U. S. Gov't securities	3,369	+344	+282	+1,705
All other securities	444	+ 13	+144	+ 11
Adjusted demand deposits	2,430	- 63	- 33	+ 559
Time deposits	1,279	+ 14	+ 47	+ 172
United States Gov't deposits	1,037	+542	+601	+ 910
Coin and Currency in Circulation				
Total (changes only)	—	+ 51	+142	+ 696
Fed. Res. notes of F. R. B. of S. F.	1,750	+125	+133	+ 629
Member Bank Reserves	1,323	+ 49	+ 97	+ 180

Revised Indexes of Factory Employment and Payrolls

REVISED indexes of factory employment and payrolls in the Twelfth District have recently been completed. The indexes show month-to-month changes in the number of, and total wages paid to, wage earners in all manufacturing establishments in the District except fruit, vegetables, and fish canneries. Employment and payrolls in canneries are excluded from the series because the large and somewhat erratic fluctuations in canning operations tend to obscure more basic changes in industrial employment and also make seasonal adjustment impracticable. Figures of establishments owned and operated by the Federal Government, for example, manufacturing arsenals, are also excluded from the series. Employment and payrolls in Federally-owned defense plants, including shipyards, airframe plants, and other munitions factories, operated by private companies, are included.

The principal objective of the revision was to incorporate improved data for recent years developed by the California State Division of Labor Statistics and Law Enforcement and the U. S. Bureau of Labor Statistics. Part of the data formerly used was overweighted by the

rapidly expanding war industries. This deficiency has been largely removed, although future adjustments in the levels of some of the area indexes may be expected. A second purpose of the revision was to include data of the Intermountain states of Arizona, Idaho, Nevada, and Utah. In addition, seasonal adjustment factors were brought up to date, and the series were placed on a 1935-39 base.

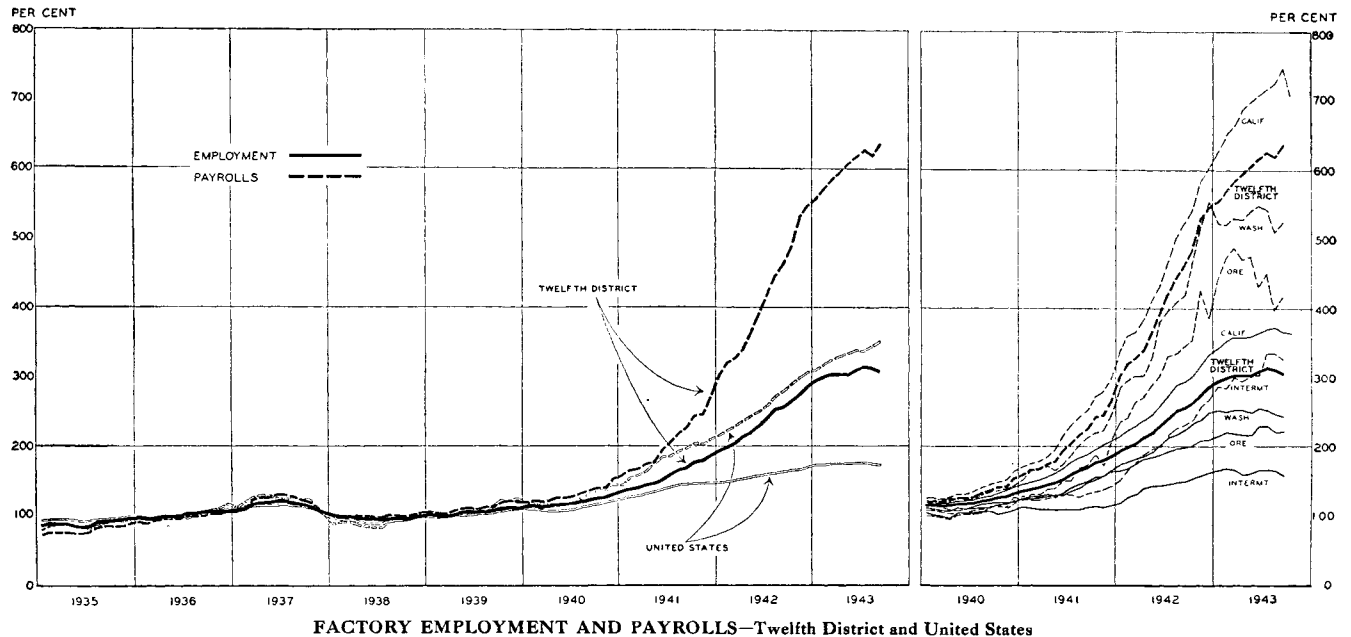
As shown in the accompanying chart, the movements of employment and payrolls in the Twelfth District were closely associated with those for the United States as a whole from 1935 to 1940. In the latter year, however, the series for the two areas began to diverge. By the third quarter of 1943, adjusted Twelfth District employment was 311 percent of the 1935-39 average, compared with national employment of 172 percent. The relative gain in payrolls in the District was even greater. The District index (adjusted) was 626 percent of the 1935-39 average in the third quarter of this year, and the United States index (unadjusted) 343 percent.

Both relatively and absolutely, the largest District

increases since 1940 have occurred in California. Washington, Oregon and the Intermountain states have followed in that order. The relative gains in all four areas in the District, with the exception of the increase in employment in the Intermountain states as a whole, have exceeded those of the United States. Increases in employment and payrolls thus far in 1943 have been much less

substantial than in other recent years. In this respect, however, there is some contrast between California and other District areas.

Note: Tabulations of the revised indexes will be supplied upon request. Initial year of complete monthly data: Twelfth District and Intermountain states, 1935; Oregon and Washington, 1929; California, 1925. Incomplete monthly data for California employment available for 1919-24.



FACTORY EMPLOYMENT AND PAYROLLS—Twelfth District and United States
Indexes of number of wage earners employed and value of weekly wages paid, adjusted (except United States payrolls) for seasonal variation, 1935-39 average=100. Monthly figures, latest shown are for October (California) and September (all other areas).

Ownership of Demand Deposits in the Twelfth District

DEMAND deposits of individuals, partnerships, and corporations are estimated to have been 55.6 billion dollars in the United States and 5.4 billion in the Twelfth District on July 31, 1943. On June 29, 1940, they were 30 billion dollars in the country as a whole and 2 billion in this District. In the 37 months, the national increase was 85 percent and the District increase 170 percent. By what groups in the economy and in what areas¹ are these deposits being held and how are bank balances of various groups and in various areas changing? These are questions of major importance to banks, to other business enterprises, and to those charged with the formulation and execution of fiscal and monetary policies; in short, to all who are interested in economic developments. Answers to these questions would be valuable in formulating and evaluating Government borrowing programs; in anticipating the nature and extent of business and consumer expenditures; in determining the probable demands of business and consumer borrowers; and, to individual banks, in determining probable shifts in deposits and effects of those shifts upon their reserve positions.

As little information regarding the distribution of deposits² among personal and various types of business accounts was heretofore available, the Federal Reserve System made a preliminary survey of deposit ownership as of March 31 of this year, in which limited information as

of the end of 1941 was also obtained, and made a more comprehensive survey as of July 31, which will be repeated on a semi-annual basis. In the Twelfth District, the July data are not comparable in detail with those of March, so that the following discussion is of necessity confined largely to a description of deposit holdings as of July 31. More detailed and exact information about changes in deposits of the various groups will become available and will increase the value of the survey as it is repeated.

Increases in Business and Personal Deposits

Perhaps the most significant broad conclusion which may be drawn from the two surveys is that deposits of businesses were apparently much larger and personal deposits much smaller than had previously been estimated on the basis of less complete information. The major part of the deposit increase since December 1941, both nationally and in the District, has apparently gone to business accounts. It is estimated that, nationally, business deposits included about 70 percent of all demand deposits in July and personal deposits 25 percent.³ In the Twelfth

¹ The distribution of and increases in deposits in 1942 by counties in the Twelfth District were discussed in the May issue of this Review.

² The term "deposits" refers throughout to demand deposits of individuals, partnerships, and corporations.

³ The results of the July survey, on a national basis, are discussed in the October issue of the Federal Reserve Bulletin.

District, the proportion was about the same, although business deposits may have been slightly less important, 65 to 70 percent of the total, and personal deposits slightly more important, 25 to 30 percent of the total. The remainder, less than 5% in the nation and in the District, were accounts of nonprofit organizations.

In the nation, three-fourths of the 18 billion dollar increase in deposits since the end of 1941 probably occurred in business deposits. In the District the evidence is less complete but at least a proportionate share, 65 to 70 percent, of the 2.5 billion dollar increase over that period apparently went to business accounts. If it is assumed that all of the increase in coin and currency in circulation occurred in personal rather than business balances, 54 percent of the national increase of 24.9 billion dollars in deposits and currency since December 1941 occurred in cash balances of business and 46 percent in personal balances. The increase in deposits and currency in the District in the same period was 3.5 billion dollars, 45 percent of which was in business balances and 55 percent in personal balances.

The principal implications of these estimates are twofold. First, the potential pressure of consumer spending, as evidenced by personal deposit and currency holdings, although serious, is perhaps less than had previously been estimated. Second, larger cash holdings of business than had been estimated may mean less reliance of business in general upon bank loans and other borrowing in the post-war period than has been anticipated. At the same time it is necessary to distinguish between a cash balance that is larger because of increased current transactions and one that has been accumulated as a result of inability to make expenditures for inventories and equipment, whether for maintenance or expansion. Delays and difficulties in conversion when war production is halted could reduce current cash receipts of many enterprises to low levels. Even though cash balances of such firms are large at that time, a considerable proportion of those balances may be required to settle current liabilities. A good deal depends upon the methods of settlement of cancelled contracts adopted by the Government.

Size of Sample and Accounts Classified

In the survey of deposits as of July 31, reports were obtained from 500 banking offices of 34 banks. Total deposits represented by reporting banks were 77 percent of the estimated District deposit total of 5,380 million dollars. In the ten cities (San Francisco, Oakland, Los Angeles, San Diego, Portland, Seattle, Tacoma, Spokane, Salt Lake City, and Ogden) in which all reporting unit banks and all head offices of reporting branch banks are located, 92 percent of the estimated total of 3,270 million dollars in deposits was represented by reporting banks. Outside of those cities, coverage was less complete and deposits represented by reporting banks, all of which were branches, amounted to 55 percent of the estimated total of 2,110 million dollars. (Total deposits of unit banks outside the 10 cities were 18% of all deposits outside those cities.)

At most banks classification according to ownership

was confined to accounts of \$10,000 and over, although outside the ten cities all reporting offices with total deposits of less than 5 million dollars and some offices in the same size group within the ten cities classified deposits down to \$3,000. It should be noted, however, that personal and trade accounts undoubtedly make up a much greater proportion of the smaller and unclassified accounts than of the classified accounts.

Distribution of Classified Deposits in the District

Although accounts of over \$10,000 included little more than two percent of the total number of accounts, they covered 60 percent of the total dollar volume of deposits.

Half of all deposits were business deposits of more than \$10,000; personal deposits above \$10,000 were only 8 percent of total deposits. Two-fifths of all larger business deposits were held by manufacturing and mining concerns; trade accounts, the next largest group, included one-fifth.

ESTIMATED DISTRIBUTION OF DEPOSITS OF \$10,000 AND OVER BY TYPE OF OWNERSHIP

JULY 31, 1943—TWELFTH DISTRICT AND UNITED STATES¹

	Twelfth Dist.		Perc't of Tot.	
	No. of Accounts (in thous.)	Dollar Volume (in mil.)	(Deposits in- 12th D.)	U. S.
\$10,000 and over				
Business—total	40.8	2,706	50	59
Nonfinancial—total	34.6	2,291	42	49
Manufacturing and mining..	9.5	1,085	20	30
Pub. util., trans., and comm..	2.2	238	4	6
Retail and wholesale trade...	15.6	624	11	9
Other, incl. construction and services	7.3	344	7	4
Financial	6.2	415	8	10
Personal	17.5	427	8	8
Nonprofit association, etc.....	1.8	99	2	2
Foreign business and individuals.	..	..	..	2
Total	60.1	3,232	60	69
Under \$10,000.....	2,551.4	2,150	40	31
Total deposits	2,611.5	5,383	100	100

¹ United States figures refer to deposits of \$10,000 - \$25,000 and over, as some banks did not classify accounts below \$25,000.

The distribution of larger deposits in the District conforms fairly closely to the national distribution, the principal difference appearing in manufacturing accounts which were 34 percent of all deposits of \$10,000 and over and 20 percent of total deposits in the District but 43 percent of larger deposits and 30 percent of total deposits in the United States. This difference is not in accord with the greater relative expansion of war production in the District, but is explained in part by the fact that many large manufacturing concerns, operating in the District, carry the bulk of their deposits outside this area, either because their head offices are located elsewhere or for other reasons.

Distribution of Classified Deposits by Location of Banking Offices

Deposits of \$10,000 and more included nearly three-fourths of all deposits in the ten cities, but only about 40 percent of the total elsewhere. As would be expected, business deposits, especially manufacturing and public utility accounts, were considerably more important in the

ten cities than in the rest of the District. Larger personal deposits were little greater in amount and were much less important in relation to other classes of deposits in those cities than in the remainder of the District.

PERCENTAGE DISTRIBUTION OF DEPOSITS OF \$10,000 AND OVER BY LOCATION OF BANK, JULY 31, 1943—TWELFTH DISTRICT

	Percent of Total Deposits in—		Percentage Distribution Between—	
	Ten Cities ¹	Rem'n-der of Dist.	Ten Cities ¹	Rem'n-der of Dist.
\$10,000 and over				
Business—Total	64	30	77	23
Nonfinancial—total	54	26	76	24
Mfg. and mining—total	28	10	82	18
Metals and metal products	16	..	..	..
Other	12	..	..	..
Pub. util., trans., and communic.	7	2	87	13
Retail and wholesale trade	12	10	65	35
Other, incl. construction and services	7	4	71	29
Financial	10	4	82	18
Insurance companies	3	..	..	..
Trust funds of banks	1	..	..	..
Other, incl. investment, loan and real estate	6	..	..	..
Personal	7	9	55	45
Nonprofit associations, etc.	2	1	73	27
Total	73	40	74	26
Under \$10,000	27	60	59	41
Total deposits	100	100	61	39

¹ San Francisco, Oakland, Los Angeles, San Diego, Portland, Seattle, Tacoma, Spokane, Salt Lake City, and Ogden.

Certain features of the deposit distributions within individual cities are noteworthy: the lesser importance of deposits of manufacturing concerns in the two inland city areas, Spokane and Salt Lake City-Ogden; the predominance of deposits of metal manufacturing concerns in San Diego, where aircraft production is such a large share of the city's activity; the greater importance of

PERCENTAGE DISTRIBUTION OF DEPOSITS OF \$10,000 AND OVER BY TYPE OF OWNERSHIP IN MAJOR CITIES,¹ JULY 31, 1943
TWELFTH DISTRICT

	S. F.-Oak.	Los Ang.	San Diego	Portland	Sea.-Tac.	Spokane
\$10,000 and over						
Business—total	73	57	64	63	62	59
Nonfinancial—total	59	48	58	54	54	45
Mfg. and mining—total	30	27	34	25	27	12
Metals and metal products	13	15	31	14	15	2
Other	17	12	3	11	12	10
Pub. util., transp., and comm.	10	3	8	5	6	8
Retail and wholesale trade	12	11	11	17	14	13
Other, incl. construction and services	7	7	5	7	7	12
Financial	14	9	6	9	8	14
Insurance companies	6	2	1	3	2	1
Trust funds of banks	2	1	1	2	1	2
Other, incl. investment, loan, and real estate	6	6	4	4	5	11
Personal	7	8	5	7	7	5
Nonprofit associations, etc.	2	2	1	2	2	1
Total	82	67	70	72	71	65
Under \$10,000	18	33	30	28	29	35
Total deposits	100	100	100	100	100	100

¹ Data for Salt Lake City-Ogden included in ten city totals in other tables but not shown separately.

trade deposits in Salt Lake City-Ogden and Portland; the greater importance of insurance company deposits in San Francisco.

Deposits of \$10,000 and over included some 70 percent of total deposits in each city except San Francisco-Oakland, where they were about 80 percent of the total.

Distribution of Classified Deposits in Agricultural and other Smaller Banking Offices

The form of schedule used by smaller banks classifying accounts down to \$3,000 was such that those banking offices located outside the ten cities could be classified as agricultural and other. Reporting offices were classified, more or less arbitrarily, as agricultural if the number of

PERCENTAGE DISTRIBUTION OF DEPOSITS OF \$3,000 AND OVER IN SMALLER BANKS OUTSIDE MAJOR CITIES¹, BY TYPE OF BANK, JULY 31, 1943—TWELFTH DISTRICT

	Nonagric. Offices	Agric. ² Offices
\$3,000 and over		
Business—total	39	30
Nonfinancial—total	35	28
Manufacturing and mining	11	5
Pub util., transp., and communic.	2	2
Retail and wholesale trade	15	15
Other, incl. construction and services	7	6
Financial	4	2
Personal	14	26
Farmers	1	17
Other	13	9
Nonprofit associations, etc.	2	2
Total	55	58
Under \$3,000	45	42
Total deposits	100	100

¹ Banking offices with deposits of less than 5 million dollars, located outside the ten cities.

² Banking offices having at least 30 percent of the total number of personal accounts classified as farmers' accounts.

farmers' accounts was 30 percent or more of the total number of classified personal accounts. Comparative distributions shown above are quite similar except for the much greater importance of manufacturing accounts and the lesser importance of personal accounts in non-agricultural banking offices.

Distribution of Classified Deposits by Size of Bank

The distributions of larger accounts in banks of different size show considerable variation. Manufacturing and financial accounts tend to increase in importance the

PERCENTAGE DISTRIBUTION OF DEPOSITS OF \$10,000 AND OVER, BY SIZE OF BANK, JULY 31, 1943—TWELFTH DISTRICT

	Banking Offices with Deposits of—		
	Under \$5 Million	\$5-\$50 Million	Over \$50 Million
\$10,000 and over			
Business—total	30	53	76
Nonfinancial—total	27	45	64
Manufacturing and mining	10	17	36
Metals and metal production	..	8	19
Other	..	9	17
Public utilities, transp., and communic.	1	4	9
Retail and wholesale trade	11	16	10
Other, incl. construction and services	5	8	9
Financial—total	3	8	12
Insurance	..	2	4
Trust funds of banks	..	1	2
Other, incl. invest., loan, and real estate	..	5	6
Personal	8	7	7
Non-profit associations, etc.	2	2	1
Total	40	62	84
Under \$10,000	60	38	16
Total deposits	100	100	100

larger the bank, but trade and personal accounts are of more importance in smaller banks. These differences are somewhat analogous to those that appear among accounts of different sizes, because of the preponderance of larger accounts in larger banks.

Distribution of Classified Deposits by Size of Account

No single comparison for the District by size of account can be presented because of the different size classifications used in reporting. However, the distributions of accounts between \$3,000 and \$10,000 and of accounts of over \$10,000 in the smaller reporting offices which used a \$3,000 minimum, and the distributions of accounts between \$10,000 and \$100,000 and of accounts of over \$100,000, mainly in larger offices, are shown below.

In offices which classified accounts of \$10,000 and over, total deposits in each ownership classification except trade and personal accounts were larger in the group of over

PERCENTAGE DISTRIBUTION OF DEPOSITS BY SIZE OF ACCOUNT, JULY 31, 1943—TWELFTH DISTRICT

	Offices Using \$3,000		Offices Using \$10,000	
	Minimum ¹ \$3,000- \$10,000	& More	Minimum ² \$10,000- \$100,000	& More
Business—total	9	25	19	42
Nonfinancial—total	8	23	16	36
Manufacturing and mining	1	7	5	21
Metals and metal production	..	..	2	12
Other	..	..	3	9
Public util., transp., and comm.	a	1	1	5
Retail and wholesale trade	5	10	7	6
Other, incl. construction and services	2	5	3	4
Financial—total	1	2	3	6
Insurance companies	..	..	1	2
Trust funds of banks	..	..	a	1
Other, incl. investment, loan and real estate	..	..	2	3
Personal	12	9	6	1
Nonprofit associations, etc.	1	1	1	1
Total—classified	22	35	26	44
Total under \$3,000	43			
Total under \$10,000			30	
Total deposits	100		100	

¹ All reporting banking offices with total deposits of less than 5 million dollars outside the ten major cities and a few offices in the same size group in those cities.

² All reporting banking offices with total deposits of more than 5 million dollars in the District and most smaller reporting offices in the ten cities.

a Less than 0.5 percent.

\$100,000 than in the \$10,000 to \$100,000 group. Manufacturing and mining accounts were particularly concentrated above \$100,000. Much the same situation is found in a comparison of deposits from \$3,000 to \$10,000 with those above \$10,000 in other offices.

Changes in Deposits March-July 1943

Differences in the schedules used in the preliminary survey as of March 31, 1943 and in the July survey prevent a detailed presentation of changes in classes of deposits between those dates. It appears, however, that total deposits in the District increased by about 9 percent over the four months and that deposits of \$10,000 and over in July were also about 9 percent larger than in March. The estimated increases in deposits of \$10,000 and over were very uneven. Business deposits increased 8 percent, personal deposits 26 percent, and those of nonprofit organizations 5 percent. Two-thirds of the dollar increase, however, went to business accounts and about 30 percent to personal accounts.

Limited information obtained in the March survey regarding deposits as of December 31, 1941 indicates that between that date and March 1943 the share of the total increase in deposits above \$10,000 going to business ac-

counts was larger than their share in the March-July 1943 increase. Also, the rate of increase was apparently more rapid in business accounts than in personal accounts during the earlier period. The incomplete data for December 1941, differences in classification, and the relatively brief period from March to July of this year, however, prevent these comparisons from being conclusive. The differences do suggest that larger business accounts were more affected than larger personal accounts by the Second War Loan Drive. Cash may have been accumulated by business to a greater extent than by individuals in anticipation of the April drive, and consequently drawn upon more heavily during the drive, although both personal and business deposits had surpassed the pre-April level by July. The same developments may have occurred prior to the September drive, but no definite statement can be made because a month or more intervened between the July 31 survey and that drive, while the second drive opened about a week after the March 31 survey.

ESTIMATED CHANGES IN DEPOSITS, MARCH-JULY 1943
TWELFTH DISTRICT

	Percentage Increase	Percent of Total Increase
Twelfth District		
Total deposits	9	100
Deposits under \$10,000	9	39
Deposits of \$10,000 and over	9	61
Business	8	41
Personal	26	19
Nonprofit associations, etc.	5	1
Ten cities		
Total deposits	9	100
Deposits under \$10,000	12	34
Deposits of \$10,000 and over	8	66
Business	6	43
Personal	33	22
Nonprofit associations, etc.	5	1
Remainder of District		
Total deposits	10	100
Deposits under \$10,000	7	45
Deposits of \$10,000 and over	14	55
Business	13	38
Personal	19	16
Nonprofit associations, etc.	6	1
Total deposits in smaller agricultural banking offices¹		
Total deposits	19	100
Deposits under \$10,000	18	65
Deposits of \$10,000 and over	19	35
Business	14	16
Personal	34	20
Nonprofit associations, etc.	10	1
Total deposits in smaller nonagricultural banking offices		
Total deposits	15	100
Deposits under \$10,000	12	52
Deposits of \$10,000 and over	23	48
Business	20	34
Personal	24	6
Nonprofit associations, etc.	109 ²	8 ²

¹ Banking offices with deposits of less than 5 million dollars, having at least 30 percent of the total number of personal accounts classified as farmers' accounts.

² Appears to be overstated, probably because of inadequate sample or inconsistency in classification of accounts.

A comparison of intra-District deposit increases is presented above. Data upon which these comparisons are based are not as complete as the data for July 31, especially for those offices classified as agricultural and non-agricultural, and errors arising out of inadequacies of the samples may be present to some degree. Nevertheless, it is significant to note the greater relative increase in deposits in smaller banking offices outside major cities. The relative increases in total deposits within and outside the ten cities were about the same. In the ten cities, however, deposits of under \$10,000 increased considerably more, relatively, than those of over \$10,000; but in the rest of the District, greater gains occurred in the larger group.

Summary of National Business Conditions

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

INDUSTRIAL activity showed little change in September and in the first half of October. Distribution of commodities continued in large volume and prices remained steady.

INDUSTRIAL PRODUCTION

Physical volume of industrial production as measured by the Board's seasonally adjusted index, as recently revised, was 243 percent of the 1935-39 average in September, compared with 242 in August and 239 in July.

There were increases in output in the iron and steel and transportation equipment industries while activity in other durable goods industries showed little change or declined slightly. Open hearth and Bessemer steel production exceeded its previous peak level, reached in March of this year, and the output of pig iron likewise established a new record. In the machinery industry as a whole activity was maintained at the level of recent months, although there was some further curtailment of output of machine tools and machine tool accessories.

Total output of nondurable manufactures continued at the August level. Cotton consumption, which had been declining since May, rose 6 percent from August to September, but was 9 percent below the high level of a year ago. Shoe production was maintained at the level of recent months and was slightly larger than a year ago. The output of manufactured food products rose seasonally.

Petroleum refining continued to rise in September and was at a rate about double the 1935-39 average. The Board's index of this industry is substantially higher than the old index because greater weight is given to aviation gasoline and other special war products. Output in the chemical industry as a whole declined in August, as some further expansion in industrial chemicals was more than offset in the total by reductions elsewhere, reflecting readjustment of the war program. Newsprint consumption rose less than is usual at this season, in the face of increasing supply difficulties, and a further 5 percent cut in permitted consumption of newsprint was ordered, beginning October 1.

Crude petroleum production continued to rise in September, reflecting further improvement of transportation facilities for petroleum products. Output of crude petroleum in August and September exceeded the earlier peak levels reached in December 1941 and January 1942. Coal production continued at a high level.

In September the value of construction contracts awarded in 37 Eastern states was about the same low level as in July, according to reports of the F. W. Dodge Corporation, and was considerably smaller than in August when there was a temporary increase because of one exceptionally large contract placed in that month.

DISTRIBUTION

Department store sales increased less than seasonally in September, following an unusually large volume of sales in July and August, and the Board's seasonally adjusted index declined from 142 to 131. During the first half of October sales showed a gain over September although usually there is some decline at this season.

Railroad freight traffic in September and the first part of October was maintained at the high level of previous months. Coal shipments exceeded the record movement of last July and loadings of grain and livestock were 10 percent higher than a year ago.

COMMODITY PRICES

Prices of grains advanced from the middle of September to the middle of October. Livestock prices were slightly lower, reflecting partly the establishment of Federal maximum prices for live hogs and sharply increased marketings of cattle. Wholesale prices of most other commodities continued to show little change.

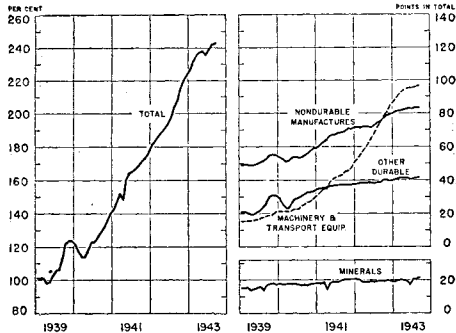
AGRICULTURE

Crop prospects showed little change during September, according to official reports. There was a further small improvement in prospects for the corn and potato crops, while the previous forecast for cotton production was lowered slightly. Aggregate crop production is expected to be 7 percent below the peak volume of last season but higher than in any other previous year.

BANK CREDIT

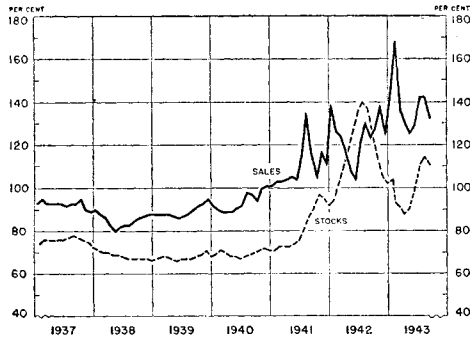
During the five weeks ending October 13, Government security holdings at reporting banks in 101 leading cities increased by about 2.5 billion dollars, reflecting substantial open-market purchases during the drive, and also, some purchases of bills on subscription from the Treasury. Loans showed a net increase of 2.2 billion dollars over the same period. Over two-thirds of the total amount represented loans to brokers, dealers, and customers for purchasing or carrying securities; in the last week of the period there were some declines, however, as repayments were made on the liquidation of the securities. Commercial loans, which have been increasing steadily since June, rose further by 540 million over the five weeks.

Holdings of Government securities by the Federal Reserve System showed little change from the end of September to the third statement date of October, but there were some shifts among the kinds of securities held. Treasury bills held under option declined by 200 million dollars between September 30 and October 20, while holdings of certificates of indebtedness and of Treasury bills outside of the option accounts increased by about 200 million. Total holdings of United States Government securities by the Reserve System on October 20 were 8.9 billion dollars.



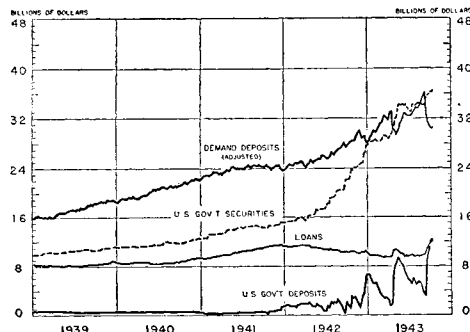
INDUSTRIAL PRODUCTION

Federal Reserve monthly index of physical volume of production, adjusted for seasonal variations, 1935-39 average=100 for total. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for September.



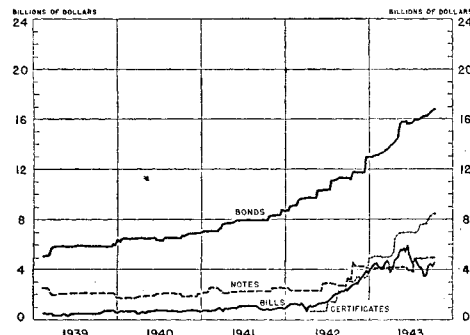
DEPARTMENT STORE SALES AND STOCKS

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



MEMBER BANKS IN LEADING CITIES

Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for October 13.



GOVERNMENT SECURITY HOLDINGS OF BANKS IN LEADING CITIES

Excludes guaranteed securities. Data not available prior to February 8, 1939; certificates first reported on April 15, 1942. Wednesday figures, latest shown are for October 13.