

# Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

APRIL 1944

## The Fourth and Fifth War Loan Drives

**T**HE Fifth War Loan Drive will begin June 12 and close July 8. The sixteen billion dollar goal for the entire drive and the six billion dollar goal for sales to individuals are higher than in any previous drive. Total sales to non-bank investors exceeded sixteen billion dollars in both the third and fourth drives, but sales to individuals must exceed those in any other drive if their goal is to be reached.

Securities to be offered include Series E, F, and G Savings Bonds, Series C Savings Notes,  $\frac{7}{8}$  percent certificates of indebtedness,  $1\frac{1}{4}$  percent notes of 1947, 2 percent bonds of 1952-54, and  $2\frac{1}{2}$  percent bonds of 1965-70. This is the list of securities offered in the third drive, with the addition of the Treasury note issue.

The War Finance Committees have been increasingly successful in stimulating sales to individuals, and it is on these sales, particularly of Series E bonds, that greatest stress will be placed by the Committees in June. Purchase of savings bonds with funds which are available for spending is one of the major contributions that individuals can make to the war effort. Such purchases provide funds for war expenditures and contribute appreciably to price stability by absorbing money that might otherwise be spent on consumer goods.

During the drive, but not as a part of it, commercial banks holding time deposits will again be permitted to subscribe in limited amounts to the 2 percent and  $2\frac{1}{2}$  percent bonds and to Series F and G Savings Bonds. Any bank may subscribe, in the aggregate, to these securities up to an amount, including purchases made under similar provisions at the time of the fourth drive, not in excess of 20 percent of its savings deposits and time certificates of deposit issued to individuals or \$400,000, whichever is less. The limitation of \$100,000 on a bank's combined holdings of Series F and G bonds is continued.

Sales of Government securities in the Fourth War Loan Drive amounted to 16.7 billion dollars. Sales to individuals amounted to 5.3 billion dollars and 11.4 billion were sold to other non-bank investors. In addition to the 16.7 billion dollar total, extra-drive sales amounting to 600 million dollars were made to commercial banks holding savings deposits, which were permitted to make limited purchases of the securities being offered, and of 350 million dollars to Treasury investment accounts.

The fourth drive total of 16.7 billion dollars was about 1.6 billion less than the comparable total for the third

drive. The goal of 14 billion dollars, which had been reduced from the third drive goal of 15 billion, was exceeded, however, by 20 percent. The decline in total sales reflected several factors, including a shorter length of time between the third and fourth than between the second and third drives, and reduced speculative purchases in the fourth drive. The  $\frac{7}{8}$  percent certificates of indebtedness were the only securities offered during the drive which were completely free of restrictions relating to marketability.

The major emphasis was placed upon sales to individuals, and the success of the War Finance Committees in this field is indicated by the fact that sales to individuals were about the same in the two drives, despite lower total sales in the fourth loan drive. Series E bond sales amounted to 3.2 billion dollars in the fourth drive, an increase of 700 million over the third.

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

	Total	Sales to Individuals				Other <sup>1</sup>
		Total	Series E	Series F & G	Other	
United States.....	16,730	5,309	3,187	573	1,549	11,421
Twelfth District <sup>2</sup> .....	1,376	623	429	71	122	752
Arizona <sup>2</sup> .....	36	18	13	1	4	17
California .....	898	399	270	54	76	499
Idaho .....	29	17	13	1	2	13
Nevada .....	12	8	4	1	2	4
Oregon .....	129	73	44	4	25	56
Utah .....	49	20	16	1	3	29
Washington .....	223	88	69	9	10	134

<sup>1</sup> Includes corporations, associations, state and local governments, and Federal field agencies.

<sup>2</sup> Includes sales in five southeastern counties of Arizona in the Eleventh Federal Reserve District.

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

Twelfth District sales of 1,373 million dollars were about the same as in the third drive and reflected a higher percentage of the national total than in any other of the loan drives. Total sales to individuals in the Twelfth District were up somewhat from 587 million in the third drive to 623 million in the fourth, and sales to corporations and others were down from 785 to 752 million. There was, however, a considerable increase in District sales of Series E bonds and a corresponding decline in sales to individuals of savings notes and marketable securities.

Commercial banks were ineligible, except to a very limited extent, to subscribe to Treasury issues offered

★ For Victory ★ Buy War Bonds ★

during the fourth loan drive. Since October 1943 they have been virtually excluded from subscriptions except to securities being exchanged for maturing issues. Holdings of Government securities by the banking system have continued to increase, however, through purchases in the

market from non-bank investors. As a consequence, the net absorption of Government securities outside the banking system is somewhat less than total subscriptions of non-bank investors would indicate, and there has been some further expansion in bank deposits.

### Review of Business Conditions—Twelfth District

**D**ESPITE steady improvement in the utilization of labor, manpower shortages continue to dominate the Twelfth District industrial picture. The nature of these deficiencies differs from locality to locality, depending upon particular industries, trades, skills, and the labor supply involved. Current shortages of labor are expected to become more critical by mid-year, particularly in the larger industrial areas, with intensification of the need for workers to replace Selective Service withdrawals and to reach peak employment in industries still expanding. Employment of women, who comprise the largest reservoir of potential workers not in the labor force, has ceased to advance in the durable goods industries.

A large proportion of the current worker deficit is in activities for which men are better adapted than women, either because of the nature or location of the work or by virtue of the fact that long periods of apprenticeship and training are required. It is anticipated that current disparities between types of jobs available and the composition of the labor force will be aggravated in coming months. Women are not suited for ship repair work, which is growing in importance, or for work in some of the extractive industries such as logging and mining. Copper production, for example, is expected to decline in 1944 from the 1943 level as a result of a recall of enlisted reservists in the 18-21 year age group who had been assigned to the mines and the tightening of draft deferments to men under 26.

Total factory employment of wage-earners has shown little change in recent months and has remained at a level slightly below the July 1943 peak of 1,252,000. The number of women now employed is probably close to the maximum that can be induced to obtain jobs, except for seasonal work such as canning, and few additional women are expected to shift to more essential work. It appears that if current estimates of future employment needs in essential industries are borne out, the only practical alternative to adequate immigration would be a lowering of employment ceilings in trade, the services, and less essential industry.

#### Shipbuilding and Aircraft Production

A trend toward increased size and greater emphasis on direct military uses is evident in Pacific Coast shipbuilding. Construction of the long-range program Victory ships is supplanting construction of the lighter Liberty models in some yards; in others, greater emphasis is being placed on combat craft. Completed cargo vessels are being converted to troop carriers and tankers. These

changes mean that, while actual work performed by the shipyards may not fluctuate greatly, increased man-hour requirements of larger and more complex vessels, and the diversion of man-hours to modification and repair work will necessarily be reflected in a drop in ship deliveries. During the first quarter of 1944, ship deliveries to the Maritime Commission totalled 194, a decline of 54 ships from the preceding quarter, and of 11 ships from the corresponding quarter of 1943. Reports indicate that mechanical difficulties in outfitting certain new-type vessels and labor turnover also contributed to the decline.

Aircraft production reached a new peak of 2,703 planes in March, compared with 2,569 in February and 2,134 in March 1943. On a poundage basis, the increase has been much greater, reflecting a shift to heavier combat types.

#### PACIFIC COAST AIRCRAFT PRODUCTION

	Weight of Airframes (pounds)	Yr.-Period Change (percent)	No. of Airframes	Yr.-P'd Change (percent)	Equivalent No. of Airframes on Basis of Types Ac- cepted in Mar. 1942
March 1942.....	11,547,000	...	1,435	...	1,435
March 1943.....	23,114,000	+100	2,134	+49	2,872
March 1944.....	36,015,000	+56	2,703	+27	4,476

Source: Aircraft War Production Council, Inc.

Greater emphasis on bombardment and other heavier combat type airplanes in 1944 will be accompanied by decreased production of non-combat planes, including trainers, and some lighter combat types.

#### Department Store Trade

From January through March, department store sales increased by about the customary seasonal amount and were 8 percent higher than in the first quarter of 1943. On a seasonally adjusted basis sales were at a new high during the past quarter, but in conformity with the flattening out tendency apparent in the latter part of 1943 when consumer incomes levelled off, the increase from the fourth quarter of 1943 was not large.

The value of department store inventories also increased seasonally from December 31 to March 31, when they were 10 percent higher than a year earlier. Although shortages of many commodities still exist, some easing in the overall supply situation is indicated by figures of department store orders placed and merchandise received. First quarter receipts were 19 percent higher in 1944 than in 1943, while orders placed by the stores with their suppliers declined 12 percent. The course of total merchandise receipts, although erratic, has been generally upward since 1942.

## Western Supplies of Petroleum Products

CALIFORNIA refiners supply nearly all the petroleum products consumed in the western states, including products required for military operations in the Pacific area. The demand for refined petroleum products by military and essential civilian users has increased sharply, particularly since 1942, and total demand is currently running some 50 percent above average prewar levels.

Since April 1943, the total demand for refined petroleum products has outstripped current supplies. Inventories held by refiners have consequently been drawn upon and in recent months these have approached levels below which it is considered unsafe for working inventories to fall. Imports in volume from other areas are not feasible. Rail facilities for shipping large quantities of petroleum products from other producing areas to the West Coast are not available. Military exigencies prevent tanker imports from outside the United States, the Caribbean area, for example, to the Pacific Coast. Production cannot be increased substantially further since existing refineries have been operating close to capacity for many months. New facilities, notably aviation gasoline refineries, have been recently completed, and more are scheduled for completion in the near future. For the most part, however, these are special purpose plants which do not relieve other shortages.

Production of crude petroleum is currently very close to the maximum efficient rate. Substantial and sustained increases in production of crude from the so-called "flush" fields would impair subterranean reserves to the detriment of future yields. Although exploration for new fields is continuing, in recent months the output of new producing wells completed has been at only about one-third the prewar level.

As indicated in the accompanying table, on a volume basis gasoline and residual (heavy) fuel oil are by far the most important products of District refineries. These are followed by gas and diesel (light) oils, lubricants, liquefied petroleum gases, kerosene, and other minor items.

More than 52 percent of the gasoline produced in 1944 will be required for military purposes. The proportions of other District products to be consumed by the military this year are not available, but in the country as a whole 30 percent of heavy fuel oil, 25 percent of light fuel oil, and

THE PETROLEUM DEMAND AND SUPPLY SITUATION IN  
PACIFIC COAST TERRITORY<sup>1</sup>  
(millions of barrels)

	Supply		Demand and Losses		Change in Stocks during Year	
	1943	1942	1943	1942	1943	1942
Total petroleum.....	306.5	266.9	333.6	279.2	-27.4	-11.7
Crude petroleum.....	3.2	4.8	7.3	6.9	-4.1	-2.0
Gasoline bearing.....	4.5	2.7	6.1	5.5	-1.5	-2.7
Non-gasoline bearing...	1.3	2.1	1.2	1.4	-2.6	+ 0.7
Natural gasoline, including liquefied petroleum gases.....	4.3	3.5	4.0	4.3	+ 0.3	- 0.8
Gasoline and naphtha distillates.....	94.1	86.7	97.9	85.6	- 3.9	+ 1.2
Kerosene and kerosene distillates.....	3.5	2.1	3.3	2.8	+ 0.2	- 0.7
Lub. oils, greases and distillates.....	4.8	4.1	4.7	4.1	+ 0.1	...
Gas oil and diesel oil.....	28.9	24.4	30.4	25.0	- 1.5	- 0.5
Fuel oil residuum.....	146.7	119.6	164.3	128.6	-17.8	- 0.9
Asphalt and road oils.....	9.2	12.2	9.1	12.4	+ 0.1	- 0.1
Coke and other finished products.....	0.4	0.6	0.4	0.5	...	+ 0.1
Other unfinished oils.....	1.5	-0.9	-0.7	-0.7	- 0.8	- 0.2
Refinery shortage and gas..	12.8	9.8	12.8	9.8	...	...

<sup>1</sup> Arizona, California, Nevada, Oregon and Washington.

Note: Data do not necessarily add to totals because changes in stocks include changes in small quantities of products held outside Pacific Coast territory by Pacific Coast producers, and all figures are rounded.

Source: U. S. Bureau of Mines.

25 percent of kerosene output were taken by the armed forces during the last quarter of 1943.

Requirements of the armed forces have effected shifts in the relative importance of products refined from crude petroleum. The amount of automotive gasoline produced from each barrel of crude is substantially lower than before the war, while output of fuel oil for heat and power and of aviation gasoline and butadiene and other chemicals is larger.

### Fuel Oil

Demand for heavy fuel oil, which is consumed by the railroads, public utility plants, smelters, mines, and manufacturing industries as well as the armed forces, expanded enormously during the past year. Consumption in recent

### Production and Employment—

Index numbers, 1935-39 average=100	With Seasonal Adjustment				Without Seasonal Adjustment			
	1944		1943		1944		1943	
	Feb.	Jan.	Dec.	Feb.	Feb.	Jan.	Dec.	Feb.
Industrial Production <sup>1</sup>								
Lumber.....	165	161	164	132	122	116	126	96
Refined oils <sup>2</sup> .....	—	—	—	—	225	220	212	187
Cement <sup>2</sup> .....	120	153	174	160	106	108	129	180
Wheat flour <sup>2</sup> .....	128	152	148	146	128	152	148	146
Petroleum <sup>2</sup> .....	—	—	—	—	125	123	120	117
Electric power <sup>2</sup> .....	495	483	476	392	454	448	450	359
Factory Employment and Payrolls <sup>3</sup>								
Employment								
Twelfth District.....	305	311	r308	309	301	304	r308	295
California.....	361	367	362	352	359	362	364	349
Pacific Northwest.....	238	242	r242	240	232	235	r242	234
Oregon.....	208	213	r212	221	199	202	r211	212
Washington.....	253	260	260	250	252	255	261	247
Intermountain.....	134	140	149	167	121	128	153	151
Payrolls <sup>4</sup>								
California.....	731	740	717	650	724	727	718	644

<sup>1</sup> Daily average.

<sup>2</sup> 1923-25 average = 100.

<sup>3</sup> Excludes fish, fruit, and vegetable canning.

<sup>4</sup> Basic data for states other than California no longer available.

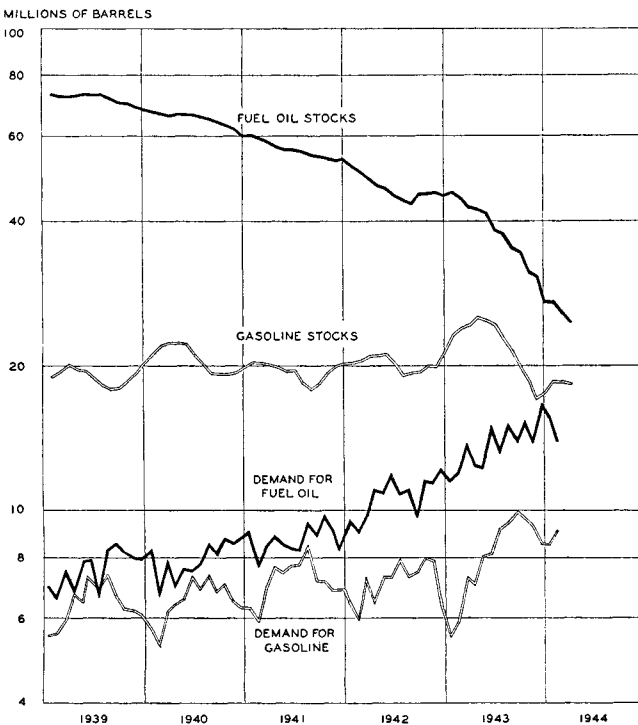
### Distribution and Trade—

Index numbers, 1935-39 daily average=100	With Seasonal Adjustment				Without Seasonal Adjustment			
	1944		1943		1944		1943	
	Feb.	Jan.	Dec.	Feb.	Feb.	Jan.	Dec.	Feb.
Department Store Sales (value)								
Twelfth District.....	224	215	190	238	178	166	324	189
Southern California.....	221	221	191	229	187	179	329	194
Northern California.....	202	191	167	215	161	149	300	172
Portland.....	221	196	198	251	181	161	303	205
Western Washington.....	275	260	228	306	206	195	395	229
Eastern Washington and Northern Idaho.....	218	208	179	231	143	132	274	152
Phoenix.....	233	248	205	257	205	202	363	227
Carloadings (number) <sup>1</sup>								
Total.....	125	128	119	116	104	101	105	96
Merchandise and misc..	135	132	129	132	112	111	115	109
Other.....	114	122	107	97	93	88	93	79

<sup>1</sup> 1923-25 daily average = 100.

months has amounted to about 500,000 barrels per day, twice the rate of consumption in 1939-40.

In recent months net refined production of residual fuel oil has fluctuated around 300,000 barrels per day. To this supply has been added an additional 100,000 barrels per day from stocks of crude petroleum conforming to commercial standard fuel oil specifications and lighter refined fuel oil adapted for use in blends. The gap between demand and supply has been spanned by drawing down producers' inventories.



PRODUCERS' INVENTORIES OF, AND TOTAL DEMAND FOR, RESIDUAL FUEL OIL AND GASOLINE

By months, January 1939 to February 1944 (demand) and January 31, 1939 to March 31, 1944 (stocks). Logarithmic vertical scale; that is, equal vertical distances measure equal percentage changes rather than absolute amounts. Source: U. S. Bureau of Mines.

At the end of 1941 stocks of residual fuel oil totalled 53.6 million barrels. A year later 45.0 million barrels were in stock and this was further reduced to 27.2 million barrels by the end of 1943. The 1943 rate of decline, if continued, would result in the exhaustion of residual fuel stocks by mid-1945.

Since most heavy fuel oil enters into military and essential civilian uses the feasibility of rationing is open to question. Some effort, however, has been made to assure adequate supplies of oil to the military and related agencies. Under Petroleum Administrative Order No. 1, the Army, Navy, Coast Guard, War Shipping Administration, Maritime Commission, and Foreign Economic Administration were entitled to preference in deliveries of fuel oil and motor fuel (gasoline and other liquid fuels used for the propulsion of motor vehicles or motor boats) in the East Coast States. On July 14, 1943 this preferential delivery was made nationwide for motor fuel by Petroleum Distribution Order No. 14. This order was

amended on February 26, 1944 to extend preferential delivery on fuel oil to the country as a whole.

On April 13, the Petroleum Administrator for War announced a campaign among large consumers of residual fuel oil in Oregon, Washington, and Western Idaho to convert their plants to the use of coal. This move was prompted by a shortage of tankers customarily used for transporting petroleum products from southern California to the Pacific Northwest as well as the general need for reducing consumption of heavy fuel oil. An immediate goal of a 5 million barrel annual reduction in heavy fuel oil consumption in the Pacific Northwest has been established, an amount equivalent to only 11 days' consumption at the average 1943 rate in the District. •

### Gasoline

Prior to the inauguration of rationing in December 1942, demand for gasoline, largely by civilians, was more seasonal than under present conditions. Refiners' inventories were built up during the winter and spring months and depleted during the summer and fall. The concurrence of rationing, slack seasonal demand, and a comparatively high level of refinery activity motivated by efforts to replenish dwindling fuel oil stocks in early 1943 operated to increase gasoline stocks to a record high of 25.1 million barrels in April. At that time stocks of non-aviation gasoline were threatening to tax storage facilities.

Total demand for gasoline expanded sharply during the remainder of 1943 as a result of increased population, an increase in the proportion of B and C coupon holders, and black market leakages, but principally because of larger military consumption. By the third quarter of 1943, total demand averaged 311,000 barrels per day compared with pre-rationing demand a year earlier of 247,000 barrels per day, and stocks had declined to below 20 million barrels. Since this total included aviation gasoline, production of which was increasing, stocks of gasoline for civilian use declined relatively more sharply.

On October 11, 1943 the PAW established a quota for the far west fixing the amount of gasoline for civilians at 135,000 barrels per day. The OPA followed this substantial cut by reducing the value of all A, B, and C gasoline ration coupons, effective October 12, from 4 to 3 gallons

### Banking and Credit—

Averages of Wednesday figures (millions of dollars)		Change from			
Condition Items of Weekly Reporting		Mar.	1944 Feb.	Jan.	1943 Mar.
<b>Member Banks</b>					
Total loans	986	— 10	+ 19	+	35
Com'l., ind., & agric. loans	500	— 22	+ 16	+	60
Loans to finance securities transactions	96	+ 17	+ 48	+	52
Real estate loans	297	— 3	— 7	—	51
All other loans	93	— 2	— 6	—	26
Total investments	4,098	+ 17	+ 254	+	1,454
U. S. Government securities	3,781	+ 8	+ 239	+	1,429
All other securities	317	+ 9	+ 15	+	25
Adjusted demand deposits	2,566	— 16	+ 379	+	325
Time deposits	1,398	+ 29	+ 43	+	246
United States Government deposits	902	— 39	+ 318	+	773
<b>Coin and Currency in Circulation</b>					
Total (changes only)	—	+ 61	+ 111	+	723
Fed. Res. notes of F. R. B. of S. F.	2,047	+ 55	+ 107	+	678
Member Bank Reserves	1,388	— 11	— 62	+	86

each. During most of the fourth quarter of 1943, civilian consumption of gasoline was substantially higher than the PAW allocation of 135,000 barrels per day. At the same time military demand continued to increase and gasoline stocks were reduced further. The western gasoline allocation for civilian use was reduced from 135,000 to 134,000 barrels per day for the first quarter of 1944, but increased to 144,000 barrels per day for the second quarter to meet the seasonal requirements of farmers, truckers, and construction companies.

Beginning March 22, the OPA cut the A gasoline ration from 3 to 2 gallons per week in all states except those on the eastern seaboard where the 2 gallon ration had been established earlier. In the five western states, mileage allowed under the B ration was reduced from a maximum of 460 to 400 miles per month, the reduction being offset by elimination of the requirement that 60 miles of occupational mileage be removed from the A ration before the consumer becomes eligible for a B or C ration. No change was made in the C ration.

### Changes in the Twelfth District Banking Structure—1943

THE major change in the banking structure in the Twelfth District during 1943 was the extension of banking facilities to many military reservations to meet the needs created by the establishment of additional posts and by the expansion in military personnel in this area. At the end of 1943, there were 61 branches and additional offices at military reservations in the District, 55 of which were established during the year.

As in past years, the number of banks in the District continued to decline. At the end of 1943, there were 273 member banks and 261 nonmember banks, compared with 274 member and 273 nonmember banks a year earlier. Total assets of all District banks increased 30.0 percent

There was one more branch bank office in operation (excluding additional offices at military reservations) on December 31, 1943 than a year earlier, in contrast to a decline of 12 offices in 1942. Total resources of branch banks were 80.4 percent of total resources of all District banks, the same as a year ago.

#### BRANCH BANKS IN OPERATION—TWELFTH DISTRICT DECEMBER 31, 1942 AND 1943

	Banks Operating Branches				Number of Branches <sup>1</sup>			
	Mem.		Non-mem.		Mem. Banks		Non-mem. Banks	
	1942	1943	1942	1943	1942	1943	1942	1943
Arizona .....	2	2	1	1	21	21	4	4
California .....	16	16	16	16	794	791	41	41
Idaho .....	6	6	1	1	37	37	2	2
Nevada .....	2	3	1	1	10	12	1	1
Oregon .....	2	2	4	4	65	64	4	4
Utah .....	2	2	3	3	8	9	4	4
Washington .....	7	8	3	3	83	85	3	3
Twelfth District...	37	39	29	29	1,018	1,019	59	59

<sup>1</sup> Does not include 55 additional offices at military reservations, all established in 1943.

#### BRANCH BANK ASSETS—TWELFTH DISTRICT DECEMBER 31, 1942 AND 1943 (assets in thousands of dollars)

	Member Branch Banks		Nonmember Branch Banks		Percentage Branch Bank of all Bank Assets	
	1942	1943	1942	1943	1942	1943
Arizona .....	126,242	169,371	9,054	10,534	94.4	92.6
California .....	5,620,869	7,374,706	484,782	562,645	83.9	84.4
Idaho .....	140,002	187,527	4,909	10,698	71.4	72.7
Nevada .....	68,187	87,352	2,845	4,184	83.1	86.9
Oregon .....	578,547	777,236	8,862	12,711	82.8	82.9
Utah .....	96,431	110,207	6,053	8,274	30.4	29.1
Washington .....	792,193	1,008,844	96,052	117,745	71.9	68.1
Twelfth District...	7,422,471	9,715,243	612,557	726,791	80.4	80.4

over 1942, primarily as a result of the continued expansion in their Government security holdings. Resources of member banks accounted for 90.4 percent of total assets of all banks, a slight increase over their relative share at the end of 1942.

Sixteen banks, seven of which were member and nine nonmember banks, ceased operations during the year. Of these, one liquidated voluntarily and 15 were absorbed by other banks. Three new banks, none of which are members of the Federal Reserve System, were organized during the year. Six banks, one of which was converted from a state to a national bank, became members of the System.

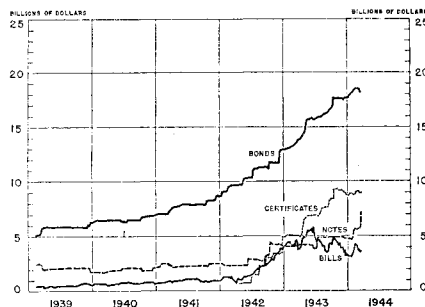
Six branch offices, resulting from the absorption of seven previously independent banks, were the only new branches established in 1943, and five branch offices were discontinued.

#### NUMBER AND ASSETS OF BANKS IN OPERATION—TWELFTH DISTRICT DECEMBER 31, 1942 AND 1943 (assets in thousands of dollars)

	All Banks				Member Banks				Nonmember Banks				Percentage Member Bank of all Bank Assets	
	Number 1942	Number 1943	Assets 1942	Assets 1943	Number 1942	Number 1943	Assets 1942	Assets 1943	Number 1942	Number 1943	Assets 1942	Assets 1943	1942	1943
Arizona .....	8	8	143,350	194,303	5	5	130,643	175,133	3	3	12,707	19,170	91.1	90.1
California <sup>1</sup> .....	215	208	7,279,232	9,402,031	113	112	6,561,598	8,563,398	102	96	717,634	838,633	90.1	91.1
Idaho .....	46	47	202,993	272,584	26	26	175,419	235,637	20	21	27,574	36,947	86.4	86.4
Nevada .....	12	10	85,347	105,295	8	8	79,660	99,104	4	2	5,687	6,191	93.3	94.1
Oregon <sup>2</sup> .....	72	72	708,973	953,050	31	32	653,730	887,700	41	40	55,243	65,350	92.2	93.1
Utah .....	59	57	337,322	407,164	34	34	288,537	345,774	25	23	48,785	61,390	85.5	84.9
Washington .....	134	132	1,235,046	1,655,189	57	56	1,063,030	1,429,735	77	76	172,016	225,454	86.1	86.4
Twelfth District <sup>2</sup> ...	546	534	9,992,263	12,989,616	274	273	8,952,617	11,736,481	272	261	1,039,646	1,253,135	89.6	90.4

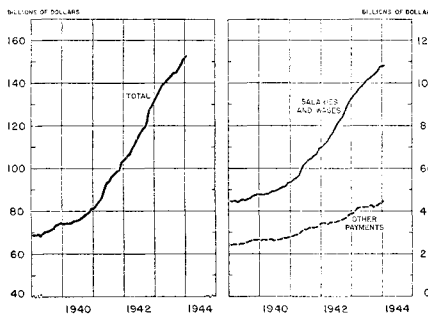
<sup>1</sup> Includes branches of Bank of California N.A., San Francisco, located in Portland, Seattle and Tacoma.

<sup>2</sup> 1942 figures for Oregon and the District exclude one nonmember institution which first reported to State Banking Department in 1943, although in existence previously.



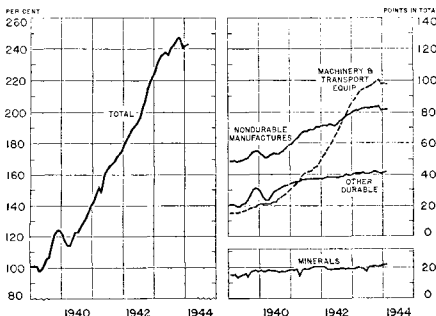
#### GOVERNMENT SECURITY HOLDINGS OF BANKS IN LEADING CITIES

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



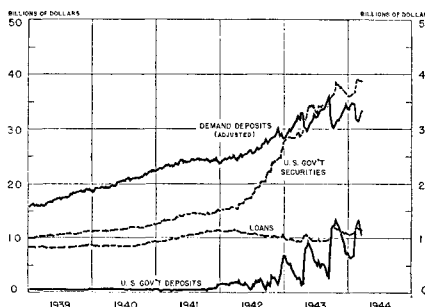
#### INCOME PAYMENTS TO INDIVIDUALS

Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures seasonally adjusted and raised to annual rates, latest shown are for January.



#### INDUSTRIAL PRODUCTION

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



#### 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 March 15.

## Summary of National Business Conditions

Released March 25, 1944—Board of Governors of the Federal Reserve System

**I**NDUSTRIAL activity was maintained at a high level in February and the early part of March. Commodity prices and retail sales showed little change.

#### INDUSTRIAL PRODUCTION

Output at factories and mines was at about the same rate in February as in January and the Board's seasonally adjusted index advanced 1 point to 243 percent of the 1935-39 average.

Steel production continued to advance in February and in the first three weeks of March. Output of nonferrous metals showed little change as curtailment of aluminum production offset increases beginning in March, by approximately 3,000,000 pounds per month or 7 percent of January output. Activity in the machinery, transportation equipment and other durable goods industries showed little change from January to February.

Output of textile products was maintained at the January level and production of most manufactured food products declined less than is usual at this season. Butter and cheese production continued to increase seasonally in February. The volume of hogs slaughtered under Federal inspection declined 6 percent from the exceptionally high January level; a much larger decline is usual in this month. Chemical production continued to decline as output of small arms ammunition and explosives was further curtailed.

Fuel production rose slightly in February to a level 10 percent above the same month last year. Output of bituminous coal and crude petroleum was maintained at a high level, and anthracite coal production increased 19 percent as a result of a seven-day work week in effect for the month of February.

#### DISTRIBUTION

Total retail sales in February continued about as large as in January and exceeded somewhat the volume of a year ago. At department stores sales in February were about 10 percent smaller than last year when there was a buying wave in clothing. During the first three weeks of March department store sales exceeded the volume of a year ago, reflecting in part the earlier date of Easter this year.

Freight carloadings, after allowance for seasonal changes, were maintained during February and the first two weeks in March in the unusually large volume reached in December and January.

#### COMMODITY PRICES

Prices of cotton and livestock increased somewhat from the middle of February to the middle of March while most other wholesale commodity prices showed little change.

Retail food prices declined 1 percent from mid-January to mid-February owing chiefly to seasonal decreases in prices of eggs and citrus fruit. Retail prices of most other goods and services advanced slightly.

#### BANK CREDIT

During the latter part of February and the first half of March the average level of excess reserves at all member banks fluctuated around one billion dollars. Member bank reserve requirements increased by about 400 million dollars as the result of private deposit expansion which, in turn, was the result of Treasury disbursements from war loan accounts which require no reserves. Money in circulation increased 400 millions and the gold stock declined by 130 millions. Funds to meet these demands were supplied by additions to Reserve bank security holdings and a temporary decline in Treasury deposits at the Reserve banks. In the four weeks ended March 15, Government security holdings of the Federal Reserve banks rose by 720 million dollars, reflecting mainly substantial increases in bill holdings under repurchase option; note and certificate holdings also increased.

At reporting member banks in 101 leading cities Government security holdings declined by 540 million dollars during the four weeks ended March 15. Holdings of notes rose by 1.5 billion dollars while bonds and guaranteed obligations declined as the result of an exchange of maturing and redeemable issues for a new 1½ percent note issue. Holdings of bills also declined, reflecting principally sales to the Reserve banks. Loans to brokers, dealers, and others for purchasing or carrying Government securities, which had increased moderately during the Fourth War Loan Drive, fell by 340 million dollars in the following four weeks. Commercial loans also declined somewhat.

Adjusted demand deposits rose by 1.9 billion dollars during the four weeks ending March 15, representing a gain of more than half of the funds withdrawn from such accounts during the drive. Government deposits at these banks fell by 2.6 billion dollars in the month following the drive.