

Monthly Review



FEDERAL RESERVE BANK OF SAN FRANCISCO

MAY 1944

Shipbuilding and Twelfth District Industry

ALTHOUGH the level of actual operations has not yet been generally reduced, recent cancellations, cutbacks and shifts to other regions of contracts held by Pacific Coast shipyards have raised the question, perhaps somewhat earlier than had been anticipated, of the ultimate adjustments in employment of personnel and utilization of plant facilities which must be expected in this region as an aftermath of the war. From its wartime position as the District's number one employer, shipbuilding will probably be faced with a more drastic reduction in volume of production and employment than any other industry in the coming transition to peacetime conditions. The anticipated reduction in shipbuilding will, moreover, affect not only the shipyards and their employees but also many plants and thousands of workers in other industries. Everyone is familiar with the fact that wartime shipbuilding activity on the Pacific Coast has created what is practically an entirely new industry in this region, giving employment to several hundred thousand persons, many of whom had never seen a shipyard before taking their new jobs. Not everyone, however, realizes the extent to which shipbuilding has stimulated the development of other industrial activity on the Pacific Coast, and indeed in the whole Twelfth District.

Until the outbreak of the war, the heavy metals and metal working industries were relatively undeveloped in this region. The western states depended upon outside sources for much the greater part of their normal requirements for steel, machinery of practically all kinds, agricultural implements, and motor cars. The western steel industry was small and produced largely the lighter types of rolled products. With very few exceptions, foundries, forges, and machine shops were small and localized. Automobile production was limited to assembly in a few plants on the Pacific Coast. Facilities were not available within the District to produce more than a negligible part of the materials and equipment required in ship construction on the scale necessitated by the war shipbuilding program. The lack of sufficient capacity in eastern steel mills to meet war expanded demands, together with pressure upon overland transportation facilities, has led to a tremendous expansion in iron and steel capacity, in foundry and forging facilities, and in marine engine building in the District.

Sources outside the District still provide the greater part of the material and much of the equipment going into

ships built on the Pacific Coast, but a substantial volume of both prime and sub-contracts have been placed in the District with others than shipbuilders for steel plates and shapes, castings and forgings, boilers, propulsion machinery, auxiliary engines, steering gears, pumps, valves, winches, and other items, and for joiner work, machining and repair of parts, and prefabrication of sections. Almost all of these items of material and equipment were for vessels to be constructed in this region, though some engine building and castings work were destined for shipyards outside the District.

The expansion of these plants has been predicated to a large extent upon a market created by Pacific Coast shipbuilding. When ship construction is curtailed, they will be faced, along with the shipyards themselves, with the alternative of finding new markets or shutting down. The nature and scale of their activities are in large measure new to the District; some will be able to return to their prewar activities and customers, but a much higher level of industrial demand for western metals and metal products than existed before the war, or than would have been expected in the next decade in terms of prewar rates of growth, will have to be attained if extensive shutdowns are not to occur.

Expansion in Shipbuilding

The rapid and spectacular expansion of shipbuilding activity on the Pacific Coast since 1941 has produced a highly unbalanced condition in the western economy. Together with the parallel inflation of aircraft manufacture in a few specialized centers of production, it has created an artificial and lopsided concentration of employment and population in the principal industrial areas of the District. Under the spur of military requirements, shipbuilding and aircraft production in the Pacific Coast region have attained fantastic proportions, judged by prewar standards of comparison. The total value of contracts placed with 200 West Coast shipbuilders since June 1940 approximates seven billion dollars, while the Pacific Coast aircraft industry is responsible for contracts aggregating nearly eleven billions. The number of persons employed by these two industries in the leading metropolitan areas of the District at the peak in 1943 was nearly double and is currently about 75 percent above the total number of all manufacturing employees in the District in 1939.

★ Buy More Than Before ★ Fifth War Loan ★

From an industry employing not more than 10 or 12 thousand persons during the decades 1920 to 1940, Pacific Coast shipbuilding has grown within the space of three or four years to a point where more than 600,000 people are currently employed in some 200 plants from Bellingham to San Diego. Probably well over 100,000 others are employed in such ancillary industries as steel works and foundries, machine shops, forging and engine building works, and prefabricating establishments. At least one-half of these represent a net increase occasioned by the impact of demand for materials and parts required in the war shipbuilding program. A large pool of industrial labor, a considerable proportion of whom had had no previous training or experience in industry, has been created in this region. Many workers may be expected to migrate outside the District when the war boom is over. Others, particularly women, of whom nearly 100,000 are currently employed in Pacific Coast shipbuilding, will probably drop out of the labor force. The District labor force will retain large numbers, however, whose war training in industrial occupations is a potential asset to the community.

Growth of Related Industries

To a much greater extent than in the older industrial regions, shipbuilding on the Pacific Coast, especially in the large new yards constructing standardized vessels for the Maritime Commission, is an assembly operation rather than a strictly manufacturing process. Mass production is the rule, with emphasis on rapid prefabrication and assembly of large units or sections of hull and superstructure. A maximum of welding is employed both in prefabrication and in final erection of the sections into the ship's structure on the building ways. Boilers, propulsion machinery, shafting, steering gears, auxiliary engines, pumps, and valves are procured from outside sources, together with masts, booms, cargo hoists, winches, anchors, propellers, and a great variety of miscellaneous castings and equipment. This has made possible the extensive utilization of relatively untrained labor rather than experienced shipwrights in much of the routine work of shipbuilding. It has also required the parcelling out of supply contracts among a large number of concerns both within and outside the District. Up to the end of 1943, prime contracts involving \$50,000 or more for materials and equipment used in shipbuilding had been placed by Government procurement agencies with some 380 concerns located in forty-five counties throughout the Twelfth District. The shipyards themselves have also placed a substantial volume of subcontracts for various items of equipment, as well as for a considerable amount of prefabrication and carpenter work, most of which has been done by local firms. In March of this year, the Mare Island Navy Yard, which farmed out little or no work prior to the war, had about 190 prime contractors and more than 300 sub-contractors in California, Utah, Colorado, and Wyoming. These firms employed some 25,000 persons.

The requirements of the Pacific Coast shipyards for steel alone have probably averaged 3,000,000 tons a year over the past two years, a quantity far in excess of the

productive capacity of the western steel industry, particularly in the critical items of plates and heavy shapes, for which rolling capacity was practically non-existent in the West at the beginning of the war. The prewar western steel market had called for a great variety of miscellaneous steel products rather than large quantities of any single type of finished steel; the local mills had limited themselves to the lighter types of product, such as sheets, reinforcing bars and light shapes, wire, and tin plate, and no really heavy steel products were rolled west of Colorado. Eight or nine local mills, having an aggregate rolling capacity of less than a million tons of finished products per year, produced about one-third of the total steel consumed in the District. With the placing of large scale contracts on the West Coast for emergency ships early in 1941, it was realized that bold and energetic measures would be necessary to supplement the shipments of steel that could be expected from eastern mills, particularly in view of the cessation of intercoastal shipping via the Panama Canal and the prospect of long delays in delivery by the over-burdened rail carriers, to say nothing of the limited facilities of the steel industry as a whole for producing heavy ship plates.

After several false starts and many delays an entirely new western steel industry has now been created, centering in the two modern and completely integrated plants at Fontana, California, and Geneva, Utah, which represent an investment of public funds approximating 300 million dollars. These plants have been designed to roll types of product, notably heavy ship plates, hitherto beyond the scope of western steel mills, and were intended to supply material for the Pacific Coast war shipbuilding program.

The Fontana plant rolled its first steel plates in August 1943 and attained an output of 31,000 tons per month in March 1944. The rated capacity of this plant is 300,000 tons of plates and 170,000 tons of structural shapes and bars per year. The Geneva plant was designed for an annual capacity of 700,000 tons of plates and 200,000 tons of structurals and semi-finished products. This mill rolled

Production and Employment—

Index numbers, 1935-39 daily average=100	With Seasonal Adjustment				Without Seasonal Adjustment			
	1944		1943		1944		1943	
	Mar.	Feb.	Jan.	Mar.	Mar.	Feb.	Jan.	Mar.
Industrial production ¹	148	165	161	129	133	122	116	115
Lumber	—	—	—	—	221	225	220	186
Refined oils ²	142	120	153	168	143	106	108	169
Cement ²	124	128	152	143	122	128	152	140
Wheat flour ²	—	—	—	—	125	125	123	118
Petroleum ²	552	495	483	391	514	454	448	364
Electric power ²								
Factory employment and payrolls ^{3,4}								
Employment								
Twelfth District	297	305	311	304	295	301	304	301
California	352	361	367	358	351	359	362	357
Pacific Northwest	231	237	242	240	228	232	235	237
Oregon	198	208	213	219	196	199	202	216
Washington	251	255	260	252	248	252	255	249
Intermountain	132	134	140	164	121	121	129	151
Payrolls								
California	714	731	740	664	712	724	727	662

¹ Daily average.

² 1923-25 average = 100.

³ Revised series; back figures will be supplied on request.

⁴ Excludes fish, fruit, and vegetable canning.

its first steel plates in March 1944, and was scheduled to deliver 20,000 tons of plates to Pacific Coast shipbuilders in May. With an estimated annual requirement of around 2,500,000 tons of hull steel (plates, shapes, bars, etc.) at current rates of production, it is evident that Pacific Coast shipbuilding demand for steel continues to exceed the capacity of the western steel industry, including additional facilities installed by several of the older plants for the types of products required in shipbuilding.

Total steel ingot capacity in the region west of the Rockies has been increased from around 1,100,000 tons in 1941 to well over 3,000,000 tons in 1944. About four-fifths of the total increase is represented by the two new plants at Fontana and Geneva, but important additions have also been made to steel producing capacity at established plants within the District, both in furnaces and finishing facilities. The following tabulation indicates the estimated steel ingot producing capacity in the District in 1940 and 1944 (in thousands of net tons) :

	1940	1944
Northern California	600	800
Southern California	300	1,050
Washington	170	240
Oregon	—	30
Utah	—	1,280
Twelfth District	1,070	3,400

The foundry and forging industry of the District has experienced a similar expansion in productive capacity during the past three years. Prior to the spectacular development of shipbuilding which began in 1941, the western foundry industry had been restricted to a relatively small market. The few large plants in the District depended upon the railroads and car builders as their chief customers, with an occasional order for a large casting from a hydro-electric power or water supply company. The largest of these, located at Pittsburg, California, was itself a legacy from the shipbuilding effort of the last war. The insistent demand of the current shipbuilding program for heavy ship castings for stern frames, rudder stocks, propeller tubes and struts, anchors, hawsepipes, and other items has brought an extensive business to District foundries and a very considerable expansion in capacity has resulted. Between June 1940 and September 1943 approximately 25 million dollars was laid out by some 40 foundry and forging concerns in the District in enlarging

their plant facilities, chiefly for the production of ship castings and forgings. In addition, the largest foundry west of the Mississippi has been completed recently at Pittsburg, California, for the Defense Plant Corporation.

Marine engine building, of both steam and Diesel types, has also been very greatly expanded in the District as a direct consequence of the war shipbuilding effort. Prior to the war, none of the larger types of marine engines were produced in the west, nor was there an appreciable local market for them. The Diesel engine industry had made a promising beginning in the District and was regularly supplying marine engines for fishing boats and tugs. Under the war program, large numbers of Diesels have been turned out by District plants for mine sweepers, landing vessels, tugs, and other small craft, as well as for auxiliary engines and generator units for larger vessels. Considerable numbers of standard gasoline motors have also been produced for sub chasers and patrol boats of various kinds.

One of the most spectacular examples of the wartime development of engine building in any part of the country is the large scale construction of reciprocating engines for "Liberty" ships by two enterprising firms in this District. While including various types of design in its West Coast construction program, the Maritime Commission has since 1941 concentrated very largely on the so-called "Liberty" ship—a standardized cargo vessel of large capacity and limited speed, powered by reciprocating engines. Nearly 1,200 of these emergency vessels have been constructed by Pacific Coast builders, and the engines for approximately 1,000 of them have been built in California and Oregon machine shops. One of these engine builders is now embarked on a large turbine engine program to supply propulsion equipment for "C-3" and "Victory" type ships, currently under construction by Pacific Coast shipyards. The Pacific Coast plant of the other concern was destroyed by fire early this year. Reports indicate that the plant will not be rebuilt either for the resumption of current production or for postwar operations.

More than any other industry, shipbuilding has been responsible for the vast increase in population and employment on the Pacific Coast since 1940, and its demand for materials and supplies has been the principal factor responsible for the rapid expansion and development of the heavy metals and metal working industries in the District. The current position is still generally one of urgent demand for shipyard services, both in construction and repair work—with consequent pressure upon the miscellaneous range of industries supplying materials, parts and equipment to maintain or even increase their output. When this pressure relaxes, as inevitably it will, new problems will have to be faced. In this region, a new set of industrial facilities has been created and an additional labor supply recruited and trained on the job. The problem here is not one of reconversion to previous use, but rather one of finding new markets and alternative uses for the industrial labor and equipment which have been superimposed upon the previous industrial structure of the District.

Distribution and Trade—

Index numbers, 1935-39 daily average=100	With Seasonal Adjustment				Without Seasonal Adjustment			
	1944		1943		1944		1943	
	Mar.	Feb.	Jan.	Mar.	Mar.	Feb.	Jan.	Mar.
Department store sales (value)								
Twelfth District	218	224	215	197	197	178	166	171
Southern California	222	221	221	183	207	187	179	165
Northern California	202	202	191	174	183	161	149	153
Portland	211	221	196	218	191	181	161	195
Western Washington	257	275	260	260	225	206	195	221
Eastern Washington and Northern Idaho	196	218	208	203	162	143	132	160
Phoenix	223	233	248	196	226	205	202	195
Carloadings (number) ¹								
Total	117	125	128	104	109	104	101	97
Merchandise and misc.	126	135	132	111	118	112	111	103
Other	105	114	122	95	98	93	88	89

¹ 1923-25 daily average = 100.

Earnings and Expenses of Twelfth District Member Banks 1939-43

ALTHOUGH receiving lower rates of interest on loans and securities and confronted by rising taxes, wages, and other costs, Twelfth District member banks realized net profits in 1943 which were 35 percent higher than in 1942 and 49 percent higher than in 1939. Net profits have increased steadily over the past five years, except in 1942, and the decline in that year was occasioned principally by a drop in profits on securities sold, not by any shrinkage in gross or net current earnings. The principal source of the increased earnings of member banks in the last two years has been the expansion in their Government security holdings. Despite the marked gain in earnings, they have increased less, relatively, than total assets, as the average rate of return on total earning assets has declined.

Sources and Uses of Bank Earnings

Interest on securities, in spite of lower rates of return, increased by 32 million dollars, or 60 percent, over a year ago. Service functions, including both trust department operations and the handling of checking accounts, also provided increased revenue. Service charges on deposit accounts are small in comparison with returns on loans and securities but have increased by more than 50 percent since 1939. The decline in earnings on loans resulted from both lower rates of interest and a smaller loan volume in 1943 than in the preceding two years.

EARNINGS AND EXPENSES OF MEMBER BANKS IN THE
TWELFTH DISTRICT 1939-43
(millions of dollars)

	1939	1940	1941	1942	1943
Interest and discount on loans.....	97.7	104.0	115.0	112.4	94.5
Interest and dividends on securities...	44.8	44.5	45.2	54.5	86.2
Service charges on deposit accounts...	7.8	8.5	9.4	10.1	12.3
Trust department earnings	6.4	6.8	7.0	6.9	7.6
Other earnings	15.4	15.8	15.9	15.3	18.6
Total earnings	172.1	179.6	192.5	199.2	219.2
Salaries and wages	52.3	54.5	59.1	64.9	69.1
Interest on time deposits	32.7	31.4	30.2	28.5	25.6
Taxes	10.3	13.2	15.7	19.0	25.6
Other current expenses	34.3	35.4	39.6	36.4	39.4
Total expenses	129.6	134.5	144.6	148.8	159.7
Net current earnings after taxes.....	42.5	45.1	47.9	50.4	59.5
Recoveries on loans	3.4	4.4	9.7	6.0	7.3
Losses on loans	19.3	12.9	13.4	9.8	6.0
Recoveries on securities	2.8	2.3	4.0	3.8	3.6
Profits on securities sold	21.6	17.1	12.2	5.1	5.7
Losses on securities	10.3	8.3	9.8	9.0	10.3
Other net charge-offs	3.0	4.2	4.1	4.9	3.6
Total net charge-offs	4.8	1.6	1.4	8.8	3.3
Net profits after taxes	37.7	43.5	46.5	41.6	56.2
Cash dividends	24.3	24.2	24.8	23.7	23.6
Number of banks ¹	282	277	277	274	273

¹ Effect of changes in membership upon comparability of figures is negligible

Expenses as well as earnings have increased steadily but by a lesser amount in each year since 1939. Taxes have more than doubled since that time, with income taxes becoming increasingly important. One expense item, interest on time deposits, has moved in the opposite direction. Lower interest rates paid have more than offset increases in the volume of time deposits.

The amount paid out in dividends by member banks did not increase in 1943 and was lower relative to net profits than in any of the earlier four years. Although capital accounts have been strengthened through the retention of profits, they have declined steadily relative to total deposits and to total assets. The expansion in assets, however, has been entirely in Government security holdings. The ratio of capital accounts to total assets less cash and Government securities increased considerably in 1943 over 1942.

SELECTED OPERATING RATIOS OF TWELFTH DISTRICT
MEMBER BANKS 1939-43

	1939	1940	1941	1942	1943
Net profits after taxes as percentage of					
Total capital accounts	8.6	8.3	9.1	7.4	9.7
Total assets	—	.9	1.0	.7	.6
Percentages of total earnings					
Interest and dividends on securities	22.9	21.5	19.8	23.7	34.4
Interest and discount on loans....	61.1	62.7	64.1	58.8	46.4 ¹
Service charges on deposit accounts	5.5	5.6	5.8	6.2	7.5
Salaries and wages	31.3	31.6	31.9	34.3	34.6
Interest on time deposits.....	16.7	16.6	15.7	15.3	13.1
Capital accounts as percentage of					
Total deposits	14.3	13.7	12.5	10.0	7.0
Total assets	—	11.8	—	—	6.4
Total assets less cash and Government securities	—	—	—	23.9	28.3
Interest and discount on loans as percentage of total loans.....	6.6	6.5	6.4	6.0	5.9 ¹
Interest and dividends on securities as percentage of total securities...	3.4	3.1	3.0	2.3	1.6
Interest on time deposits as percentage of total time deposits.....	1.7	1.7	1.6	1.5	1.1

¹ Includes service charges and other fees on loans.

Note: Ratios are arithmetic averages of ratios of individual banks, not ratios based on aggregate dollar totals. The operations of each bank, regardless of size, have equal weight in the determination of the averages.

Profits in 1944

Profit prospects for the current year are favorable. The decline in loan volume appears to have been slowed down if not halted. While the expansion in Government security holdings will probably not be as great as in 1943, additional funds are continuing to flow into the District through Treasury expenditure, and further increases in earning assets, largely Government security holdings, are likely. As of April 13, total loans of District member banks amounted to 2,045 million dollars, compared with

Banking and Credit—

Condition items of weekly reporting member banks	Averages of Wednesday figures (millions of dollars)			
	Apr.	1944 Mar.	Change from Feb.	1943 Apr.
Total loans	962	— 24	— 34	+ 16
Com'l, ind., & agric. loans.....	482	— 18	— 40	+ 53
Loans to finance securities transactions	89	— 7	+ 10	+ 33
Real estate loans.....	297	0	— 3	— 47
All other loans	94	+ 1	— 1	— 23
Total investments	4,105	+ 7	+ 24	+ 1,317
U. S. Gov't securities.....	3,778	— 3	+ 5	+ 1,291
All other securities.....	327	+ 10	+ 19	+ 26
Adjusted demand deposits.....	2,692	+ 126	+ 110	+ 425
Time deposits	1,414	+ 16	+ 13	+ 256
United States Gov't deposits.....	767	— 235	— 274	+ 566
Coin and currency in circulation				
Total (changes only).....	—	+ 46	+ 107	+ 727
Fed. Res. notes of F. R. B. of S. F.	2,080	+ 33	+ 88	+ 673
Member bank reserves.....	1,428	+ 40	+ 29	+ 130

2,105 million on December 31 and 1,955 million on June 30, 1943. Government security holdings totaled 6,651 million dollars on April 13, compared with 6,235 million at the end of last year and 5,015 million in mid-1943. Net profits of member banks in 1944 will probably not increase by another 14.5 million dollars as they did in 1943, but they should be as high as or higher than they were last year.

The proximate cause of the major changes in earnings, expenses, and operating ratios is the war. The war is directly associated with the tremendous expansion in deposits and in Government security holdings and with the restrictions upon uses of materials and production of civilian goods which have lowered the volume of loans outstanding. That the war is the important immediate cause of many changes should not be allowed, however, to obscure earlier changes in many factors; changes which have been accelerated but were not initiated by the creation of a war economy. Even in 1941, income from loans

was small and income from securities large in relation to total earnings, as compared with the 1920's. Rates of interest received on loans and securities and interest paid on time deposits were declining long before the advent of war. Service charges on deposit accounts have risen steadily for at least a decade. Total salary and wage payments and taxes have been increasing during the past ten years. In short, an increasing supply of money (including both bank deposits and currency in circulation), the increased use of bank credit by the Federal Government and its lessened use by private borrowers, and lower interest rates are not entirely wartime phenomena, and the conditions out of which they arose will not necessarily disappear when and because the present conflict has come to an end.

Note: More complete tabulations of Twelfth District member bank operating ratios for 1943, including separate tabulations for banks classified by state, by state or larger area and size, by proportion of time to total deposits, and by proportion of loans to total assets, are available upon request.

Summary of National Business Conditions

Released April 26, 1944—Board of Governors of the Federal Reserve System

INDUSTRIAL activity declined slightly in March. Retail sales were maintained at an exceptionally high level and commodity prices were relatively stable.

INDUSTRIAL PRODUCTION

Output of manufactures and minerals was slightly smaller in March than in the previous two months and the Board's index of total industrial production declined 2 points to 242 percent of the 1935-39 average.

Steel production advanced somewhat further in March and the first three weeks of April. Output of lumber was maintained at the level of the first two months of the year and production in the first quarter is indicated to be 3 percent larger than in the first quarter of 1943.

The number of aircraft delivered increased about 4 percent above the level of the preceding 4 months to a new high of 9,118 planes. Deliveries of merchant ships continued to rise from the low January rate and in March were at approximately the level of a year ago. Output of other products in the machinery and transportation equipment industries declined somewhat in March.

Output of nondurable manufactures, as measured by the Board's index, declined about 1 percent in March. This decline was due largely to the continued drop in small arms ammunition production. Manufactured food production was 11 percent greater than in March of last year.

Coal production declined 6 percent in March from the exceptionally high rate in February due partly to the return to a six-day work week in anthracite mines and partly to a continuation of manpower shortages in both hard and soft coal mines. Output of crude petroleum and metals was maintained in large volume.

The value of construction contracts awarded in March, according to reports of the F. W. Dodge Corporation, was slightly greater than in January and February, but was still lower than in any corresponding month since 1935.

DISTRIBUTION

Department stores sales increased more than seasonally in March and continued at a high level in the first half of April. Sales in March were about 18 percent larger than in the corresponding month last year, reflecting in part the earlier date of Easter this year and the heavy buying of jewelry, cosmetics, furs, and other items before higher tax rates became effective on April 1.

Freight carloadings declined slightly in March from the high level of earlier months owing chiefly to a drop in the movement of coal and grain products. Total loadings were maintained in the first half of April.

COMMODITY PRICES

The general level of wholesale commodity prices advanced slightly from the middle of March to the middle of April. Federal maximum prices for cement, lumber, and various other industrial commodities were increased.

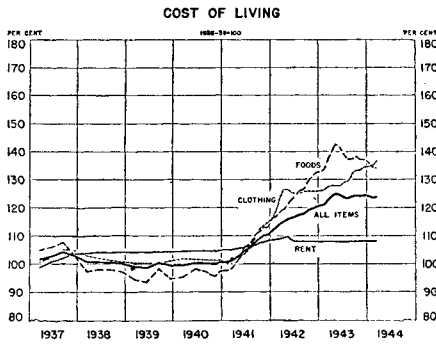
Retail food prices showed little change from February to March, while retail prices of most other commodities continued to advance slightly.

BANK CREDIT

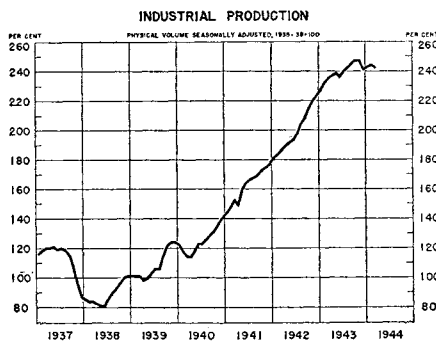
Continued growth in currency and the transfers from Treasury war-loan deposits to deposits subject to reserve requirements resulted in a decline in excess reserves of member banks and in substantial purchases of Government securities by the Reserve Bank during March and the first three weeks of April. Owing to special factors, excess reserves declined to a low point of 600 million dollars at the end of March but increased in April and on April 19 were about 900 million dollars, somewhat less than had generally been held in recent months.

Federal Reserve Bank holdings of U. S. Government securities were at a new high level of 12.7 billion dollars on April 19, after increasing by half a billion in the preceding four weeks; most of the growth was in holdings of Treasury bills.

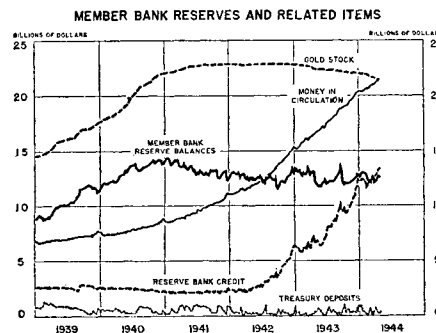
Reporting member banks in 101 leading cities reduced their holdings of Treasury bills by 325 million dollars in the four weeks ending April 12, while holdings of other Government securities showed little change. The greater part of the decline in bill holdings in the four-week period occurred at banks outside New York and Chicago, but there were wide fluctuations within the period reflecting transactions at Chicago banks associated with the April 1 personal property tax assessment date in Illinois. Loans for purchasing or carrying Government securities continued to decline, as repayments were made on funds advanced during the Fourth War Loan Drive; these loans to brokers and dealers have fallen by 450 million dollars since the end of the drive and are now less than at any time in recent months; loans to others, which rose by 600 million during the drive have subsequently declined by 400 million. Commercial loans declined by 210 million over the month. Adjusted demand deposits, which declined somewhat in the latter half of March, increased during the first half of April, bringing the total outstanding to about a billion less than the level prior to the opening of the drive. Government deposits at these same banks fell by 1.5 billion dollars during the four weeks ended April 12.



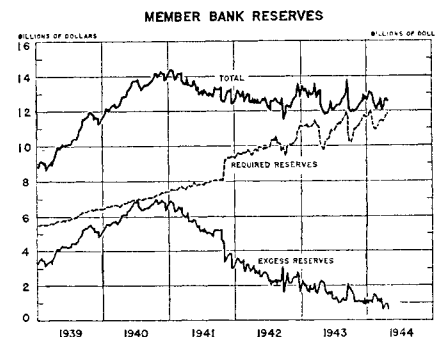
Bureau of Labor Statistics indexes. Last month in each calendar quarter through September 1940, monthly thereafter. Mid-month figures, latest shown are for February.



Federal Reserve index. Monthly figures, latest shown is for March.



Wednesday figures, latest shown are for April 19.



Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for April 19.