Review of Business Conditions—Twelfth District

Production and trade have been maintained at high wartime levels during recent months, and overall industrial employment has continued a slow decline which first became evident in mid-1943. Bank deposits have shown a further increase.

Production and Employment

With the exception of food processing, which becomes seasonally active in August and September, little change in the volume of Twelfth District industrial production has occurred in recent weeks. Although there has been some slight further falling off in aircraft production and ship deliveries, reports indicate that war production in this District is generally close to schedule. The manufacture of heavy guns and ammunition, combat and motor vehicles, and some other munitions which are reported behind schedule because of manpower shortages is unimportant or nonexistent in the Twelfth District. In the light metals field, increasing ingot surpluses have prompted drastic production cuts in recent months, and current output is a small fraction of plant capacity, particularly in government-owned plants. One of the District's seven aluminum plants and one of its four magnesium plants have been shut down, and closing of the large Basic Magnesium plant in Nevada is expected before the end of the year. The comparatively few workers released by cutbacks in aluminum and magnesium have readily been absorbed in other activities.

Among the major basic industries, petroleum has displayed some further production gains in recent months, largely reflecting the completion of small new wells in developed reserves. For September, the Petroleum Administration for War authorized certain production in excess of the maximum efficient rate. Lumber and nonferrous metals output (other than of light metals) have fallen off substantially, however, and production in recent months has been lower than in 1943. Shortages of mine and mill labor have resulted in a particularly sharp drop in copper production which, in July and August, totaled little more than 100,000 tons, compared with 133,000 tons during the same months in 1943.

While total employment, excepting seasonal agricultural and food processing workers, has not receded a great deal, workers continue to leave the durable goods industries, principally aircraft and shipbuilding, to enter other work, retire from the labor force, or leave the District. At the end of August, for example, total net employment in the Pacific Coast plants of seven major aircraft firms was 225,300, compared with 269,000 six months earlier, and a peak of 307,400 attained in June 1943. Shipbuilding employment has receded similarly. Wage-earner data for California show that since the first of the year the average rate of decline in durable goods employment has been about the same for men and women. Industrial payrolls have reflected these declines to a moderate degree, but the effect of this curtailment in total consumer income has not been reflected in figures of consumer commodity purchases, as measured by department store sales.

Department Store Trade

Third quarter department store sales averaged 219 percent of the 1935-39 average, after allowance for seasonal variation, compared with 209 percent in the second quarter, and 195 percent in the third quarter of 1943.

Department store inventories have been increasing seasonally since the first of the year, but at a slower rate than in 1942 or 1943, and on August 31 were 4 percent lower than a year earlier. Orders placed by stores with their suppliers during the first eight months of 1944 were 6 percent lower than in the corresponding 1943 period. Orders outstanding on August 31 were moderately lower than the peak attained in July 1943 but roughly five times higher than prewar levels.

Income Payments in the Twelfth District

Income payments to individuals in the Twelfth District exceeded 18 billion dollars in 1943, according to recent estimates of the United States Department of Commerce, compared with 14 billion in 1942 and 8 billion in 1940. Because of the outstanding importance of war production in this District, the indicated rate of increase over the four-year period was greater than that for the United States as a whole, and the District's share of the United States total increased from 10.8 percent in 1940 to 13.2 percent in 1943. In the case of salaries and wages, the most important single component, the District share increased from 10.5 percent to 13.5 percent.

★ For Victory ★ Buy War Bonds ★
More than doubling of total income payments to individuals from 1940 to 1943 was accompanied by an 87 percent increase in per capita payments from $711 to $1,333.

### Income Payments to Individuals—Twelfth District

<table>
<thead>
<tr>
<th>Year</th>
<th>Twelfth District</th>
<th>Arizona</th>
<th>California</th>
<th>Idaho</th>
<th>Nevada</th>
<th>Oregon</th>
<th>Utah</th>
<th>Washington</th>
<th>Arizona</th>
<th>California</th>
<th>Idaho</th>
<th>Nevada</th>
<th>Oregon</th>
<th>Utah</th>
<th>Washington</th>
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<tbody>
<tr>
<td>1940</td>
<td>$8,165</td>
<td>2,37</td>
<td>5,606</td>
<td>219</td>
<td>92</td>
<td>631</td>
<td>265</td>
<td>1,100</td>
<td>237</td>
<td>5,606</td>
<td>219</td>
<td>92</td>
<td>631</td>
<td>265</td>
<td>1,100</td>
</tr>
<tr>
<td>1941</td>
<td>$10,370</td>
<td>2,87</td>
<td>7,044</td>
<td>279</td>
<td>167</td>
<td>624</td>
<td>329</td>
<td>1,501</td>
<td>287</td>
<td>7,044</td>
<td>279</td>
<td>167</td>
<td>624</td>
<td>329</td>
<td>1,501</td>
</tr>
<tr>
<td>1942</td>
<td>$13,009</td>
<td>4,26</td>
<td>9,360</td>
<td>403</td>
<td>194</td>
<td>1,154</td>
<td>595</td>
<td>2,162</td>
<td>426</td>
<td>9,360</td>
<td>403</td>
<td>194</td>
<td>1,154</td>
<td>595</td>
<td>2,162</td>
</tr>
<tr>
<td>1943</td>
<td>$18,277</td>
<td>5,65</td>
<td>12,097</td>
<td>475</td>
<td>202</td>
<td>1,517</td>
<td>639</td>
<td>2,782</td>
<td>5,65</td>
<td>12,097</td>
<td>475</td>
<td>202</td>
<td>1,517</td>
<td>639</td>
<td>2,782</td>
</tr>
</tbody>
</table>

### Further Increase in Bank Deposits

Contract cancellations and outmigration occurring in recent months have had no appreciable effect upon the Twelfth District money supply. Currency in circulation and demand and time deposits have continued to increase. After reaching a peak in mid-June of $6.4 billion dollars, the Twelfth District money supply declined somewhat because of the Fifth War Loan Drive, but Treasury disbursements of those funds and other funds shifted to the Twelfth District raised demand deposits by the loan drives. Their rise was checked during the fourth and fifth drives, but no decline occurred in either instance. By mid-September, time deposits of District member banks are estimated to have amounted to about 3.8 billion dollars, an increase of 7 percent during the previous quarter and 27 percent over a year earlier.

### Production and Employment

**Production and Employment—**

| Source: U. S. Department of Commerce. |
|---|---|

**FEDERAL RESERVE BANK OF SAN FRANCISCO**

September 1944
Migration to the Twelfth District, 1940-43

Since the outmigration of Twelfth District war workers is likely to continue for some time to come, it is of interest to note something of the characteristics of persons entering this area during the war period. Most of the persons entering were workers and their families attracted by employment opportunities in shipbuilding, aircraft fabricating, military, and related activities, principally in or near the five principal production centers of the Pacific Coast states. In those states the ratio of contracts for war supplies and facilities to prewar population has been unusually high, amounting in mid-1944 to $2,650, compared with $2,270 in the next highest geographical division, and $1,440 in the United States as a whole. The migration of workers taking place during the past four years to states having a high ratio of war expenditures to prewar population has tended to reduce these differences only slightly. At the recent population peak attained in the Pacific Coast states the value of war contracts awarded in that area as a whole was still higher, with regard to the current population, than in any other geographical division.

Migration to the Twelfth District

From April 1, 1940 to November 1, 1943, during which period migration to the West was most active, a net gain in the Twelfth District civilian population of 1,347,000 occurred. This impressive increase took place despite a net loss to the armed services of 915,000 civilians, owing principally to a net inflow of 1,843,000 migrants. Also contributing to the upturn was a natural increase, or excess of births over deaths, totaling 419,000.

Figures in the accompanying table indicate the magnitude of net, rather than total, migration. The total number of civilians entering and leaving Twelfth District states during the period under review was very much larger than the net figures shown and, in addition, there was a substantial movement from one place to another within individual states on which no data are available.

### Source and Characteristics of Inmigrants in Pacific Coast Congested Areas

Of the 7,266,000 persons resident in the five Pacific Coast congested production areas during the spring of 1944, 1,415,000 lived outside the Pacific Coast states, and 539,000 lived elsewhere in the Pacific Coast states, in 1940. As shown in the accompanying map, approximately two-thirds of those entering the five areas from outside the three Pacific Coast states originated in states west of the Mississippi, largely plains states in the West Central divisions. Most of the remainder originated in the northern states east of the Mississippi. It should be stressed that the numbers of persons indicated on the chart repre-

### Banking and Credit—

#### Averages of Wednesday figures (millions of dollars)

<table>
<thead>
<tr>
<th>Condition items of weekly reporting member banks</th>
<th>1944</th>
<th>Change from 1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total loans (millions of dollars)</td>
<td>967</td>
<td>+5 +9 +56</td>
</tr>
<tr>
<td>Com. Ind. &amp; agr. loans (millions of dollars)</td>
<td>472</td>
<td>+3 +5 +23</td>
</tr>
<tr>
<td>Loans to mortgage transactions</td>
<td>61</td>
<td>+3 +3 +19</td>
</tr>
<tr>
<td>Real estate loans (millions of dollars)</td>
<td>295</td>
<td>+1 +1 +33</td>
</tr>
<tr>
<td>Total loans (millions of dollars)</td>
<td>1,555</td>
<td>+6 +44 +1,167</td>
</tr>
<tr>
<td>U. S. Government securities (millions of dollars)</td>
<td>416</td>
<td>+8 +35 +1,128</td>
</tr>
<tr>
<td>Other securities (millions of dollars)</td>
<td>3,353</td>
<td>+13 +37 +65</td>
</tr>
<tr>
<td>Adjusted demand deposits (millions of dollars)</td>
<td>103</td>
<td>+2 +6 +18</td>
</tr>
<tr>
<td>Time deposits (millions of dollars)</td>
<td>1,512</td>
<td>+33 +47 +270</td>
</tr>
<tr>
<td>United States Government deposits (millions of dollars)</td>
<td>1,035</td>
<td>+2 +6 +59</td>
</tr>
<tr>
<td>Total loans (millions of dollars)</td>
<td>967</td>
<td>+5 +9 +56</td>
</tr>
</tbody>
</table>

### Congested Production Areas

Before the war, as well as at the present time, more than half of the Twelfth District population, and more than 60 percent of the Pacific Coast population resided in the San Diego, Los Angeles, San Francisco Bay, Portland-Vancouver, and Puget Sound areas. Since the greater part of the District facilities for war production are in those areas, it was natural that most of the immigrants headed for and settled in the same areas. The resident population (civilians plus military personnel living off post) increased from 5,980,000 in 1940 to 7,266,000 in 1944, or 21 percent, according to a special census undertaken last spring. This huge influx gave rise to many housing, transportation, and other community problems which, in turn, had much to do with the decision of a considerable number of persons to return to their home states while employers were still attempting to build up adequate working forces.

### Source: U. S. Bureau of the Census.

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

### Federal Reserve Bank of St. Louis

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Federal Reserve Bank of St. Louis
sent, not the total numbers of immigrants originating in a given geographical division or settling in a given congested area, but the 1940 origins and 1944 locations of immigrants actually resident in the five Pacific Coast population centers as of the spring of 1944.

About a sixth of the immigrants from outside the Pacific Coast states lived on farms in 1940. This proportion was far from uniform as among the several geographical divisions, ranging from 2 percent for the New England division to 25 percent for the West South Central division, comprising the states of Texas, Oklahoma, Arkansas, and Louisiana.

Because relatively few persons over 45 years of age migrated to the West, the effect of Selective Service withdrawals upon the average age of the population residing in the five congested areas has been offset to some extent, and the present average age of persons in the labor force is lower than it would have been if migration had not occurred. Thirty-two percent of the male immigrants and 43 percent of the female immigrants were from 20 to 34 years old when the census was taken this year. These compare with 14 percent and 22 percent, respectively, of nonmigrants in the same age group. The lowering of the average age in the total resident population through the immigration of relatively few persons over 45, particularly elderly people, was almost entirely offset by a relatively small (with regard to the existing population) proportion of children under 15 who entered the five areas.

Owing primarily to the large numbers of younger adults in the immigrant group, a larger than normal proportion of that group is in the labor force. This is particularly true of women entering the five areas, many of whom migrate west to live near husbands in the armed forces stationed or based at Pacific Coast points.

Migration data by race are not available. From 1940 to 1944, however, the Negro population of the five congested areas increased from 107,000, or less than 2 percent of the resident population, to 228,000, or 3 percent. During the same period the numbers of other races other than white are estimated to have declined from 127,000 to 64,000, principally because of the Japanese exclusion.

Outmigration in 1944

Increasing talk about the resumption of civilian production, and recurrent waves of optimism with regard to the ending of the European war have induced many workers to leave their war work in the Pacific Coast population centers for more permanent work elsewhere, in many cases their home states. The return flow of immigrants has been increasing in recent months. While no exact data are available, it is probable that outmigration from the five areas which approximated 14,000 persons per month in July is currently at a rate of something nearer 20,000 per month. This return flow aggravates the immediate problem of maintaining sufficient manpower in war production and essential civilian activities.

California Employment and Payroll Statistics

Employment and payroll figures are, in many ways, the most useful of all indexes of the general level of economic activity, and of differences from time to time, from place to place, and from industry to industry in the level of economic activity. The number of people provided with a livelihood, in conjunction with the aggregate amount in their pay envelopes, provides a common unit in which different economic activities can be measured. It makes possible, for example, the addition and comparison of like figures for such widely divergent activities as sawmills, blast furnaces, retailing, and mining. Because the basic figures are taken from regular payroll records which have to be kept by business firms, employment and payroll data can be made publicly available currently and with a minimum of burden to reporting firms.

The employment and payroll statistics for California are currently among the best in the country. Manufacturing statistics are available, in an unbroken series, back to 1935 and monthly comparisons have been published since 1924, when the California Division of Labor Statistics and Law Enforcement, in cooperation with the Federal Reserve Bank of San Francisco began to collect them. The Federal Reserve bank shortly thereafter withdrew in favor of the United States Bureau of Labor Statistics. The first report was based on returns from 462 manufacturing plants and 12 laundry, cleaning, and dyeing establishments employing 85,000 wage earners. The September 1944 report is based on returns from 8,675 establishments employing more than 950,000 wage earners. In the 20-year period, California's labor force increased from about one and a half million to over four million, and the employment and payroll statistics reflected currently the changes in economic activity which accompanied this growth. At the present time, data are available for the Los Angeles area and for the San Francisco Bay area, as well as for the State as a whole. Published reports present figures on average hours worked and average hourly earnings, indexes of employment and payroll, and overall estimates of total employment and payrolls. Use of the Standard Industrial Classification breakdown for industry groups increases their value locally and facilitates direct comparisons with national figures, practically all of which follow the same classification. Adjustments are made from time to time to benchmark figures from the various censuses and other authoritative sources.

The employment and payroll statistics have supplied up to date monthly measures of the economic impact of the war on California. They will be relied upon to furnish the most comprehensive and current measures of economic activity during and after the return of peacetime pursuits.
SUMMARY OF NATIONAL BUSINESS CONDITIONS

RELEASED SEPTEMBER 26, 1944—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INDUSTRIAL OUTPUT AND EMPLOYMENT SHOWED LITTLE CHANGE IN AUGUST. RETAIL TRADE WAS AT A NEW HIGH LEVEL FOR THE MONTH. THERE WAS A SMALL FURTHER RISE IN RETAIL COMMODITY PRICES.

INDUSTRIAL PRODUCTION

OUTPUT AT FACTORIES AND MINES WAS 232 PERCENT OF THE 1935-39 AVERAGE IN AUGUST AS COMPARED WITH 231 FOR JULY, ACCORDING TO THE BOARD’S SEASONALLY ADJUSTED INDEX OF INDUSTRIAL PRODUCTION. STEEL PRODUCTION WAS MAINTAINED, WHILE OUTPUT OF NONFERROUS METALS CONTINUED TO DECLINE. OVERALL, ACTIVITY IN THE METAL FABRICATING INDUSTRIES CONTINUED AT THE LEVEL OF THE PRECEDING MONTH. THERE WERE LARGE INCREASES IN OUTPUT OF HEAVY TRUCKS, TANKS, AND SOME OTHER CRITICAL ORDNANCE ITEMS IN AUGUST; AIRCRAFT PRODUCTION SHOWED LITTLE CHANGE; WHILE SHIPBUILDING DECLINED. OUTPUT INCREASED IN THE SHOE, WOOLEN AND WORSTED, AND PAPER INDUSTRIES IN AUGUST FOLLOWING A DROP IN JULY WHICH REFLECTED CHIEFLY THE CURTAILMENT OF OPERATIONS AROUND THE FOURTH. OUTPUT OF MANUFACTURED FOODS, AFTER ALLOWANCE FOR SEASONAL CHANGES, DECLINED IN AUGUST, LARGELY REFLECTING DECREASES IN OUTPUT OF MEATS, DAIRY PRODUCTS, AND SUGAR PRODUCTS. DISTILLERIES WERE SHIFTED FOR THE MONTH OF AUGUST FROM PRODUCTION OF INDUSTRIAL ALCOHOL FOR WAR PURPOSES AND OUTPUT OF ABOUT 50,000,000 PROOF GALLONS OF BEVERAGE SPIRITS WAS REPORTED. PRODUCTION OF OTHER NONDURABLE GOODS WAS MAINTAINED AT THE LEVEL OF THE PRECEDING MONTH.

MINERALS OUTPUT IN AUGUST ROSE 2 PERCENT FROM JULY, REFLECTING INCREASES IN COAL AND CRUDE PETROLEUM. CRUDE PETROLEUM PRODUCTION WAS AT A RATE 11 PERCENT ABOVE THE SAME MONTH LAST YEAR.

DISTRIBUTION


CARLOADINGS OF RAILROAD FREIGHT WERE MAINTAINED IN LARGE VOLUME IN AUGUST. DURING THE FIRST THREE WEEKS IN SEPTEMBER LOADINGS WERE SLIGHTLY LESS THAN DURING THE SAME PERIOD A YEAR AGO, OWING TO DECREASES IN ALL CLASSES OF FREIGHT EXCEPT MERCHANDISE IN LESS THAN CARLOAD LOTS AND MISCELLANEOUS SHIPMENTS.

COMMODITY PRICES

WHOLESALE PRICES OF FARM PRODUCTS AND FOODS SHOWED SMALL SEASONAL DECREASES FROM THE MIDDLE OF AUGUST TO THE MIDDLE OF SEPTEMBER. MAXIMUM PRICES OF SUCH INDUSTRIAL GOODS AS COTTON FABRICS, CEMENT, AND BRICKS WERE INCREASED.

RETAIL PRICES OF FOOD AND OTHER COST OF LIVING ITEMS INCREASED SLIGHTLY IN AUGUST AND THE AVERAGE OF ALL ITEMS WAS 2 PERCENT HIGHER THAN A YEAR AGO, ACCORDING TO THE BUREAU OF LABOR STATISTICS INDEX.

AGRICULTURE

CROP PROSPECTS IMPROVED DURING AUGUST AND THE EARLY PART OF SEPTEMBER AND HARVESTS OF MOST MAJOR CROPS ARE EXPECTED TO BE LARGER THAN LAST SEASON. MARKETINGS OF LIVESTOCK PRODUCTS, WHICH WERE AT A RECORD LEVEL EARLIER THIS YEAR AND 15 PERCENT HIGHER THAN THE SAME PERIOD A YEAR AGO, WERE INCREASED.

BANK CREDIT


IN THE SAME PERIOD LOANS AND INVESTMENTS AT WEEKLY REPORTING MEMBER BANKS IN 101 LEADING CITIES DECLINED BY 2.2 BILLION DOLLARS. LOANS TO BROKERS AND DEALERS FOR PURCHASING AND CARRYING GOVERNMENT SECURITIES DECLINED TO A LEVEL APPARENTLY EQUAL TO THAT OF THE PRE-DRIVE PERIOD. THERE WAS, HOWEVER, A TEMPORARY INCREASE IN SUCH BORROWINGS IN LATE AUGUST AND EARLY SEPTEMBER PRESUMABLY ASSOCIATED WITH MARKET TRANSACTIONS STEMMING FROM THE TREASURY OFFER TO EXCHANGE CERTIFICATES MATURING ON SEPTEMBER 1 AND NOTES MATURED ON SEPTEMBER 15 FOR NEW ISSUES. LOANS TO OTHERS FOR PURCHASING AND CARRYING SECURITIES DECLINED STEADILY, BUT ON SEPTEMBER 13 WERE STILL WELL ABOVE THE PRE-DRIVE LEVEL. GOVERNMENT SECURITY HOLDINGS SHOWED A NET DECLINE OF 800 MILLION DOLLARS OVER THE PERIOD, REFLECTING MAINLY SUBSTANTIAL BILL SALES BY REPORTING BANKS PARTIALLY OFFSET BY SOME INCREASE IN BOND HOLDINGS.

THE RESULT OF THE INCREASE IN DEPOSITS OF BUSINESS AND INDIVIDUALS, THE AVERAGE LEVEL OF REQUIRED RESERVES AT ALL MEMBER BANKS ROSE BY ABOUT A BILLION DOLLARS BETWEEN THE CLOSE OF THE FIFTH DRIVE AND MID-SEPTEMBER. IN ADDITION, A BILLION DOLLAR INCREASE IN MONEY IN CIRCULATION AND SOME FURTHER DECREASE IN GOLD STOCK SERVED TO ABSORB RESERVE FUNDS. MEMBER BANKS OF RESERVE FUNDS DUE TO THESE FACTORS INCREASED THE GOVERNMENT SECURITY PORTFOLIO OF THE FEDERAL RESERVE BANKS AND THERE WAS ALSO A SLIGHT INCREASE IN RESERVE BANK ACCOUNTS. EXCESS RESERVES DECLINED FROM AN AVERAGE LEVEL OF 1.4 BILLION AT THE CLOSE OF THE DRIVE TO SOMEWHAT LESS THAN A BILLION BY EARLY SEPTEMBER.