

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

JANUARY 1946

Review of Economic Conditions in 1945

Industry and Trade

THROUGHOUT most of 1945, as in every year since 1940, the war continued to be the dominant influence in the economic life of the Twelfth District. The year's industrial output reflected primarily the extent of the District's response to the needs of the armed forces and their supply services. Despite persistent and, in many localities, severe labor shortages, production was maintained during the first half of the year at levels not greatly below those of the corresponding period of 1944. Following V-E Day, however, and more particularly after V-J Day, heavy cancellations and cutbacks of war contracts resulted in sharply reduced operations at most District centers of war production, with corresponding reductions in employment. By the last quarter of the year, the manpower situation had eased appreciably and

during the final quarter of the year fell to approximately the levels of mid-1941.

Total nonagricultural employment in the Twelfth District declined from about 3,960,000 in December 1944 to about 3,560,000 in September 1945. Practically the entire decrease of 400,000 persons during the nine-month period was in manufacturing, chiefly in the war industries, while aggregate employment in other nonagricultural activities showed little net change. As a consequence of reduced work opportunities in industry and speedy demobilization of the armed forces, a rapid increase occurred in the number of unemployed persons during the closing months of the year. Early in August the total number of persons in the District registered for unemployment compensation or servicemen's readjustment allowances probably did not exceed 45,000. During the two weeks following V-J Day with the immediate lay-off of some 200,000 war workers, approximately 80,000 initial claims were filed for unemployment compensation in the three states, California, Oregon, and Washington. By the end of the year the total number of claimants in the District as a whole was not far short of 400,000, including about 80,000 war veterans.

Aircraft production and shipbuilding

The aircraft and shipbuilding industries of the District were marked by sharply declining employment and output in 1945. Employment in District aircraft plants fell from a level of about 230,000 in the first quarter of 1945 to around 180,000 by the middle of the year and shrank another 100,000 by the year end. The rate of decline was most rapid during the six months from April to October; employment levelled off during the last quarter at about 80,000 persons; December, in fact, showed a small increase over November. In shipbuilding the rate of decline, although more uniform, was even more drastic than in aircraft, in spite of the fact that reduction in new ship construction was offset to some extent by increased labor requirements in ship repair work around the middle of the year. From an overall total of about 520,000 persons at the beginning of the year, District shipbuilding employment fell to less than 200,000 in December and to about 185,000 in January 1946. Unlike the aircraft industry, however, the yards building merchant ships have substantially completed their war contracts, and the decline in private shipyard employment looks fair to continue in

INDEXES OF INDUSTRIAL PRODUCTION—TWELFTH DISTRICT
(1939=100)

| | 1929 | 1933 | 1937 | 1938 | 1940 | 1941 | 1942 | 1943 | 1944 | 1945 ¹ |
|---------------------------------|------|------|------|------|------|------|------|------|------|-------------------|
| Copper | 129 | 21 | 112 | 72 | 117 | 133 | 154 | 158 | 139 | 112 |
| Lead | 178 | 78 | 123 | 100 | 116 | 116 | 121 | 107 | 96 | 81 |
| Zinc | 103 | 58 | 119 | 99 | 146 | 159 | 168 | 172 | 191 | 178 |
| Silver | 94 | 38 | 115 | 101 | 104 | 102 | 88 | 68 | 56 | 45 |
| Gold | 39 | 37 | 85 | 88 | 105 | 103 | 74 | 35 | 28 | 26 |
| Coal | 154 | 81 | 116 | 91 | 105 | 118 | 153 | 161 | 163 | 152 |
| Natural gas | 98 | 75 | 95 | 90 | 101 | 107 | 113 | 128 | 142 | 165 |
| Petroleum | 130 | 77 | 106 | 111 | 99 | 103 | 111 | 127 | 139 | 146 |
| Refined oils | 121 | 80 | 102 | 99 | 99 | 108 | 110 | 121 | 141 | 152 |
| Steel ingots | 87 | 55 | 102 | 74 | 118 | 134 | 156 | 205 | 301 | 293 |
| Shipbuilding ² | 0 | 0 | 0 | 0 | 5 | 100 | 1180 | 3163 | 2735 | 1852 |
| Cement | 97 | 48 | 98 | 80 | 109 | 144 | 171 | 141 | 113 | 115 |
| Lumber | 134 | 57 | 102 | 81 | 110 | 128 | 128 | 121 | 122 | 96 |
| Pulp | 55 | 55 | 108 | 77 | 130 | 143 | 141 | 110 | 118 | 123 |
| Paper | 78 | 67 | 99 | 86 | 112 | 127 | 127 | 118 | 125 | 130 |
| Butter | 90 | 101 | 97 | 101 | 105 | 101 | 89 | 80 | 71 | 52 |
| Cheese | 61 | 78 | 91 | 99 | 103 | 119 | 128 | 121 | 123 | 122 |
| Ice cream | 84 | 47 | 96 | 87 | 106 | 121 | 163 | 203 | 220 | 244 |
| Flour | 94 | 79 | 92 | 90 | 97 | 98 | 98 | 108 | 112 | 124 |
| Sugar | 82 | 94 | 82 | 92 | 100 | 86 | 94 | 94 | 84 | 76 |
| Canned fruits | 80 | 77 | 108 | 74 | 91 | 117 | 116 | 91 | 121 | 106 |
| Canned vegetables | 81 | 55 | 124 | 94 | 131 | 165 | 176 | 198 | 215 | 213 |
| Canned fish | 96 | 78 | 109 | 97 | 101 | 118 | 93 | 89 | 89 | 92 |
| Fish meal | 47 | 55 | 97 | 94 | 73 | 94 | 65 | 71 | 82 | 61 |
| Fish oil | 35 | 43 | 72 | 76 | 61 | 94 | 92 | 102 | 133 | 91 |
| Wool consumption | 89 | 97 | 102 | 89 | 105 | 114 | 140 | 168 | 163 | 182 |

¹ Preliminary.

² Maritime Commission program only. 1941 = 100.

the removal of most wartime restrictions on production and the relaxation of materials controls were expected to create a favorable setting for the resumption of full scale civilian production. Industrial activity was slowed down, however, by a variety of influences, of which perhaps the most important were a succession of wage disputes and work stoppages involving some of the key industries of the District. The physical volume of industrial output

1946. Since last August, when it reached its peak, ship repair work has actually provided more employment than building new vessels, although there has been a significant falling off here too. The Government navy yards, which are concerned primarily with naval repairs, expanded their employment continuously for about seven years from 1938 to August 1945, when four principal navy yards employed about 103,000 persons; this figure shrank to about 75,000 at the year end.

In terms of output, only an incomplete report can be given on the aircraft industry as production data for the last half of the year are not available. During the first six months of 1945 production in District airframe plants, measured in weight of airframes accepted, was 133 million pounds, a figure slightly below the output for the corresponding period of 1943 and about one-third less than the record output during the first six months of 1944. In view of the rapid reduction in working forces during the second half of the year and the shortening of the work week following V-J Day, it is extremely unlikely that output in the last six months of 1945 was even as high as the level attained in the second half of 1942 when air frames of a total weight of 97 million pounds were produced in District plants. For the year as a whole a total output of around 200 million pounds is indicated, as against 341 million pounds in 1944 and 305 million pounds in 1943.

New construction in District shipyards in 1945 was down sharply from 1943 and 1944 levels. The tonnage of vessels delivered to the Maritime Commission, including transports and various naval auxiliaries, was only about 50 percent of the 1944 output, and little more than three-fifths as large as 1943's record production. The emer-

MARITIME COMMISSION SHIP DELIVERIES¹—PACIFIC COAST

| | Number | Lightweight displacement tons ² |
|------------|--------|--|
| 1941 | 27 | 115,000 |
| 1942 | 368 | 1,351,000 |
| 1943 | 938 | 3,621,000 |
| 1944 | 645 | 3,132,000 |
| 1945 | 459 | 2,129,000 |

¹ Wooden tugs and barges excluded.

² Weight of the unloaded vessel itself—not cargo carrying capacity.

gency shipbuilding yards wound up their Victory ship and tanker programs during the year and several of them are now at the dismantling stage. Only 7 yards of the original 20 or more having Maritime Commission contracts had any unfinished construction work on hand at the end of the year and most of this is due to be completed by the second quarter of 1946. A certain amount of naval construction is still under way at a few large private yards and at a number of scattered small plants, as well as at the Mare Island Navy Yard, but there have been extensive cancellations by both the Navy and the Maritime Commission and a considerable program of scrapping unfinished vessels has been initiated. Most of the yards in the San Francisco Bay area were plagued by labor disputes, culminating in an almost complete shutdown of the larger plants as a result of a strike by the machinists in October. Only six vessels were delivered on the Maritime Commission program by yards in this area during the final quarter of 1945.

Petroleum

War demand and demand connected with post-war troop movements were the dominant factors influencing the District oil industry in 1945. Petroleum production and refining continued the expansion which began in 1941; the daily average output of crude petroleum reached a peak of 942,000 barrels in May, and for the year as a whole was 894,000 barrels, a 5 per cent increase over the 1944 figure. Drilling continued active throughout the year, although at a lower rate after V-J Day, and 1690 new wells were completed, compared with 1663 in the previous year. The demand for gasoline for military purposes reached its maximum in mid-summer but fell sharply after V-J Day, and refinery operations contracted correspondingly. Removal of gasoline rationing was followed by a quick upturn in civilian consumption, however, which for the year as a whole was probably close to the record set in 1941. Demand for heavy fuel oil, particularly from the Navy, continued at a high rate, even after the end of hostilities, reflecting the use of naval vessels in repatriating troops from the Pacific area. Stocks of fuel oil at the year end were down to 18.1 million barrels, as compared with 26 million barrels at the end of 1944 and 44 million barrels at December 31, 1942.

Mining

Progressively stringent labor shortages in 1945 continued to hamper operations at District mines, mills and smelters, and practically all metal production showed a downward trend. District copper output declined by 20 percent to 1,160 million pounds compared with 1,445 million pounds in 1944 and 1,633 million in 1943, and was the lowest since 1939. Lead production, already at the lowest level in a decade, continued to fall in 1945 to a point 14 percent below the output of 1944. The output of zinc, after increasing moderately in 1944 to a new high level, declined by about 6 percent. The reduction in output of non-ferrous metals occurred in spite of generally unchanged prices, although more generous premiums were paid in 1945 to high cost producers. The demand for copper was considerably in excess of supplies from domestic sources, even after the cessation of

Production and Employment—

| Index numbers, 1935-39 average=100 | With seasonal adjustment | | | Without seasonal adjustment | | | Annual average | |
|--|--------------------------|--------------|--------------|-----------------------------|--------------|--------------|----------------|------|
| | 1945 Dec. | 1944 Nov. | 1944 Dec. | 1945 Dec. | 1944 Nov. | 1944 Dec. | 1945 | 1944 |
| Industrial production¹ | | | | | | | | |
| Lumber | 93 | 67 | 151 | 72 | 64 | 116 | 105 | 134 |
| Refined oils ² | — | — | — | 221 | 219 | 241 | 243 | 226 |
| Cement ² | 153 | 121 | 159 | 113 | 120 | 117 | 127 | 124 |
| Wheat flour ² | 157 | 142 | 144 | 157 | 156 | 144 | 152 | 136 |
| Petroleum ² | — | — | — | 127 | 127 | 134 | 135 | 129 |
| Electric power ² | 407 | 406 | 436 | 385 | 384 | 412 | 416 | 438 |
| Factory employment and payrolls³ | | | | | | | | |
| Employment | | | | | | | | |
| Twelfth District .. | r136 | r136 | 271 | r137 | r137 | 271 | r212 | 285 |
| California | 158 | 157 | 312 | 159 | 158 | 312 | 244 | 335 |
| Pacific Northwest .. | r110 | r110 | 225 | r110 | r111 | 225 | r176 | 227 |
| Oregon | r87 | r87 | 202 | r86 | r87 | 200 | r148 | 197 |
| Washington | r124 | r124 | 239 | r124 | r126 | 240 | r193 | 244 |
| Payrolls | | | | | | | | |
| California | 288 | 277 | 671 | 288 | 278 | 671 | 491 | 694 |

¹ Daily average.

² 1923-25 average = 100.

³ Excludes fish, fruit, and vegetable canning.

r Revised.

hostilities in August, and imports continued at a high level through the year.

Gold production in the Twelfth District shrank still further in 1945, reflecting the declining output of by-product gold from base metal districts. Total District production was 663,000 fine ounces, 14 percent below the 1944 output. Production in Utah and Nevada, the leading producers in 1944, was off 20 percent; the output in Arizona, which ranked fourth in 1944, dropped 33 percent. The production of gold from gravels or straight gold deposits, on the other hand, made noteworthy gains as a result of the rescinding of limitation orders restricting gold mining operations, effective July 1, 1945. California production rates almost doubled between June and December; total California production for 1945 was 139,000 ounces, or about 12 percent above that for 1944, but was still far below the output in 1940, the recent peak year. Silver production declined in 1945 in every state of the District except California. Total District production of 19.8 million fine ounces in 1945 was little more than two-fifths as large as the 1940 output, the highest recent year, and was nearly 20 percent below 1944. The recovery of silver in 1945 was largely as a by-product of base metal ores, chiefly copper and lead.

Steel

Steel ingot production in 1945 declined to 2,315,000 tons, compared with an output of 2,380,000 tons in 1944 and 1,600,000 tons in 1943. The reduced output of 1945 reflects primarily the closing down of the Government-owned Geneva plant early in October, following the cancellation by the Maritime Commission of orders for the construction of 53 vessels in seven Pacific Coast shipyards. The ultimate disposal of this huge plant, having an annual rated ingot capacity of 1,280,000 tons, after having been in operation for only a year and a half, remains one of the outstanding politico-economic questions of the District. Irrespective of the determination of this issue, the year 1945 ended with the announcement by the two large national steel producers having plants in the District of plans for important additions to their steel-making facilities in this region.

Building materials

Lumber production in the Twelfth District was nearly 25 percent lower in 1945 than in 1944, an estimated 11 billion feet having been cut, compared with 14.5 billion in 1944 and 14.3 billion in 1943. The heavy reduction in 1945 occurred chiefly during the final quarter of the year when a large part of the industry was tied up by strikes, although production had already been appreciably slowed down by shortages of manpower and equipment and by unfavorable weather. Mill stocks were still further reduced below the already low levels of the preceding three years and at the year's end were less than half the normal stocks of prewar days. Unfilled orders at the end of 1945 were also substantially below the figures for recent years, reflecting the unwillingness of the industry to make firm commitments for future delivery in the face of unsettled

cost and price conditions. While numerous forecasts have projected a large increase in the volume of new building activity during the current year, it is far from clear how much of this will materialize or when.

Portland cement production in the three Pacific Coast states increased slightly in 1945, with an output of 19.3 million barrels as against 19 million in 1944. Output was far below the 1941-43 average, when large quantities of cement were required in war construction, and the average rate of activity was below 60 percent of capacity. With the promised revival of road improvement, public works, and other heavy construction in 1946, the outlook for the industry should be much improved.

Building construction

A sharp upswing in building construction occurred in the second half of 1945 following the progressive relaxation and removal of wartime controls on building activity. While data are not available on the total volume of building construction in the District, reports on construction in urban areas provide evidence of the marked change in volume and character of building activity as a whole. Urban building construction increased in 1945 nearly 60 percent over 1944 and new residential construction, which has been lagging in recent years, increased nearly 80 percent. Among the several categories listed in the accompanying

WESTERN BUILDING CONSTRUCTION—1944-1945
Estimated value of building construction in urban areas of the western states¹
(thousands of dollars)

| | 1945 | 1944 | Percent change |
|--|---------|---------|----------------|
| All building construction ² | 512,788 | 324,418 | + 58 |
| Federal | 92,471 | 121,524 | - 24 |
| Non-federal | 420,317 | 202,894 | +108 |
| New residential construction..... | 221,339 | 124,093 | + 78 |
| Federal | 20,862 | 20,680 | + 2 |
| Non-federal | 200,477 | 103,413 | + 94 |
| New non-residential construction..... | 190,723 | 136,927 | + 39 |
| Federal | 62,421 | 96,248 | - 35 |
| Non-federal | 128,302 | 40,679 | +215 |

¹ Area includes Colorado, Montana, New Mexico, and Wyoming in addition to Twelfth District states.

² Including additions, alterations, and repairs.
Source: United States Bureau of Labor Statistics.

table, private non-residential construction scored the most striking increase, while Federally financed non-residential construction declined by one-third. The disproportionate increase in private non-residential construction in the face of general shortages of lumber and other building materials, both in the District and in the country as a whole, led to the reintroduction in December of a system of priorities and allocation of scarce building materials designed to encourage the production of low cost houses. Severe housing shortages persist in most urban areas of the District and in certain non-urban areas as well; the situation is reported to be particularly tight in southern California where the pressure of expanding population has not appreciably relaxed despite the ending of the war.

Food processing

District food packing industries were apparently less handicapped by labor shortages in 1945 than in the preceding year and total fruit and vegetable packs, while below the 1944 output, were well up to the average of other recent years. The total California fruit pack in

1945 approximated 26 million cases, as against 29.4 million in 1944; the difference was more than accounted for by the very large apricot pack of 7.7 million cases in 1944 as compared with 3.9 million last year. The California canned peach pack of 12.8 million cases in 1945 was almost identical with the 1944 pack and about equal to the average pack of the past four years. The California pack of tomatoes and tomato products was also near a maximum, at 22 million cases against 22.2 million in 1944. Complete returns on the Oregon and Washington fruit and vegetable packs are not yet available. Preliminary reports indicate, however, that the canned pear pack, normally the most important fruit pack in that area, was approximately equal to the 1944 pack of 3 million cases, but was below 1940-42 levels. The important pea pack declined to 5.5 million cases, compared with 6.1 million in 1944 and the record pack of 7 million cases in 1943.

Retail trade

In spite of progressively declining industrial employment and payrolls through most of the year, District retail trade continued to expand in 1945. Extending the upward trend begun seven years ago, District department store sales in 1945 reached the highest levels on record. For the year as a whole, sales were about 11 percent above the 1944 volume and nearly two and one-half times the average volume of the five prewar years, 1935-39. All parts of the District participated in the general increase of business, with stores in southern California and the Pacific Northwest scoring the highest gains over the prewar period. Comparing 1945 with 1944, individual cities having the largest increases included Phoenix, Tacoma, Los Angeles, Fresno, Stockton and San Francisco, in order. More moderate gains occurred in Seattle, Salt Lake City, Sacramento, Oakland, Spokane, Portland and San Diego. While for the District as a whole seasonally adjusted daily average sales reached their peak in the final quarter of 1945, the increase over 1944 was at a progressively lower rate in each successive quarter of the year. For certain cities, in fact, sales in the last quarter of 1945 showed little or no gain over the final quarter of 1944. Last quarter comparisons show increases for Oakland and Spokane of 4 percent and 3 percent re-

spectively, no change for Portland, and an actual decrease of 2 percent for San Diego.

District apparel and furniture stores also increased their 1945 sales volumes over 1944, though by smaller margins than the department stores. Apparel stores reported an increase of about 9 percent for the year as a whole, with the first and third quarters making the best relative showing. Depleted inventories at the year end reflected the increasing difficulty experienced by these concerns in obtaining stocks of merchandise, as well as the avid buying by the public of certain kinds of goods. District furniture store sales for the year exceeded the 1944 volume by about 7 percent; sales in the first and last quarters making the best comparison with the previous year.

Data compiled by the Department of Commerce covering sales by a wide range of independent retail stores in the District indicate a general increase in 1945 of about 10 percent over 1944. Large increases were reported in most parts of the District, especially at the year end, by filling stations and motor vehicle dealers, furniture and household appliance stores, radio shops, and hardware, lumber and farm equipment dealers.

Agriculture

Agricultural production in 1945, aided by still another season of favorable weather and stimulated by war-induced demand and Government aids, including incentive price supports, achieved an all-time record in the West. The ending of the war came too late to have any effect on production, and surprisingly enough it had little effect on demand, although cancellation of Government contracts and set-aside orders did depress prices and increase available supplies for the first two months after V-J Day. At the end of the year 1945, prices of farm products were at a 25 year high, gross income was at a very high level, land values were continuing to increase, and farm debt was low.

Production

The volume of agricultural production has increased until in 1945 it was about one-third above the 1935-39 average. Land in crops in the District increased by nearly two million acres, or about 10 percent, but most of the increased volume was achieved by higher yields brought about by the use of more and better fertilizers, hybrid seed, superior livestock, and increased mechanization of farms, together with generally favorable weather. In large part the increased volume of production is expected to be maintained in the immediate postwar period, although production of individual commodities may change considerably.

All-time national production records were established in 1945 for wheat, oats, rice, hops, peaches, pears, grapefruit, and almonds, all important Twelfth District crops. Nevertheless, District production of wheat, oats, rice, and peaches was not quite as large as in 1944. Crops of near record size, nationally, of hay, flaxseed, potatoes, oranges, and grapes were also produced in 1945. Wartime de-

Distribution and Trade—

| Index numbers, 1935-39 daily average=100 | With seasonal adjustment— | | | Without seasonal adjustment— | | | Annual average | |
|---|------------------------------|--------------|--------------|---------------------------------|--------------|--------------|-------------------|------|
| | 1945 Dec. | 1944 Nov. | 1944 Dec. | 1945 Dec. | 1944 Nov. | 1944 Dec. | 1945 | 1944 |
| Department store sales (value) | | | | | | | | |
| Twelfth District | 256 | 272 | 233 | 407 | 320 | 373 | 244 | 221 |
| Southern California | 270 | 295 | 241 | 431 | 338 | 384 | 254 | 228 |
| Northern California | 230 | 246 | 213 | 383 | 295 | 355 | 226 | 203 |
| Portland | 234 | 242 | 238 | 347 | 282 | 352 | 227 | 216 |
| Western Washington | 301 | 313 | 276 | 480 | 374 | 440 | 288 | 260 |
| Eastern Washington and Northern Idaho | 229 | 234 | 221 | 333 | 281 | 321 | 217 | 203 |
| Southern Idaho and Utah | 241 | 264 | 219 | 394 | 330 | 358 | 237 | 217 |
| Phoenix | 295 | 310 | 257 | 487 | 362 | 424 | 283 | 243 |
| Carloadings (number)¹ | | | | | | | | |
| Total | 97 | 96 | 119 | 86 | 96 | 105 | 110 | 115 |
| Merchandise and misc. | 125 | 126 | 141 | 111 | 126 | 126 | 131 | 130 |
| Other | 63 | 58 | 91 | 55 | 59 | 79 | 83 | 97 |

¹ 1923-25 daily average = 100.

mands at favorable support prices have doubled the California pre-war early potato acreage. Flaxseed acreage and production in the Twelfth District was not as large as the record crop of 1943 because of the more favorable price incentive for competing crops. Flaxseed is the first

be reduced still further in 1946, but probably not below the 10-year average. The proportionate decrease in this crop is greater than in any other major District crop.

National production of barley, dry beans, apricots, and sugar beets for 1945 was below the 10-year average. However, in California a near record crop of barley was produced. District bean and apricot production was low because of adverse growing conditions and poor yields. In the case of sugar beets, acreage was greatly reduced during the war in spite of various Government measures of long standing intended to insure a domestic sugar supply in a national emergency. The acreage was reduced because of the competition for land and labor from other crops on which the returns were more favorable.

Twelfth District experience last year with certain important crops was directly contrary to that in the nation as a whole. National cotton production in 1945 was about 25 percent less than in 1944. California was the only state in which production increased. There it is expected to increase again in 1946. National production of both apples and cherries was the smallest on record in 1945. District apple production was near average and California had a record crop, however, while the Washington cherry crop was the largest on record, and the Oregon and California crops were of near record proportions.

Meat production in the United States in 1945 was about 2 billion pounds less than the record production of 24.6 billion pounds in 1944, but the value of production reached an all-time high. The chief reduction in meat supplies was in pork, which decreased about 25 percent. Beef production was up 10 percent and lamb production was about the same as in 1944. Complete 1945 meat production data for the Twelfth District are not yet available, but the number of cattle and sheep and lambs slaughtered at major public stockyards in the District was only slightly less in 1945 than in 1944. The number of calves slaughtered declined by about 15 percent and only half as many hogs were slaughtered in 1945 as in 1944.

District beef cattle numbers have recently decreased to about prewar numbers, and the number of sheep and lambs has decreased to a point far below prewar levels. This reduction was in part necessary because of the reduced carrying capacity of the ranges. Decline in the number of sheep on the range is due largely, however, to concern over the future of the domestic wool surplus, Government price policies, and the difficulty in holding sheep herders at prevailing wages. Wool production in the United States dropped to less than 400 million pounds in 1945, the lowest since 1929.

Milk production in the Twelfth District set a new record of about 12 billion pounds in 1945, slightly above that of last year. Both the number of dairy cows and milk production in the District are expected to continue their gradual prewar upward trend, influenced largely by population growth. Egg production in 1945 amounted to about 350 million dozen eggs, only slightly below the 1944 record.

PRODUCTION AND GROSS FARM VALUE, MAJOR FARM CROPS—

TWELFTH DISTRICT
(All figures in thousands)

| | Production | | | Value | |
|--|-----------------|---------|---------|----------|----------|
| | 1934-43 Average | 1944 | 1945 | 1944 | 1945 |
| Field and Seed Crops | | | | | |
| Alfalfa seed (bu.)... | 356 | 250 | 224 | \$ 5,289 | \$ 4,898 |
| Barley (bu.)..... | 56,375 | 78,013 | 75,562 | 80,755 | 76,398 |
| Beans, dry (cwt.)... | 6,493 | 6,191 | 5,441 | 38,652 | 34,509 |
| Corn (bu.)..... | 8,548 | 7,644 | 7,573 | 10,507 | 10,715 |
| Cotton, lint (bales)... | 609 | 463 | 495 | 48,781 | 54,526 |
| Cottonseed (tons) .. | 258 | 184 | 197 | 8,905 | 10,638 |
| Flaxseed (bu.) | 2,265 | 3,253 | 2,334 | 10,491 | 7,649 |
| Grain sorghums (bu.) | 5,448 | 6,096 | 5,330 | 6,784 | 7,634 |
| Hay, tame (tons)... | 12,034 | 13,388 | 13,674 | 244,547 | 248,346 |
| Hops (lbs.)..... | 39,240 | 47,840 | 56,128 | 31,063 | 37,286 |
| Oats (bu.)..... | 29,388 | 33,884 | 29,269 | 24,413 | 21,702 |
| Peas, dry (cwt.)... | 3,374 | 8,016 | 4,839 | 35,944 | 18,174 |
| Potatoes (bu.) | 66,629 | 98,025 | 110,524 | 129,714 | 143,366 |
| Rice (bu.)..... | 9,656 | 15,000 | 14,520 | 24,750 | 24,248 |
| Sugar beets (tons)... | 3,326 | 2,389 | 3,036 | 25,315 | 1 |
| Wheat (bu.)..... | 112,788 | 135,399 | 132,964 | 183,062 | 184,715 |
| Fruit and Nut Crops | | | | | |
| Apples ² (bu.) | 41,544 | 43,205 | 40,739 | 95,513 | 112,295 |
| Apricots (tons) | 215 | 355 | 212 | 39,057 | 25,063 |
| Avocados (tons) ... | 12 | 10 | 19 | 4,856 | 5,035 |
| Cherries (tons) | 73 | 85 | 101 | 22,300 | 26,434 |
| Figs, dried (dry tons) | 28 | 35 | 31 | 8,906 | 7,854 |
| Figs, not dried (tons) | 14 | 19 | 14 | 2,470 | 1,932 |
| Grapes & fresh raisins (tons) | 1,321 | 1,298 | 1,717 | 133,870 | 101,939 |
| Raisins (dry tons)... | 237 | 310 | 243 | 61,900 | 49,086 |
| Grapefruit (boxes)... | 4,887 | 7,527 | 8,030 | 12,790 | 12,433 |
| Lemons (boxes) | 11,339 | 12,633 | 13,900 | 36,576 | 34,614 |
| Oranges (boxes) | 43,368 | 61,450 | 52,540 | 165,187 | 167,211 |
| Olives (tons) | 41 | 42 | 31 | 8,400 | 8,153 |
| Peaches (bu.) | 26,375 | 38,614 | 35,700 | 65,425 | 61,535 |
| Pears (bu.) | 20,131 | 23,691 | 27,306 | 53,962 | 60,263 |
| Plums (tons) | 66 | 90 | 70 | 10,530 | 9,590 |
| Prunes, dried (dry tons) | 205 | 159 | 212 | 34,662 | 44,520 |
| Prunes, not dried (tons) | 143 | 110 | 145 | 43,870 | 55,434 |
| Almonds (tons) | 14 | 21 | 23 | 15,624 | 16,309 |
| Filberts (tons) | 3 | 6 | 5 | 3,434 | 2,794 |
| Walnuts (tons) | 58 | 72 | 68 | 32,005 | 34,333 |
| Vegetables for Market | | | | | |
| Artichokes (40# bx.) | 897 | 759 | 702 | 2,505 | 2,352 |
| Asparagus (24# bx.) | 3,354 | 3,814 | 3,084 | 9,369 | 7,301 |
| Beans, snap (30# bu.) | 1,575 | 1,191 | 1,088 | 3,185 | 3,239 |
| Broccoli (40# cr.)... | — | 1,296 | 1,260 | 4,082 | 5,040 |
| Cabbage (tons) | 91 | 217 | 269 | 6,831 | 9,420 |
| Cantaloups (60# cr.) | 5,882 | 7,278 | 8,377 | 20,069 | 22,268 |
| Carrots (50# bu.)... | 10,111 | 16,766 | 18,009 | 23,500 | 29,737 |
| Cauliflower (37# cr.) | 5,010 | 6,244 | 7,672 | 9,281 | 11,328 |
| Celery (65# 1/2 cr.)... | 6,029 | 6,100 | 7,662 | 18,171 | 24,579 |
| Garlic (100# sacks) | 134 | 130 | 158 | 2,275 | 3,002 |
| Honeydew melons (35# cr.)..... | 2,474 | 3,122 | 3,968 | 5,673 | 7,366 |
| Lettuce (70# cr.)... | 19,345 | 26,116 | 26,858 | 67,833 | 77,856 |
| Onions (50# sacks)... | 7,776 | 15,416 | 13,178 | 13,747 | 19,919 |
| Peas, green (25# bu.) | 5,038 | 4,006 | 3,910 | 9,227 | 2,340 |
| Peppermint (lbs.) .. | 189 | 489 | 528 | 3,246 | 3,106 |
| Peppers, green (25# bu.)..... | 594 | 566 | 754 | 1,217 | 1,320 |
| Spinach (18# bu.)... | 2,163 | 2,890 | 3,311 | 1,969 | 2,598 |
| Strawberries (36# cr.) | 2,294 | 1,112 | 1,299 | 7,588 | 9,304 |
| Tomatoes (53# bu.)... | 4,973 | 6,041 | 7,697 | 24,124 | 34,060 |
| Watermelons (no.) .. | 11,988 | 11,956 | 10,277 | 3,316 | 3,801 |
| Vegetables for Processing (Pacific Coast States) | | | | | |
| Asparagus (tons) ... | — | 54 | 53 | 8,238 | 8,933 |
| Beans, green (tons) .. | — | 46 | 43 | 2,173 | 2,080 |
| Cucumbers (tons) .. | — | 23 | 33 | 653 | 991 |
| Peas (tons) | — | 100 | 97 | 4,449 | 4,870 |
| Spinach (tons) | — | 49 | 48 | 1,309 | 1,253 |
| Tomatoes (tons) ... | — | 959 | 906 | 24,838 | 23,117 |

¹ Value of 1945 crop not yet available for all states.

² Commercial crop only.

Source: United States Department of Agriculture.

major District crop for which the 1946 planting has been completed, and the acreage is 10 percent less than that in 1945, which was well under the wartime peak. Dry pea acreage and production were sharply reduced in 1945, due largely to lower support prices, and production may

Demand

Overall consumer demand continued at a high level throughout the year. The number of unemployed following V-J Day was much less than was anticipated, and consumer expenditures did not decline. The wartime demand for agricultural products was created by increased purchasing power through war industry employment; military consumption, which is at a higher rate per capita than civilian consumption; lend-lease shipments; stockpiling, and "filling the pipe-lines"; and wartime losses and waste in transportation. In 1946 military buying of food is expected to drop to less than one-fourth of 1945, yet demand is likely to remain high because of continued high civilian purchasing power augmented by the return of service men to civilian life, the removal of restrictions on consumption, and increased purchases for export through UNRRA and commercial channels. A high level of civilian purchasing power will maintain the demand for high cost items such as meat, milk, eggs, fresh vegetables and fruit, but the demand for other items such as food grains may depend to an important extent on export requirements.

With the largest crop of wheat on record, export demand and relief shipments are causing a short supply and brisk demand in seaboard markets. Wheat exports from the 1945 supply are expected to equal 380 million bushels, three times those of last year, and to exceed 1920, the previous record year. In spite of a record crop, rice is also in short supply because of the great export demand. This will continue until late 1946 when the first postwar Oriental harvest is available. Cotton is the third important crop, exports of which are increasing sharply. Some agricultural exports may decline in the latter part of 1946 if good crops are harvested in Europe and many more may be markedly reduced after two or three years of recovery from the war.

During the war, the Government ordered certain proportions of the canned fruit and vegetable packs set aside to be available for Government purchase. By V-J Day set-aside orders were quite general. For canned fruits they varied from 100 percent of the blackberry pack and 60 percent of the peaches and apricots to 25 percent of the sweet cherries, and for canned vegetables they varied from 95 percent of the carrots and 65 percent of the asparagus to 16 percent of the tomato juice. With the end of the war, canned fruits and vegetables were taken off the ration list. Government set-asides were sharply reduced on August 24 and again on September 14, until for fruit juices they represented only 29 percent of the 1945 pack and for vegetables only 15½ percent of the pack. Other set-asides suspended since V-J Day are those on meats, broilers in certain states, and canned poultry and products. Some set-asides have been reinstated, however; for example, 60 percent of the 1945 California rice crop is to be set aside for Government procurement after January 1 to ship to the Philippine Islands and other Asiatic areas. Substantial proportions of dry bean and dry pea supplies are being allocated for export for European relief.

Prices and income

High prices during the war period were the result of increased demand and Government price supports. The support program provided farmers the price assurance necessary to call forth the immense production effort needed to supply wartime food needs. The indexes of farm prices for most of the various classes of commodities reached their wartime peak in June, July, or August of 1945. The wartime peak of the all-products index was a little more than double the prewar level and 119 percent of parity. Prices to farmers declined after V-J Day but rose again to a 25-year high in December. A sharp decline and subsequent rise in truck crop prices accounts for a large part of the fluctuation in the all-products price index since V-J Day. All principal commodities but hay were selling near or above parity at the end of 1945.

Price support activities in connection with wheat marketing have fallen off sharply since the increase in export demand and the accompanying price rise. Only about 25 percent as many non-recourse loans were made on 1945 wheat through December as in the comparable period in 1944, and the volume of wheat held under loan at the year end was only about 30 percent as great. The loans originating in the states of Washington, Oregon and Idaho were much larger in relation to production than in the Great Plains states. Price support activities in connection with the marketing of eggs, although authorized, were not necessary in 1945 because the market took the limited supply at prices well above the support level. This was in sharp contrast with the 1944 experience in the Government marketing of this commodity. On the other hand the demand for potatoes exceeded the supply in the fall of 1944 and price support was not needed. In 1945, however, a bumper crop, combined with some slackening of demand, resulted in large scale price support operations late in the year.

Cash receipts from farm marketings in the United States reached a peak of about 20.7 billion dollars in 1945, 5 percent more than in 1944, and double that of 1940. In the Twelfth District, annual cash receipts from farm marketings in 1945 exceeded three billion dollars¹ for the first time and were three times as great as in the prewar years

CASH RECEIPTS FROM FARM MARKETINGS¹—TWELFTH DISTRICT
(thousands of dollars)

| State | 1935-39 | 1944 | 1945 ² |
|------------------------|-------------|-------------|-------------------|
| Arizona | \$ 53,331 | \$ 123,252 | \$ 137,327 |
| California | 574,239 | 1,701,141 | 1,765,445 |
| Idaho | 88,581 | 236,132 | 255,760 |
| Nevada | 12,393 | 24,965 | 26,576 |
| Oregon | 101,425 | 280,445 | 282,888 |
| Utah | 42,446 | 115,253 | 118,937 |
| Washington | 144,492 | 449,901 | 471,124 |
| Twelfth District | \$1,016,907 | \$2,931,089 | \$3,058,057 |

¹ Excluding Government payments.

² Preliminary.

1935-39. Increases over 1944 were recorded in each of the District states. In respect to leading individual crops, there were decreases in income from grapes, raisins, and apricots. Important increases occurred in farm income

¹ Excluding Government payments (87 million dollars in 1944), most of which are payments for dairy production and for soil and water conservation.

from poultry and eggs, tomatoes, carrots, celery and prunes. These changes were due to a combination of planned production, weather conditions, and prices. In Nevada and Utah, the two District states in which the larger part of farm income is derived from livestock and livestock products, income from this source increased still further in 1945 in relation to total farm income. On the other hand the farmers of California, Oregon, Washington and Idaho increased the proportion of their income from crops in 1945. These four states and Arizona receive a larger share of their farm income from crops than does the nation as a whole.

Farm real estate

With the tendency toward the capitalization of current high net farm incomes, farm real estate values continued to increase in the District in 1945, and at a more rapid rate than in the nation as a whole. There were some indications, however, that the rate of increase was slowing down. Studies have been made by the Bureau of Agricultural Economics of recorded transfers of farm real estate in selected counties of the western states. These studies indicate that the average price of irrigated land in the last quarter of 1945 was only 3 percent higher than a year

FARM REAL ESTATE VALUES
(Value per acre, March 1940=100)

| | United States | Mountain States | Pacific States |
|---------------------|---------------|-----------------|----------------|
| March 1941 | 101 | 103 | 101 |
| March 1942 | 108 | 111 | 106 |
| March 1943 | 118 | 121 | 117 |
| March 1944 | 136 | 141 | 139 |
| March 1945 | 150 | 158 | 158 |
| July 1945 | 154 | 163 | 167 |
| November 1945 | 158 | 170 | 172 |

earlier and that the price of range and pasture land was 18 percent higher. Over half of these transfers were for cash, and in credit sales individuals continued as the most important lenders.

Total farm mortgage loans outstanding in the District have been decreasing every year since 1930. On January 1, 1945, the latest date for which complete figures are available, about 600 million dollars of farm mortgage loans were outstanding. This amount was some 5 percent less than a year earlier. Only about 10 percent of the total outstanding was held by insured commercial banks, the greater part being held by private lenders other than banks and insurance companies.

Farm labor

Average farm employment in the District was practically the same in 1945 as in 1944. A slight gain in the Pacific States was offset by a slight loss in the Mountain States. The number of foreign laborers working on farms has tended to be maintained at a high level long after the September and October peak labor requirements have passed. As of the end of the year practically all of the Mexican nationals and a large share of the prisoners-of-war employed as agricultural laborers in the United States were in the Twelfth District. The 22,403 Mexican nationals and 20,610 prisoners of war so employed represented over 17 percent of the hired farm laborers of the

District. In California the proportion represented by foreign agricultural laborers was even larger. District farm wage rates in 1945 increased slightly over those of a year ago and were 50 percent above the national average.

Banking and Credit

Federal finances continued in 1945 to be the predominant factor in monetary and banking developments. The public debt increased about 50 billion dollars to 280 billion at the end of the year. Despite the fact that Treasury borrowing was confined almost entirely to securities offered during the Seventh War Loan Drive and the Victory Loan Drive, from which commercial banks were excluded, and to the sale of savings bonds, Government securities held by commercial banks and by the Federal Reserve System rose by about 13 and 5.4 billion dollars, respectively. This increase in Government security holdings of the banking system and a 4 to 5 billion dollar increase over the year in bank loans were the major factors in the continuing increase in bank deposits and currency in circulation. Reserve System purchases of Governments were necessary, as in other recent years, to supply reserves to meet the increase in currency in circulation and the increase in required reserves accompanying increased deposits.

In the Twelfth District, as in the nation, deposits and currency, bank reserves, and bank credit continued to expand. Since the beginning of the war and continuing in 1945, the District expansion in deposits and reserves has been more rapid than in the country as a whole, because of shifts of funds in substantial amounts from other areas to this District through Treasury disbursements in the District in excess of receipts from District sources.

Bank deposits and currency

Member bank demand deposits of individuals, partnerships, and corporations at the end of 1945 were about 17 percent higher than a year earlier, compared with a 10 percent gain in the United States. Time deposits of District member banks continued their consistent increase and by the end of 1945 were about 25 percent higher than

MEMBER BANK DEPOSITS AND EARNING ASSETS—
TWELFTH DISTRICT
(millions of dollars, as of December 31)

| | 1941 | 1943 | 1944 | 1945 |
|---|-------|-------|-------|--------------------|
| Demand deposits of individuals, partnerships, and corporations..... | 2,778 | 5,836 | 6,795 | 7,927 |
| Time deposits ¹ | 2,390 | 3,183 | 4,118 | 5,150 ² |
| U. S. Government deposits..... | 144 | 842 | 1,442 | 2,160 ² |
| Loans | 2,451 | 2,106 | 2,255 | 2,650 |
| U. S. Government securities..... | 1,738 | 6,235 | 8,263 | 10,406 |
| Other securities | 542 | 557 | 698 | 793 |

¹ Excluding interbank and U. S. Government deposits.

² Estimated.

they were at the end of 1944. In both 1944 and 1945, time deposits rose considerably faster than demand deposits. Coin and currency in circulation also increased in 1945 with only brief interruptions.

Neither the end of the European war nor of the Japanese war appeared to have any marked effect upon the growth of deposits in the District. The September-De-

member increase in coin and currency in circulation was considerably smaller in 1945 than in 1944, however, largely because of a sharp decline in currency in circulation in November. Net Treasury disbursements in the District did not decline appreciably in this period, although Treasury spending for munitions decreased markedly in total and presumably also in the District. Expenditures for service personnel subsistence, pay, and allotments were much less affected by the end of the war, and are of particular importance in the Twelfth District because of its relation to the Pacific area.

Member bank reserves

Member bank reserves as well as deposits increased primarily because of net Treasury disbursements. The increase in reserves of 327 million dollars was the largest

FACTORS AFFECTING TWELFTH DISTRICT MEMBER BANK
RESERVE BALANCES
(millions of dollars)

| | 1936-40 average | 1942 | 1943 | 1944 | 1945 |
|---|--------------------|-------|-------|-------|-----------------|
| FACTORS WHICH INCREASED RESERVES | | | | | |
| United States Treasury Operations... The amount by which Federal Government disbursements in the District exceeded collections. | 311 | 2,826 | 4,486 | 4,482 | 4,682 |
| Reserve Bank Credit..... The amount of increase in credit extended directly in the Twelfth District. | 1 | 107 | 214 | 98 | 76 ¹ |
| Total of factors increasing member bank reserves..... | 312 | 3,933 | 4,700 | 4,580 | 4,606 |
| FACTORS WHICH REDUCED RESERVES | | | | | |
| Interdistrict Payments and Transfers of Funds..... The net amount paid to other districts in settlement of commercial and financial transactions (exclusive of Treasury operations). | 180 | 1,980 | 3,751 | 3,534 | 3,743 |
| Demand for Currency..... The amount by which holdings of cash by banks and the public increased. | 36 | 643 | 708 | 788 | 545 |
| Other Federal Reserve Accounts..... The amount of the increase in non-member bank accounts and other miscellaneous accounts at the Reserve bank. | 3 | 8 | 11 | 14 | 9 ¹ |
| Total of factors decreasing member bank reserves..... | 219 | 2,631 | 4,470 | 4,336 | 4,279 |
| Member bank reserve balances at the Federal Reserve Bank of San Francisco increased..... | 93 | 302 | 230 | 244 | 327 |

¹ Decrease.

amount of gain in any war year. Required reserves rose by more or less the same amount since excess reserves were reduced to a practicable minimum in 1943 and, apart from fluctuations related to war loan drives, have shown little change since that time.

Net Treasury disbursements, the principal source of member bank reserves in this District, increased somewhat more in 1945 than in previous years, although the relative gain over the preceding year was much less than in 1942 or 1943. Member bank reserves were reduced by other factors, however. Credit extended in the District by the Reserve Bank declined in 1945 for the first time during the war. Reserve Bank credit has been extended since 1941 primarily through the purchase of Treasury bills from member banks under repurchase agreement, and the amount of such bills held by this bank declined from 346 million dollars at the end of 1944 to 276 million at the end of 1945. Despite the decline over the

year in Reserve Bank credit, member bank borrowing from the Reserve Bank appeared in appreciable amounts in April and May and again toward the end of the year, for the first time in more than 10 years.

The major factor reducing reserves was the excess of interdistrict payments over receipts, other than on Treasury account. Net payments and transfers to other areas for goods, services, and securities have increased along with net Treasury disbursements in the District. This shift of non-Federal funds from the District reduces reserves and, to the extent that they represent depositors' rather than bank funds, results in a loss of deposits also.

Loans and investments

The continuing shift of funds, on balance, to this District enabled member banks to increase their holdings of Government securities to 10,406 million dollars from 8,263 million in 1944 and 1,738 million in 1941. At the year end, Government securities constituted 75 percent of all loans and investments of member banks, compared with 37 percent in 1941. The average rate of return upon bank loans and investments has declined markedly during the war because of both the increasing proportion of Governments to total earning assets and declining interest rates, but the adverse effect upon earnings has been more than offset by the increase in total earning assets.

The increase in District member bank holdings of Governments in 1945 occurred entirely in certificates of indebtedness and in bonds. Holdings of Treasury bills and notes declined. Although bond holdings by maturity at the year end are not yet available, it appears that there was some shift during the year to longer term securities.

District member bank loans increased in 1945, especially in the latter part of the year, and by December 31 were substantially higher than on any other call report date and 18 percent above the end of 1944. Loans for purchasing or carrying Government securities were up sharply over a year earlier because of the Victory Loan Drive. Consumer instalment loans rose during 1945, and by the year end were 30 percent higher than at the end of 1944. Commercial, industrial and agricultural loans of weekly reporting member banks increased somewhat over the year period, but real estate loans of those banks were virtually unchanged.

Banking and Credit—

| Condition items of weekly reporting member banks | Averages of Wednesday figures (millions of dollars) | | | |
|--|--|--------------|----------------------------------|--------|
| | Dec. | 1945 Nov. | Change from 1944 Oct. Dec. | |
| Total loans..... | 1,314 | +170 | +206 | + 243 |
| Com'l, ind., & agric. loans..... | 600 | + 34 | + 51 | + 84 |
| Loans to finance transactions in: | | | | |
| U. S. Government securities..... | 227 | +114 | +118 | + 118 |
| Other securities..... | 62 | + 6 | + 7 | + 9 |
| Real estate loans..... | 292 | + 2 | + 2 | + 5 |
| All other loans..... | 133 | + 14 | + 28 | + 37 |
| Total investments..... | 6,066 | +400 | +525 | +1,140 |
| U. S. Government securities..... | 5,644 | +382 | +504 | +1,090 |
| All other securities..... | 422 | + 18 | + 21 | + 50 |
| Adjusted demand deposits..... | 3,445 | - 57 | + 39 | + 448 |
| Time deposits..... | 2,000 | + 3 | + 16 | + 357 |
| United States Government deposits..... | 1,444 | +701 | +695 | + 464 |
| Coin and currency in circulation | | | | |
| Total (changes only)..... | — | + 21 | + 81 | + 533 |
| Fed. Res. Notes of F.R.B. of S.F.... | 3,202 | + 18 | + 75 | + 509 |
| Member bank reserves..... | 2,006 | + 43 | +107 | + 316 |

National Summary of Business Conditions

Released January 26, 1946—Board of Governors of the Federal Reserve System

INDUSTRIAL output declined slightly in December and, with new strikes occurring within the past two weeks, a large decrease is indicated in January. The value of retail trade in December and the early part of January was maintained at record levels, after allowing for seasonal changes.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production decreased from 168 percent of the 1935-39 average in November to 164 in December. The decline was due mainly to the stoppage of work at leading automobile plants and to holiday influences on activity in the steel, textile, paper, and mining industries.

Output of most types of producers equipment and of many consumer durable goods showed further gains in December and increases also occurred in output of construction materials. These gains, however, were more than offset by suspension of operations at automobile plants and total durable goods output declined by three percent, reflecting decreases not only in output of automobiles and parts but also of such other metal products as diesel locomotives and refrigerators.

Steel production declined slightly in December owing to most plants being shut down for two days in observance of the Christmas holiday. In the first three weeks of the month steel production was above the November rate and output was resumed at a high level during the first three weeks of January. In the following week, however, steel output dropped to five percent of capacity as negotiations for a new wage contract collapsed.

Output of nondurable goods in December was maintained at about the level of the preceding month. Meat production continued at a high level in December and the early part of January. Activity at most meat-packing plants was suspended in the latter part of January due to an industrial dispute. Production of cigarettes declined considerably, reflecting an accumulation of stocks resulting from increased output for civilian use since the end of the war. Output of tires for civilians increased substantially in November and December and rationing was eliminated on January 1. Cotton consumption declined in December, reflecting holiday influences.

Coal production in December was about 10 percent below the November level because of reduced operations at mines around the Christmas holiday. A high rate of output was maintained in both bituminous and anthracite coal mines in the early part of January. Output of crude petroleum and of metals was generally maintained in December.

Awards for private construction, especially contracts for manufacturing and commercial buildings and those for residential building for sale or rent, continued to advance sharply in November and the early part of December.

EMPLOYMENT

Employment in most lines of activity continued to rise in December, after allowing for seasonal changes. Gains in employment in trade, transportation, construction, and most durable and nondurable goods industries were offset in part by the loss in employment due to the automobile strike.

DISTRIBUTION

Sales at department stores were about 10 percent larger in December than a year ago, and in the first three weeks of January sales continued to show about the same increase above the relatively high level in the corresponding period of 1945. Most other types of stores in recent months have shown even larger increases in sales than department stores, and the total value of retail trade has been running 12 to 15 percent above year-age levels.

COMMODITY PRICES

Prices of most farm products and foods were maintained at advanced levels in December and the early part of January. Ceiling prices were re-established for citrus fruits; egg prices also declined, reflecting seasonal increases in supplies.

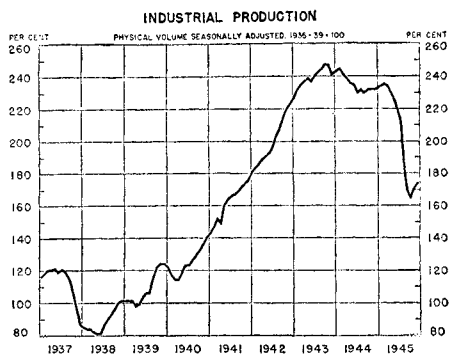
Price ceilings for furniture, printing machinery, furnaces, and various other manufactured products were advanced and there were indications that the general level of steel prices would be raised.

SECURITY MARKETS

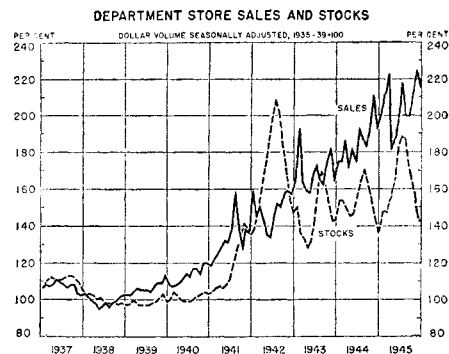
Prices of Treasury bonds have risen sharply in recent weeks with the result that yields are now at the lowest levels on record. Stock market prices rose sharply in January to the highest levels for a number of stocks since 1930. Effective January 21, the Board of Governors of the Federal Reserve System raised margin requirements for listed stocks to 100 percent.

BANK CREDIT

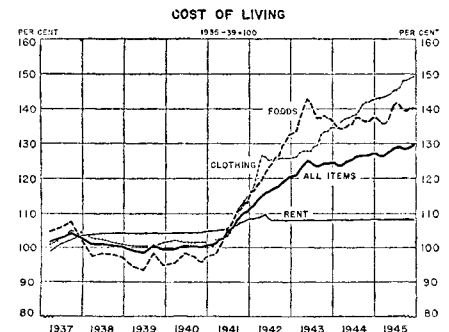
Return flow of currency of almost 700 million dollars, following the Christmas rise, together with a reduction of Treasury deposits at Federal Reserve Banks early in January, provided member banks with substantial amounts of reserve funds. At the same time, bank loans made for purchasing and carrying Government securities during the Victory Loan Drive were reduced. Member banks continued to increase their holdings of Government securities, while the Federal Reserve Banks reduced their portfolio. Bank deposits have shown little change since the sharp decline in demand deposits adjusted and the increase in U. S. Government deposits during the Victory Loan Drive.



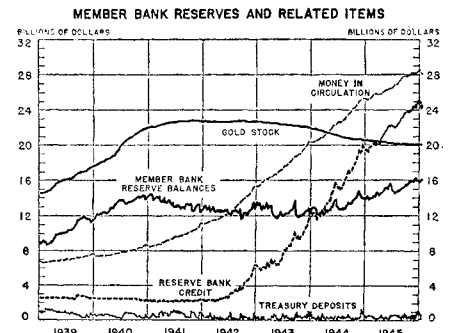
Federal Reserve index. Monthly figures, latest shown is for December.



Federal Reserve indexes. Monthly figures, latest shown are for December.



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



Wednesday figures, latest shown are for January 16.