

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

FEBRUARY - MARCH 1946

Review of Business Conditions—Twelfth District

BUSINESS conditions in the Twelfth District, paralleling the situation in the nation as a whole, presented a mixed picture in the first two months of 1946. Following the general trend since V-J Day, employment continued to decline in most areas of the District and industrial production and payrolls probably reached their low point for the year. Seasonal influences and unfavorable weather accounted for part of the reduction, especially in the extractive industries, but labor disputes extending over part or all of the period seriously interrupted production in the steel, metal working and shipbuilding industries and in mining and lumbering as well. War industries continued to lay off additional workers as contracts approached completion, and employment opportunities in other lines were not sufficient to absorb both surplus war workers and men released from the armed forces. In many instances District production and distribution activity was hampered by industrial difficulties in other parts of the country which delayed the shipment of materials, equipment and finished merchandise.

Definite progress, nevertheless, continued to be made in the process of reconversion to a more normal pattern of industrial activity. The construction industry was particularly active and a large volume of new building construction was started in the urban centers of the District, despite widespread shortages of materials and skilled labor. Among California manufacturing industries, nearly every industry in the non-durable goods group, except food processing, scored increases in employment both in January and February. The number actually employed in the non-durable goods industries as a whole, averaging about 180,000 for the two months, was some 5 percent below the level of a year ago and was about the same as in the opening months of 1944. Most durable goods industries, except aircraft, shipbuilding and steel, also expanded their employment in January and these gains were fairly well maintained in February. The number actually employed in all durable goods industries in California in the latter month was just under 210,000, as compared with about 560,000 a year earlier, and was about at the level of February 1941.

In Washington and Oregon the general industrial situation in recent months has roughly paralleled that of Cali-

fornia. In both states manufacturing employment during January and February was about 40 percent below the levels of a year ago, the durable goods industries having lost about half of their employees, chiefly as a result of cutbacks in aircraft and shipbuilding. In the non-durable goods industries, employment in Oregon in early 1946 expanded nearly 10 percent compared with a year ago; a loss of some 10 to 12 percent in Washington was occasioned chiefly by curtailment of explosives production.

Unemployment

There was no great change in the unemployment situation in the District during the first quarter of 1946. Total unemployment in the three Pacific Coast states was estimated by the United States Employment Service at around 700,000 during the first week of March. The total number of claims on file for unemployment compensation reached a peak of about 525,000 at the end of February, 200,000 more than were on file at mid-December. During March a general decrease occurred, aggregating about 50,000 for the three states. Initial claims reached their maximum in January at a weekly level in excess of 40,000; March initial claims were substantially lower. Veterans' unemployment claims increased by nearly 100,000 between December and March, and represented nearly 30 percent of the total in the latter month as against about 15 percent in December. Much of the recent increase in unemployment in this area is attributable, directly or indirectly, to military demobilization; immigration of veterans continues at a high rate, particularly in parts of southern California, and employment opportunities have not expanded correspondingly.

Fortunately, there has been relatively little outright distress thus far from unemployment in most parts of the District. The rate of turnover is fairly rapid among unemployment insurance claimants and relatively few have exhausted their benefit rights. The average duration of benefit payments in February was currently around ten weeks for civilians and about five weeks for veterans. However, the point has probably been reached when benefit exhaustion can be expected to rise and a substantial increase in welfare loads may occur in some localities.

Decline in employment of women in industry

The relaxing of pressure on production following the end of the war and the consequent release of thousands of war industry workers have brought about a drastic change in the proportions of male and female employees in District aircraft and shipbuilding plants. Women constituted over 40 percent of the entire working force in California aircraft plants in 1943 and 1944, and numbered over 100,000 at the peak in mid-1943. While numbers declined gradually until May of last year, as the industry improved its operating efficiency, the proportion of female employees remained fairly stable. Heavy layoffs of women following V-E Day, however, and especially since V-J Day, reduced the number of female employees in California aircraft plants to around 10,000 by the beginning of 1946; the ratio of women to total employees is currently under 20 percent.

In shipbuilding, the displacement of women has been almost equally severe. The number of female employees in California shipyards, including Government navy yards, reached a peak in 1943 not far short of 50,000. For the Pacific Coast as a whole, the number of women employed in shipyards remained well over 100,000, or roughly 20 percent of the total, throughout 1944. In 1945, the precipitate decline in shipyard employment fell disproportionately on female employees; at the end of the year there were less than 6,000 women employed in California shipyards, including about 4,500 in navy yards. For the entire Pacific Coast, the number of women shipyard workers was around 24,000 in January of this year, or about 12.5 percent of the total.

Similar reductions in the number of women wage earners have occurred in other industries in which the employment of women became important during the war. The California iron and steel and machinery industries probably at no time before 1942 had employed much over 3,000 women wage earners. By the last quarter of 1943 this number had grown to nearly 30,000 and it remained not far below that level until late in 1944. Sharp cuts followed V-J Day and by the beginning of the current year the number of women employed in California in this group of industries had fallen to less than 10,000.

Shipbuilding and aircraft

Pacific Coast shipyard activity during the first quarter of 1946 reached the lowest point in the past five years. With a single exception, all the yards of the San Francisco Bay area, the largest shipbuilding and repair center of the District, remained closed until late in March by the machinists' strike which had lasted over four months. Merchant ship deliveries for the quarter aggregated 19 vessels of about 85,000 lightweight tons, the smallest output for any quarter since 1941. Only four shipyards participated in this business, two in the Portland area and one each in Richmond and Wilmington. Seven yards building for the Maritime Commission still had 20 ves-

sels remaining to be completed at the end of March, but much of the work on these had been done, and at least two large yards are expected to complete their deliveries at an early date. The volume of ship repair work, while considerably below the levels of last June and July, promises to continue at a fair level for some time to come as vessels are converted from war to peacetime use. New construction, in the absence of additional orders, is expected to diminish rapidly.

District aircraft activity, as measured by volume of employment, continued during the first quarter of 1946 at about the same level as during the final quarter of 1945. Although Pacific Coast producers of aircraft experienced more drastic cutbacks in military contracts than did the shipbuilding industry, they still have very large backlogs of Government orders, measured by normal prewar standards, and some of the leading concerns have secured a substantial volume of new commercial business. While both shipbuilding and aircraft are still in a transitional stage between war and peacetime operations, the aircraft industry is apparently more nearly stabilized at about its current volume of production.

Lumber

After experiencing in 1945 the poorest year, from a production standpoint, since before the war, the District lumber industry got off to another bad start in 1946. The wage disputes that affected the major producing areas in the Northwest during the final quarter of 1945 had for the most part been settled in those areas by the end of the year, but since the middle of January practically all the larger mills in the California redwood area have been strikebound. Severe winter weather in January seriously curtailed logging operations in the Douglas fir territory and in other mountainous areas. This was reflected both in the supply of logs and in a greatly reduced output of lumber. Total District lumber production in the first two months of the year was less than 1.4 billion board feet, or approximately 25 percent below the average output of those months during the previous four years. Mill stocks remain abnormally low, at less than 50 percent of 1940 levels.

Production and Employment—

Index numbers, 1935-39 average=100	With seasonal adjustment				Without seasonal adjustment			
	1946		1945		1946		1945	
	Feb.	Jan.	Dec.	Feb.	Feb.	Jan.	Dec.	Feb.
Industrial production ¹								
Lumber	117	110	93	159	84	79	72	116
Refined oils ²	—	—	—	—	203	204	221	239
Cement ²	154	153	153	138	137	108	113	123
Wheat flour ²	176	165	157	156	176	165	157	156
Petroleum ²	—	—	—	—	128	127	127	136
Electric power ²	424	417	407	459	389	386	385	420
Factory employment and payrolls ^{3 4}								
Employment								
Twelfth District								
California	157	164	158	310	156	161	159	308
Pacific Northwest								
Oregon								
Washington								
Intermountain								
Payrolls								
California	285	293	288	653	282	288	288	647

¹ Daily average.

² 1923-25 average=100

³ Excludes fish, fruit, and vegetable canning.

⁴ Indexes in process of revision.

The outlook for the remainder of the year is more promising. While demand is no longer on the scale of the war years or marked by the indifference to price considerations that characterized the war requirements, housing needs assure a market for maximum lumber output for some time to come. Action by O.P.A. late in February to advance lumber price ceilings by an overall average of about \$1.25 per thousand feet, or approximately 3 percent, should effect some improvement in the profit position of the industry, particularly with respect to the grades and sizes most useful for home construction, where demand will be increasingly concentrated. Lumber producers had complained that failure by O.P.A. to remove wartime price differentials that were designed to stimulate the production of grades and dimensions needed during the war was discouraging the output of normal peacetime sizes suitable for home construction. The recent price adjustment is intended in part to remove this discrimination. Whether it will also suffice to offset the wage advances growing out of the recent strikes, or at least to afford the industry a reasonably secure basis of operation, remains to be seen. It appears very unlikely, however, that the District production levels of 1943 and 1944 of about 14 billion board feet will be equaled this year.

Petroleum

The District oil industry has shifted from war to peacetime operations promptly and easily. The pressure on crude oil production in California has been relaxed, the importation of petroleum from the midwest has ceased, and refinery output has been reduced and modified to some degree. California crude oil production reached its all-time high at about 940,000 barrels per day during the three months May to July of last year. By November, output had been curtailed by 100,000 barrels per day, and has remained at that rate through February of this year. Refinery operations, reflecting decreased requirements since the end of the war for aviation gasoline and marine fuel oil, have been reduced about 25 percent from the peak rate of last midsummer to a level around 270,000 barrels per day in January. Civilian demand for oil products has been exceptionally well maintained and at least one District producer has resumed gasoline shipments to the East Coast, suspended

during the war. Some small increases in prices for crude and fuel oils were authorized by O.P.A. in March. Stocks, both of crude oil and of refinery products, continue low. Gasoline stocks at the end of February, while about the same quantity as in early 1944 and 1945, were roughly 20 percent below the 1943 figure. Crude oil stocks were little more than half as large as in early 1943, while stocks of fuel oil were down to nearly one-third of the supply at the beginning of that year.

The housing program

During the war years, with the necessity of diverting materials and labor to essential war work, new housing construction declined to a low ebb; a considerable proportion of the additional dwelling units actually provided were of temporary construction, built in connection with war industry operations or related activities of the Federal Government. The shifting and redistribution of population incident to the end of the war has emphasized the increasingly stringent housing situation in many parts of the country. The difficulty of securing adequate housing, even at abnormally high prices, has led to a nationwide campaign to stimulate the construction of additional dwelling units, partly in order to meet the need for temporary accommodation and in part to provide housing of a more permanent character.

The premature removal after V-J Day of wartime restrictions on building operations was followed by a marked upsurge in commercial and industrial construction which largely stripped the markets of materials otherwise available for urgently needed housing construction. Declining lumber output in the last quarter of 1945, resulting primarily from wage disputes and work stoppages and abnormally low production of many other construction materials, aggravated the condition of general shortage. In response to this situation, a program was announced by the Civilian Production Administration, effective January 15, to re-establish a priority system for building materials designed to encourage the production of low cost houses, with special emphasis on housing for war veterans and their families. The President also appointed a special National Housing Expediter, charged with the responsibility of administering the low-cost housing program.

An emergency veterans' housing program was announced in February by the Housing Expediter, calling for the construction of 2,700,000 additional dwelling units, 1,200,000 in 1946 and 1,500,000 in 1947. As a means of conserving scarce building materials in order to implement this veterans' program, drastic restrictions were announced late in March on most types of non-residential construction, as well as on construction and repair of houses for others than veterans. Effective March 26, approval of C.P.A. will be required in each specific case before any new construction or repairs may be undertaken costing more than \$400 for private homes or farms, and more than from \$1,000 to \$15,000 for specified types of industries. Exemption from these lim-

Distribution and Trade—

Index numbers, 1935-39 daily average=100	With seasonal adjustment—				Without seasonal adjustment—			
	1946		1945		1946		1945	
	Feb.	Jan.	Dec.	Feb.	Feb.	Jan.	Dec.	Feb.
Department store sales (value)								
Twelfth District	300	269	256	257	253	214	407	217
Southern California	311	282	270	260	278	237	431	232
Northern California	269	246	230	234	225	198	383	196
Portland	283	237	234	256	240	191	347	217
Western Washington	330	302	301	305	271	231	480	251
Eastern Washington and Northern Idaho	312	264	229	266	218	175	333	186
Southern Idaho and Utah	315	274	241	256	238	194	394	193
Phoenix	358	319	295	296	325	274	487	269
Carloadings (number)¹								
Total	114	123	97	136	94	98	86	112
Merchandise and misc.	137	143	125	156	113	120	111	129
Other	85	99	63	111	70	71	55	91

¹1923-25 daily average = 100.

itations is provided for public utility projects and general industrial maintenance and repair work, and also for construction deemed important in creating permanent new employment opportunities. Consideration will also be given to the importance of any proposed construction project in eliminating bottlenecks interfering with reconversion. Projects actually under construction at the date of the order were also excepted from its prohibitions. In general, outright prohibition of new construction is to be limited, for the duration of material and manpower shortages, to non-essential as contrasted with essential businesses.

Administration of the new restrictive regulations will be handled to as large an extent as possible through local committees. While the character of administration will largely determine what projects will actually be undertaken, it is evident that if the avowed purpose of conserving materials for housing is to be realized there will be some curtailment of heavy construction activity, with resulting unemployment among specialized construction workers who cannot be readily absorbed in home building. It is not entirely clear, however, to what extent these two branches of the industry compete with each other for types of materials used and labor employed. Lighter commercial jobs, such as new store construction or remodeling, apparently will be more severely restricted under these regulations.

The magnitude of the veterans' housing program, which contemplates the construction of 2,700,000 additional dwelling units in 1946-47, may be indicated by a comparison with past records of the building industry. The largest number of new dwelling units put under construction in the non-farm areas of the United States in any one year was about 937,000 in 1925. This was at the peak of a nine-year building cycle extending from 1921 to 1929, during which an average of 754,000 units per year were started. During the succeeding nine years, from 1930 to 1938, the average number declined to 246,000, with less than 100,000 in 1933, the low year of the cycle. The highest subsequent year was 1941, when 715,000 new units were begun. During the war years new housing construction again fell off rapidly, reaching its low point in 1944, with 169,000 units. Recovery began in 1945, when approximately 250,000 units were started.

Retail trade and consumer expenditures

After some slackening off in January, District department store sales made another advance in February to a level nearly 17 percent above February 1945. On a seasonally adjusted basis, daily average sales in February were about 10 percent above the previous high record established last November, and were three times the average dollar volume attained during the five-year period, 1935-1939. With very few exceptions, gains over February of last year were made by stores in all parts of the District, but were most outstanding in the Los Angeles area and in Utah, Arizona and the Central

Valley of California. Sales of department stores in northern California as a whole and in Oregon and Washington, although well above their performance of a year ago, were not up to the general District increase. The Vallejo-Napa area in California reported daily average sales 9 percent below the very high level of February 1945. San Diego stores gained only 2 percent, while those in San Francisco, Oakland, Portland, Seattle and Tacoma reported gains below the District average. This comparison suggests a possible dampening effect of the relatively depressed condition of the shipbuilding industry, particularly in the strikebound San Francisco-Oakland area, and in Vallejo, where retrenchment in navy yard activities is under way. In the District as a whole, the departments showing the largest increases in sales over a year ago include those handling household appliances; furniture; floor coverings; housewares; toys, games, and sporting goods; and men's shoes and furnishings.

The continuously mounting volume of retail sales in recent years, a phenomenon not confined to the Twelfth District, affords a striking indication of the spending propensity of the general public, and is evidence of widely diffused consumer purchasing power, whether derived from current income or from past savings. Indeed, consumer expenditures in the nation as a whole actually increased during 1945 while income payments to individuals declined. Estimated disposable incomes of individuals, after taxes, reached their highest level in the first quarter of that year, equivalent to an annual rate of 142 billion dollars, and had declined some 3 percent by the final quarter. Estimated consumer expenditures, on the other hand, rose from an annual rate of 105 billion dollars in the first quarter to nearly 111 billion in the last quarter. Net savings of individuals reached their maximum in the second quarter at an annual rate of 42 billion and fell rapidly to a level of 26 billion in the final quarter of the year.

Banking and credit

Although Treasury disbursements in the Twelfth District exceeded receipts in the first quarter of 1945, the net movement of funds out of the District on account of other than Treasury transactions was larger than net

Banking and Credit—

Condition items of weekly reporting member banks	Averages of Wednesday figures (millions of dollars)			
	1946 Feb.	1946 Jan.	Change from 1945	
			Dec.	Feb.
Total loans.....	1,301	—15	— 13	+ 271
Com'l., ind., & agric. loans.....	618	+ 9	+ 18	+ 103
Loans to finance transactions in:				
U. S. Government securities.....	192	—28	— 35	+ 128
Other securities.....	52	— 5	— 10	— 3
Real estate loans.....	295	+ 3	+ 3	— 1
All other loans.....	144	+ 6	+ 11	+ 44
Total investments.....	6,338	+58	+272	+1,269
U. S. Government securities.....	5,904	+52	+260	+1,212
All other securities.....	434	+ 6	+ 12	+ 57
Adjusted demand deposits.....	3,477	— 1	+ 32	+ 411
Time deposits.....	2,058	+27	+ 58	+ 337
United States Government deposits....	1,630	+51	+186	+ 693
Coin and currency in circulation				
Total (changes only).....	—	—53	— 84	+ 400
Fed. Res. Notes of F. R. B. of S. F....	3,114	—57	— 88	+ 371
Member bank reserves.....	1,968	—40	— 38	+ 288

The Check Routing Symbol

ONE of the most progressive steps taken in recent years to streamline check collection operations by all banks was the adoption by the American Bankers Association of the check routing symbol plan which was worked out by them in cooperation with the Federal Reserve System. The need for such a plan has been growing for a number of years due to the widespread and increasing use of checks by American business and the American public. Use of the check routing symbol will not only reduce outstanding time on checks in process of collection, but will also tend to reduce operating costs for all concerned, by increasing the speed and accuracy of sorting.

Routing symbol facilitates sorting

In the course of collecting checks, many sorting operations are necessary. It has long been known by bank operating men that sorting checks by numbers is simpler, quicker, and more accurate than sorting by names. It is faster, for example, to sort checks to the proper collection destination by numbers 1, 2, 3, 4, etc., than to sort them by Merced, San Diego, Boise, and the names of other cities. Not only can figures be grasped more quickly, but where a check routing symbol is used it is not necessary for the sorter to understand the significance of the information conveyed by the symbols; that is, the numerical designation indicates the destination without requiring the sorter to know and remember the location of approximately 15,000 banks in the United States. The only skill required of the sorter is the ability to read numbers and separate the checks bearing the selected symbols.

Split states present problems

The missort problem is also materially reduced, particularly where checks are drawn on banks in states which are split between two or more Federal Reserve Districts. An example is Arizona, part of which is in the Eleventh District, Dallas, and part in the Twelfth District, San Francisco.

When a check is deposited in a bank for collection, it usually is sent to a Federal Reserve Bank or branch, or to a correspondent bank in a city near the paying point. Such correspondent banks and the twelve Federal Reserve Banks and their twenty-four branches are, in general, in the larger cities. Therefore, the geographic division of the states by Federal Reserve districts or zones must, of necessity, be understood by the clerks sorting the checks to facilitate their routing and presentation.

The inability of transit sorting clerks to determine quickly, because of split states, the proper routing of checks in all cases, when sorting by name and location of the drawee bank, often leads to guessing when time is not taken to look up the proper routing. With the use of the routing symbol, however, any clerk can sort checks quickly and correctly, and at the same time reduce the number of mis-routed checks to a minimum.

Announcement of the adoption of the new routing symbol system was made early in June 1945, and shortly thereafter routing symbols were assigned to all banks whose checks are collectible through the Federal Reserve System. The cooperation of banks in having the symbols included on their own and their customers' checks was earnestly requested and, because of their generous response, the volume of checks carrying the symbols is increasing steadily. However, the benefits of the system cannot be fully effective until all checks bear the new routing symbol.

Meaning of symbol

The routing symbol is in the form of a figure of three or four digits. The first, or the first two combined, digits designate the Federal Reserve district or zone in which the drawee bank is situated. If the drawee bank is in Federal Reserve District 1 to District 9, the complete symbol would consist of three figures; if in District 10, 11, or 12, the symbol would consist of four figures. The second digit (or the third if the Federal Reserve District is 10, 11, or 12) designates the Federal Reserve Bank or branch serving the territory in which the drawee bank is located. The last digit designates the state, portion of a state, or Federal Reserve head office or branch city in which the drawee bank is located. If a drawee bank is located in a Federal Reserve head office or branch city, except the outer zone of Los Angeles, the figure "0" is used. Since credit is immediate for checks drawn on banks located in those cities, the last digit also indicates whether credit is immediate or deferred. A last digit other than "0," which signifies deferred credit, does not indicate the number of days for which credit may be deferred, however. That is still determined by the time schedules of the various Federal Reserve Banks and branches.

The routing symbol is combined with the ABA transit number to form a fraction, of which the routing symbol is the denominator. Examples are as follows:

<u>90-132</u>	ABA Transit Number
1222	Routing Symbol

<u>11-24</u>	ABA Transit Number
1210	Routing Symbol

In the first example, "12" designates the Twelfth Federal Reserve District, i.e., San Francisco; the third digit "2" designates the Los Angeles Branch of the Federal Reserve Bank of San Francisco (branches, if any, in alphabetical order are indicated by figures 2 to 5); and the last digit "2" indicates deferred credit, but not the length of the deferment, and also indicates that the item was drawn on a bank in California in the Los Angeles zone other than in Los Angeles. In the second example, the first two digits designate the Twelfth Federal Reserve District; the third digit "1" designates the Head Office of the Federal Reserve Bank of San Francisco,

and the last digit "0" indicates immediate availability, or that the item was drawn on a bank in San Francisco.

Twelfth District symbols

The following table lists the routing symbols which, when combined with the ABA transit numbers (i.e., the numerical designations of the banks) would be the denominators of the fractional symbols to be printed on checks drawn on banks in the Twelfth Federal Reserve District:

Zone of Federal Reserve Bank of San Francisco in which drawee bank is located	Symbol	For checks drawn on banks in
Head Office—San Francisco		
Immediate credit	1210	San Francisco
Deferred credit	1211	California
	1212	Nevada
Los Angeles Branch		
Immediate credit	1220	Los Angeles
Deferred credit	1221	Arizona
	1222	California
	1223	Los Angeles—City Zone 2
Portland Branch		
Immediate credit	1230	Portland
Deferred credit	1231	Idaho
	1232	Oregon
	1233	Washington
Salt Lake City Branch		
Immediate credit	1240	Salt Lake City
Deferred credit	1241	Idaho
	1242	Nevada
	1243	Utah
Seattle Branch		
Immediate credit	1250	Seattle
Deferred credit	1251	Washington

Reserve Bank and Treasury items

Checks drawn on the Treasurer of the United States, whether payable at the Treasurer's office in Washington or through a designated Federal Reserve Bank, officers' (cashiers') checks of Federal Reserve Banks, and certain drafts drawn on Federal Reserve Banks, known as Federal Reserve exchange drafts, are acceptable for immediate credit at any Federal Reserve Bank or branch.

The routing symbol for use on all such items will be 000, as follows:

Treasurer of U. S. $\frac{15-51}{000}$ Federal Reserve Bank of San Francisco $\frac{11-37}{000}$

Benefits to banks and their customers

Banks are not being asked to destroy present stocks of checks, but it is desirable to have the check routing symbols, combined with the ABA transit numbers, printed on new supplies of checks, or, if practicable, to have the symbols overprinted on existing supplies of checks. Continued progress in putting the plan into operation will make its benefits both to banks and to their depositors more quickly available. Benefits will accrue to all banks and to all bank customers, as the new system will permit more efficient and accurate handling of checks by bank employees, and will result in fewer sorting errors, and, therefore, more prompt collection of checks. Its use generally should be reflected in a reduction of operating costs, and will provide better service to banks and bank customers. Consequently, it is urged that every bank, and every bank customer who prints his own checks, arrange for the inclusion of the new symbol on all checks printed in the future.

The placing of the symbol on the check and the type used are most important. The approved position for the symbol is in the upper right corner, above the amount. This is the proper position, even though the name of the drawee bank appears elsewhere than in the top center of the check. The type face should measure at least 8 points vertically or 1/9 inch from top to bottom, as follows:

$\frac{90-174}{1211}$

No. _____ **STANDARD NATIONAL BANK** $\frac{90-174}{1211}$

SOMEWHERE, CALIF., _____ 19 ____

PAY TO THE ORDER OF _____ \$ _____

_____ DOLLARS

Specimen

Treasury disbursements in the District. The resulting outflow of funds is in sharp contrast to the situation in earlier years. The resulting pressure on reserves was lessened somewhat by a considerable return of currency to the Reserve Bank and a small increase in Reserve Bank credit extended in the District.

Government security holdings of District member banks, after increasing sharply in December during the Victory Loan, rose somewhat further to a new peak early in February. By the end of March, however, they had declined to slightly below the January 1 level. The Treasury began to retire debt with a partial redemption of the certificates of indebtedness that matured March 1, and two other security issues were retired March 15.

Total loans of District member banks showed little change during the first quarter. Business and consumer loans did increase moderately, but loans for purchasing

and carrying securities declined after the Victory Loan.

The continuing wartime growth in bank deposits and currency in circulation, like that in Government securities, did not continue into the first quarter of 1946. Currency in circulation declined through the entire three months. Demand deposits of the public increased through January, but by the end of March were lower than they had been at the first of the year. Income tax payments were a significant factor in the March decline.

Time deposits, in contrast to demand deposits and currency, continued to increase in the first quarter of this year, although the amount of gain was only about half as large as in the same period in 1945. War loan deposit accounts of District banks declined in February and March as calls were made by the Treasury. Interbank deposits also fell, the January-March decline amounting to about 20 percent.

Results of the Victory Loan

SALES of Government securities in the Victory Loan Drive totaled 21.1 billion dollars, almost double the goal of 11 billion. The relative oversubscription exceeded that of any other loan drive, although dollar sales were 5 billion less than the Seventh Drive total. Sales to individuals amounted to 6.8 billion dollars, as compared with a goal of 4 billion. Sales to other non-bank investors of 14.4 billion dollars were more than double the 7 billion goal. Subscriptions outside of the drive by commercial banks and Treasury investment accounts of 2.4 billion dollars brought total sales made during the period of the drive to 23.6 billion.

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

	Total	Sales to individuals				Other sales ¹
		Total	Series E	Series F & G	Other	
United States.....	21,144	6,776	2,204	503	4,069	14,368
Twelfth District.....	1,773	689	264	55	371	1,085
Arizona.....	35	16	8	1	7	19
California.....	1,109	418	162	38	218	691
Idaho.....	29	14	9	1	4	15
Nevada.....	17	12	3	1	9	5
Oregon.....	187	91	27	5	59	96
Utah.....	67	24	13	1	10	43
Washington.....	329	114	42	8	64	216

¹ Excluding sales to commercial banks and Treasury investment accounts, which were outside the drive.

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

All issues offered in the drive, except the $\frac{7}{8}$ percent certificates of indebtedness, were restricted as to bank ownership. Subscriptions by insurance companies and savings banks were limited in amount for the first time.

The two long term issues, the $2\frac{1}{4}$ and $2\frac{1}{2}$ percent bonds, accounted for over 60 percent of total sales in the drive. Sales of $2\frac{1}{2}$ percent bonds were larger than in any previous drive. Larger purchases, including those on a deferred payment basis, were the result, in part, of attempts to anticipate future investment needs, based upon a realization that a similar issue probably would not be

offered again for some time. Subscribers also appeared to be willing to lengthen maturities in order to obtain a higher yield.

THE WAR LOAN DRIVES—GOALS AND SALES
(millions of dollars)

Loan	All non-bank investors	Individuals	Others	All non-bank investors	Individuals	Others	Sales period for marketable issues ¹
First²							11/30—12/23/42
Goals	4,000	3	3	3	3	3	
Sales	7,860	1,593	6,267	309	130	179	
Second²							4/12— 5/ 1/43
Goals	8,000	2,500	5,500	675	275	400	
Sales	13,476	3,290	10,186	865	351	514	
Third							9/ 9—10/ 2/43
Goals	15,000	5,000	10,000	1,251	595	656	
Sales	18,944	5,377	13,567	1,372	586	786	
Fourth							1/18— 2/15/44
Goals	14,000	5,500	8,500	1,230	629	601	
Sales	16,730	5,309	11,421	1,398	625	773	
Fifth							6/12— 7/ 8/44
Goals	16,000	6,000	10,000	1,437	704	733	
Sales	20,639	6,351	14,288	1,684	698	986	
Sixth							11/20—12/16/44
Goals	14,000	5,000	9,000	1,213	578	635	
Sales	21,621	5,882	15,739	1,715	639	1,076	
Seventh							5/14— 6/30/45 ⁴
Goals	14,000	7,000	7,000	1,275	826	449	
Sales	26,313	8,681	17,632	2,191	910	1,281	
Victory							10/29—12/ 8/45 ⁵
Goals	11,000	4,000	7,000	885	435	450	
Sales	21,144	6,776	14,368	1,773	689	1,085	

¹ Formal opening and closing of the drives. Sales periods for non-marketable issues began up to three weeks before and extended up to three weeks after the formal drive periods.

² Figures for commercial banks, which participated directly in the first two drives with 5 billion dollar quotas, are not included. Subscriptions filled amounted to 5,087 million dollars in the first drive and to 5,079 million in the second.

³ No goals established for individuals or districts.

⁴ Represents sales period for individuals only; for corporations and other investors, sales period was June 18 through June 30, 1945.

⁵ Represents sales period for individuals only; for corporations and other investors, sales period was December 3 through December 8, 1945.

Bank credit again expanded substantially during the drive. Loans and investments of reporting member banks in leading cities throughout the country increased by 7.2 billion dollars, compared with a 7.3 billion increase in the

Seventh Drive. Funds for non-bank purchases were obtained both by bank borrowing and by the sale of outstanding securities to commercial banks.

Twelfth District sales totaled 1.8 billion dollars, or 8.4 percent of the national total. This was about the same proportion as was achieved in the previous drive. Four

states in the District, Nevada, Oregon, Utah, and Washington, more than doubled their quotas. From 7 to 9 percent of total sales were made in the Twelfth District in every loan drive except the first two. Sales to individuals in the District were from 10 to 12 percent of the national total in all but the first drive.

Production Goals for Agriculture—1946

FOR the fifth consecutive year, production goals have been established for major crops, livestock, and livestock products. In order to meet the demand induced by high civilian consumption at home and the export requirements necessary to alleviate famine conditions in

the world, goals in general continue as high as during any of the war years. These goals are established by the United States Department of Agriculture, and generally reflect the recommendations of the State Agricultural Conservation Committees. They are guides to help farm-

1946 FARM PRODUCTION GOALS—TWELFTH DISTRICT
COMPARED WITH ACREAGE PLANTED, LIVESTOCK POPULATION, OR PRODUCTION, 1945

Field crops (thousands of acres)		Ariz.	Calif.	Idaho	Nev.	Ore.	Utah	Wash.	Twelfth District	
									Total	1946 goal as % of 1945 actual
Barley	1946	155	1,800	359	28	260	160	225	2,987	103
	1945	149	1,816	333	27	242	160	160	2,887	
Corn	1946	40	70	32	4	50	30	30	256	110
	1945	40	64	30	3	40	26	29	232	
Hay, tame	1946	310	1,930	1,020	190	880	520	1,010	5,860	102
	1945 ¹	300	1,911	993	185	845	507	1,010	5,751	
Oats	1946	30	535	214	12	450	52	300	1,593	114
	1945	25	518	196	12	408	60	184	1,403	
Rye	1946	—	10	7	—	35	15	20	87	107
	1945 ¹	—	10	7	—	33	10	21	81	
Sorghums, grain	1946	60	130	—	—	—	—	—	190	126
	1945 ¹	53	98	—	—	—	—	—	151	
Wheat	1946 ²	27	600	1,100	24	970	300	2,600	5,617	101
	1945	27	614	1,088	18	970	306	2,515	5,538	
Beans, dry	1946	15	350	125	—	1	5	4	500	108
	1945	15	318	121	—	1	5	3	463	
Peas, dry	1946 ²	—	—	150	—	25	—	239	414	92
	1945	—	—	155	—	39	—	256	450	
Potatoes, Irish	1946	5	94	161	3	46	17	48	374	80
	1945	7	121	207	4	55	19	52	465	
Rice	1946 ²	—	235	—	—	—	—	—	235	94
	1945	—	249	—	—	—	—	—	249	
Sugar beets	1946	—	155	85	—	17	50	18	325	143
	1945	—	102	58	—	17	36	14	227	
Cotton	1946	160	300	—	—	—	—	—	460	97
	1945	153	319	—	—	—	—	—	472	
Flaxseed	1946	16	130	—	—	1	—	1	148	109
	1945	16	118	—	—	1	—	1	136	
Alfalfa seed	1946	50	25	30	—	10	—	—	165	127
	1945 ¹	44	22	22	—	7	35	—	130	
Other legume and cover crop seeds	1946	—	23	53	—	297	—	12	385	108
	1945 ¹	—	19	43	—	285	—	11	358	
Livestock										
(in thousands)										
Cattle and calves on farms, Dec. 31	1946	890	2,380	880	420	1,150	520	950	7,190	97
	1945	892	2,430	961	443	1,182	541	998	7,447	
Milk cows, average number on farms	1946	47	795	240	19	260	119	360	1,840	101
	1945	46	800	237	18	254	117	353	1,825	
Sheep and lambs on farms, Dec. 31	1946	610	2,425	1,473	600	1,020	2,250	435	8,813	97
	1945	645	2,578	1,473	630	1,082	2,289	435	9,132	
Sows to farrow, spring	1946	4	55	33	3	20	10	24	149	97
	1945	4	55	36	3	20	11	24	153	
Chickens raised	1946	757	19,978	3,878	394	4,251	2,409	8,113	39,780	82
	1945	788	25,173	4,397	480	4,642	3,144	9,980	48,604	
Turkeys raised	1946 ²	99	4,542	290	51	2,221	1,857	1,479	10,539	91
	1945	107	4,942	340	51	2,605	1,952	1,637	11,634	
Hens on farms, Mar. 1	1946 ³	462	12,438	1,861	220	2,859	1,931	4	19,771	86
	Jan. 1	531	12,438	2,139	253	3,206	2,219	4	20,786	
	1945	531	14,930	2,431	288	3,466	2,522	..	24,168	
Livestock products										
Egg production on farms (thousand dozens)	1946	5,150	164,962	19,852	2,729	37,640	26,160	71,342	327,835	95
	1945	4,917	170,500	23,000	3,417	39,417	30,750	73,917	345,918	
Milk production (million pounds)	1946	251	5,684	1,372	108	1,445	720	2,214	11,794	100
	1945	252	5,720	1,349	103	1,420	710	2,213	11,767	

¹ Harvested acreage.

² Not adjusted to reflect later changes suggested by Department of Agriculture.

³ Goals.

⁴ Not reported.

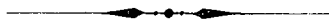
ers balance national requirements with the production capacity of their farms, rather than specific forecasts.

A continued high production of the principal field crops in the Twelfth District is called for. Increased planting of feed crops is needed in 1946 to meet the demand of the present expanded livestock, dairy, and poultry industries, and, if possible, to rebuild feed stocks depleted during the war years. The greatest percentage increase over last year's planting was asked of sugar beet growers. Sugar beet acreage goals recommended in previous recent years have not been reached because growers have found it more profitable to use the land for other crops. The Government-guaranteed return to beet growers has been raised from an average of \$12.50 per ton in 1945 to \$13.50 this year, however, and it is expected that the 1946 goal will be more nearly approached. The greatest percentage reduction from last year's plantings is asked of potato growers. It is expected, nevertheless, that goals will be exceeded this year as they were last, because support prices again assure a comparatively favorable rate of return. Early potato plantings in California are already in excess of last year's harvested acreage by approximately 10,000 acres.

Slight decreases in numbers of all meat animals on farms and larger decreases in poultry are requested. A

decrease in livestock population will help to relieve pressure on feed supplies, and, with more red meat available to civilians, the demand for chicken and turkey meat is expected to be smaller than last year. Total meat production in 1946 is expected to equal that in 1945.

The goals as shown in the table were officially approved on January 15. In February, however, in recognition of the growing seriousness of the world food shortage, the Secretary of Agriculture asked for goals higher than those previously recommended. To fulfill these new requirements, increased production of grains and dry peas is needed. The increased need for wheat for world relief feeding aggravates the shortage of stock feed, and, to help meet this situation, even more feed and less poultry production are recommended. The following specific modifications of the 1946 goals are requested: a 5 percent increase in spring wheat acreage goals; a 25 percent increase in dry pea acreage goals in Idaho, Oregon, and Washington; maximum rice acreage; and a reduction of 4 percent in turkey production. Farmers are asked to meet the new acreage requirements without reducing flaxseed, sugar beet, and dry bean plantings. In the interests of feed conservation, they are urged not to exceed chicken production goals and to maintain the slaughter goals for beef cattle and hogs.



National Summary of Business Conditions

Released March 23, 1946—Board of Governors of the Federal Reserve System

PRODUCTION and employment at factories declined in February but advanced in the first three weeks of March, reflecting mainly the influence of the steel strike. The value of retail trade reached new record levels. Wholesale prices of a number of commodities increased.

INDUSTRIAL PRODUCTION

Output of durable goods declined considerably further in February, while production of nondurable goods and minerals continued to increase. Production of steel, automobiles, and machinery has advanced sharply since the settlement of wage disputes in these industries, and the Board's index of industrial production which declined from 160 in January to 154 percent of the 1935-39 average in February, will show a considerable rise in March.

Steel mill operations in February were at an average rate of 19 percent of capacity as compared with 50 percent in January. Output at steel mills has increased rapidly since the middle of February, and during the week ending March 23 is scheduled at 89 percent of capacity—the highest rate since V-J Day. In February production of nonferrous metals, machinery, and transportation equipment also declined, reflecting chiefly the direct or indirect effects of work stoppages. Lumber production, after advancing in January, showed little change in February. Plate glass production increased sharply to the highest level since November 1941.

Production of most nondurable goods continued to advance in February, partly reflecting increases in working forces. Output at textile mills rose further and was at a rate slightly above the level of a year ago. Activity in the meat packing industry increased sharply in February following settlement of the wage dispute at major plants and was 20 percent higher than that a year ago. Flour production likewise showed a substantial gain for the month. In March a Federal program was instituted to reduce domestic consumption of wheat in order to increase exports for relief purposes. Output of automobile tires in February rose to the highest rate on record.

Output of coal was maintained at exceptionally high levels in February and early March. Crude petroleum production showed a gain in February, but declined in March.

EMPLOYMENT

Employment continued to advance from the middle of January to the middle of February in most lines of activity except at manufacturing plants closed by industrial disputes. After February 15, with the settlement of the steel strike, there were large increases in employment in the durable goods industries and by the middle of March employment in private non-agricultural establishments is estimated to be about 2½ million larger than last September, after allowing for seasonal changes. Unemployment increased from January to February by about 400,000 to a level of 2,700,000 persons.

DISTRIBUTION

Department store sales in February, after allowance for seasonal changes, were the largest on record by a considerable margin, and in the first half of March sales continued to show marked increases over a year ago. Total retail trade in February was probably close to one-fourth higher than in the same month last year.

Shipments of most classes of railroad freight increased from the middle of February to the middle of March and almost the same number of cars were being loaded in the first two weeks of March as during the same period last year, when shipments of war products were at peak level.

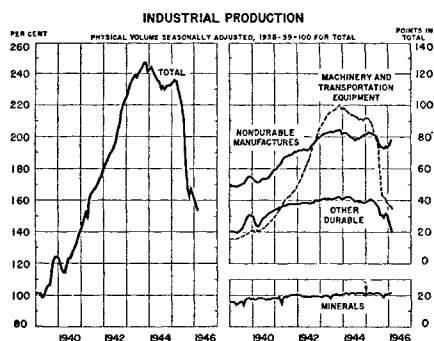
COMMODITY PRICES

The general level of wholesale commodity prices advanced one percent from the middle of February to the middle of March, reflecting increases in most groups of agricultural and industrial products. Since last September wholesale prices have advanced 3.3 percent, according to the Bureau of Labor Statistics' index. Price control regulations permit manufacturers and distributors to pass on to consumers only part of the recent advances granted in maximum wholesale prices.

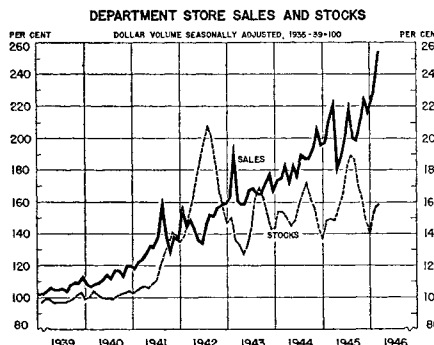
BANK CREDIT

Retirement of 2.8 billion dollars of United States Government obligations during March was reflected in a decline of about the same amount in Treasury balances during the four weeks ending March 20. Holdings of Government securities by both Federal Reserve Banks and member banks declined, accompanying reductions in Treasury deposits at these banks. Deposits, other than those of the Treasury, at member banks showed little change. Member banks required and excess reserves also changed little during the period. Member banks increased their borrowings at the Reserve Banks to over 700 million dollars on March 13, but reduced them somewhat in the following week.

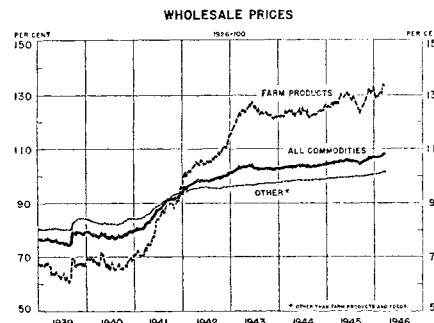
Commercial and industrial loans at member banks in leading cities continued to increase between the middle of February and the middle of March. Loans on Government securities to brokers and dealers fluctuated considerably in connection with the Treasury retirement and refunding operations, while those to others continued to show a slow decline.



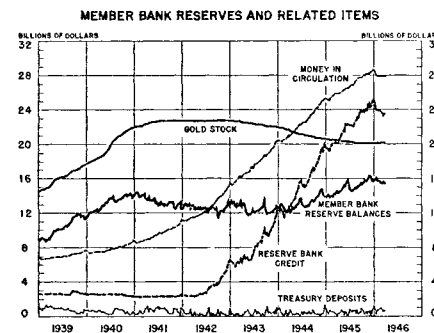
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for February.



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



Bureau of Labor Statistics indexes. Weekly figures, latest shown are for week ending March 16.



Wednesday figures, latest shown are for March 20.