Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

MARCH 1947

Review of Business Conditions—Twelfth District

STABILITY in industrial employment and production, coupled with some slackening in the pace of distribution and trade, marked District business activity in February. No great change occurred in nonagricultural employment and payrolls, but evidence began to mount indicating increased consumer resistance to high retail prices, especially of such items as textiles, shoes, and clothing.

Prices resume upward trend

The business development of probably greatest significance during the past two months was the marked acceleration of the upward trend of prices that has characterized the past year. Little change had occurred during December and January in the general level of either wholesale or retail prices, but beginning early in February the advance in wholesale prices was resumed on a broad front, with practically all major commodity groups participating in the rise. During the first half of March, 17 of the 27 basic commodities traded on primary markets, whose prices are reported on a daily basis by the Bureau of Labor Statistics, were at new highs since last June, and seven others attained new highs for 1947. Only in the case of silk among these 27 commodities has there been a consistent and substantial downward trend in price since the removal of basic controls last November. Corn, lard, and hides were considerably below their 1946 peaks in March but shared in the general rise beginning in February. Average prices of basic commodities receded somewhat toward the end of March, but the general index of wholesale commodity prices continued to advance until the end of the month. Important District products affected by the recent upward price surge include petroleum and refined oils, lumber, copper, lead, wheat, barley, livestock, and cotton.

A decline of about two percent in retail food prices between December and February brought the Bureau of Labor Statistics consumers' price index down fractionally in January and February. All other components of the index continued to increase, however, and it is highly probable that recent advances in wholesale prices will soon be reflected in a renewed upward trend in prices at the retail level.

Employment and production

In California the total volume of factory employment decreased moderately in February, chiefly as a result of seasonal contraction in the fruit and vegetable canning industry. Hourly and weekly earnings continued to improve, and total payrolls increased between January and February. Slight reductions in employment in the aircraft, shipbuilding, and nonferrous metals industries were more than offset by gains in other durable goods lines, notably in automobile assembling. Gains and losses in employment were about equally distributed among the nonmanufacturing industries, although motion picture production suffered a decline of about 15 percent in employment and payrolls. Manufacturing employment in Washington increased somewhat during the month, in spite of seasonal contraction in food processing, chiefly because of improvement in ship repair and aircraft production and renewed logging activity.

Lumber output in the Douglas fir region in February was at the highest level since June 1945. Construction activity increased generally during the month, reflecting better weather conditions and improved building material supplies. Arizona mining employment attained a new postwar high in February. Favorable weather for farm work and an increased labor supply led to the hiring of approximately 20,000 additional farm workers in February on the Pacific Coast. The number of hired farm workers on March 1 was considerably greater than on the same date in either 1945 or 1946.

Bank deposits

During the first quarter of 1947 total deposits of District member banks declined about 600 million dollars. This was a decrease of nearly four percent, and is significantly larger than the decline in the country as a whole. The downward trend in deposits started in 1946, but an examination of the trends in the separate categories of deposits reveals that the factors responsible for the decrease this year were considerably different from those which caused a slight decline in total deposits in the corresponding period a year ago.

United States Government deposits in the District increased in the first three months of this year, whereas they experienced a net decline in the first quarter of 1946. That decrease was due, in part at least, to the withdrawal of funds from War Loan account for the purpose of making a substantial reduction in the public debt in March 1946. Funds for a somewhat larger reduction in the public debt in the first quarter of 1947 have come primarily from current receipts.

In the first three months of this year, total deposits held by the public declined, though time deposits increased slightly. Income tax payments were a significant factor in this decline. During this period the retirement of public debt held by nonbank investors did not increase private bank deposits, as it did in 1946, because the process of debt redemption simply transferred bank deposits from taxpayers to security holders, with no net shift of Government deposits from War Loan account to private hands.

Total bank loans in the Twelfth District increased about seven percent in the first quarter of 1947. Taken by itself, this increase should produce a corresponding expansion in bank deposits held by the public. But, for the first time in many years, the Twelfth District has had a first-quarter excess of Treasury receipts over Treasury disbursements this year. This is probably the major factor which accounts for the decline in deposits held by the public despite the expansion in District bank loans. Another contributing factor has been the loss of deposits to the rest of the country on commercial and financial account, but this first-quarter loss appears to have been smaller than usual.

Operating Ratios of Twelfth District Member Banks—1946

INCREASED earnings in 1946 raised the rate of return on capital of Twelfth District member banks substantially over that realized in 1945. In every state of the District, member bank profits increased relative to capital accounts. The average profit ratios[1] of small and medium-sized District banks did likewise; only the very large banks did not report a rate of return in 1946 well above that of 1945.

Government security holdings of member banks declined throughout the year, but loans increased substantially. Compared with 1945 operations, earnings on loans in 1946 were a larger share of total earnings, and rates of return on both loans and securities were slightly higher. Although expenses increased in dollar amount, they declined relative to total earnings. Ratios of capital accounts to total deposits and to total assets were slightly lower. Because of last year's loan expansion, the ratio of capital accounts to total assets other than United States Government securities and cash also declined.

Effects of loan expansion

An increase in the rate of earnings on capital of Twelfth District banks has occurred every year since 1942, but the gain last year was the result of quite different forces than those operating during the war. In the war years the increasing return on capital was largely a result of the continued expansion in total earning assets of member banks. During those years profits as a percent of total assets were declining, since it was Government security holdings that were increasing. The marked expansion in total earning assets, characteristic of the war years, did not continue through 1946, but there was a partial shift from lower-yield Government security holdings to higher-yield bank loans. For the first time in several years, profits rose relative to total assets, and loan earnings rose relative to total earnings. The last time earnings on loans as a percent of total earnings increased over the previous year was in 1941, but the continuing effect of war finance upon the earning structure of District banks is demonstrated by the fact that earnings on loans were almost two-thirds of total earnings in 1941 but only two-fifths in 1946.

The decline over several years in rates of return on securities and on loans also ended last year. Although there was some strengthening of short-term interest rates last year, the slight increases that occurred in realized rates of return probably were due as much to changes in

SELECTED OPERATING RATIOS OF MEMBER BANKS
1941-46—TWELFTH DISTRICT

	1941	1942	1943	1944	1945	1946
Percentages of total capital accounts						
Net current earnings before income taxes	[1]	9.2	10.7	13.3	14.6	18.4
Profits before income taxes	—	—	11.4	14.2	15.7	18.6
Net profits	9.1	7.4	9.7	11.8	12.3	14.4
Percentages of total assets						
Total earnings	3.9	3.0	2.3	2.0	1.9	2.1
Net profits	1.0	0.7	0.6	0.6	0.5	0.6
Percentages of total earnings						
Interest and dividends on securities	19.8	23.7	34.4	42.9	46.8	44.4
Earnings on loans	64.1[2]	58.8[2]	46.4	38.6	36.4	40.3
Service charges on deposit accounts	5.8	6.2	7.5	7.2	6.1	5.8
Salaries and wages	31.9	34.3	34.6	32.1	30.5	30.4
Interest on time deposits	15.7	15.3	13.1	12.8	13.8	12.5
Net current earnings	[1]	18.3	28.2	32.8	34.1	36.9
Capital accounts as percentage of						
Total deposits	12.5	10.0	7.0	5.7	4.9	4.8
Total assets	—	—	6.4	5.3	4.7	4.5
Total assets, less cash and U. S. Government securities	—	23.9	28.3	32.0	32.5	28.7
Earnings on loans as percentage of total loans	6.4[2]	6.0[2]	5.9	5.7	5.4	5.5
Interest and dividends on securities as percentage of total securities	3.0	2.3	1.6	1.4	1.3[3]	1.4[3]
Interest on time deposits as percentage of total time deposits	1.6	1.5	1.1	1.0	0.9	0.9

[1] Figure comparable with those for 1942-46 not available.
[2] Excluding service charges and other fees on loans.
[3] Interest on U. S. Government securities only. The rate of return on other securities, which supplied an average of 4 to 5 percent of total earnings, averaged 3.1 percent in 1945 and 3.2 percent in 1946.

Note: Figures are arithmetic averages of ratios of individual banks, not ratios of aggregate dollar totals. Thus, the operations of each bank regardless of size have equal weight in the determination of the averages. Balance sheet figures used as a basis for ratios are averages of amounts reported for December 31, 1945, and June 29 and September 30, 1946.

More complete tabulations of Twelfth District member bank operating ratios for 1946, including separate tabulations by state, by state or combination of states and size, by proportion of time to total deposits, and by proportion of loans to total assets, are available upon request.

the composition of bank loans and of security holdings as to an increase in the structure of interest rates. (If year-end instead of September 30 figures had been used in averaging loans and securities, 1946 loan rates would have been slightly lower and security rates slightly higher than those shown in the accompanying table.) The loan expansion of Twelfth District member banks occurred in business, real estate, and consumer loans. Those loans

[1] All operating ratios, upon which the text and table are based, are arithmetic averages of ratios of individual banks, not ratios of aggregate dollar totals. See the note to the accompanying table.

carry higher interest rates than loans for purchasing or carrying Government securities, which declined substantially during the year. Similarly, reductions in holdings of Government securities tended to be concentrated in short-term lower-yield issues.

Total expenses continued to rise in dollar terms but to decline relative to total earnings, as they did during the war years. In most of the District banks with total deposits of 275 million dollars or more, however, the ratio of expenses to earnings was higher in 1946 than in 1945. This appears to have been the result primarily of less than average increases in dollar earnings rather than of greater than average increases in dollar expense. Earnings of the large banks appear to have been more affected than earnings of other banks by the reduction in Government security holdings during 1946. In the large banks, Governments make up a larger share of total assets, and income from such securities provides a larger share of total earnings than in smaller sized banks.

Capital ratios

Capital accounts as a percent of total assets and of total deposits had declined sharply in the past several years, but with the end of the expansion in security holdings and deposits, these capital ratios were only slightly lower in 1946 than in 1945. The ratio of capital accounts to total assets less cash and Government securities, which rose considerably from 1942 through 1945, turned downward again in 1946 because of the loan expansion. Even though capital ratios have declined in recent years, capital accounts of member banks have been increased in dollar terms, largely through the retention of profits. A substantial proportion of profits were again retained in 1946. Dividends paid during the year by member banks took an average of only one out of every four dollars of profit, although the ratio of aggregate dividends to profits was somewhat higher.

Comparisons of 1946 and 1945 ratios involving average assets and liabilities for the year as a whole, such as the capital ratios indicated above, tend to obscure the fact that Government security holdings, total assets, and total deposits of District member banks declined over the year, while loans increased substantially, especially in the latter part of 1946. As a consequence, the ratio of capital accounts to total deposits or assets was probably somewhat higher at the end of last year than for the year as a whole, but the ratio of capital accounts to assets less Governments and cash was undoubtedly lower. If member bank loans through 1947 continue at or increase over the 1946 year-end level, the importance of loan to total earnings for this year will rise further. Barring a marked increase in current expenses or a substantial shift of deposits out of the District, the rate of return on capital accounts for 1947 may well be close to the 1946 figure.

Public Debt Redemption

The Treasury retired 23 billion dollars of marketable public debt during the calendar year 1946. It accomplished this by drawing upon the large cash balance built up in its War Loan account during the Victory Loan Drive toward the end of 1945. The Treasury's cash balance reached a peak at the end of February 1946 of nearly 26 billion dollars, of which 24.5 billion were in War Loan deposits. By the end of 1946, the Treasury's cash balance had declined to 3.5 billion dollars, including 2.6 billion in War Loan account. This large decrease in United States Government deposits, supplemented by a decline in interbank deposits, resulted in a reduction in total bank deposits during the year. Private deposit holdings continued to increase, however, though at a less rapid rate than during the war years. This further growth resulted largely from the redemption, from funds held in War Loan account, of about 6.5 billion dollars of public debt held by nonbank investors, and from the creation of new deposits through a marked expansion in bank loans.

In the first quarter of 1947 the Treasury reduced the marketable public debt by another 4 billion dollars, and has announced plans for retiring an additional 1.5 billion on April 1. This will bring the total redemption of marketable public debt since February 28, 1946 to 28.5 billion dollars.

The reduction of 23 billion dollars in marketable public debt during 1946 was partially offset by an increase of 3 billion in nonmarketable public debt. Total public debt, therefore, declined 20 billion dollars from its peak of 279 billion reached at the end of February 1946. Among nonmarketable public debt issues, savings bonds outstanding increased one billion dollars, and special issues to Federal agencies and trust funds rose nearly four billion from the end of February to the end of December. Treasury tax and savings notes, on the other hand, declined somewhat over two billion dollars.

COMPOSITION OF U. S. GOVERNMENT DEBT
(in billions of dollars)

	February 28, 1946	December 31, 1946	Change
Treasury bills	17.0	17.0	—
Certificates of indebtedness	41.4	30.0	—11.4
Treasury notes	19.6	10.1	— 9.5
Treasury bonds	121.6	119.3	— 2.3
Other bonds	0.2	0.2	—
Total marketable obligations	199.8	176.6	—23.2
Savings notes	8.0	5.7	— 2.3
Savings bonds	48.7	49.8	+ 1.1
Depository bonds	0.5	0.3	— 0.2
Armed forces leave bonds	—	0.6	+ 0.6
Special issues to government agencies and trust funds	20.9	24.6	+ 3.7
Total nonmarketable obligations	78.1	81.0	+ 2.9
Matured debt on which interest has ceased	0.2	0.4	+ 0.2
Debt bearing no interest	1.1	1.1	—
Total public debt	279.2	259.1	—20.1
Guaranteed obligations	0.6	0.3	— 0.3
Total public debt and guaranteed obligations	279.8	259.4	—20.4

Effects of debt retirement on bank reserves and deposits

The effect upon the reserve position of member banks of the retirement of the public debt from War Loan account funds differs, depending upon whether the holder of the securities retired is a commercial bank, a Federal Reserve Bank, or a nonbank investor. Retirement of the portion of the debt held by commercial banks has no effect on member bank reserves. When the Treasury transfers its funds from a War Loan account in a member bank to its account in a Federal Reserve Bank, total deposits of the member bank decline by the same amount. Its reserves also decline, for the actual transfer is accomplished by reducing its reserve account by the amount of the transfer. If the Treasury then redeems securities held by this member bank, the reserves of the member bank are increased but its deposits remain unchanged. If the redemption is equal in amount to the original withdrawal, the reserve position of the bank has not been changed by the entire transaction, for War Loan deposits require no reserves. (It may be noted that War Loan deposits again will be subject to reserve after June 30.)

The use of funds withdrawn from War Loan account to redeem securities held by Federal Reserve Banks also reduces total bank deposits. Bank reserves decline as well, however, for there is no return to the commercial banks of the reserves which they lost as a consequence of the withdrawal of funds from War Loan account.

If the securities redeemed are held outside of the banking system, the effects upon total deposits and required reserves are still different. Total bank deposits decline at the time of the withdrawal of War Loan deposits, but then rise again as the nonbank holders deposit the proceeds of their redeemed securities in their accounts. The deposit of these proceeds adds to the reserves of the banks, but a portion of these reserves is required for the new deposits. Hence, in this case, the total reserves of the banks are unchanged, but their required reserves are increased.

Once the War Loan deposits which were obtained in the Victory Loan Drive have been used, no further reduction in total public debt, as distinguished from marketable public debt, can occur until the Treasury has a budget surplus. Reduction of debt from the proceeds of a budget surplus has a different impact upon bank deposits and reserves than the debt retirement of 1946 from funds withdrawn from War Loan account. An excess of budget receipts over budget expenditures reduces the amount of bank deposits held in private hands if the Treasury's cash balance is allowed to rise. If the resulting surplus is used to retire bank-held debt, this, taken by itself, permanently reduces the amount of privately-held bank deposits. Total bank reserves are reduced to the extent that the redeemed securities were held by the Federal Reserve Banks. The retirement of debt held by nonbank investors, on the other hand, results in the transfer of bank deposits from depositors, in their capacity as taxpayers, to depositors, in their capacity as holders of securities redeemed, leaving the total amount of bank deposits and reserves involved in this set of transactions unchanged. The use of funds from a budget surplus to retire some bank-held and some privately-held public debt results, therefore, in a net decline in total bank deposits of businesses and individuals. This contrasts with the increase in privately-held bank deposits which resulted from the debt retirement during 1946 from funds withdrawn from War Loan account.

Somewhat over half of the 23 billion dollars of public debt retired during 1946 was held by commercial banks. Bank reserves were unaffected by this portion of the debt retirement. Federal Reserve Banks, however, held about one-fifth of the total, and hence member bank reserves were reduced significantly because of this. Nonbank investors held somewhat over one-fourth of the securities that were redeemed. The resulting expansion in private deposits in member banks increased required reserves. The net effect of the debt retirement program, therefore, was to tighten the reserve position of member banks. To replenish their reserves, and to provide the additional reserves required by the expansion of deposits, which resulted from both the retirement of public debt held by nonbank investors and the increase in bank loans, member banks sold short-term Government securities to the Reserve Banks. During the period of debt redemption in 1946, the purchases of Government securities by the Reserve Banks exceeded by half a billion dollars the retirement of securities from Reserve Bank holdings. At the same time, excess reserves declined from an average of 1.1 billion dollars in February to an average of 0.9 billion in December.

Debt retirement in the first quarter of 1947 had a different effect upon bank deposits and reserves than it did in 1946. Funds used so far this year have come from current tax receipts and borrowings from the public. Instead of using funds previously held in its War Loan account, the Treasury has used an excess of tax receipts over current expenditures, the proceeds of savings bond sales, and the proceeds of sales of special issues to Federal agencies and trust funds. In the last instance, the public has supplied these funds indirectly through the payment of social security taxes and similar contributions.

Ownership of marketable public debt

Of the 23 billion dollars of marketable securities retired during 1946, commercial banks held somewhat over 12 billion, the Federal Reserve System nearly 4.5 billion, and nonbank investors the remainder. Commercial banks, however, sold during this period an additional 7.2 billion dollars of Government securities, so the total decline in their holdings was 19.5 billion. The securities sold by the commercial banks were absorbed largely by the Federal Reserve Banks, which made purchases in the market in order to offset the loss of reserve funds resulting from the retirement of Federal Reserve security holdings. The retirement of nearly 4.5 billion dollars of Government securities held by Reserve Banks was more than offset by purchases amounting to 5 billion; therefore Federal Reserve holdings of Government securities showed an increase of half a billion.

The decline of 23 billion dollars in marketable public debt was partially offset by an increase in nonmarketable debt, resulting in a net decrease of 20.5 billion in total interest-bearing public debt. Ninety-five percent of this decrease occurred in the Government security holdings of commercial banks. Among nonbank investors, the Government security holdings of corporations and associations other than insurance companies and mutual savings banks showed the largest decrease, 4.8 billion dollars, a substantial portion of which occurred in the holdings of tax savings notes. The largest increase, which amounted to nearly three billion dollars, occurred in the holdings of Federal agencies and trust funds.

ESTIMATED OWNERSHIP OF THE INTEREST-BEARING PUBLIC DEBT[1]
(in billions of dollars)

	February 28, 1946	December 31, 1946	Change
Banks			
Commercial banks	93.2	73.7	—19.5
Federal Reserve Banks	22.9	23.4	+ 0.5
Total banks	116.1	97.1	—19.0
Nonbank investors (excluding Federal agencies and trust funds)			
Individuals	63.5	63.4	— 0.1
Insurance companies	24.8	25.3	+ 0.5
Mutual savings banks	11.1	11.8	+ 0.7
Other corporations and associations	28.3	23.5	— 4.8
State and local governments	6.7	6.1	— 0.6
Total nonbank investors	134.4	130.1	— 4.3
Federal agencies and trust funds	28.0	30.9	+ 2.9
Total interest-bearing debt	278.5	258.0	—20.5

[1] Comprises marketable and nonmarketable interest-bearing public debt and guaranteed obligations not held by the Treasury.
Note: Figures will not necessarily add to totals because of rounding.

Maturity distribution of bank portfolios

The marketable public debt retired during 1946 consisted of nearly 14.4 billion dollars of certificates of indebtedness, 6.5 billion of Treasury notes, and somewhat over 2 billion of Treasury bonds. In terms of maturity, all of these were, of course, due or callable during 1946. The retirement of these issues and the sale by banks of additional amounts of short-term Government securities produced a substantial change in the maturity distribution of commercial bank portfolios of Government securities.

MATURITY DISTRIBUTION OF COMMERCIAL BANK HOLDINGS OF MARKETABLE PUBLIC DEBT[1]
(amounts in billions of dollars)

	Amount held		Percent of total	
Due or callable	February 28, 1946	December 31, 1946	February 28, 1946	December 31, 1946
Within 1 year	34.3	18.2	37.7	25.0
1 to 5 years	27.2	30.9	29.9	42.7
5 to 10 years	23.0	18.0	25.3	24.9
10 to 15 years	3.8	2.3	4.2	3.2
15 to 20 years	0.1	0.2	0.1	0.2
20 years and over	2.7	2.8	2.9	3.9
Total holdings of marketable public debt	91.0	72.3	100.0	100.0

[1] Estimates of par value of holdings derived from U. S. Treasury Department's monthly survey of ownership of U. S. Government securities. Total includes minor items not shown by maturities; largely F.H.A. guaranteed debentures.
Note: Figures will not necessarily add to totals because of rounding.

On February 28, 1946, when the public debt was at its peak, 38 percent of the Government securities held by commercial banks were due or callable within one year, and 30 percent had a maturity of from one to five years. By December 31, 1946, Government securities due or callable within one year had declined to 25 percent of the portfolio, while those with a maturity of from one to five years had risen to 43 percent of the total. Most of this shift in percentage distribution was due to the decline in the amount of Government securities with a maturity of less than one year held by the commercial banks, but there was also some dollar increase in their holdings of issues with a maturity of from one to five years. The total amount of holdings of issues with maturities in excess of five years decreased somewhat. However, by far the greatest absolute change in dollar amount of holdings occurred in Government securities with a maturity of less than one year.

Continued retirement of public debt

According to President Truman's January Budget Message, the total public debt was estimated to be 260.4 billion dollars on June 30, 1947, and 260.2 billion on June 30, 1948. Actually, tax receipts in the first quarter of 1947 have exceeded the budget estimates, and the Secretary of the Treasury has indicated the possibility of a balanced budget for the current fiscal year. A two billion dollar deficit had been estimated in the Budget Message. The total public debt at the end of March amounted to 259.1 billion dollars.

Even if the total amount of public debt should not change significantly during the next 18 months, continued reductions in marketable public debt are possible. According to the budget estimates, marketable public debt will continue to decline through the fiscal year 1948, but this decrease will be offset by an approximately equal increase in nonmarketable public debt. The principal increase in the latter will occur in special issues to be purchased and held by the Government trust funds, of which the Federal Old-Age and Survivors' Insurance Fund is an example.

The investments made by these Government trust accounts will supply the bulk of the funds during the next 18 months for the continued retirement of marketable public debt. A further reduction during this period of almost two billion dollars in the Treasury's cash balance will also provide funds for the retirement of an equivalent amount of marketable public debt. At the end of 1946 the Treasury's cash balance was 3.9 billion dollars, and the President estimated that it will be 2.5 billion on June 30, 1947, and 2.1 billion on June 30, 1948. Two billion dollars is apparently regarded as the minimum working cash balance for the Treasury.

The Treasury retired 1 billion dollars of marketable public debt in February 1947, 3 billion in March, and has announced plans for retiring an additional 1.5 billion in April. This will bring the reduction in marketable public debt to 28.5 billion dollars since February 28, 1946, and the reduction in total public debt to 21.5 billion dollars.

BUSINESS INDEXES—TWELFTH DISTRICT

1935-39 Average=100[1]

Year and month	Industrial production (physical volume)[2]										Factory employment[4]		Factory payrolls[4]	
	Lumber		Petroleum[3] Crude	Petroleum[3] Refined	Cement[3]		Wheat flour[3]		Electric power		California		California	
	Adjusted	Unadjusted	Unadjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted
1929	....	148	121	193	....	107	....	115	....	83	....	100	....	111
1930	....	112	95	168	....	93	....	107	....	84	....	86	....	93
1931	....	77	78	140	....	71	....	110	....	82	....	73	....	73
1932	....	46	74	134	....	46	....	98	....	73	....	61	....	54
1933	....	62	72	127	....	53	....	97	....	73	....	66	....	53
1934	....	67	73	123	....	67	....	106	....	79	....	79	....	64
1935	....	83	86	140	....	64	....	113	....	85	....	87	....	78
1936	....	106	89	154	....	114	....	109	....	96	....	99	....	96
1937	....	113	99	163	....	109	....	114	....	105	....	112	....	115
1938	....	88	104	159	....	88	....	111	....	102	....	98	....	101
1939	....	110	93	160	....	110	....	123	....	112	....	104	....	110
1940	....	120	93	158	....	121	....	118	....	122	....	122	....	134
1941	....	140	96	172	....	159	....	120	....	136	....	173	....	224
1942	....	140	103	175	....	189	....	120	....	167	....	270	....	460
1943	....	133	118	194	....	154	....	132	....	214	....	353	....	705
1944	....	138	129	226	....	124	....	136	....	231	....	335	....	694
1945	....	108	135	243	....	127	....	152	....	219	....	246	....	497
1946	....	118	131	219	....	160	....	147	....	219	....	177	....	339
1946														
February	121	87	128	203	154	137	176	176	208	204	162	161	296	293
March	109	97	129	210	148	149	143	140	209	206	160	159	294	293
April	111	114	131	210	160	168	153	135	211	209	170	170	321	321
May	111	129	131	222	158	165	150	132	210	212	176	176	333	335
June	132	152	132	219	149	169	167	147	212	216	179	179	341	342
July	107	120	132	228	155	169	124	109	213	222	180	180	345	345
August	113	139	131	234	158	176	136	136	222	231	184	185	362	364
September	120	139	131	222	167	177	129	154	227	227	184	185	360	361
October	122	133	131	229	146	169	130	154	236	229	187	188	372	375
November	128	122	132	227	171	171	133	146	237	232	192	193	372	373
December	133	100	133	221	223	165	166	166	243	240	192	193	387	388
1947														
January	155	106	134	219	229	161	174	174	250	246	194	191	386	379
February	170*p*	118*p*	136	227	183	163	162	162	249	244	192	191	387	384

Year and month	Carloadings (number)[3]						Department store sales (value)[2]					Dept. store stocks (value)[5]		Consumers' prices[6]	
	Total		Merchandise and miscellaneous		Other		District		California	Pacific Northwest	Utah & So. Idaho	District		All items	Food
	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Adjusted	Adjusted	Adjusted	Unadjusted	Unadjusted	Unadjusted
1929	....	112	....	114	....	109	....	112	109	115	124	....	132	121.8	132.0
1930	....	96	....	105	....	84	....	104	103	106	111	....	125	118.1	124.8
1931	....	75	....	89	....	57	....	94	94	91	97	....	110	108.2	104.0
1932	....	57	....	74	....	37	....	71	72	68	69	....	89	98.8	89.8
1933	....	58	....	70	....	43	....	68	68	66	72	....	80	93.6	86.8
1934	....	66	....	81	....	48	....	77	75	78	82	....	85	95.3	93.2
1935	....	72	....	85	....	56	....	86	86	85	89	....	89	97.0	99.6
1936	....	85	....	97	....	70	....	100	99	100	99	....	97	97.9	100.3
1937	....	90	....	102	....	75	....	105	106	105	104	....	108	102.2	104.5
1938	....	79	....	90	....	65	....	100	100	100	98	....	101	102.0	99.0
1939	....	85	....	96	....	72	....	109	109	110	110	....	106	101.0	96.9
1940	....	90	....	99	....	79	....	116	117	117	116	....	113	101.1	97.6
1941	....	105	....	116	....	91	....	139	136	146	138	....	137	106.3	107.9
1942	....	113	....	121	....	103	....	169	160	189	174	....	187	119.4	130.9
1943	....	109	....	119	....	97	....	201	192	219	212	....	172	126.1	143.4
1944	....	115	....	130	....	97	....	221	217	232	217	....	177	128.3	142.1
1945	....	110	....	131	....	83	....	244	242	252	237	....	182	131.7	146.3
1946	....	111	....	132	....	86	....	306	304	310	304	....	238	142.1	167.4
1946															
February	114	94	137	113	85	70	299	252	292	307	311	190	167	133.0	147.8
March	104	96	123	114	80	74	297	258	289	310	303	190	177	133.4	148.2
April	106	103	129	121	79	80	291	287	293	284	286	215	212	133.8	148.7
May	108	108	128	120	83	93	305	284	300	317	278	217	225	134.6	150.0
June	113	122	137	145	84	93	315	288	315	310	300	217	221	136.8	154.5
July	121	124	138	147	101	96	322	266	316	327	331	250	265	143.1	170.8
August	102	118	125	140	74	90	324	291	311	333	364	240	263	145.7	176.1
September	109	126	125	148	90	100	313	326	308	312	319	249	281	147.7	179.7
October	109	128	125	151	89	99	319	330	320	313	301	270	299	150.6	186.2
November	111	112	134	134	83	84	319	376	325	307	289	296	313	156.2	199.9
December	121	107	145	129	91	79	317	503	310	329	305	334	273	156.9	198.4
1947															
January	136	108	146	122	124	89	313	249	307	318	326	315	277	156.5	195.7
February	134	111	150	125	113	93	330	278	317	352	335	330	290	156.2	193.5

[1] The terms "adjusted" and "unadjusted" refer to adjustment of monthly figures for seasonal variation. Excepting department store statistics, all indexes are based upon data from outside sources, as follows: Lumber, various lumber trade associations; Petroleum and Cement, U.S. Bureau of Mines; Wheat flour, U.S. Bureau of the Census; Electric power, Federal Power Commission; Factory employment, Factory payrolls, and Consumers' prices, U. S. Bureau of Labor Statistics and cooperating state agencies; and Carloadings, various railroads and railroad associations.
[2] Daily average. [3] 1923-25 daily average=100. [4] Wage earners only. Excludes fish, fruit and vegetable canning.
[5] At retail, end of month or end of year. [6] Los Angeles, San Francisco, and Seattle indexes combined.
p—preliminary. *r*—revised.

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

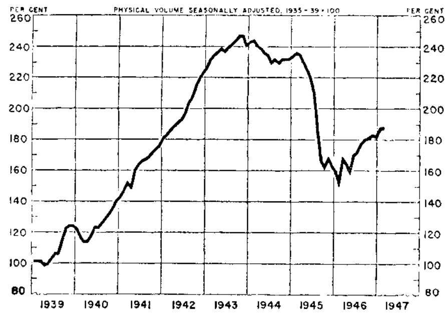
(amounts in millions of dollars)

Year and month	Condition items of all member banks[1]									
	Loans and discounts					Investments[2]		Demand deposits adjusted[3,4]	Time deposits[4]	U.S. Gov't deposits[4]
	Total[2]	Coml., ind. & agric.	For purch., carry'g secs.	Real estate	All other	U.S. Gov't securities	All other securities			
1929	2,239	....	....	647	....	495	458	1,234	1,776	36
1930	2,218	....	....	721	....	467	561	1,158	1,915	49
1931	1,898	....	....	711	....	547	560	984	1,667	99
1932	1,570	....	....	635	....	601	528	840	1,515	148
1933	1,486	....	....	668	....	720	510	951	1,453	233
1934	1,469	....	....	670	....	1,064	575	1,201	1,759	228
1935	1,537	....	....	662	....	1,275	587	1,389	2,006	167
1936	1,682	....	....	686	....	1,334	614	1,791	2,078	96
1937	1,871	....	....	730	....	1,270	498	1,740	2,164	90
1938	1,869	663	82	798	327	1,323	486	1,781	2,212	127
1939	1,967	664	76	864	362	1,450	524	1,983	2,263	118
1940	2,130	735	65	931	399	1,482	590	2,390	2,351	68
1941	2,451	933	59	1,000	460	1,738	541	2,893	2,417	144
1942	2,170	870	51	974	275	3,630	538	4,356	2,603	307
1943	2,106	934	62	899	211	6,235	557	5,998	3,197	842
1944	2,254	956	184	885	228	8,263	698	6,950	4,127	1,442
1945	2,663	1,103	343	908	309	10,450	795	8,203	5,194	2,050
1946	4,068	1,882	195	1,431	560	8,426	908	8,821	5,781	303
1946										
February	2,641	....	....	....	....	10,698	824	8,198	5,302	2,147
March	2,720	....	....	....	....	10,451	844	8,158	5,332	1,969
April	2,794	....	....	....	....	10,377	850	8,236	5,354	1,865
May	2,909	....	....	....	....	10,090	867	8,339	5,404	1,635
June	3,030	1,283	246	1,090	411	9,673	861	8,328	5,494	1,213
July	3,184	....	....	....	....	9,651	882	8,488	5,521	1,125
August	3,334	....	....	....	....	9,624	888	8,566	5,570	1,122
September	3,601	....	....	....	....	9,171	900	8,630	5,609	853
October	3,794	....	....	....	....	9,157	891	8,757	5,669	808
November	3,954	....	....	....	....	8,815	889	8,801	5,696	610
December	4,068	1,882	195	1,431	560	8,426	908	8,821	5,781	303
1947										
January	4,140	....	....	....	....	8,303	911	8,760	5,761	308
February	4,254	....	....	....	....	8,058	893	8,366	5,804	370

Year and month	Member bank reserves and related items[5]								Bank debits index 31 cities[8]
	Reserve bank credit[6]	Commercial operations[6]	Treasury operations[6]	Coin and currency in circulation		Reserves[7]			
				Total[6]	F.R. notes of F.R.B. of S.F.	Total	Required	Excess	Unadjusted
1929	— 34	0	+ 23	— 6	189	175	171	4	146
1930	— 16	— 53	+ 89	+ 16	186	183	180	5	126
1931	+ 21	— 154	+ 154	+ 48	231	147	154	— 4	97
1932	— 42	— 175	+ 234	+ 30	227	142	135	8	68
1933	— 2	— 110	+ 150	— 18	213	185	142	37	63
1934	— 7	— 198	+ 257	+ 4	211	242	172	84	72
1935	+ 2	— 163	+ 219	+ 14	280	287	201	100	87
1936	+ 6	— 227	+ 454	+ 38	335	479	351	119	102
1937	— 1	— 90	+ 157	— 3	343	549	470	70	111
1938	— 3	— 240	+ 276	+ 20	361	565	418	142	98
1939	+ 2	— 192	+ 245	+ 31	388	584	459	138	102
1940	+ 2	— 148	+ 420	+ 96	493	754	515	257	110
1941	+ 4	— 596	+1,000	+ 227	700	930	720	245	134
1942	+107	—1,980	+2,826	+ 643	1,279	1,232	1,025	262	165
1943	+214	—3,751	+4,486	+ 708	1,937	1,462	1,343	103	211
1944	+ 98	—3,534	+4,483	+ 789	2,699	1,706	1,598	104	237
1945	— 76	—3,743	+4,682	+ 545	3,219	2,033	1,878	136	260
1946	+ 9	—1,607	+1,329	— 326	2,871	2,094	2,051	59	298
1946									
February	+ 19	— 263	+ 126	— 5	3,106	1,914	1,900	77	275
March	— 17	— 36	+ 10	— 63	3,040	1,937	1,876	68	302
April	+ 2	— 231	+ 192	— 39	2,996	1,938	1,877	64	286
May	— 34	— 177	+ 220	— 11	2,984	1,955	1,900	77	281
June	+ 35	— 2	+ 55	— 52	2,931	2,038	1,929	84	307
July	+ 11	— 272	+ 128	— 42	2,894	2,000	1,936	66	291
August	+ 28	— 73	+ 95	0	2,890	2,045	1,958	54	292
September	— 26	— 15	— 20	— 9	2,878	2,005	1,987	55	306
October	—162	— 29	+ 223	— 2	2,875	2,040	2,002	56	310
November	+ 74	— 136	+ 111	— 2	2,866	2,092	2,030	54	313
December	+ 37	+ 37	— 62	+ 7	2,871	2,094	2,051	59	339
1947									
January	+109	— 35	— 168	— 81	2,800	2,081	2,043	60	322
February	+ 14	— 25	— 133	— 32	2,765	1,981	1,982	51	325

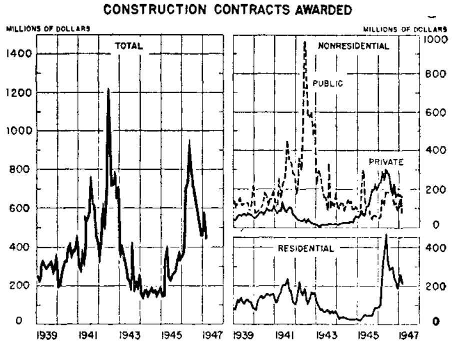
[1] Annual figures are as of end of year; monthly figures are as of last Wednesday in month or, where applicable, as of call report date.
[2] Monthly data for 1946 partly estimated.
[3] Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection.
[4] Monthly data partly estimated. [5] End of year and end of month figures. [6] Changes only.
[7] Total reserves are as of end of year or month. Required and excess: monthly figures are daily averages, annual figures are December daily averages.
[8] Debits to demand deposit accounts, excluding interbank and U.S. Gov't deposits. 1935-39 daily average=100.
p—preliminary. r—revised.

INDUSTRIAL PRODUCTION



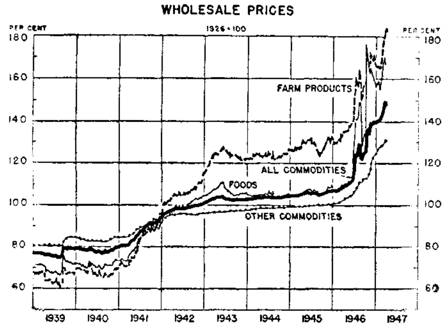
Federal Reserve index. Monthly figures, latest shown is for February 1947.

CONSTRUCTION CONTRACTS AWARDED



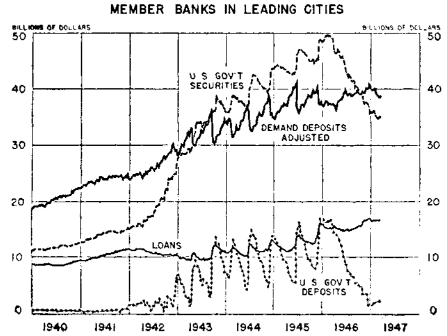
F. W. Dodge Corporation data for 37 Eastern States. Nonresidential includes awards for buildings and public works and utilities. Monthly figures, latest shown are for February 1947.

WHOLESALE PRICES



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending March 22, 1947.

MEMBER BANKS IN LEADING CITIES



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for March 12, 1947

National Summary of Business Conditions

Released March 27, 1947—Board of Governors of the Federal Reserve System

Industrial output and employment were maintained in February and the early part of March at the record peacetime levels reached in January. Value of department store sales has continued at a seasonally adjusted rate close to the level prevailing since early last summer. Wholesale commodity prices have advanced further.

Industrial Production

Industrial production, as measured by the Board's seasonally adjusted index, was maintained in February at the January rate of 188 percent of the 1935-39 average.

Output of durable manufactures was slightly above the January rate, owing mainly to increased activity in the automobile industry and to a somewhat greater than seasonal gain in production of lumber and other building materials. The number of automobiles and trucks assembled reached a new postwar peak which was about the same as the 1941 average.

The Board's index of steel production showed a slight gain in February as a 9 percent increase in output at electric furnaces more than offset a 2 percent decline in production at open hearth furnaces. In March scheduled operations continued to advance, reaching a new postwar high of 97 percent of capacity in the last week of the month.

Output of manufactured food products declined somewhat in February, after allowance for the usual seasonal changes, owing largely to a reduction in the processing of fruits and vegetables. Activity showed little change at textile mills, and also in industries producing chemicals, rubber products, and most other nondurable manufactures.

Minerals production was maintained at the January rate, as a 6 percent decline in coal output was offset in the total by increased production of crude petroleum and metals.

Construction

Value of construction contracts awarded in February was about the same as in December, according to the F. W. Dodge Corporation. Awards in January had been about one-fourth higher, owing mainly to several large public and private projects. Value of awards for private nonresidential construction continued to show little change from the reduced levels reached in November. The maximum amount of this general type of activity permitted under Federal orders was raised substantially on January 10.

Distribution

Department store sales in February and the first half of March showed about the usual seasonal advance and the Board's adjusted index of sales during the first quarter of the year is likely to be at about the same average level as during the fourth quarter of last year, when the index was close to 270 percent of the 1935-39 average. Value of department store stocks showed a greater than seasonal increase in February and the preliminary adjusted stocks index reached a level of 280 percent of the 1935-39 average.

Shipments of coal and most other classes of revenue freight declined somewhat in February, owing in part to severe weather conditions, and then advanced during the first two weeks of March. Loadings of forest products, however, were considerably above the January rate throughout this period.

Commodity Prices

Wholesale commodity prices continued to rise during February and the first half of March. The Bureau of Labor Statistics' index of wholesale prices at 149 (1926—100) was one-third above the level of last June. There were sharp increases to a new high level of 184 in the index for farm products and the average of prices of commodities other than farm products continued to rise.

Bank Credit

Deposits of businesses and individuals at commercial banks declined sharply and Treasury deposits at Federal Reserve Banks increased in February as a result of large tax payments. This shift of funds to Treasury accounts at the Reserve Banks put a drain on member bank reserves, which was offset in part by a decline in required reserves and in part by an increase in Reserve Bank holdings of Government securities. In the first half of March, however, when Treasury deposits at the Reserve Banks were drawn down in connection with cash retirement of about 3 billion dollars of maturing securities, member bank reserve positions were eased considerably and Reserve Bank holdings of Government securities declined sharply. Completion of the United States payment to the International Monetary Fund in February resulted in a decline in the total monetary gold stock of the Treasury and in offsetting changes in other Treasury and Federal Reserve accounts without affecting member bank reserve balances.

Commercial and industrial loans increased further at banks in leading cities. Real estate loans rose moderately. Holdings of Government securities were reduced further in February through sales to maintain reserve position and were increased somwhat early in March as purchases of Treasury bills and certificates were larger than the amount of retired issues held by these banks.