

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

APRIL 1947

TWELFTH DISTRICT MEMBER BANK EARNINGS AND EXPENSES—1946

BOOKS of Twelfth District member banks were closed at the end of 1946 on another profitable year. Net profits after taxes reached a new high, 13 percent above 1945 profits and about double annual profits in the years 1940-42. A markedly larger loan volume, a higher level of security holdings for the year as a whole in spite of the decrease during the year, and a slight increase in rates of return on loans and securities, all contributed to the gain in profits.

Profit increase larger in District than in United States

Twelfth District member banks fared considerably better than member banks in the country as a whole, in large part because of the much more rapid loan expansion in this area. Net profits of all member banks declined 5 percent last year. Banks in major cities over the nation had a less favorable year than country banks, as the earnings of larger city banks were more vulnerable to the debt retirement program of the Treasury. Nationally, net profits of central reserve and reserve city banks were 13 percent lower in 1946 than in 1945, but profits of country banks rose 12 percent.

Within the Twelfth District, the gain in 1946 profits of large banks over 1945 was far outdistanced by the

profit increase of medium-sized and smaller banks. Member bank profits increased in each area of the District, with the Intermountain states leading the way.

Loan increase major factor in larger total earnings

Total earnings of Twelfth District member banks increased from 1945 to 1946 by more than one-fifth, a gain much larger than in any other recent year. The gain in interest and dividends on securities was smaller, however, than in any year since 1941, because of the reduction throughout 1946 in Government security holdings of member banks. In contrast, the increase in bank loans raised earnings on loans by a record 39 per cent.

Increased expenses led by increased wages and salaries

The increase in total expenses of member banks from 1945 to 1946 was also larger than in other previous years. Especially pronounced was the 30 percent increase in total salary and wage payments. The largest previous increase in salaries and wages occurred in 1945 when such payments increased 13 percent. Larger time deposits resulted in some further increase in interest paid on such accounts, and other expenses also increased.

Since total expenses increased by a smaller dollar amount, but by almost exactly the same proportion as total earnings, net current earnings increased by a similar percent.

Losses on non-current account

In 1946, net recoveries on loans succeeded the net losses of previous years. Net recoveries and profits on securities were somewhat smaller than in 1945, and other net losses and chargeoffs were much larger. As a consequence, the increase last year in profits before income taxes was smaller than the increase in net current earnings.

Taxes, profits, and dividends increase

Unlike concerns in other lines, District banks were little affected by the repeal of the excess profits tax. In 1946, both taxes on net income and net profits after taxes continued to rise.

District member banks paid out about 40 percent of their profits in dividends. Although dividend payments were larger in 1946 than in 1945, not all of the increase in profits was distributed. Undistributed profits totaled 57 million dollars, compared with 50 million in 1945.

EARNINGS AND EXPENSES OF MEMBER BANKS—
TWELFTH DISTRICT
(millions of dollars)

Item	1940	1944	1945	1946
Earnings on loans.....	\$104.0 ¹	\$ 94.7	\$ 99.6	\$138.6
Interest and dividends on securities.....	44.5	111.8	138.4	153.9
Service charges on deposit accounts.....	8.5	14.2	14.8	17.5
Trust department earnings.....	6.8	8.9	10.2	12.3
Other earnings.....	15.8 ¹	19.2	22.7	25.7
Total earnings.....	179.6	248.8	285.7	348.0
Salaries and wages.....	54.5	74.6	84.4	109.3
Interest on time deposits.....	31.4	29.7	39.3	44.9
Other expenses.....	43.4 ^{2 3}	51.3	56.6	65.2
Total expenses.....	129.3 ³	155.6	180.3	219.4
Net current earnings.....	50.3 ³	93.2	105.4	128.6
Net losses and charge-offs (recoveries and profits +)				
On securities.....	+11.1	+7.0	+9.8	+5.1
On loans.....	8.5 ³	7.1	6.4	+3.3
Other.....	9.4	+0.4	+0.1	13.5
Total net charge-offs.....	6.8	+0.3	+3.4	5.0
Net profits before income taxes.....	2	93.5	108.9	123.7
Taxes on net income.....	2	19.9	27.9	32.2
Net profits after taxes.....	43.5	73.6	80.9	91.5
Cash dividends.....	24.2	25.8	29.9	35.1
Undistributed profits.....	19.3	47.8	51.0	56.4

¹Service charges and fees on loans included in Other earnings.

²Taxes on net income included in Other expenses.

³Recurring depreciation on bank building and furniture and fixtures included in Other net charge-offs.

Earnings, expenses, and profits by areas

Member banks in the various areas of the District had somewhat differing experiences, as indicated in the accompanying table. Compared with 1945 experience, Oregon and Washington banks were well ahead of those in

PERCENTAGE INCREASES IN SELECTED EARNINGS AND EXPENSE ITEMS OF TWELFTH DISTRICT MEMBER BANKS, 1945-46, BY AREAS

Item	Calif.	Oregon and Wash.	Arizona, Idaho Nevada, Utah	All areas
Earnings on loans	35	57	43	39
Interest and dividends on securities	13	5	12	11
Total earnings	22	20	24	22
Salaries and wages	31	27	25	30
Total expenses	22	21	20	22
Net current earnings	23	18	30	22
Net profits before income taxes	13	15	19	14
Income taxes	15	21	7	15
Net profits after taxes	12	14	24	13
Dividends	16	14	10	17

other areas in earnings on loans. This greater gain was not reflected in total earnings, however; Northwest banks realized only slightly more for their security holdings in 1946 than in 1945. Increases in salary and wage payments were smaller in the banks in the four inland states than on the Pacific Coast.

With the largest increases in total earnings and the smallest increases in total expenses, Arizona, Idaho, Nevada, and Utah banks as a group realized net profits which, in the aggregate, were up 24 percent from 1945. The relative increase in net profits of California, Oregon and Washington banks was only about half as large.

Small bank profits exceed those of large banks

Over the period from 1943 through 1946, and particularly last year, the small District member banks increased

PERCENTAGE INCREASES OVER PRECEDING YEAR OR YEARS IN SELECTED EARNINGS AND EXPENSE ITEMS OF 15 LARGE¹ AND 33 SMALL² TWELFTH DISTRICT MEMBER BANKS, 1944-46

Item	1944 over 1943	1945 over 1944	1946 over 1945	1946 over 1943
Total earnings				
Large banks	13	14	21	55
Small banks	21	19	31	88
Total expenses				
Large banks	8	15	23	52
Small banks	13	16	17	54
Net current earnings				
Large banks	22	11	18	60
Small banks	47	25	64	202
Net profits after taxes				
Large banks	32	10	8	57
Small banks	22	19	60	133

¹All District banks with deposits over \$100 million in 1943.

²All District banks with deposits under \$1 million in 1943.

their net earnings and net profits far more, relatively, than did the largest banks. For both groups, expenses have risen at an increasing rate since 1943.

Last year, profits of the smallest bank group were up 60 percent over 1945, but the 15 largest banks achieved only an 8 percent increase.

PERCENTAGE INCREASES IN SELECTED EARNINGS AND EXPENSE ITEMS OF TWELFTH DISTRICT MEMBER BANKS, 1945-1946, BY SIZE GROUP

Item	15 large banks ¹	33 small banks ²	221 other banks ³	All banks
Earnings on loans	37	43	47	39
Interest and dividends on securities	11	18	13	11
Total earnings	21	31	24	22
Salaries and wages	31	20	24	30
Total expenses	23	17	18	22
Net current earnings	18	64	36	22
Net profits before income taxes	9	55	31	14
Income taxes	12	36	27	15
Net profits after taxes	8	60	33	13
Dividends	17	10	14	17

¹All District banks with deposits over \$100 million in 1943.

²All District banks with deposits under \$1 million in 1943.

³All District banks with deposits between \$1 million and \$100 million in 1943.

Loan earnings increased a little more in the small banks than in large ones. Government security holdings and total deposits were less affected by the drain from Treasury war loan account and by public debt retirement, so that the percentage increase in interest and dividends on securities was considerably larger in the small banks.

Small banks also kept expenses down more successfully than large banks, especially salaries and wages, the major item of current expense. Income taxes increased more sharply for the small and medium-sized banks than for the larger institutions.

Despite the much greater increase in small bank profits, those banks were less inclined than the large banks to increase dividends, probably because ownership of the small banks is held much more closely.

Prospects for 1947 earnings

Preliminary figures for the first months of 1947 indicate that earnings on loans will be higher than in 1946, interest and dividends on securities lower, and salary and wage payments higher. Any conclusion, however, as to the net effect of changes in these major earnings and expense items on the behavior of so-called non-current earnings and profits would be highly tentative.

REVIEW OF BUSINESS CONDITIONS—TWELFTH DISTRICT**The price situation**

Commodity prices were again in the forefront of discussion during April. This was not because of any general tendency to further price increases, as in March; indeed in a number of conspicuous cases the drift of prices in April was sharply downward and most of the wholesale indexes have receded definitely from the peak levels of the previous month. The discussion has rather empha-

sized the consideration that current prices are too high in relation to consumer purchasing power and to the efficient functioning of the economic system. Increasing anxiety has been expressed that without early and substantial price reductions consumers would be unable or unwilling to buy, the demand for many kinds of goods would dry up, and the deflationary spiral might be set in motion.

The rate of increase in the general level of commodity prices over the past year has been without precedent in this country. Wholesale prices as a group were in mid-April nearly 40 percent above the level of a year previous, and retail prices of goods important in the cost of living advanced almost 20 percent within the same period. Most of the increase in both cases had occurred since June 1946. The ability of the country to absorb such large and rapid price advances without too serious a strain on the basic economic relationships of employer and wage earner, debtor and creditor, seller and buyer, has been a remarkable demonstration of the flexibility and essential soundness of the nation's economy. Nevertheless, the cumulative pressure of steadily rising costs of living has put a severe burden on those whose incomes have not kept pace with the rise in prices.

Price changes have varied as between different industries and economic areas. Prices of foodstuffs and farm products, of hides and leather, and of building materials, increased during the past year much more than those of most other important groups of commodities. Part of this unevenness in the price structure is of course temporary and arises chiefly from extraordinary conditions of demand.

Widespread publicity was given in April to appeals by the President and others in authority asking for voluntary price reductions. These appeals were particularly directed to manufacturing industry. They were seconded by associations among wholesale and retail distributors which emphasized the need for lower prices at the manufacturing level and which called on their own members to cut selling prices wherever possible. A considerable measure of temporary response by individual retail concerns in scattered areas over the country followed these appeals. Really significant price adjustments, however, are unlikely to result from such episodes. Possibly more indicative are certain recent cuts in producers' prices of a few major commodities. A few leading concerns in the automobile and agricultural implement industries have announced definite price reductions on some of their lines. During April the composite price of a group of basic agricultural commodities declined by about five percent. Prices of important fats and oils used in soapmaking and other industrial applications have recently fallen from 15 to 30 percent. The last two weeks in April saw announcements of corresponding cuts in soap prices at both the wholesale and retail level. Similar reductions are announced for kraft corrugated paper containers and liner board.

Whether or not such scattered reductions become general depends upon a variety of factors. These include, among others, the extent of foreign demands for goods, the speed with which war-depleted inventories are replenished and war-deferred consumer demands are filled, the size and extent of the current round of wage increases, and government decisions as to changes in expenditures, taxes and debt retirement.

Prospective plantings of chief crops

Data on prospective plantings for 1947 as of March 1, 1947 published by the Department of Agriculture give the first opportunity for a tentative comparison of actual 1946 acreages, 1947 goals, and indicated 1947 acreages for a number of important crops in the Twelfth District. These data are presented in the following table:

Crop	Thousands of acres		
	1946 actual	1947 goal	Indicated 1947
Winter wheat (April 1)...	4,994	6,240	4,936
Spring wheat (March 1)...	1,246		6,200
Barley	2,853	2,813	2,873
Beans, dry edible.....	436	556	471
Peas, dry edible	459	409	481
Flaxseed	120	177	160
Potatoes	418	378	329

The wheat and barley plantings in the Twelfth District are slightly larger than either the 1946 actual or 1947 goal acreage. Dry edible beans plantings are higher than 1946 plantings, but considerably short of the 1947 goal. A smaller goal for dry edible peas was not observed, but on the contrary, similar to past years, largely overplanted. The goal acreage for flaxseed has not been reached in the District. A new factor in the flaxseed picture is greatly increased planting of flaxseed in Idaho (5,000 acres), Oregon (8,000 acres), and Washington (4,000 acres), which is probably a result of the increased support price for this commodity.

Sugar-beet planting in the Twelfth District states is close to the 1947 goal of 364,000 acres.

A welcome development in acreage refers to potatoes, which were overplanted in 1946. The 1947 prospective plantings of 329,000 acres in the Twelfth District are 21.3 percent smaller than the 1946 actual plantings and 13 percent smaller than the goal of 378,000 acres established for 1947. In California, early potatoes acreage was 25 percent lower than in 1946.

Wheat

The 1947 production of winter wheat as indicated on April 1, 1947 will amount to 973 million bushels, or 99 million bushels more than the record crop of 1946 and 319 million bushels more than the 1936-45 average. In the Twelfth District, however, indicated production will be 117.5 million bushels as against 126 million bushels in 1946, and 81.4 million bushels 1936-45 average. The reason for this expected decline lies partly in somewhat smaller acreage and partly in the lower yield expected as a result of unfavorable weather conditions. The prospective acreage under spring wheat in Idaho, Oregon and Washington is, however, 1,331,000 acres compared with 1,155,000 acres in 1946. Considering the increased area under spring wheat, the 1947 District wheat production will probably be close to that in 1946.

The Kansas City spot price of wheat rose from \$2.04 per bushel on January 2, 1947 to \$2.92 on March 17. Wheat prices in the country during the second half of March 1947 were the highest on record, except for short periods in 1917 and after World War I. Actual and pro-

spective exports of wheat for commercial and relief purposes, contributing also to large speculative buying, was one of the chief reasons for this rise in price. By April 11, the Kansas City spot price was \$2.74 per bushel.

Citrus fruits

The April 1 forecast for the 1946-47 orange crop in California predicts a huge total of 53,700,000 boxes compared with 44,180,000 boxes in the 1945-46 crop year. The forecast for Valencias is 34,000,000 boxes as against 26,500,000 last year, and for Navels 19,700,000 boxes compared with 17,680,000. The picking of Navels has been completed in most sections of Southern California and Arizona and the movement of Valencias began in mid-April.

Total citrus fruit production for 1946-47 in the United States is estimated, as of April 1, at 197,320,000 boxes (oranges 119,960,000 boxes, grapefruit 62,490,000, lemons 14,700,000, and limes 170,000). California and Arizona are expected to produce an estimated 45.8 percent of the oranges and 12 percent of the grapefruit, while California alone will produce the entire lemon crop.

The orange and lemon markets took a sharp turn downward at the end of 1946—a 55 percent drop in the price

of oranges and a 36 percent drop in lemons, between December 7, 1946 and January 11, 1947. The trade explanation for this severe break in the market was large shipments of oranges and lemons in the middle of December, at a time when the market could not absorb large quantities at the existing prices. While the price of lemons continued to decline until the first week of February, oranges began to climb in mid-January and by the first week of April had regained most of the earlier loss. One factor in this recovery was a Florida freeze early in February, which destroyed an estimated eight million boxes of fruit. In addition, weekly shipments of both oranges and lemons were reduced during the period of unfavorable prices. Orange shipments from California and Arizona, which had been 7,400 cars in December, were only 6,640 cars in January and 6,340 cars in February. With the strong price recovery in March, shipments rose to 7,550 cars, but the price fell off again in April and the Orange Administrative Committee again recommended reduced shipments. Lemon prices recuperated between February 8 and March 8 about two-thirds of their previous loss, but experienced a considerable decline during March. Lemon shipments were reduced during January, but increased in February and March.

COMMERCIAL AND INDUSTRIAL LOAN SURVEY—TWELFTH DISTRICT

COMMERCIAL and industrial loans of member banks in the Twelfth District amounted to an estimated \$1,710 million on November 20, 1946. California banks accounted for 67 percent of this total, Pacific Northwest banks 22 percent, and Intermountain banks 11 percent. Nearly half of the loan volume was concentrated in the 21 largest banking offices of the District. Large manufacturing concerns as a group were the heaviest borrowers, while small retail establishments accounted for the greatest number of loans. Over half of the dollar total represented loans unsecured by the borrower, and one-third of the loans were of more than a year's duration. Commercial and industrial loans, excluding real estate loans, were \$1,560 million on November 20, an increase of 44 percent over June 29, 1946.¹

These estimates are drawn from tabulations of the Commercial and Industrial Loan Survey which was conducted among member banks by the Federal Reserve System on November 20, 1946.

Loan distribution among banks

The 21 banking offices in the District with deposits over \$100 million held 45 percent of total commercial and industrial loans on November 20, 1946, but only 17 percent of the number of loans. Banking offices included in the next size group (\$10-100 million) held 41 percent

of the dollar total and 50 percent of the total number of loans. It was of course true in general that the larger the banking office, the greater the number and amount of its business loans outstanding; there were, however, a number of interesting exceptions to this rule.

TABLE 1—ESTIMATED VOLUME OF MEMBER BANK COMMERCIAL AND INDUSTRIAL LOANS OUTSTANDING
NOVEMBER 20 AND JUNE 29, 1946¹
(thousands of dollars)

Bank size group	November 20, 1946			June 29, 1946		
	Total	Branch banks	Unit banks	Total	Branch banks	Unit banks
Total	1,558,319	1,293,595	264,724	1,083,549	911,608	171,941
Under						
\$2 million	5,333	3,075	2,258	5,038	2,978	2,060
\$2-10 million	188,638	175,264	13,374	147,569	128,186	19,383
\$10-100 million	630,792	509,080	121,712	405,118	344,029	61,089
Over						
\$100 million	733,556	606,176	127,380	525,824	436,415	89,409

¹ Excluding loans secured by real estate; data regarding such loans are not available for June 29, 1946. Size determined by total deposits on June 29, 1946. For classification by size, each banking office of a branch bank was considered as a separate unit.

Data not presented in these tables show that California banks had two-thirds of the \$1.7 billion District loan total. Over one-half of their loans were concentrated in banking offices with deposits in excess of \$100 million. Pacific Northwest banks accounted for 22 percent of the loan volume, and Intermountain banks 11 percent. In states other than California, two-thirds of the loans were made by banking offices with deposits under \$100 million.

¹ Data on commercial and industrial loans secured by real estate are not available for June 29, 1946.

TABLE 2—ESTIMATED AMOUNT AND NUMBER OF MEMBER BANK COMMERCIAL AND INDUSTRIAL LOANS OUTSTANDING
NOVEMBER 20, 1946, BY BUSINESS AND SIZE OF BORROWER

Business of borrower	Total assets of borrower					
	Total ¹	Under \$50 thousand	\$50-250 thousand	\$250-750 thousand	\$750-5000 thousand	Over \$5000 thousand
A. Amount of loans (thousands of dollars)						
Total	\$1,710,840	\$211,900	\$411,880	\$227,050	\$425,200	\$429,310
Manufacturing and mining	711,070	29,500	105,410	103,290	228,730	243,930
Wholesale trade	377,980	30,490	116,820	39,920	103,600	86,960
Retail trade	245,890	79,740	82,360	36,430	27,040	18,680
Public utilities, including transportation	84,650	14,320	16,040	9,940	9,730	32,190
Services	80,230	23,730	28,690	10,160	9,940	7,150
Building and road construction	112,290	22,700	33,600	14,410	30,700	10,860
All other	98,730	11,420	28,960	12,900	15,460	29,540
B. Number of loans						
Total	124,100	77,760	34,050	6,570	3,960	1,530
Manufacturing and mining	22,980	10,260	7,950	2,090	1,760	900
Wholesale trade	16,220	7,200	6,900	1,090	820	200
Retail trade	47,110	34,600	10,460	1,560	330	70
Public utilities, including transportation	7,130	5,160	1,420	200	150	190
Services	14,310	11,080	2,590	470	120	10
Building and road construction	9,490	6,120	2,340	660	310	40
All other	6,860	3,340	2,390	500	470	120

¹ Includes loans not classified by size of borrower.

TABLE 3—ESTIMATED AMOUNT AND NUMBER OF MEMBER BANK COMMERCIAL AND INDUSTRIAL LOANS OUTSTANDING
NOVEMBER 20, 1946, BY BUSINESS OF BORROWER AND TYPE OF SECURITY

Business of borrower	Type of security							
	Total	Un-secured	Endorsed comaker, guaranteed	Equipment and inventory	Real estate	Stocks and bonds	Assignment of claims	All other
A. Amount of loans (thousands of dollars)								
Total	\$1,710,840	\$903,340	\$68,710	\$427,690	\$152,520	\$85,600	\$48,100	\$24,880
Manufacturing and mining	711,070	405,290	28,870	189,690	30,370	34,190	12,740	9,920
Wholesale trade	377,980	191,340	12,700	142,430	12,240	8,820	8,020	2,430
Retail trade	245,890	135,670	13,620	32,740	34,910	9,590	11,450	7,910
Public utilities, including transportation	84,650	23,380	3,450	41,420	4,420	8,780	2,490	710
Services	80,230	25,090	2,190	7,370	32,410	10,290	1,760	1,120
Building and road construction	112,290	67,150	5,880	10,640	18,040	4,040	5,840	700
All other	98,730	55,420	2,000	3,400	20,130	9,890	5,800	2,090
B. Number of loans								
Total	124,100	55,790	6,720	33,310	14,490	5,600	4,330	3,860
Manufacturing and mining	22,980	10,940	1,450	6,460	1,790	870	1,090	380
Wholesale trade	16,220	8,050	730	4,330	920	650	1,010	530
Retail trade	47,110	23,400	2,500	11,760	5,290	1,780	780	1,600
Public utilities, including transportation	7,130	1,270	340	4,050	630	270	130	440
Services	14,310	5,360	860	3,570	2,430	1,090	420	580
Building and road construction	9,490	4,620	550	2,600	850	300	380	190
All other	6,860	2,150	290	540	2,580	640	520	140

Distribution by types of borrowers

Manufacturing and mining borrowers accounted for 42 percent of the loan volume, and wholesale and retail trade together 36 percent. Retail trade alone accounted for 38 percent of the number of loans in the District, and nearly three-quarters of these loans were to small retail establishments with total assets under \$50 thousand. Loans to large concerns were more common and in greater volume among manufacturing and mining borrowers than in other fields. Although loans to borrowers with assets over \$750 thousand were 50 percent of the loan volume, they were only 4 percent of the number of loans. At the other extreme, borrowers with assets of less than \$50 thousand accounted for only 12 percent of the loan volume, but 63 percent of the number of loans.

Over half of the dollar amount of all commercial and industrial loans were unsecured. Public utilities and services, on the other hand, had only 30 percent of their loans unsecured. Among secured loans, those secured by equipment and inventory and those secured by real estate were most important. Real estate loans were

relatively more important to borrowers engaged in the services field, constituting about 40 percent of all loans to such borrowers. The predominance of secured loans, particularly those secured by real estate, in the public utilities and services areas, is probably due to the longer maturities in these two fields, and in the services field to the frequent lack of other acceptable security.

TABLE 4—PERCENTAGE DISTRIBUTION BY MATURITY OF ESTIMATED MEMBER BANK COMMERCIAL AND INDUSTRIAL LOANS OUTSTANDING NOVEMBER 20, 1946, BY BUSINESS OF BORROWER¹

Business of borrower	Amount of loans		Number of loans	
	One year or less	Over one year	One year or less	Over one year
Total	72	28	67	33
Manufacturing and mining	69	31	74	26
Wholesale trade	91	9	83	17
Retail trade	70	30	67	33
Public utilities, including transportation	30	70	40	60
Services	39	61	50	50
Building & road construction	81	19	71	29
All other	73	27	62	38

¹ Excluding loans for which maturity was not determinable.

About one-third of the loans, both in terms of dollar amounts and number of loans, had maturities of more than a year. In the case of public utilities and services,

approximately two-thirds of the number and amount of loans were for terms longer than a year. Wholesale trade apparently relies most heavily on shorter-term credit.

TABLE 5—ESTIMATED AMOUNT AND NUMBER OF MEMBER BANK COMMERCIAL AND INDUSTRIAL LOANS OUTSTANDING NOVEMBER 20, 1946, BY BUSINESS OF BORROWER AND BANK SIZE GROUP

Business of borrower A. Amount of loans (thousands of dollars)	Bank size group ¹				
	Total	Over \$100 million	\$10-100 million	\$2-10 million	Under \$2 million
Total	1,710,840	771,090	702,140	231,320	6,290
Manufacturing and mining	711,070	391,540	273,550	44,450	1,530
Wholesale trade	377,980	166,820	146,800	63,280	1,080
Retail trade	245,890	56,040	128,590	59,240	2,020
Public utilities, including transportation	84,650	46,430	26,790	10,930	500
Services	80,230	28,280	29,520	21,990	440
Building and road construction	112,290	37,420	50,790	23,480	600
All other	98,730	44,560	46,100	7,950	120
B. Number of loans					
Total	124,100	20,760	62,110	39,600	1,630
Manufacturing and mining	22,980	6,310	10,520	5,960	190
Wholesale trade	16,220	4,230	8,500	3,350	140
Retail trade	47,110	4,080	24,530	17,740	760
Public utilities, including transportation	7,130	1,240	3,720	1,990	180
Services	14,310	1,910	7,040	5,180	180
Building and road construction	9,490	1,210	4,020	4,110	150
All other	6,860	1,780	3,780	1,270	30

¹As determined by total deposits on June 29, 1946. For classification by size, each banking office of a branch bank was considered as a unit.

Methods used by the Survey

In preparing for the Commercial and Industrial Loan Survey, each Reserve Bank asked certain member banks in its District, selected so that the group would be as representative as possible of the banking community in that District, to report their commercial and industrial

loans outstanding on November 20, 1946. In the Twelfth District all banking offices were divided into size groups based on their total deposits on June 29, 1946. A sample of 161 banking offices was drawn; this included all of the 21 banking offices with deposits over \$100 million, the others being distributed among the other size groups, branch or unit groups, and geographic areas.

Banks having deposits of more than \$10 million reported on only a part of their loans; banks with deposits under \$10 million reported on all loans.

Based on these loan data from a sample of Twelfth District banks, estimates were made of the total number and total amount of all commercial and industrial loans outstanding in the Twelfth District. The tabulations presented in this article were prepared from these estimates.

TABLE 6—NUMBER OF BANKING OFFICES OF MEMBER BANKS JUNE 29, 1946, BY BANK SIZE GROUP AND LOCATION

Bank size group ¹	Total	Calif.	Pacific Northwest					
			Ore.	Wash.	Intermountain			
					Ariz.	Idaho	Nev.	Utah
A. Branch banking offices								
Total	1,083	805	72	111	27	41	17	10
Under \$2 million	87	44	7	15	8	7	4	2
\$2-10 million	720	552	45	64	15	28	10	6
\$10-100 million	260	198	18	30	3	6	3	2
Over \$100 million	16	11	2	2	1	—	—	—
B. Unit banks								
Total	233	96	31	47	3	21	3	32
Under \$2 million	43	9	7	11	1	7	—	8
\$2-10 million	139	57	21	26	2	11	3	19
\$10-100 million	46	25	3	10	—	3	—	5
Over \$100 million	5	5	—	—	—	—	—	—

¹As determined by total deposits on June 29, 1946. For classification by size, each banking office of a branch bank was considered as a unit.

DEPARTMENT STORE STOCKS AND ORDERS OUTSTANDING—TWELFTH DISTRICT¹

DURING the past year the composition of total commitments² of Twelfth District department stores has changed markedly in response to sharp changes in both inventories and orders outstanding. Between March 1946 and March 1947 orders outstanding decreased 46 percent. Inventories, however, began to rise sharply in July 1946; by March 1947 they were up 66 percent over March 1946, and were at their third highest point since January 1941. This accumulation of stocks offset the drop in orders outstanding, so that there was a decline of only 9 percent in total commitments of District stores for the twelve-month period ending March 1947.

The contrasting movement of stocks and orders produced a radical change in the composition of total commitments, i.e., in the relation between the two items. At the end of December 1946 inventories exceeded orders for the first time since December 1942, and they continued to do so for the first three months of this year.

¹Based on data from 37 Twelfth District department stores.

²The term "total commitments" is used throughout this article to designate inventories plus orders outstanding.

Changes in department store commitments

Average monthly commitments of the department stores included in the survey were three times as large in 1946 as they were in 1941. Orders outstanding were the dominant factor in this growth; average outstandings

YEAR-PERIOD PERCENT CHANGES IN SALES, STOCKS, AND ORDERS OUTSTANDING (37 Twelfth District department stores)

1946	Sales	Stocks	Orders outstanding	Total commitments
July	+22	+20	+44	+34
August	+32	+25	+51	+39
September	+26	+34	+64	+50
October	+26	+47	+31	+39
November	+15	+60	+7	+28
December	+18	+82	-25	+10
1947				
January	+13	+74	-32	+2
February	+4	+77	-41	-6
March	+1	+66	-46	-9

in 1946 were five times as great as in 1941, in spite of a shrinkage of almost 50 percent in the second half of 1946. Before the war, inventories usually exceeded orders outstanding. From January 1943 through Novem-

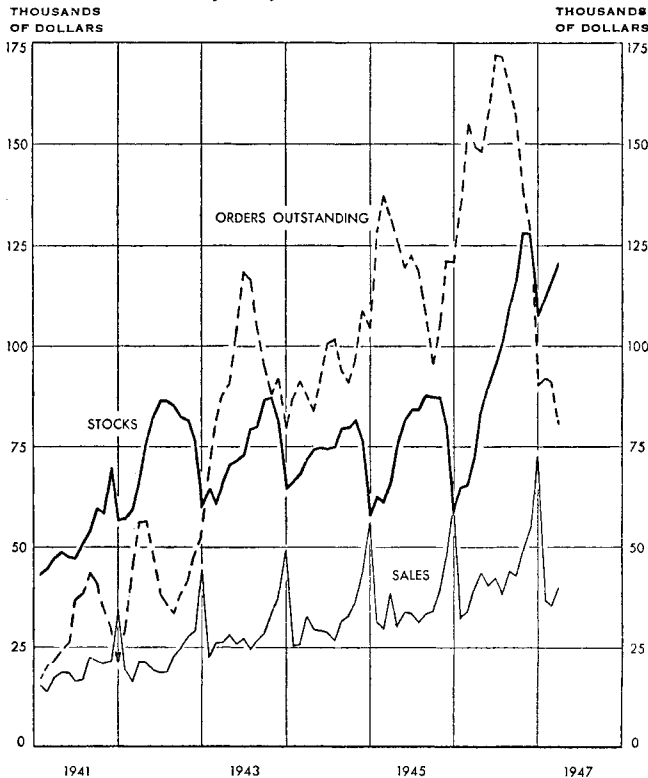
ber 1946, however, that relationship was reversed. This change in the composition of total commitments reflected the intense rivalry, among department stores and other retail establishments, for a limited supply of consumer goods to meet a continuous expansion in demand.

In December 1946, inventories once again exceeded orders outstanding, and this gap has widened to some extent each month through March 1947. This return to a prewar relationship resulted both from a sharp reduction in orders outstanding and from a marked rise in inventories. By the end of March 1947, orders outstanding were less than half of what they had been in June 1946 (their highest figure of the five-year period), but inventories increased by more than 25 percent during the same nine months.

No marked reduction in total commitments occurred during the second half of 1946; decline in orders outstanding was partly offset by increasing inventories. By the end of November 1946 total commitments had decreased less than seven percent from the August 1946 high. The usual Christmas buying, combined with some

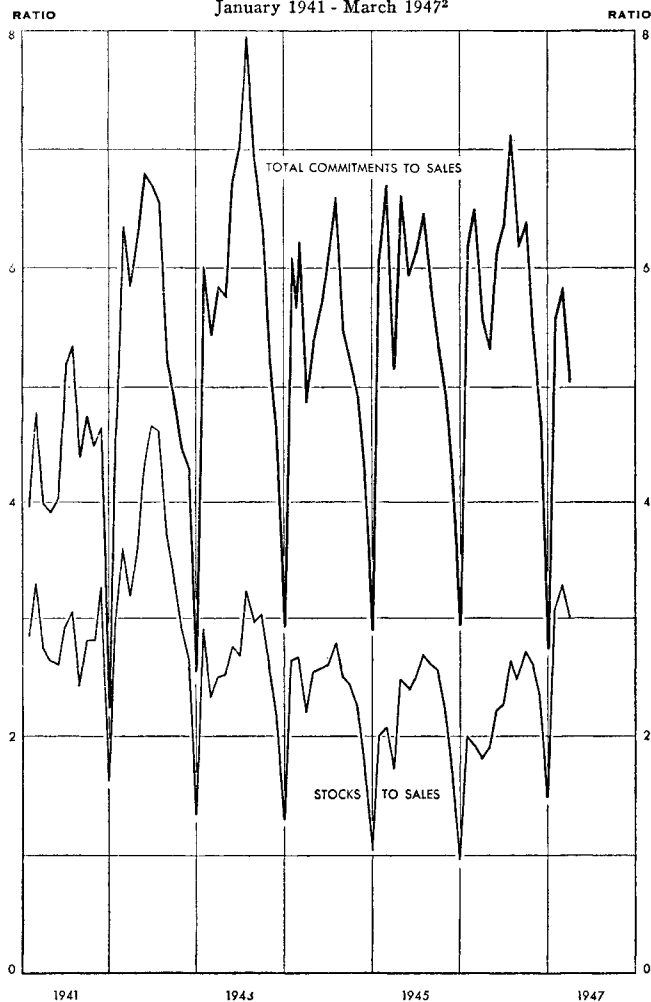
special pre-holiday sales, resulted in record December sales volume, and total commitments were reduced an additional 20 percent from the August level. Inventories increased again in the first quarter of this year, however, and total commitments rose slightly.

SALES, STOCKS, AND ORDERS OUTSTANDING
37 Twelfth District department stores
January 1941 - March 1947¹



¹Not adjusted for seasonal variation.

RATIO OF TOTAL COMMITMENTS TO SALES,¹ AND OF STOCKS TO SALES
37 Twelfth District department stores
January 1941 - March 1947²



¹"Total commitments" equals inventories plus orders outstanding.
²Not adjusted for seasonal variation.

Ratio of commitments to sales

Despite the large increase in the dollar volume of total commitments, the ratio of total commitments to sales increased less than one-third during the period from 1941 to 1946, because of the concurrent expansion in sales. In 1941 the ratio of commitments to sales accounted for slightly more than a four-month supply of goods. In 1943, after heavy accumulation of stocks during 1942 and a rapid expansion in orders outstanding during 1943, the ratio reached a peak of more than five and one-half months' supply. Rising sales during 1944 were not accompanied by corresponding changes in commitments; as a consequence, total commitments were reduced to a five-month supply in terms of sales. Repeated increases in orders outstanding during 1945 and the first half of 1946, followed by a marked rise in inventories during the second half of 1946, caused the ratio of commitments to sales to go above the 1944 level; but the ratio did not again approach the 1943 level until 1946. In the first three months of 1947, the ratio of commitments to sales showed a year-period decline of ten percent. March 1947 commitments amounted to a five-month supply of merchandise.

Current and prospective problems

The high dollar volume of inventories and orders outstanding still exceeds previous peacetime levels. The ratio of total commitments to sales at the end of March 1947 was higher by 25 percent than in March 1941, but lower than at the same date in most years since 1942. Furthermore, inventories exceeded orders outstanding, which was not the case from January 1943 through November 1946.

The sharp reduction of orders outstanding since June of last year will probably go on. The rate of reduction may continue fairly large, as deliveries—which have already improved considerably in recent months — become more current for all types of merchandise and particularly for popular items. In itself the cancellation of past-due orders has been a factor in speeding up deliveries. Cancellation, the elimination of duplicate orders, and increased caution in placing new orders, have had a dampening effect on total commitments in terms of

sales and in dollar volume, and may continue to do so. A return to a ratio between orders outstanding and sales comparable to that existing in 1941, however, does not appear to be imminent in the next several months.

In contrast to orders outstanding, inventories have been accumulating rapidly in recent months. For the first three months of 1947 combined, the ratio of stocks to sales exceeded that for any first-quarter period included in this survey except in 1942. Furthermore, inventories appear likely to rise again at the end of March.

At a time when consumer prices are at almost an all-time high, sales are at record levels, and inventories are still out of balance, the combination of a large supply of goods on hand with substantial orders outstanding is being carefully watched by foresighted merchants. A reduction of orders outstanding, in the face of stabilized or declining demand, could be achieved without much difficulty. To reduce inventories, however, would require more drastic action by the stores.

CHANGES IN BANKS AND BRANCHES, 1945-46—TWELFTH DISTRICT

DURING 1946 there was little net change in the total number of banks in the Twelfth District, or in the number of banks operating branches. The number of member bank branches increased substantially, however, and total banking offices, excluding military facilities, were 1,674 at the end of 1946 compared with 1,642 a year earlier. A further decline in military activities reduced by about half the number of banking facilities operated at military establishments. Member banks, numbering slightly more than half of all banks in the District, held about 90 percent of total bank assets. Less than 10 percent of all District banks were branch banks, but their combined assets represented 80 percent of all bank assets.

Six member banks and eight nonmember banks discontinued business in 1946. All were absorbed by existing banking systems. Thirteen banks, three member and ten nonmember, began operations during the year. Most of these changes occurred in two Pacific Northwest states, where six of the new banks and eight of those absorbed were located.

TOTAL ASSETS OF MEMBER AND NONMEMBER BRANCH BANKS, BY STATES—TWELFTH DISTRICT DECEMBER 31, 1946 AND 1945

State	Member branch banks		Nonmember branch banks		% branch bk. assets to all bk. assets	
	1946	1945	1946	1945	1946	1945
Arizona	\$ 293,964	\$ 279,379	\$ 16,546	\$ 15,665	94.1	92.9
California	10,957,000	11,017,172	757,208	714,230	84.6	84.1
Idaho	315,746	301,747	19,132	17,972	73.4	74.2
Nevada	142,230	137,321	9,874	8,068	88.3	88.8
Oregon	1,117,534	1,203,294	28,123	22,910	80.4	82.5
Utah	137,256	151,413	7,299	13,042	24.8	28.1
Washington	1,524,027	1,675,002	196,635	180,105	75.9	76.1
Twelfth District	14,487,757	14,765,328	1,034,817	971,992	81.3	81.2

Forty-two branch banks, 39 of which were branches of member banks, were added to banking systems. Six branches of member banks and three branches of nonmember banks were discontinued. Of the 42 new branches, 22 were established by California banks and nine by Washington banks.

From the end of 1940 to the the end of 1946, the number of Twelfth District banks decreased from 567 to 523, but there was a net loss of only two banks in the last two years. On the other hand, four more banks were operating branches in 1946 than in 1940, and 65 more branches were in existence. Most of the increase in branch offices since 1940 took place in 1945 and 1946, when 25 and 33 branches were added to the total in operation. The increase was greatest in the state of Washington, where 28 branches were added between 1940 and 1946.

NUMBER OF MEMBER AND NONMEMBER BANKS OPERATING BRANCHES, AND NUMBER OF BRANCHES OPERATED— TWELFTH DISTRICT DECEMBER 31, 1946 AND 1945

State	Number of banks operating branches				Number of branches operated			
	Member banks		Nonmember banks		Member banks		Nonmember banks	
	1946	1945	1946	1945	1946	1945	1946	1945
Arizona	2	2	1	1	28 ¹	24 ¹	3 ²	4 ²
California	17	17	15	15	824 ³	807 ³	39	37
Idaho	5	6	1	1	40	38	2	2
Nevada	3	3	1	1	15	14	1	1
Oregon	2	2	5	4	70	68	5	4
Utah	2	2	2	3	9	9	2	4
Washington	8	8	4	4	105	98	8	8
Twelfth District	39	40	29	29	1,091	1,058	60	60

¹ Includes 7 branches of Twelfth District banks operating in Eleventh District.

² Excludes 1 branch of Eleventh District bank operating in Twelfth District.

³ Includes 3 out-of-state branches of one bank.

NUMBER AND TOTAL ASSETS OF MEMBER AND NONMEMBER BANKS—TWELFTH DISTRICT
DECEMBER 31, 1946 AND 1945

(assets in thousands of dollars)

State	All banks				Member banks				Nonmember banks				% member bank assets to all bank assets	
	Number		Assets		Number		Assets		Number		Assets			
	1946	1945	1946	1945	1946	1945	1946	1945	1946	1945	1946	1945	1946	1945
Arizona.....	7	8	\$ 330,112	\$ 317,564	4	5	\$ 299,084	\$ 288,253	3	3	\$ 31,028	\$ 29,311	90.6	90.8
California.....	207	208	13,853,410 ¹	13,951,429	113	113	12,630,059 ¹	12,813,071	94	95	1,223,351	1,138,358	91.2	91.8
Idaho.....	47	46	453,718	428,381	25	26	394,657	374,331	22	20	61,701	56,486	86.5	86.9
Nevada.....	8	8	172,319	163,741	6	6	158,706	152,439	2	2	13,613	11,303	92.1	93.1
Oregon.....	71	73	1,425,861	1,485,692	33	33	1,311,590	1,381,386	38	40	114,271	104,306	91.9	93.0
Utah.....	59	57	583,980	585,477	34	34	489,489	493,785	25	23	94,491	91,692	83.8	84.3
Washington.....	124	124	2,268,037	2,434,662	54	55	1,908,392	2,104,743	70	69	359,644	329,920	84.1	86.4
Twelfth District.....	523	524	19,090,076	19,369,383	269	272	17,191,977	17,608,008	254	252	1,898,099	1,761,376	90.1	90.9

¹ Includes assets of 3 out-of-state branches of one bank.



BUSINESS INDEXES—TWELFTH DISTRICT
1935-39 Average=100¹

Year and month	Industrial production (physical volume) ²										Factory employment ⁴		Factory payrolls ⁴	
	Lumber		Petroleum ³		Cement ³		Wheat flour ³		Electric power		California		California	
	Ad-justed	Unad-justed	Crude Unad-justed	Refined Unad-justed	Ad-justed	Unad-justed	Ad-justed	Unad-justed	Ad-justed	Unad-justed	Ad-justed	Unad-justed	Ad-justed	Unad-justed
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		363		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														
March	109	97	129	210	148	149	143	140	209	206	165 ^r	165 ^r	305 ^r	304 ^r
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
March	140 ^p	121 ^p	137	255	185	186	165	162	252	248	193	192	390	389
April	129 ^p	132 ^p					173	153						

Year and month	Carloadings (number) ²						Department store sales (value) ²					Dept. store stocks (value) ⁵		Consumers' prices ⁵			
	Total		Merchandise and miscellaneous		Other		District		California	Pacific North-west	Utah & So. Idaho	District		All items	Food		
	Ad-justed	Unad-justed	Ad-justed	Unad-justed	Ad-justed	Unad-justed	Ad-justed	Unad-justed	Ad-justed	Ad-justed	Ad-justed	Ad-justed	Unad-justed	Unad-justed	Unad-justed		
1929		112		114		109		112		109		115		124		121.8	132.0
1930		96		105		84		104		103		106		111		118.1	124.8
1931		75		89		57		94		94		91		97		108.2	104.0
1932		57		74		37		71		72		68		69		98.8	89.8
1933		58		70		43		68		66		66		72		93.6	86.8
1934		66		81		48		77		75		78		82		95.3	93.2
1935		72		85		56		86		86		85		89		97.0	99.6
1936		85		97		70		100		99		100		99		97.9	100.3
1937		90		102		75		105		106		105		104		102.2	104.5
1938		79		90		65		100		100		100		98		101	102.0
1939		85		96		72		109		109		110		110		106	101.0
1940		90		99		79		116		117		117		116		113	101.1
1941		105		116		91		139		136		146		138		137	106.3
1942		113		121		103		169		160		189		174		187	119.4
1943		109		119		97		201		192		219		212		172	126.1
1944		115		130		97		221		217		232		217		177	128.3
1945		110		131		83		244		242		252		237		182	131.7
1946		111		132		86		306		304		310		304		238	142.1
1946																	
March	104	96	123	114	80	74	296 ^r	257 ^r	287 ^r	310	300 ^r	190	177	133.4	148.2		
April	106	103	129	121	79	80	292 ^r	287	294 ^r	283 ^r	286	202 ^r	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	156.7 ^r	195.7		
February	134	111	150	125	113	93	330	278	317	352	335	330	290	156.7 ^r	193.5		
March	117	109	129	120	103	96	325	295	318	336	314	336	312	158.2	196.6		
April	120	117	130	122	108	111	315	297	314	312	313	312	309				

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)

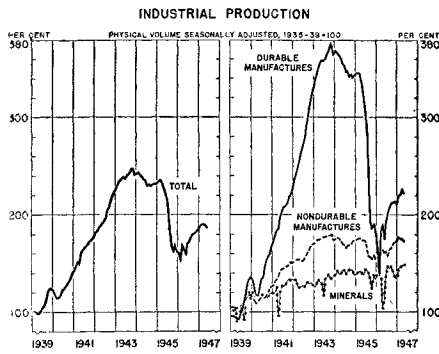
Year and month	Condition items of all member banks ¹									
	Loans and discounts					Investments ²		Demand deposits adjusted ^{3,4}	Time deposits ⁴	U.S. Gov't deposits ⁴
	Total ²	Coml., ind. & agric.	For purch., carry'g secs.	Real estate	All other	U.S. Gov't securities	All other securities			
1929	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										
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
March	4,304					7,909	894	8,314	5,820	396
April	4,479					7,677	876	8,315	5,837	286

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	
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									
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
March	- 62	- 3	+ 50	- 30	2,735	2,003	1,940	61	332
April	- 2	- 69	+ 47	- 18	2,716	1,997	1,934	63	309

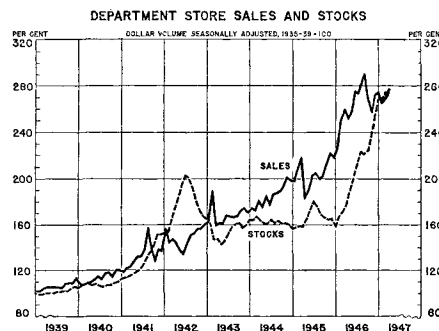
¹ Annual figures are as of end of year; monthly figures are as of last Wednesday in month or, where applicable, as of call report date.
² Monthly data for 1946 partly estimated.
³ Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection.
⁴ Monthly data partly 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.

Notional Summary of Business Conditions

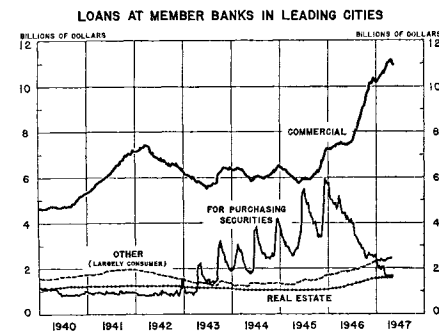
Released April 29, 1947—Board of Governors of the Federal Reserve System



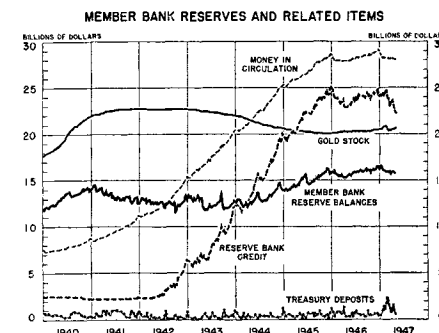
Federal Reserve indexes. Monthly figures, latest shown are for April 1947.



Federal Reserve indexes. Monthly figures, latest shown are for March 1947.



Excludes loans to banks. Wednesday figures, latest shown are for April 30, 1947.



Wednesday figures, latest shown are for April 30, 1947.

INDUSTRIAL output and factory employment were unchanged in March. Value of retail trade continued to show little change, after allowing for holiday buying. The general level of wholesale commodity prices declined slightly in the first three weeks of April, following increases in February and the early part of March.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production in March was at a level of 189 percent of the 1935-39 average for the third consecutive month.

Output of durable manufactures continued to show a very slight gain in March, reaching a level of 223 percent of the 1935-39 average. Activity in the iron and steel industries advanced in March after a slight decline in February. Steel mill operations averaged 94 percent of capacity in March and they have been maintained at about this rate during most of April. Activity in the machinery and transportation equipment industries also showed a slight gain in March. Output of passenger cars totalled 303,000, and of trucks, 117,000. Lumber production continued to advance and, in March, was at the highest level for this season in almost 20 years. Output of most nonferrous metals at smelters and refineries continued to expand, following increases earlier in domestic mine production.

The Board's seasonally adjusted index of output of nondurable manufactures again declined by one point in March to a level of 175 percent of the 1935-39 average. Production in most lines was at the February rate or declined very slightly. Output of textile-mill and leather products in February and March remained somewhat below last year's peak rates.

Minerals production increased slightly in March to a level of 147 percent of the 1935-39 average, reflecting a continued advance in output of crude petroleum, and a slight increase in coal production. Bituminous coal output dropped sharply during the first two weeks of April, as work was curtailed at mines in a dispute over safety conditions, but subsequently increased.

EMPLOYMENT

The number of employees in most lines of nonagricultural activity in March remained at about the level of other recent months, after allowance for usual seasonal changes. Total nonagricultural employment of about 42,500,000 persons was 7 percent higher than the level a year ago. The number of persons unemployed showed a slight seasonal decline in March to 2,330,000.

CONSTRUCTION

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about one-third larger in March than in February, reflecting chiefly seasonal influences, but one-sixth smaller than in March 1946. The reduction from a year ago was in awards for private nonresidential construction, which were exceptionally large at that time. Value of residential awards increased by about one-third from February to March and was slightly larger than in the same period last year. Since a year ago building costs have increased considerably and the number of dwelling units contracted for in March was somewhat less than the March 1946 volume. Construction activity continued to decline after allowance for seasonal variation.

DISTRIBUTION

Value of department store sales during the six weeks preceding the Easter holiday was three percent larger than during the corresponding number of weeks before Easter last year, reflecting chiefly a sharply higher level of sales of household appliances and men's clothing. Value of sales of most other goods sold at department stores was about the same as a year ago, although prices were generally higher than at that time. Retail sales of automobiles, radios, and office and farm equipment both in unit and dollar volume continued far in excess of last year's levels. Freight carloadings rose in March owing mainly to increased shipments of grain and miscellaneous freight.

COMMODITY PRICES

Wholesale prices of basic commodities generally declined from the middle of March to the latter part of April, with the largest decreases shown for hogs, fats and oils, coffee, print cloths, and steel scrap. Prices of corn, cotton, and copper, on the other hand, were at about the same level on April 24 as in the middle of March.

The consumers' price index of the Bureau of Labor Statistics advanced two percent from February 15 to March 15, reflecting chiefly increases in food prices. Since that time prices of foods have declined somewhat and price reductions have been announced for certain other products by manufacturers and distributors.

TREASURY FINANCE AND BANK CREDIT

During March and April the Treasury continued its program of debt retirement, using an excess of tax receipts over budget expenditures and drawing upon balances at commercial banks and Federal Reserve Banks. Retirements, which aggregated about 4.8 billion dollars, included notes maturing on March 15, a portion of certificates maturing March 1 and April 1, and 200 million of Treasury bills each on April 17 and 24. A further reduction of 200 million was announced for the bill issue to mature May 1.

Federal Reserve holdings of Government securities declined by more than 2.2 billion dollars in the eight weeks ending April 23, while holdings of member banks in leading cities showed little change. The reserve position of member banks was maintained in this period by the reduction in Treasury balances at Federal Reserve Banks.

Bank deposits and currency in circulation, which had declined considerably in January and February, showed some net increase in March and the first half of April. Commercial loans increased further in March but declined in April. Real estate and consumer loans increased moderately.