

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

SEPTEMBER-OCTOBER 1947

REVIEW OF BUSINESS CONDITIONS—TWELFTH DISTRICT

FEW MARKED CHANGES occurred in the general level of business activity in the Twelfth District during the summer and early autumn months. Increasing demand at generally rising prices has exerted steady pressure on the basic extractive industries, including agriculture, lumber, petroleum, and metalliferous mining. The output of most crop and livestock products has been close to the average of recent years. Reported lumber output during the first eight months of the year exceeded the total production in the first nine months of 1946, and the mills were steadily adding to their volume of orders under the stimulus of a high rate of construction activity and brisk export demand. The freight car shortage, however, has hampered some industrial operations, including coal mining and lumber shipments. Crude oil production reached a level during midsummer very close to the maximum output at the height of the war effort; District gasoline output in August actually exceeded the peak rates of the last few months of the war.

General industrial production and employment have held at fairly steady levels except in the metal-working industries. Some retrenchment was reported in California aircraft plants, while in Washington aircraft employment expanded slightly. Continued shrinkage of ship repair and conversion work resulted in sharp drops in shipyard employment in both California and Washington. Material shortages have hampered operations in automobile assembly plants and in machinery and other metal-working establishments. The plywood, paper, and furniture industries have remained very active and the California apparel industry has recovered from the slump it experienced earlier in the year. Seasonal expansion in the District canning industry came somewhat later than last year but reached very high levels in August and September. Construction of most kinds was very active in the third quarter of 1947 and a large volume of new building construction is currently under way, especially in southern California. Employment in the motion picture industry declined in July and August to levels about 20 to 25 percent below those of the corresponding months of last year. In most other California nonmanufacturing industries employment was substantially higher in those months than a year ago.

Commodity prices rose sharply from July to October to new high levels. Advancing prices for farm products in particular have carried agricultural income from

marketings to new peaks. Dried fruit prices, however, are down rather sharply from the highs reached early in the year. The Commodity Credit Corporation has initiated a purchase program which is intended to absorb a considerable part of the dried fruit output of the District, particularly of prunes and raisins. Little other price support activity is expected, however. Industrial wages and earnings have continued to advance, though less rapidly than last year, and the gap between cost of living and wage income continues to widen.

The dollar volume of retail trade in the District remains at a high level. The continuing influx of population into the metropolitan areas of the District probably contributes somewhat to sustaining the current large volume of sales, though considerable changes are occurring in the composition of aggregate retail expenditure. The relatively small increases in department store sales in recent months over the corresponding months of last year, taken in conjunction with the present higher price level, indicate a total physical volume below that of a year ago, particularly in soft goods. Purchases of consumers' durable goods, however, such as automobiles, furniture, and major household appliances, are increasing with the growing availability of these products.

Rapid expansion in bank loans

Member bank loans in the Twelfth District increased about \$400 million in the third quarter of this year, reaching a total of \$5 billion at the end of September. A marked upward trend has prevailed so far this year, except for some slackening in May and June, and the rate of increase has shown successive gains in each month of the third quarter. The percent increase in September was the largest so far this year.

Real estate and consumer loans continued to expand at a substantial rate. As compared with earlier months of this year, the expansion in commercial, industrial, and agricultural loans during the third quarter was especially marked. The volume of these loans had declined slightly in May and June, but the increase of about 4.5 percent in September was substantially larger than that for any other month this year. It was the first time this year that the monthly rate of increase in these loans had exceeded that for real estate loans. The expansion in all major categories of loans in the first three weeks of October, however, was below the September rate.

Growth in bank deposits

The downward trend in District member bank deposits during the first half of the year was reversed in the third quarter, when substantial increases occurred. From July 1 to October 22, District member bank deposits regained four-fifths of the decline experienced in the first half of the year. Deposits declined somewhat at the time of quarterly tax payments in mid-September, but have risen steadily since then. Time deposits, virtually unchanged in July and August, rose in September and October.

Redemption of Armed Forces Leave Bonds

The deposit expansion was greatly accelerated by the cashing of Armed Forces Leave Bonds. Redemption of these bonds was heaviest in the first few days of September, and since then has been tapering off. The Federal

Reserve Bank of San Francisco, as fiscal agent for the Treasury, had received from commercial banks \$143 million of redeemed terminal leave bonds through October 22. Redemptions at commercial banks to that date exceeded this total by the amount of redeemed bonds which had not yet reached this Bank. For the country as a whole at the same date, \$857 million of redeemed terminal leave bonds, or 47 percent of the total amount outstanding on August 31, had been received by the Treasury. Redemptions in the Twelfth District constituted 17 percent of the total for the country as a whole, whereas the District has only 11 percent of the total resident population of the United States. This tends to confirm other estimates showing that the District has a larger proportion of veterans than other sections of the country.

THE SHARP UPTURN IN COMMODITY PRICES

AFTER REMAINING at a comparatively even level during most of May and June, general commodity prices advanced again during July, August, September, and early October, and most of the price index numbers are currently at new highs. Price increases have been generally diffused over a wide range of products, and only a few important commodity groups, notably chemicals, have failed to share in the recent rise.

Among the commodities that have participated conspicuously in the upward price trend of the past few months are coal, coke, steel scrap, pig iron, steel; automobiles and trucks; crude petroleum, fuel oil, gasoline; lumber, cement; cotton, corn, wheat, barley, oats; hogs, steers, hides, tallow; meat, dairy and poultry products; and citrus fruits. Some of these have receded somewhat from their recent highs, but most of them are well above the levels attained earlier in the year. Many other commodities, such as non-ferrous metals, newsprint, and most textiles, as well as imported foodstuffs like sugar, coffee, and cocoa, are at or near their peaks for the current year, which means, in effect, at their postwar highs.

Retail prices have also continued to advance, although at a diminished rate as compared with the last half of 1946, and at a more moderate pace than wholesale prices. The consumers' price index of retail prices in large cities compiled by the Bureau of Labor Statistics reached the highest point on record at mid-August—160 percent of the 1935-39 average. This was nearly 20 percent above the level of June 15, 1946 and over 60 percent above the August 1939 level.

Forces contributing to price increases

A variety of factors, some general in character and some special to particular products, have exerted an upward pressure on prices during the current year.

On the demand side, one of the most fundamental factors continues to be the great expansion of liquid assets held by consumers. During the war years incomes reached

record peaks, while the volume of goods available for civilian consumption was sharply curtailed and prices were held in check by government price controls. The resultant unspent income accumulated, largely in the form of bank accounts and government bond holdings. Funds in private hands are continuing to increase, largely because of the rapid growth in bank loans. The significant rise in loans began in mid-1946 and has gained new impetus in recent months.

As a result of this huge pool of savings, together with postwar shortages of consumers' durable goods, the volume of purchasing power relative to the volume of obtainable goods has been abnormally high. Augmenting the inflationary pressure from this source, current income has continued to expand. Wage and salary payments in the second quarter of 1947 were estimated by the Department of Commerce at 16 percent above the level reached in the second quarter of last year. Total personal income receipts continue to establish new high records and consumer outlays for goods and services are correspondingly large. Business expenditures for plant construction and equipment and for inventory building have also been maintained at very high rates, although inventory gains have tapered off sharply in recent months. Speculators have also taken advantage of the profit opportunities in the present unstable price situation, and their activities have probably contributed to the rise of commodity prices, especially in foodstuffs.

On the supply side, the following influences have operated to increase costs or to restrict the free flow of goods to market. The fresh round of wage increases that began last winter in the automobile, meat packing, rubber, steel, and electrical equipment industries, and culminated this summer in the bituminous coal industry, has tended to raise unit costs of production very generally. Also, as may be expected in a sellers' market, there has been a widespread tendency to mark up prices to substantially what the traffic would bear. Of similar effect were the sharp increases in railroad rates granted at the beginning

of the year and early in October. Sporadic work stoppages and persistent material shortages in some industries, notably the metal and building material lines, as well as freight car shortages, have also played a part in keeping prices up by preventing an even flow of production and shipment of manufactured goods.

In addition to the above factors at work within our domestic economy, the large foreign demand for American commodities has been an important influence in sustaining the price level. In the second quarter of this year exports reached an annual rate of nearly \$16 billion, as against a yearly average of about \$3 billion during 1935-39. Prices of foodstuffs in particular were affected by the combination of high domestic and high export demand. Last year's crops were unusually large, but the rate of "disappearance" of practically all cereals has also been unusually high. Export demand, chiefly for European requirements, has contributed especially to the strength of the grain and livestock markets.

Wheat consumption and prices

The prospect of large continuing exports of foodstuffs, either on a relief basis or through some form of American governmental financing of European purchase programs, promises to remain an important influence on prices for some time to come. In fact, increasing concern is being expressed over the possibility of the United States meeting minimum foreign needs for grain exports without pushing prices to still higher levels. Usually wheat makes up the bulk of United States grain exports, as it must this year, but a shorter than usual corn crop, partial European crop failure, and increased domestic consumption, present a difficult situation because much more wheat could be used than is now available. It has been estimated by the President's Committee on Food and by the United States Department of Agriculture that wheat needs and supplies for 1947-48 will be about as follows:

Requirements	Million bushels
For food, seed, and industry.....	605
For livestock feeding.....	300
Total United States consumption.....	905
For export for foreign needs.....	500
For United States carry-over to meet contingencies.....	175
Total requirements	1,580
Supplies	
Carry-over from crop year 1946.....	83
1947 production	1,407
Total supplies	1,490

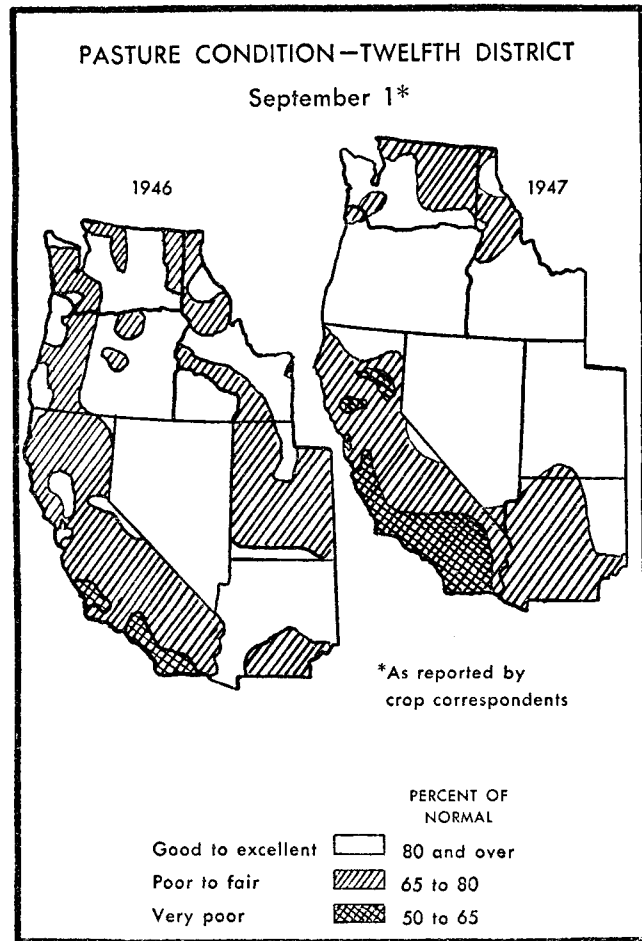
According to these estimates, wheat supplies are deficient by approximately 100 million bushels. Competitive dollar bidding for the available supply might eliminate those needing the wheat most and at the same time give still further impetus to the inflation spiral. To ease this situation and to obtain the estimated amount of grain needed for foreign shipments, an active effort is being made to curtail United States requirements through voluntary programs of reducing wheat consumption, both human and livestock. The success of this undertaking will

depend to a great extent on how much sympathy and active co-operation the program receives from the public.

Grain prices and Twelfth District livestock

In the Twelfth District wheat and other grains may well rise further in price if the voluntary grain saving programs should fail. Fortunately, the present feed situation in the District differs somewhat from that found in other regions of the United States. Corn and other grain feeding is considerably reduced through increased feeding of grass, cottonseed meal, and sugar beet by-products.

Total supplies of by-product feeds and supplies of hay per animal unit are near an all-time high. As of September 1, pasture conditions were better in the District than a year before (see map). They were estimated at 80 per-



U. S. Dept. of Agriculture Bureau of Agricultural Economics

cent of normal, or better, in well over half of the District. Rains since October 10 over most of the District have further greatly improved pastures. With the feeding of grain to livestock being curtailed to allow for its exportation, some further reduction in livestock is probable, although District livestock numbers may not be affected as much as livestock numbers in other areas.

TERMINATION OF CONTROLS ON CONSUMER INSTALMENT CREDIT

GOVERNMENT CONTROL of consumer credit through Regulation W, which has been in effect since September 1, 1941, was terminated November 1, 1947 as the result of a bill passed by Congress last July. The regulation of consumer credit by the Board of Governors rested upon an Executive Order issued August 9, 1941, under the Act of October 6, 1917. The purpose of the regulation was to help control inflationary forces during the war and post-war periods. Regulation W served to restrict the demand for scarce goods by controlling the terms upon which instalment credit could be obtained, and for a considerable period by prescribing certain rules for the administration of charge account sales and for the granting of single payment loans.

The provisions of Regulation W were changed from time to time to meet varying conditions. The last change became effective December 1, 1946, at which time controls on all types of consumer credit other than instalment credit were removed. The list of goods subject to down payment requirements was reduced substantially. For the goods remaining under control after December 1, 1946, the prescribed down payment has been $33\frac{1}{3}$ percent on all items except furniture and soft-surfaced floor coverings, for which a down payment of only 20 percent has been required. The maximum maturity for all instalment credit made since that date, including instalment loans for purposes other than buying listed articles, has been 15 months.

The size of both the down payments and the monthly payments prescribed by Regulation W was substantially larger than had been characteristic of consumer instalment credit before the war. Consequently those people who were either unable or unwilling to meet the larger payments were excluded from the market and the demand for scarce goods was thereby diminished. This constituted one check, therefore, upon inflationary forces during the war and postwar periods.

Fluctuations in volume of consumer credit since 1941

Both total consumer credit and total instalment credit in the country as a whole reached a prewar peak in the third quarter of 1941. Sixty percent of the \$10 billion

of consumer credit outstanding at that time consisted of instalment credit. The volume of all categories of credit started to decline thereafter, partly because of the controls imposed by Regulation W and partly because of the increasing scarcity of goods customarily purchased on credit. At the low point in February 1944, total consumer credit amounted to \$4.8 billion, of which \$1.8 billion was instalment credit.

Following a gradual rise during the remainder of 1944 and all of 1945, consumer credit expanded rapidly during 1946 and 1947. By August of this year it had reached an all-time high of \$11.2 billion. Instalment credit, however, totaled only \$5.2 billion, an amount nearly 20 percent below its 1941 peak of \$6.3 billion. Virtually all of the expansion so far this year has occurred in instalment credit, this being partly offset by a slight decline in charge accounts.

The growth of consumer credit during 1946 and 1947 has been the result primarily of increased supplies and higher prices of consumer goods that are customarily purchased on credit by many people. Other factors have also contributed to the expansion. A substantial increase in disposable personal income has made it possible for some consumers to increase their purchases of goods on credit. In the case of other consumer groups, the rising price level, without a corresponding increase in their income, may have induced somewhat greater reliance on credit to finance purchases of more costly durable goods.

Expansion of consumer credit promotes inflation

It was to be expected that consumer credit would expand as durable goods became increasingly available in the postwar period. At the same time, its expansion has been cause for concern because it has added to the already strong inflationary forces which have been present since the war. Since the end of 1945 total consumer credit has increased \$4.6 billion. This constituted a substantial addition to total purchasing power at a time when it was already large relative to the available supplies of goods, and had a special impact on consumers' durable goods which were in particularly short supply.

The expiration of Regulation W on November 1 will result, in all probability, in more liberal terms for consumer instalment credit. Several merchandising groups are said to be planning down payments as low as 10 percent on furniture and appliances, and maturities will also be extended. Most of the proposals advanced by various associations in the consumer credit field, and by individual financing institutions, provide for a lengthening of maturities and, in some cases, a reduction in down payments on instalment purchases. While these associations and institutions have urged, at the same time, that credit terms should not be relaxed excessively, competition is likely to result in a progressive breakdown in standards. But the longer this development can be forestalled, the less will be the inflationary pressure arising out of consumer credit.

TOTAL ESTIMATED AMOUNT OF CONSUMER CREDIT AND OF
INSTALMENT CREDIT OUTSTANDING, 1939-AUGUST 1947
(in millions)

End of year or month	Total consumer credit	Total instalment credit	Other ¹
1939	\$ 7,994	\$4,449	\$3,545
1940	9,146	5,448	3,698
1941	9,895	5,920	3,975
1942	6,478	2,948	3,530
1943	5,334	1,957	3,377
1944	5,776	2,034	3,742
1945	6,637	2,365	4,272
1946	10,157	3,976	6,181
1947—January	9,982	4,048	5,934
February	9,939	4,156	5,783
March	10,255	4,329	5,926
April	10,464	4,536	5,928
May	10,729	4,739	5,990
June	10,992	4,918	6,074
July	11,061	5,047	6,014
August	11,216	5,195	6,021

¹ Includes single-payment loans, charge accounts, and service credit.

Commercial banks can play an important role in discouraging the return of unduly liberal credit terms. They not only hold about 40 percent of the outstanding amount of consumer instalment credit, but they also supply funds through business loans to sales finance companies, retailers, and other organizations extending instalment credit.

Although total consumer credit is at an all-time high in absolute terms, its ratio to disposable personal income is substantially less than in prewar years. For the three years 1939-41, total consumer credit outstanding averaged about 11 percent of disposable personal income, while the average in 1946 and the first eight months of 1947 was about 5.5 percent. The corresponding ratios for

total instalment credit were about 6 percent and 2.3 percent.

The fact that consumer credit is relatively less of a charge on consumer incomes than in prewar years means that its liquidation during any recession which might develop would have less of a tendency to accelerate the decline in economic activity than if it were at a higher level. But the significant fact today is that any expansion in consumer credit, at whatever level, adds to the purchasing power which is already excessive in relation to the supply of goods. Since production is near physical capacity, consumer credit expansion can only increase inflationary pressures which are already strong.

SURVEY OF HOUSING CONDITIONS IN FIVE METROPOLITAN AREAS, 1940 AND 1947—TWELFTH DISTRICT

SAMPLE population surveys were conducted by the Census Bureau in 34 selected metropolitan districts in April 1947. About 3,500 to 3,700 private dwelling units and their inhabitants were included in the five surveys made in the Twelfth Federal Reserve District. Results have now been published covering population characteristics, status of the labor force, and housing conditions in the metropolitan districts of Los Angeles, San Francisco-Oakland, Seattle, Portland, and Salt Lake City. In this article some of the principal findings of the housing survey are presented and compared with relevant data from the census enumeration of 1940.

Dwelling units lagged behind population growth

The total number of dwelling units in the five western metropolitan areas included in the 1947 surveys increased between 1940 and 1947 by about 556,000, or approximately 30 percent. Although this rate of increase was nearly double that of the 34 metropolitan districts as a whole, the growth in housing space in the western areas failed to keep pace during this period with their rapidly expanding population. The rate of population growth appreciably exceeded that of dwelling units in the three leading western districts, and was only slightly below it in the two others. In the five districts taken as a whole, population increased from about 5,400,000 to around 7,300,000, or a gain of 35 percent; the San Francisco-Oakland district grew by almost 40 percent. The number of dwelling units in each area in 1947 and 1940, with rates of increase in dwelling units and in population, are shown in Table 1.

TABLE 1—INCREASE IN DWELLING UNITS AND POPULATION,
FIVE METROPOLITAN AREAS, 1940-47

District	Number of dwelling units		Percent increase	
	1947 (thousands)	1940 (thousands)	Dwelling units	Population
Los Angeles	1,280	999	28	35
San Francisco-Oakland	664	485	37	39
Seattle	203	164	23	33
Portland	187	142	32	31
Salt Lake City	70	57	22	20
TOTAL	2,404	1,848	30	35

Of a total of about 2,400,000 dwelling units in the five metropolitan districts in April 1947, some 12,000 were auto trailers, tourist cabins, shacks, river boats, barns, sheds, and the like.

Trend to home ownership

A notable increase in the proportion of home ownership occurred in each of the five metropolitan districts between 1940 and 1947 (Table 2). This shift was most pronounced in the Los Angeles district, and least marked

TABLE 2—PERCENTAGE OF DWELLING UNITS OCCUPIED
BY OWNERS

District	1947	1940
Los Angeles	53	40
San Francisco-Oakland	49	41
Seattle	62	50
Portland	63	53
Salt Lake City	64	55

in the Salt Lake City district. The latter district rated highest, however, in the absolute proportion of home ownership both in 1940 and in 1947. The lowest rating in this respect was held by the Los Angeles district in 1940 and by the San Francisco-Oakland district in 1947.

On the average, the owner was living in about 50 percent of the dwelling units surveyed, though the percentage was lower than this in a number of the more populous cities. The percentage of owner-occupied dwellings varied in 1947 from 30 percent in New York and New Orleans to 68 percent in Akron. The two metropolitan districts in California had about the average number of owner-occupied dwellings, the three other western districts had a larger percentage of owner occupancy. The percentage in the five western districts combined somewhat exceeded that of the average for the other metropolitan areas.

Size of households, number of rooms, overcrowding

Little change has occurred between 1940 and 1947 in the average size of household¹ or in the average number of rooms per household in the five western metropolitan districts (Tables 3 and 4). According to the survey analysis, the average number of persons per occupied

¹ All averages used by the Census Bureau in this study are medians. The median is the value of the middle item in a series.

dwelling unit increased slightly in the Seattle district between 1940 and 1947, declined slightly in the Salt Lake City district, but remained constant in the other three

TABLE 3—NUMBER OF PERSONS PER OCCUPIED DWELLING UNIT

District	1947			1940
	All dwelling units	Owner-occupied units	Tenant-occupied units	All dwelling units
Los Angeles.....	2.7	3.1	2.3	2.7
San Francisco-Oakland ...	2.6	2.9	2.3	2.6
Seattle	2.6	2.9	2.2	2.5
Portland	2.6	2.9	2.2	2.6
Salt Lake City.....	3.2	3.6	2.7	3.3

districts. In 1947 both the number of persons and the number of rooms per household was significantly larger for owner-occupied households than for tenant-occupied units. The average number of rooms per dwelling unit

TABLE 4—NUMBER OF ROOMS PER OCCUPIED DWELLING UNIT

District	1947			1940
	All dwelling units	Owner-occupied units	Tenant-occupied units	All dwelling units
Los Angeles.....	4.4	5.1	3.3	4.3
San Francisco-Oakland....	4.5	5.2	3.4	4.6
Seattle	4.4	5.1	3.0	4.3
Portland	4.6	5.2	2.8	4.8
Salt Lake City.....	4.5	5.0	3.3	4.4

increased slightly between 1940 and 1947 in the Los Angeles, Seattle, and Salt Lake City districts, but declined slightly in the San Francisco-Oakland and Portland districts.

The number of persons per dwelling unit varied from 2.6 to 3.5, with the average at 3.2 persons. The data suggest that western families or living groups tend to be smaller, on the average, than those in other sections of the country. The four leading western districts, for example, had fewer persons per dwelling unit than any of the other 34 metropolitan districts included in the surveys.

The number of rooms per dwelling unit varied from 4.2 to 5.9. The ten metropolitan districts having the most rooms per dwelling were all in the northeastern and New England states. The five districts having the smallest number of rooms were all in the South or Southwest. Of the five western metropolitan districts, four were slightly below the general average of 4.6 rooms per unit.

The extent of overcrowding, as indicated by the proportion of dwelling units having more than 1.5 persons per room, showed a slight tendency to increase between 1940 and 1947 in the San Francisco-Oakland and Portland districts, declined somewhat in the Salt Lake City district, and remained unchanged in the Los Angeles and Seattle districts (Table 5). In every district, however, overcrowding in 1947 was considerably higher for tenant-

TABLE 5—PERCENTAGE OF DWELLING UNITS HAVING MORE THAN 1.5 PERSONS PER ROOM

District	1947			1940
	All dwelling units	Owner-occupied units	Tenant-occupied units	All dwelling units
Los Angeles.....	4	2	6	4
San Francisco-Oakland....	3	2	3	2
Seattle	3	2	5	3
Portland	4	2	8	3
Salt Lake City.....	6	4	9	8

occupied premises than for owner-occupied dwellings; the difference was least marked in the San Francisco-Oakland district, and greatest in the Portland district.

As compared with other districts, the extent of overcrowding in the western areas was not greatly different in 1947 from that in the half dozen larger cities in other parts of the country. Extremely high rates prevailed in several of the southern and southwestern districts, where houses are small; from 8 to 16 percent of dwelling units had more than 1.5 persons per room. On the other hand, only 1 to 2 percent of the dwellings in New England and the northwestern states, where the typical dwelling unit tends to be larger than average, had more than 1.5 persons per room.

Sharp increases in rents since 1940

Tenants in the five western metropolitan districts, like those in all other districts included in the Census surveys, paid considerably higher rents in 1947 than in 1940. Average monthly rents increased during this period by amounts ranging from 24 percent in the San Francisco-Oakland district to nearly 74 percent in the Portland district (Table 6).

TABLE 6—AVERAGE MONTHLY RENT OF ALL TENANT-OCCUPIED DWELLING UNITS

District	Amount		Percent increase
	1947	1940	
Los Angeles.....	\$35	\$27	30
San Francisco-Oakland....	36	29	24
Seattle	35	22	59
Portland	33	19	74
Salt Lake City.....	34	23	48

Rents had become much more uniform in 1947. In 1940 the average monthly rent ranged from \$19 in the Portland district to \$29 per month in the San Francisco-Oakland district. The range was much narrower in 1947, with a spread of only \$3 from high to low, centering about \$35.

For the five districts as a whole about one-third of all tenants in 1947 were paying less than \$30 per month in rent, about one-third paid between \$30 and \$39 per month, and about one-third paid \$40 or more per month.

The average increase in the five western districts combined was approximately one-third, or substantially the same as in most of the other metropolitan districts. In general, the extreme advances occurred in the southern and western districts, the moderate increases in New England and in the largest urban centers.

Type of dwelling unit increasingly one-unit detached structure

The proportion of single-unit dwellings, including both attached and detached structures¹, increased between

TABLE 7—PERCENTAGE OF ONE-DWELLING-UNIT STRUCTURES

District	Detached structures only		Attached and detached structures	
	1947	1940	1947	1940
Los Angeles.....	66	64	71	65
San Francisco-Oakland....	50	50	57	55
Seattle	68	65	69	66
Portland	69	72	71	72
Salt Lake City.....	67	65	69	66

1940 and 1947 in all the western districts except Portland, where relatively large numbers of multi-unit structures

¹ A "one-dwelling-unit detached structure" is defined as having open space on four sides. The classification "one-dwelling-unit attached structure" refers chiefly to "row houses."

were erected during the war. The number of single-unit attached structures increased much more rapidly than that of single-unit detached structures in all areas, but detached structures represented a larger proportion of all dwelling units in 1947 than in 1940, except in the San Francisco-Oakland and Portland districts.

The proportion of single-unit dwelling structures in 1947 varied widely among the entire group of 34 metropolitan districts, ranging from about 30 percent in New York and Chicago to 80 percent in San Antonio. All the western areas except San Francisco-Oakland stood relatively high in the list. The percentage of single-unit dwelling structures in the western districts in 1940 and 1947 appears in Table 7.

Most dwelling units have modern conveniences

Considerable improvement has occurred since 1940 in the provision of sanitary facilities and other modern conveniences in the housing units of the western metropolitan districts. Over 90 percent of the dwelling units in the two California districts, and a somewhat smaller propor-

tion in the other areas, had all of the following facilities in 1947: electric light and running water; flush toilet, bathtub or shower, and installed cooking facilities for exclusive use of the unit's occupants. These ratios compare favorably with those for the other districts included in the 1947 surveys. The San Francisco-Oakland and Los Angeles districts were at the top of the list and the other western areas, except Portland, were well above average. Completely comparable data for 1940 are not available. Table 8 shows the 1947 ratios for the five western districts.

Maintenance has improved since 1940

Standards of housing maintenance have shown marked improvement since 1940 (Table 9). The proportion of dwelling units in need of major repairs in that year varied from 4 percent in the Los Angeles district to as high as 11 percent in the Salt Lake City district. By 1947 the range had been reduced to 1 percent in the Los Angeles district, with a maximum of 4 percent in the Portland and Salt Lake City districts.

TABLE 8—PERCENTAGE OF DWELLING UNITS HAVING SELECTED MODERN FACILITIES

District	1947
Los Angeles	92
San Francisco-Oakland	95
Seattle	89
Portland	83
Salt Lake City.....	89

TABLE 9—PERCENTAGE OF DWELLING UNITS IN NEED OF MAJOR REPAIRS

District	1947	1940
Los Angeles	1	4
San Francisco-Oakland	2	9
Seattle	2	6
Portland	4	8
Salt Lake City.....	4	11

INCOME PAYMENTS TO INDIVIDUALS, 1940-46—TWELFTH DISTRICT

ACCORDING TO recent estimates of the Department of Commerce, income payments to individuals in the Twelfth District rose from \$20.3 billion in 1945 to a new high of \$21.9 billion in 1946—an increase of about 7.5 percent as compared with an increase of about 9 percent in the country as a whole. The 1946 income payments in the Twelfth District comprised approximately 12.9 percent of the United States total. This represents a decline from 1945, when District income payments were 13.1 percent of the total, but is still substantially higher than the ratio of 10.8 percent in 1940 (Table 1). The 168 percent increase in Twelfth District income payments during the period 1940 to 1946 was greater than the increase in any other section of the country, and more than one-third

larger than the national increase of 123 percent during the same period.

Over the period from 1929, the first year for which these Department of Commerce estimates are available, to 1940, the Twelfth District gradually gained a larger share of total United States income payments, and the early war years greatly accelerated this trend. As shown in Table 1, the Twelfth District's share expanded steadily from 1940 to 1943, was unchanged in 1944, and declined in 1945 and 1946.

It is difficult to determine how much of the net increase since 1940 in the Twelfth District share of the country's total income payments has been due to temporary conditions reflecting the influence of the war, and how much

TABLE 1—AMOUNT OF TOTAL INCOME PAYMENTS TO INDIVIDUALS, 1940-46, AND PERCENT CHANGE, BY STATES—TWELFTH DISTRICT¹
(in millions)

State	1940	1941	1942	1943	1944	1945	1946	Percent change 1940-46
Arizona	\$ 237	\$ 287	\$ 445	\$ 598	\$ 582	\$ 594	\$ 627	+164.6
California	5,606	7,044	9,315	12,302	13,472	13,649	14,879	+165.4
Idaho	232	278	419	477	527	525	588	+153.4
Nevada	92	107	207	211	206	210	235	+155.4
Oregon	633	824	1,193	1,572	1,636	1,631	1,729	+173.1
Washington	1,100	1,501	2,211	2,894	3,203	3,052	3,118	+183.5
Utah	265	329	527	687	635	649	689	+160.0
TWELFTH DISTRICT	8,165	10,370	14,317	18,741	20,261	20,310	21,865	+167.8
United States	75,852	92,269	116,433	140,021	151,217	155,201	169,373	+123.3
Twelfth District as percent of U. S. total.....	10.8	11.2	12.3	13.4	13.4	13.1	12.9	—

¹United States Department of Commerce (Bureau of Foreign and Domestic Commerce), Survey of Current Business, August 1947, p. 21.

of it represents a permanent shift in the geographical distribution of income payments. The movement of population to the western states suggests that to some degree the change is permanent, and that the share going to the West may continue to be greater than before the war. However, although population changes are an important influence on income payments, they are only one among many factors affecting total income. Judgments regarding the permanence of income changes must therefore be made with caution.

Income payments increased in all Twelfth District states

Each of the seven states of the Twelfth District shared in the increased income payments between 1940 and 1946, the greatest percentage increase taking place in Washington and the highest dollar increase in California. Although total income payments dropped slightly in three states between 1944 and 1945, they rose in all states of the District between 1945 and 1946, and in 1946 every Twelfth District state but Washington enjoyed the highest level of income payments since 1929.

Per capita income payments

In California, Idaho, and Nevada, per capita income payments rose in 1946 over 1945, but they declined in the other states of the Twelfth District (Table 2). In all states per capita income payments were much higher in 1946 than in 1940.

Although the increase in total income payments was greater in the Twelfth District than in the United States, the increase in population in the District relative to the country as a whole was even greater, with the result that there was a smaller increase in per capita income in the District than in the United States.

This relationship was even more striking in California, where per capita income increased only 90 percent;

TABLE 2—ESTIMATED PER CAPITA INCOME PAYMENTS IN STATES OF THE TWELFTH DISTRICT, 1940-46¹

State	1940	1941	1942	1943	1944	1945	1946	Percent change 1940-46
Arizona	\$473	\$539	\$ 751	\$ 889	\$ 957	\$1,026	\$ 995	+110.4
California	805	956	1,185	1,462	1,557	1,503	1,531	+ 90.2
Idaho	440	516	789	893	1,014	1,112	1,243	+182.5
Nevada	836	907	1,583	1,477	1,375	1,511	1,703	+103.7
Oregon	579	723	1,029	1,249	1,255	1,231	1,188	+105.1
Utah	480	578	882	1,068	1,054	1,073	1,063	+121.4
Washington	632	825	1,152	1,425	1,534	1,406	1,346	+112.9
United States..	575	693	862	1,037	1,117	1,177	1,200	+108.7

¹ Based on United States Department of Commerce (Bureau of Foreign and Domestic Commerce), Survey of Current Business, August 1947, p. 22, and September 1947, p. 24.

and to a lesser extent in Oregon and Nevada, where percentage increases were also below the national average. In the remaining Twelfth District states the 1940-46 increases were relatively greater than the rise from \$575 to \$1,200 shown for the entire country. This was particularly true in Idaho, where per capita income payments almost tripled between 1940 and 1946.

RECENT DEVELOPMENTS IN BUSINESS, AGRICULTURE AND INDUSTRY

California lumber production reached an all-time peak in 1946, with a total cut of about 2.7 billion board feet, an increase of 18.6 percent over 1945. Pine Region production during the year was 35.4 percent above 1945, but output in the Redwood Region was 23.6 percent lower than in the previous year. Production in the major redwood mills was adversely affected by a strike during most of 1946. Forecasts indicate a substantial increase of total lumber production in California in 1947.

Of 25 United States counties leading the nation in value of farm products sold and used in 1944, 16 were in California, according to the 1945 Census of Agriculture. Los Angeles County was at the top of the list, with farm production worth \$131 million; Fresno and Tulare were next.

Weather conditions in Kansas, Oklahoma, and Texas are causing grave concern to wheat farmers, who fear a recurring dust bowl and reduced production of wheat next year.

Net public and private indebtedness at the beginning of 1947 amounted to \$393 billion, according to Department of Commerce estimates. This was almost \$15 billion lower than a year earlier, and represents the first decline since 1931. An increase of \$8 billion in private indebtedness during 1946 was more than offset by a decrease of \$23 billion in Federal government debt, which the Treasury effected by using the large cash balance built up in its War Loan account during the Victory Loan Drive late in 1945. As this will not be repeated, it is unlikely that another such reduction in total indebtedness will occur in 1947.

The United States Department of Agriculture announces that the Farmers Home Administration will be in a position to make about 130,000 loans to owner-operators of family-type farms (i.e., farms operated without hired labor except during peak seasons) who are unable to obtain credit elsewhere. These loans may be made, up to \$100 million per year, from a fund authorized by the 79th Congress and appropriated by the 80th Congress. The cost

to the borrower will be approximately 3½ percent, and the return to the lender 2½ percent, the difference representing the cost of FHA administration and insurance. Fully-insured loans may be made, repayable in 40 years, up to 90 percent of the reasonable value of the farm and its improvements.

Based on October 1 conditions, the United States Department of Agriculture's estimate of the cotton crop has been reduced by 341 thousand bales. The current forecast is for about 11.5 million bales, 33 percent above last year's crop but about 7 percent below the 1936-45 average. California will produce 680 thousand bales, with production estimated at 614 pounds per acre. Cotton crop conditions in California were reported at 96 percent of normal; general conditions were 72 percent of normal.

August redemptions of Series E Savings Bonds (\$314.6 million) were 21 percent less than in August 1946, while new purchases (\$294.4 million) were down only 15 percent.

The index of prices received by farmers reached a new all-time high of 289 on October 15. This was a rise of three points from September 15 and of thirteen points since August 15. Prices paid by farmers also rose to a new all-time high of 239, which is two points above last month. The index of prices received is now 23 percent higher, and the index of prices paid is 18 percent higher, than the record set in 1920 after World War I.

Farm wage rates October 1 were seven percent higher than a year ago and more than four times the 1910-40 average. About 11.7 million people were working on farms on October 1 (family workers, 8.9 million, hired workers 2.8 million). The increase of 242,000 over the number a year ago was mainly hired workers. Total farm population as of January 1, 1947, was estimated to be 27.5 million. This is 2.4 million above the wartime low reached in January 1945, and 2.7 million below the 30.2 million of 1940. The Pacific and New England states are the only ones now having a farm population greater than in 1940.

The Land Bank Commissioner of the Farm Credit Administration reports that all twelve of the Federal Land Banks have now become fully owned by farmers. In the Banks' thirty years of operation, over a million and a quarter farmers have obtained farm mortgage loans amounting to approximately \$5 billion.

.
A record crop of filberts, 20 million pounds compared with 18 million last year, will be marketed by cutting prices about 35 percent below those of 1945. Imports are expected to be 28 million pounds. On April 1 there were 5 million pounds in storage; most of these were sold by clearances during the spring and summer.

In two decades the value of the United States filbert crop has risen from \$18 thousand to over \$4 million. Of the 19,000 acres of filbert trees, Oregon has 85 percent, Washington most of the rest. Acreage is increasing. Orchards are small, many of only 8 acres. Yield is generally 1,000 to 1,200 pounds per acre; the grower nets about 4 to 6 cents a pound. New wholesale prices will be from 18 to 25 cents a pound compared with 22 to 34 cents last year.

.
The California Walnut Growers Association announced prices on the 1947 crop 21 percent lower than in 1946, or 39 to 47 cents a pound retail compared with 49 to 55 cents last year.



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		Wheat flour ³		Electric power		California		California	
	Ad-justed	Unad-justed	Unad-justed	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		110		115		83		100		111
1930		112	95	168		96		107		84		86		93
1931		77	78	140		74		110		82		73		73
1932		46	74	134		48		98		73		61		54
1933		62	72	127		54		97		73		66		53
1934		67	73	123		70		106		79		79		64
1935		83	86	140		68		113		85		87		78
1936		106	89	154		117		109		96		99		96
1937		113	99	163		112		114		105		112		115
1938		88	104	159		92		111		102		98		101
1939		110	93	160		114		123		112		104		110
1940		120	93	158		124		118		122		122		134
1941		140	96	172		164		120		136		173		224
1942		140	103	175		194		120		167		270		460
1943		133	118	194		160		132		214		363		705
1944		138	129	226		128		136		231		335		694
1945		108	135	243		131		152		219		246		497
1946		118	131	219		165		147		219		177		339
1946														
August	113	139	131	234	167	182	136	136	222	231	187r	188r	369r	371r
September	120	139	131	222	170	182	129	154	227	227	184	185	360	361
October	122	133	131	229	161	175	130	154	236	229	187	188	372	375
November	128	122	132	227	182	176	133	146	237	232	192	193	372	373
December	133	100	133	221	182	170	166	166	243	240	192	193	387	388
1947														
January	155	106	134	219	191	164	174	174	250	246	194	191	386	379
February	172	121	136	227	182	166	162	162	219	244	192	191	387	384
March	143	124	137	255	207	190	165	162	252	248	193	192	390	389
April	132	135	137	259	193	196	173	153	254	252	192	192	392	392
May	130	151	138	267	193	195	179	158	251	253	190	190	392	394
June	131	151	139	264	186	202	179	157	251	257	187	187	394	396
July	126	140	139	261	184	195	164	144	252	262	184	184	392	392
August	130	158	139	279	185	201	143	143	252	263	189	189	407	409
September	131	154					118	140			191	191	411	412

Year and month	Carloadings (number) ²						Department store sales (value) ²					Dept. store stocks (value) ³		Consumers' prices ⁴		
	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		115		124		132	121.8	132.0
1930		96		105		84		104		103		111		125	118.1	124.8
1931		75		89		57		94		91		97		110	108.2	104.0
1932		57		74		37		71		68		69		89	98.8	89.8
1933		58		70		43		63		68		66		80	93.6	86.8
1934		66		81		48		77		78		82		86	95.3	93.2
1935		72		85		56		86		85		89		89	97.0	99.6
1936		85		97		70		100		99		100		97	97.9	100.3
1937		90		102		75		105		106		104		108	102.2	104.5
1938		79		90		65		100		100		110		101	102.0	99.0
1939		85		96		72		109		109		110		106	101.0	96.9
1940		90		99		79		116		117		116		113	101.1	97.6
1941		105		116		91		139		136		138		137	106.3	107.9
1942		113		121		103		169		180		174		187	119.4	130.9
1943		109		119		97		201		192		212		172	128.1	143.4
1944		115		130		97		221		217		232		177	128.3	142.1
1945		110		131		83		244		242		252		182	131.7	146.3
1946		111		132		86		306		304		310		237	142.1	167.4
1946																
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	278	156.9	198.4	
1947																
January	136	108	146	122	124	89	313	249	307	318	326	315	277	156.7	195.7	
February	134	111	150	125	113	93	330	278	317	352	335	330	290	156.7	193.5	
March	117	109	129	120	103	96	325	295	318	356	314	331	308	158.2	196.6	
April	120	117	130	122	108	111	315	297	314	311r	313	308	304	159.0	197.8	
May	112	112	131	123	88	98	323	300r	317	331r	324r	279	287	158.7	197.3	
June	115	124	134	142	91	101	319r	293r	317	324r	349	280	285	157.6	194.8	
July	122	124	133	142	107	102	329	271r	317	322r	333r	342	267	157.6	196.5	
August	109	125	129	145	82	100	340	306	329	329	349	363	248	272	197.9	
September	108	124	121	142	91	101	321	335	317	323	312	253	285			

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.
^r At retail, end of month or end of year. ^s Los Angeles, San Francisco, and Seattle indexes combined.
^p-preliminary. ^r-revised.

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

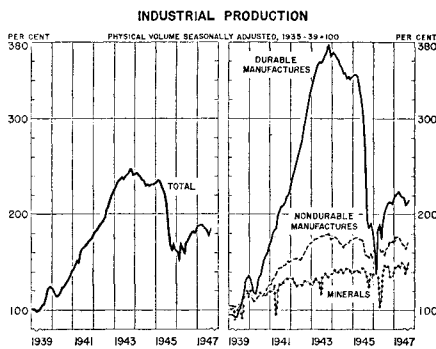
Year and month	Condition items of all member banks ¹									
	Loans and discounts					Investments ²		Demand deposits adjusted ^{3,4}	Time deposits (except U.S. Gov't) ⁵	U.S. Gov't deposits ⁶
	Total ⁷	Coml., ind. & agric.	For purch., carry'g secs.	Real estate	All other	U.S. Gov't securities	All other 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	95
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 August	3,334					9,624	888	8,566	5,570	1,122
1946 September	3,501					9,171	900	8,630	5,609	853
1946 October	3,794					9,157	891	8,757	5,669	808
1946 November	3,954					8,815	889	8,801	5,696	610
1946 December	4,068	1,882	195	1,431	560	8,426	908	8,821	5,781	303
1947 January	4,140					8,303	911	8,704	5,761	308
1947 February	4,254					8,058	893	8,367	5,804	370
1947 March	4,364					7,909	894	8,327	5,820	396
1947 April	4,479					7,677	876	8,334	5,837	286
1947 May	4,558					7,662	862	8,260	5,851	235
1947 June ⁸	4,658	2,047	134	1,828	649	7,370	871	8,297	5,908	103
1947 July	4,755					7,375	874	8,366	5,888	148 ^r
1947 August	4,879					7,353	871	8,462	5,887	208
1947 September	4,997					7,364	889	8,600	5,909	216

Year and month	Member bank reserves and related items ⁹								Bank debits index 31 cities ¹⁰	
	Reserve bank credit ⁷	Commercial operations ⁷	Treasury operations ⁷	Coin and currency in circulation		Reserves ⁸				Unadjusted
				Total ⁷	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	250	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 August	+ 28	- 73	+ 95	0	2,890	2,045	1,958	54	292	
1946 September	- 26	- 15	- 20	- 9	2,878	2,005	1,987	55	306	
1946 October	-162	- 29	+ 223	- 2	2,875	2,040	2,002	56	310	
1946 November	+ 74	- 136	+ 111	- 2	2,866	2,092	2,030	54	313	
1946 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	
1947 February	+ 14	- 25	- 133	- 32	2,765	1,981	1,982	51	325	
1947 March	- 62	+ 3	+ 50	- 30	2,735	2,003	1,940	61	332	
1947 April	- 2	- 69	+ 47	- 18	2,716	1,997	1,934	63	309	
1947 May	+ 34	- 14	+ 49	+ 10	2,714	1,993	1,934	59	297	
1947 June	- 21	- 41	- 7	- 13	2,695	1,992	1,944	51	322	
1947 July	-234	- 213	+ 381	- 23	2,669	1,963	1,956	60	305	
1947 August	- 48	+ 78	+ 124	- 23	2,685	2,078	1,985	62	322	
1947 September	- 87	- 85	+ 172	- 10	2,675	2,095	2,028	80	325	

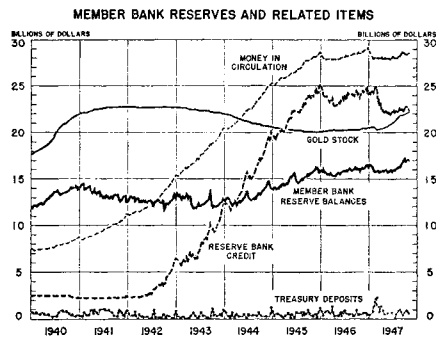
¹ Annual figures are as of end of year; monthly figures are as of last Wednesday in month or, where applicable, as of call report date.
² Monthly data for 1946 partly estimated.
³ Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection.
⁴ Monthly data partly estimated. ⁵ End of year and end of month figures. ⁷ Changes only.
⁶ Figures as of call report date; previous figures were as of last Wednesday in month.
⁸ Total reserves are as of end of year or month. Required and excess: monthly figures are monthly averages, annual figures are December daily averages.
⁹ Debits to total deposit accounts, excluding interbank deposits. 1935-39 daily average=100.
¹⁰ p-preliminary. r-revised.

National Summary of Business Conditions

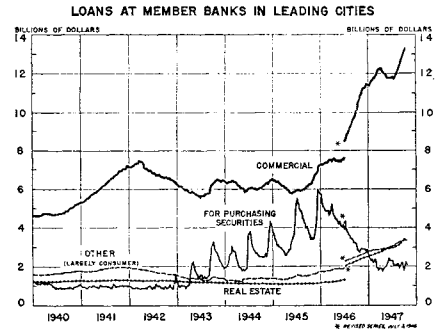
Released October 25, 1947--Board of Governors of the Federal Reserve System



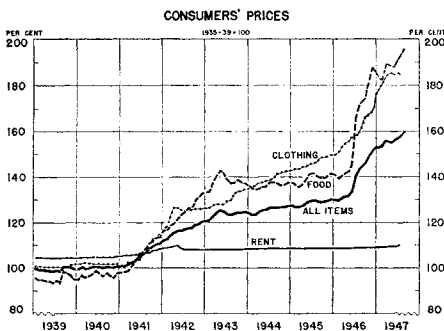
Federal Reserve indexes. Monthly figures, latest shown are for September.



Wednesday figures, latest shown are for October 22.



Excludes loans to banks. Wednesday figures, latest shown are for October 15.



Bureau of Labor Statistics indexes. "All items" includes house furnishings, fuel, and miscellaneous groups not shown separately. Mid-month figures, latest shown for "All items" and "Food" are August; for "Clothing" and "Rent", July.

INDUSTRIAL output and employment expanded somewhat further in September. Value of retail trade increased, reflecting partly a further rise in prices. In the early part of October department store sales declined. Prices of wheat, hides, rubber, and steel scrap showed marked advances, while prices of most other basic commodities showed little change.

INDUSTRIAL PRODUCTION

Output of manufactured products and minerals showed some further rise in September, and the Board's seasonally adjusted index of industrial production advanced three points to 185 percent of the 1935-39 average. This was the same as the May index and 5 points below the postwar peak in March of this year.

Activity in durable goods industries as a group increased further in September owing mainly to larger output of steel and of most types of machinery and transportation equipment. Steel production was temporarily curtailed around the middle of the month as a result of an industrial dispute, but advanced sharply in the latter part of the month and continued to rise in October, reaching a scheduled rate of 97 percent of capacity. Output of passenger automobiles and trucks rose sharply in September, but declined again in the early part of October. Production of railroad equipment, chiefly freight cars, showed a substantial gain in September, reflecting in part improved supplies of materials. Output of building materials was maintained in large volume to meet demands arising from the advanced rate of construction activity.

The Board's index of nondurable-goods output showed a slight increase in September, reflecting mainly increased production of rayon textiles, paperboard, and petroleum products. Activity at cotton mills and output of manufactured food products and some other nondurable goods showed little change from the level of the preceding month.

Minerals production rose further in September, reflecting a new record rate of crude petroleum output and a substantial gain in coal production. Output of bituminous coal advanced seven percent and was close to the same volume produced in September of last year. Output of fuels continued to rise in early October, under the pressure of exceptionally strong demand.

EMPLOYMENT

Nonagricultural employment increased by 450,000 persons in September, and was at the record level of 43 million, according to Bureau of Labor Statistics figures. The increase largely reflected seasonal gains in nondurable goods manufacturing and trade, and in the number of school employees of state and local governments.

CONSTRUCTION

The value of new construction activity on projects under way, as estimated by the Departments of Commerce and Labor, increased somewhat further in September. Work was started on 88,000 new dwelling units in September, an increase of 2,300 from August, and work was completed on 77,000 units. The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined in September following a sharp increase in August, and was at about the level of other recent months. Declines occurred in most lines, but the greatest reduction took place in public utilities, which had increased most markedly in August.

DISTRIBUTION

Department store sales increased by more than the usual amount in September, owing in part to the advent of cooler shopping weather and the expenditure of proceeds from redemption of terminal leave bonds. Sales at other retail stores also increased, reflecting chiefly higher prices for foods and a larger volume of purchases of durable goods. In the early part of October department store sales declined considerably from the high rate reached at the end of September.

Shipments of railroad revenue freight continued to advance in September and the early part of October. The usual large seasonal rise in loadings of miscellaneous freight and further gains in coal shipments accounted for most of the increase.

COMMODITY PRICES

The general level of wholesale commodity prices in the middle of October was at the advanced level reached in the middle of September. Prices of wheat and some other farm products and foods reached new high levels. Prices of butter, corn, and meats, however, declined, following earlier sharp increases. Wholesale prices of most groups of industrial commodities continued to show advances in the early part of October.

Retail prices rose further by about one percent from July to August, with the largest increases shown in prices of foods and fuels. Further marked advances in retail food prices have occurred since August.

BANK CREDIT

Commercial and industrial loans at banks in leading cities continued to increase substantially during September and the first half of October. Real estate and consumer loans also showed further growth. Holdings of Government securities declined somewhat, reflecting Treasury retirement of bonds maturing on October 15.

Additions to monetary gold stock continued to supply reserve funds to banks. Treasury balances at Reserve Banks, which were expanded considerably in late September as a result of large quarterly tax receipts, declined in October. The effects of these fluctuations on the Reserve positions of banks were offset by changes in Federal Reserve holdings of Government securities, which increased in the latter part of September and declined during the first three weeks of October.