

# Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

MARCH 1948

## TWELFTH DISTRICT MEMBER BANK EARNINGS AND EXPENSES—1947

UNDER the impetus of an unparalleled increase in loan earnings, net profits after taxes of Twelfth District member banks combined reached a new high in 1947, although they exceeded the previous record figure in 1946 by only a small amount. Major factors which restrained net profits included a reduction in investment income, a general increase in expenses, some increase in charge-offs on loans, and an increase in income tax payments which made the percent gain over 1946 in profits after taxes substantially less than the increases in profits before taxes and in net current earnings. As a percentage of capital accounts, profits after taxes were lower in 1947 than in 1946.

The combined figures for all banks presented in the accompanying table do not reveal the wide differences among banks. If a few of the larger banks that carried on especially profitable operations in 1947 had been excluded from the figures, total net current earnings would have been about the same in 1947 as in 1946, and profits, both before and after taxes, would have been lower.

In contrast to the District, net profits of all member banks in the United States were 14 percent smaller in 1947 than in 1946. Net current earnings and profits before taxes also declined. In terms of return on capital, District member bank operations also were more profitable than those of all member banks. The primary factor in the more favorable experience of District banks was the greater increase in loans in this area than in the country as a whole.

### Loans again become most important source of earnings

Reflecting the widespread and insistent demand for bank loans, earnings on loans were half again as large in 1947 as in 1946. Loan earnings provided over half of all earnings and exceeded investment income for the first time since 1943.

The pressure of Treasury debt retirement and expanding loans shrank United States Government security holdings substantially. Interest and dividends on securities were less than in either 1945 or 1946. The rise in interest rates that occurred in the latter part of 1947 helped to keep the decline in investment income from being quite as large as the decline in investments, but the difference between rates of return on securities for the years 1946 and 1947 was not marked. All other earnings

items increased in 1947, with service charges on deposit accounts being substantially larger.

### Expenses rise relatively more than earnings

To achieve larger earnings, increased expenses were necessary; in fact, the percentage increase in expenses was larger than the percentage increase in earnings for the first time in several years. Both higher salaries and larger staffs contributed to the increase in total salary and wage payments. The number of persons employed by District member banks was 6 percent higher at the end of 1947 than a year earlier. Similarly, the payment of a larger amount of interest on time deposits reflected both a larger volume of such deposits and higher rates of interest paid on a considerable portion of them.

Even though expenses increased more, relatively, than earnings, the additional dollar expenses did not use up the added earnings. Net current earnings in 1947, consequently, were more than 10 percent above their previous high in 1946.

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

	1940	1945	1946	1947	Percent change 1946-47
Earnings on loans .....	104.0 <sup>1</sup>	99.6	138.6	210.5	+52
Interest and dividends on securities .....	44.5	138.4	153.9	129.3	-16
Service charges on deposit accounts .....	8.5	14.8	17.5	22.4	+28
Trust department earnings..	6.8	10.2	12.3	12.9	+5
Other earnings .....	15.8 <sup>1</sup>	22.7	25.7	26.2	+2
<b>Total earnings .....</b>	<b>179.6</b>	<b>285.7</b>	<b>348.0</b>	<b>401.3</b>	<b>+15</b>
Salaries and wages .....	54.5	84.4	109.3	127.1	+16
Interest on time deposits..	31.4	39.3	44.9	54.1	+20
Other expenses .....	43.4 <sup>2,3</sup>	56.6	65.2	77.4	+19
<b>Total expenses .....</b>	<b>129.3<sup>2,3</sup></b>	<b>180.3</b>	<b>219.4</b>	<b>258.6</b>	<b>+18</b>
<b>Net current earnings.....</b>	<b>50.3<sup>2,3</sup></b>	<b>105.4</b>	<b>128.6</b>	<b>142.7</b>	<b>+11</b>
Net losses and charge-offs (recoveries and profits+)					
On securities .....	+11.1	+9.8	+5.1	+6.6	—
On loans .....	8.5	6.4	+3.3	7.0	—
Other .....	9.4 <sup>3</sup>	+0.1	13.5	7.6	—
<b>Total net charge-offs..</b>	<b>6.8<sup>3</sup></b>	<b>+3.4</b>	<b>5.0</b>	<b>8.0</b>	<b>—</b>
Net profits before income taxes .....	2	108.9	123.7	134.7	+9
Taxes on net income.....	2	27.9	32.2	42.2	+31
<b>Net profits after taxes.....</b>	<b>43.5</b>	<b>80.9</b>	<b>91.5</b>	<b>92.5</b>	<b>+1</b>
Cash dividends .....	24.2	29.9	35.1	37.5	+7
Undistributed profits .....	19.3	51.0	56.4	55.0	-2

<sup>1</sup> Service charges and fees on loans included in "other earnings."

<sup>2</sup> Taxes on net income included in "other expenses."

<sup>3</sup> Recurring depreciation on bank building and furniture and fixtures included in "other net charge-offs."

Recoveries exceeded charge-offs on loans in 1946, but in 1947 charge-offs exceeded recoveries. Nevertheless, net charge-offs on all non-current accounts were only moderately higher in 1947, largely because of a substantial reduction in charge-offs other than those related to loans and securities. Profits before income taxes also rose about 10 percent to a new record. The percentage increase in total tax payments on net income was considerably larger than the gain in profits before taxes, however, and 1947 profits after taxes just exceeded those of a year earlier. About 40 cents out of every dollar of profits was again distributed in dividends, and the dollar addition to capital accounts through undistributed profits was about the same in 1947 as in 1946.

#### Earnings and expenses of banks by size group

Considerable differences are found within the District in the profit experience of various groups of member banks. These are accounted for largely by differing changes in earnings items in 1947 as against 1946. Increases in expense items were much more uniform than changes in earnings.

Net current earnings of both large and small banks were higher than in 1946. The increase in the small bank group was considerably larger than in all banks or in the large bank group, since income from securities held by the small banks did not decline. The large bank group had both the largest relative decline in securities earnings and the largest relative increase in loan earnings. Net profits after taxes of the 15 largest District banks combined and of 33 of the smallest banks were slightly above 1946, but net profits of all other District banks were down 6 percent.

#### PERCENT CHANGES, 1946-47, IN SELECTED EARNINGS AND EXPENSE ITEMS OF TWELFTH DISTRICT MEMBER BANKS, BY SIZE GROUPS

	Large <sup>1</sup> banks	Small <sup>2</sup> banks	Other banks
Interest and dividends on securities.....	-18	4	-10
Earnings on loans .....	55	35	40
Total earnings .....	16	22	14
Salaries and wages .....	16	20	20
Total expenses .....	18	19	16
Net current earnings .....	11	26	10
Net profits before income taxes .....	12	8	-1
Income taxes .....	37	39	13
Net profits after taxes .....	3	2	-6
Dividends .....	7	16	13

<sup>1</sup>15 largest banks, in terms of total deposits.

<sup>2</sup>33 banks with total deposits under \$1,000,000 in 1943.

#### Profits of most large banks below 1946

Individual bank experience has been examined only among the 15 largest banks, but even here the results of their 1947 operations varied widely. Loan earnings increased over 1946 by 22 to 67 percent, while investment income was about the same in 1947 as in 1946 in one bank and was 4 to 30 percent lower in the others. Fourteen of the 15 banks increased their total earnings, but the increases ranged from 3 to 40 percent, with the typical increase about 10 percent.

Wages and salaries increased at least 10 percent in each of these banks, with 30 percent the largest rise, and total expenses rose over a similar range. Net current earnings

were higher than in 1946 in 8 banks and lower in 7. Although net current earnings combined rose 11 percent, 13 of the 15 banks had an increase of less than 10 percent or a decrease. Net profits after taxes behaved similarly. Combined, net profits increased 3 percent, but individually, they ranged from an increase of 36 percent to a decrease of 56 percent, with decreases realized by 12 of the 15 banks.

#### Earnings and expenses of banks by state

Loan earnings of member banks increased substantially over 1946 in each state, and income from securities declined except in Idaho banks. Total earnings were up over 1946, but the increases in Washington and Oregon

#### PERCENT CHANGES, 1946-47, IN SELECTED EARNINGS AND EXPENSE ITEMS OF TWELFTH DISTRICT MEMBER BANKS, BY AREAS

	Calif.	Oreg. and Wash.	Ariz., Idaho, Nev. & Utah
Interest and dividends on securities.....	-17	-16	-8
Earnings on loans .....	54	43	54
Total earnings .....	16	8	22
Salaries and wages .....	15	17	25
Total expenses .....	18	14	22
Net current earnings .....	13	-7	23
Net profits before income taxes .....	17	-17	7
Income taxes .....	44	-12	18
Net profits after taxes .....	7	-18	3
Dividends .....	8	-5	15

banks were small, and those were the only two states in which member banks did not increase their net current earnings. Losses and charge-offs on loans were substantially larger in 1947 than in 1946 in every state. Net profits after taxes declined in three states, Washington, Oregon, and Utah.

#### SELECTED OPERATING RATIOS OF MEMBER BANKS—TWELFTH DISTRICT

	1940	1945	1946	1947
Percentages of total capital accounts				
Net current earnings before income taxes .....	<sup>1</sup>	14.6	18.4	19.0
Profits before income taxes .....		15.7	18.6	18.0
Net profits .....	8.3	12.3	14.4	13.4
Percentages of total assets				
Total earnings .....	3.9	1.9	2.1	2.5
Net profits .....	0.9	0.5	0.6	0.6
Percentages of total earnings				
Interest and dividends on securities.....	21.5	46.8	44.4	36.7
Earnings on loans .....	62.7 <sup>2</sup>	36.4	40.3	48.6
Service charges on deposit accounts.....	5.6	6.1	5.8	6.2
Salaries and wages .....	31.6	30.5	30.4	30.9
Interest on time deposits .....	16.6	13.8	12.5	11.8
Net current earnings .....	<sup>1</sup>	34.1	36.9	36.8
Capital accounts as percentages of				
Total deposits .....	13.2	4.9	4.8	5.3
Total assets .....	11.8	4.7	4.5	5.0
Total assets, less cash and U. S. Government securities .....	—	32.5	28.7	23.7
Earnings on loans as percentage of total loans .....	6.5 <sup>2</sup>	5.4	5.5	5.6
Interest on U. S. Government securities as percentage of total U. S. Government securities .....	3.1 <sup>3</sup>	1.3	1.4	1.5
Interest on time deposits as percentage of total time deposits .....	1.7	0.9	0.9	0.9

<sup>1</sup>Figure comparable with those for 1945-47 not available.

<sup>2</sup>Excluding service charges and other fees on loans.

<sup>3</sup>Interest and dividends on total securities.

Note: Figures are arithmetic averages of ratios of individual banks, not ratios of aggregate dollar totals. Thus, the operations of each bank regardless of size have equal weight in the determination of the averages. Balance sheet figures used as a basis for ratios are averages of amounts reported for December 31, 1946, and June 30 and October 6, 1947.

More complete tabulations of Twelfth District member bank operating ratios for 1947, including separate tabulations by state, by state or combination of states and size, by proportion of time to total deposits, and by proportion of loans to total assets, are available upon request.

### **Operating ratios of Twelfth District banks**

The average ratio of net profits to capital accounts of Twelfth District member banks declined in 1947. Most banks increased their capital accounts over 1946 through retention of profits but realized either a smaller relative increase or a decline in net profits. The return on capital in 1947 was well above prewar levels however, since it had risen steadily from 1942 through 1946. Net current earnings (before income taxes and charge-offs) as a percentage of capital accounts continued to rise in 1947. Only among Oregon and Washington banks was this ratio, as well as the ratio of net profits to capital, lower in 1947 than in 1946.

The continued expansion in bank loans, while security holdings were declining, brought a further substantial increase both in the importance of loan earnings relative to total earnings and in total earnings as a percentage of total assets. The average rates of return realized on loans and on securities were slightly higher again last year, the low having been reached in 1945.

Both salaries and wages and total expenses increased

by about the same proportion as total earnings, and expense to earnings ratios showed little change.

Relative to total assets and deposits, capital accounts had declined sharply over the war years when bank holdings of Government securities were expanding. Last year, the movement of these capital ratios was reversed, although they remain less than half the 1940 percentages. An opposite shift has taken place in the ratio of capital accounts to total assets less cash and Government securities. In these terms, capital accounts increased during the war because the increase in bank assets occurred primarily in Government securities. The postwar loan expansion reduced this ratio of capital to so-called risk assets in 1946 and again in 1947. (This ratio in the accompanying table is based upon average capital accounts and assets for the year as a whole. Since loans rose rapidly in the latter part of the year, the average ratio of capital accounts to total assets less Governments and cash was substantially lower at the year-end than for the year 1947 as a whole.) The decline in this particular capital ratio is one of the factors in the increasing caution expressed by District banks regarding further loan expansion.

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## **COMMODITY PRICE CHANGES SINCE THE BEGINNING OF FEBRUARY**

**D**URING the first half of February a price recession occurred in most agricultural commodity markets in this country. The break began on February 4, after many of these commodities had shown signs of weakness during the second half of January. Since the middle of February a slow upward movement has been noticeable, but prices of many commodities have moved extremely irregularly.

The February recession in the commodity markets was soon felt in spotty lowering of retail prices of various food items. There was also a decline of security prices on leading stock exchanges. Price developments, however, were not uniform. One of the chief exceptions was a rise in the prices of certain steel products.

### **Background of the present price situation**

The extent, causes, and the probable meaning of the recent price recession can be properly viewed and appreciated only against the background of price developments in this country since June 1946. Since the end of price control, prices have been rising almost continuously both because of strong inflationary pressures generated within the country and, to some extent, because of export demand affecting special classes of commodities.

The wholesale price index (1926 = 100) rose, with a short interruption in September 1946, from an average of 113 in June 1946 to 149 at the end of March 1947. For the following three and a half months, wholesale prices remained rather stable at a slightly lower level, around 147 to 148. This slight price recession, which was caused essentially by a drop in prices of agricultural commodities and foods, was in the beginning interpreted by many as the starting point of a general economic recession.

Beginning in the middle of July 1947 there was again an almost steady upward movement of prices, and in mid-January 1948 the wholesale price index reached its postwar peak of 165.5. This was 17.5 percent higher than a year earlier. From June 1946 to the middle of January 1948, the general price index rose by 47 percent, farm products by 44 percent, foods by 60 percent, metals and metal products by 37 percent, textiles by 34 percent, building materials by 47 percent, chemicals by 45 percent, and fuel and lighting materials by 49 percent.

For some time prices have been at a level high enough to cause serious apprehension. There is a general feeling, easily understood because of past experience, that the present price level is not only too high, but also that longer-term price relationships among various groups of commodities have been disrupted and that a major adjustment is inevitable sooner or later. High food prices have caused particular concern because of their contribution to rising living costs.

### **Declines in specific agricultural commodities**

The accompanying table shows the course of spot prices of some of the more important commodities participating in the price break in February. For a better perspective, the table gives the spot price on June 28, 1946, the last trading day of wartime price control, and the peak price reached since then. Prices of barley, corn, steers, and butter reached their postwar peaks in January 1948, while those of other commodities shown in the table attained their peaks in earlier periods. With the exception of butter and hides, all indicated prices weakened during the second half of January. The fall in prices from

## SPOT PRICES OF TEN COMMODITIES IN PRIMARY MARKETS ON SELECTED DAYS

	Wheat bu.	Corn bu.	Barley bu.	Flaxseed bu.	Cotton lb.	Steers 100 lb.	Hides lb.	Hogs 100 lb.	Lard lb.	Butter lb.
June 28, 1946 .....	\$1.871	\$1.448	\$1.44	\$3.35	\$ .31	\$17.00	\$1.55	\$14.85	\$1.40	\$.560
Peak since then, and date .....	3.115 11/28/47	2.808 1/15/48	2.755 1/19/48	7.10 1/14/48	.394 7/16/47	32.25 1/7/48	.372 10/29/47	30.25 9/11/47	.400 10/25/46	.885 1/2/48
Jan. 16, 1948 .....	3.065	2.78	2.745	7.10	.352	31.00	.312	28.125	.288	.858
Feb. 3, 1948 .....	2.872	2.565	2.585	6.90	.344	29.75	.322	26.875	.252	.872
Feb. 13, 1948 .....	2.295	2.012	2.275	6.00	.314	26.75	.270	23.750	.212	.770
Feb. 27, 1948 .....	2.352	2.228	2.385	6.25	.328	27.25	.250	23.375	.212	.770
Mar. 19, 1948 .....	2.312	2.252	2.490	6.15	.340	27.50	.240	23.250	.214	.790
Percent change to Mar. 19, 1948 from										
June 28, 1946 .....	+23.6	+55.5	+72.9	+83.6	+ 9.7	+61.8	+54.8	+56.6	+52.9	+41.1
Peak since June 28, 1946 .....	-25.8	-19.8	- 9.6	-13.4	-13.7	-14.7	-35.5	-23.1	-46.5	-10.7
Jan. 16, 1948 .....	-24.6	-19.0	- 9.3	-13.4	- 3.4	-11.3	-23.1	-17.3	-25.7	- 7.9
Feb. 3, 1948 .....	-19.5	-12.2	- 3.7	-10.9	- 1.2	- 7.6	-25.5	-13.5	-15.1	- 9.4

Source: United States Bureau of Labor Statistics.

February 4 until about February 13 reached the maximum limit allowed by exchange rules on nearly every trading day, and by the latter date almost all of these prices reached their lows. During the second half of February an upward movement was noticeable in all these commodities except hides and hogs, but by the end of the month only a small part of the loss had been regained in most cases. In the first three weeks of March, prices of agricultural commodities moved irregularly and, after various ups and downs, on March 19 were close to February month-end levels.

Although the recent price break affected a wide range of agricultural commodities, the grains, wheat in particular, were the leaders. The reasons for the price break in grains are to be found in a combination of circumstances. (1) Grain prices, as well as prices of livestock and livestock products which are sensitive to changes in feed prices, had reached very high levels by the end of 1947. A short corn crop in the United States threatened to divert an unusually large share of wheat supplies to feed purposes and pushed up the prices of all grains. (2) As a result, and despite the record 1947 wheat output, the export goal of 450 million bushels of wheat to feed Western Europe, which had a poor crop in 1947, exerted a strong influence on prices of grain, particularly wheat. In the late fall, serious apprehension concerning the prospects for the 1948 winter wheat crop in this country added to the pressure on wheat prices. (3) Since late December, however, the appraisal of the wheat situation has been revised materially. United States wheat stocks of 795 million bushels on January 1 have proved to be larger than expected, and considerably larger than the corresponding figure for the previous two years. The expected yield of the new winter wheat crop in this country has also been revised upward substantially. Estimates of wheat exports from Australia and Argentina have been raised markedly owing to their large crops. Expectations concerning the 1948 wheat crop in European importing countries have also improved materially. Finally, it appears that high prices have dissuaded the domestic livestock industry from using the expected amount of wheat for feeding. Consequently, wheat export goals, even if increased somewhat, probably will be reached without great difficulty. All these factors indicated that prices of

wheat and many other agricultural commodities were out of line with market forces in the first half of January, and the ensuing break in prices represented an inevitable adjustment.

**Repercussion on wholesale prices**

The price drop in the primary markets of agricultural commodities was reflected in a 2.4 percent net decline in the general weekly index of wholesale prices. The wholesale price index of about 900 commodities (1926 = 100) fell from 165.5 during the week ended January 17 to 159.2 during the week ended February 21, to rise to 161.5 during the week ended March 20. But the behavior of the component price groups was far from uniform. Prices of fuel and lighting materials, building materials, house furnishing goods, and metals and metal products have advanced continuously in recent months and showed no recession during February.<sup>1</sup> On the contrary, the group indexes of farm products, foods, hides and leather, and chemicals have declined markedly since they reached their peaks, mostly in mid-January. The more important group indexes of wholesale prices for the period since mid-January are given in the accompanying table.

WHOLESALE PRICES—UNITED STATES  
(1926=100)

Commodity group	Week ended				Percent change from Jan. 17 to Mar. 20
	Jan. 17	Jan. 31	Feb. 14	Mar. 20	
All commodities .....	165.5	163.7	159.7	161.5	-2.4
Farm products .....	201.5	195.1	180.9	187.6	-6.9
Foods .....	181.2	176.5	173.3	176.4	-2.6
Chemicals .....	140.8	139.3	134.0	135.8	-3.6
Hides and leather products...	201.4	201.2	196.2	185.9	-7.7
Building materials .....	191.1	191.3	192.0	192.6	+0.8
Textiles .....	145.7	145.8	146.7	145.6	0
Fuel and lighting materials...	130.0	131.2	131.6	131.7	+1.3
Metals and metal products...	153.2	154.1	154.8	156.0	+1.8
All commodities other than farm products and foods...	147.4	148.0	147.5	147.3	0

Source: United States Bureau of Labor Statistics.

These indexes show quite clearly that the net decline in the general price index of 2.4 percent during the nine weeks from January 17 to March 20 was caused primarily by the sizable breaks in prices of agricultural commodi-

<sup>1</sup> According to the Bureau of Labor Statistics' weekly wholesale price index. Monthly index shows slight decline in building materials prices in February.

ties and foods. During the same time industrial commodity groups, except chemicals and hides and leather products, showed a slight rise in prices, but the index of all commodities other than farm products and foods was practically the same at the end of the period as at the beginning.

**Conclusion**

The February price break in agricultural commodities and foods perhaps is largely explained by the specific situation in the markets for these products. Price developments in subsequent weeks support the view that it represented a selective market adjustment rather than the beginning of a general downward price spiral. Even farmers' expenditures may not, at least for some time, be seriously reduced by these price declines. Farm equipment and machinery is still relatively scarce. Liquid as-

set holdings of farmers are still at record levels; profitable operations in 1948 are anticipated; and, with existing price support legislation, there is little fear that the bottom will suddenly drop out of the agricultural price structure.

To be sure, the future behavior of prices is extremely uncertain. Much will depend upon the outcome of such developments as the expanded defense program now under consideration, and the third round of wage increases now under way. Funds available for consumer buying will be increased by the reduction in income taxes. Reports indicate an attitude of increased caution on the part of business following the price break and such a sobering effect may be salutary in view of the potential inflationary pressures that may still raise serious problems.

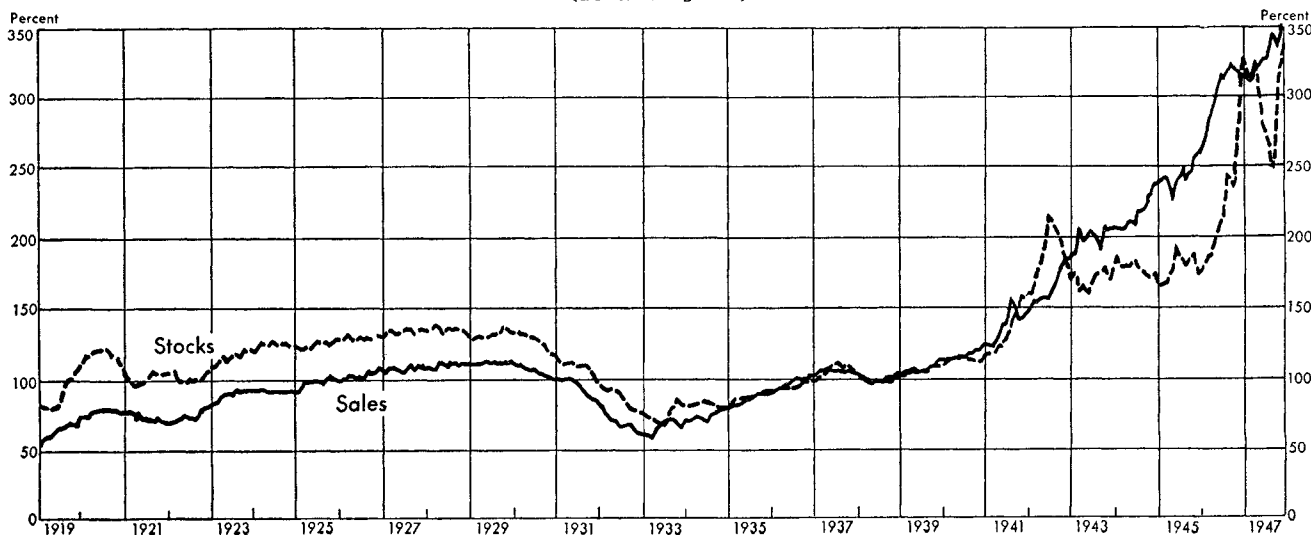
**REVISION OF DEPARTMENT STORE INDEXES—TWELFTH DISTRICT**

**D**EPARTMENT store sales indexes for the Twelfth Federal Reserve District have recently been revised to take account of several factors. During the war sales were affected by seasonal forces in a different manner than in previous years. An increase in the number of reporting stores since 1942, the date of the last major revision, made possible an improved sample for recent years. During 1947, stores reporting to this bank accounted for almost 80 percent of the estimated total sales in the District. More precise bench mark data for 1939 became available in the course of comparing this bank's records with Census tabulations. The new indexes for most cities and areas show no marked differences in the direction of the movements of the unadjusted series from month to month, but they do indicate more precisely the sales levels attained in recent years.

*Seasonal pattern changed during war period*

Changes in the seasonal behavior of department store sales during the war and immediate postwar period were due to several conditions. As goods became scarcer during the war, the availability of merchandise became more important at times than the seasons of the year in determining the distribution of sales over the year. The necessity to shop early in order to meet overseas mailing deadlines for Christmas gifts to servicemen was another development which affected the pattern of sales in the latter part of the year. These circumstances combined to reduce the sharp seasonal differences or to alter previous relationships among months. Two examples will serve to illustrate the effect of wartime conditions. In most cities the difference between March and April attributable to Easter business was greatly reduced. Similarly, Novem-

**DEPARTMENT STORE SALES AND STOCKS—Twelfth District**  
 Monthly indexes of value of sales and stocks, adjusted for seasonal variation  
 (1935-39 average = 100)



ber sales gained in importance relative to December as shoppers made earlier purchases to take advantage of available goods and to meet the overseas shipping schedules referred to above. Some changes became apparent very early in the war and continued to be of the same relative importance through the entire period, but others became progressively more pronounced. These changes complicated the problem of eliminating seasonal influences and required a changing set of adjustment factors.

#### **Other adjustments made in sales indexes**

Additional stores started reporting to this bank between 1942 and 1947. The present revision includes these stores in the sample. Stores which opened for business since the last revision and which report to this bank have also been included in the series.

The sales indexes prepared by this bank had been adjusted to Census sales data for 1929 and 1939 and to the data for 1935 wherever complete enumerations were made for the latter year. Some further adjustments to the 1939 Census were found necessary. In a few cities it appeared that stores which met the Census definition of a department store had been omitted from the Census totals for 1939. It also became apparent that leased department sales were not included in the Census totals of department store sales. Adjustments for these factors improved the dollar estimates underlying the indexes.

The department store sales indexes published by this bank do not purport to reflect sales or excise taxes. Adjustments were made, therefore, to the figures reported

to this bank, when correspondence with reporting stores revealed that their figures included sales taxes. No evidence was found that stores were including excise taxes without reporting a separate figure showing sales excluding such taxes.

#### **Stocks indexes also revised**

The revision of the sales indexes made it necessary to revise the stocks indexes because the dollar estimates of stocks are dependent on the dollar estimates of sales. The estimated amount of total Twelfth District department store stocks in any month is obtained by the following procedure: Stocks are divided by sales for a sample group of stores reporting both items. The result, a ratio by which sales must be multiplied to obtain stocks, is applied to estimated total dollar sales obtained in constructing the sales indexes. The revised dollar estimates obtained from the new sales indexes have been substituted for those previously used.

The revised sales indexes appeared for the first time in the *Monthly Review* for February 1948. The revised stocks indexes are introduced in the present issue.

Note: A technical description of the sales indexes covering their construction and adjustment for various factors is in preparation. This description will be furnished upon request. Tabulations for earlier months of the sales indexes, by city and area, and of the District stocks index are also available upon request.

*Correction:* In the February 1948 *Monthly Review*, in the article "Agriculture in 1947," the figure 23 million pounds appears in the second line under the sub-heading *Meat* on page 20. The correct figure is 23 billion pounds.

#### **A STUDY OF BANK DEBITS AND CLEARING STATISTICS NOW AVAILABLE FOR DISTRIBUTION**

The technical study, *Debits and Clearing Statistics, Their Background and Interpretation*, prepared by George Garvy of the Federal Reserve Bank of New York and published by the Board of Governors, is now available for distribution. The purpose of the analysis is to determine how effectively bank clearings and bank debits reflect basic economic processes.

The pamphlet may be purchased for 25 cents, or for 15 cents in group purchases of ten or more copies for single shipment. Orders may be addressed to this bank.

#### **INCREASE IN LIMIT ON ANNUAL ACQUISITIONS OF SERIES E SAVINGS BONDS**

On March 18, 1948, Secretary Snyder announced that, effective for the calendar year 1948, the limitation on the amount of Series E savings bonds originally issued during any calendar year to any one person is being raised from \$5,000, maturity value, to \$10,000, maturity value.

#### **WITHHOLDING TAX FUNDS MAY BE PLACED IN WAR LOAN ACCOUNTS BY BANKS**

Effective March 22, 1948, each bank which is qualified as a Depository for Withheld Taxes and for a War Loan Deposit account may elect, in lieu of remitting withheld taxes deposited with

it directly to the Federal Reserve Bank, to make such remittances by transfers from the "Withheld Tax" account to the "War Loan Deposit" account on its books. Previously, a depository bank had to remit to the Federal Reserve Bank the entire amount in its Withheld Tax account whenever the balance in this account reached \$5,000, and also at the close of each calendar month regardless of the size of the balance. Balances in War Loan accounts, on the other hand, are subject to withdrawal upon call by the Treasury. The new method of handling withheld taxes will permit a more even flow of funds into the Treasurer's account at Federal Reserve Banks and consequently there will be less periodic disturbance of member bank reserves.

#### **SECURITY LOAN DRIVE—APRIL 15 TO JUNE 30, 1948**

The Security Loan Drive will start April 15 and continue through June 30. The United States Savings Bonds Division of the Treasury will be in charge and will use the services of a large group of volunteer salesmen, in the same manner that the wartime bond-selling campaigns were organized. The drive will emphasize sales of Series E Savings Bonds, which will be termed "Security Bonds" during the campaign. The dual purpose of the drive is to promote savings for individual security and to fight inflation. The money received from the public will be withdrawn from the consumer markets, and the Treasury will use it insofar as possible to pay off bank-held public debt.

**BUSINESS INDEXES—TWELFTH DISTRICT**

(1935-39 average = 100<sup>1</sup>)

Year and month	Industrial production (physical volume) <sup>2</sup>									Total manufacturing employment <sup>3</sup>		Factory payrolls <sup>4</sup>	
	Lumber		Petroleum <sup>5</sup>		Cement		Wheat flour	Electric power		Ad-justed	Unad-justed	California	
	Ad-justed	Unad-justed	Crude Unad-justed	Refined Unad-justed	Ad-justed	Unad-justed	Unad-justed	Ad-justed	Unad-justed			Ad-justed	Unad-justed
1929		148	121	193		110	106		83				111
1930		112	95	168		96	100		84				93
1931		77	78	140		74	101		82				73
1932		46	74	134		48	89		73				54
1933		62	72	127		54	88		73				53
1934		67	73	123		70	95		79				64
1935		83	86	140		68	94		85		88		78
1936		106	89	154		117	96		96		100		96
1937		113	99	163		112	99		105		112		115
1938		88	104	159		92	96		102		96		101
1939		110	93	160		114	107		112		104		110
1940		120	93	158		124	103		122		118		134
1941		140	96	172		164	103		136		155		224
1942		140	103	175		194	104		167		230		460
1943		133	118	194		160	115		214		306		705
1944		138	129	226		128	119		231		295		694
1945		108	135	243		131	132		219		229		497
1946		118	131	219		165	128		219		175		339
1947		139	138	239		193	133		256		184		401
1947													
January	154	106	134	219	191	164	152	250	246	183r	183r	386	379
February	172	120	136	227	182	166	147	249	244	183	182	387	384
March	142	123	137	231	207	190	141	252	248	183	182	390	389
April	132	134	137	234	193	196	133	254	252	184	184	392	392
May	129	150	138	243	193	195	129	251	253	183	183	392	394
June	131	150	139	240	186	202	138	251	257	182	182	394	396
July	125	139	139	236	184	195	126	252	262	181	181	392	392
August	130	157	139	254	185	201	125	252	263	183	183	408	410
September	130	153	139	254	193	207	123	259	259	184	185	411	412
October	139	151	140	247	187	203	133	260	253	187	187	418	423
November	153	146	141	246	205	199	133	263	258	189	188	419	420
December	178	133	140	241	215	200	116	275	271	188	188	423	423
1948													
January	174	116	141	248	218	188	114	278	275	186p	186p	420	413

Year and month	Carloadings (number) <sup>1</sup>					Department store sales (value) <sup>2,7</sup>					Dept. store stocks (value) <sup>5,7</sup>		Retail food prices <sup>6</sup>	
	Total		Merchandise and miscellaneous		Other	District		California	Pacific North-west	Utah & So. Idaho	District			
	Ad-justed	Unad-justed	Ad-justed	Unad-justed	Ad-justed	Unad-justed	Ad-justed	Unad-justed	Ad-justed	Ad-justed	Ad-justed	Unad-justed		Unad-justed
1929		112		114		109		112	104	140	97		134	132.0
1930		96		105		84		104	99	123	89		127	124.8
1931		75		89		57		92	91	101	83		110	104.0
1932		57		74		37		69	70	72	61		86	89.8
1933		58		70		43		66	67	68	64		78	86.8
1934		66		81		48		74	73	77	77		83	93.2
1935		72		85		56		86	86	86	89		88	99.6
1936		85		97		70		99	98	100	100		96	100.3
1937		90		102		75		106	105	105	106		108	104.5
1938		79		90		65		101	101	100	99		101	99.0
1939		85		96		72		109	110	109	106		107	96.9
1940		90		99		79		119	120	118	115		114	97.6
1941		105		116		91		139	138	147	135		137	107.9
1942		113		121		103		171	164	189	177		190	130.9
1943		109		119		97		203	196	219	232		174	143.4
1944		115		130		97		223	221	232	250		178	142.1
1945		110		131		83		247	225	252	280		182	146.3
1946		111		132		86		305	307	312	348		235	167.4
1947		117		132		98		330	329	336	351		295	200.3
1947														
January	136	108	146	122	124	89	313	253	310	320	356	316	278	195.7
February	134	111	150	125	113	93	311	281	308	320	343	325	286	193.5
March	117	109	129	120	103	96	319	300	316	325	366	331	308	196.6
April	120	117	130	122	108	111	320	302	320	321	355	307	304	197.8
May	112	112	131	123	88	98	325	302	325	332	340	285	296	197.3
June	115	124	134	142	91	101	330	299	332	333	343	282	287	194.8
July	122	124	133	142	107	102	327	278	328	332	350	270	286	196.5
August	108r	125	129	145	82	100	348	308	355	345	361	248	273	197.9
September	108	124	121	142	91	101	336	336	338	340	341	257	290	206.6
October	109	128	122	147	92	103	333	343	331	348	343	287	318	204.8
November	113r	114	129	129	94	95	339	410	339	344	360	319	338	209.4
December	120	106	134	119	103	90	352	554	357	353	358	342	280	213.0
1948														
January	134	107	148	125	117	84	340	275	337	350	380	352	310	215.4

<sup>1</sup> 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; Manufacturing employment, Factory payrolls, and Retail food prices, U.S. Bureau of Labor Statistics and cooperating state agencies; and Carloadings, various railroads and railroad associations.

<sup>2</sup> Daily average. <sup>3</sup> 1923-25 daily average = 100. <sup>4</sup> Excludes fish, fruit and vegetable canning. Factory payrolls index covers wage earners only.

<sup>5</sup> At retail, end of month or end of year. <sup>6</sup> Los Angeles, San Francisco, and Seattle indexes combined. <sup>7</sup> p—preliminary. r—revised.

<sup>7</sup> Revised Series. Data for earlier periods, by months, available on request. Explanation of revisions appears in this issue.

## BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition items of all member banks <sup>1</sup>									
	Loans and discounts					Investments <sup>2</sup>		Demand deposits adjusted <sup>3,4</sup>	Time deposits (except U.S. Gov't) <sup>5</sup>	U.S. Gov't deposits <sup>6</sup>
	Total	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	127
1938	1,869			798	327	1,323	486	1,781	2,212	118
1939	1,967	663	82	76	864	1,450	524	1,983	2,263	68
1940	2,130	735	65	931	309	1,482	500	2,390	2,351	144
1941	2,451	933	59	1,000	460	1,738	541	2,893	2,417	307
1942	2,170	870	51	974	275	3,630	538	4,356	2,603	842
1943	2,106	934	62	899	211	6,235	557	5,998	3,197	148
1944	2,254	956	184	885	228	8,263	698	6,950	4,127	208
1945	2,663	1,103	343	908	309	10,450	795	8,203	5,194	303
1946	4,068	1,882	195	1,431	560	8,426	908	8,821	5,781	205
1947	5,363	2,338	121	2,153	750	7,243	872	8,928	5,988	148
1947										
February	4,254					8,058	893	8,367	5,804	370
March	4,304					7,909	894	8,327	5,820	396
April	4,479					7,677	876	8,334	5,837	286
May	4,558					7,662	892	8,260	5,851	235
June	4,658	2,047	134	1,828	649	7,370	871	8,297	5,908	103
July	4,755					7,375	874	8,366	5,888	148
August	4,879					7,353	871	8,462	5,887	208
September	4,997					7,364	889	8,600	5,909	216
October	5,158					7,361	896	8,722	5,949	192
November	5,240					7,361	884	8,797	5,907	205
December	5,363	2,338	121	2,153	750	7,243	872	8,928	5,988	148
1948										
January	5,413					7,264	848	8,854	6,006	159
February	5,467					7,021	833	8,495	6,048	210

Year and month	Member bank reserves and related items <sup>6</sup>								Bank debits index 31 cities <sup>7</sup>	
	Reserve bank credit <sup>8</sup>	Commercial operations <sup>9</sup>	Treasury operations <sup>10</sup>	Coin and currency in circulation		Reserves <sup>7</sup>				Unadjusted
				Total <sup>11</sup>	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	3	126	
1931	21	- 154	+ 154	+ 48	231	147	154	- 7	97	
1932	42	- 175	+ 234	+ 30	227	142	135	7	68	
1933	- 2	- 110	+ 150	+ 18	213	155	142	13	63	
1934	- 7	- 198	+ 257	+ 4	211	242	172	70	72	
1935	2	- 163	+ 219	+ 14	280	237	201	136	87	
1936	6	- 227	+ 454	+ 38	335	479	351	128	102	
1937	1	- 90	+ 187	+ 20	343	549	470	79	111	
1938	3	- 240	+ 276	+ 3	361	565	418	147	95	
1939	2	- 192	+ 245	+ 31	388	584	459	125	102	
1940	2	- 148	+ 420	+ 96	493	754	515	239	110	
1941	4	- 596	+ 1,000	+ 227	700	930	720	210	134	
1942	+ 107	- 1,980	+ 2,826	+ 643	1,279	1,232	1,025	207	165	
1943	+ 214	- 3,751	+ 4,486	+ 708	1,937	1,462	1,343	119	211	
1944	+ 98	- 3,534	+ 4,483	+ 789	2,699	1,706	1,598	108	237	
1945	+ 76	- 3,743	+ 4,682	+ 545	3,219	2,033	1,878	155	260	
1946	+ 9	- 1,607	+ 1,329	+ 326	2,871	2,094	2,051	46	298	
1947	+ 302	- 443	+ 630	- 206	2,639	2,202	2,085	117	326	
1947										
February	+ 14	- 25	- 133	- 32	2,765	1,981	1,982	51	325	
March	- 62	+ 3	+ 50	- 30	2,735	2,003	1,940	63	332	
April	- 2	- 69	+ 47	- 18	2,716	1,997	1,934	63	309	
May	+ 34	- 14	+ 49	+ 10	2,714	1,993	1,934	59	297	
June	21	- 41	- 7	+ 13	2,695	1,992	1,944	51	322	
July	- 234	- 213	+ 381	- 23	2,699	1,963	1,956	60	305	
August	- 48	+ 78	+ 124	- 23	2,685	2,078	1,985	62	322	
September	+ 87	- 85	+ 172	- 10	2,675	2,095	2,028	80	325	
October	+ 23	- 39	+ 35	- 16	2,656	2,137	2,046	77	346	
November	- 4	- 5	+ 33	+ 3	2,653	2,130	2,059	65	344	
December	+ 25	- 0	+ 49	- 18	2,639	2,202	2,085	70	365	
1948										
January	+ 14	+ 48	- 253	- 113	2,541	2,113	2,086	83	352	
February	+ 20	+ 153	- 244	- 2	2,532	2,045	2,037	57	354	

<sup>1</sup> 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.  
<sup>2</sup> Monthly data for 1947 partly estimated.  
<sup>3</sup> Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection.  
<sup>4</sup> Monthly data partly estimated. <sup>5</sup> End of year and end of month figures. <sup>6</sup> Changes only.  
<sup>7</sup> Total reserves are as of end of year or month. Required and excess: monthly figures are daily averages, annual figures are December daily averages.  
<sup>8</sup> Debits to total deposit accounts, excluding interbank deposits. 1935-39 daily average = 100.  
<sup>9</sup> preliminary. <sup>10</sup> revised.