TWELFTH FEDERAL RESERVE DISTRICT

MONTHLY REVIEW

JULY 1949 FEDERAL RESERVE BANK OF SAN FRANCISCO

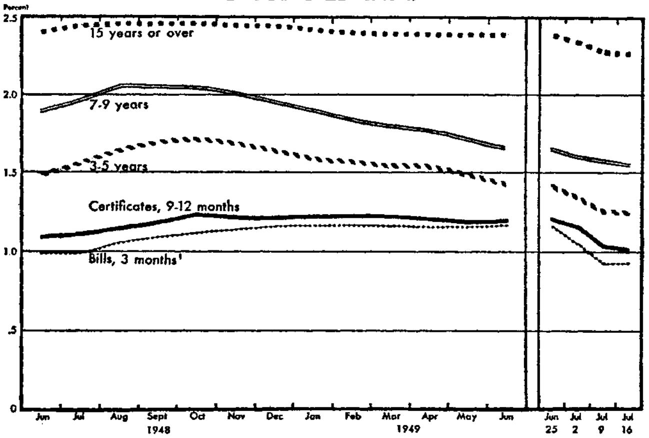
RECENT BANKING AND CREDIT DEVELOPMENTS

As business activity has slackened in recent months, monetary authorities have taken steps to provide easier credit and to increase the available supply of loanable funds. The controls over consumer credit exercised by the Board of Governors of the Federal Reserve System were relaxed in March and again in April, and Congress allowed the temporary authority for such controls to expire as of June 30. The Board of Governors reduced stock margin requirements at the end of March. Member bank reserve requirements were reduced by the Board of Governors early in May, and except for New York and Chicago banks, were again reduced at the end of June as a consequence of the decision of Congress not to extend beyond June 30 the temporary authority to maintain higher requirements. Finally, at the end of June the Federal Open Market Committee announced that the policy of the Committee would be to direct purchases, sales, and exchanges of government securities by the Federal Reserve Banks with primary regard to the business and credit situation. The announcement stated further that a policy of maintaining orderly conditions in the Government securities market and the confidence of investors in such securities would be followed.

Change in open market policy

The new policy adopted with respect to open market operations is the most fundamental of these changes. Since early in World War II the Federal Reserve System has been supporting a varying number of specific rates for Government securities. In July 1947, the System discontinued its fixed buying rate of ⅜ of 1 percent for Treasury bills and terminated the repurchase option pertaining to them. In October 1947 the Treasury increased the coupon rate on certificates of indebtedness for the first time in the postwar period. On December 24, 1947, the Federal Reserve System lowered its support price for longer-term, fully taxable Treasury bonds, thereby permitting higher yields on these bonds. Their yields, however, were not allowed to rise above 2½ percent, which, with minor exceptions, is the maximum coupon rate on outstanding long-term Government bonds. The latest change in open market policy will allow the System to follow a more flexible support policy than it has in the past, a policy better adapted to dealing with changing economic conditions.

AVERAGE INTEREST RATES ON GOVERNMENT SECURITIES—1948-49



[1] Rate on new issues offered.

Lower yields on Government securities

Yields on Government securities other than Treasury bills and certificates of indebtedness reached a postwar peak toward the latter part of 1948 and have since declined. The price of long-term Treasury bonds rose sharply after the change in open market policy was announced on June 28.

The decline in yields (and rise in prices) of longer-term Government securities reflects the falling off in business activity in recent months. The decline in business borrowing during the first half of this year stimulated the demand of banks and other lending institutions for Government securities, thus raising their prices somewhat. Another important factor contributing to the strength in the Government bond market has been the investment in Government securities of the greater part of the bank reserves released by the reduction in member bank reserve requirements early in May and again at the end of June.

During recent months, prior to the change in open market policy announced on June 28, the Reserve System had sold securities in response to the increased demand for Treasury bonds. On June 22 Government security holdings of the System were $4.2 billion lower than at the end of 1948, with $3 billion of the decline in Treasury bonds. Sales of Governments in the open market by the System both increased the supply available to banks and other private buyers and limited the demand by absorbing much of the excess reserves made available to member banks during the period. It is apparent, consequently, that the yields on Governments would have fallen considerably more than they did, had the System been a less active seller than it was.

The behavior of interest rates since June 28 clearly reflects the change in System open market policy. In the face of $800 million in excess reserves created by the reduction in reserve requirements at the end of June after the new position of the System was announced, yields on both short and long-term Governments dropped significantly, as is indicated on the accompanying chart. The System did not, in fact, stay entirely out of the market in early July. Treasury bond holdings of the System were unchanged from June 29 to July 13. In the week ending July 13, however, Reserve System holdings of Government securities declined by $500 million, largely because of substantial sales of Treasury bills. These were offered by the System to counter an even more precipitate decline in yield (or rise in price) and thus maintain an orderly market in Treasury bills.

Reserve requirements reduced

With the expiration on June 30 of the temporary authority to maintain higher reserves, member bank reserve requirements now stand where they did last summer before this temporary authority was granted and put into use. The requirements against demand deposits are 24 percent for member banks in central reserve cities, 20 percent for those in reserve cities, and 14 percent for all other member banks. The required reserve against time deposits is uniform for all member banks, 6 percent. All requirements are now at their legal maximums except the one for demand deposits at central reserve city banks, which is 2 points under the maximum of 26 percent.

Required reserves of all member banks were reduced about $1.2 billion as a result of the change in reserve requirements early in May, while the reduction at the end of June amounted to about $800 million. The corresponding reductions for Twelfth District member banks were about $100 million in May and $140 million at the end of June.

Member bank holdings of Government securities rise

Government security holdings of all member banks increased $659 million between the end of 1948 and June 29. A further substantial increase occurred early in July, after the reduction in reserve requirements, but complete figures on this increase are not yet available. This is the first time since the end of 1945 that member bank holdings of Government securities have increased during a half-year period. This reversal of trend has been due primarily to an increase in bank demand for Government securities to offset, at least in part, the decline in the volume of outstanding bank loans. Another contributing factor has been the slowing up in the rate of retirement of marketable public debt. Less marketable debt was retired in the first six months of this year than in any previous half-year in the postwar period.

Member bank holdings of Government securities declined in February and March of this year in both the Twelfth District and the country as a whole. Banks sold securities during this period, especially in March, to replace reserves drawn off by the payment of Federal income taxes. The increase in the holdings of all member banks in the subsequent three months more than offset the loss, however. By contrast, the holdings of Twelfth District member banks increased only by the amount of the loss, so that there was no net gain in their holdings for the first six months of the year. An outflow of funds from the District on commercial and financial account of banks and their customers (excluding payments to and receipts from the Treasury) apparently prevented as large an increase, relatively, in the Government security holdings of District member banks as occurred in the country as a whole.

Bank loans to business decline

The decline in business activity which has occurred in recent months has been accompanied by a prolonged and substantial reduction in bank loans to business. In the country as a whole, commercial, industrial, and agricultural loans of weekly reporting member banks declined almost continuously during the first half of this year, having reached a peak just before last Christmas. By the end of June they had declined $2.4 billion from that peak, or by nearly 16 percent. Such loans outstanding in Twelfth District weekly reporting member banks have had a few ups and downs during the first half of the year, but the general trend has been almost as sharply downward as in the country as a whole.

Real estate loans of weekly reporting member banks continued to increase at a slow rate in both the nation and the Twelfth District, and loans to consumers also registered a net gain for the first six months of the year. Total loans of weekly reporting member banks declined during the same period, however, falling 6.6 percent in the country as a whole and 4.5 percent in the District. Although data on loans by type for all member banks are not yet available for June 30, total loans of all member banks declined 3.7 percent in the nation and 4.5 percent in the District during the first half of the year. In the District, total bank loans increased in June, however.

Relative decline in District demand deposits exceeds that for nation

In the last three years demand deposits in Twelfth District banks have declined seasonally in the first half of the year, primarily as the result of income tax payments and the retirement of bank-held public debt. Demand deposits have also declined seasonally in the country as a whole, and for the same reasons.

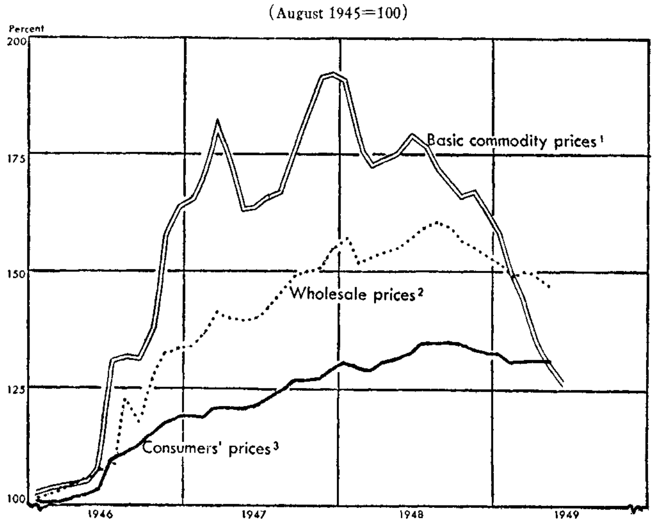
In the first half of this year, demand deposits (excluding interbank) of all member banks declined almost 10 percent in the District compared with somewhat less than 6 percent in the country as a whole. In the corresponding perioid of 1948, the relative decline in the District was about the same as that for the nation. Time deposits have continued to grow slowly, but the rate of growth has been somewhat less in the District than in the country as a whole.

THE PRICE DECLINE

A NUMBER of price increases have been reported in recent weeks. Copper, lead, and zinc prices turned upward in July after drastic reductions extending from March to June. At least one large oil producer in the Gulf area has marked up the price of fuel oil following successive cuts since last November. The composite primary market price of 7 major agricultural staples reported by the Bureau of Labor Statistics reached its highest level on July 14 since early in March. Even cotton and woolen textiles have shown some firmness.

It is too early to assume that these developments herald a sustained reversal of the downtrend of commodity prices. It seldom happens that an extended price swing, either up or down, is free from interruptions or reversals of direction. The present is a convenient moment, however, to attempt some appraisal of the character and extent of the price decline to date.

WHOLESALE AND RETAIL PRICE INDEXES—UNITED STATES
(August 1945=100)



[1] A group of 27 products traded on organized primary markets or commodity exchanges whose prices are especially sensitive to changes in market conditions.
[2] Based on prices of some 900 commodities.
[3] Based on a list of commodities and services, including rents, purchased by moderate income groups in large cities.
Source: United States Department of Labor, Bureau of Labor Statistics.

Comparative price indexes

What has been happening to prices in the United States during the past three years is indicated in a general way by the accompanying chart, which compares the relative movements of three indexes of prices at different economic levels. The so-called basic commodities, being closest to the raw material stage, are the most sensitive to market influences; hence the basic index shows a much wider swing in its fluctuations than either of the other two. The wholesale price index is much less volatile in its movements, as manufacturers' and traders' prices must allow for conversion, transportation, selling, and other costs. Consumer prices are still more sluggish, especially on the downside, and are loaded by all the costs of retail distribution.

Like all index numbers, these price indexes are to be regarded only as a sort of statistical shorthand; being averages of diverse elements they are abstractions from reality and often conceal as much as they reveal. The behavior of individual prices and of the various commodity groups during the period under review differed considerably from the general average and it is necessary to examine some of the more important items in order to get a clearer picture of the course of events.

Diversity in price behavior

It should be pointed out, in the first place, that considerable differences have marked the timing of price declines in the various sectors of the economy. There was no single turning point in the scheme of prices but rather a series of peaks followed by a series of declines, coming first in the grain markets and last in metals and fuels. Grain prices had been pushed up to extremely high levels in 1947 because of deficient wheat harvests in Western Europe and a short corn crop in the United States, but broke sharply in February 1948 under the pressure of increased supplies, chiefly from Argentina and Australia. The course of industrial prices varied greatly between the different industries, depending on the relative difficulty of enlarging output to keep up with demand. Those industries, such as chemicals, cotton textiles, and leather goods, which had little or no postwar conversion problem and could expand their output quickly, caught up with demand more rapidly than the heavy industries, where reconversion of facilities took more time and where large backlogs of unsatisfied demand had accumulated. Demand for automobiles, houses, and household furnishings and appliances, as well as for a great variety of industrial and transportation equipment, was well sustained last year, although appliance sales dropped rather sharply toward the end of the year. This kept the prices of materials entering into such products under strong inflationary pressure while many other prices were already falling.

Thus hide and leather prices reached their top in December 1947, farm products in general and chemicals as a group in January 1948, and most textile products in April. The most important single factor in carrying the wholesale and consumer price indexes to their peaks in the late summer of 1948 was the extraordinarily high level of food prices, especially of meats, poultry, and dairy products, which reached their climax at that time. Top prices for lumber also came in the summer or early fall but for most other building materials considerably later. It was only late in 1948 or early 1949 that the top of the market was reached for automobiles and trucks, agricultural machinery, and most other metal products; for furniture, clothing, and woolen textiles; and for tires, paper, coal and coke, and petroleum products.

Declines in basic commodities in 1949

Few important types of commodities have failed to evidence some price recession since the beginning of this year. In many cases the decline has been greater than published price quotations would indicate. The rapid disappearance in recent months of gray markets and premium prices for steel products and automobiles suggests that actual prices have fallen more than manufacturers' list prices.

Drastic cuts occurred in such basic raw materials as steel scrap, copper, lead, and zinc, all of which had advanced to extremely high levels in 1948. Steel scrap prices have been cut in half since January; and beginning in March several successive cuts were made in nonferrous metals prices in an effort to stimulate lagging demand; the bottom of the market for these materials was apparently reached in July, with renewed industrial buying and some price recovery. Lower prices for storage batteries, pigments, plumbing supplies, galvanized steel, and brass products have reflected the reductions in nonferrous metals.

Declines of approximately 40 percent in prices of meat animals occurred between the peaks of last summer and the spring of this year, followed by some recovery since the seasonal lows. Hides, wool, lard, tallow, flaxseed, and cottonseed oil have also been marked down sharply, with most of the fats and oils currently selling below their 1946 OPA prices. Following the market break of last February, corn has made some recovery but wheat and barley remain relatively weak. All the major grains are currently near or below support levels.

Prices of finished products; retail prices

A wide range of price reductions has also taken place in manufactured products and consumer goods, extending from items like Diesel locomotives, steel rails, and automobiles to apparel, canned foods, and radios. The composite average for all manufactured products included in the Bureau of Labor Statistics wholesale price index had fallen in May by about 8 percent from its peak of last August as compared with a decline of about 10 percent in the composite for raw materials.

Retail prices normally lag behind wholesale prices, especially on the downside, since they include more service costs which are relatively inflexible. It is a matter of common observation, however, that sales promotions and bargain prices have been much featured by retail stores in recent months. The Fairchild index of department store prices has fallen continuously from November 1948 to July 1949, with some decline in practically all lines except woolens and chinaware. Mail order catalogs show somewhat larger price reductions. A significant development in consumer durable goods has been the introduction of new and cheaper models of such products as refrigerators and washing machines in an effort to tap the market for less expensive merchandise and also to meet consumer resistance to prices which are out of line with current income levels. Consumers are in a waiting mood and apparently expect further price reductions.

Prices and the business cycle; absence of speculation; inventory reductions

Although industrial employment and production have declined along with the falling price level, the general price recession has been moderate and orderly to date. Speculative inventory accumulation was notably absent over the greater part of industry during the period of rising prices. Hence there is not likely to be any great wave of insolvencies touched off by declining prices, with resulting general impairment of business stability. On the contrary, there has been an all-around reduction of inventories and shortening of forward commitments. While there is little in the immediate situation to indicate any precipitate downswing in the business cycle, some further decline in industrial output is not unlikely, as well as continued pressure for price reductions in certain areas. The very duration of the price decline to date and its quite general character are an evidence of the fundamental nature of the adjustments going forward in the national and world economy following the postwar boom of 1946-48.

Prices and foreign trade

Declining production and incomes in the United States have made it more difficult for foreign countries to maintain sales here. Purchases of raw materials from abroad have been reduced as inventories have been drawn down. In recent months prices of some raw products entering into international trade, notably rubber and cocoa beans, have dropped sharply, although others, including tin, sugar, coffee, and shellac prices, are little if any lower. These developments have accentuated the problem of dollar shortage, which has become worldwide in scope and is creating serious impediments to the free flow of international trade. Because of these conditions the governments of the British Commonwealth of Nations have recently taken steps to restrict still further their purchases in hard currency countries. This action will tend to reduce the market strength of a number of American export items, such as tobacco, cotton, fats and oils, and possibly other food products.

Business policy in a period of recession

The extent of probable further price and business recession, as well as the timing of recovery in employment and production, will depend in no small part upon the policies followed by business and labor leaders. If such policies result in reduced output and higher unit costs, the successful adjustment to a new and lower level of costs and prices will be hampered and perhaps indefinitely deferred. The most urgent postwar demands for many consumer durable goods, as well as for much industrial equipment, have been satisfied, at least temporarily, but a tremendous backlog of demand still exists. This demand is supported by population growth, substantial savings, and a volume of employment and income that remains high by any standard short of the extravagant levels of 1947-48. It is abundantly clear, however, that the psychology of the boom is past; consumers can postpone many of their purchases if need be, and value received, as well as price, is an increasingly important element in their decisions to buy or postpone buying. This puts the emphasis on efficiency in production and marketing, on cost reduction, on competitive pricing.

POST-WAR PHILIPPINE-AMERICAN ECONOMIC RELATIONS

THE Filipino people acquired their independence in July 1946, as provided in the Philippine Independence Act of 1934. This ended a period of 48 years of American rule over the Islands. But the new Republic, with a population of about 19 million, remains, for the time being, very closely related to the United States, both politically and economically.

Free access to the United States market favored the development of industries in which the Philippines had a comparative advantage, namely, cane sugar, coconut, tobacco, and abaca or manila hemp production. From 1920 to 1940 these industries furnished a livelihood to the majority of the Philippine population[1] and supplied more than 80 percent of all Philippine exports in that period, most of which went to the United States. On the other hand, year in year out, the Philippines had to import rice, wheat flour, meat, dairy products, and large quantities of textiles. Thus the development of the Philippine economy during the American rule followed the established pattern prevailing in other colonial areas, that is, concentration on a few important export crops and reliance upon imports for most other necessities. Most of these Philippine export crops, with the exception of abaca, were, however, not complementary to but rather competitive with production in the United States.

When the Independence Act of 1934 was framed, it was felt that an independent Philippines would have ultimately to face reduced markets for established export industries. Without tariff preference, their competitive position in American markets would be much weaker. To offset the loss of foreign exchange that would result from a decline in exports, it was thought that Philippine production of food staples and industrial products of mass consumption would have to be increased and a more balanced economic structure established. In the quoted Report, the U. S. Tariff Commission said, "With the loss of a preferential treatment for their products in the United States, the Philippines will be obliged to fashion an economy which will be much more self-sufficient than the present."[1]

[1] It was estimated in the mid-1930's that more than 25 percent of the total population of the Philippine Islands depended for their livelihood on coconut production and industries based on it and 15 percent on sugar production. Something like 12 percent depended on abaca, and about 3 percent on tobacco production. U. S. Tariff Commission, *United States-Philippine Trade,* Report No. 118, Washington, D. C., 1937, pp. 62, 118, 128, 136.

But while the primary political provision of the Independence Act of 1934, the granting of independence, was consummated in July 1946, as contemplated, the intervening war and Japanese occupation greatly aggravated the economic problems of the Philippines, and necessitated a thorough overhauling of the economic provisions of the Independence Act. American-Philippine relations since independence was granted have been governed by the Philippine Trade Act of 1946 (Bell Act) and the Phillippine Rehabilitation Act of 1946 (War Damage Act), supplemented by military agreements providing for the lease of bases for a period of 99 years.

The Philippine Trade Act of 1946

Under the Philippine Trade Act of 1946, all Philippine goods may enter the United States duty free until 1954. From 1954 to 1974, most exports to the United States will be subject to duties, beginning at five percent of the full rate and increasing annually by that amount. Similar treatment is accorded American goods entering the Philippine Republic. By 1974, dutiable products from the Philippines will be paying the full rate applicable to the lowest duty-paying country (now Cuba). Thus, even after 1974, the Philippines will enjoy some preference in the American market. The Philippine economy is to be weaned from its preferred position in the American market, but this process, instead of taking ten years, as provided in the Independence Act of 1934, will take 28 years.

United States tariff preference for Philippine commodities until 1974 is accompanied, however, by import

[1] U. S. Tariff Commission, *op. cit.*, p. VIII. As far as the sugar industry is concerned, the Report stated that after the full United States duties become applicable the position of the Philippine industry will depend on whether the sugar import quota system still exists in the United States or not. "If such a quota system is not in operation, then it is doubtful that any large proportion of the industry will be able to survive." As for a number of other export industries, the Report said, "It is also likely that with the loss of preferential treatment in the United States market after independence, the Philippines will be obliged either to curtail sharply, or to discontinue altogether, their exports of such commodities as coconut oil, cigars, embroideries, and pearl buttons. It appears improbable that by 1946 they will be able to produce such goods at sufficiently low prices to enable them to compete in world markets." While this was written in 1937 in expectation of the cessation of preference for Philippine goods in the United States by 1946, the problem of an adjustment of the Philippine industry to decreasing preference, and finally to the absence of preference on the American market, still remains.

quotas, based partly on special legislation, for certain important Philippine products: sugar, cordage, cigars, scrap and filler tobacco, coconut oil, and pearl and shell buttons. These absolute annual quotas are as follows: sugar, 850,000 long tons, of which not more than 50,000 tons can be refined sugar; cordage, 6 million pounds; cigars, 200 million; scrap and filler tobacco, 6.5 million pounds; coconut oil, 200,000 long tons; pearl or shell buttons, 850,000 gross. A quota of 1,040,000 pounds of rice is also established, but the Philippines are importing rice. After 1954, a decreasing proportion of quota imports of cigars, scrap and filler tobacco, coconut oil, and buttons continues to be duty free until 1974. The duty free quotas are the amounts of absolute quotas reduced 5 percent a year, while the (increasing) remainders of the absolute quotas are subject to full duty.

The Philippine Rehabilitation Act of 1946

The Philippine Rehabilitation Act of 1946 provided for a grant to the Philippines of an amount of $400 million for payment of private property losses in the Philippines as a consequence of war. Furthermore, the Act provided for transfer to the Philippine Government of United States surplus property not in excess of $100 million, as well as for payment of $120 million for the repair of government buildings, communications, harbor facilities, etc., and for financing certain public health and other projects, including training of specialists. By the end of 1948 the United States-Philippine War Damage Commission had processed more than 500,000 private claims out of a total of 1,255,755 and paid $95,621,000. For damage sustained by public buildings and facilities about $27 million had been paid.[1]

Capital investment in the Philippines

Many important industrial enterprises in the Philippines now, as before the war, are in the hands of foreign owners, primarily American.[2] American investments in the Philippines are particularly heavy in various key industries, such as sugar centrals, plantations, coconut processing plants, public utilities, and mining. By granting parity for American investors[3] and a four-year tax exemption for new industrial establishments, the Philippine Government expected to attract large amounts of American capital for development purposes. American funds have been available for the reconstruction of many enterprises in established industries, such as sugar, mining, and timber. The small influx of American capital for new ventures, however, has been rather disappointing to the Philippine Government. Partly for this reason, although it also continues a prewar tendency, the Philippine Government has engaged more and more in the establishment, financing, and management of industrial and trading enterprises. In this respect the Philippine Republic is acting much as do most other countries of a similar economic structure and faced with similar economic problems.

Gold production

Gold production, which rose from about $3.75 million in 1931 to $39.1 million in 1940, has been partially restored, and 1948 production was estimated in excess of 200,000 ounces. At $35 an ounce, this output would be worth about $7 million, but as most of the bullion was reportedly sold in the open market at $45 or more an ounce, the mines realized about $9 million. Early in 1949 the newly established Central Bank of the Philippines introduced a system of licenses for exports and imports of gold, limited domestic sales to sales for industrial and artistic purposes only, and reiterated that the price of $35 per ounce must be observed.

Philippine postwar economic policy

The heavy influx of American dollars and the resulting prosperity during the first two postwar years had to be considered a temporary rather than a permanent feature of the Philippine economic situation. In order to protect some of the newly developing domestic industries and to conserve dollars both for current needs and to insure the stability of the Philippine peso, the Joint Philippine-American Finance Commission proposed a whole series of financial and economic measures most of which have been put into effect. These measures include the establishment of a central bank, higher taxes on luxuries and semi-luxuries, measures to reduce the budget deficit and to cover regular outlays through current revenue, and, finally, reduction of imports of luxuries and semi-luxuries to reduce foreign exchange requirements.

The Import Control Act of June 1948 went into effect in January 1949. The control procedure established permissible import quotas for a long range of articles, considered as luxuries, semi-luxuries, and non-essentials produced or substitutable locally, expressed as percentages of imports during the fiscal year 1948. These quotas covered luxuries and semi-luxuries such as high-priced automobiles, all perfume and toilet preparations, alcoholic beverages, most textile manufactures, watches and clocks, and chewing gum; and nonessentials produced at home such as tobacco products, ready-made cotton articles, cotton grey cloth, lard and substitutes, soap, all fresh fruits, beer, various rubber products, all furniture, and matches. The percentage cuts ranged from 20 to 90 percent, but were generally 40 or 50 percent.[1] As of August 1, 1949 the imports of nails, Portland cement, raw rubber, fresh and canned vegetables, and canned pineapple were also to be put under quotas. Moreover, the earlier announced percentage cuts have been increased for a considerable number of articles. The exact effect of that change is not known, however, since the base for de-

[1] F. A. Waring, "U. S. Aid to the Philippines Helps Repair War's Ravages," *Foreign Commerce Weekly*, February 28, 1949, pp. 6 ff.

[2] The total identified long-term foreign investments in the Philippines in 1938 amounted to $306.5 million, distributed as follows: United States, $133.5 million, with $42.8 million in portfolio and $90.7 million in direct investment; United Kingdom, $45 million; China, $100 million; and Japan, $28 million. On the other hand, the Philippines had invested in the United States about $28 million. Cleona Lewis, *The United States and Foreign Investment Problems*, The Brookings Institution, Washington, D. C., 1948, p. 339. See also U. S. Tariff Commission, *op. cit.*, pp. 189-92.

[3] This necessitated an amendment to the Philippine constitution.

[1] *Foreign Commerce Weekly*, January 17, 1949, pp. 26-27.

ciding quotas has been shifted from the imports in the fiscal year 1948 to the average imports for 1946-48 and since the definition of luxuries has been broadened by lowering or eliminating price limits below which certain items are not considered luxuries and subject to quotas.[1]

The damage to production facilities in the Philippine Islands during the war and the dislocation of the Philippine economy sharply reduced postwar production of both commercial and subsistence crops, industrial products, and minerals. The result has been a marked reduction of exports and a need for large imports, primarily from the United States. The new Republic has relied heavily ever since the end of the war on various disbursements of the United States in the Islands. These have included disbursements by the United States armed forces for goods and services bought in the Philippines, payments of the War Damage Commission, transfers of surplus property, Veterans Administration payments, etc. Such payments are continuing, although at a reduced rate. According to a recent statement of the American Ambassador to the Philippines, these payments through 1951 will total about $2,150 million. In 1947, the Reconstruction Finance Corporation granted a loan to the Philippines in the amount of $75 million, but $15 million has already been repaid. This great mass of purchasing power put at the disposal of the Philippine people, in addition to funds coming from the export trade, led to a high degree of prosperity in the Islands, although there have been shortages in various consumer goods and difficulties in their distribution. There were also periods of glut in consumers' goods markets (especially in wheat flour and canned milk) as a result of speculative overstocking, such as in the early months of 1947.

Generally speaking Philippine economic policy since the end of the war has been directed towards:

(1) making good the destruction and dislocation wrought by the war in the economic life of the Islands in order to provide for basic economic services and to reestablish as soon as possible the productive and export capacity of the country. This was, so to speak, the short-term or reconstruction task.

(2) diversifying somewhat the structure of domestic production in order to lessen the dependence of the country on imports of primary necessities such as rice, textiles, cement, and nails. The provisions of the Trade Act of 1946 which insured free access to the American market until 1954, and preferred access to that market until 1974, have served, however, to attract relatively much more capital into old established industries than into new ventures, many of which had to be carried on by the Government through its corporations.

(3) developing further the productive facilities of the country in order to provide for the rapidly growing population and to sustain so far as possible the higher standard of living that has been achieved in recent years.

The need for economic development of the country is generally accepted as a must for the new Republic. While

[1] *San Francisco Commercial News,* July 11, 1949.

the average level of consumption in the Philippines has risen greatly under the American rule and is considerably above the average in most other areas of Southeast Asia and the Far East, it is still low, with great inequalities among various groups. One factor which is not operative in many of these other areas is that under American rule, the consumption habits of the Filipinos have been largely Americanized, and low income is resented more than would be the case otherwise. In 1938 it was estimated that about half of the Philippine families received an average annual income, largely in kind, of not more than 125 pesos ($62.50) per family. On the other hand about 1 percent of the population, consisting of business and professional men, landlords, and skilled laborers, received according to the same estimates about one-third of the total national income.[1]

One of the basic social and economic problems in the Philippines is to be found in the difficult conditions with regard to land tenure and the closely related issue of agricultural credit. Certain reforms pertaining to tenancy in rice-growing areas have been decreed in recent years, improving somewhat the condition of the tenants. But it is doubtful that these steps are sufficient to reverse the tendency toward further concentration of land ownership in fewer hands, which prevailed during the 1920's and 1930's. The proportion of tenants among farm operators rose from 16.6 percent according to the census of 1918, to 35 percent according to the census of 1939. The 1918 census showed that 77.8 percent of all operators were owners, although many of them were on farms so small that they could hardly have been considered capable of furnishing a living. In 1939 only 49.2 percent of all farm operators were full-owners, while another 15.6 percent were part-owners. Moreover, it must be kept in mind that the landlord-tenant relationship in the Philippines, as in most other areas of Southeast Asia, is often combined with a creditor-debtor relationship. Farmers and tenants are forced to borrow not only to improve or carry on production, but also to sustain life for part of the crop year. As interest rates are extremely high, many peasant debtors are never able to extricate themselves from debt.[2]

In regard to economic development, the Philippines, as other under-developed areas, have to contend with several basic difficulties, of which the most important are dearth of capital and lack of managerial talent and skilled workers. Two measures appear to be necessary: first, help from abroad in the form of capital and skills, and second, establishment of a system of priorities in developmental work. Several tentative programs for the economic development of the Philippines exist, some more,

[1] *Report and Recommendations of the Joint Philippine-American Finance Commission* dated June 7, 1947, and a Technical Memorandum entitled "Philippine Economic Development," U. S. Congress, 80th Congress, 1st Session, House Document No. 390, Washington, D. C., 1947, p. 11; U. S. Department of Commerce, "Republic of the Philippines—Summary of Current Economic Information," International Reference Service, Vol. V, No. 42, June 1948, p. 9.

[2] U. S. Department of Agriculture, Office of Foreign Agricultural Relations, *Report of the Philippine-United States Agricultural Mission,* Washington, D. C., 1947, p. 13, says with regard to the interest rates on borrowing in kind: "If they borrow in kind, say for a period of 6 months, the custom is to require from 2 to 3 units in return for every one borrowed."

others less ambitious. All of them aim at an increase in the productivity of labor, as only in this way is a rise in the standard of living possible, and at a greater diversification of the Philippine structure of production. One such program has been prepared by Thomas Hibben of the U. S. Department of Commerce, who in 1947 was attached to the Joint Philippine-American Finance Commission. He envisaged the spending of over $1 billion during a period of a little more than 5 years. According to his estimates, more than $600 million would be needed for financing of imports of materials and equipment, about $350 million for the payment of labor and domestically produced materials, and about $100 million for freight and insurance. Hibben's summary is an illustration of what the various plans of economic development of the Philippines intend to achieve:[1]

> The completion of the economic development proposals outlined in the preceding chapters would provide at least 75,000 homesteads, 80,000 hectares of irrigated land, self-sufficiency even with increased population and higher living standard demand in rice, corn and vegetables; self-sufficiency and possible export of fruits, nuts, fish and meats; greatly reduced import requirements in shoes and leather, chemicals, textiles, paper, glass, clay products, iron and steel; maintenance of prewar levels and possible increase in export of sugar cane products, coconut products, abaca and other fiber products, lumber, tobacco products and mine products; increase in the output of power; and transportation and communications facilities to meet the demand of a growing industrial and prosperous agricultural economy.

Thus far the Philippine Republic has been unable to secure any development loans abroad. Loan negotiations with the International Bank for Reconstruction and Development for building of two power projects have been under way for several months, but no final decision has been made. The Government is proceeding with some projects to the extent that it can finance them by domestic capital resources.

Philippine foreign trade after the war

The Japanese occupation of the Philippine Islands ended in August 1945. During the remainder of that year Philippine imports amounted to 57.9 million pesos and exports to 2.3 million pesos. During the next three years both imports and exports rose steadily, but the persistent large import surplus indicates clearly that Philippine productive and export capacities have not yet been restored.

Two characteristics of Philippine foreign trade as a whole during the period 1946-48 are outgrowths of the war. First, Philippine foreign trade, in contrast with the interwar period, is now characterized by a large import surplus. Second, the United States' share in Philippine exports has been reduced from about 71 percent during the 1930's to an average of 61 percent during the past three years, and its share in Philippine imports has increased from about 63 to 82 percent, in the comparable period. These changes are related to the altered structure of Philippine exports since the war, the greatly increased need for imports, the fact that the United States was the only source where many of the Philippine necessities could be obtained, and the large flow of dollars from the United States to the Philippines outside of current trade accounts. In 1948, Philippine imports declined from quarter to quarter, with the sharpest drop in the last quarter of the year. This tendency is expected to become still stronger in 1949 because of the introduction of import controls.

PHILIPPINE FOREIGN TRADE AND THE UNITED STATES SHARE IN IT, 1946-48

(in thousand pesos; 1 peso $0.50)

	1946	1947	1948
Total exports (including reexports)	128,375	531,097	638,410
Total imports	591,716	1,022,701	1,136,409
Import surplus	463,341	491,604	497,999
Exports to United States & Terr.	76,510	306,481	418,185
Imports from United States & Terr.	515,332	882,151	939,229
Import surplus from United States	438,822	575,670	521,044

Besides the United States, the other chief customers of the Philippines during the years 1946-48 were Malaya, Netherlands Indies, India, Hong Kong, China, and Japan in Asia; France, the United Kingdom, Denmark, Belgium, Italy, Norway, and Switzerland in Europe; and Canada. China, India, Siam, Canada, the United Kingdom, and Belgium were, after the United States, the most important suppliers of goods to the Philippines.

Principal exports of the Philippines

The composition of Philippine postwar exports has remained essentially the same as it was in prewar years, but

VALUE OF LEADING EXPORTS AND IMPORTS OF THE PHILIPPINES 1946-48

(in thousands of pesos; 1 peso $0.50)

Exports	1946	1947	1948
Copra	78,021	354,415	309,400
Dessicated coconut	4,100	19,055	57,491
Coconut oil	630	13,941	40,739
Copra meal and cake	658	4,391	7,425
Coconut products	83,409	391,802	415,055
Abaca, manufactured	9,653	63,436	60,294
Abaca, rope	2,222	2,904	4,067
Abaca and rope	11,875	66,340	64,361
Maguey	....	3,295	[1]
Tobacco and manufactures	2,503	4,383	[1]
Embroideries	83	2,335	13,917
Sugar	....	4,081	41,580
Pineapple, canned	....	....	7,648
Chromite	....	446	5,192
Other exports (inc. reexports)	30,505	58,415	90,657
Total	128,375	531,097	638,410
Imports	**1946**	**1947**	**1948**
Cotton and manufactures	94,476	153,442	137,363
Grains and preparations	76,392	98,834	84,110
Rayon and other synthetic textiles	29,649	90,585	105,020
Automobiles, parts and tires	22,694	51,414	63,910
Iron and steel manufactures	17,349	46,144	55,889
Tobacco and manufactures	45,141	43,962	49,391
Dairy products	21,424	42,625	45,925
Paper and manufactures	23,183	38,887	44,714
Mineral oils, petroleum products	14,731	36,842	68,503
Fish and fish products, canned	15,651	30,783	[1]
Machinery, machines and parts (except agricultural and electrical)	8,631 [2]	36,423	43,170
Other imports	222,395	352,760	438,414
Total	591,716	1,022,701	1,136,409

[1] Included among other exports or imports.
[2] Including agricuutural machinery and implements.
Source: For 1946 and 1947, Republic of the Philippines, Department of Commerce and Industry, *The Philippines 1948*, Manila 1948, pp. 9-15; for 1948, *Far East Trader*, San Francisco, California, April 13, 1949.

[1] Thomas Hibben, *Philippine Economic Development—A Technical Memorandum*, in the quoted House Document, No. 390, p. 222.

great changes have taken place in the relative importance of the various commodities. As indicated in the accompanying table, copra and other coconut products were, so to say, the salvation of Philippine foreign trade in 1946-48. In 1946, 1947, and 1948 these products represented 65, 74, and 65 percent, respectively, of the total value of exports, compared with an average of only 27 percent during the 1935-39 period. It took some months after the liberation for coconut collection to get under way, largely because law and order were lacking in outlying areas, and price relations between copra on the one hand, and rice and cotton goods, the two basic consumer articles, on the other, were unfavorable to copra. Exports of copra and coconut oil during the period 1935-39 and in the past three years were as follows (in long tons):

Year	Copra	Coconut oil	Total (as copra)
Average 1935-39	299,838	161,747	556,579
1946	600,374	no data	600,374
1947	968,432	23,251	1,005,338
1948	625,630	41,985	692,000[1]

[1] Reduction in 1948 exports partly caused by typhoon damage to coconut groves.
Source: U. S. Department of Agriculture.

The Philippines' capacity to raise exports of copra and coconut products coincided with a great demand for fats and oils abroad as a result of the war. After a decline in the summer of 1947, copra prices rose until May 1948, when they reached $320 a short ton (c.i.f. Pacific Coast) as against $109 a short ton in the summer of 1946. In 1939 copra was quoted at $38 on the average, and in 1940 at only $32 a ton.

The rehabilitation of agriculture in the main fat-importing countries markedly reduced the demand for Philippine copra. This was reflected in lower exports in 1948 as well as in reduced copra prices which fell to $174 a short ton in April 1949. Prices rose to $183 a ton in May. While copra and other coconut products remain one of the basic export products of the Philippines, the postwar copra bonanza seems to be over.

The second most important export of the Philippines during the period 1946-48 was abaca and cordage, which accounted for 9, 12, and 10 percent, respectively, of the total value of exports of these three years, compared with an average of 12.5 percent during the 1935-39 period. Abaca (manila hemp) production has not satisfactorily recuperated since the war, chiefly because its production has not been so profitable as other Philippine products, even though its price rose from an average of 6.5 cents a pound in 1939 to an average of 24.2 cents in 1947 and 28.1 cents in 1948 (New York prices). Sisal and henequen from Central America and British possessions in Africa, sources which were open during the war, have proven effective competitors to abaca.

Before the war, Philippine abaca was obtained mainly from the Japanese financed and managed plantations in the Davao Province in Mindanao. These plantations appear to have been overstripped immediately after the war and there were no new plantings during the war years. Since the price of abaca is not satisfactory, private capital cannot be found to engage in raising abaca.[1]

A large share of the sugar industry was fully or partially destroyed in the war and in 1946 the Philippines had to import sugar. In 1939, most of the raw sugar produced was exported, and sugar accounted for about 40 percent of total exports. In 1947, only $2 million worth of sugar was exported, but in 1948, sugar exports rose to $21 million, representing about 7 percent of total exports. It was estimated in 1947 that an investment of about $135 million would be required to bring sugar milling capacity to prewar level.[2] Having a secure and profitable market for some years in the United States, this industry is making great strides in recuperation. Some of its representatives are of the opinion that in 1950 it will be capable of filling its United States annual quota of 850,000 tons and will become again the chief Philippine source of American dollars.

Exports of tobacco, embroideries, and non-ferrous ores have been increasing, but all these industries have a long way to go before they reach their prewar volume. The timber industry, which may become one of the important export industries of the Islands, was not allowed to export until recently because of the great demand for timber in the country.

Principal imports of the Philippines

The need for all kinds of imports rose as a result of increased population and reduced domestic production. The greatest relative increases in the major groups of commodities were in cotton and related goods and in bread grains. The percentages of a few leading commodity groups in the total value of Philippine imports in prewar years and during the past three years are as follows:

Commodity group	Average 1935-39	1946	1947	1948
Iron and steel manufactures	16.3	2.9	4.5	4.9
Cotton manufactures	16.2	16.0	15.0	12.1
Rayon and other synthetic textiles	[1]	5.0	8.9	9.2
Oil and petroleum products	7.2	2.5	3.6	6.0
Grains and preparations	5.9	12.9	9.7	7.4
Tobacco and manufactures	4.7	7.6	4.3	4.3
Paper and manufactures	3.6	3.9	3.8	3.9
Automobiles, parts, tires	4.8	3.8	5.0	5.6
Total	58.7	54.6	54.8	53.4

[1] Not available, but presumably unimportant.
Source: For 1935-39, *Bulletin of Philippine Statistics*, Vol. 6, 1939, pp. 106-108; for 1946-48, table on p. 82.

Even in prewar years the Philippines imported rice and wheat flour to supplement their own food resources. Imports of these commodities have increased considerably since the war, particularly in 1946 and 1947 when domestic production of rice and corn, the two basic food crops of the Islands, was short. The rice supply and its distribution have constituted one of the most difficult postwar problems of the Philippine Government. The situation became much less difficult in 1948 with increased Philippine and world production of rice and eas-

[1] Early this year, a government loan of 35 million pesos was granted "in principle" to the Mindanao Abaca Planters Association. This appears to be the first major step in rehabilitating the abaca industry.
[2] National Development Company and H. E. Beyster Corporation, *Proposed Program for Industrial Rehabilitation and Development*, Manila, October 1947, p. 166. Milling capacity in 1939 was 1.5 million long tons.

ing of international rice allocation controls. Under these conditions, rice prices in the Philippines declined substantially early in 1948 and have been relatively stable for the past 15 months.

United States trade with the Philippines

The United States is both the chief customer and the chief supplier of the Philippines. This country takes roughly 60 percent of their exports and supplies over 80 percent of their imports. The accompanying table shows the value of the chief items of trade between the two countries. The increase in value of total imports between 1946 and 1948 reflects both the rehabilitation of Philippine export industries and higher prices. The chief import from the Philippines is copra, followed by two other coconut products, coconut oil, and coconut meat, both in shell and shredded. During the years 1946, 1947, and 1948, copra and coconut products accounted for 76, 77, and 68 percent, respectively, of the value of all imports from the Philippines into the United States. The other two major imports are manila hemp and cane sugar. Cane sugar imports from the Philippines were not resumed until 1948.

The value of United States exports to the Philippines during the past three years has been on the average much larger than in the five years before the war. From the latter part of 1945 through 1946, when the Philippine economy was greatly dislocated from the war and occupation, many of its needs were met by the supply operations of the United States armed services and the transfer of $100 million of war surplus. As these special supply operations (which are not reflected in foreign trade statistics) tapered off, the need for imports from the United States increased. United States exports to the Islands increased 50 percent from 1946 to 1947, reflecting, in addition to price increases, the increased availability in the United States of various commodities for export and the increased ability of the Islands to pay for their imports. The latter was more a result of United States disbursements in the Islands than of increased Philippine exports to this country. The increase in United States exports to the Islands was only 6 percent from 1947 to 1948, reflecting partly the reduced need for some types of imports due to the rehabilitation of domestic production, partly the satisfaction of certain pent-up demands, and partly a reduced ability of the public to buy goods, especially those of a luxury type.

LEADING UNITED STATES IMPORTS FROM AND EXPORTS TO THE PHILIPPINES—1946-48
(in thousands)

Imports	1946	1947	1948
Copra	$ 29,083	$106,924	$109,018
Coconut oil	....	3,616	18,654
Coconut meat	1,130	13,235	26,001
Cane suger	....	....	22,749
Manila hemp or abaca	5,375	23,322	17,618
Chrome ore and concentrate	243	1,645	2,212
Copper ore and concentrates	....	1,085	803
All other imports	3,881	11,865	29,172
Total imports	$ 39,712	$161,692	$226,227

Exports	1946	1947	1948
Cotton manufactures	$ 46,236	$ 60,083	$ 62,088
Synthetic fibres and manufactures	16,132	44,216	48,555
Wheat flour	11,488	16,033	20,650
Rice (milled)	26,298	9,394	....
Fish products	6,885	10,883	11,290
Dairy products	13,022	16,405	22,275
Fruit and vegetable preparations	13,600	16,433	11,858
Beverages	5,124	4,849	4,160
Tobacco manufactures	22,647	24,414	27,412
Autos, parts, accessories	12,509	19,361	26,370
Other exports and reexports	123,426	217,418	233,088
Total exports	$297,367	$439,489	$467,746

Source: U. S. Department of Commerce.

Among the United States exports to the Philippines, textiles, consisting principally of cotton and synthetic fibers and goods made from them, have accounted for about one-fourth of total postwar United States exports to the Islands, and this is the largest single group of commodities. After textiles come various types of foodstuffs, which also accounted for between 20 and 30 percent of the total. In 1946 and 1947 rice was one of the important items of export to the Philippines, but increased domestic production in the Philippines and imports from Asiatic sources reduced total imports of rice and eliminated imports from the United States. It is interesting to note that wheat flour exports from the United States to the Philippines have increased over the three years, although part of their imports came from Canada and Australia. Increased consumption of wheat flour in recent years, partly caused by insufficient rice supplies, seems more or less permanent. Other important food items exported to the Philippines are fish, dairy products, and fruit and vegetable preparations.

No data are available to show the development of total Philippine foreign trade during the first half of 1949. Thus nothing can be said about the effect of the import controls introduced last January. The fact, however, that these controls were extended and strengthened as of August 1 would indicate that the reduction of imports was not sufficient in the opinion of the Government. United States trade with the Philippines during the first four months of 1949 was as follows:

	Exports (in millions)	Imports
Monthly average 1948	$39.0	$19.0
1949 January	44.3	14.9
February	35.5	15.1
March	34.4	16.9
April	41.3	15.3

While exports to the Philippines averaged $38.8 million, or virtually at the monthly average level of 1948, average monthly imports from the Philippines during the first four months of 1949 were only $15.5 million, or 18 percent below the average for 1948.

Before the war, the balance of United States-Philippine trade was in favor of the Philippines. From 1923 to 1939, United States exports to the Philippines averaged $67 million, and imports from the Philippines $99 million. The value of exports to the Philippines in 1948 and 1949 has been more than twice as large, however, as the value of imports from the Islands. This markedly favorable trade balance of the United States has been made possible by the payment to the Philippines of dollars for other—and non-recurring—items and cannot be maintained indefinitely. The Philippine trade position has been further complicated in recent months by the sharp drop in copra sales to the United States. Copra imports from the Philippines, during the first quarter of 1949, amounted to only 86.3 million pounds, compared with 205.7 million pounds during the corresponding period of 1948. Moreover, the price of copra in April 1949 was down almost 50 percent from its 1948 peak. Larger Philippine sugar exports may compensate to some extent for the decline in copra exports, although only about a quarter of the United States sugar quota of 850,000 long tons was filled in 1948. During the first five months of 1949, however, the United States imported over 250,000 long tons of raw sugar from the Philippines.

Owing to the apparent cessation of the copra bonanza and an only gradual recuperation of other export industries, the Philippines face the problem of handling their large import surplus. This obviously is being tackled from two points of departure; on the one hand by stimulating exports, and on the other by reducing imports of luxuries and those commodities which are produced domestically or can be substituted by domestic products. This problem of a better balance between total Philippine exports and imports and also between exports to and imports from the United States has become one of the basic problems of Philippine economic policy. The gradual reduction of United States expenditures in the Islands for non-recurrent items makes this task still more urgent.

BUSINESS INDEXES—TWELFTH DISTRICT[1]

(1935-39 average = 100)

Year and Month	Industrial production (physical volume)[2]								Total mf'g employ-ment[4]	Cali-fornia factory payrolls[4]	Car-loadings (num-ber)[2]	Dep't store sales (value)[2]	Dep't store stocks (value)[5]	Retail food prices[3,6]
	Lumber	Petroleum[3] Crude	Petroleum[3] Refined	Cement	Lead[3]	Copper[3]	Wheat flour[3]	Electric power						
1929	148	129	127	110	171	160	106	83	....	111	135	112	134	132.0
1930	112	101	107	96	146	106	100	84	....	93	116	104	127	124.8
1931	77	83	90	74	104	75	101	82	....	73	91	92	110	104.0
1932	46	78	84	48	75	33	89	73	....	54	70	69	86	89.8
1933	62	76	81	54	75	26	88	73	....	53	70	66	78	86.8
1934	67	77	81	70	79	36	95	79	....	64	81	74	83	93.2
1935	83	92	91	68	89	57	94	85	88	78	88	86	88	99.6
1936	106	94	98	117	100	98	96	96	100	96	103	99	96	100.3
1937	113	105	105	112	118	135	99	105	112	115	109	106	108	104.5
1938	88	110	103	92	96	88	96	102	96	101	96	101	101	99.0
1939	110	99	103	114	97	122	107	112	104	110	104	109	107	96.9
1940	120	98	103	124	112	144	103	122	118	134	110	119	114	97.6
1941	142	102	110	164	113	163	103	136	155	224	128	139	137	107.9
1942	141	110	116	194	118	188	104	167	230	460	137	171	190	130.9
1943	137	125	135	160	104	192	115	214	306	705	133	203	174	143.4
1944	136	137	151	128	93	171	119	231	295	694	141	223	179	142.1
1945	109	144	160	131	81	137	132	219	229	497	134	247	183	146.3
1946	130	139	148	165	73	109	128	219	175	344	136	305	238	167.4
1947	141	147	159	193	98	163	133	256	184	401	142	330	300	200.3
1948	144	149	162	211	107	153	116	284	189	430	134	354	348	216.1
1948														
April	133	152	166	212	108	165	116	275	184	396	130	362	374	216.0
May	122	152	172	205	102	165	108	263	180	406	125	356	348	217.6
June	128	153	168	207	105	165	115	266	185	424	135	362	339	216.6
July	153	152	167	211	99	159	123	284	190	440	137	359	337	218.1
August	159	153	171	214	108	166	124	289	194	455	141	361	333	218.0
September	155	123	110	219	106	161	123	295	197	454	146	350	351	217.6
October	149	151	155	229	107	152	114	291	196	452	131	345	346	217.1
November	145	153	173	217	115	109	126	295	194	449	132	343	340	215.6
December	141	153	171	196	111	104	122	309	190	444	131	358	320	216.5
1949														
January	104	151	174	176	112	108	128	308	184	430	105	343	321	217.9
February	111	152	170	173	107	129	118	305	183	423	103	308	327	214.1
March	131	153	176	195	120	169	102	294	184	412	118	324	344	213.3
April	142	152	169	212	124r	167r	82	299	183	412	126	338	332	215.6
May	138	149	170	215	122	159	100	289	183	415	131	339	320	211.0

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition items of all member banks[7]				Bank rates on short-term business loans[9]	Member bank reserves and related items[10]					Bank debits index 31 cities[3,13] (1935-39 = 100)[2]
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[8]	Total time deposits		Reserve bank credit[11]	Commercial operations[12]	Treasury operations[12]	Coin and currency in circulation[11]	Reserves	
1929	2,239	495	1,234	1,790	......	— 34	0	+ 23	— 6	175	146
1930	2,218	467	1,158	1,933	......	— 16	— 53	+ 89	+ 16	183	126
1931	1,898	547	984	1,727	......	+ 21	— 154	+ 154	+ 48	147	97
1932	1,570	601	840	1,618	......	— 42	— 175	+ 234	+ 30	142	68
1933	1,486	720	951	1,609	......	— 2	— 110	+ 150	— 18	185	63
1934	1,469	1,064	1,201	1,875	......	— 7	— 198	+ 257	+ 4	242	72
1935	1,537	1,275	1,389	2,064	......	+ 2	— 163	+ 219	+ 14	287	87
1936	1,682	1,334	1,791	2,101	......	+ 6	— 227	+ 454	+ 38	479	102
1937	1,871	1,270	1,740	2,187	......	— 1	— 90	+ 157	— 3	549	111
1938	1,869	1,323	1,781	2,221	......	— 3	— 240	+ 276	+ 20	565	98
1939	1,967	1,450	1,983	2,267	......	+ 2	— 192	+ 245	+ 31	584	102
1940	2,130	1,482	2,390	2,360	......	+ 2	— 148	+ 420	+ 96	754	110
1941	2,451	1,738	2,893	2,425	......	+ 4	— 596	+1,000	+ 227	930	134
1942	2,170	3,630	4,356	2,609	......	+ 107	—1,980	+2,826	+ 643	1,232	165
1943	2,106	6,235	5,998	3,226	......	+ 214	—3,751	+4,486	+ 708	1,462	211
1944	2,254	8,263	6,950	4,144	......	+ 98	—3,534	+4,483	+ 789	1,706	237
1945	2,663	10,450	8,203	5,211	......	— 76	—3,743	+4,682	+ 545	2,033	260
1946	4,068	8,426	8,821	5,797	......	+ 9	—1,607	+1,329	— 326	2,094	298
1947	5,358	7,247	8,922	6,006	......	— 302	— 443	+ 630	— 206	2,202	326
1948	6,032	6,366	8,655	6,087	......	+ 17	+ 472	— 482	— 209	2,420	355
1948											
May	5,569	6,883	8,445	6,008	......	+ 30	— 14	+ 45	+ 26	2,068	342
June	5,591	6,841	8,455	6,058	3.00	— 14	— 10	— 12	— 13	2,061	347r
July	5,640	6,816	8,556	6,010	......	+ 15	— 38	+ 43	— 11	2,075	354
August	5,743	6,712	8,555	6,005	......	— 23	+ 1	+ 12	+ 17	2,065	356
September	5,848	6,394	8,661	6,003	3.20	+ 17	+ 427	— 98	+ 2	2,409	359
October	5,910	6,440	8,647	6,018	......	+ 12	— 8	— 35	+ 8	2,351	363
November	5,984	6,358	8,658	5,998	......	— 25	— 40	+ 7	— 8	2,323	355
December	6,032	6,366	8,655	6,087	3.16	+ 11	— 2	+ 45	— 61	2,420	376
1949											
January	6,009	6,382	8,664	6,082	......	+ 2	— 101	— 58	— 54	2,329	356
February	5,910	6,306	8,330	6,097	......	— 4	— 7	— 19	— 4	2,308	344
March	5,899	6,208	8,147	6,102	3.27	— 15	— 34	+ 6	— 31	2,299	364r
April	5,811	6,230	8,157	6,109	......	+ 6	— 127	+ 109	+ 11	2,264	354
May	5,738	6,357	8,154	6,112	......	— 8	— 202	+ 94	+ 37	2,128	345
June	5,762	6,330	8,006	6,179	3.23	0	— 53	— 5	0	2,063	351

[1] All monthly indexes but wheat flour, petroleum, copper, lead, and retail food prices are adjusted for seasonal variation. Excepting for department store statistics, all indexes are based upon data from outside sources, as follows: Lumber, various lumber trade associations; Petroleum, Cement, Copper, and Lead, U.S. Bureau of Mines; Wheat flour, U.S. Bureau of the Census; Electric power, Federal Power Commission; Manufacturing employment, U.S. Bureau of Labor Statistics and cooperating state agencies; Factory payrolls, California State Division of Labor Statistics and Research; Retail food prices, U.S. Bureau of Labor Statistics; and Carloadings, various railroads and railroad associations. [2] Daily average. [3] Not adjusted for seasonal variation. [4] Excludes fish, fruit, and vegetable canning. Factory payrolls index covers wage earners only. [5] At retail, end of month or year. [6] Los Angeles, San Francisco, and Seattle indexes combined. [7] Annual figures are as of end of year; monthly figures as of last Wednesday in month or, where applicable, as of call report date. [8] Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. [9] New quarterly series beginning June 1948. Average rates on loans made in five major cities during the first 15 days of the month. [10] End of year and end of month figures. [11] Changes from end of previous month or year. [12] Minus sign indicates flow of funds out of the District in the case of commercial operations, and excess of receipts over disbursements in the case of Treasury operations. [13] Debits to total deposit accounts, excluding interbank deposits. p—preliminary. r—revised.