



MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF SAN FRANCISCO

CROP PLANTINGS AND AGRICULTURAL PROSPECTS — TWELFTH DISTRICT

TOTAL United States agricultural production this year, according to early estimates, will not be too far below the 1949 output. Livestock production may be slightly higher than last year while crop production will be down some. The reduction in crops, however, will not be as great as the Government would like. Mounting surpluses have resulted in the imposition of acreage allotments on a greater number of commodities. All told, the Government has called for planting cuts totaling 30 million acres. At this early stage it appears that reductions in principal crops will amount to about 10½ million acres. Cut-back acreages are being switched to other crops and some allotments are being ignored.

Acreage allotments and price supports

More so than in any other recent year, the plans of District farmers are being influenced by Government programs. Five important District crops will be subject to acreage allotments this year and growers must comply with these allotments to be eligible for direct price support. Compared with acreages planted in 1949, the Government is asking for a cut of almost 1½ million in District wheat acreage, nearly half a million in cotton acreage, and smaller cuts in dry bean, rice, and potato acreages. Total cut-backs requested in these five crops for the District amount to 2¼ million acres—a staggering amount of land to find new use for. By states, the total acreage reductions requested are as follows:

	(in thousands of acres)
Arizona	148
California	547
Idaho	455
Nevada	6
Oregon	274
Utah	133
Washington	677
Twelfth District	2,240

In addition to acreage allotments, reductions in the price support level for some commodities have necessitated careful consideration of alternative crops or enterprises on the part of District farmers. Support for dry peas and turkeys has been withdrawn altogether, and support levels for butterfat, manufacturing milk, eggs, flaxseed, and dry beans have been lowered from the 1949 level. Use of the modernized parity price formula, however, increases the actual support price for butterfat and manufacturing milk close to last year's support prices.

For some of the other commodities for which support is non-mandatory—barley, oats, grain sorghums, and soybeans—price supports have not been announced as yet. Some support for these crops can be expected but probably at rates somewhat lower than last year.

PRICE SUPPORT LEVEL FOR SELECTED COMMODITIES (as percent of parity)¹

	1949	1950
Butterfat	90	79
Dry beans	80	75
Dry peas	60	0
Eggs	90	75
Flaxseed	90	60
Manufacturing milk	90	79
Turkeys	90	0

¹The modernized parity formula applicable to 1950 increases the parity prices of butterfat, dry beans, flaxseed, and manufacturing milk and lowers the parity price for eggs.
Source: United States Department of Agriculture, Production and Marketing Administration.

District crop acreage little changed

With acreage allotments and reduced price support in effect for several important crops, it was anticipated that much of the District's diverted acreage would go into feed grain production. The raising of livestock feed is a logical alternative in view of the meat demands of a greatly expanded western population. This increasing demand for meat also prompted some persons to expect and many persons to hope that a portion of the released acreage would be converted to irrigated pastures for the production of livestock. Such an alternative, of course, implies a fundamental, long-range change in farming practices with considerable capital investment.

The March 1 Department of Agriculture estimate of prospective plantings clearly shows the effects of acreage allotments and reduced price supports on the pattern of District cropland. All the crops for which plantings were reduced are subject to either acreage allotments or re-

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duced price support. The shift from these crops to the feed grains and to sugar beets—another Government subsidized crop—was much as expected. It is also evident that little if any of the diverted acreages went into permanent pasture since the total District acreage in field crops is practically the same as last year.

In spite of lower prices so far this year, District farmers have planted a slightly larger total acreage of spring vegetables than they did a year ago. Asparagus, carrots, onions, potatoes, tomatoes, and cantaloupes will be more plentiful the next few months, but somewhat smaller supplies of cabbage, cauliflower, spinach, green beans, celery, peas, and watermelons will be available. Lettuce acreage is the same as a year ago, so market supplies of this vegetable should be about the same as last year during the coming months.

INDICATED PLANTINGS OF FIELD CROPS AS OF MARCH 1—
TWELFTH DISTRICT

	1950 (000 acres)	Percent change	
		1949-50	1939-48 avg. -1950
Barley	3,604	+14	+27
Beans, dry edible	478	-12	-8
Corn	212	-4	-12
Flaxseed	91	-64	-54
Hay, all	6,578	+4	+3
Oats	1,615	+8	+6
Peas, dry field	242	-24	-42
Potatoes	366	+3	+4
Rice	241	-19	+16
Sorghums	214	+20	+11
Sugar beets	344	+40	+32
Wheat, spring	1,467	-6	+3
Wheat, winter	5,022	-11	+19
Wheat, total	6,489	-10	+15
Total	20,474	-1	+9

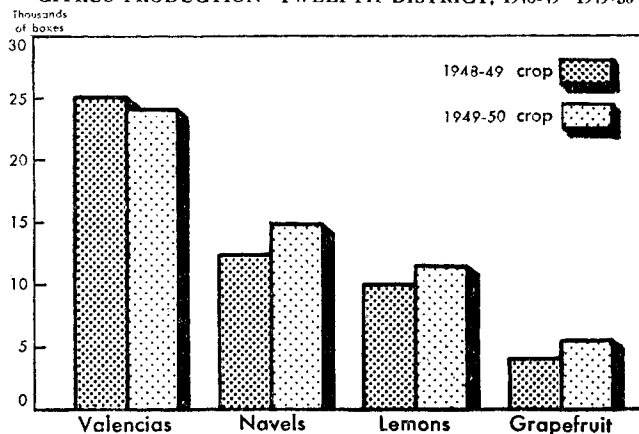
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Crop Production*, March 20, 1950.

More citrus, less deciduous fruits

The large, and in some cases record, District deciduous fruit crops of last year are not likely to be repeated in 1950. As a rule, small crops follow large crops. In addition, freezing temperatures during January and early February, particularly in the Pacific Northwest, caused considerable damage to some soft fruits. As a result, the Northwest peach crop is expected to be extremely short with some reduction in the area's apricot, sweet cherry, prune, and Bartlett pear crops. Most California fruits escaped damage; apricots, however, were hard hit by the spring frosts. For the District as a whole, smaller supplies of apples, pears, peaches, and plums and prunes are anticipated with grape production close to last year's level. Even though production may be moderately reduced, supplies of dried prunes and raisins will probably again be larger than will readily move into normal marketing channels.

In spite of rather severe frosts during January, District citrus production will be somewhat larger than the hard-hit crop of last year. On January 1 of this year, the 1949-50 orange crop was estimated as 13 percent greater than the 1948-49 crop; the lemon crop, 21 percent greater; and grapefruit production, which suffered the most in

CITRUS PRODUCTION—TWELFTH DISTRICT, 1948-49—1949-50



¹ As of April 1.

Source: California Crop and Livestock Reporting Service, *California Fruit Report*, April 1, 1950.

last year's freeze, was expected to be up 73 percent. The total effects of the winter freeze are still indefinite although it now seems that fruit losses may be somewhat less than indicated earlier. The April 1 estimates of production place the reduction in the District orange crop, mostly in valencias, at 9 percent, in grapefruit at 6 percent, and in lemons at 4 percent. No damage to trees has been reported.

Ranges and livestock better than a year ago

After beginning the year in poor condition, most District ranges are now supplying average grazing. Low temperatures in January and early February retarded feed growth, particularly in Oregon, Washington, and California, and some supplemental feeding was necessary. Since then, however, favorable weather has permitted improved conditions. Pastures and ranges are in much better condition than last year, and should provide adequate spring feed.

Contrary to last year, District cattle and sheep have generally come through the winter in good shape. The cold weather in the Pacific Northwest worsened their condition some, but recoveries have been good.

Again this year the District lamb crop will be smaller because of the continued decrease in breeding ewes. The early unfavorable weather handicapped development of early lambs in some areas, but good recoveries have been made. Both the California and Arizona crops have made very good growth and are already going to market in volume. In the Pacific Northwest, marketings may be later than usual, owing to somewhat unfavorable March weather.

Considerably more better-grade beef will have to be imported into the District during the next few months than was the case last year. Though record numbers of cattle and calves were on feed in the rest of the United States at the beginning of the year, numbers on feed in the District were 21 percent less than last year. The strong demand for finished cattle, the difficulty of securing replacement stock, and a cautious attitude by both oper-

ators and bankers on livestock feeding contributed to the District's reduced feeding operations. Cattle prices are likely to decline seasonally until early summer when marketings of fed cattle will taper off.

Hogs from the 10 percent larger 1949 fall pig crop began to appear on the markets in March. For the next several months the supply of hogs is expected to be larger than last year, and prices will decline seasonally. Compared with the previous year, the 1950 spring pig crop is expected to increase about 6 percent as against a 15 percent increase in the 1949 spring crop. A smaller increase in the fall pig crop is also likely which could mean that 1950 will be the cyclical peak in pork production.

Poultry and eggs plentiful

Unfavorable egg—feed and chicken—feed price relationships are exerting strong influence on poultry operations for 1950. District poultrymen indicated on February 1 their intentions to purchase 12 percent fewer baby chicks than they did in 1949. With farm flocks larger than last year and egg prices down sharply, fewer replacements will be purchased. The effect of this smaller number of chickens raised will be more noticeable upon egg supplies than on meat supplies. Marketings of birds from

laying flocks plus the large supply of frozen poultry will assure ample white meat supplies through most of 1950. Chicken prices will undoubtedly remain below their average 1949 level.

Egg supplies are likely to continue large for some months. Laying flocks should remain larger than a year earlier at least past mid-year. Current trends indicate a continued high rate of lay, and a large accumulation of eggs in storage will supplement fresh supplies after mid-year. The expected reduction in chickens raised could not affect size of laying flocks until fall. Egg prices will continue substantially lower than a year ago, even when they rise seasonally in late summer and fall.

District turkey raisers intend at present to reduce the 1950 crop by 8 percent from the 1949 output in contrast to an increase in most other areas of the country. The recent withdrawal of price support, however, may cause some further reduction in the District crop. This does not necessarily mean that total supplies of this holiday bird will be less than last year. Lots of birds from last year's large production went into cold storage. On January 1, the Pacific Coast states had twice the turkeys in storage they had a year earlier. White meat should be plentiful the rest of the year and prices close to present levels.

THE FEDERAL FISCAL POSITION

IN the first quarter of this year, the Federal Government received some \$1.7 billion more from the public than it paid out, an excess of receipts little more than half as large as a year earlier. Cash payments to the public were larger than a year ago, in large part because of the veterans' insurance dividend refund. At the same time, lower cash receipts reflected primarily disappointing income tax collections. During this period, the amount of income taxes withheld by employers was about the same as in 1949, but other income tax collections were down 16 percent from the corresponding period a year ago. As a result, the Budget Bureau recently revised its January estimates of income tax yields for the fiscal year ending June 30, 1950. The estimate of receipts from the individual income tax was reduced to \$17.7 from \$18.7 billion and corporate income taxes were placed at \$11 billion instead of \$11.2 billion. Lower revenues were expected by the Bureau to have little effect, however, upon the deficit for 1950, since funds are not being spent as rapidly as had been anticipated. In fact, the reduction in receipts is expected to be slightly more than offset by lower expenditures. The 1950 budget deficit was estimated at \$5.4 billion as against a January estimate of \$5.5 billion. This presumably would indicate a corresponding change in the excess of cash payments to the public over receipts from the public, that is, in the cash deficit, from \$4.9 to \$4.8 billion.

Larger deficits indicated for 1951

Lower revenues are now expected for the year ending June 30, 1951 as well. Assuming no change in 1951 ex-

penditures as outlined in the Budget Message, the revised estimate of receipts made by the Budget Bureau results in a \$6.2 billion budget deficit for fiscal 1951, as against the previous estimate of \$5.1 billion. The cash deficit, estimated earlier at \$2.7 billion, would now be placed at \$3.8 billion. The staff of the Senate-House Committee on Internal Revenue Taxation takes a somewhat more pessimistic view of 1951 tax receipts than the Budget Bureau. It arrives at a 1951 budget deficit of \$7.3 billion, also assuming expenditures as outlined in the Budget Message. This would mean a cash deficit of \$4.9 billion.

The administrative budget and the consolidated cash budget

While the administrative or "regular" budget tends to be given prominence, the consolidated cash budget, in which cash receipts from and cash payments to the public are related, is more significant in considering the impact of Federal fiscal operations upon the economy. In such a consolidated statement, intragovernmental transactions between the Treasury and other Federal agencies and non-cash transactions with the public are eliminated, on the one hand, while cash receipts from and payments to the public outside the regular budget accounts are included, on the other. For example, social security contributions are not reflected in net budget receipts. Yet they involve transfers of cash from private to Government hands, just as do income tax receipts from the public, which are within the budget. Similarly, both social security benefits paid and the recent veterans' life insurance dividend are outside the regular budget. Yet again, they

involve cash payments to the public by the Government, just as do Treasury settlements with the public for goods and services purchased by the Government for accounts within the budget.

Social security receipts and payments have been the largest cash items that lie outside the conventional budget figures. Since, so far at least, social security receipts have been substantially larger than payments, the cash deficit has generally been considerably smaller than the budget deficit—or the cash surplus larger than the budget surplus. In fiscal 1949, a budget deficit of \$1.8 billion was accompanied by a cash surplus of \$1 billion. In fiscal 1950, the cash deficit will be close to the budget deficit, and then in 1951 will decline relative to the budget deficit, because of the non-recurring payment of the veterans' insurance dividend in 1950.

Significance of the cash deficit or surplus

It is the net cash position, not the budget surplus or deficit, that indicates the ability of the Government to retire debt held by the public (including the banking system) or the necessity for the Government to borrow from the public. A budget deficit might be entirely financed, for instance, out of the surplus receipts of Federal trust (including social security) accounts. These funds would be borrowed by the Treasury and the gross Federal debt would be increased accordingly, but the Federal debt held outside of the Federal Government would be unchanged in such a case. In fact, if the net non-budget cash receipts of the Government were larger than the budget deficit, the surplus would presumably be applied to the repayment of debt held by the public, as occurred in fiscal 1949.

Cash deficit, calendar year 1950

Because of the concentration of income tax collections, especially from farmers and corporations, Federal cash receipts are largest in the January-March quarter. For the current fiscal year, the \$1.7 billion excess of cash receipts in the first quarter of 1950 does not quite balance the excess of payments, \$1.9 billion, during the second half of 1949. This leaves an indicated excess of cash payments to the public approaching \$4.6 billion for the second quarter of 1950, assuming a cash deficit for the entire 1950 fiscal year of \$4.8 billion. Since the veterans' insurance refund is concentrated in the first part of 1950 and since a considerable share of the fiscal 1951 deficit undoubtedly will develop during the six months from July to December 1950, we are likely to see a considerably greater excess of Federal cash payments over receipts for the calendar year 1950 than for either fiscal 1950 or fiscal 1951 as a whole. This excess of Federal cash payments will have a most important—and expansionary—effect upon the liquid asset position of the public, including its holdings of bank deposits and currency, in the next several months.

Sources of funds to finance the deficit

By the end of March, the cash balance of the Treasury had been built up—and private cash balances drawn

down—by tax collections. These funds are being and will be drawn upon by the Treasury to help finance the cash deficit in the second quarter. It will be necessary also to obtain new money by issuing additional Government securities, over and above those necessary to refund maturing issues. To the extent that such securities are sold to the banking system, the increase in bank credit is accompanied by an increase in bank deposits—new funds are credited to the Treasurer's account. When these funds are paid out in due course by the Government, there is a corresponding increase in bank deposits and currency in private hands.

To the extent that securities are sold to non-bank investors and the proceeds in turn paid out by the Government, funds are transferred, in effect, from investors to recipients of Government payments and there is no increase in the money supply. Even in such a case, however, the public's liquid assets, other than money, are increased. While an increase in liquid assets other than money is generally considered to be less inflationary than an equivalent increase in the money supply, nevertheless, increased liquid asset holdings of non-bank investors are themselves likely to exert an expansionary influence on the flow of expenditures and incomes in the economy.

The Federal cash deficit in the second half of the calendar year 1949 required the Treasury to borrow from the public. Funds were raised largely through the continuing sale of non-marketable Treasury savings notes to non-bank buyers. There was an offsetting shift at the same time, however, of outstanding Governments, primarily short term, from non-bank investors to commercial banks. In effect, then, funds to meet the \$1.9 billion excess of payments over receipts in the second half of 1949 were supplied to the Treasury by the banking system.

During the first quarter of 1950, the excess of cash receipts over payments was used to build up the Treasury's balance in its General Fund, in view of the cash deficits to come, and there was little change in the publicly-held Federal debt. New money borrowing through marketable issues was begun again by the Treasury on April 13, when \$100 million more in Treasury bills were issued than were necessary to refund the maturing issue. According to the Secretary of the Treasury, this procedure will be continued for the present, and it may be that other new financing, apart from the sale of savings bonds and savings notes, will not be necessary during this fiscal year. The savings bonds "Independence Drive" will take place from May 15 to July 4. It remains to be seen what securities will be issued to meet the expected cash deficit after June.

THE SAVINGS BONDS "INDEPENDENCE DRIVE"

The Treasury Department has announced a new savings bond drive, the "Independence Drive," which is to take place from May 15 to July 4. The national quota is \$650 million, in Series E bonds. The last previous drive, the "Opportunity Drive," took place last year at approximately the same time.

MEASUREMENTS OF CONSTRUCTION ACTIVITY

As soon as the war was over, many people began thinking about building such things as factories, highways, houses, dams, schools, churches, and bridges. Building materials gradually became available (but costly), and before many months had passed a large-scale building boom was underway. It is still going on at a great rate. At least, so it appears. But just how does one measure the level of building activity?

The level of construction activity and its changes from one time-period to another are very important as a determinant of the over-all level of business activity and its changes. Over the last 20 years, new construction expenditures have made up an average of 42 percent of gross private domestic investment. The task of measuring construction, however, is not an easy one. The newspapers are constantly reproducing figures obtained from one source or another, but the careful reader may find much to confuse him in the figures. One day he may read on page 1, "Building permits fall sharply from last month." Turning the page he may find, "Housing starts rise 10 percent." The following day he may discover on the back page, "Construction activity highest on record," and if he lives east of the Rocky Mountains he may also find an item on the same page, "Construction contracts awarded show no change from last month." He will note that some figures refer to total private construction, others to private residential construction, and still others to public or private nonresidential construction. He may also note that the time-periods involved may differ considerably from report to report. On the next few pages, we shall attempt to explain briefly the meaning of these various measures of construction activity.

Major problems involved in measuring construction activity

The construction industry, unlike, say, the automobile industry, is one whose end product is so varied that many different categories must be set up and output measured within each category. Houses are in one group, highways in another, factories in another, and so on. In addition, the very wide differences within these groupings must be reckoned with. For example, a large apartment house erected in San Francisco has little in common with a one-bedroom summer cottage in the High Sierras. Dollar terms are, therefore, the most practicable common denominator in which to express measures of total construction activity. Some individual types of construction, of course, can be measured in physical terms. Housing is the most important area for which more or less comparable data are readily available in terms of number of dwelling units as well as value. This is of particular interest at the present time when the number of dwelling units has been increasing relative to dollar figures because of the shift toward lower-cost houses. Even here, it is impossible to separate distinctly the effects upon dollar totals of (1) lower costs and (2) lesser quality.

It takes time to build a house, a bank, or a bridge. It may be months, or even years, between a man's first decision to build a house or a business building and the date it is finally put into use. The acquisition of the land, the decisions as to the design, and the drawing of the plans are likely to consume a great deal of time before any actual construction is started. In most urban communities and in many rural places, the plans must be approved by the local authorities who, in turn, issue a *building permit*. A *contract* is then signed by the owner and the contractor who receives the job of building the house. If all goes well, the *start* of construction soon takes place, and the work begins to be *put in place*. Eventually the building is *completed* and our man is at last ready to undergo the laborious process of moving in.

Information is available on the five stages of construction activity italicized above, and will be discussed in some detail in the following sections. In addition, data are available on construction employment, which also throw light on the general condition of the construction industry. Information regarding the related areas of construction costs, real estate prices, housing finance, and housing supply is not treated in this article.

Collection of construction data is also complicated by differences from area to area. Permits are not required in many rural areas and there are no local facilities for collecting data on construction in these areas; yet some of these areas are within commuting distance from large cities and at the present time are engaging in a vast amount of residential building. Most cities and many counties issue building permits and report them to the Bureau of Labor Statistics, but a number of smaller urban places do not report. Since the degree of coverage varies from area to area, the combined data on the level of construction in the nation as a whole are likely to be more reliable than data for states or counties. Figures on relative changes in the level of construction in states and counties from one period to another are likely to be more reliable than figures on the absolute level. Construction activity tends to follow the same course in non-reporting as in reporting areas. Also, construction activity for which data are not regularly available is usually a relatively small part of the total.

Building permits

Building permit data are collected by the Bureau of Labor Statistics of the United States Department of Labor from the great majority of localities issuing them. These include about 2,500 urban areas,¹ representing 85 percent of the total urban population of the United States, and 2,600 rural areas throughout the nation. Information is obtained from the permits on dollar authorizations of nonresidential and residential construction by type of structure, and on the number of dwelling units author-

¹ Urban areas are defined by the Bureau of the Census as all incorporated places of 2,500 population or more in 1940 and by special rule, a small number of unincorporated civil divisions.

ized. Data on Federally financed projects are compiled from reports obtained from other Federal agencies.

While building permit data are basic to any assessment of construction activity, their use is subject to several limitations. First, they greatly understate the total level of building activity since many areas do not issue building permits. Farm areas, for example, are left out entirely. Second, they are a measure of intentions, not of work actually started, and they reveal nothing about the time schedule of construction work. There may be a long lag between the time the permit was issued and the start of construction, or the permit may lapse entirely. Third, the building permit generally understates the cost of the finished building, in recent years by as much as 25 percent,¹ and the degree of understatement is not necessarily the same from area to area or from time to time. Finally, the task of compiling such a large number of reports is a long one, and the figures are not released until about two months after the end of the month covered. This monthly building series covers authorized *urban* building only, and includes detailed national figures, less detailed regional data, and summary figures on residential and nonresidential authorizations for larger cities. About a month later, the Bureau issues a report on residential and nonresidential building authorized by civil divisions in each state, for both urban and rural nonfarm areas. These figures are merely listed, however, and are not compiled into totals for states or regions. For a few major areas in this District (the San Francisco Bay area, the Los Angeles Metropolitan area, and the Seattle area), the regional office of the Bureau of Labor Statistics publishes advance reports on building permits, both urban and rural. The figures on building permits are a part of the report on housing starts (described below).

Throughout the nation, many private agencies collect building permit data and issue reports on them. For the Twelfth District states, for example, *The Timberman* publishes in *Western Building* monthly figures on the total number and value of permits issued in cities and counties of the eleven western states, British Columbia, and the Territory of Hawaii. The data are not broken down into type of construction. The *Daily Pacific Builder*, published by the F. W. Dodge Corporation, gives total value figures for permits issued in the Twelfth District.

Housing starts

In order to provide a measure of residential construction actually begun in all nonfarm areas, the Bureau of Labor Statistics estimates monthly the number of permanent nonfarm dwelling units² started. Building permit

data provide a starting point, supplemented by field surveys and periodic on-the-spot checks in nonpermit-issuing areas and by actual counts of publicly-financed housing.

Permit data are adjusted on the basis of periodic studies in sample localities of the time elapsed between issuance of permit and start of construction, and also of the extent to which permits are not used. In 1948, only 1 percent of the permits issued were allowed to lapse, compared with over 7 percent in 1945. Nearly 60 percent of the dwelling units are started in the month the permit was issued and 94 percent by the end of the second month.

Every three months, results of field surveys of new home building in nonpermit-issuing areas in a sample of 96 rural counties become available. On the basis of this information plus an actual count of publicly-financed housing units, the total number of new nonfarm dwelling units started nationally is estimated. The sampling error is considered by the Bureau of Labor Statistics to be small.¹

While the final estimates of housing starts are made quarterly, a preliminary monthly estimate of total nonfarm housing starts, based on permits issued by a significant sample of permit-issuing cities and other areas, is available about the middle of the month following the month covered. The revision of this estimate has seldom reached 10 percent and usually amounts to less than 4 percent. Most of the revision is due to the estimates of starts in rural nonpermit-issuing areas, which generally are revised upward as the quarterly survey results are obtained.²

Because of sampling difficulties, these figures are available only for the nation as a whole and for certain major metropolitan areas where permit data are virtually complete. In this District, data on dwelling units started in the San Francisco Bay area, the Los Angeles Metropolitan area, and the Seattle area are prepared and released by the regional office of the Bureau of Labor Statistics, located in San Francisco.

In addition to data on the *number* of dwelling units started in the nation, the Bureau prepares monthly figures on the estimated *construction costs* of these dwelling units. Private construction costs are based on the value of building permits, adjusted for understatement of costs. Public construction costs are based on contract values or estimated construction costs for individual projects. For metropolitan areas, an "average construction cost," released in the monthly report on housing starts, covers only cost of labor, materials, and subcontracted work and that part of the builders' overhead chargeable directly to the construction project. It excludes sales profits, selling cost, the cost of land and site improve-

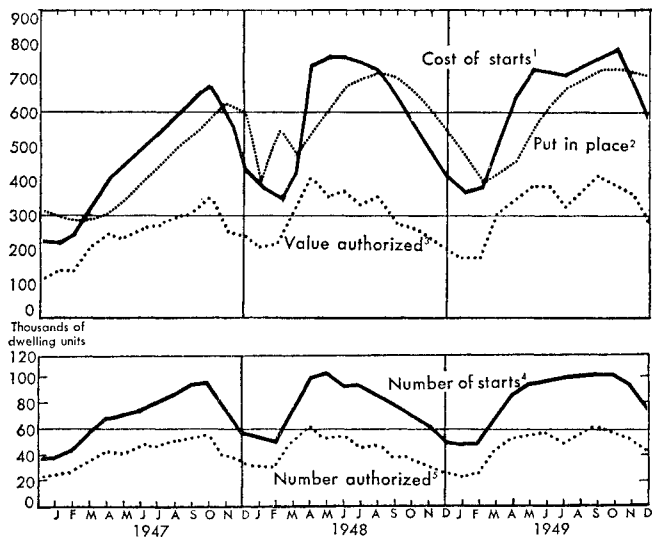
¹ Housing and Home Finance Agency, Office of Housing Economics, *Housing Statistics Handbook*, 1948, p. 17.

² The dwelling unit is defined by the Bureau of Labor Statistics as a permanent dwelling place containing permanent cooking facilities, i. e., the minimum built-in facilities essential to housekeeping. The dwelling-unit count represents the number of families planned for in the construction of new permanent housekeeping dwellings. Permanent prefabricated houses made of new materials are included. Temporary units and dwellings such as trailers, house-boats, and sheds are not included, nor are accommodations in transient hotels, dormitories, and clubhouses. (Buildings containing these accommodations are classified as nonhousekeeping residential.) Living accommodations in nonresidential buildings are included only when the living unit is as important as the nonresidential part of the building.

¹ To use the example given by the Bureau of Labor Statistics, if the estimate were 50,000, the chances are about 19 out of 20 that an actual enumeration would produce a figure between 48,000 and 52,000. The urban estimate is the most reliable (sampling error, 1 percent), because of the nearly complete reporting; the rural permit-issuing segment is somewhat less so (1.6 percent); and the rural nonpermit-issuing segment is the least reliable (9.5 percent).

² For a detailed description of the sampling and estimating procedure for both the preliminary and the revised estimate, see "Estimating National Housing Volume," *Monthly Labor Review*, October 1949, pp. 413-414.

RESIDENTIAL CONSTRUCTION—UNITED STATES, 1947-49
(in millions of dollars)



¹ Estimated construction cost of new permanent nonfarm dwelling units started. ² Value of new residential construction put in place. ³ Value of residential construction authorized in urban areas. ⁴ Number of new permanent nonfarm dwelling units started. ⁵ Number of new dwelling units authorized in urban areas.

ments, and such expenses as architectural and engineering fees. It is quite different, therefore, from permit valuation or sales price.

Construction contracts awarded

Though the F. W. Dodge Corporation does not compile figures on construction contracts for the Twelfth District states, no survey of available information on construction activity would be complete without a brief description of their reports.

The Corporation compiles monthly reports of data submitted by its field agents in the 37 states east of the Rocky Mountains on construction contracts awarded. The reports cover residential, nonresidential, public works, and utilities construction. The figures include new construction, additions, and alterations. They generally include force-account work, except when performed with mass-purchased materials not earmarked for specific projects at the time of purchase. Maintenance work and shipbuilding are not included.

The Dodge Corporation does not adjust the data for undercoverage in the reporting states, and does not attempt to estimate construction in the 11 western states not covered. The figures on nonresidential construction are generally believed to be based on a more complete coverage than the residential figures.¹

McGraw-Hill's *Engineering News Record* publishes weekly figures on engineering construction contracts, public and private, throughout the nation. The F. W. Dodge Corporation's *Daily Pacific Builder* lists contracts awarded in California but does not compile totals. *The Southwest Builder* lists contracts awarded in western states.

¹ Housing and Home Finance Agency, *Housing Statistics Handbook*, p. 18.

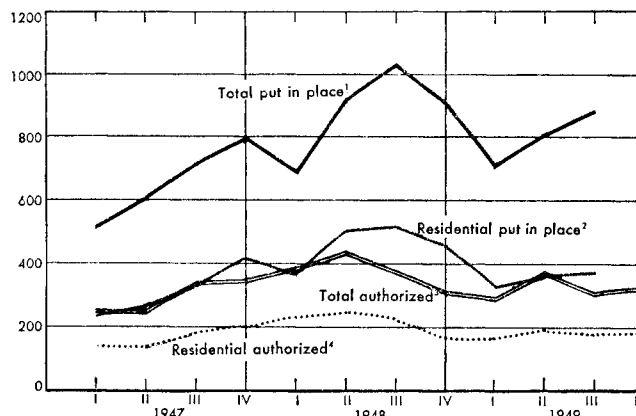
Construction put in place

The Department of Commerce and the Department of Labor jointly prepare estimates of the "value of construction activity," which is a measure of the value of construction work put in place during a given period. The value of work put in place is generally defined by these agencies as equivalent to the cost of materials installed plus estimated expenditures for labor and overhead during the period, though it is not calculated in this way. It covers both residential and nonresidential building, and is based on estimates of work started and contracts awarded. These estimates are translated into value of work put in place on the basis of average construction patterns.

The estimates cover the building of all kinds of structures, such as buildings, bridges, dams, and the like. Other kinds of construction covered are the following: highways, air fields, railroad lines, electric power lines, telephone lines, petroleum pipe lines, fences, windmills, reservoirs, water and sewer systems, docks, flood walls, irrigation systems, and canals.

Excluded from the estimates are certain operations that are integral parts of particular industries, such as oil-well drilling, mining operations (except for the construction of buildings above ground), and such farm operations as terracing and irrigation and drainage ditches. Because of inadequate information, certain types of construction have had to be excluded. They are the following: tourist courts and cabins, dormitories (except those Federally financed), major additions, alterations, and conversions to private residential buildings, privately-owned sewer systems, some public- and privately-owned toll roads and bridges, park and playground construction and non-Federal conservation and development work in the years prior to 1946, and all the various types of construction undertaken by the Atomic Energy Commission.

VALUE OF RESIDENTIAL AND TOTAL CONSTRUCTION—TWELFTH DISTRICT, QUARTERLY, 1947-49
(in millions of dollars)



¹ Value of total construction put in place. ² Value of new residential construction put in place. ³ Value of total construction authorized in urban areas. ⁴ Value of residential construction authorized in urban areas.

Note: Fourth quarter 1949 figures for construction put in place are as follows: total, \$782 million; residential, \$355 million.

The value of work put in place includes the value of equipment which is an integral part of a structure, such as heating, plumbing, lighting equipment, and elevators. Furnishings and equipment relating to the purpose for which the building was constructed are not included. Excluded, therefore, are such items as telephone switchboards, hospital beds, manufacturing machinery, and office safes.

The estimates of the value of private residential building put in place are based on the housing-start figures of the Bureau of Labor Statistics, described above. Private nonresidential construction estimates are derived from the F. W. Dodge Corporation figures on construction contracts awarded. These are adjusted to take account of the 11 western states not covered and for underreporting. Federal regulatory agencies, trade associations, and individual companies report on privately-financed public utility construction; the Department of Agriculture estimates farm construction; and Federal construction agencies report on Federal construction.

Unlike the figures on housing starts, these figures cannot be measured for reliability. However, it appears that at least for the year-to-year changes the direction and order of magnitude are approximately correct. The monthly figures are less reliable, since the data used in estimating them are less comprehensive. Most reliance can be placed in the figures for Federally-financed public construction, and, in general, for privately-financed public utility construction. Least reliable are the figures on maintenance and repair and on farm construction.¹

Expenditures on maintenance and repair, however, are very important components of total construction activity. Over the past 20 years, expenditures for maintenance and repair have accounted for one-third of total construction expenditures.

The figures on construction put in place are available on an annual basis from 1915 to date, and by months from

1939. Total construction activity is shown broken down into private and public new construction, work relief, and maintenance and repair, and includes detailed classifications within these major categories. These data are also available adjusted for seasonal variation and for price changes. They are to be found in the publication *Construction and Construction Materials*, published monthly by the Construction Division of the Bureau of Foreign and Domestic Commerce. It is released at the end of the month following the month covered. An advance report for the nation is released two to three weeks earlier. In addition, quarterly figures may be obtained by state from 1939.

Completions

There are no over-all data on the number or value of buildings or projects actually completed.¹ For some areas, to be sure, data may be available that approximate the number of residential units completed, if public utility companies compile and release the number of new residential connections. These figures may understate the number of dwelling units completed in any area, however, since remodeling of existing structures into additional dwelling units may not be reflected in them. No value figures on completed new construction are available in any convenient form.

Construction employment

Among the other indicators of construction activity is construction employment. The Bureau of Labor Statistics maintains a series on national employment in contract construction. Most states, in cooperation with the Bureau of Labor Statistics, issue figures on construction employment in their releases on nonagricultural employment. Some states—California, for example—issue separate reports on construction employment, including a section on hours and earnings. In the Twelfth District, monthly figures are available for construction employment in all states except Idaho.

¹ Department of Commerce, Bureau of Foreign and Domestic Commerce, Construction Division, *Construction and Construction Materials*, Statistical Supplement, May 1949. For a special feature on gaps in construction activity data, see that publication for December 1949.

¹ Data on completions were available from the Bureau of Labor Statistics for 1946 and 1947, but the series was discontinued in 1948.

CHANGES IN BANKS AND BRANCHES—TWELFTH DISTRICT, 1948-49

THE substantial postwar growth in number of banking offices continued in 1949; residents of the Twelfth District had 52 more offices in which to do their banking than they did in 1948. At the same time the number of banks declined by one; the increase in banking offices over the year was made up entirely of a record increase in the number of branches. In 1949, seven banks became branch banks for the first time and one branch bank was absorbed by another. A total of 53 more branches existed at the end of 1949 than a year earlier. Of these, 42 were additional offices of previously existing branch banks. By way of comparison over the past decade, 64 branch banks, with 79 percent of total bank assets, were operating 1,086 branch offices in 1940; in 1949, 89 branch banks, with 86

percent of all bank assets, were operating 1,296 branches. A total of 1,819 banking offices (both unit and branch)

NUMBER OF BRANCH BANKS—TWELFTH DISTRICT
December 31, 1948 and 1949

	Banks operating branches				Number of branches operated by			
	Mem-ber		Nonmem-ber		Member banks		Nonmember banks	
	1949	1948	1949	1948	1949	1948	1949	1948
Arizona	2	2	3	3	35 ¹	32 ¹	11 ²	10 ²
California	23	22	18	18	887 ²	861 ²	45	44
Idaho	6	6	2	1	48	45	5	3
Nevada	3	3	1	1	17	16	1	1
Oregon	4	3	8	6	86	81	9	6
Utah	4	4	2	2	20	19	2	2
Washington	9	8	4	4	120	113	10	10
Twelfth District	51	48	38	35	1,213	1,167	83	76

¹ Includes 9 Eleventh District branches of Twelfth District banks.

² Includes 3 Eleventh District branches of Twelfth District banks.

² Includes 3 out-of-state branches.

**TOTAL ASSETS OF MEMBER AND NONMEMBER BRANCH BANKS
TWELFTH DISTRICT, DECEMBER 31, 1948 AND 1949**
(in thousands)

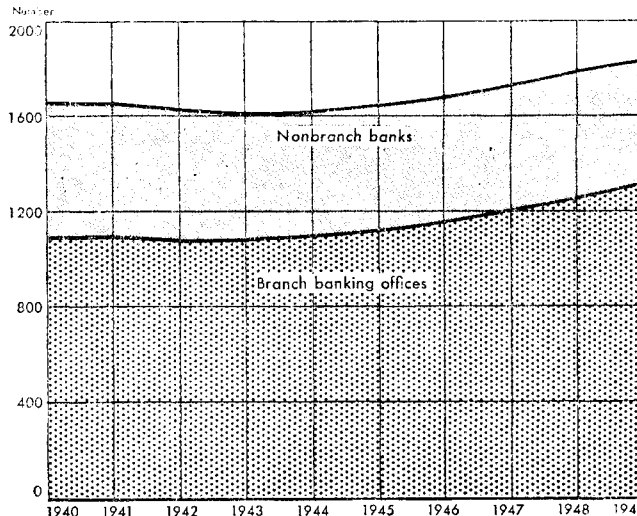
	Member branch banks		Nonmember branch banks		Branch bank as percent of all bank assets	
	1949	1948	1949	1948	1949	1948
Arizona	\$ 324,098	\$ 319,086	\$ 49,363	\$ 45,874	97.8	94.5
California	11,922,354	11,655,607	813,077	799,636	89.1	88.3
Idaho	323,154	322,176	25,742	18,507	77.1	74.1
Nevada	146,095	144,144	10,496	9,811	88.5	88.3
Oregon	1,140,080	1,133,002	33,975	29,123	84.8	81.1
Utah	231,924	224,827	6,860	7,100	39.7	38.7
Washington ..	1,509,572	1,491,471	216,353	206,363	77.4	76.9
Twelfth District	\$15,597,277	\$15,290,313	\$1,155,866	\$1,116,414	85.9	84.7

were serving customers in 1949, compared with 1,647 in 1940.

At the end of 1949, 523 banks were in existence in the Twelfth District, a decline of one from the previous year, and a decline of 44 from 1940. Twelve new banks were established in 1949 and 13 banks were consolidated or absorbed. Of the latter, 12 became branches of existing banks. Of the 12 new banks established, eight were in California, two in Oregon, and two in Washington; no new banks were established in the four intermountain states of the District. Of the new banks established during the year, five are members of the Federal Reserve System. Seven member banks and six nonmembers disappeared through absorption or consolidation in 1949. Two existing state banks were admitted to membership in 1949, one of the banks representing a consolidation with a member and a nonmember bank. One bank withdrew from membership in order to establish a branch without meeting the System's capital requirements.

Assets of all active banks in the District have increased from \$6.9 billion at the end of 1940 to \$19.5 billion in

NUMBER OF BANKING OFFICES—TWELFTH DISTRICT, 1940-49



Note: The number of branch banking offices includes head offices of branch banks.

1949. The 1949 figure is an increase of \$141 million over 1948. In the years since the war, however, the increases in bank assets have levelled off after sharp gains every year from 1940 to 1945. Branch bank assets accounted for 85.9 percent of the total assets of all banks in the seven Twelfth District states in 1949, compared with 84.7 percent in 1948.

There are almost as many nonmember as member banks in the District, but, at the year-end, member banks operated 80 percent of all Twelfth District banking offices and continued to hold about 90 percent of all bank assets.

**NUMBER AND TOTAL ASSETS OF ALL BANKS—TWELFTH DISTRICT
December 31, 1948 and 1949**
(assets in thousands)

	All banks		Member banks		Nonmember banks		Member bank as percent of all bank assets	
	Number 1949	Assets 1948	Number 1949	Assets 1948	Number 1949	Assets 1948	1949	1948
Arizona	7	\$ 381,930	4	\$ 330,082	3	\$ 51,848	86.4	84.1
California ¹	213	14,285,575	119	13,024,266	94	1,261,309	91.2	91.2
Idaho	43	452,536	25	389,590	18	62,946	86.1	86.6
Nevada	8	176,902	6	162,121	2	14,781	91.6	92.0
Oregon	72	1,384,993	29	1,251,691	43	133,302	90.4	91.1
Utah	55	601,653	31	507,837	24	93,816	84.4	83.9
Washington	125	2,229,502	53	1,863,279	72	366,223	83.6	83.9
Twelfth District	523	\$19,513,091	267	\$17,528,866	256	\$1,984,225	89.8	89.9

¹ Includes three out-of-state branches.

BUSINESS INDEXES—TWELFTH DISTRICT¹

(1935-39 average = 100)

Year and month	Industrial production (physical volume) ¹								Total mfg employment ⁴	California factory payrolls ⁴	Car-loadings (number) ²	Dep't store sales (value) ³	Dep't store stocks (value) ⁵	Retail food prices ⁶
	Lumber	Petroleum ³		Cement	Lead ¹	Copper ¹	Wheat flour ¹	Electric power						
1929	148	129	127	110	171	160	106	83	....	111	135	112	134	132.0
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	353	346	216.1
1949	138	147	167	202	103	140	104	303	186	425	126	332	323	209.6
1949														
January	115	151	174	176	112	108	128	300	185	430	105	342	321	217.9
February	115	152	170	173	107	129	118	297	185	423	103	314	327	214.1
March	131	153	176	195	120	169	102	295	187	412	118	329	342	213.3
April	141	152	169	212	124	167	82	303	189	412	120	335	331	215.6
May	143	149	170	215	126	159	100	304	189	415	134	340	320	211.0
June	146	148	174	219	118	138	104	315	188	419	139	335	313	209.9
July	136	146	162	217	98	131	108	299	186	423	120	329	302	206.3
August	135	144	165	209	93	121	109	310	186	429	138	333	309	205.7
September	140	144	166	208	84	136	108	308	185	437	138	326	333	207.3
October	139	141	158	200	77	136	104	306	185	435	124	337	330	205.5
November	147	140	161	200	89	145	101	299	183	421	129	319	331	205.7
December	149r	140	156	196	105	140	89	306	182	424r	128	339	315	202.5r
1950														
January	121r	140	161	178	123r	168	104	322	179	417	96	316	323	206.4
February	131	139	157	179	118	164	91	313	182	421	108	323	339	204.1

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 ⁸	Member bank reserves and related items ¹⁰					Bank debits index 31 cities ¹¹ (1935-39 = 100) ¹²
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted ⁹	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
1931	1,898	547	984	1,727	.....	+ 21	- 154	+ 154	+ 48	147	67
1932	1,570	601	840	1,618	.....	- 42	- 175	+ 234	+ 30	142	88
1933	1,486	720	951	1,609	.....	- 7	- 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	1,982	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	5,908	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
1949	5,925r	7,016r	8,536r	6,255r	3.20	+ 13	- 931	+ 378	- 65	1,924	350
1949											
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	364
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	3.24	0	- 53	- 5	0	2,063	351
July	5,707	6,548	8,139	6,179	.....	+ 20	- 213	+ 130	+ 16	1,997	344
August	5,729	6,846	8,221	6,170	.....	- 30	- 194	+ 40	+ 1	1,832	332
September	5,853	6,863	8,273	6,186	3.14	+ 13	+ 41	+ 37	+ 9	1,837	336
October	5,873r	6,909r	8,317r	6,196r	.....	+ 2	- 95	+ 92	+ 7	1,831	351
November	5,919	6,944	8,511	6,157	.....	- 12	+ 21	+ 2	+ 16	1,854	349
December	5,925r	7,016r	8,536r	6,255r	3.16	+ 40	+ 32	+ 30	- 8	1,924	376
1950											
January	5,901	7,123	8,620	6,244	.....	- 48	- 92	+ 5	- 62	1,892	354
February	5,893	6,999	8,311	6,262	.....	+ 5	- 34	- 7	+ 10	1,848	360
March	5,946	6,923	8,167	6,303	3.36	- 2	- 223	+ 204	+ 16	1,842	373

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.