



MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

AUGUST 1951

FEDERAL RESERVE BANK OF SAN FRANCISCO

RETAIL SALES IN THE FIRST HALF OF 1951

A MARKED shift in the buying habits of consumers is evident in the trend of retail sales in both the nation and the Twelfth District for the first six months of the year. International political developments rather than domestic economic forces provided the dominant force behind movements in the volume of retail trade during this period. In January and February, panic buying by consumers, sparked by the intervention of the Chinese Communists in the war in Korea in late November, drove the level of total retail sales in the United States to record highs for those months; in January, sales were 23 percent ahead of January 1950.

Consumer purchases during the January - February buying spree were based chiefly on the widespread belief that prices would continue to rise sharply, as they had during the second half of 1950, and that the supply of available goods would shrink precipitously as national defense expenditures took a larger share of the national output. By the middle of March, however, it had become clear that these fears were unfounded, at least for the time being, and buying receded to a more rational level. Sales in March, reflecting this reappraisal of the situation by consumers, fell to a level about 10 percent ahead of March a year ago and well below the January peak. Direct controls over prices and wages had been imposed in late January and tended to allay somewhat the fear of a runaway price level. Supplies of available goods, contrary to expectations, increased during the buying spree instead of disappearing. Production of most consumer goods continued at very high levels and the defense procurement program was just getting underway, but in terms of actual deliveries was not significant relative to total output.

Although still strong, the liquid asset position apparently desired by consumers had been considerably weakened in both the January-February buying wave and in the wave of July last year. Many consumers had at the same time entered into credit arrangements which obligated them to fairly substantial monthly payments and thus tended further to reduce the amount of free spending power available to them in later months. Regulation W, reinstated by the Board of Governors last September under powers provided for in the Defense Production Act of 1950, effectively raised down payment requirements

and increased the size of monthly payments as maximum maturities were shortened.

The dollar volume of sales in the nation's retail stores in each month during the second quarter showed a successive reduction in the year-to-year gain; the year-period gain was 8 percent in April, 6 percent in May, and only 1 percent in June. When these percentage gains are taken in conjunction with the substantially higher price levels prevailing during this period relative to pre-Korea levels (consumer prices were up 9 percent in June over June 1950) it can be readily seen that sales in terms of physical volume were actually down from year-ago levels. It should perhaps be emphasized that this level of sales, notwithstanding the sharp decline over the peak reached in January, is still a very high one. It is only when current sales are compared with expected volume based on the abnormal levels reached during the scare buying sprees that the term "slump" can be applied. It should be recalled, further, that there was underway in the second quarter of last year a growing boom in the civilian economy which had boosted retail sales substantially over the earlier part of the year and activity just slightly below that level cannot be considered low.

Cumulative sales at Twelfth District department stores still ahead of 1950

Cumulative sales for the first six months of the year at Twelfth District department stores were 10 percent ahead of the like period a year ago, just slightly ahead of the 9 percent gain for the nation as a whole. However, had it not been for the excessively large volume of sales in January and February, the six months comparison would undoubtedly have shown a much smaller gain, or what is more likely, an actual decline. Sales in January were 39 percent ahead of the same month a year earlier and were 28 percent greater than January sales would have

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been had the normal seasonal distribution of sales prevailed. As in the nation as a whole, sales in the four months following the end of the buying spree in February have been only slightly ahead of year-ago levels; indeed, in April sales fell 3 percent behind April 1950.

Preliminary estimates for July and the first week in August indicate a very substantial decline in sales from a year ago. As July last year was the month in which the first panic buying wave struck, these declines are not wholly unexpected. In the week ended July 21, sales were down 31 percent in the District from the comparable week a year earlier. By the week ended August 4, cumulative dollar sales for the calendar year to date were but 4 percent ahead of last year and physical volume was undoubtedly behind considerably more than in June. For the month of July, sales were off almost 10 percent from June. After adjustment for seasonal and trading day differences, however, sales in the District show a gain of about 5 percent in July from June, compared with a 3 percent gain reported nationally.

Durable goods suffer greatest declines

Sales of durable goods, which shared most heavily in the scare buying waves early this year and in the summer of last year, have undergone the most severe decline in sales since February. Sales of such items as stoves, refrigerators, and other major household appliances at District department stores rose in January to a point 130 percent ahead of January a year earlier, considerably more than the 81 percent recorded nationally. By June, sales of these items had fallen 24 percent below June 1950. Radios, phonographs, television sets, linoleum, and housefurnishings generally have undergone similar declines. Cumulative six months sales of these items, how-

ever, continue to show the largest gains over year-ago levels owing almost entirely to the tremendous volume of such sales recorded in January and February.

Soft goods have shown less sales fluctuation than durable goods during the first six months. These goods attracted much less consumer attention in the buying wave this year than in the initial wave of buying last summer. Sales of such items as household textiles, small wares, and particularly apparel have maintained a fairly even pace during the first half of the year. Sales by District department stores of small wares such as silverware, jewelry, notions, art and needle work materials, and books and stationery rose but 14 percent over year-ago sales in the January-February buying wave and in June were running only 5 percent ahead of June a year ago.

Stock-sales ratio rises to high level

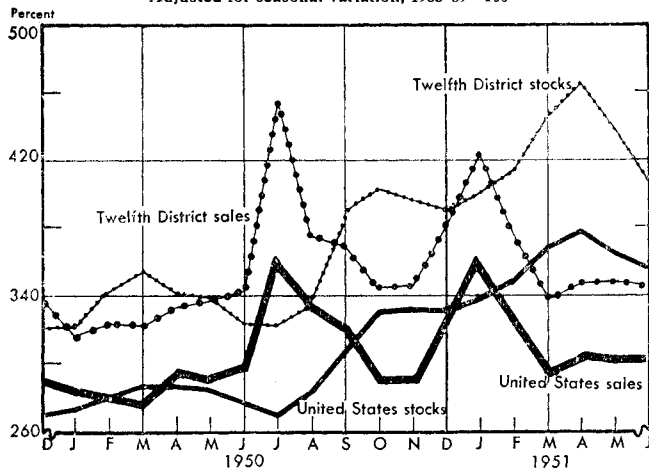
Stocks at District department stores have risen substantially over year-ago levels; at the end of June, stocks were 29 percent ahead of June a year earlier. In relation to sales the gain is even more impressive. Stocks in June of 1950 were 2.8 times the value of sales in that month. By June of this year, stocks had risen to 3.5 times the value of sales, down somewhat from the high point reached in April, when stocks stood at 4 times the dollar volume of sales for the same month.

An unusually large volume of orders placed during the buying waves and the failure (not surprising) of sales to keep up that hectic pace account for the heavy accumulation. Fears have been mounting in certain quarters that this high level of inventories relative to sales, which are considerably less than the expectations of six months ago, might lead to mass liquidation attempts on the part of retailers with possible adverse effects upon the level of in-

TWELFTH DISTRICT DEPARTMENT STORE SALES BY DEPARTMENTS
Percent change over corresponding 1950 period
(identical sample of 43 stores)

| Department | January | February | March | April | May | June | January-June |
|---|---------|----------|-------|-------|-----|------|--------------|
| GRAND TOTAL (MAIN STORE AND BASEMENT)..... | + 34 | +12 | + 7 | - 5 | + 3 | + 3 | + 8 |
| MAIN STORE TOTAL..... | + 36 | +13 | + 8 | - 5 | + 3 | + 3 | + 9 |
| PIECE GOODS AND HOUSEHOLD TEXTILES..... | + 45 | +18 | 0 | + 6 | 0 | + 4 | +14 |
| SMALL WARES | + 14 | + 3 | + 4 | - 3 | + 4 | + 5 | + 5 |
| WOMEN'S AND MISSES' READY-TO-WEAR ACCESSORIES..... | + 28 | + 7 | +11 | -12 | + 3 | + 4 | + 6 |
| WOMEN'S AND MISSES' READY-TO-WEAR APPAREL..... | + 24 | + 5 | + 5 | - 9 | + 6 | + 7 | + 6 |
| MEN'S AND BOYS' WEAR..... | + 31 | +10 | +10 | -16 | + 3 | 0 | + 5 |
| HOMEFURNISHINGS | + 66 | +33 | +10 | +14 | 0 | - 1 | +19 |
| Furniture and bedding..... | + 50 | +21 | +12 | + 9 | 0 | - 1 | +15 |
| Mattresses, springs, and studio beds..... | + 78 | +34 | + 6 | +10 | -10 | - 4 | +17 |
| Upholstered and other furniture..... | + 35 | +15 | +12 | +10 | + 4 | - 2 | +12 |
| Domestic floor coverings..... | + 78 | +37 | +19 | +24 | - 9 | -11 | +23 |
| Rugs and carpets..... | + 89 | +36 | +29 | +21 | - 9 | - 6 | +27 |
| Linoleum | + 25 | +13 | -15 | - 1 | -37 | -24 | - 9 |
| Draperies, curtains, upholstery, awnings, and window shades..... | + 42 | +15 | - 2 | +16 | + 2 | + 5 | +12 |
| Lamps and shades..... | + 18 | + 9 | + 1 | +13 | - 2 | + 6 | + 7 |
| China and glassware..... | + 19 | +11 | + 6 | + 7 | - 2 | - 1 | + 6 |
| Major household appliances (refrigerators, washers, stoves, ironers, cabinets) | +130 | +88 | +21 | 0 | -13 | -24 | +28 |
| Housewares (pots, pans, cutlery, toasters, percolators)..... | + 78 | +40 | + 5 | +17 | + 4 | +11 | +23 |
| Gift shop | + 40 | +16 | + 7 | +16 | +14 | + 9 | +16 |
| Radios, phonographs, television, pianos, records, sheet music, instruments, accessories | + 97 | +32 | +18 | +12 | +10 | - 1 | +27 |
| Radios, phonographs, television..... | +109 | +35 | +20 | +18 | + 8 | - 4 | +30 |
| Pianos, records, sheet music, instruments, and accessories..... | + 48 | +21 | +11 | - 9 | +19 | +10 | +16 |
| Homefurnishings not reported separately..... | + 58 | +37 | + 6 | +34 | +15 | + 6 | +23 |
| MISCELLANEOUS MERCHANDISE DEPARTMENTS..... | + 19 | + 5 | +11 | -14 | + 3 | + 2 | + 3 |
| BASEMENT STORE TOTAL..... | + 21 | + 6 | + 3 | - 6 | + 1 | + 5 | + 5 |

INDEXES OF DEPARTMENT STORE SALES AND STOCKS, 1950-51
Adjusted for seasonal variation, 1935-39=100



comes and employment. Through the early weeks in August, however, these fears have not been realized. Numerous sales offerings with fairly substantial price reductions have been noted in recent months, particularly in the furniture trade, but no indications have appeared of a mass liquidation attempt on the part of retailers generally. It is also significant that the price war initiated by the Supreme Court decision relating to fair trade practices was very short-lived and confined for the most part to a small number of New York City department stores, reaching only very minor proportions in the Twelfth District and elsewhere in the nation. This would seem to indicate no overwhelming desire on the part of retailers to start unloading what appear to be heavy inventories. The production of some major durables, notably television, has been cut back recently as a result of materials shortages. There is considerable evidence to suggest that even if materials shortages had not developed in these lines, current sales and inventory trends might well have necessitated such a move independently.

Congressional action in the early part of August seems to indicate that the defense procurement program is not to be materially affected by any successful negotiations in Korea. Appropriations for the largest military budget in our peacetime history and for the largest military construction program in the nation's history, including war periods, will absorb large amounts of critical materials and labor if they are all translated into action. Present levels of inventories in the hands of wholesalers and retailers as well as manufacturers might well prove to be a useful margin when actual work on military goods reaches a peak later this year and next.

Personal incomes continue to rise as sales at retail fall off

The usual relationship between incomes received by consumers and the amount spent on retail purchases has apparently been disturbed, judging from the movements in the two series in the past year. Personal incomes in the United States have moved continuously upward since the

start of the war in Korea, except for a brief interruption in January and February, and in June were 15 percent ahead of June a year ago. The trend in retail sales, meanwhile, after the two major buying waves, appears to be declining. Rising personal incomes are normally reflected in rising retail sales, although the rise in sales might be expected to be somewhat less than the rise in incomes. It is significant that in the period under discussion a considerable part of the increase in incomes resulted from the addition of new workers to payrolls, which would tend to have a greater effect on sales than added income paid to those already employed. Total nonagricultural employment in the United States in June was almost 6 percent ahead of the same month a year ago.

A number of factors have combined to produce this situation, factors that will also have an important bearing on the trend of sales during the second half of the year. The very high level of sales in the past year and a half, particularly during the two major scare buying waves, has left many consumers pretty well stocked up on a fairly wide range of commodities. The record level of consumer savings during the second quarter of this year indicates that many consumers are attempting to readjust their liquidity and debt positions. Until such time as these positions are readjusted or some major event occurs to change their current expectations of future trends, many of these consumers will probably not enter the retail markets as strong buyers. Continued high availability of all types of goods and signs of weakness in some prices are also adding to the lag in demand at the retail level. The successful promotional sales held recently by some retailers have induced some buyers back into the market for goods, and it might well be that a considerable number of consumers are expecting a break in prices and are holding back on current purchases to take advantage of lower prices later. Sales have responded in some degree to the relaxation of the terms of Regulation W by the Board of Governors on August 1, as required by the amendments to the Defense Production Act. Perhaps the effects of this relaxation, which will increase the difficulty of administering a credit control program, will become more evident in the future should inflationary pressures reassert themselves again.

Current levels of income and employment are capable of supporting a higher level of retail sales than presently prevails. The critical question facing the nation's retailers is not so much *will* sales recover some of their former vigor as *when* they will do so. Current levels of inventories could well become burdensome as carrying charges mount as time progresses. Any mass liquidation attempt in the near future could well lead to actual shortages later should military production cut significantly into supplies available for purely civilian purposes. The current military program indicates that the basic underlying situation still facing the nation's economy for the next year or two is one of an excess of effective demand over available supply in many lines of goods.

HARVEST PROSPECTS

LAST fall the Secretary of Agriculture called upon the nation's farmers to go all out in their production of food and fiber. Greater production, he said, was needed for our growing population and the food needs of the military and of foreign countries were much larger. In addition, carryover stocks of some basic foods and fibers were smaller than was felt safe in view of the worsening world political situation.

Farmers came through in excellent fashion, planting the largest aggregate acreage to crops of any year since 1933. Though acreage losses in some areas have been heavy, the weather has been generally cooperative. Yields per acre will be as good as in any recent year, so that total production of crops in the country as a whole may be second only to the record high in 1948.

This large over-all volume of production is the result of a high level of output for most major crops. Hay and rice are expected to set new production records. The important corn crop will be larger than last year. With a 58 percent increase in acreage, cotton production will be sharply higher. Should yields be only average, the 1951 cotton crop would still be the biggest since 1937. Fruits will be more plentiful but fresh vegetable supplies will be somewhat less than last year.

Production problems

Farmers' efforts to meet the goals set by the Government were not entirely unhampered. In planning this year's production, farmers had a few more factors than usual to consider. Not only were they asked to plant very large acreages, but they were also requested to make certain shifts in the pattern of cropping. While acreage allotments had restricted plantings of corn, cotton, wheat, and rice in 1950, the USDA asked for greatly expanded output of these crops this year. In some areas of the country, shifts to these crops could be made without too much difficulty. In the Cotton Belt, however, where many farmers had for several years been changing over to a livestock and grassland farming operation, there was considerable reluctance to plow up meadows and pastures and to revert to more intensive practices. As a result, though cotton acreages were increased, suggested goals were not met and plantings of such intensive crops as corn and sorghums were reduced.

High production costs combined with price controls made some farmers hesitant to expand operations. Low yields or crop failure due to adverse weather conditions have long been one of the risks of farming. But the high prices resulting from a short crop have provided some income insurance in the past. Present price controls rule out the possibility of this cushion.

While farm labor was adequate in most areas for the spring planting season, much concern did, and still does, exist concerning the supply at harvest time. The recently signed agreement between the United States and Mexican Governments for the importation of Mexican laborers

may help this problem. Even so, some shift to less intensive farming has been evident. In addition, machines have continued to replace labor in both intensive and extensive farming operations. The limited availability of the skilled labor needed to operate machines, however, has been an important factor hindering more complete substitution of machines for labor.

The relative cash income of alternative crops has also been important to the farmer. This factor has tended to keep at a high level the acreages of such crops as flax, soybeans, tobacco, and dry beans. Fertilizer supplies in 1951 are expected to be 10 percent above last year's supplies. Actual requirements, however, are considerably greater. Much of the crop expansion called for—particularly in cotton in the Twelfth District—has had to take place on less productive land which requires greater applications of fertilizers.

Crop production in the Twelfth District

As a result of the various factors mentioned above, District farmers made marked shifts in their pattern of plantings. The removal of acreage restrictions allowed wheat farmers to plant larger acreages to winter wheat. Winter damage in the Pacific Northwest, however, forced heavy abandonment and the final outturn will be less than in 1950. District spring wheat production, on the other hand, will be one-third higher, more than offsetting the drop in the winter crop. Cotton and rice farmers were also allowed to plant as much as they liked this year. Record District acreages resulted and production of these crops is expected to reach new highs.

INDICATED 1951 PRODUCTION OF LEADING CROPS—TWELFTH DISTRICT AS OF AUGUST 1, 1951

| | Indicated 1951 production (in thousands) | Percent change (1951 compared with—) | |
|---|---|---|--------------------|
| | | 1950 | 1940-49 average |
| Field and seed crops | | | |
| Barley (bu.) | 77,029 | -27 | 0 |
| Beans, dry (bags) | 7,221 | -1 | +3 |
| Corn (bu.) | 6,873 | -13 | -8 |
| Cotton (bales) | 2,570 | +77 | +219 |
| Flaxseed (bu.) | 1,742 | +3 | -54 |
| Sorghums, grain (bu.) | 4,801 | -47 | -26 |
| Hay, all (tons) | 13,818 | -7 | -3 |
| Hops (lbs.) | 60,323 | +3 | +27 |
| Oats (bu.) | 27,723 | -23 | -14 |
| Peas, dry (bags) | 3,483 | +28 | -34 |
| Potatoes (bu.) | 97,641 | -22 | +2 |
| Rice (bags) | 9,703 | +25 | +46 |
| Sugar beets (tons) | 4,126 | -3 | +12 |
| Wheat, all (bu.) | 156,579 | +3 | +16 |
| Fruits | | | |
| Apples (bu.) | 35,289 | -25 | -15 |
| Apricots (tons) | 176 | -18 | -20 |
| Cherries (tons) | 72 | -4 | -22 |
| Grapes (tons) | 3,090 | +26 | +18 |
| Grapefruit ¹ (boxes) | 5,870 | 0 | -4 |
| Oranges ¹ (boxes) | 46,250 | +8 | -6 |
| Lemons ¹ (boxes) | 13,000 | +14 | 0 |
| Peaches (bu.) | 35,056 | +16 | +2 |
| Pears (bu.) | 25,457 | -1 | +5 |
| Plums (tons) | 97 | +26 | +24 |
| Prunes, fresh (tons) | 89 | +98 | -25 |
| Prunes, dried (tons) | 181 | +22 | -3 |
| Nuts | | | |
| Almonds (tons) | 43 | +13 | +72 |
| Filberts (tons) | 9 | +29 | +29 |
| Walnuts (tons) | 74 | +16 | +9 |

¹ Figures are for crop year which begins in October of the previous year. Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Crop Production*, August 1, 1951.

Acreage shifts to these important cash crops will result in smaller crops of sugar beets, feed grains, hay, and potatoes. Farmers, particularly those growing sugar beets and potatoes, were fearful of the reduced labor supply and turned to competing cash crops using less labor. The lure of greater cash income caused District hay growers to reduce their acreages in contrast to the increase in the country as a whole. Since the District has relatively fewer livestock-pasture operations than some other parts of the country, farmers were less reluctant to change over this year from hay to more profitable cash crops.

Weather again was the determining factor in the output of deciduous fruits. For the second year in a row, freezing temperatures damaged fruits in the Pacific Northwest. The sweet cherry and apple crops in Oregon and Washington suffered the heaviest damage and will be smaller than the 1950 crops. Though most other fruit crops in Oregon, Washington, and Idaho will be above the relatively small production of last year, harvest will be below average. Fruit prospects in California vary from fair to good with some detrimental effects due to the shorter than usual dormant periods through the winter. The apricot and sweet cherry crops were much smaller than last year, but apple, plum, prune, and peach production will be above 1950 levels, and the important grape crop will be of record proportions.

Generally larger supplies of citrus fruits will be available in the District during the rest of 1951. Though California's Navel crop was smaller this year, the 15 percent larger Valencia production will make the total orange crop higher than last year. Lemons have also been more plentiful this year, while supplies of grapefruit have been running at about 1950 levels.

More meat in sight

Meat production so far this year has been running the same as last year. According to the United States Department of Agriculture, however, increased military takings and a larger population have resulted in lower per capita civilian consumption. Nationally, beef production from January to June was down moderately but the output of veal, mutton, and lamb was considerably lower. Only pork production increased.

During the latter half of 1951, meat production and per capita consumption will probably be above 1950 levels, owing entirely to increased pork production. The 7 per-

cent larger spring pig crop will start coming to market in September. With ranchers still building their herds and flocks, veal and lamb output will continue below year-ago levels, while cattle slaughter may just about equal that of the last half of 1950.

In addition to somewhat larger supplies of red meat, consumers will find white meat more plentiful during the rest of the year. Turkey production will be slightly above last year's output and record broiler chick replacement will push chicken meat supplies over the 1950 volume. Even though the number of young chickens on farms has been increasing this year, the increase will not be reflected in the laying flocks until the end of the year. Until that time, egg production will run under year-ago levels.

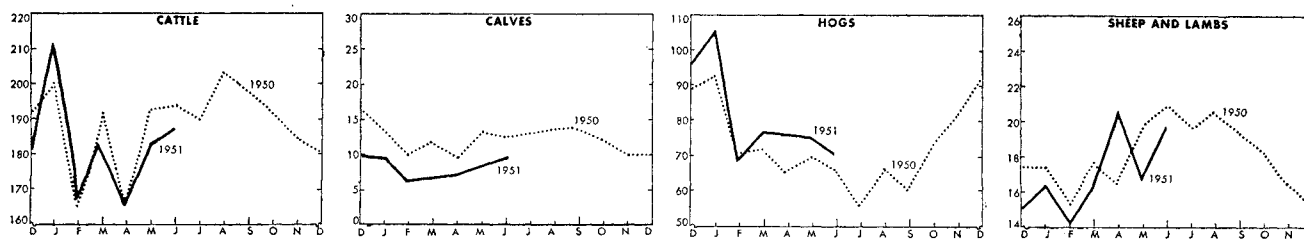
Farm prices high, but declining

Between June 15 and July 15, average prices received by farmers decreased for the fifth consecutive month. The sharp post-Korea price rise pushed cotton, wool, truck crop, and meat animal prices to new record highs. Beginning in March, however, most farm prices started downward under the pressure of slackening demand, price controls, and the expected increase in production. Despite the recent decreases, almost all farm commodity prices are still above year-ago levels.

The effects of the amended Defense Production Act on farm prices in the months to come probably will not be so important as the effects of the price support level. Further beef price roll-backs are prohibited, but price ceilings on veal calves, lamb, wool, and cotton could be lowered though no reduction is contemplated at present. On the other hand, prices of most farm products could increase considerably before they reached minimum ceilings. With the expected high level of agricultural production many farmers, however, will probably be more interested in the floor imposed by price supports than in the ceiling set up under the Defense Production Act.

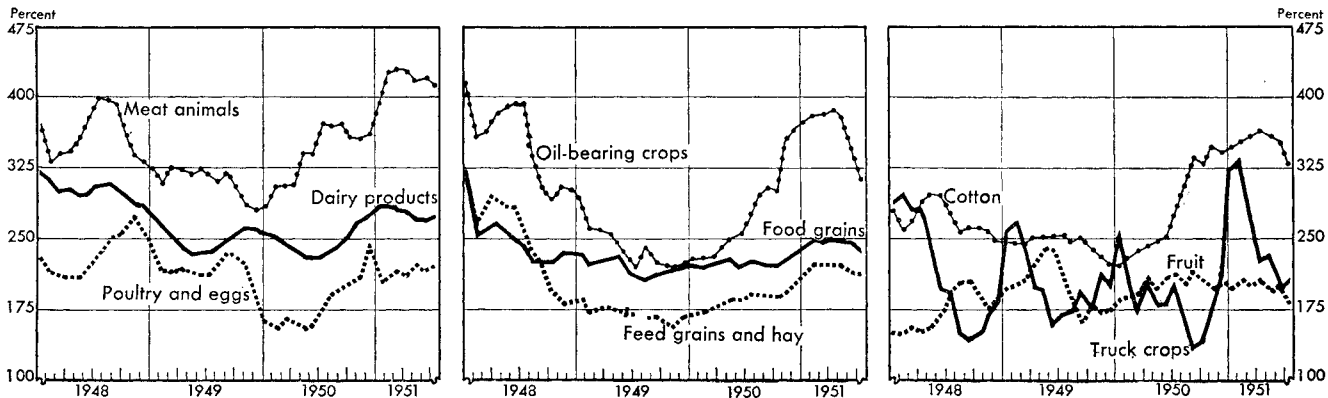
Increased marketings of range-fed cattle beginning this summer will put pressure on the prices of the lower grades of beef. Pork prices will likewise come under pressure starting in September when the larger spring pig crop begins hitting the market. During the rest of the year, prices of most fats and oils are likely to average lower than a year ago because of increased production. The forecast of a huge cotton crop has already had price-

LIVESTOCK SLAUGHTER*—TWELFTH DISTRICT, 1950 and 1951
(in millions of pounds)



*Slaughter in Federally inspected plants and in other wholesale and retail plants: excludes farm slaughter. Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Livestock Slaughter by States*.

INDEXES OF PRICES RECEIVED BY FARMERS—UNITED STATES, 1948-51*
(1910-14=100)



*Mid-monthly data. Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Agricultural Prices*.

depressing effects; prices of new crop cotton have dropped to 34 cents compared with the 45 cents farmers were getting last winter. Not all farm commodity prices are expected to continue downward, but the generally greater volume of over-all production should at least act to dampen any price increases which may occur.

Record farm income expected

The year 1951 may go down in history as the best year ever for the nation's farmers in terms of total income. The record farm income expected will be due more to the generally higher price level this year than to the high volume of production. So far this year, prices have been 20 percent higher than the 1950 average. Production costs, of course, have risen too but not so much as total income. As a result, net incomes may be up as much as 30 percent over 1950.

Cash receipts from farm marketings, the principal source of gross farm income, are expected to total one-

fifth more over the nation than in 1950. Receipts from both crops and livestock will be considerably higher, though the prospects for livestock are more favorable. The increase in livestock marketings will not be so great as the increase in crop marketings but livestock prices relative to 1950 are expected to average higher than crop prices.

CASH RECEIPTS FROM FARM MARKETINGS—JANUARY-MAY Percent change, 1950-51

| | Livestock and livestock products | Crops | Total |
|------------------------|--|-------|-------|
| Arizona | +20 | +29 | +25 |
| California | +24 | +21 | +23 |
| Idaho | +29 | +7 | +18 |
| Nevada | +33 | +60 | +36 |
| Oregon | +27 | -27 | +5 |
| Utah | +30 | +8 | +26 |
| Washington | +23 | -4 | +10 |
| Twelfth District | +25 | +14 | +20 |
| United States | +29 | -3 | +18 |

Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Farm Income Situation*, June 1951.

CONSUMER CREDIT IN THE TWELFTH DISTRICT

A VARIETY of facts about instalment credit extended to Twelfth District consumers has become available as a by-product of the registration of lending institutions and credit-granting retailers under Regulation W. The 1,970 reports received from District financial organizations holding about \$1½ billion in instalment paper provide valuable information concerning the distribution of consumer loans outstanding last September 30 at the peak of the 1950 credit boom. Sales and credit data covering the 12 months ended September 30, 1950, reported by almost 9,000 Twelfth District stores with sales of more than \$3½ billion underline the significance of consumer credit in the durable goods field.

Instalment lending by financial institutions

The most important purpose for which consumers borrow from lending institutions in the Twelfth Federal Reserve District is the purchase of automobiles. Almost half of all the money lent to consumers by banks and other lenders in the District at the height of the buying spree

last year was used to finance automobiles. Nearly three-fourths of this lending originated with the automobile dealers, who then sold the paper to banks or other lenders. Financing of other retail purchases such as furniture and appliances accounted for only about half the volume represented by automobile financing, or roughly one-fourth of the total. Here again a large portion of the paper was acquired by the lending institutions from the stores that made the sales. Personal instalment cash loans and repair and modernization loans, almost all of them extended directly by lending institutions, made up the remainder of the consumer credit portfolio of Twelfth District lenders.

More than three-fourths of the instalment paper owned by lenders was held by Twelfth District commercial banks.¹ Automobile loans accounted for 51 percent of the

¹ It should be noted, however, that paper retained by retailers was not included in the survey of instalment lenders, and that lenders operating in more than one District reported consolidated figures to the Federal Reserve bank in their home office District, and hence figures from those lenders with home offices outside this District are not reflected in Twelfth District tabulations.

PERCENTAGE DISTRIBUTION OF THE DOLLAR VOLUME OF INSTALLMENT PAPER BY TYPE OF CREDIT AND ORIGIN OF PAPER—
TWELFTH DISTRICT, ALL TYPES OF LENDER COMBINED
SEPTEMBER 30, 1950

| Purpose of loan | Distribution by type of credit | | | Origin of paper | |
|---------------------------------|--------------------------------|-----------------|-------|-----------------|-----------|
| | Direct | Purchased paper | Total | Direct | Purchased |
| Retail automobile credit.... | 32 | 57 | 47 | 28 | 72 |
| Other retail instal. credit.... | 9 | 35 | 24 | 15 | 85 |
| FHA repair and mod. credit.. | 18 | 7 | 11 | 66 | 34 |
| Other repair and mod. credit.. | 1 | 1 | 1 | 55 | 45 |
| Personal instal. cash loans... | 40 | * | 17 | 99 | 1 |
| Total—all purposes | 100 | 100 | 100 | 42 | 58 |

*Less than one-half of 1 percent.

dollar volume of consumer credit outstanding at these institutions, other retail instalment credit 23 percent, and personal instalment cash loans 12 percent. FHA-insured repair and modernization credit—two-thirds of it extended directly by the banks—made up 14 percent of their consumer loans, while other repair and modernization paper was of negligible importance to bank portfolios. Analysis of holdings by size indicates that the larger banks—i.e., those with greater holdings of consumer loans—tended to have a higher proportion of FHA repair and modernization paper and a smaller proportion of personal instalment cash loans. Washington and Oregon banks owned a greater share of auto loans and a smaller share of personal cash loans than California banks. FHA repair and modernization paper was most important in Utah, where it accounted for 30 percent of banks' instalment paper.

PERCENTAGE DISTRIBUTION BY PURPOSE OF THE DOLLAR VOLUME OF TOTAL INSTALLMENT PAPER—TWELFTH DISTRICT AND SELECTED STATES, SEPTEMBER 30, 1950

| Classification | Number of firms reptg. | Retail auto-mobile credit | Other retail credit | Repair and modernization credit | | Personal instalment cash loans | Total all purposes |
|--------------------------------|------------------------|---------------------------|---------------------|---------------------------------|-------|--------------------------------|--------------------|
| | | | | FHA | Other | | |
| Commercial banks | | | | | | | |
| Twelfth District total... | 388 | 51 | 23 | 14 | * | 12 | 100 |
| California | 153 | 51 | 22 | 14 | * | 13 | 100 |
| Idaho | 35 | 46 | 27 | 19 | * | 8 | 100 |
| Oregon | 55 | 53 | 26 | 13 | * | 8 | 100 |
| Utah | 35 | 43 | 19 | 30 | 1 | 7 | 100 |
| Washington | 95 | 57 | 20 | 15 | * | 8 | 100 |
| Small loan companies | | | | | | | |
| Twelfth District total... | 294 | 26 | 43 | 0 | * | 31 | 100 |
| Arizona | 22 | 48 | 17 | 0 | 0 | 35 | 100 |
| California | 143 | 25 | 49 | 0 | * | 26 | 100 |
| Idaho | 15 | 46 | 19 | 0 | 0 | 35 | 100 |
| Oregon | 43 | 25 | 8 | 0 | 0 | 67 | 100 |
| Utah | 27 | 21 | 6 | 0 | 0 | 73 | 100 |
| Washington | 37 | 12 | 17 | 0 | * | 71 | 100 |
| Credit unions | | | | | | | |
| Twelfth District total... | 872 | 35 | 7 | * | 3 | 55 | 100 |
| Arizona | 16 | 27 | 3 | 0 | 3 | 67 | 100 |
| California | 534 | 36 | 7 | * | 3 | 54 | 100 |
| Idaho | 30 | 21 | 13 | * | 7 | 59 | 100 |
| Oregon | 65 | 33 | 6 | 0 | 3 | 58 | 100 |
| Utah | 58 | 23 | 8 | 0 | 1 | 68 | 100 |
| Washington | 159 | 36 | 9 | * | 6 | 49 | 100 |
| Sales finance companies | | | | | | | |
| Twelfth District total... | 185 | 50 | 31 | 1 | 8 | 10 | 100 |
| California | 86 | 54 | 29 | * | * | 17 | 100 |
| Idaho | 14 | 76 | 15 | 1 | * | 8 | 100 |
| Oregon | 31 | 64 | 33 | 0 | * | 3 | 100 |
| Utah | 13 | 70 | 29 | 0 | * | 1 | 100 |
| Washington | 30 | 77 | 15 | 4 | * | 4 | 100 |

*Less than one-half of 1 percent.

Note: Twelfth District figures are not necessarily consistent with those for component states, since the latter exclude firms operating in more than one state in the District. Also, Arizona and Nevada have been omitted from certain classifications to avoid possible disclosure of individual firm data.

Small loan companies reported auto loans to be 26 percent of the dollar volume of their outstandings, other retail instalment credit 43 percent, and personal cash loans 31 percent. Half their loans on automobiles and on other consumer goods were extended directly to the borrower. In effect many of these were doubtless personal loans secured by automobiles and household goods already possessed by the borrowers. The larger the loan company, the greater was the proportion of its loans secured in this way, particularly by goods other than automobiles; the smaller firms' holdings were chiefly unsecured personal instalment cash loans.

Half the dollar volume of the paper owned by sales finance companies with head offices in the Twelfth District arose from the sale of automobiles, and 31 percent was other retail instalment credit. As might be expected, almost all their retail instalment credit was extended indirectly, the paper being purchased from the retailers. Personal cash loans made up only 10 percent of the finance companies' combined portfolios, and for most firms accounted for about 5 percent.

A large number of credit unions, most of them very small, was included in the survey. Personal instalment cash loans made up 55 percent of the dollar amount of their holdings, retail automobile credit 35 percent and other retail credit 7 percent. Three percent was for repair and modernization—not FHA insured. As in the case of the small loan companies, the loans of the larger organizations were more often secured by automobiles or other goods. Probably the smaller credit unions lacked the resources to engage in automobile financing, and confined their activities to comparatively small personal cash loans secured by the borrowers' salaries; the great majority of the credit unions were employee organizations.

Industrial loan companies reported holdings divided quite evenly among auto loans, other retail instalment credit, and personal loans. Building and loan associations listed no retail credit but a fairly substantial volume of personal loans—50 percent of their consumer loans. FHA repair and modernization credit—one-third of it paper purchased presumably from contractors—accounted for

PERCENTAGE DISTRIBUTION OF THE DOLLAR VOLUME OF TOTAL INSTALLMENT PAPER OWNED AS OF SEPTEMBER 30, 1950, BY TYPE OF LENDER—TWELFTH DISTRICT

| Type of lender | Number of firms reptg. | Retail auto-mobile credit | Other retail credit | Repair and modernization credit | | Personal instalment cash loans | Total all purposes |
|---|------------------------|---------------------------|---------------------|---------------------------------|-------|--------------------------------|--------------------|
| | | | | FHA | Other | | |
| Commercial banks | 388 | 84 | 72 | 98 | 24 | 56 | 77 |
| Small loan companies ¹ | 294 | 4 | 14 | 0 | * | 14 | 8 |
| Credit unions | 872 | 4 | 2 | * | 14 | 16 | 5 |
| Sales finance companies ² .. | 185 | 5 | 6 | * | 39 | 3 | 5 |
| Industrial loan companies. | 37 | 1 | 2 | * | * | 3 | 1 |
| Building and loan assns... | 77 | * | 0 | 1 | 19 | 3 | 1 |
| All other lenders ² | 117 | 2 | 4 | 1 | 4 | 5 | 3 |
| Total—all lenders..... | 1970 | 100 | 100 | 100 | 100 | 100 | 100 |

*Less than one-half of 1 percent.

¹With head office in Twelfth District.

²Includes industrial banks, mutual savings banks, agents, brokers, and dealers in real estate, mortgage companies, etc.

INSTALMENT SELLERS—TWELFTH DISTRICT, SEPTEMBER 30, 1950

| Type of business | Number of credit-granting stores reporting | Percent of total sales ¹ | | | Charge receivables as % of chg. sales | Down pmts. as % of instalment sales | Stores selling paper ² | | Stores retaining all paper ² | Percent of instalment sales ² | Stores retaining all paper ² | Percent of instalment sales ² |
|---|--|-------------------------------------|------------|----------------|---------------------------------------|-------------------------------------|--|--------------------------|---|--|---|--|
| | | Cash | Instalment | Charge account | | | Percent of instalment sellers ² | Proportion of paper sold | | | | |
| Automobile dealers | 4068 | 35 | 53 | 12 | 16 | 39 | 95 | 93 | 5 | 59 | 59 | |
| Department and general stores | 329 | 47 | 17 | 36 | 17 | 11 | 59 | 55 | 41 | 51 | 51 | |
| Furniture and house furnishings stores..... | 1661 | 19 | 58 | 23 | 23 | 17 | 70 | 71 | 30 | 57 | 57 | |
| Household appliance stores | 1958 | 25 | 51 | 24 | 20 | 17 | 52 | 90 | 8 | 55 | 55 | |
| Hardware and automotive accessory stores..... | 815 | 44 | 14 | 42 | 19 | 19 | 73 | 84 | 27 | 39 | 39 | |

¹ Sales during 12 months ended September 30, 1950.

² Stores making no instalment sales excluded in computing these ratios.

18 percent, and other repair and modernization loans 26 percent.

Instalment selling by retailers

Large furniture and appliance stores make relatively more instalment sales than smaller stores, require lower down payments, have faster collections, and are less likely to sell or discount the instalment contracts they write. But instalment sales are more important to small department or general stores and auto dealers than to big ones—in the latter case because small dealers lack the parts-and-service business which boosts charge sales. Geographical differences are also striking. For example, instalment selling is more important in the Los Angeles area than in other urban areas of the Twelfth District, and is heavier in urban than in rural areas generally.

Much useful information of this kind about the pre-Regulation W sales and credit operations of Twelfth District retailers of durable goods has been gleaned from their registration statements under the regulation. Instalment financing accounted for three-fifths of the sales of furniture and house furnishings stores, more than half the business done by automobile dealers, and half the sales made by dealers in household appliances, including radios and television sets. Even department stores—excluding mail-order and cash-only businesses—made one-sixth of their sales on instalment credit, and hardware and auto accessory stores one-seventh.

Charge account or open credit sales were especially important for the department and hardware stores, and in none of the five major retail trades analyzed did cash sales account for as much as half of total sales. For all types of stores, the proportion of charge sales varied directly with the size of the store.

Down payments aggregated about 11 percent of department store instalment sales during the 12 months. For the other major types analyzed, down payments were between 15 and 20 percent, except for auto dealers who received down payments (including trade-in allowances) averaging almost two-fifths of the purchase price. Most instalment sellers, particularly automobile and appliance

dealers, sold or discounted the contracts arising from time payment sales to banks, finance companies, or other lenders. For the stores that carried all their own paper, instalment receivables on September 30, 1950, amounted to about 50 to 60 percent of annual instalment sales. Hardware stores, which typically have a smaller unit of sale and presumably shorter-term contracts, were an exception; their ratio was under 40 percent. The ratio of charge-account receivables to charge sales was between 15 and 20 percent for all types analyzed except furniture stores, whose higher ratio may reflect the extensive sale of furniture on a 90-day open credit basis.

Not only were instalment sales—by furniture, appliance, and department stores—relatively heavy in the Los Angeles area, but down payments were lower and terms apparently easier (for those retailers retaining all paper, the ratios of instalment receivables to instalment sales were higher than in other areas). This was true of small as well as of large Los Angeles stores. Utah and California reported a rather high proportion of instalment sales, while Nevada and the Pacific Northwest tended to have a larger percentage of cash or charge business. There was little geographical variation in the case of auto dealers, except that instalment sales were a somewhat smaller part of the total in the Pacific Northwest than elsewhere. Hardware stores made a larger proportion of charge account sales in the sparsely populated states, which may reflect their function of supplying farmers with seed and feed and other supplies.

Note: Detailed tabulations of the data obtained in the survey are available on request. For lending institutions, breakdowns by size of instalment paper holdings and by states and selected areas have been prepared for commercial banks, small loan companies, credit unions, and industrial loan companies; distributions of direct and purchased paper for each type of lender are also available. In the case of credit-granting retail stores, ratios for each size group and for states and major trading areas and cities have been computed for automobile dealers and department, furniture, appliance, and hardware stores.

AVAILABLE FOR DISTRIBUTION

The pamphlet, "Distribution of Bank Deposits by Counties and Standard Metropolitan Areas, December 30, 1950," published by the Board of Governors of the Federal Reserve System, is available for distribution and may be obtained from this bank. (The most recent previous survey covers bank deposits by counties as of June 30, 1949.)

BUSINESS INDEXES—TWELFTH DISTRICT¹

(1935-39 average = 100)

| Year and month | Industrial production (physical volume) ² | | | | | | | | Total mf'g employment ⁴ | Car-loadings (number) ⁵ | Dep't store sales (value) ⁶ | Retail food prices ^{7,8} | Waterborne foreign trade ^{9,10} | |
|----------------|--|------------------------|---------|--------|-------------------|---------------------|--------------------------|----------------|------------------------------------|------------------------------------|--|-----------------------------------|--|---------|
| | Lumber | Petroleum ² | | Cement | Lead ² | Copper ³ | Wheat flour ² | Electric power | | | | | Exports | Imports |
| | | Crude | Refined | | | | | | | | | | | |
| 1929 | 118 | 129 | 127 | 110 | 171 | 160 | 106 | 83 | 135 | 112 | 132.0 | 124 | 118 | |
| 1931 | 77 | 83 | 90 | 74 | 104 | 75 | 101 | 82 | 91 | 92 | 104.0 | 90 | 76 | |
| 1933 | 62 | 76 | 81 | 54 | 75 | 26 | 88 | 73 | 70 | 66 | 86.8 | 72 | 69 | |
| 1934 | 67 | 77 | 81 | 70 | 79 | 36 | 95 | 79 | 81 | 74 | 93.2 | 86 | 74 | |
| 1935 | 83 | 92 | 91 | 68 | 89 | 57 | 94 | 85 | 88 | 86 | 99.6 | 88 | 103 | |
| 1936 | 106 | 94 | 98 | 117 | 100 | 98 | 96 | 96 | 100 | 103 | 100.3 | 86 | 110 | |
| 1937 | 113 | 105 | 105 | 112 | 118 | 135 | 99 | 105 | 112 | 109 | 104.5 | 112 | 114 | |
| 1938 | 88 | 110 | 103 | 92 | 96 | 88 | 96 | 102 | 96 | 101 | 99.0 | 108 | 82 | |
| 1939 | 110 | 99 | 103 | 114 | 97 | 122 | 107 | 112 | 104 | 109 | 95.9 | 107 | 90 | |
| 1940 | 120 | 98 | 103 | 124 | 112 | 144 | 103 | 122 | 118 | 110 | 97.6 | 86 | 96 | |
| 1941 | 142 | 102 | 110 | 164 | 113 | 153 | 103 | 135 | 155 | 128 | 139 | 107.9 | ... | |
| 1942 | 141 | 110 | 116 | 194 | 118 | 188 | 104 | 167 | 230 | 137 | 171 | 130.9 | ... | |
| 1943 | 137 | 125 | 135 | 160 | 104 | 192 | 115 | 214 | 306 | 133 | 203 | 143.4 | ... | |
| 1944 | 136 | 137 | 151 | 128 | 93 | 171 | 119 | 231 | 295 | 141 | 223 | 142.1 | ... | |
| 1945 | 109 | 144 | 160 | 131 | 81 | 137 | 132 | 219 | 229 | 134 | 247 | 146.3 | ... | |
| 1946 | 130 | 139 | 148 | 165 | 73 | 109 | 128 | 219 | 181 | 136 | 305 | 167.4 | 58 | |
| 1947 | 147 | 147 | 159 | 193 | 98 | 163 | 133 | 256 | 187 | 142 | 330 | 200.3 | 85 | |
| 1948 | 159 | 149 | 162 | 211 | 109 | 154 | 116 | 284 | 191 | 134 | 353 | 215.1 | 57 | |
| 1949 | 151 | 147 | 167 | 202 | 105 | 142 | 104 | 303 | 183 | 125 | 331 | 209.6 | 55 | |
| 1950 | 171 | 144 | 168 | 227 | 113 | 176 | 94 | 333 | 197 | 131 | 353 | 209.8 | 59 | |
| 1950 | | | | | | | | | | | | | | |
| May | 207 | 140 | 162 | 240 | 132 | 180 | 95 | 341 | 194 | 141 | 333 | 205.2 | 61 | 107 |
| June | 181 | 142 | 170 | 244 | 118 | 172 | 105 | 331 | 166 | 148 | 343r | 205.9 | 66 | 150 |
| July | 181 | 142 | 170 | 245 | 87 | 167 | 113 | 341 | 199 | 125 | 454 | 209.4 | 59 | 110 |
| August | 186 | 145 | 178 | 251 | 96 | 177 | 112 | 340 | 207 | 135 | 374 | 212.5 | 48 | 141 |
| September | 176 | 148 | 177 | 248 | 104 | 175 | 105 | 339 | 205 | 130 | 368 | 211.0 | 58 | 131 |
| October | 187 | 153 | 177 | 252 | 106 | 176 | 99 | 352 | 211 | 131 | 343 | 214.1 | 62 | 148 |
| November | 167 | 151 | 179 | 229 | 111 | 195 | 97 | 353 | 209 | 131 | 345 | 216.0 | 68 | 167 |
| December | 168 | 154 | 173 | 229 | 118 | 195 | 120 | 345 | 209 | 132 | 376 | 222.9 | 70 | 167 |
| 1951 | | | | | | | | | | | | | | |
| January | 187 | 151 | 176 | 239 | 101 | 181 | 131 | 361 | 212 | 130 | 420 | 230.8 | 75 | 146 |
| February | 171 | 155 | 187 | 255 | 110 | 178 | 121 | 361 | 218 | 124 | 375 | 230.2 | 98 | 159 |
| March | 168 | 155 | 179 | 245 | 106 | 180 | 111 | 389 | 219 | 133 | 335 | 234.5 | 110 | 169 |
| April | 189 | 155 | 180 | 247 | 101r | 195 | 119 | 378 | 221 | 152 | 346 | 233.0 | 122 | 174 |
| May | 199 | 155 | 179 | 273 | 101r | 182 | 106 | 378 | 224 | 142 | 318r | 235.3r | ... | 131 |
| June | 190 | 157 | 179 | 286 | 99 | 176 | 99 | 378 | 226 | 144 | 347 | 223.5 | ... | ... |

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT
(amounts in millions of dollars)

| Year and month | Condition items of all member banks ¹ | | | | Bank rates on short-term business loans ² | Member bank reserves and related items ¹⁰ | | | | | Bank debits index 31 cities ^{11,12} (1935-39 = 100) ¹³ |
|----------------|--|-----------------------|---------------------------------------|---------------------|--|--|-------------------------------------|-----------------------------------|--|----------|--|
| | Loans and discounts | U.S. Gov't securities | Demand deposits adjusted ⁴ | Total time deposits | | Reserve bank credit ¹¹ | Commercial operations ¹² | Treasury operations ¹² | Coin and currency in circulation ¹¹ | Reserves | |
| 1929 | 2,239 | 195 | 1,231 | 1,790 | ..... | - 34 | 0 | + 23 | - 6 | 175 | 146 |
| 1931 | 1,898 | 517 | 984 | 1,727 | ..... | + 21 | - 154 | + 154 | + 48 | 147 | 97 |
| 1933 | 1,486 | 720 | 951 | 1,609 | ..... | - 2 | - 110 | + 150 | - 18 | 155 | 63 |
| 1934 | 1,469 | 1,031 | 1,201 | 1,875 | ..... | - 7 | - 198 | + 257 | + 4 | 212 | 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 | 439 | 102 |
| 1937 | 1,871 | 1,270 | 1,740 | 2,157 | ..... | - 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 | 2,390 | ..... | + 2 | - 148 | + 420 | + 96 | 754 | 110 |
| 1941 | 2,451 | 1,738 | 2,893 | 2,425 | ..... | + 4 | - 596 | +1,060 | + 237 | 930 | 134 |
| 1942 | 2,170 | 3,630 | 4,356 | 2,609 | ..... | + 107 | -1,980 | +2,823 | + 653 | 1,232 | 165 |
| 1943 | 2,106 | 6,235 | 5,998 | 3,226 | ..... | + 214 | -3,751 | +4,186 | + 708 | 1,162 | 211 |
| 1944 | 2,254 | 8,263 | 6,930 | 4,144 | ..... | + 98 | -5,534 | +4,183 | + 789 | 1,706 | 237 |
| 1945 | 2,663 | 10,450 | 8,203 | 5,211 | ..... | + 76 | -4,743 | +4,682 | + 543 | 2,033 | 260 |
| 1946 | 4,098 | 8,423 | 8,821 | 5,797 | ..... | - 9 | -1,607 | +1,329 | - 325 | 2,034 | 298 |
| 1947 | 5,358 | 7,247 | 8,222 | 6,006 | ..... | + 302 | - 510 | + 698 | - 206 | 2,202 | 326 |
| 1948 | 6,032 | 6,366 | 8,635 | 6,087 | ..... | + 17 | + 472 | - 482 | - 209 | 2,420 | 355 |
| 1949 | 5,925 | 7,016 | 8,536 | 6,255 | ..... | + 13 | - 930 | + 378 | - 65 | 1,924 | 330 |
| 1950 | 7,093 | 6,381 | 9,254 | 6,251 | 3.35 | + 39 | -1,141 | +1,198 | - 14 | 2,026 | 395 |
| 1950 | | | | | | | | | | | |
| June | 6,034 | 6,905 | 8,289 | 6,315 | 3.37 | - 10 | + 23 | + 32 | + 5 | 1,836 | 389 |
| July | 6,162 | 6,810 | 8,458 | 6,250 | ..... | + 3 | - 149 | + 169 | 0 | 1,858 | 382 |
| August | 6,418 | 6,690 | 8,627 | 6,210 | ..... | + 2 | - 102 | + 125 | + 18 | 1,863 | 421 |
| September | 6,684 | 6,495 | 8,734 | 6,213 | 3.29 | + 62 | - 45 | + 72 | + 9 | 1,893 | 417 |
| October | 6,810 | 6,452 | 8,871 | 6,239 | ..... | + 56 | - 93 | + 150 | + 10 | 1,930 | 428 |
| November | 6,963 | 6,319 | 9,018 | 6,194 | ..... | + 24 | - 21 | + 42 | - 3 | 1,983 | 425 |
| December | 7,093 | 6,381 | 9,254 | 6,251 | 3.37 | + 48 | - 80 | + 131 | + 4 | 2,026 | 464 |
| 1951 | | | | | | | | | | | |
| January | 7,152 | 6,071 | 9,190 | 6,337 | ..... | + 30 | - 59 | + 168 | - 68 | 2,284 | 455 |
| February | 7,184 | 5,811 | 8,834 | 6,332 | ..... | + 32 | - 38 | + 6 | + 21 | 2,208 | 444 |
| March | 7,293 | 5,734 | 8,819 | 6,328 | 3.48 | - 3 | - 124 | + 130 | - 8 | 2,186 | 461 |
| April | 7,567 | 5,696 | 8,828 | 6,332 | ..... | - 45 | - 290 | + 226 | + 26 | 2,180 | 431 |
| May | 7,422 | 5,785 | 8,834 | 6,357 | ..... | + 13 | - 162 | + 150 | + 36 | 2,149 | 449 |
| June | 7,509 | 5,708 | 8,862 | 6,448 | 3.67 | + 73 | - 113 | + 199 | + 39 | 2,217 | 461 |
| July | 7,473 | 6,005 | 9,052 | 6,510 | ..... | - 14 | - 312 | + 238 | + 19 | 2,186 | 397 |

¹ Adjusted for seasonal variation, except where indicated. Except 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; retail food prices, U.S. Bureau of Labor Statistics; carloadings, various railroads and railroad associations; and foreign trade, U.S. Bureau of the Census. ² Daily average. ³ Not adjusted for seasonal variation. ⁴ Excludes fish, fruit, and vegetable canning. ⁵ Los Angeles, San Francisco, and Seattle indexes combined. ⁶ Commercial cargo only, in physical volume, for Los Angeles, San Francisco, San Diego, Oregon, and Washington customs districts; starting with July 1950. ⁷ "special category" exports are excluded because of security reasons. ⁸ Annual figures are as of end of year, monthly figures as of last Wednesday in month or, where applicable, as of call report date. ⁹ Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. ¹⁰ Average rates on loans made in five major cities during the first 15 days of the month. ¹¹ End of year and end of month figures. ¹² Changes from end of previous month or year. ¹³ 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. ¹⁴ Debits to total deposit accounts, excluding interbank deposits. r—revised.

DEFENSE BOND DRIVE

BEGINNING Labor Day, September 3, and running through October 27, a new savings bond drive, the Defense Bond Drive, will be underway. The Drive will directly aid financial preparedness for defense, according to Secretary Snyder, but there will be no national dollar quota. The principal purposes of the Defense Bond Drive will be to discourage inflationary spending, to maintain and increase the wide distribution of the public debt, and to encourage continued practice of thrift and savings on the part of every individual. More wage and salary earners are expected to be enrolled on the Payroll Savings Plan, and farmers, professional groups, the self-employed, and all other segments of the population will be encouraged to maintain continuous, planned savings.

A widespread sale of bonds among the population at a time when production is being diverted from consumer goods to defense goods helps to relieve pressure on prices of consumer goods. The money spent on defense bonds is thus not available for bidding up the prices of consumer goods, the supply of which is smaller than it might be if no part of our economic resources were shifted to defense purposes. Sale of defense bonds will also help to spread out the national debt among a wide segment of the population and thus keep the proportion held by the banking system at a minimum. When a bank buys newly-issued Government bonds, typically the immediate effect is to increase the deposit of the United States Treasury at the bank by a corresponding amount. As checks are drawn against this additional deposit, they are deposited to the accounts of others and the net result is that deposits in the banking system as a whole are increased as a result of the extension of bank credit to the Government. When private individuals buy bonds, on the other hand, the money spent on the bonds is transferred from their hands to the Government's, and thus no increase in the money supply results. Instead the money is diverted from one spending stream (consumer goods) into another (defense goods). Under present circumstances this should help to minimize inflationary pressures.

Some form of saving is essential to the future security of every individual. Personal saving through the purchase of savings bonds is therefore not only patriotic, but also prudent in the light of existing conditions. It helps to minimize the upward price pressures inherent though deferred in our national defense program. It thus helps greatly to prevent undue deterioration in the purchasing power of money. Personal savings also build up the immediate and the future security of the individual saver.