MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

NOVEMBER 1951 — FEDERAL RESERVE BANK OF SAN FRANCISCO

THE DISTRICT LUMBER INDUSTRY DURING MOBILIZATION

During the past year it has become commonplace to assume that the defense program has stimulated activity in most industries. In the Twelfth District the marked expansion in aircraft production, machinery output, and metal processing has obscured the fact that some industries have not shared fully in the general upswing in business activity. Lumber is the principal industry in the District for which this has been true.

The effects, however, in the lumber industry have not been severe. Prices are now higher than before Korea by a substantial margin although somewhat lower than the peak reached earlier this year. Following the Korean outbreak the lumber industry was strongly affected by the expectations created by the defense program. Many users of lumber, particularly residential builders and retail yards, stocked up heavily. Added to this was the rush to build houses before restrictions became effective. The result was that lumber production increased substantially and has risen to an all-time high.

The momentum of these developments was so strong that even when lumber consumption slackened, the industry continued to produce at a record rate for some months. More recently, however, the cumulative effect of restrictions on credit and materials for various types of building has led to a decline in production below the levels of the second half of 1950. Even this lower level of output, however, will still be high relative to the second half of most other years. Prices are likely to remain reasonably steady and profit expectations on an industry basis do not appear dismal in any sense.

Record production despite declining demand

During the first nine months of this year, District lumber output was at an all-time high. Heavy demand early in the year and unusually mild weather resulted in record production during the first quarter. Pine production was up 26 percent and Douglas fir production was up 23 percent from the same quarter in 1950, but output in the redwood region showed only a moderate rise. The large gains in pine and fir reflect the low levels of production early in 1950 caused by severe weather as well as the very strong market conditions early this year.

Though sales eased after March this year and declined sharply in June, production was reasonably well sustained. Output gains of about 5 percent over 1950 were recorded for the second quarter in both the pine and fir regions of the District. Unfavorable weather conditions during July and August, however, resulted in a drop in production, already affected by reduced orders. A severe and prolonged dry spell, particularly in the Douglas fir region, created serious fire hazards that cut logging operations sharply and limited some mill operations. Production of both pine and fir was down about 8 percent from the third quarter of 1950. In the Western pine area, however, the decline in lumber cut was more the result of flagging demand than of bad weather. In September, Douglas fir production recovered sharply as the fire hazard abated and demand revived moderately, but pine production has continued to drop.

Output in the redwood region has remained fairly stable throughout the year except for normal seasonal changes. The specialty nature of redwood and its greater use in industrial projects tend to insulate this segment of the lumber industry from some of the short-run demand gyrations that have such a strong effect on Douglas fir and, to some extent, on pine.

Demand—a combination of fact and expectation

The large volume of new orders early in the year reflected the impetus to inventory accumulation imparted by developments in Korea and the unusual level of residential construction — itself partially a by-product of post-Korea events. Expectations of shortages induced many lumber dealers and builders to order heavily. In addition, the acceleration in residential building, the major source of demand for most District lumber, added considerably to the level of sales. During the first quarter the amount of new orders exceeded all previous records, and through May they continued at a very high level.

During the second quarter of the year it became apparent, however, that the volume of residential building would decline. Withdrawal of insurance companies and banks from the mortgage market because of undigested commitments and unfavorable prices for Government bonds resulted in sharp cutbacks in builders' plans. As the backlog of pre-Regulation X houses diminished, increased down payments required by Regulation X and FHA and VA regulations, along with a moderation of consumer fervor for housing, narrowed the residential building market considerably. These forces, along with high inventories in builders' and retailers' hands, reduced the demand for lumber appreciably. This decline continued through most of the third quarter, but a September increase in housing starts, due in part to the relaxation in credit regulations, resulted in an increase in new orders for Douglas fir.

In addition to the decline in residential building, National Production Authority restrictions on construction of amusement places, commercial and public buildings, churches, and certain other types of structures have also cut the need for District lumber. As an offset to these cuts in lumber use, increased military consumption has been important. Though adding less than has been removed from the demand picture, military needs for construction of new installations domestically and abroad are extensive. In addition, requirements for packaging and dunnage are greater than for civilian goods. Military requirements may take an increasing volume of lumber, but will probably not offset the drop in consumption for residential housing and other civilian uses.

One interesting increase in utilization results from Government restrictions on the use of steel. Timbers, which are lumber more than five inches thick, are being used in a number of structures to replace steel beams. These timbers require long, high-grade logs of large diameter and must compete with plywood for this type of raw material. The over-all volume of timber used in this application will be limited both by the log supply and the number of structures in which such beams can be used.

Inventories rise as orders decline

Despite the declining level of orders, production has decreased only slightly in recent months. In part this reflects the expectations that the need for lumber, particularly for residential building, may prove to be greater next spring than at present. In addition, inventories during most of the postwar period have been unusually low and many producers appear to be willing to accept an increase in stocks. As a result of the relatively high level of output in the face of declining demand, the ratio of mill stocks to new orders has risen sharply.

In the Douglas fir region, mill stocks rose 9 percent in the twelve months ending in September; in the Western pine region the gain was 22 percent. Stocks on hand in the Douglas fir region at present are equal to about one month's consumption, based on the current level of new orders. In March they amounted to little over two weeks' consumption. In the pine region, which usually carries much larger inventories than the fir area, stocks have increased from a two months' supply to better than two and one-half months.

Based on normal prewar practice, mill inventories could increase substantially in all segments of the industry before any serious problem would occur. Prior to the war, Douglas fir mills usually carried about a two months' supply of stocks and the Western pine region about a four months' supply. Nevertheless, the increase in stocks relative to new orders is likely to make producers more conservative. Production may be restrained somewhat and may run only slightly ahead of new orders.

Although inventories of lumber have increased, the log supply for this winter is rather low. The reduced operations during the summer dry spell diminished the supply of logs on hand below the levels normally expected at this time of year. This will not be a serious problem if lumber requirements remain moderate, but if demand should strengthen and weather conditions cut into logging operations, some tightness in lumber supplies could follow.

Prices dip but remain well above pre-Korea level

Lumber prices have generally receded from the high points reached earlier this year or late last year, yet remain well ahead of the prices prevailing just prior to the Korean outbreak. In September, Douglas fir No. 1 common 2x4's were quoted at $82 per thousand board feet, 8 percent less than at the high point reached the previous September, but 9 percent ahead of June 1950. Average realizations (an average of prices received on all types of lumber produced) for the region as a whole have fallen somewhat less, 5 percent, since September 1950. They were also further above pre-Korea levels, 12 percent, than were the prices of 2x4's, principally because prices for types and grades other than 2x4's have been quite steady during the past few months. The prices for ponderosa pine have reacted similarly with No. 3 common 1x8's selling in September for 9 percent less than last April's high, yet 15 percent ahead of pre-Korea prices.

Little basis exists at present for any sharp rise in lumber prices during the next few months. The demand for lumber has been moderate compared with that of 1950 and early 1951 and will probably continue at current levels at least until spring. Some price increases of a moderate nature may occur for Douglas fir because of the low log inventory, but even this would require some increase in new orders. Most forecasts of residential housing next year indicate a decline of 20 percent or more from the total expected for 1951. This would result in a construction rate not too different from the present comparatively low volume. Even if military use of lumber increases substantially, it will not offset the decline in consumption arising from the lower level of residential building. Lumber markets will probably continue to be dull and prices should not vary much from present levels, though moderate declines could occur from time to time.

RECENT CHANGES IN THE GEOGRAPHIC DISTRIBUTION OF BANK DEPOSITS — TWELFTH DISTRICT

At the end of 1950 total deposits of individuals, partnerships, and corporations in all banks in the Twelfth District had increased less than 2 percent since the end of 1947, compared with a 6.4 percent increase in the country as a whole. District demand deposits were up 3.2 percent and time deposits were down slightly. However, for the period from the end of 1941 to the end of 1950, Twelfth District percentage increases in both types of deposits were nearly one and a half times those in the United States. The very high rate of expansion of deposits in the District states during the war and early postwar years has dropped considerably since 1947, and there has been some shift in the distribution of deposits among counties.

In all states of the District, 1947-1950 increases in deposits—particularly demand deposits—occurred more often and were larger percentagewise in counties with large population centers than in other counties. In northern California, for instance, there were increases in deposits in almost all counties in the San Francisco Bay area, while deposits in the San Joaquin and Sacramento Valley counties declined considerably. In Washington and Oregon most of the increase was in demand deposits in the western parts of those states where more of the cities and large towns are located. In Arizona, the state with the largest percentage gain in deposits in the District, the increase was concentrated in Maricopa and Pinal Counties, the area surrounding Phoenix. Nevada's largest increases were in Washoe County (Reno) and Clark County, where Las Vegas is located. The latter had the largest percentage increase of any county in the District—32 percent; no doubt this is related to the activities of the atomic testing installations in that area.

This concentration of increases around population centers contrasts with the growth of deposits from 1941 through 1947 when it was found that increases in metropolitan areas were considerably smaller percentagewise than gains in the predominantly agricultural counties of the District. During 1947, however, District farmers' net income was at a record level, and farmer ownership of demand deposits had reached an all-time high early in that year. From 1948 through 1950 net farm income declined steadily as did also the amount of demand deposits held by farmers. For the whole period from 1941 through 1950, however, percent increases generally were much larger for rural counties than for areas near large cities. The major exceptions—Los Angeles County and Maricopa County, Arizona—are large agricultural producing as well as metropolitan centers.

Deposits of Individuals, Partnerships, and Corporations in all Banks, by Selected Counties,[1]
December 31, 1947 and 1950—Twelfth District
(in millions)

	Total		Demand		Time		Percentage change 1947-50		
	1950	1947	1950	1947	1950	1947	Total	Demand	Time
Arizona	$ 289.0	$ 245.5	$ 222.8	$ 182.1	$ 66.2	$ 63.4	+17.7	+22.4	+ 4.4
Maricopa	222.3	186.5	171.3	136.9	51.0	49.6	+19.2	+25.1	+ 2.8
California	11,718.6	11,530.5	6,396.2	6,177.4	5,322.4	5,353.1	+ 1.6	+ 3.5	— 0.6
Northern California	6,225.5	6,144.9	3,045.0	3,000.9	3,180.5	3,144.0	+ 1.3	+ 1.5	+ 1.2
San Francisco	2,574.5	2,543.1	1,330.0	1,322.0	1,244.5	1,221.1	+ 1.2	+ 0.6	+ 1.9
Alameda	839.6	818.8	352.5	317.9	487.1	500.8	+ 2.5	+10.9	— 2.7
Sacramento	302.1	298.5	141.9	140.5	160.2	158.1	+ 1.2	+ 1.0	+ 1.3
Santa Clara	294.4	276.4	142.5	131.5	151.9	144.9	+ 6.5	+ 8.4	+ 4.8
Fresno	257.2	253.0	140.2	135.7	117.0	117.3	+ 1.7	+ 3.3	— 0.3
San Joaquin	191.2	205.2	90.3	100.4	100.9	104.8	— 6.8	—10.1	— 3.7
San Mateo	179.0	150.6	63.6	52.0	115.4	98.7	+18.9	+22.3	+16.9
Southern California	5,493.1	5,385.7	3,351.2	3,176.6	2,141.9	2,209.1	+ 2.0	+ 5.5	— 3.0
Los Angeles	4,492.7	4,385.4	2,758.1	2,589.9	1,734.6	1,795.6	+ 2.4	+ 6.5	— 3.4
San Diego	368.3	354.4	205.8	190.3	162.5	164.1	+ 3.9	+ 8.1	— 1.0
Idaho	368.7	384.2	265.6	289.6	103.1	94.6	— 4.0	— 8.3	+ 9.0
Northern Idaho	101.7	98.5	71.9	71.5	29.8	27.0	+ 3.2	+ 0.6	+10.4
Nez Perce	27.7	24.3	19.3	17.6	8.4	6.6	+14.0	+ 9.7	+27.3
Southern Idaho	267.0	285.7	193.7	218.0	73.3	67.7	— 6.5	—11.1	+ 8.3
Ada	63.4	60.2	45.1	43.3	18.3	16.9	+ 5.3	+ 4.2	+ 8.3
Nevada	152.2	141.0	93.2	86.6	59.0	54.4	+ 7.9	+ 7.6	+ 8.5
Washoe	72.2	67.3	44.7	41.5	27.5	25.8	+ 7.3	+ 7.7	+ 6.6
Oregon	1,291.5	1,284.9	883.6	866.1	407.9	418.8	+ 0.5	+ 2.0	— 2.6
Western Oregon	1,109.6	1,105.4	738.4	722.9	371.2	382.6	+ 0.4	+ 2.1	— 3.0
Multnomah	628.4	639.2	397.2	396.3	231.2	243.0	— 1.7	+ 0.2	— 4.9
Eastern Oregon	181.9	179.4	145.2	143.2	36.7	36.2	+ 1.4	+ 1.4	+ 1.4
Umatilla	31.0	29.8	25.0	24.5	6.0	5.3	+ 4.0	+ 2.0	+13.2
Utah	473.0	460.8	294.7	296.9	178.3	163.9	+ 2.6	— 0.7	+ 8.8
Salt Lake	293.6	275.7	191.0	189.5	102.6	86.2	+ 6.5	+ 0.8	+19.0
Washington	2,006.0	1,997.9	1,263.0	1,230.7	743.0	767.2	+ 0.4	+ 2.6	— 3.2
Western Washington	1,484.6	1,460.7	874.5	835.0	610.1	625.7	+ 1.6	+ 4.7	— 2.5
King	930.4	907.5	526.7	504.3	403.7	403.2	+ 2.5	+ 4.4	+ 0.1
Pierce	187.4	175.9	110.7	99.3	76.7	76.5	+ 6.5	+11.5	+ 0.3
Eastern Washington	521.4	537.2	388.5	395.8	132.9	141.5	— 2.9	— 1.8	— 6.1
Spokane	191.9	179.8	133.6	119.2	58.3	60.6	+ 6.7	+12.1	— 3.8
Twelfth District	$ 16,299.1	$ 16,045.0	$ 9,419.2	$ 9,129.4	$ 6,879.9	$ 6,915.5	+ 1.6	+ 3.2	— 0.5
United States	$145,931.2	$137,108.9	$90,998.9	$84,997.7	$54,932.4	$52,111.2	+ 6.4	+ 7.1	+ 5.4

[1] Counties with the largest deposits as of December 30, 1950 in all states or areas shown and all other counties with total deposits (including interbank and governmental deposits) over $200 million.

POSTWAR CONSUMER INSTALMENT CREDIT

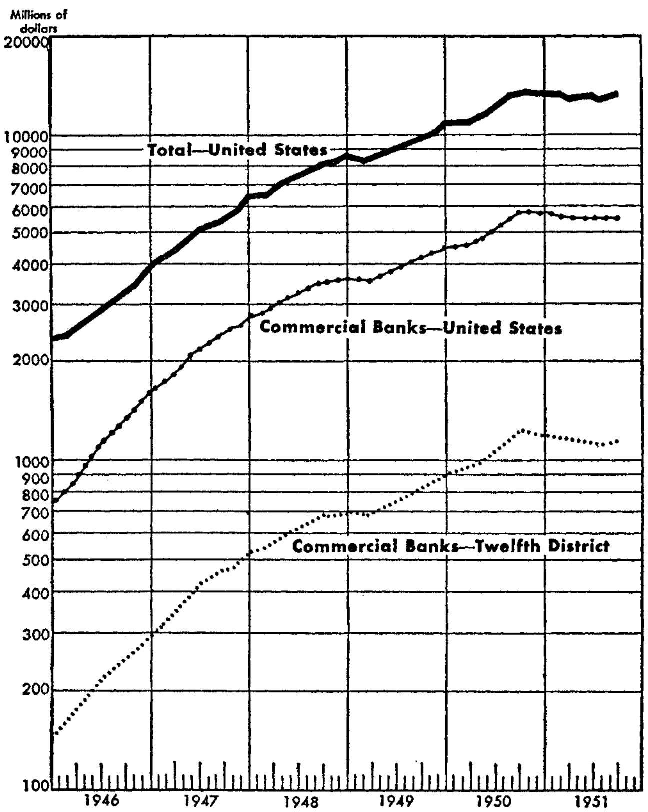
At the end of July total consumer instalment credit outstanding in the nation was $600 million below the all-time peak of $13.5 billion reached in December 1950. Decreases occurred in five of the first seven months of this year. Following the considerable relaxation of terms on July 31 in accord with the amendments to the Defense Production Act, consumer instalment credit expanded substantially in August and September.

Federal controls on consumer lending, reimposed as an anti-inflationary measure in September 1950, have been blamed by many for the buyer apathy and accompanying inventory log jam which have plagued manufacturers and distributors of consumer durables since last spring. In view of the interest attaching to consumer credit as an economic stimulant or inflationary force, it may be appropriate at this time to trace briefly the trend of instalment lending in the expanding economy of the postwar period, with special reference to the Twelfth District.

Rapid expansion since 1945

Beginning in 1945-46, when reconversion placed new supplies of automobiles, household appliances, furniture, and building materials on the nation's markets, the amount of consumer instalment credit outstanding in the nation expanded swiftly. Discontinuance of the wartime consumer credit regulation in November 1947 apparently had little effect on the already steeply upward trend. Incomes were rising and liquid asset holdings widely distributed, so payment requirements had not greatly inhibited the consumer-borrower. In the latter part of 1948 some slackening was apparent, probably due more to satisfaction of the initial postwar replacement needs than to reimposition of Regulation W in September. The outstanding volume of instalment credit dipped moderately in the first quarter of 1949 in response to seasonal factors and the mild recession in consumer buying of durable goods, but resumed its upward climb in March—three months before Federal controls were again removed. The rise was sharply accelerated in mid-1950 when the outbreak of the Korean war led to scare buying, done in large part on credit. Moreover, in the minds of many people, television had become overnight a near-necessity, and a pre-1949 automobile was considered obsolete. Re-establishment of Regulation W brought an immediate leveling off of the rise during the fourth quarter of 1950, and during 1951 the trend was generally downward until the end of July. As previously noted, however, a substantial expansion occurred in August and September following the relaxation of the terms of Regulation W to conform with the amended Defense Production Act.

CONSUMER INSTALMENT CREDIT OUTSTANDING, 1946-51



Note: This chart is plotted on a logarithmic scale on which equal vertical distances represent equal percent changes rather than equal absolute amounts.

Commercial bank pattern

Consumer instalment loans of commercial banks considered separately have displayed a postwar pattern very similar to that of total consumer instalment credit, the chief differences being a less pronounced seasonal movement and in 1946 a steeper upward tendency. Seasonal variations are noticeably smaller in commercial bank holdings, which consist largely of paper purchased from retailers, while total instalment credit shows a Christmas peak resulting largely from sale credit extended directly by retailers other than automobile dealers. The relatively rapid rise of commercial bank outstandings in 1946 reflected in part the entry of many banking institutions into the consumer loan field for the first time. This factor was less important in the Twelfth District than nationally, however, since consumer credit activity by banks here was widespread before the war.

Twelfth District experience

In analyzing consumer instalment credit in the Twelfth District, it is necessary to base conclusions on the commercial bank figures. There are no comprehensive data available for other types of lenders on a current basis. However, this defect is less serious than might appear, since consumer lending in this District is dominated by the banks, which hold about three-fourths of total instalment paper outstanding.[1] Certainly the postwar trend of consumer loans of Twelfth District commercial banks

[1] This estimate is based on data provided by registration statements under Regulation W (see MONTHLY REVIEW, August 1951). These data somewhat understate the relative importance in the Twelfth District of nonbank lenders, however, since such lenders operating in more than one Federal Reserve district reported consolidated figures to the Federal Reserve bank in their home office district.

has closely paralleled that for total instalment credit in the United States as a whole. From the war's end until September 1948, the increase was rapid and the rate of gain steady, averaging 4.6 percent per month. After five months of no net change—a stability attributable in part to the return of Regulation W and in part to the mild business recession—Twelfth District instalment lending began to expand again in March 1949, the outstandings growing by an average 2.8 percent per month until mid-1950.

Following the outbreak of war in Korea, Twelfth District consumers stepped up their borrowing, and for the third quarter the monthly rate of gain was 4.1 percent. Between July 1 and September 30, 1950, instalment credits extended by Twelfth District commercial banks swelled the demand for consumer goods by about $150 million net of repayments. With the introduction of the new Regulation W in September the expansion ceased abruptly. In contrast to the national experience, Twelfth District commercial bank instalment credit fell off sharply during November and December. It has continued to recede, though at a diminishing rate, during 1951. An August upturn following the relaxation of Federal controls—notably the provision allowing trade-ins to be part of the required down payment—was the first monthly increase since September 1950. A further small increase occurred in September. How much of the 1951 decline in consumer credit outstanding can be attributed to the regulation and how much to the general sluggishness of trade, in reaction to the scare buying excesses of 1950 and early 1951, is a moot point. In any case, it is clear that not only automobiles and other durables, but soft goods not covered by Regulation W, have suffered from slow demand with an accompanying involuntary accumulation of trade stocks.

Changes in distribution of loans

When the war ended the consumer loan portfolios of Twelfth District commercial banks were not only at a low level—about one-eighth of the amount now outstanding—but wartime shortages and disruptions had altered significantly the distribution of loans of various types. For example, cessation of new car production had led to a brisk turnover in used cars and to the influx of many new dealers who did not have established financing connections. As a result, automobile instalment paper purchased by banks from dealers had declined from 31 percent of total paper held in December 1941 to 16 percent in August 1945, while direct loans to auto buyers had increased in importance from 23 to 37 percent. Other retail instalment credit had dropped from 17 to 6 percent of the total during the same period, reflecting wartime shortages of new household appliances and furniture. Personal instalment cash loans, which reflect primarily borrowing for purposes other than acquisition of durable goods; represented 29 percent of the August 1945 total, compared with 19 percent in December 1941.

With reconversion and the return of normal peacetime conditions, the process was reversed, and the various types of instalment credit shifted back to approximately their prewar relative importance. Purchased automobile paper accounted for 41 percent of the September 1951 total, exceeding its prewar percentage; at the same time, direct loans to consumers for the purchase of automobiles had dwindled to 13 percent. Retail instalment paper secured by consumer goods other than automobiles made up 18 percent of the September outstandings. It may be significant that a year ago, at the height of the scare-buying spree, this type of credit comprised 21 percent of the total. Doubtless the rapid resurgence of non-automobile retail instalment credit—as well as the drop since September 1950—reflects in considerable part the mushrooming expansion of the television industry and its vicissitudes during the past year.

Repair and modernization credit accounted for 17 per cent of the total outstanding in September this year; this type has gradually gained in importance during the war and postwar periods. Personal instalment cash loans dropped from 29 to 11 percent of the total between 1945 and 1951. In general, it appears that the prewar pattern of commercial bank consumer loan portfolios has been restored, but is dominated even more by retail instalment paper purchased from the retailer and secured by automobiles and other merchandise.

The outlook for instalment lending

In general, future prospects for consumer instalment credit are more a function of the availability of goods and the probable state of demand than of the terms of Regulation W. The expanding defense program, accompanied by tightening Federal control of scarce materials, should affect the production of consumer durable goods to an increasing extent. Actually there should be a sizeable lag between restriction of output and resulting contraction of retail sales and of consumer credit, as present stocks are abnormally high and could support current or higher levels of sales for months. This is less true in the case of automobiles, especially those produced by the major companies. Also, many durable goods manufacturers have voluntarily cut production in advance of Government restriction to ease the burden of excessive inventories—again excepting the major automobile producers.

DISTRIBUTION OF OUTSTANDING CONSUMER INSTALMENT CREDIT BY TYPE OF LOAN—TWELFTH DISTRICT COMMERCIAL BANKS

	December 1941	August 1945	September 1950	September 1951
Retail automobile instalment credit:				
Direct loans	23	37	11	13
Purchased paper	31	16	44	41
Other retail instalment credit:				
Direct loans	17[1]	1	[2]	[2]
Purchased paper		5	21	18
Repair and modernization credit	11	11	14	17
Personal instalment cash loans	19	29	10	11
Total	100	100	100	100

[1] Not available separately.
[2] Less than one-half of one percent.
Note: Detail may not add exactly to totals because of rounding.

With rising personal incomes and only moderate control, since August, under Regulation W, consumers may add substantially to their instalment obligations in the next few months. Warnings of impending scarcity may once again find the ear of the consumer. But barring drastic modification of present defense plans the long-heralded shortages will eventually appear, reducing the volume of durable goods sales and of retail instalment paper written. With outstandings at current high levels, a large volume of new loans must be made each month just to offset the flow of repayments. In the Twelfth District these repayments at commercial banks amount to about $140 million per month, and if the volume of new instalment contracts and loans drops below this rate the total outstanding will decline. In a defense economy such an event appears likely.

REAL ESTATE LOANS IN THE TWELFTH DISTRICT

Commercial banks own about half the mortgage paper held in the Twelfth District, while savings and loan associations are second in importance with 28 percent, according to data submitted by more than 4,400 registrants under Regulation X with $6.3 billion in real estate loans outstanding as of May 31, 1951. The statistical data included in the registration statements constitute a detailed record of mortgage loan holdings in the District. They provide information not only about the role played by different types of lenders but also about the relative importance of different kinds of real estate loans and the geographical distribution of holdings.

Distribution by type of owner

With commercial banks holding 50 percent and savings and loan associations 28 percent, the only other major types of institutional lenders are life insurance companies with 10 percent and savings banks with 6 percent. It should be borne in mind that the data represent *ownership* of real estate loans by Twelfth District institutions, rather than *location* of mortgaged properties in the District. For example, the figure of 10 percent grossly understates the importance of insurance companies as a source of mortgage market funds in the Twelfth District, since the operations of the major eastern firms are necessarily excluded inasmuch as their head offices are located outside this District. Some confirmation of this fact is afforded by a similar survey made by the Federal Reserve Bank of New York in which it was found that insurance companies are the leading mortgage holders in the Second Federal Reserve District. The great importance of insurance companies in this field in New York may be attributed largely to their nationwide operations.

The dominant role of the commercial banks is underlined by the fact that they held more than half the real estate loans outstanding in every Twelfth District state except Utah and Washington, where savings and loan associations are especially strong. Even in Utah the commercial banks owned a larger percentage of the total than did any other type of lender, while in Washington, where mutual savings banks are also important, they ranked second.

The four major types of lenders accounted for more than 94 percent of Twelfth District mortgage holdings. The remainder represented, for the most part, holdings of trust departments of banks, mortgage companies and brokers, and builders and developers. Mortgage companies and brokers are primarily active in servicing loans held for the account of others; in this capacity they reported custody of $1.2 billion in mortgages, or more than half of the $2.2 billion listed as serviced for others by all registrants combined.

Total Real Estate Loans Held in the Twelfth District by Type of Owner—May 31, 1951

Type of owner	Dollar amount (in millions)	Percent of total
Commercial banks	3,150	50.2
Savings and loan associations	1,762	28.1
Life insurance companies	612	9.7
Savings banks	403	6.4
All other lenders	349	5.6
Total	6,276	100.0

Relative importance of loan types

Non-farm residential loans were about 87 percent of all real estate mortgages owned in the Twelfth District. This group was divided almost equally between Government insured or guaranteed types and conventional loans. Three-fifths of the insured or guaranteed mortgages held by Twelfth District lenders were insured by the Federal Housing Administration, the balance being guaranteed by the Veterans' Administration. There was remarkably little variation in the relative importance of the FHA-insured, VA-guaranteed, and conventional loans among three of the major types of lenders. Commercial banks, insurance companies, and savings banks all reported slightly more than a third of their real estate loans to be FHA-insured, slightly less than a third conventional, and

Percentage Distribution of Real Estate Loans Owned by Major Institutional Lenders by Type of Loan Twelfth District—May 31, 1951

	Commercial banks	Savings and loan associations	Life insurance companies	Savings banks
Residential:				
FHA-insured	34.5	9.4	33.6	33.8
VA-guaranteed or insured	19.3	16.8	13.6	19.9
Conventional	31.3	71.3	30.4	26.8
Total residential	85.2	97.5	77.6	80.6
Nonresidential:				
Farm	3.6	0.1	2.0	1.3
Other	11.2	2.4	20.4	18.1
Total nonresidential	14.8	2.5	22.4	19.4
Total	100.0	100.0	100.0	100.0
Loans held for others[1]	9.6	10.8	1.7	8.3
Number of firms	380	288	43	31[2]

[1] The percentages shown for this item represent the ratio of the loans serviced for others to the loans held for own account.
[2] Some of the banks which classified themselves as savings banks for purposes of registration under Regulation X also hold demand deposits.
Note: Detail may not add exactly to totals because of rounding.

Percentage Distribution of Real Estate Loans Held in Twelfth District States by Type of Loan—May 31, 1951

	Total Twelfth District	Arizona	California	Idaho	Nevada	Oregon	Utah	Washington
Residential:								
FHA-insured	26.5	56.6	25.8	29.5	38.7	18.5	30.6	29.6
VA-guaranteed or insured	17.6	16.1	17.4	23.0	12.7	25.6	13.2	15.7
Conventional	43.4	19.7	45.0	29.9	31.1	37.0	40.4	40.5
Total residential	87.4	92.4	88.2	82.4	82.5	81.1	84.2	85.8
Nonresidential:								
Farm	2.3	2.9	2.0	4.4	2.3	4.2	4.8	2.5
Other	10.3	4.7	9.8	13.2	15.2	14.7	11.0	11.7
Total nonresidential	12.6	7.6	11.8	17.6	17.5	18.9	15.8	14.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Loans held for others[1]	35.7	78.0	29.9	34.3	21.5	56.1	57.6	60.6
Number of firms	4,408	46	3,210	106	28	322	128	568

[1]The percentages shown for this item represent the ratio of the loans serviced for others to the loans held for own account.
Note: Detail may not add exactly to totals because of rounding.

the rest divided between VA-guaranteed loans and nonresidential credit. But savings and loan associations reported that more than seven-tenths of their loans were of the conventional type, and less than one-tenth insured by FHA.

For all lenders combined, farm loans composed 2 percent of the outstandings and other nonresidential credit 10 percent. Farm loans accounted for almost 4 percent of real estate credit of commercial banks, and 2 percent or less for other lenders. Other nonresidential credit extended by the savings and loan associations amounted to less than 3 percent of their mortgage holdings; for the other three types of institutions this category included 15 to 22 percent of the total.

There was considerable geographical variation in the relative importance of loan types. FHA loans accounted for 57 percent of the Arizona total, but less than 19 percent in Oregon, where VA loans were 26 percent of the outstandings. Except in Oregon, loans guaranteed by the VA ranged from 13 to 23 percent of the total. Conventional loans were most important in California, where they comprised 45 percent of the outstandings, and in Utah and Washington. Residential loans as a whole were most important in Arizona and California. Farm loans were most important in Utah, Idaho, and Oregon, while other nonresidential mortgages represented 15 percent of the outstandings in Nevada and Oregon, and less than 5 percent in Arizona.

Geographical distribution

California firms own 79 percent of total real estate loans held in the Twelfth District. This is a much larger share than can be explained on the basis of population or even of income, and reflects the importance of San Francisco and Los Angeles as financial centers. The reverse is true of every other Twelfth District state; each holds a smaller percentage of total mortgages in the District than its proportion of District population or income.

Total Real Estate Loans Held in the Twelfth District by State—May 31, 1951

State	Dollar amount (in millions)	Percent of total
Arizona	84	1.3
California	4,957	79.0
Idaho	94	1.5
Nevada	43	0.7
Oregon	291	4.6
Utah	142	2.3
Washington	665	10.6
Twelfth District	6,276	100.0

BUSINESS INDEXES—TWELFTH DISTRICT[1]
(1935-39 average = 100)

Year and month	Industrial production (physical volume)[2]								Total mf'g employment[4]	Carloadings (number)[2]	Dep't store sales (value)[2]	Retail food prices[3,5]	Waterborne foreign trade[3,6]	
	Lumber	Petroleum[3] Crude	Petroleum[3] Refined	Cement	Lead[3]	Copper[3]	Wheat flour[3]	Electric power					Exports	Imports
1929	148	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	88	86	99.6	88	103
1936	106	94	98	117	100	98	96	96	100	103	99	100.3	86	110
1937	113	105	105	112	118	135	99	105	112	109	106	104.5	112	114
1938	88	110	103	92	96	88	96	102	96	96	101	99.0	108	82
1939	110	99	103	114	97	122	107	112	104	104	109	96.9	107	90
1940	120	98	103	124	112	144	103	122	118	110	119	97.6	86	96
1941	142	102	110	164	113	163	103	136	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	55
1947	147	147	159	193	98	163	133	256	187	142	330	200.3	85	78
1948	159	149	162	211	109	154	116	284	191	134	353	216.1	57	93
1949	151	147	167	202	105	142	104	303	183	126	331	209.6	55	115
1950	171	144	168	227	113	176	94	333	197	131	353	209.8	59	131
1950														
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	209	140	368	211.0	58	134
October	187	153	177	252	106	176	99	352	210r	131	343	214.1	62	148
November	167	154	179	229	111	195	97	353	208r	131	345	216.0	68	167
December	168	154	173	229	118	195	120	345	208	152	376	222.9	70	167
1951														
January	187	154	176	239	101	181	134	361	213r	130	420	230.8	75	146
February	171	155	187	255	110	178	121	361	219r	124	375	230.2	98	159
March	168	155	179	246	106	180	111	380	220	133	335	234.5	110	169
April	189	155	180	247	101	195	110	378	221	152	346	233.0	122	174
May	199	155	179	278	101	182	106	378	224	142	348	235.3	126	133r
June	190	157	179	266	98	175	96	378	224r	144	347	233.4	128	158r
July	154	156	182	330	90	171	98	393	224	123	365	234.6	132	140
August	174	157	187	319	72	161r	106	396	224	126	360	233.1	...	136
September	160	158	188	313	80	173	108	379	221	140	356	235.5	...	...

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

Year and month	Condition items of all member banks[7]				Bank rates on short-term business loans[9]	Member bank reserves and related items[10]					Bank debits index 31 cities[3,13] (1935-39=100)[3]
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[8]	Total time deposits		Reserve bank credit[11]	Commercial operations[12]	Treasury operations[12]	Coin and currency in circulation[11]	Reserves	
1929	2,239	495	1,234	1,790	......	− 34	0	+ 23	− 6	175	146
1931	1,898	547	984	1,727	......	+ 21	− 154	+ 154	+ 48	147	97
1933	1,486	720	951	1,609	......	− 2	− 110	+ 150	− 18	185	63
1934	1,469	1,064	1,201	1,875	......	− 7	− 198	+ 257	+ 4	242	72
1935	1,537	1,275	1,389	2,064	......	+ 2	− 163	+ 219	+ 14	287	87
1936	1,682	1,334	1,791	2,101	......	+ 6	− 227	+ 454	+ 38	479	102
1937	1,871	1,270	1,740	2,187	......	− 1	− 90	+ 157	− 3	549	111
1938	1,869	1,323	1,781	2,221	......	− 3	− 240	+ 276	+ 20	565	98
1939	1,967	1,450	1,983	2,267	......	+ 2	− 192	+ 245	+ 31	584	102
1940	2,130	1,482	2,390	2,360	......	+ 2	− 148	+ 420	+ 96	754	110
1941	2,451	1,738	2,893	2,425	......	+ 4	− 596	+1,000	+ 227	930	134
1942	2,170	3,630	4,356	2,609	......	+ 107	−1,980	+2,826	+ 643	1,232	165
1943	2,106	6,235	5,998	3,226	......	+ 214	−3,751	+4,486	+ 708	1,462	211
1944	2,254	8,263	6,950	4,144	......	+ 98	−3,534	+4,483	+ 789	1,706	237
1945	2,663	10,450	8,203	5,211	......	− 76	−3,743	+4,682	+ 545	2,033	260
1946	4,068	8,426	8,821	5,797	......	+ 9	−1,607	+1,329	− 326	2,094	298
1947	5,358	7,247	8,922	6,006	......	− 302	− 510	+ 698	− 206	2,202	326
1948	6,032	6,366	8,655	6,087	......	+ 17	+ 472	− 482	− 209	2,420	355
1949	5,925	7,016	8,536	6,255	3.20	+ 13	− 930	+ 378	− 65	1,924	350
1950	7,093	6,381	9,254	6,251	3.35	+ 39	−1,141	+1,198	− 14	2,026	395
1950											
September	6,664	6,495	8,754	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	6,352	......	− 32	− 38	+ 6	+ 21	2,206	444
March	7,293	5,734	8,819	6,338	3.48	− 3	− 124	+ 130	− 8	2,186	461
April	7,367	5,696	8,828	6,332	......	− 45	− 200	+ 226	+ 26	2,180	431
May	7,422	5,685	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	− 342	+ 298	+ 19	2,186	429
August	7,630	6,000	9,058	6,547	......	+ 159	− 80	+ 86	+ 41	2,312	443
September	7,704	5,998	9,235	6,576	3.65	− 43	+ 18	+ 42	+ 32	2,293	445
October	7,791	6,204	9,485	6,642		− 121	− 143	+ 283	+ 17	2,291	462

[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, "special category" exports are excluded because of security reasons. [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] 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. r—revised.