MONTHLY REVIEW

JULY 1953 FEDERAL RESERVE BANK OF SAN FRANCISCO

MONETARY FLEXIBILITY AND ECONOMIC STABILITY

THE value and desirability of a flexible monetary policy as a stabilizing influence in the economy have been clearly demonstrated in recent months. The relatively tight conditions that existed in the money market during much of the first half of the year, and especially from late April to early June, have been transformed into a somewhat easier situation. The change was a result of open market operations and a modest decrease in reserve requirements which made more reserves available to banks. These Federal Reserve credit actions were directed toward the general objective of adjusting the supply of money and credit in accordance with the needs of a dynamic economy. They were taken in anticipation of the usual seasonal expansion in both the private use of bank credit and currency, and the Treasury's substantial needs for borrowed funds in the second half of the year.

Starting about mid-May, the System made more reserves available to banks primarily by purchasing Treasury bills in the open market. Throughout May and June, purchases of Treasury bills were made from time to time, and by the end of June System holdings of bills had increased by $912 million. An additional $246 million were purchased in the first half of July. Late in June, the Board of Governors of the Federal Reserve System announced that member bank reserve requirements against demand deposits would be reduced effective in early July. This action freed approximately $1,156 million in reserves. Reserves made available by these actions will help meet part of the seasonal demand for credit in the second half of the year. Treasury borrowing will absorb much of these reserves at first, but as the Treasury spends in excess of its tax receipts the increase in credit will flow into the private sector. Thus, the seasonal and growth needs of the economy will meet a rising availability of funds.

The easier reserve position resulting from the System's purchase of Treasury bills and the reduction in reserve requirements encouraged the member banks to pay off a substantial amount of their borrowings from the Federal Reserve banks. Member bank borrowing averaged $1,313 million in the week ending May 13 (the first week in which the System began to buy Treasury bills) and by the week ending July 15 the volume outstanding had dropped to an average of $230 million. During this same two-month period, the System increased its average holdings of Treasury bills by $1,142 million. Thus, the decline in member bank borrowings and the increase in the System's holding of Treasury bills roughly offset each other, and the weekly average amount of total Reserve bank credit remained virtually unchanged. At the same time, the average amount of excess reserves of member banks rose by $553 million, reflecting primarily the reduction in reserve requirements. In the following week (ended July 22) a substantial reduction occurred in excess reserves as required reserves were set up against the Treasury tax and loan accounts established to pay for tax anticipation certificates of indebtedness purchased by or through commercial banks.

It is expected that the Treasury will borrow about $9 billion in new funds during the second half of this year. In addition, it will have to refund about $22 billion of marketable securities, not including regular Treasury bills. The various actions taken to ease the conditions in the money market greatly facilitated the sale by the Treasury of $5.9 billion of tax anticipation certificates of indebtedness in the first half of July. These certificates carry a 2½ percent coupon. Thus the Treasury has already raised a large proportion of the new funds that it is expected to need in the second half of the year.

The business demand for credit typically expands in the second half of the year as agricultural commodities move into processing and distributive channels and as retailers build up their inventories for the holiday trade—to mention only two seasonal demands for credit. Although business loans at weekly reporting member banks have risen somewhat in July, it is too soon to judge the extent of total private and public demand for additional bank credit in the second half of this year.

Furnishing an amount of reserves that will enable banks to meet the typical seasonal demands for credit in the second half of the year will contribute to economic

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stability. If less reserves were furnished, normal seasonal activity would be restricted, while if a greater than necessary amount were provided, undesirable inflationary pressures might result. When the economy is operating at virtually full capacity, as at present, a flow of purchasing power in excess of the flow of goods and services results primarily in rising prices since output cannot expand accordingly.

For the same reason, the moderately restrictive monetary policy in the first half of the year contributed to economic stability. The business demand for credit was much stronger in the first half than usual and consumer credit continued to rise sharply. In addition, total funds invested in long-term markets, including mortgages, were at a record level. The Treasury's need for borrowed funds in April and May was also unusually heavy for that time of year. The System could have made bank reserves available in sufficient quantity to permit all demands to be filled. It is likely, however, that under such a policy undesirable inflationary pressures would have been created. As it was, not all demands were met in full and the danger of inflationary pressures was lessened as a consequence.

Numerous criticisms were levied against monetary policy in the first half of this year on the ground that it was undesirably restrictive. Already, some criticisms have been voiced against current monetary policy on the ground that it is not sufficiently restrictive. One's opinion as to the desirable degree of restraint or ease in the money market depends in large part upon one's forecast of business conditions, over which there may be legitimate differences of opinion. That question is not under discussion here, except to remark that with economic activity continuing at record levels there seems little basis for aggressively pursuing an easy money policy at this time. Further steps to ease the credit situation could be taken promptly, however, if a significant decline in activity should threaten. It will be sufficient here to call attention to only two extreme views concerning appropriate monetary policy.

One conceivable type of monetary policy would be to keep the money supply at a fixed amount regardless of changing economic conditions, with no attempt to allow for seasonal expansion or for longer run increases in the output of goods and services that result from our increasing productive capacity. Needless to say, had such a policy been rigidly followed in the past year or two, complaints about too restrictive a monetary policy would have been far more numerous and extensive and would have been made far earlier than they were. Nor can one guess how much higher the Treasury bill rate might have gone than the twenty-year record of 2.416 percent it set on the issue of June 4. It should be fairly obvious that such a policy would not be conducive to the maintenance of economic stability over any significant period of time.

The other extreme would be a policy which more nearly approaches some of our past experiences. It would consist of making bank reserves available in sufficient quantity to permit virtually all credit demands to be met in full regardless of the fact that production is about at its maximum for the economy as a whole. This policy is not always proposed in these terms, however, since its inflationary potentialities are fairly obvious. More often, it is argued that Government securities should not be allowed to fall below par and that the Reserve System should make sufficient funds available for the Government to borrow at fixed—and low—interest rates. But it is not always clearly understood that this version of the second policy extreme, since it is identical with the first version, requires that credit be made readily available for private as well as public borrowers. To accomplish these superficially plausible goals for Federal financing, enough credit must be made available to permit virtually all credit demands, private as well as public, to be met in full. This was essentially the result that was obtained during the period that Government securities were supported at par by the Federal Reserve System. Holders of Government securities that needed funds either to make loans or for other purposes were able to obtain them readily by selling Government securities at par or better. To the extent that the System found it necessary to support the market by buying securities, additional bank reserves were created, thereby permitting a further expansion of bank credit. Thus the initiative in determining the amount of bank reserves rested with private holders of Government securities rather than with the Federal Reserve System.

In contrast to these two extreme policies, a flexible monetary policy such as that being followed currently has much to commend it. The increased reserves of the banks will permit them to meet the basic seasonal and growth needs, while at the same time the Federal Reserve System maintains a firm hold on the money supply. While there may well be sound differences of opinion as to whether the credit market should be allowed to get as tight or as easy as it has upon particular occasions, in the over-all view the superiority of a flexible policy as an instrument contributing to economic stability seems abundantly clear. Certainly it would be the height of folly to foster a serious recession or depression by too severe a restraint of credit, but to allow monetary inflation to continue unchecked in order to avoid recession is a sure way to bring about an eventual economic collapse.

CONSTRUCTION IN A CHANGING ENVIRONMENT

CONSTRUCTION expenditures in the nation reached an all-time high in the first six months of this year and were nearly 8 percent ahead of the same period in 1952. The increase in expenditures outstripped the rise in prices and the physical volume of building also set a first-half record. In the Twelfth District, the dollar volume of building permits, a less comprehensive measure than total expenditures, rose more than 25 percent above the year-ago

level. In view of these increases, one might well expect that the outlook for building during the remainder of the year would be considered bright. However, the industry has been beset by repressive as well as stimulating forces.

The most pronounced and most discussed impact has come from the tightness in the money market which has dulled the appetite of institutional investors for GI and FHA mortgages. Less apparent, but also tending to retard activity, has been the sharp cut in the award of Federal building contracts in the period from February through May while a re-evaluation of proposed Government projects was being made. At the same time other forces were present which contributed to the expansion in activity. By January 1, most restrictions on construction, which had been promulgated under the Defense Production Act, were terminated. This permitted a rapid rise in the nonresidential sphere, particularly in the building of commercial and amusement structures. In addition, state and local governments contributed to the rise in construction by continuing to expand outlays on highways, bridges, and buildings.

The repressive forces did not have a significant effect upon construction activity in the first half of the year. The volume of work already contracted for by the Federal Government at the beginning of the year and the contracts let, even during the period of review, kept Federal expenditures ahead of 1952. In the residential field, commitments made by lenders last year allowed builders to proceed with an extensive program. The crucial questions concerning construction activity apply, therefore, to prospective developments in the second half of the year. Except for the possibility that residential construction may be impeded by a lack of mortgage funds, the evidence currently available points to the continuation of a high level of activity. Recent action by the Veterans' Administration on fees that builders may pay for GI financing, the large volume of mortgage repayments, and money market adjustments may make mortgage commitments more available than they were in May and June.

Residential building has good record in first half of year

Activity in the home building industry during the first half of the year compares very favorably with that in the same period of 1952. Nationally, expenditures were 9 percent greater than in 1952 even though housing starts barely exceeded the volume in the first half of last year. Starts in late 1952, on a seasonally adjusted basis, ran well above those in the first half of last year and provided a substantial carry-over of work into 1953. This backlog and a good rate of starts so far this year have led to a substantial rise in outlays. The over-all expansion of housing starts this year has been retarded by a sharp reduction in public housing, the physical volume of which has fallen more than one-third behind that of the first half of 1952.

In the Twelfth District, residential building in the first half of the year rose sharply from last year's levels. A 24 percent increase over the first six months of 1952 in the number of units authorized in the District contributed substantially to the maintenance on a national basis of a high level of residential starts. The increases were fairly widespread, and each state in the District reported a substantial gain over last year except for Washington which had a small drop. However, declining housing starts in the nation from April to May and from May to June and a decline in the District from May to June led to the belief that residential building activity might be facing an adverse situation in the second half of the year. One principal concern involves the possibility that the high rate of building activity in the District may have resulted in a large number of unsold houses. In order to probe this question, builders in the major metropolitan areas of the District were interviewed concerning their experience.

District has satisfactory demand for housing in first half of year

Although the results of the interviews indicate a varied pattern within the District, generally the demand for housing proved to be satisfactory. Builders in the Los Angeles and San Francisco metropolitan areas, who account for a substantial portion of District tract construction, apparently have experienced the best demand. These builders have had little difficulty disposing of new houses even though they constructed many more units than they did in the first six months of 1952. Most houses in tracts were sold while in the construction stage. Only about 10 percent remained unsold when tracts reached completion, and these were sold in from two to ten weeks later. Builders expressed the opinion that sales were better than last year and that the margin of unsold houses upon tract completion was no greater than in 1952.

In the Portland area the proportion of unsold houses also averaged less than 10 percent, but builders felt the market was not quite so brisk as last year. Like some California builders, a few Portland firms reported that higher priced houses had a better market than in 1952. Seattle builders found the market slower than last year

EXPENDITURES FOR NEW CONSTRUCTION, UNITED STATES
First Half 1952 and 1953
(in millions of dollars)

	Jan.-June 1952	Jan.-June 1953	Percent change
Total new construction	14,821	15,967	+7.7
Private construction	10,851	10,025	+8.2
Residential	5,428	4,963	+9.4
Other than residential	5,423	5,062	+7.1
Public construction	4,796	5,116	+6.7

Source: United States Department of Labor, Bureau of Labor Statistics and United States Department of Commerce.

VALUE OF CONSTRUCTION AUTHORIZED, TWELFTH DISTRICT
First Half 1952 and 1953

	Percent change
Total authorizations	+27
Residential building	+24
Nonresidential building	+40

Source: United States Department of Labor, Bureau of Labor Statistics and *Western Building*.

and reported a moderate increase in unsold houses. Demand in the Salt Lake City area seemed to be least satisfactory. Builders there had a larger volume of unsold houses than last year, sales were harder to make, and lenders were more stringent in accepting buyers.

Lenders shy away from new commitments

Though many residential builders in the District regarded the first half of the year with a fair degree of enthusiasm, almost all of those interviewed forecast a sharp decline in activity in the second half. This foreboding on the part of builders reflects the unwillingness of major lenders to make commitments for GI and FHA mortgages for the remainder of 1953. Conditions in the mortgage market now are considerably different than in mid-1952 when builders were negotiating for loans on projects for the second half of last year and for tracts this year.

A number of factors have contributed to the recent stringency in the mortgage market and the inability to obtain commitments. At various times since March 1951, when the Federal Reserve System and the Treasury agreed to follow a policy of flexible interest rates, the money market has been relatively tight even though credit has expanded. The growth of credit, however, has not been so great as the expansion in demand. If all credit demands had been met in this period, stability in the economy would have been jeopardized. In the first half of this year a much tighter money market developed, however, than had been experienced for many years. The volume of commercial and industrial loans at banks declined less than usual and consumer loans continued to rise sharply. There was also a record volume of new security issues and continued large demand for mortgage loans. A steady outflow of gold and a seasonal decline in Federal Reserve bank credit, which was reversed in mid-May, placed considerable pressure on bank reserves. If the loan demand had declined in keeping with the usual seasonal pattern, the pressure resulting from the decline in reserves would have been much less. The increased demand for loans coupled with the limited availability of reserves, however, tightened the money market considerably. To maintain required reserves, banks maintained a large volume of borrowings from the Federal Reserve System and reduced Government securities holdings by substantial amounts. Nevertheless, credit available in the first half of 1953 exceeded that a year earlier. The greater demand for credit played a prominent part in creating a tight money market.

NEW DWELLING UNITS AUTHORIZED, TWELFTH DISTRICT BY STATE
First Half 1952 and 1953

	Jan.-June 1952	Jan.-June 1953	Percent change
Arizona	697	993	+42
California	65,326	82,753	+27
Idaho	465	523	+12
Nevada	513	1,244	+142
Oregon	2,266	2,531	+12
Utah	1,399	1,764	+26
Washington	6,604	6,327	— 4
Twelfth District	77,206	96,135	+24

Source: *Western Building.*

The large demands for funds in the credit and capital markets and the pressure on banks to reduce security holdings resulted in a marked rise in interest rates generally with a sharp drop in the prices of outstanding Government securities. In this environment mortgage lenders were not inclined to make commitments for GI or FHA mortgages which might require further liquidation of their Government security portfolio. Nor were lenders inclined to invest funds available from repayment of debt or new savings in mortgages. Partly this reflected the more favorable yields on Government securities, but to a large extent the competition for long-term capital from corporate and municipal sources made insured and guaranteed mortgages unattractive.

Corporate issues in the first half of the year totaled $5 billion and municipal securities exceeded $2.5 billion. Total funds invested in long-term securities including corporate, municipal, Federal, and mortgage debt totaled $11 billion, $1.5 billion more than in the same period last year and a new record since the end of World War II. Though corporate issues did not exceed the volume of last year, they were sold at rising rates with some top grade issues approaching 4 percent coupons and a few issues in excess of 4 percent. Municipal securities, which are usually tax exempt, were offered in greater volume and were sold at rapidly rising rates which netted yields after allowances for corporate taxes comparing favorably with taxable securities yielding even more than 4 percent. With this type of competition, new GI and FHA mortgage funds were hard to find. Even conventional mortgages, which lenders were quite willing to make, tended to go up in cost. An increasing number of loans were reported as carrying an interest rate of more than 5 percent.

Prior to May 2, GI mortgages carried a rate of 4 percent and FHA mortgages 4¼ percent. Since it usually costs about 0.5 percent to manage mortgage portfolios, net yields were well below 4 percent. In order to meet competitive conditions, many builders became supervised lenders subject to Veterans' Administration regulations and sold their mortgages at discounts which ranged up to 7 percent. The increase in rates to 4½ percent announced on May 2 reduced the discounts involved, but the VA issued regulations that prevented builders from selling mortgages below par. This cut their access to the market for future financing unless they could obtain par commitments.

Effective July 1, the restrictions on selling GI mortgages at a discount were removed. In addition, the VA announced a more liberal policy for fees which could be charged the builder for a construction loan. The new VA regulation also permits the builder to make an agreement to compensate the lender for any discount the latter may have to take on resale of the mortgage granted the house

buyer. These provisions should make GI financing more attractive to lenders than under the May 18 regulation. Even compared with the conditions existing between May 2 and 18, the July 1 regulation offers an improvement in the investment value of GI mortgages. Assuming that the average life of a GI mortgage is twelve years (the experience of some lenders indicates that this may turn out to be the average life span for these mortgages), the purchase of 4½ percent mortgages at 97 offers a yield of almost 5 percent. Since the July 1 regulation facilitates below-par transactions between builders and lenders, financing by means of Government-guaranteed mortgages may now be more attractive to lenders than in recent months.

Housing activity is influenced by available financing

Housing activity depends to a major extent on the economy's demand for new residential units. The available evidence indicates that the first half year rate of construction, after allowing for seasonal forces, would not drop significantly because of any sharp decline in demand in the near future. A reduction in the supply of Government guaranteed and insured mortgages, however, could eliminate marginal buyers. Part of the difficulty in obtaining new mortgage commitments in May and June stemmed from the large volume that lenders still had to digest. So long as the money market remained tight they hesitated to venture forth on new commitments. The Federal Reserve System made moderate purchases of Treasury bills beginning in mid-May and announced late in June a reduction in reserve requirements effective in early July in anticipation of the usual seasonal rise in the demand for funds. These moves have resulted in a mild recovery of Government security prices and removed some of the pressure making for a shortage of credit.

The availability of mortgage funds during the remainder of this year will depend in large measure on the overall demand for credit. In addition to the usual short term business and agricultural demand, the second half of this year may witness a record rate of private and municipal security offerings as well as some expansion of Federal debt to meet the large deficit. Since reserves may not be under the pressure evident in the first half and old mortgage commitments will have runoff substantially, lenders may find repayments on old loans and new savings sufficient to cover some portion of the demand for insured and guaranteed mortgages. In the meantime, some District builders have commitments to carry them through the summer, but there is no longer a large carry-over of commitments. Under these circumstances should the demand for credit again exceed the supply, some decline in residential building might well occur. Even though insured and guaranteed mortgages account for only 30 percent of total mortgage recordings (including both old and new houses) at present, they bulk large in the building of new homes, particularly in this District. Most tract builders in this District rely on GI and FHA mortgages for 60 percent or more of their financing. Conventional mortgages could take up some slack, but the down payments required usually reduce the salability of homes.

A large portion of the mortgage funds available in this District has come from Eastern insurance companies and savings banks, or mortgage companies acting for these institutions. One large Eastern savings bank estimated that repayments on mortgages and the inflow of new savings to various savings institutions currently totals $11 billion annually. If the volume of corporate and municipal bonds does not rise more than expected and the Treasury obtains a major portion of its needs in the short-term market, there may be a sufficient amount of long-term money seeking investment to permit an adequate amount of lending for GI and FHA mortgages.

Nonresidential building spurred by commercial activity

Some lines of nonresidential building in both the Twelfth District and the nation have grown much more rapidly in the first half of this year than residential construction. However, on a national basis, the growth in total private building other than residential lagged behind the rise in expenditures for new houses because of a decline in farm construction. The controls over materials for construction were gradually relaxed in the latter part of 1952, and most of them were terminated effective January 1, 1953. This, coupled with the suspension of credit controls last fall, permitted the start of a large number of private projects which had been held in abeyance. Commercial construction, including warehouses, office buildings, shopping centers, and restaurants, expanded rapidly on a national basis. For the first half of this year, commercial construction expenditures exceeded those in the same period last year by more than 45 percent. Construction outlays for privately-owned amusement places, educational buildings, and religious structures also rose sharply. Industrial building, despite fears of a sharp drop, approached the 1952 rate and gained momentum, compared with May and June of last year. Utility construction continued in large volume and exceeded last year's levels by a substantial margin.

Public construction outdistanced last year's volume by a much narrower margin than did private building. Substantial declines in public outlays for residential structures, hospitals, and conservation projects retarded the growth of public building. Part of this decline reflects the review program instituted by the Administration after taking office. By June, however, the rate of Federal awards had risen significantly from the low level existing from February to May, but was still below 1952 levels. Construction of military establishments, other public buildings, roads and bridges, and sewer and water facilities all exceeded the rate of activity in the first half of 1952.

The rate of expansion in nonresidential building was somewhat larger in the District than in the nation. In the first six months of 1953 the dollar volume of activity

authorized in the District exceeded that in the same period last year by 40 percent. The sharpest gains were recorded by amusement places, garages, stores, schools, industrial structures, and office buildings. Highway and bridge construction continued to reach new record rates, but a 25 percent increase in this activity seemed small compared with commercial, educational, and factory buildings.

The balance of forces favors continued high rate of nonresidential building

The level of nonresidential construction has been threatened in the past year by various developments, but building activity has not been reduced. A large proportion of the certificates of necessity granting accelerated amortization had been utilized by the start of this year. In some quarters this led to the belief that sharp cuts would be made in the volume of building, particularly in the industrial sector. That these cuts did not materialize reflects the basic strength of the economy, even though a few lines have weakened during the past year and a half. The assumption that there might be a sharp drop in industrial construction also overlooked the shifts in population and resources utilization which have occurred and which have led to dispersion and relocation of industrial plants of various kinds. Two examples—the Fairless steel works on the Delaware River in Pennsylvania and a large Ford plant near San Jose, California—illustrate the effects of population and resource shifts with considerable eloquence.

NEW HOUSING STARTS, UNITED STATES
First Half 1952 and 1953

	Jan.-June 1952	Jan.-June 1953	Percent change
Private units	521,700	549,100	+ 5
Public units	44,100	28,000	—36
Total starts	565,800	577,100	+ 2

Source: United States Department of Labor, Bureau of Labor Statistics.

Aside from these features, industrial firms still exhibit a tendency to expand and improve capital facilities. Estimates by the Department of Commerce and the Securities Exchange Commission for the third quarter of this year indicate that capital expenditures will continue to rise from their current record rates after allowing for seasonal forces. Larger expenditures are planned by manufacturing firms in the chemical, beverage, petroleum, paper, electrical machinery, other machinery, and fabricated metals industries. Public utilities continue to plan increased outlays to meet growing demand and constitute a major source of investment strength. These plans involve a substantial amount of construction, though the proportion spent on equipment may be somewhat higher than in recent years.

In the public sphere, states and local governments continue to make plans which require a high level of construction. The school building program remains strong, and in some parts of this District may even expand during the remainder of the year. Most important at present seems to be the unquenchable thirst for improved highways. The State of California alone will add about $75 million in highway outlays during the next twelve months as a result of an increase in gasoline and other highway-user taxes.

As offsets to these expansionary forces, some decline from the present high rate of commercial building starts seems certain. The large bulge in authorizations came in March, and there has been a substantial drop since then. Nevertheless, activity remains above last year's levels, and not all of the impetus imparted by termination of controls has yet been dissipated. The reduced rate of Federal contract awards had a moderate effect in restraining nonresidential building, but recent developments indicate that Federal construction will be at a somewhat more rapid pace during the remainder of the year. In any event, the cuts from last year's levels are not likely to offset the gains which may occur in other nonresidential activity.

FRUIT AND VEGETABLE CANNING—1952-53 SEASON AND OUTLOOK FOR 1953-54

THE appeal to the President of the United States on July 27, 1953 by the California Canning Peach Association to prevent a widespread strike of cannery operatives in California has focused public attention on the fruit and vegetable canning industry of this area. The canning industry is of vital importance to large sectors of California agriculture, is of great significance to the entire western economy, and has no little interest for consumers of canned goods in all parts of the country. The quantity of raw produce put through California canneries alone exceeds 3 million tons a year, with an annual value running well over $100 million. California canners employ an annual average of about 48,000 operatives, rising to a peak of close to 100,000 at the height of the season in September; their annual wage bill approximates $160 million. The resulting product, which has averaged about 96 million cases for the past two years, has a wholesale value of about $500 million, and a retail value of around $675 million, a year.

1951 and 1952 packs were large and diversified

Considerable diversity marked the fortunes of the Twelfth District fruit and vegetable canning industry in 1952-53. The season's results were reasonably satisfactory to most of the fruit canners and to the larger companies having well diversified lines of product but were disappointing to many vegetable canners, especially to packers of tomato products who have been struggling with top-heavy inventories and unremunerative prices.

The aggregate District packs of canned fruits and vegetables both in 1951 and 1952 greatly exceeded those of most previous years, although the 52 million cases of fruit

packed in 1946 still remain a record. Canners succeeded in moving a larger volume of fruit products into distributive channels in the twelve months ending June 1, 1953 than in any season since 1946-47, when the pipe lines of the domestic market were being refilled after the war. Shipment of District vegetable packs also probably set a new record in 1952-53, although complete data are not available covering vegetable shipments from all producing areas of the District. For two successive years, 1951 and 1952, record-breaking packs of tomatoes and tomato products were put up by California canners, resulting in excessive stocks and depressed prices for some items in spite of exceptionally heavy movement of these products into consumption channels. National packs of canned fruits and vegetables, as well as of frozen food products, were also exceptionally large during the past two years and canners' profit margins on certain items fell to very low levels.

The combination of burdensome inventories, conservative buying by large distributors, constantly rising freight rates in relation to those of competing producers nearer the large consuming centers, and highly competitive markets for most products gave many packers an anxious time during much of the 1952-53 season. Not a few canners in fact incurred losses rather than profits on their year's business and are entering the new season in a somewhat chastened mood. Banks are taking an increasingly conservative attitude toward financing canners' commitments, especially those of packers having large inventories of tomato products. Hence the outlook is for a somewhat smaller volume of new packs in 1953 and for the probable continuance of highly competitive market conditions during the next twelve months.

PRINCIPAL FRUIT AND VEGETABLE PACKS—CALIFORNIA, OREGON, WASHINGTON, IDAHO, AND UTAH—1949-52

(thousands of cases)

	1949	1950	1951	1952
Fruit packs[1]				
Peaches				
Cling peaches	16,525	14,417	19,145	14,964
Other	2,714	1,979	3,409	3,605
Fruit cocktail	6,269	7,475	9,003	7,489
Pears	5,472	6,048	6,215	6,002
Apricots	2,371	3,661	4,655	4,010
Plums	1,669	930	2,217	1,470
Cherries	1,724	774	814	1,312
Apples and applesauce	906	1,503	792	925
Other fruits and berries	2,947	1,854	2,454	2,462
Total fruits and berries	40,597	38,640	48,704	42,239
Vegetable packs[2]				
Tomatoes	4,664	4,062	8,306	10,903
Tomato juice	6,796	6,493	12,053	11,610
Other tomato products	14,046	16,137	32,994	27,112
Peas	6,796	9,089	9,030	8,652
Beans, string	4,602	5,426	6,003	5,106
Corn	2,986	2,903	4,221	4,175
Asparagus	2,939	2,864	2,923	2,667
Spinach	1,960	2,500	3,304	2,591
Other vegetables	4,104	4,771	5,602	6,678
Total vegetables	48,892	54,246	84,436	79,494

[1] Basis 24 No. 2½ cans (except Utah production, actual cases).
[2] Actual cases, all grades and sizes.
Source: Canners' League of California, Northwest Canners Association, *Western Canner and Packer*.

1952 fruit packs of average size, but canners' stocks large

The term "average" probably comes closest to describing the volume and market behavior of the District's fruit packs in 1952. Few individual products can be singled out for any specially distinctive performance or marked departure from the normal experience of recent years. Aggregate fruit and berry packs, with a total of 42.2 million cases, dropped some 13 percent below the very large packs of 1951 but were within about 3 percent of the average for the six-year period 1946-51. The sharpest reduction from the previous year occurred in cling peaches, with a pack nearly 22 percent below the record pack of 1951 and about 8 percent less than the 1946-51 average. The pack of freestone peaches, on the other hand, was the highest on record—3.4 million cases, exceeding the previous peak in 1951 by some 10 percent and running more than 50 percent above the 1946-51 average. Fruit cocktail, apricots, and plums were packed in somewhat less than average volume in 1952, while pears, cherries, and miscellaneous fruits and berries slightly exceeded their respective average packs during the six years 1946-51.

More important than the current pack from the market standpoint is the season's total supply, consisting of canners' stocks at the beginning of the season plus the new season's pack. The 1952-53 seasonal supply of every major fruit product packed in the West except apricots exceeded the average supply of the six postwar years. Total seasonal supplies of Twelfth District fruit packs in 1952-53 of approximately 50 million cases were probably the largest on record, due to the exceptionally heavy carry-over of cling peaches, pears, and fruit cocktail from the 1951 packs plus the new packs put up in 1952. Nearly 18 percent of the huge cling peach pack of 1951 was still in canners' warehouses on June 1, 1952; the proportion of the 1951 fruit cocktail and pear packs remaining in canners' stocks at that date exceeded 25 percent. Approximately 10 million cases of fruit products from previous seasons' packs remained in District canners' stocks at the beginning of the 1952-53 season as compared with about 2 million cases the previous year and an average opening inventory of less than 4 million cases during the six-year period 1946 to 1951.

Intensive marketing effort required to move large canned fruit supplies

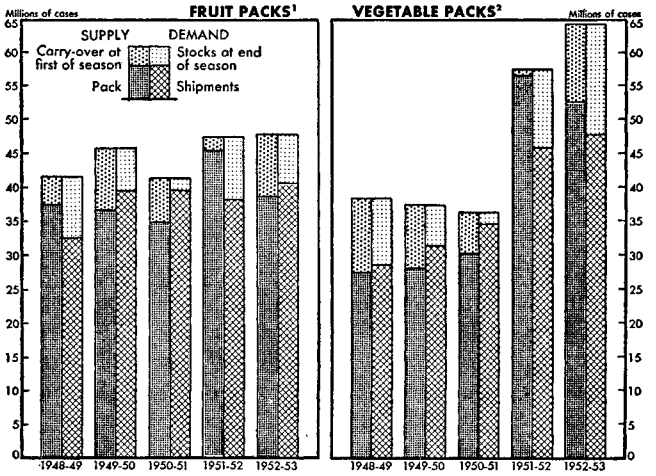
Although these larger than average supplies in 1952 threatened to unsettle the market and to weaken the general price structure, District fruit canners succeeded in moving the greater part of their packs into consuming channels without too great price concessions. More than half the total available supply of the eight major California fruit packs had been marketed by December 31. This performance compared favorably with that in three of the six previous seasons but fell short of sales results in the corresponding periods of 1946, 1947, and 1950, when special conditions stimulated active buying. After

some initial hesitation in testing the market in mid-1952, prices of the major fruit packs held fairly steady through most of the season. Cling peaches, fruit cocktail, and pears all sold somewhat below the levels of the 1951-52 season, pears showing the greatest concession under the impact of especially large Northwestern supplies. By the end of the season at June 1, 1953, approximately 85 percent of the total season's supplies of the District's nine major fruit packs had been shipped from canners' warehouses and of the 7.2 million cases remaining on hand at that date less than 4 million cases were still unsold. The industry as a whole thus entered the new season in a much more satisfactory condition stockwise than had been anticipated earlier.

District vegetable packs greatly above average in 1952

Total District vegetable packs in 1952, including tomato juice which has assumed very large proportions in recent years, approximated 69.5 million cases of canned products, an output second only to the record pack of 77 million cases put up in 1951. Western vegetable packs in both these years represented more than one-third of all canned vegetables packed in the United States. More than half of the nation's pack of tomatoes and tomato products in 1951 was put up by western canners, chiefly in California. Excluding tomato juice, the proportion of the national total packed in the West approached 64 percent. Large quantities of peas and corn, the two other leading canned vegetables products, are also packed in the western states, principally in the Pacific Northwest, but with a substantial contribution by Utah. The District 1952 pea pack of 8.1 million cases, while some 12 percent below the average of the six years, 1946-51, still represented more than one-quarter of the nation's pack in that year. District packs in 1952 of canned corn, 5.1 million cases, and of string beans, 4.2 million cases, marked an increase in both instances over the average packs of 1946-51 and represented 30 percent and 11 percent, respectively, of the national corn and string bean packs in that year.

SUPPLY AND DEMAND OF CANNED FRUIT AND VEGETABLES CALIFORNIA AND PACIFIC NORTHWEST, 1948-49 to 1952-53



¹ Canned fruits for California and Pacific Northwest. Fruits include peaches (cling and freestone), apricots, pears, fruit cocktail, fruits for salad, mixed fruits, sweet cherries, and plums. Basis 24 No. 2½ cans.
² Vegetables for California only. Vegetables include spinach, asparagus, tomatoes, tomato juice, and other tomato products. Actual cases.
Source: Canners' League of California and Northwest Canners Association.

Because of the large stocks of tomato juice and other tomato products carried over from the previous season, the total supply of vegetable products handled by District canners in the 1952-53 season established a new high record. Somewhat over 90 million cases was the impressive volume of canned vegetables challenging the sales effort of District packers last year. This was an increase of approximately 6 percent over the quantity handled in 1951-52, which itself far exceeded the volume of any previous year. Movement of vegetable packs into distributive channels proceeded at a very high rate in both seasons. The outstanding feature in both cases was the large volume of shipments made during the last half of the season—a volume roughly double the average rate of the January-June shipments of the four years prior to 1951.

Shipments of canned vegetables large but inventory problem remains

Reasonably complete data on stocks and shipments of District vegetable packs are available only for the major California products—asparagus, spinach, and tomato products. These California packs represented approximately 70 percent of the total District supply of canned vegetables during the past two seasons. Between 75 and 80 percent of the season's supplies of California vegetable packs had been shipped by the end of June in each of the seasons 1951-52 and 1952-53. However, there were still about 16 million cases remaining in canners' warehouses on June 30, 1953 at the end of the 1952-53 season. This was much the largest mid-year inventory of vegetable packs on record. Over 90 percent of this exceptionally large volume of California canners' stocks consisted of tomato products, including large quantities of tomato juice, catsup, sauce, and paste. Data for Northwestern vegetable stocks and distribution similar to the California statistics are not available. It is reported in the trade, however, that shipments of Northwestern peas, corn, and string beans—the principal vegetable packs in that area—have been very brisk and there is no current inventory problem in that area comparable to the California tomato products situation.

Prices of District vegetable packs were generally lower during the past season than during the previous three seasons. Prices of certain tomato products in particular reached very low levels, brought about no doubt by the large stocks which clogged the markets. This highly competitive condition impaired the value of many canners' inventories. It is probable that profit margins generally were influenced unfavorably by this situation, which bore most heavily on many of the smaller canners.

Restrictive freight rate structure

On May 2, 1952, a 9 percent rate increase on transcontinental rail shipments of canned fruits and vegetables from Pacific Coast points became effective. This was the sixth major advance in rail rates on such products since mid-1946, the cumulative effect of which has increased Pacific Coast packers' average shipping costs to their principal eastern markets by approximately 84 percent. More importantly, these successive rate advances have widened the differentials between rates paid by Pacific Coast canners and those charged their competitors in midwestern and eastern packing centers to common market areas. These differentials have now become so large as to constitute a serious handicap to canners in this region in the shipment of a number of products, especially vegetables and relatively low priced items, to their traditional markets in the large consuming centers beyond the Rocky Mountains. In order to place their goods in such markets, it has been necessary for Pacific Coast canners to hold down their delivered prices, where California packs compete with nearby supplies, to the point where profit margins have in many cases dropped close to the vanishing point. Concerted efforts are currently being made by California packers to secure a modification of the existing rate structure which will yield them a better competitive position in markets remote from California.

Clouded outlook for 1953-54 season

Prospects for the 1953-54 canning season are currently veiled in obscurity. This condition arises in part from more or less uncertainty as to price trends of products still in top-heavy market supply, in part from some remaining uncertainty as to the outturn of the major canning fruit crops—peaches and pears—and from complete uncertainty at this date as to the quantity of tomatoes likely to be brought to the canneries. Overshadowing the whole situation at the end of July was the dispute in the California canning industry arising from differences between union leaders and spokesmen for the packers concerning proposals for increased wages and welfare benefits.

Some of the minor California packs—asparagus, spinach, and sweet cherries—have already been made, running in each case to about the average volume of recent years. The apricot pack is currently under way, and promises to be at least equal to last year's pack, which was close to average size. Recent unfavorable weather conditions in the Pacific Northwest have damaged the green pea and string bean crops in some areas. This will result in smaller canned packs than were expected earlier in the season, though apparently the pack of frozen peas will approximate the normal output.

The leading California packs of cling peaches, fruit cocktail, and tomato products, which in recent years have accounted for some 80 to 85 percent of the total canning volume in California, remain to be made and the outlook for each of them is uncertain at this time. Both peaches and pears were damaged in some major producing areas by early frosts and hail which delayed their development; the hazards of the growing season are not yet fully past. An estimated total of about 514,000 tons has been indicated as the probable output of California cling peaches in 1953 which, if realized, would permit the canning of approximately 17.2 million cases, plus the normal amount of cling peaches going into mixed fruit packs and other uses.

No crop curtailment program for cling peaches in 1953

In contrast to the situation in 1950 and again in 1952, when California packers and growers took joint action under a State marketing order to restrict the supply of cling peaches by limiting the production and delivery of raw material to the quantity deemed marketable as canned fruit, no such limitation seems likely to be applied this year. Both in 1950 and 1952 a "green drop" program was enforced which required the elimination of immature fruit from a specific proportion of the trees in each orchard. In the light of hindsight it now seems probable that the restriction of supply in 1950 was unnecessary, as the entire potential output of cling peaches in that year could probably have been successfully processed and marketed under the conditions of demand that followed the outbreak of war in Korea. Be that as it may the Cling Peach Advisory Board, which is the agency designated under the State marketing order for the administration of market control, has decided this year to let nature take its course and there is to be no "green drop." The canners stand prepared this season to pack all the fruit of acceptable size and quality that growers can deliver up to the agreed limit of 514,000 tons. Should a larger volume of fruit develop, it is planned to take care of the surplus by setting up a "stabilization" fund or pool for the purchase and disposal of the excess, spreading the costs on a pro rata basis among the whole body of growers and processors.

The current decision against curtailment of cling peach output reflects not only a smaller crop, but in part the difficulty of applying with any semblance of equity a uniform "elimination" rate against all producers, some of whom have already suffered heavy crop elimination by reason of frost and other weather damage. It is also possible that the reversal of position from last year's procedure may be motivated in part by the fruit growers' realization that in the long run their fortunes are more likely to be furthered by a policy of increasing emphasis on consumption rather than by restricting production. Very large additions to the crop of cling peaches and of freestones too may be coming on the market during the next few years. Plantings of new orchards of superior producing varieties have been very heavy in California during most years since the war. Steady improvements in cultural practices and in control of insect pests and plant diseases are contributing to much greater yields. The cumulative effect of all this probably will be greatly enlarged supplies of cling peaches seeking a market outlet.

Packs of tomatoes and tomato products down this season

District packs of tomatoes and tomato products will undoubtedly be smaller this season than during the past two years, as canners have contracted with growers for only about 80,000 acres of canning tomatoes as compared with a total harvested acreage of 113,000 acres in 1952 and 148,000 acres in 1951. In contrast with the procedures under which the cling peach pack has been determined in recent years, reduction in tomato acreage under contract results from individual decisions made by canners acting independently and not through concerted action involving the industry as a whole. Production of a field crop, such as tomatoes, is of course much more flexible from year to year than is true of orchard crops like peaches and pears, where heavy investments have already been committed in developing orchards to the bearing stage. As already indicated, very large stocks of certain tomato products from previous packs still remain in canners' warehouses, of which a high proportion is unsold. This condition, together with large packs of early tomatoes currently being put up by competing canners in eastern producing areas, will probably exert a marked restraining influence on District output of tomato products in 1953, which is already reflected in the reduced acreage under contract.

USE OF THE CHECK ROUTING SYMBOL

TWELFTH District banks have been steadily increasing their use of the check routing symbol, but they are still behind most other Federal Reserve districts in this respect.

What is this symbol? On many checks, a rather enigmatic arrangement of numbers, in the form of a fraction, appears in the upper right-hand corner—such an arrangement, for example, as $\frac{11\text{-}24}{1210}$. The upper number is the American Bankers Association transit number, which identifies the issuing bank; the lower number is the check routing symbol. The first digit or the first two digits, as the case may be, of the check routing symbol designate in which of the twelve Federal Reserve districts the issuing bank is located. In this instance, the Twelfth District is indicated. The second (or third) shows which Federal Reserve office serves the issuing bank—number one specifying the San Francisco head office in this case. Branch offices are arranged in alphabetical order and are designated by figures 2 through 5. The last (third or fourth) indicates whether the check is a city item or a country item, and incidentally also gives a further clue as to the location of the issuing bank. The zero in the example means immediate availability if received in time for clearing exchange and also indicates that the issuing bank is in the same city as the Federal Reserve bank or branch that serves it. A number other than "0" would indicate that the bank was in a different area or that credit would be deferred, but would not indicate for how long. The symbol was designed to facilitate sorting of checks by banks and clearing organizations. Use of the symbol was introduced in 1945, and has been growing steadily since.

The Federal Reserve System has just completed its semiannual survey on the use of the check routing symbol. The results show that as of June 1, 1953, 85 percent of checks examined in the Twelfth District bore the symbol in the upper right-hand corner—the position approved by the System and the American Bankers Association. This represents an increase of 3 percentage points from the previous survey of December 1, 1952 and of 13 percentage points from June 1, 1951, the last survey that was reported in this *Review*. Despite this growth, the Twelfth District is eleventh in rank among the Federal Reserve districts in the use of the symbol. The highest ranking district—New York—had the symbol properly located on 96 percent of the examined checks, and the national average is 91 percent.

California is the villain among the seven states of the District. While Washington with 95 percent, Utah with 94 percent, Oregon with 93 percent, Idaho and Nevada each with 92 percent, and Arizona with 91 percent were all at or above the national average, California ranks at the very bottom of the list for the nation and pulls down the District average considerably with its 76 percent. This figure is 5 percentage points higher than the previous survey, however, and 16 points above the percentage on June 1, 1951.

As the *Review* pointed out in its more extensive article on this subject in June 1951, widespread use of the check routing symbol in addition to the ABA number can reduce time outstanding on checks in process of collection and reduce costs for all concerned by increasing the speed and accuracy of sorting. The Federal Reserve banks, the ABA, and other banks continue to urge banks that have not already done so, and individuals and corporations who have their own checks printed, to use the correctly-placed symbol on their checks as soon as their current supply of checks is exhausted. Banks generally have responded well to the program. The present problem centers to a large extent around companies who print their own checks. Banks can be helpful here, too, by counseling their customers to incorporate the routing symbol, along with the ABA number, when checks are reprinted. The ultimate saving to the bank, the customer, and the community generally merits giving special attention to this problem.

Note: EMPLOYMENT INDEX REVISIONS

The Twelfth District total nonagricultural and manufacturing employment indexes were revised to take into account revisions of state employment data based on new benchmarks. Nonagricultural employment indexes were revised back to 1943, while manufacturing employment indexes were revised back to 1946. Seasonal patterns were reviewed and revised where necessary. Complete revised data are available upon request.

BUSINESS INDEXES—TWELFTH DISTRICT[1]

(1947-49 average = 100)

Year and month	Industrial production (physical volume)[2]								Total nonagricultural employment	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	97	87	78	54	165	105	90	29	....	....	102	30	64	190	124
1931	51	57	55	36	100	49	86	29	....	....	68	25	50	138	80
1933	41	52	50	27	72	17	75	26	....	....	52	18	42	110	72
1935	54	62	56	33	86	37	87	30	....	47	66	24	48	135	109
1936	70	64	61	58	96	64	81	34	....	54	77	28	48	131	116
1937	74	71	65	56	114	88	84	38	....	60	81	30	50	170	119
1938	58	75	64	45	92	58	81	36	....	51	72	28	48	164	87
1939	72	67	63	56	93	80	91	40	....	55	77	31	47	163	95
1940	79	67	63	61	108	94	87	43	....	63	82	33	47	132	101
1941	93	69	68	81	109	107	87	49	....	83	95	40	52	....	....
1942	93	74	71	96	114	123	88	60	....	121	102	49	63	....	....
1943	90	85	83	79	100	125	98	76	100*b*	164	99	59	69	....	....
1944	90	93	93	63	90	112	101	82	101*b*	158	105	65	68	....	....
1945	72	97	98	65	78	90	112	78	96*b*	122	100	72	70	....	....
1946	85	94	91	81	70	71	108	78	95*b*	97*b*	101	91	80	89	57
1947	97	100	98	96	94	106	113	90	99*b*	100*b*	106	99	96	129	81
1948	104	101	100	104	105	101	98	101	102*b*	102*b*	100	104	103	86	98
1949	99	99	103	100	101	93	88	108	99*b*	97*b*	94	98	100	85	121
1950	112	98	103	112	109	115	86	119	103*b*	105*b*	97	105	100	91	137
1951	114	106	112	128	89	115	95	136	112*b*	122*b*	100	109	113	186	157
1952	107	107	116	124	86	112	96	144	116*b*	130*b*	101	114	115	171	200
1952															
May	94	108	114	129	89	116	87	147	113*b*	126*b*	98	118	115	207	143
June	117	107	116	126	87	112	84	150	115*b*	128*b*	108	114	115	187	182
July	108	107	116	125	68	106	90	150	116*b*	130*b*	96	110	114	144	187
August	106	107	122	131	81	105	103	153	118*b*	131*b*	101	116	114	153	293
September	109	107	122	131	78	112	99	145	119*b*	131*b*	108	114	114	142	253
October	116	107	117	142	80	115	96	146	119*b*	134*b*	98	118	113	145	319
November	105	107	118	133	85	116	97	141	118*b*	134*b*	102	128	114	135	194
December	99	108	114	126	78	111	96	138	118*b*	135*b*	100	119	115	148	232
1953															
January	116	107	115	105	77	109	99	141	118*b*	136*b*	94	116	114	151	195
February	117	108	117	131	85	113	92	154	119*b*	135*b*	102	117	112	158	187
March	120	109	123	126	85	116	96	142	119*b*	136*b*	102*r*	112	113	179	336
April	120	108	122	132	83	114	96	165	119*b*	136*b*	104*r*	110	113	....	336
May	112	109	127	142	77	115	91	....	119*b*	137*b*	102	122	113	....	....

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] (1947-49 = 100)[2]
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[8]	Total time deposits		Reserve bank credit[11]	Commercial operations[12]	Treasury operations[12]	Coin and currency in circulation[11]	Reserves	
1929	2,239	495	1,234	1,790	.....	− 34	0	+ 23	− 6	175	42
1931	1,898	547	984	1,727	.....	+ 21	− 154	+ 154	+ 48	147	28
1933	1,486	720	951	1,609	.....	− 2	− 110	+ 150	− 18	185	18
1935	1,537	1,275	1,389	2,064	.....	+ 2	− 163	+ 219	+ 14	287	25
1936	1,682	1,334	1,791	2,101	.....	+ 6	− 227	+ 454	+ 38	479	30
1937	1,871	1,270	1,740	2,187	.....	− 1	− 90	+ 157	− 3	549	32
1938	1,869	1,323	1,781	2,221	.....	− 3	− 240	+ 276	+ 20	565	29
1939	1,967	1,450	1,983	2,267	.....	+ 2	− 192	+ 245	+ 31	584	30
1940	2,130	1,482	2,390	2,360	.....	+ 2	− 148	+ 420	+ 96	754	32
1941	2,451	1,738	2,893	2,425	.....	+ 4	− 596	+1,000	+ 227	930	39
1942	2,170	3,630	4,356	2,609	.....	+ 107	−1,980	+2,826	+ 643	1,232	48*a*
1943	2,106	6,235	5,998	3,226	.....	+ 214	−3,751	+4,486	+ 708	1,462	60*a*
1944	2,254	8,263	6,950	4,144	.....	+ 98	−3,534	+4,483	+ 789	1,706	66*a*
1945	2,663	10,450	8,203	5,211	.....	− 76	−3,743	+4,682	+ 545	2,033	72*a*
1946	4,068	8,426	8,821	5,797	.....	+ 9	−1,607	+1,329	− 326	2,094	86*a*
1947	5,358	7,247	8,922	6,006	.....	− 302	− 510	+ 698	− 206	2,202	95*a*
1948	6,032	6,366	8,655	6,087	.....	+ 17	+ 472	− 482	− 209	2,420	103*a*
1949	5,925	7,016	8,536	6,255	3.20	+ 13	− 930	+ 378	− 65	1,924	102*a*
1950	7,093*r*	6,415*r*	9,254*r*	6,302*r*	3.35	+ 39	−1,141	+1,198	− 14	2,026	115*a*
1951	7,866*r*	6,463*r*	9,937*r*	6,777*r*	3.66	− 21	−1,582	+1,983	+ 189	2,269	132*a*
1952	8,839*r*	6,619*r*	10,520*r*	7,502*r*	3.95	+ 7	−1,912	+2,265	+ 132	2,514	140*a*
1952											
June	8,062	6,258	9,501	7,083	3.95	− 211	− 97	+ 190	+ 29	2,209	145*a*
July	8,114	6,507	9,643	7,143	.....	+ 45	− 208	+ 288	+ 7	2,333	135*a*
August	8,270	6,469	9,679	7,197	.....	+ 213	− 126	+ 163	+ 49	2,535	134*a*
September	8,444	6,473	9,908	7,249	3.96	− 230	− 153	+ 213	+ 4	2,363	144*a*
October	8,605	6,765	10,125	7,336	.....	+ 236	− 294	+ 267	+ 32	2,527	146*a*
November	8,805	6,808	10,281	7,331	.....	+ 72	− 29	+ 79	+ 34	2,616	141*a*
December	8,844	6,627	10,504	7,498	3.95	− 299	− 240	+ 422	− 12	2,514	157*a*
1953											
January	8,816	6,633	10,390	7,490	.....	+ 138	− 263	+ 136	− 77	2,565	146*a*
February	8,838	6,474	9,911	7,551	.....	+ 83	− 119	− 13	+ 22	2,491	150*a*
March	8,983	6,299	9,937	7,560	4.01	− 220	− 147	+ 240	− 18	2,394	164*a*
April	9,054	6,173	10,011	7,597	.....	+ 16	− 278	+ 240	+ 11	2,378	153*a*
May	9,092	6,020	9,843	7,627	.....	− 12	− 195	+ 314	+ 22	2,463	150*a*
June	9,156	5,997	9,899	7,703	4.18	− 39	− 531	+ 435	+ 39	2,275	155*a*

[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; nonagricultural and 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 prior to 1942, debits to demand deposit accounts from 1942 on, excluding interbank deposits. *a*—New revised series. *b*—See NOTE on page 98. *r*—Revised.