



# MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

DECEMBER 1954

FEDERAL RESERVE BANK OF SAN FRANCISCO

## BUSINESS ACTIVITY MODERATELY LOWER IN 1954

**I**N contrast with the general tone of weakness that existed in the business situation at the start of 1954, the economy of the Twelfth District ended the year on an upward trend. In addition, the general feeling among the great majority in the business community was one of moderate optimism. While there has been much discussion concerning the recession in business activity, the over-all decline has been relatively minor. In the Twelfth District total nonagricultural employment in 1954 was only 1.5 percent below the record level of 1953. This drop in employment was only half the national decline of 3 percent from 1953 to 1954. Some of the reasons for this difference in experience are discussed in another article in this *Review*.

At the start of 1954 reductions in Federal outlays for defense goods and military construction, a cutback in consumer purchases of durable goods, and a major inventory liquidation by business firms were the dominant forces in the business contraction, both in this District and the country as a whole. Weakness in the markets for lumber and nonferrous metals were additional depressive factors in the District. In the summer a number of major strikes in various District industries were a further disruptive element in the general business picture. However, in the late months of the year conditions improved. Settlement of the more important labor disputes, a revival of consumer buying of durable goods, an increased level of business orders, and a rise in military contracts combined to produce a stronger tone in the District economy.

The trend in general business conditions, however, tends to mask the fairly sharp divergent movements in some of the major industrial sectors of the District economy during 1954. A brief discussion of these differences will add to our understanding of the over-all business trend during the year.

### *Divergent trends prominent among major industry lines*

Despite the relative stability in the over-all level of business activity, employment changes in the principal industry groups of the District varied considerably on a year-to-year basis. While the decline in average monthly total nonagricultural employment was only 1.5 percent between the two years, individual industry changes ranged from nearly plus 2 percent to about minus 8 percent. The

largest percentage declines in average monthly employment occurred in contract construction, manufacturing, transportation, and mining. The drop in construction employment reflects the decline in the building of military installations and some slowness in new private construction activity in the first half of the year. A sharp upsurge in the value of District building permits issued in the latter half of the year may well presage some recovery in private construction employment in the coming months.

The decline in District manufacturing employment during 1954 was concentrated to a large extent in the durable goods lines, although most nondurable goods industries were also affected to some extent. The total number of man-hours worked in 1954 was 9 percent below 1953 at District firms producing durable goods compared with a decline of 3 percent for the nondurable group. In furniture and lumber the reductions in man-hours were 14 and 15 percent, respectively, reflecting in part the strike in lumber and a sharp cutback in furniture inventories. The cut of approximately 9 percent in man-hours in the metals and machinery industries was largely the result of the decline in the volume of defense work, reduced demands from business and farmers for productive equipment, and strike losses in nonferrous metal processing plants.

Contrary to the pattern of developments among durable industries generally, the number of man-hours worked and the level of production in the District transportation equipment industry expanded from 1953 to 1954. This was largely a consequence of a shift in defense policies which curtailed aircraft construction outside the District and at the same time resulted in some expansion in the output of types of aircraft produced on the West Coast. Some decline did appear in aircraft production in the late months of the year, but this was expected to be a temporary dip that would disappear in the early months of 1955. District automobile assembly plants employed fewer workers than in 1953, although the early introduction of

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new models was responsible for a sharp pickup in the closing months of 1954.

Nondurable goods industries in the District, while somewhat less active in 1954 than in 1953, have been significantly more stable than the durable group. The only substantial decrease in terms of man-hours of employment was in textiles and apparel in which total man-hours declined somewhat more than 6 percent. Smaller packs of canned fruits and vegetables, owing in part to reduced crops of some items and a heavy carryover from 1953 of unsold inventory, resulted in a 3 percent reduction in man-hours in the food products industry. In contrast, employment in the paper and in the printing and publishing industries reached new high levels during 1954.

#### ***Other industry lines show high degree of stability***

Employment changes in the major nonmanufacturing industries, except construction, were small and generally offsetting. A reduction of 3 percent in average monthly employment in transportation reflects largely lowered rail carloadings owing to strike interruptions, a smaller physical volume of agricultural shipments, and a decline in manufacturing activity. Smaller average employment at District mines arose from market weakness in lead and zinc and strike interruptions at the copper mines and smelters in Utah and Arizona. Growth in the finance, real estate, and service industries, although small (less than 2 percent), reflects largely the natural growth of population in the District and continued in-migration from other areas of the country. Declines in Federal Government employment were completely offset by further growth in state and local government personnel. The rise in state and local government employment has been largely concentrated in educational institutions, reflecting the continued large increase in school population.

#### ***Unemployment rises as employment declines and the labor force grows***

Unemployment was substantially higher in 1954 than in 1953, as the number of jobs fell and the labor force continued to expand. Unemployment represented approximately 5 percent of the labor force during 1954, a rise of nearly a third from the 1953 ratio of 3.8 percent. It is significant that the ratio has declined steadily from 6.8 percent in February 1954 to a level just slightly above 3 percent in October and November. In December the ratio rose but by a significantly smaller amount than during the same period in the several preceding years. The decline in the relative severity of unemployment is indicative of the growing strength of the economy as the year drew to a close. Also, it is interesting to note that the District ratio of unemployment to labor force continued below the national average from May through November, thus providing another indicator that the District has fared better during the recession than the country as a whole.

#### ***Sales decline at District department stores***

Sales at Twelfth District department stores in 1954 fell 1 percent behind the comparable period of 1953. Most of this decline may be attributed to a sales weakness in the first half of the year. Recovery in the second half of the year, although slight, raised the level of sales modestly above the second half of 1953. It should be recalled, however, that the second half of 1953 was itself a period of sales decline which followed the downturn in business activity late in the second quarter of the year.

#### ***District farm incomes slip further***

Continuing the decline of the previous two years the income position of District farmers weakened somewhat further during 1954. A number of forces contributed to this result. The output of farm crops was smaller and crop prices were generally lower in 1954 than in 1953. Acreage allotments and marketing quotas on wheat and cotton reduced income from these two major sources of District farm cash receipts. Although much acreage diverted from cotton or wheat was used for other crops, cash receipts from such alternative production only partly offset reduced receipts from cotton and wheat. In addition, more than the usual proportions of the 1953 cotton and wheat crops was placed under price support loans in late 1953, thereby reducing the proportion that would typically be sold to yield income in the first half of 1954. District cash income from livestock declined much less than from crops, largely because of an increase in the physical volume of livestock marketings and relatively more stability in livestock than in crop prices.

#### ***Demand for bank credit remains relatively low***

Reflecting the reduced level of over-all economic activity and a substantial liquidation of business inventories, the demand for bank loans remained relatively light throughout 1954. On December 31, loans and discounts outstanding at all member banks in the Twelfth District totaled \$9,541 million, a rise of \$203 million from the comparable date a year earlier. This increase in loans is about one half as large as that which occurred in 1953. Most of this difference in behavior in total loans between the two years is concentrated in consumer and business loans. Consumer loans outstanding at Twelfth District member banks decreased continuously during 1954 except for a minor rise in the last two months of the year, whereas the substantial increase in the first half of 1953 was only partly offset by a minor decrease in the second half of that year. Business loans decreased in both the first and second halves of 1953. In 1954 the increase in the second half largely offset the substantial drop in the first six months, so that the decrease for the year as a whole was somewhat less in 1954 than in 1953. Real estate loans increased in both years, but the increase in 1954 was slightly less than in 1953. Some part of these differences in loan behavior represents a shift in borrowers from banks to other types of lending institutions, especially consumer finance companies and large insurance and savings institutions.

**NONAGRICULTURAL EMPLOYMENT IN A YEAR OF RECESSION**

SOME interesting and important differences between the economic impact of recession on the national and Twelfth District economies developed during the decline in business activity which started in June 1953. Although differences between the District and the nation were apparent in agriculture, the contrasts of most importance were concentrated in the nonagricultural part of the economy. This is true because, in terms of employment, the nonagricultural sectors far outweigh agriculture in both the District and the nation and because agriculture responds to unique factors in addition to those which influence the remainder of the economy, both here and in the country as a whole.

One of the more interesting aspects of the decline, and the one under discussion here, was the more moderate reduction in nonagricultural employment in the Twelfth District than in the nation during the year starting in June 1953. Between that date and June 1954,<sup>1</sup> total non-agricultural employment fell by 3.5 percent or 1.8 million jobs in the United States in contrast to a decline of only 1.9 percent or 107,000 jobs in the Twelfth District. The June 1953-June 1954 comparison provides a rough measure of the effect of the recession upon nonagricultural employment in the two economies, even though some activities reached their peak either a little before or a little after June 1953 and others had not yet reached their trough by June 1954.

The underlying forces primarily responsible for the drop in activity between June 1953 and June 1954 were reductions in Federal spending, inventory liquidation, and a reduced demand for durable goods. The difference in behavior of nonagricultural employment produced by the impact of these forces upon the District and the nation can be largely explained by two factors: (1) differences in the industrial structure of the nonagricultural economy of the two areas and (2) differences in the behavior of individual industries.

As for structure, those groups of industries most adversely affected by the decline in business activity tended to be more important in the national economy than in the District economy. The manufacturing sector in general falls into this category. In particular, the metals industry component of the manufacturing sector (which includes the smelting, refining, processing, and fabricating of metals) was one of the hardest hit individual industries in either the nation or the District. This industry accounts directly for less than 3 percent of the District's non-agricultural jobs, however, in contrast with 5 percent for the nation. Thus, an identical percentage decline in employment in the metals manufacturing industry for the United States and for the District would affect the total job picture more severely in the nation than in the District.

<sup>1</sup>The June 1953 to June 1954 period was selected for several reasons: to provide a consistent basis for comparison of smaller sectors with movements in total non-agricultural employment; to remove the influence of different seasonal forces in those industries where no seasonally adjusted data are available; and to permit the use of data which were little affected by major labor-management disputes.

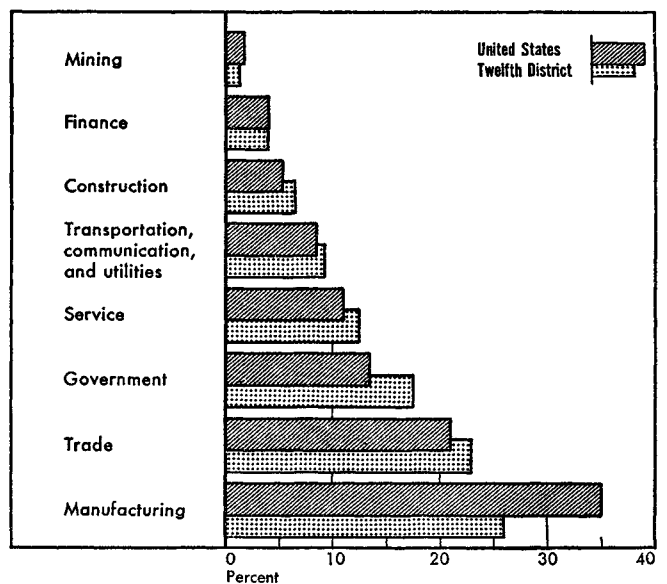
Differences in the behavior of individual industries, the other key factor in explaining the better performance of nonagricultural employment in the District than in the nation, were evident in a sharper employment drop in many individual industries nationally than in the District irrespective of the relative importance of the industries in the two areas. Most manufacturing lines were harder hit nationally than in this District. Mining employment, too, fell more sharply outside this District because of the different demands for particular materials. However, differences in behavior of major industry groups did not always favor the District. For example, construction employment rose nationally, but declined in this District.

*Differences in industrial structure and the impact of changes in economic activity*

It has already been indicated that part of the difference in behavior between the District and the nation results from a difference in the industrial structure of the two areas. The major difference in the importance of industrial groups is found in manufacturing which accounts for a substantially larger fraction of total nonagricultural employment in the nation than in the District. Consequently, most other major industry groups account for a larger share of employment in the District than in the nation, but Government employment, as is evident in the chart, is the only sector in which the District proportion is significantly larger than the national ratio.

The effect of structural differences on the District and national economies in the year under review is illustrated in Table 1. The table shows for each major industry group, in both the United States and the Twelfth District, the percentage change in employment from June 1953 to

**INDUSTRIAL STRUCTURE BASED ON NONAGRICULTURAL EMPLOYMENT<sup>1</sup>—TWELFTH DISTRICT AND UNITED STATES, 1953**  
(Percent distribution)



Source: United States Department of Labor, Bureau of Labor Statistics and co-operating state agencies.

June 1954 (columns 1 and 5) and the average monthly nonagricultural employment in 1953 (columns 2 and 6). It is evident from looking at the figures that identical percent changes in employment in two different industry groups, in either the District or the nation, will not necessarily have the same effect upon total employment, since some industry sectors employ many more workers than do others. To adjust for this type of difference in both the District and the nation, the percent changes for each industry group were weighted by the relative importance of each industry in total nonagricultural employment shown in columns 3 and 7. This weighted percent change (columns 4 and 8) thus provides a measure of each industry's contribution to the total change in nonagricultural employment in each geographical area.

Use of these weighted percent changes permits a more refined analysis of the factors that accounted for the difference in the impact of the recession upon the Twelfth District and the nation. Examination of the national and District figures shows, for example, that if nothing other than the respective declines in manufacturing had occurred the drop in total nonagricultural employment would have been 3.1 percent nationally (column 4) but only 0.9 percent in the District (column 8). The statistics also show that the impact of the recession on various other sectors was quite different in the District than in the nation. Differences in the experience of individual industries account for some of this variation, but differences in industrial structure, that is, the relative importance of the various industry groups, also played an important role.

The role of differences in industrial structure in producing the variance of behavior between the District and the nation can be demonstrated by multiplying the United States percent change in employment for any given group (column 9) by the ratio of that group to total employment in the District (column 10). The result, shown in column 11, is the percent change in total nonagricultural employ-

ment which would have prevailed in the District had the group percent change been the same in the District as in the United States. The difference between the figures in column 11 and those in column 4 thus arises from differences in the relative importance of major industry groups, or structural differences, between the District and United States economies. In other words, the last three columns in Table 1 illustrate that, had the national employment percent changes been applicable to the District, the decline in total nonagricultural employment would still have been smaller in the District than in the nation. Manufacturing made the principal difference because of its significantly smaller importance in the District economy. For other sectors, the relative impact would have been the same.

In terms of employment, the difference in response of the two economies to developments in the year ending last June might suggest that an examination of their structural characteristics would lead to some general ideas about economic stability in the District relative to the country as a whole. Manufacturing usually is less stable during the business cycle than a number of other broad industry classifications. Construction also tends to be volatile, although construction employment has been considerably more stable since 1948 than in some other periods of our economic history. During the 1948-49 recession and in the decline beginning in June 1953, employment in building has been much steadier than manufacturing employment for the nation as a whole. In contrast to manufacturing, employment in the finance, service, and government sectors tends to be fairly stable during most business cycles. Given the differences in industrial structure between the District and the nation, there may be a tendency to assume that the District has a more stable economy.

This assumption is unsafe, however, because the major industry groups, particularly manufacturing, include a wide variety of individual lines. Differences in specializa-

TABLE 1  
RELATIVE IMPACT OF RECESSION ON NONAGRICULTURAL EMPLOYMENT  
TWELFTH DISTRICT AND UNITED STATES

	United States			Twelfth District			Hypothetical situation Twelfth District				
	Percent change in employ- ment June 1954 from June 1953 (1)	Average monthly employment in 1953		Weighted percent change in employ- ment June 1954 from June 1953 <sup>1</sup> (4)	Percent change in employ- ment June 1954 from June 1953 (5)	Average monthly employment in 1953		Weighted percent change in employ- ment June 1954 from June 1953 <sup>1</sup> (8)	U. S. percent change in employ- ment June 1954 from June 1953 (9)	Twelfth District employ- ment ratios (10)	Weighted percent change in employ- ment June 1954 from June 1953 <sup>2</sup> (11)
		Number (in thousands) (2)	Ratio of each group to total (3)			Number (in thousands) (6)	Ratio of each group to total (7)				
Total nonagriculture. . . . .	- 3.5	49,660	1.000	-3.5	-1.9	5725	1.000	-1.9	..	1.000	-2.9†
Manufacturing . . . . .	- 8.8	17,259	.348	-3.1	-3.5	1491	.260	-0.9	- 8.8	.260	-2.3
Mining . . . . .	-12.1	844	.017	-0.2	-3.4	77	.013	*	-12.1	.013	-0.2
Construction . . . . .	+ 0.7	2,644	.053	*	-5.7	374	.065	-0.4	+ 0.7	.065	*
Transportation, communication, and utilities . . . . .	- 5.4	4,224	.085	-0.5	-3.8	526	.092	-0.3	- 5.4	.092	-0.5
Trade . . . . .	- 0.6	10,533	.212	-0.1	-1.5	1313	.230	-0.3	- 0.6	.230	-0.1
Finance . . . . .	+ 3.3	2,025	.041	+0.1	+1.3	237	.041	+0.1	+ 3.3	.041	+0.1
Service . . . . .	+ 0.4	5,486	.110	*	+0.8	712	.124	+0.1	+ 0.4	.124	*
Government . . . . .	+ 0.6	6,645	.134	+0.1	*	995	.175	*	+ 0.6	.175	+0.1

\*Less than one half of 1 percent.

†Total of component groups in the column.

<sup>1</sup>The weighted employment change provides a measure of each industry's contribution to the total employment change. It is derived by multiplying the percentage change in employment for each group by its ratio to total nonagricultural employment. The components may not add to total due to rounding.

<sup>2</sup>The figures in this column were obtained by multiplying the percent changes in United States employment by the Twelfth District employment ratios.

Source of basic data: The United States Department of Labor, Bureau of Labor Statistics and cooperating state agencies.

tion within major industry groups make a region more sensitive to some forces than to others. During the period under review, depressive forces affected types of production in which the national economy is more specialized than the District economy. During other periods, however, economic forces have created instability in individual industries that are relatively more important within the District economy. Thus, the decline in aircraft production and shipbuilding after World War II had a much more serious effect on this District than on the nation. From time to time national fluctuations in residential building have reduced activity in the lumber industry—which is important in this District—resulting in a more severe impact here than in the nation. While government employment is usually rather stable, Federal employment, which is very important in this District, can be quite unstable, particularly during periods of defense expansion or contraction. Even though manufacturing is less important here than nationally, there could be circumstances when the decline in the District would be greater because changes in demand for factory output would affect its industries more severely than those elsewhere.

An examination of the industrial composition of the broad industry groups exhibited in Table 1, then, is vital for an understanding of the lesser decline in employment in the District than in the nation during this most recent recession. It is also vital in evaluating the question of relative stability at other times. Since manufacturing is the most important group of industries, it will be analyzed first.

***Depressing forces had a greater effect on individual national manufacturing industries than on those in the District***

Reduced Federal spending between June 1953 and June 1954 resulted in lower activity in a number of manufacturing lines which are located principally in areas outside this District. Contracts for ordnance, some types of machinery and vehicles, aircraft parts, some types of aircraft not manufactured in this District, and instruments were either reduced or canceled. The impact from these cuts affected the steel industry as well as the particular lines mentioned. The drop in consumer spending on goods after mid-1953 forced cuts in the production of consumer durables such as automobiles and home appliances. The apparel and textile group also experienced a sharp drop in demand, and the textile industry was even more severely affected than apparel manufacturing. Inventory liquidation by business firms hurt most manufacturing lines, but the durable lines were the hardest hit. In almost every case, the industries affected play a smaller role in the industrial structure of the District than in that of the nation.

The degree of difference in the effect of these forces on the District and the nation is well illustrated in Table 2. Five national manufacturing lines—machinery, metals, transportation equipment, textiles and apparel,<sup>1</sup> and ord-

<sup>1</sup>Several states in the Twelfth District report a combined employment figure for the textile and apparel industries thus making it necessary to combine these two industries for the District as a whole. Consequently, these two national industries have also been treated as one group.

nance—accounted for more than 80 percent of the decline in the nation's manufacturing employment. Each of these individual industries, except transportation equipment, is more important nationally than in this District. The transportation equipment industry, however, is a composite of the automobile, aircraft, and shipbuilding lines. The automobile industry accounted for all but a small portion of the decline in employment in the transportation equipment industry. Nationally, the automobile industry employs 47 percent of transportation equipment workers, but in this District the automobile industry accounts for about 10 percent of the jobs in transportation equipment. The bulk of the transportation equipment workers in this District—83 percent—are engaged in aircraft production.

Stated in other terms, the decrease in the number of workers in the machinery, metals, transportation equipment, textiles and apparel, and ordnance industries had the effect of reducing the nation's total nonagricultural employment by 2.5 percent in the year ending June 1954, with all other sectors contributing the remaining 1 percent decline. In the District, however, these five industries accounted for a drop of only one half of 1 percent in total nonagricultural employment. To some extent the declines in jobs in these industries were relatively less in this District, but their smaller importance here also contributed to the less severe impact on the District. Nationally these industries account for 20 percent of nonagricultural employment, compared with a little over 12 percent in the District.

Most individual manufacturing industries fared better in the District than in the nation in terms of employment. Employment in the transportation equipment industry, as has already been indicated, held up much better in the District than in the country as a whole. National employment in this group of industries declined as a result of conditions in the automobile industry, while the aircraft industry is responsible for the increase in District employment in this industry group. The cutback in aircraft contracts was relatively small and did not affect most District producers for some time. District aircraft employment expanded in the second half of 1953 and early 1954. Although it started to decline slightly in April 1954, District aircraft employment was still above its year ago level in June 1954. The ordnance, instrument, and machinery industries in the District also appear to have suffered less from defense contract cuts than their national counterparts. In the nondurable sector, employment in the textiles and apparel group declined less in the Far West than in the rest of the nation. This difference in behavior is accounted for by the fact that the textile segment of this group, which suffered a severe decline nationally, is not large in the District and by the tendency of apparel manufacturing here to grow relative to the nation.

The more favorable District behavior in other manufacturing lines reflects a variety of forces. Many industries did not experience so sharp a drop in the District as in the nation because of the less severe effect of the over-all changes in business activity on the District economy. A

continued higher rate of population growth in the District than in the nation, owing in large part to in-migration, also contributed some sustaining forces. Variation in items produced within the same industry category also was a factor. For example, national steel production was more depressed by the drop in demand for automobiles than District steel production which provides a relatively minor amount of the steel products used in the District automobile industry. Also, the national machinery industry has a higher proportion of its facilities devoted to the output of such goods as machine tools, household durable goods, and agricultural machinery than the District machinery industry. These types of machinery production have been particularly hard hit by the economic decline. In addition, inventory reduction was concentrated more in items not so important in the West as in the nation.

A few District manufacturing industries such as furniture, food, chemicals, and lumber did not do so well as their national counterparts. Because of the greater importance of the lumber industry here than in the nation and the slightly sharper decline in District lumber employment, the lumber industry had a greater depressing effect on total nonagricultural employment in the District than in the country as a whole.

*Outside of manufacturing, individual industries in other groups behave differently in the District than in the nation*

The lesser importance of the industry groups in this District which were affected by recessionary forces explains in part the milder decline in total nonagricultural employment in this District. In addition, most industry groups did not experience so sharp a decline in employ-

ment in the District as in the nation. A good example is the mining sector in which employment declined 12.1 percent in the country as a whole but only 3.4 percent in the District. This difference results primarily from the much greater importance of coal mining on the national scene. A large part of coal production finds its way into industrial uses. The drop in steel production and the cutback of production in other coal-using industries as well as the long-run downward trend in the use of coal resulted in a very sharp drop in employment. Metal mining and oil field drilling, which account for most of the mining employment in the Twelfth District, declined much less than coal production.

In the public utilities field the District also had a smaller decline than the country as a whole. In this case a sharper decline in transportation employment in the nation than in the District accounts for most of the difference. The greater cut in transportation employment nationally reflected the more severe decline in manufacturing and mining in the nation than in this District. Manufacturing and mining generate a large part of freight traffic in certain districts of the country, and transportation employment tends to respond to fluctuations in industrial output and mining.

The trends in industrial sector employment were not always in favor of the District, however. Construction employment declined in the District in contrast to a small rise nationally.<sup>1</sup> Greater cuts in Federal construction awards here than nationally and less favorable results in

<sup>1</sup>On the basis of current published figures, the decline in District construction employment from June 1953 to June 1954 was 5.7 percent. However, preliminary revised state data suggest that the year-to-year decline in District construction employment may have been of smaller magnitude.

TABLE 2  
RELATIVE IMPACT OF RECESSION ON MANUFACTURING EMPLOYMENT  
TWELFTH DISTRICT AND UNITED STATES

	United States			Twelfth District				
	Percent change in employment June 1954 from June 1953	Average monthly employment in 1953		Weighted percent change in employment June 1954 from June 1953 <sup>1</sup>	Percent change in employment June 1954 from June 1953	Average monthly employment in 1953		Weighted percent change in employment June 1954 from June 1953 <sup>1</sup>
		Number (in thousands)	Ratio of each group to total nonagricultural employment			Number (in thousands)	Ratio of each group to total nonagricultural employment	
Manufacturing .....	- 8.8	17,259	.348	-3.1	- 3.5	1491	.260	-0.9
Durable goods .....	-11.4	10,129	.204	-2.3	- 4.3	987	.172	-0.7
Ordnance .....	-32.9	243	.005	-0.2	-10.0	13	.002	*
Lumber .....	- 5.1	775	.016	-0.1	- 6.2	213	.037	-0.2
Furniture .....	-11.5	374	.008	-0.1	-12.1	32	.006	-0.1
Stone, clay, and glass .....	- 7.4	543	.011	-0.1	- 5.9	41	.007	*
Metals .....	-12.0	2,474	.050	-0.6	- 8.5	162	.028	-0.2
Machinery .....	-11.6	2,932	.059	-0.7	- 6.6	158	.028	-0.2
Transportation equipment .....	-12.5	1,955	.039	-0.5	+ 1.4	306	.053	+0.1
Instruments .....	- 9.2	333	.007	-0.1	+ 3.6	14	.002	*
Miscellaneous .....	- 8.8	500	.010	-0.1	- 2.6	48	.008	*
Nondurable goods .....	- 4.9	7,131	.144	-0.7	- 2.0	504	.088	-0.2
Food .....	- 1.6	1,555	.031	-0.1	- 2.9	200	.035	-0.1
Textile and apparel .....	- 9.9	2,419	.049	-0.5	- 6.3	72	.013	-0.1
Paper .....	- 1.2	530	.011	*	+ 0.7	40	.007	*
Printing .....	+ 1.8	793	.016	*	+ 2.3	70	.012	*
Chemicals .....	- 3.7	806	.016	-0.1	+ 4.1	37	.006	*
Petroleum .....	- 3.1	260	.005	*	+ 1.4	37	.006	*
Rubber .....	-10.2	278	.006	-0.1	+ 1.2	17	.003	*
Leather .....	- 6.5	386	.008	-0.1	- 4.6	6	.001	*
Miscellaneous .....	- 1.1	104	.002	*	- 1.0	26	.004	*

\*Less than one half of 1 percent.

<sup>1</sup>The weighted employment change provides a measure of each industry's contribution to the total employment change. It is derived by multiplying the percentage change in employment for each group by its ratio to total nonagricultural employment. The components may not add to total due to rounding.

Source of basic data: The United States Department of Labor, Bureau of Labor Statistics and cooperating state agencies.

residential construction in the District contributed substantially to the difference in behavior. The District also did not fare so well as the nation in trade, finance, and government employment. The reduction in Federal Government civilian personnel has been sharper in the District than in the country as a whole. The sharper decline in District Federal Government employment since the end of the Korean fighting reflects the reduction of activity at military establishments, which are heavily concentrated in this area, and the cutback in many Federal civilian agencies, which are relatively more important as employers here than in the nation.

**Stability: District compared with the nation**

During the year under review, the structure of the District's economy in relation to the forces making for decline contributed to the greater stability here than in the nation. In the discussion of structure it was pointed out that the major industry groups experiencing the sharpest cuts in demand were much more important nationally than in this area. Furthermore, most District industrial sectors had relatively smaller job losses than comparable national groups because of such factors as the internal composition of particular industries, much smaller cuts in defense orders in this area, the smaller importance here than nationally of items in which inventory reduction was greatest, and the effect of continued rapid population growth. Among the various factors, the most important one appears to be the nature of the decline in demand. The changes in the demand for goods either affected industries that are relatively more important in other areas or hurt such industries less in this District than in the rest of the country.

Nevertheless, it is possible that a set of circumstances could develop which would cause a more intense reaction of nonagricultural employment here than elsewhere. The post-World War II change in demand is one good example, and the greater growth of employment here than in the country as a whole after June 1950 is another illustration. In the latter case, increases in the demand for the products of the aircraft and lumber industries, which are more important here than nationally, and the stimulation of Federal activity and of some of the newer District industries resulted in a more rapid rise in employment in this area than in the country as a whole. If the demand for military aircraft were to drop substantially, as occurred immediately after World War II, the impact would be much more severe in the District than in the nation. In general, any development affecting the demand for lumber is likely to have a greater effect upon employment in the District. Similarly, a decline in the demand for canned and frozen food products would also hurt the District more than the nation.

Outside the manufacturing sphere, there are a number of fields of activity in which the District is more sensitive to depressive forces at times than the nation. Employment

in construction is relatively more important here than in the nation. For some years the District has had a much higher proportion of national construction activity than might be expected on the basis of population or income because of the very rapid population growth in the Far West since 1940. This population growth has created a backlog of demand for housing, public structures, factories, and commercial structures. Conceivably this backlog may be reduced at some time to a level which will bring the demand for structures relative to population and income here more in line with the ratios for the nation. Furthermore, Federal construction, which has been very important in this region, tends to be exceedingly unstable at times. If and when these changes occur, the construction industry may fare less well in the District than in the country as a whole. Some of these forces may have operated in the period under review, since District construction employment declined between June 1953 and June 1954 in contrast to a small rise nationally. Government employment is another sphere that may behave less favorably in the District, as illustrated during this recession. This District has had a rather large proportion of Federal employment because of the great number of military installations and regional civilian agencies located in the Far West. Since the end of the Korean conflict the cut in Federal employment has had a more severe impact on the District than on the nation, although an offset has appeared in the continued rapid growth of state and local government employment.

Other factors need to be given some consideration. Among them, the duration and intensity of changes in economic activity may have an important bearing on how nonagricultural employment in this District or in any other area might behave relative to the nation. It is not uncommon to find geographic areas within the nation whose change in activity is milder or more severe than that nationally. Differences in structure, rates of growth, specialization within individual industries, and occasionally special circumstances moderate or intensify the reaction of a particular section to forces affecting the nation. The larger and more lasting the national change, however, the more will the experience of any region resemble that of the nation.

Generally speaking, the industrial structure in the Twelfth District provides a stable base under some conditions, but contains characteristics which could lead to instability under other circumstances. It would not be safe to conclude, therefore, that employment in the District can always be expected to be more stable than in the nation.

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**NOTICE:** A pamphlet entitled "Distribution of Bank Deposits by Counties and Standard Metropolitan Areas—June 30, 1954," published by the Board of Governors of the Federal Reserve System, is available without charge upon request to this bank.



**BUSINESS INDEXES—TWELFTH DISTRICT<sup>1</sup>**  
(1947-49 average=100)

Year and month	Industrial production (physical volume) <sup>2</sup>								Total nonagricultural employment <sup>3</sup>	Total mfg employment <sup>4</sup>	Car-loadings (number) <sup>5</sup>	Dep't store sales (value) <sup>6</sup>	Retail food prices <sup>7</sup>	Waterborne foreign trade <sup>8</sup>	
	Lumber	Petroleum <sup>9</sup>		Cement	Lead <sup>10</sup>	Copper <sup>11</sup>	Wheat flour <sup>12</sup>	Electric power						Exports	Imports
1929	80	87	78	54	165	105	90	29	....	....	102	30	64	190	124
1931	42	57	55	36	100	49	86	29	....	....	68	25	50	138	80
1933	34	52	50	27	72	17	75	26	....	....	52	18	42	110	72
1935	45	62	56	33	86	87	87	30	....	47	66	24	48	135	109
1937	61	71	65	56	114	88	84	38	....	60	81	30	50	170	119
1938	48	75	64	45	92	58	81	36	....	51	72	28	48	164	87
1939	60	67	63	56	93	80	91	40	....	55	77	31	47	163	95
1940	65	67	63	61	108	94	87	43	....	63	82	33	47	132	101
1941	77	69	68	81	109	107	87	49	....	83	95	40	52	....	....
1942	77	74	71	96	114	123	88	60	....	121	102	49	63	....	....
1943	74	85	83	79	100	125	98	76	100	164	99	59	69	....	....
1944	74	93	93	63	90	112	101	82	101	158	105	65	68	....	....
1945	61	97	98	65	78	90	112	78	96	122	100	72	70	....	....
1946	80	94	91	81	70	71	108	78	95	97	101	91	80	89	57
1947	94	100	98	96	94	106	113	90	99	100	106	99	96	129	81
1948	102	101	100	104	105	101	98	101	102	102	100	104	103	86	98
1949	104	99	103	100	101	93	88	108	99	97	94	98	100	85	121
1950	116	98	103	112	109	115	86	119	103	105	97	105	100	91	137
1951	115	106	112	128	89	115	95	136	111	122	100	109	113	186	157
1952	111	107	116	124	86	112	96	144	118	132	101	114	115	171	200
1953	119	109	123	130	74	111	96	161	122	139	100	116	113	140	308
1953															
October	114	109	125	137	69	112	99	163	122	141	95	111	114	133	316
November	115	110	121	128	69	112	98	157	121	137	97	112	113	139	287
December	114	109	125	120	67	104	96	158	121	138	102	109	113	141	256
1954															
January	122	109	121	114	60	107	99	163	121	138	93	109	114	108	210
February	122	109	120	117	79	102	97	160	121	137	90	107	114	156	271
March	119	108	118	116	76	99	98	171	120	136	94	111	113	156	233
April	120	107	119	134	71	98	96	168	120	136	99	111	113	157	232
May	124	107	123	143	67	103	96	174	120	136	97	114	114	158	271
June	103	107	119	140	69	105	96	183	120	137	96	114	114	141	237
July	80	106	118	143	63	91	92	179	119	131	88	115	113	144r	331
August	89	104	115	137	72	75	101	174	119	130	90	115	113	96	282
September	113r	105	121	138	69r	97	108r	174	120	136	97	110	113	....	261
October	127	104	116	143	69p	110p	105	176	120	138	101	116	113	....	....

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

Year and month	Condition Items of all member banks <sup>7</sup>				Bank rates on short-term business loans <sup>8</sup>	Member bank reserves and related items <sup>10</sup>					Bank debits Index 31 cities <sup>11</sup> (1947-49=100) <sup>12</sup>
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted <sup>9</sup>	Total time deposits		Reserve bank credit <sup>11</sup>	Commercial operations <sup>13</sup>	Treasury operations <sup>12</sup>	Coin and currency in circulation <sup>11</sup>	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
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
1943	2,106	6,235	5,998	3,226	.....	+ 214	- 3,751	+ 4,486	+ 708	1,462	60
1944	2,254	8,263	6,950	4,144	.....	+ 98	- 3,534	+ 4,483	+ 789	1,706	66
1945	2,663	10,450	8,203	5,211	.....	+ 76	- 3,743	+ 4,682	+ 545	2,033	72
1946	4,068	8,426	8,821	5,797	.....	+ 9	- 1,607	+ 1,329	+ 326	2,094	86
1947	5,358	7,247	8,922	6,006	.....	+ 302	- 510	+ 698	- 206	2,202	95
1948	6,032	6,366	8,655	6,087	.....	+ 17	+ 472	- 482	- 209	2,420	103
1949	5,925	7,016	8,536	6,255	.....	+ 13	- 930	+ 378	- 65	1,924	102
1950	7,093	6,415	9,254	6,302	.....	+ 39	- 1,141	+ 1,198	- 14	2,026	115
1951	7,866	6,463	9,937	6,777	.....	+ 21	- 1,582	+ 1,983	+ 189	2,269	132
1952	8,839	6,619	10,520	7,502	.....	+ 7	- 1,912	+ 2,265	+ 132	2,514	140
1953	9,220	6,639	10,515	7,997	.....	+ 14	- 3,073	+ 3,158	+ 39	2,551	150
1953											
November	9,248	6,693	10,255	7,815	.....	+ 137	- 149	+ 330	+ 23	2,476	149
December	9,220	6,639	10,515	7,997	4.19	+ 50	- 432	+ 438	- 26	2,551	158
1954											
January	9,198	6,844	10,540	7,995	.....	+ 1	- 308	+ 125	- 86	2,468	146
February	9,176	6,667	10,138	8,071	.....	+ 98	- 245	+ 80	- 2	2,398	153
March	9,106	6,500	9,922	8,175	4.12	+ 125	- 213	+ 315	- 29	2,413	158
April	9,045	6,903	10,190	8,234	.....	+ 5	- 324	+ 381	+ 7	2,477	150
May	9,001	6,991	10,045	8,306	.....	+ 9	- 148	+ 136	+ 36	2,432	143
June	9,049	6,981	10,087	8,428	4.14	+ 21	- 254	+ 277	+ 15	2,413	157
July	8,989	7,190	10,310	8,444	.....	+ 29	- 307	+ 170	+ 3	2,308	145
August	8,977	7,574	10,257	8,501	.....	+ 18	+ 28	- 12	+ 7	2,317	154
September	9,054	7,610	10,463	8,555	4.08	+ 16	- 170	+ 196	- 8	2,368	152
October	9,048	8,014	10,749	8,651	.....	+ 9	- 138	+ 142	+ 23	2,364	150
November	9,343	8,089	10,937	8,596	.....	+ 1	- 244	+ 342	+ 27	2,440	158

<sup>1</sup> 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.  
<sup>2</sup> Daily average. <sup>3</sup> Not adjusted for seasonal variation. <sup>4</sup> Excludes fish, fruit, and vegetable canning. <sup>5</sup> Los Angeles, San Francisco, and Seattle indexes combined. <sup>6</sup> 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. <sup>7</sup> Annual figures are as of end of year, monthly figures as of last Wednesday in month or, where applicable, as of call report date. <sup>8</sup> Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. <sup>9</sup> Average rates on loans made in five major cities during the first 15 days of the month. <sup>10</sup> End of year and end of month figures. <sup>11</sup> Changes from end of previous month or year. <sup>12</sup> 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. <sup>13</sup> Debits to total deposits except interbank prior to 1942. Debits to demand deposits except Federal Government and interbank deposits from 1942. p—Preliminary. r—Revised.