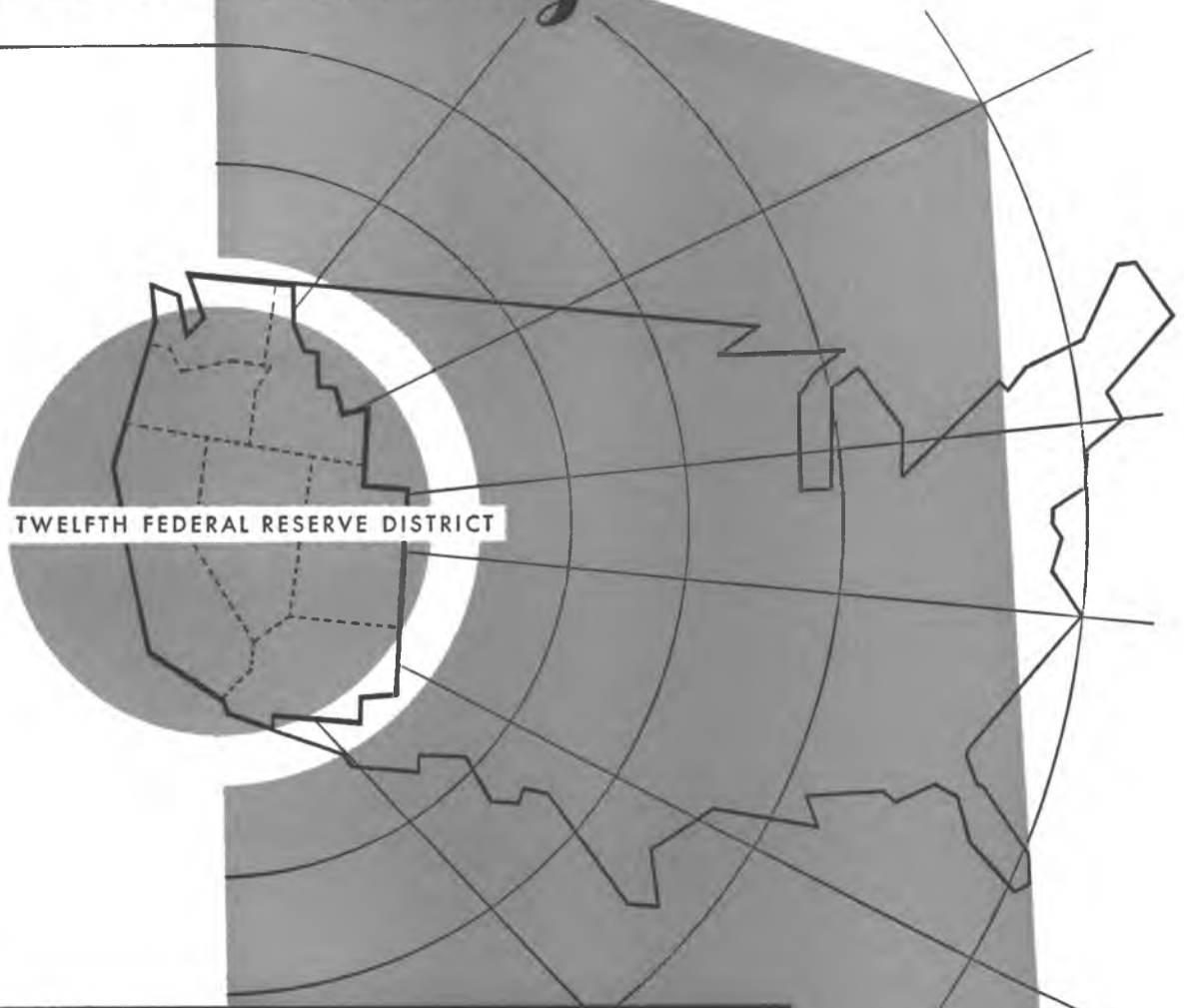
Monthly Review



FEDERAL RESERVE BANK OF SAN FRANCISCO

April 1956

REVIEW OF BUSINESS CONDITIONS

ECONOMIC activity in the nation continued almost unchanged in March, but portents of a renewed rise appeared in a number of areas. Industrial production and nonagricultural employment slipped a bit and new construction rose only slightly from the January-February level. However, a record volume of construction contract awards and a strong recovery in retail sales which continued into early April added to the potential pressures already present in a period of practically full employment and substantially full use of productive capacity. These developments were accompanied by a strong demand for funds in the money and capital markets, a recovery of farm prices, and further price increases for industrial commodities. Consideration of the over-all situation led to a rise in the discount rates of Federal Reserve Banks in mid-April.

In the Twelfth District activity appeared even more vigorous. Preliminary data suggest a continued rise in employment and output in March, expanding construction activity, and rising retail sales. To some extent weather restrained the expansion in March, but reports indicate a more rapid rise in early April. Credit demands in the District, as measured by bank lending, have risen much more rapidly than in the nation. During the first quarter, borrowing at weekly reporting member banks in the District accounted for almost one-third of the rise in loans nationally. This is a much greater increase than would be expected from the proportion of loans of all weekly reporting banks held in the District, which is 19 percent.

District employment gains widespread

Employment in the District rose in March at a rate about one-third of that recorded in February, according to preliminary reports. (Final February figures, unadjusted for seasonal variation, indicated a sharp upswing: the number of people at work increased 0.6 percent, a substantial gain for a one-month period.) Severe weather in some parts of the District, particularly the Pacific Northwest, restrained employment growth. Increases in construction, lumber, food processing, and transportation employment in Oregon and Washington were smaller than expected seasonally.

Generally, however, nonagricultural jobs rose more than seasonally, with most major industry groups reporting moderate gains after seasonal adjustment. The rise in total manufacturing employment was below the average for the major nonfarm segments. Better than average increases were reported for construction, trade, finance, and government on a District-wide basis. A number of manufacturing industries reported good gains, including the aircraft, ordnance, metals, and chemical lines.

Two developments in the automobile industry, one with immediate impact and one with longer-run implications, attracted considerable attention. The first large layoff of the year, affecting 1,400 out of 5,400 workers at a plant in Los Angeles, was announced in late March. Early in April General Motors announced the selection of a site at Sunnyvale, California, in the vicinity of San Jose, for a major assembly plant.

Construction outlook continues strong

March authorizations for new construction in the Twelfth District were almost equal to last year's record volume. Residential units authorized fell almost 20 percent below the March 1955 number, but the dollar volume dropped only about 10 percent. However, the decline in the dollar value of residential authorizations was almost fully offset by increases in nonresidential building. Allowing for the more severe weather this March than last, this record is quite favorable.

Recent announcements of new plants and expansions also point to continued vigor in the building industry. In addition to the General Motors plant mentioned earlier, announcements of expansion in steel highlight future prospects. Kaiser Steel Corporation plans expenditures of $113 million for finishing facilities which will increase the Fontana mill's finished product capacity about 50 percent. Columbia-Geneva Steel Division of United States Steel had previously announced plans to expand its Pittsburg, California works into a fully integrated operation.

District retail sales increased

Retail sales in the District appear to have risen in March after seasonal adjustment. The seasonally adjusted March index of department store sales was 128, a rise of 4 points over February. Preliminary reports on automobile sales, however, suggest that new car sales rose less than seasonally and were below last year's very high volume. Used cars, on the other hand, seemed to be moving briskly.

Easter sales at department stores were at about the same level as last year. In view of the earlier Easter date and severe weather in parts of the District this is an impressive record, but there was considerable divergency among areas. Sales in the Los Angeles area declined substantially from a year ago, and weakness was also apparent in Portland, Spokane, and Salt Lake City. Increases over last year were reported for the metropolitan areas of San Diego, San Francisco-Oakland, Seattle, and Tacoma.

Bank loans rise sharply

In March and early April loans by Twelfth District weekly reporting member banks turned up sharply. Lending by banks in this District had declined slightly after the turn of the year and increased substantially in February. The upswing between the end of February and the first week in April brought total loans outstanding to a level 3 percent above that at the end of 1955.

Most of the $300 million increase in the first 14 weeks of the year resulted from unusually heavy borrowings by commercial and industrial business and a sharp rise in real estate loans. Commercial, industrial, and agricultural loans increased by $95 million between December 28, 1955 and April 4, 1956. In the comparable period a year ago they declined about $40 million. More than half the rise centered in loans which the banks report by industry classification (primarily larger loans). Except for the food industry, all manufacturing lines increased their borrowing. Public utilities increased their borrowings more than any other major category. Food manufacturers and commodity dealers reduced their borrowing by much smaller amounts than they did a year ago, thereby failing to provide as much seasonal offset as might be expected to increases in other lines. Sales finance companies, which were stepping up their borrowing a year ago, have made net repayments so far this year.

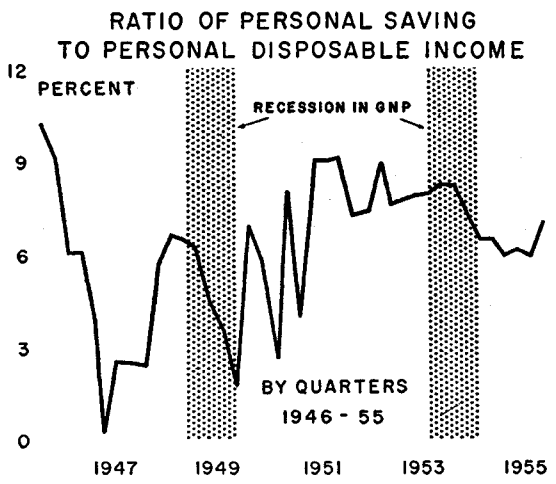
To finance the increase in lending and compensate for the normal seasonal loss in non-Government demand deposits, weekly reporting banks in this District have reduced their holdings of United States Government obligations and other securities by almost $600 million so far this year. Redeposits in weekly reporting banks by the United States Treasury of more than $100 million in funds obtained during the tax collection period also provided funds to finance the loan expansion and deposit drain. Pressures on banks were so great, however, that despite continued borrowing from this bank, reserves declined by $100 million in excess of the drop in reserve requirements resulting from the deposit loss.

Postwar Developments in Personal Saving

DURING the 1954-55 revival and boom in business activity, the proportion of their aggregate incomes which individuals saved dropped to 5.9 percent from a late-1953 high of 8.4 percent, then rose, in the last quarter of 1955, to 7 percent. Changes such as these in the saving ratio attract considerable attention from analysts of economic developments. One reason is that this ratio is often viewed as one indicator of consumer attitudes toward spending; changes in these attitudes have important effects on economic activity. Another reason is that this ratio indicates the proportion of consumer income that is available to finance investment.

Savers finance investment in many ways. They can finance it directly: examples are an individual using his savings to make a down payment on a house, a business using its retained earnings to purchase new equipment, an individual buying securities of firms or governments. They can

CHART 1



Source: United States Department of Commerce.

finance it indirectly, by making their savings available to financial intermediaries such as banks, insurance companies, and savings and loan associations which in turn lend funds to firms planning expansion and to people planning to build or buy houses. Saving in the form of increasing cash holdings does not finance investment, but, like the other types of saving, it frees resources for use in producing investment goods.

Because saving, in the sense of refraining from consumption, is essential for the accumulation of capital goods, the relationship of planned saving to planned investment is crucial. When plans to save exceed plans to invest, economic activity tends to be depressed; when planned investment exceeds planned saving, economic activity tends to expand; when plans for both are in balance, the economy tends to remain stable.

The flow of saving in our economy can come from three main sources: corporations, government (when receipts exceed expenditures), and individuals. Individuals are the most important of the three; personal saving has accounted for somewhat more than half of gross national saving in the past ten years. The remainder of this article will discuss trends in personal saving since World War II, the forms which this saving has taken, and the relationship of personal saving to personal tangible investment.

Personal saving is volatile

Consumer saving is typically volatile. Consumers make decisions to consume, invest, and save based on changing needs, income, and expectations. Most frequently, however, consumers focus their attention on spending decisions. Consequently, saving plans have a substantial degree of flexibility except for those savings which are based on a contract, such as savings in life insurance. A sharp upswing in consumption such as followed World War II or the outbreak of hostilities in Korea is promptly reflected in a decline in the proportion of personal income which is saved.

Chart 1 shows the ratio of personal saving to personal disposable income (both adjusted for seasonal variation) by quarters from 1946 through 1955. The most evident factor is the erratic nature of the ratio. To some extent the sharp variations may be due to statistical problems. Furthermore, since saving is a small residual relative to total personal disposable income, a relatively small or even statistically insignificant percentage change in consumer spending or total income can cause a large and apparently significant percentage change in saving. However, independent estimates of personal saving all confirm the indication that the saving-income ratio is subject to considerable variation.

It is interesting to note the behavior of saving in two postwar periods of recession. In the 1948-49 decline of business, the saving ratio fell off substantially. A small decline in personal disposable income was accompanied by a sharper drop in saving. During much of the period consumers tended to expand their consumption at the expense of saving. The still pressing demand created by wartime backlogs was an important factor in that period.

As a contrast we may look at the 1953-54 recession. Income was well maintained or even increasing throughout the period. Saving rose relative to income in the early stages of the recession and slipped slightly in the phase preceding the general upswing in activity. In general, the saving level was much better maintained than in 1948-49. The decline in the saving ratio toward the end of the recession, as consumption rose more rapidly than income, indicates the impor-

tance of aggressive consumer decisions in the recovery.

Saving a higher proportion of personal income in recent years

About 65 percent of postwar personal saving took place in the period from 1951 through 1955. During these years saving barely fell below 6 percent of disposable income in any quarter and exceeded 9 percent in one quarter. For the period as a whole, saving averaged 7 percent. On the other hand, the saving ratio in the period from 1946 through 1950 was usually much lower. From a high of more than 10 percent of income in the first quarter of 1946, saving fell almost to the vanishing point in mid-1947 and was frequently below 5 percent. The average for those years was 5 percent.

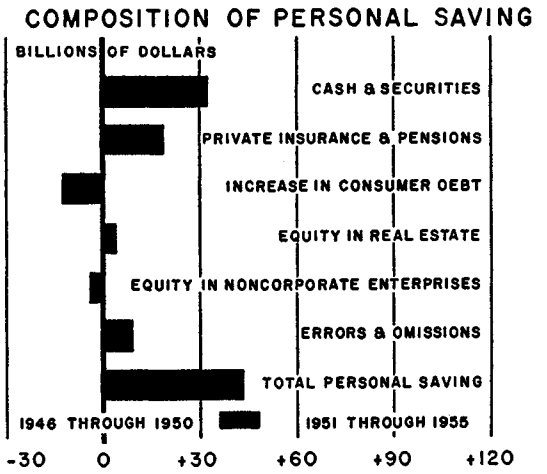
Consumption rose very sharply in the early postwar years, even expanding in several quarters when income fell. Demands were intense after World War II; consumers had a large volume of liquid assets, frequently favorable expectations, and easy access to credit. The saving ratio declined to levels much lower than forecasters of depression had anticipated. Consumer spending was thus a more strongly expansionary force in the early postwar period than in the last five years as a whole.

Liquid saving and consumer debt important factors in saving fluctuation

Personal saving, as shown in the national income accounts prepared quarterly by the Department of Commerce, is simply the amount by which the disposable income of individuals exceeds their expenditures for consumption. In order to demonstrate the forms which this saving takes — how much of it goes into each of various channels such as cash holdings, housing, insurance, and liquidation of debt—the Securities and Exchange Commission makes yearly estimates of personal saving by components, based on a balance sheet for the personal sector.[1]

[1] The SEC estimate is usually not identical in amount with the Department of Commerce figure, owing to various statistical inadequacies. An "errors and omissions" item is therefore included in the SEC estimate in order to reconcile it with the Department of Commerce estimate. All available saving estimates are subject to error, and the "errors and omissions" figure is not an adequate measure of the degree of error. The data presented in this article should therefore be read as being suggestive of trends rather than as precise measures.

CHART 2



Source: United States Department of Commerce.

Chart 2 shows these estimates of changes in personal saving and its components for the two periods 1946 through 1950 and 1951 through 1955. The chart does not explicitly show estimates of changes in mortgage debt and debt of unincorporated businesses and farms. Instead, changes in these liabilities are netted against changes in the corresponding assets (respectively, one- to four-family nonfarm dwellings and assets of noncorporate business including farms) so that personal saving in these forms is shown as the change in net equity.

Saving in the form of accumulation of cash (currency and deposits), Government and private securities, and savings and loan association shares accounts for more than 70 percent of total personal saving in the postwar period. Chart 2 illustrates the much larger accumulation of these more or less liquid assets in the period 1951-55 compared with the prior five years. Furthermore, a somewhat larger proportion of total personal saving, 75 percent in 1951-55 compared with 69 percent in 1946-50, was in the form of cash and securities. The personal sector tended to accumulate these liquid claims against the rest of the economy at a more rapid rate in recent years than in the early postwar years.

The rate at which persons accumulate liquid claims has been very unstable, however, and its variations account for a large part of the erratic swings in saving noted earlier. It is not surpris-

ing that saving in the form of money or assets readily convertible into money should be unstable. Consumers' decisions to change personal consumption or investment in tangible assets inevitably have an immediate impact on their liquid savings.

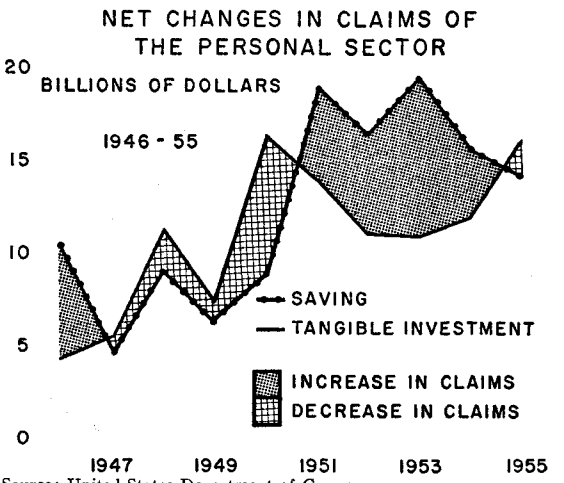
Another element which has contributed to the instability of saving is consumer debt—the financing of consumption from borrowed funds rather than out of income. As the personal sector expands its consumer debt, net saving is reduced. Though dissaving by means of borrowing for consumption has not been as erratic as liquid saving, it has varied rather sharply in a number of postwar years. Large changes in consumer debt have been evident in years when consumers have been increasing their consumption by more than their increase in income.

Saving through private insurance, an important sector as is apparent from Chart 2, is exceedingly stable compared with either of the foregoing components. Saving in this form is usually based on a contract and is subject to much less variation than the more discretionary forms of asset accumulation. There has been a moderate but steady growth of contractual saving in the postwar period as expanding income has been devoted in part to increasing insurance coverage.

Equities in noncorporate business decline

It should be noted that developments in personal saving reflect the decisions of individuals as farmers and owners of nonincorporated businesses as well as their behavior as consumers. Equities in noncorporate business, including farms, have declined in the postwar period according to estimates by the Department of Commerce. This reflects in part the fact that farm investment has generally been smaller than depreciation allowances. Available data also suggest that noncorporate nonfarm business owners may have made withdrawals from their enterprises in excess of net earnings. Such decreases in equity, like increases in debt, constitute dissaving. However, the possibility should not be dismissed that the substantial difficulties involved in identifying, measuring, and valuing personal assets devoted to noncorporate business may have led to a statistical bias in the estimates of this segment of personal saving.

CHART 3



Source: United States Department of Commerce.
Note: The estimates used in this chart are those of the Securities and Exchange Commission, not including the "errors and omissions" item used to reconcile this saving estimate with that of the Department of Commerce. For the period covered, the average annual difference between these two estimates is about $2 billion.

Though small relative to total saving, the *equity* of individuals in residential real estate is an important segment. Housing and noncorporate business (including farms) represent the principal forms of tangible investment by individuals. (Automobiles and other consumer durables are classified as consumption goods rather than as tangible investment.) Gross investment in new housing by consumers has been a major form of consumer investment, less than 10 percent smaller than accumulation of cash and securities. Consumer purchases of new homes have been a highly important element in the demand for tangible investment by the economy as a whole. Simultaneously, however, consumers dissaved in an amount constituting a high proportion of their gross investment in housing by increasing their mortgage debt. Net saving in the form of *equities* in nonbusiness nonfarm real estate has therefore been held to a relatively small amount, and the effect of the high ratio of debt financing intensified upward pressure not only on economic activity but on prices as well in a number of years.

Investment by the noncorporate sector exceeded personal saving during half of the postwar years

Among the three major sectors of the economy — personal, corporate, and government — the

personal sector has been the most important source of saving during the postwar years; it accounted for somewhat more than half of gross national saving for the ten years 1946-55. However, during half of the postwar years, individuals spent more on consumption and investment goods than they received in income after taxes; in other words, their tangible investment exceeded their saving during half of these years. This difference between saving and investment is reflected in the decrease in net claims shown in Chart 3. Net claims of the personal sector consist of individuals' holdings of currency, deposits, securities, and insurance, less consumer, mortgage, and unincorporated business (including farm) debt.

Chart 3 also indicates that, except for 1955, the past five years have been marked by an excess of personal saving over personal investment. Thus, on balance, the personal sector from 1951 through 1954 made funds available—directly or through financial intermediaries—to the nonpersonal sectors of the economy, thereby accumulating claims against those sectors. In contrast, the private noncorporate sector absorbed funds from the other sectors of the economy, on balance, during the years 1947 through 1950.

Two important facts stand out from this analysis of personal saving in the postwar period. First is the strong shift to greater saving in more recent years. Second is the apparently greater saving than investment in the personal sector from 1951 through 1954, compared with greater investment than saving in the first part of the postwar period.

Immediately after World War II, the personal sector tended to generate strong inflationary forces. High consumption and investment relative to income constituted one aspect of this process. Debt played a much larger part in financing personal tangible investment than did consumer saving so that the personal sector was a net borrower of funds. Such borrowing, since it creates a demand for new money or increases the turnover of existing funds, played a strong role in building up inflationary pressures.

From 1951 through 1954, however, the personal sector saved more than it invested, thus freeing funds for use by the rest of the economy. This process acted as an offset to the growing demand for funds by government and business in most years since 1950 and probably contributed to the relatively stable price behavior which appears after 1950. The reversal of this pattern in 1955 reinforced the upswing in economic activity and may have been responsible, to some extent, for the rise in industrial prices in the latter part of the year. In the second half of 1955 there appears to have been a new rise in personal saving. If this rise continues and is not accompanied by a rise in personal tangible investment, it may help to offset some of the pressures currently being generated by the record level of business investment in new plant and equipment and by the continued high level of spending by Federal, state and local governments.

District Crop Production Plans

DISTRICT farmers intend to devote fewer acres to the production of field crops in 1956 than they did in 1955, according to the prospective planting report recently issued by the Department of Agriculture. The report indicated that national acreage also was expected to decline. Acreage alloted to production of fresh vegetables in the District is expected to be about the same as in 1955, while District farmers plan an expansion in processing vegetable acreage.

Each year, prior to planting time, the Department of Agriculture publishes estimates of the acreage that will be planted to 16 major spring field crops. These estimates are based upon reports from farmers as to their crop production plans for the forthcoming crop season and are provided by the Department of Agriculture as guides for individual farmers in making final production plans.

In addition to the 16 crops covered in the planting intentions report, the Department of Agriculture issued a national acreage estimate covering 59 field crops. This estimate also points to a reduction in field crop acreage this year. If

this expectation is realized, the planted acreage of these crops will be the smallest since 1942. No District estimate is available for these crops at this time.

The influence of these early planting estimates may be overshadowed by changes in agricultural legislation in the ultimate planting decisions of farmers. The early estimates of prospective plantings in 1956 undoubtedly would be different if subsequent modifications in agricultural legislation had then been known by farmers. With continuing uncertainty as to the farm program, substantial modification in planting intentions may be expected to show up in subsequent reports.

Along with acreage, moisture supplies received during the winter will affect the volume of field crop production in the District. The supplies received during this past winter were generally heavier than usual except in the southern section of the District. Rain was extremely heavy in some sections, causing flood damage to agricultural land in northern California and southern Oregon. Adequate supplies of water for irrigation purposes seem assured except in southern Utah where the runoff from the snow pack is expected to be below normal.

Although there are some uncertainties concerning the price support program that will be in effect for field crops in 1956, acreage controls and marketing quotas will probably continue in effect for the District's two principal food grain crops. These controls were accepted by wheat growers beginning with the 1954 crop, and by rice growers beginning with last year's crop. As a result, District growers have devoted more acreage to the production of other types of field crops. The extent of the shift among the crops specified in Table 1 is indicated in Chart 1. Since 1953 more than 3 million acres of District wheat and rice acreage has been diverted to other field crops, principally feed grains.

Little reduction in acreage planned for food grains

Despite mounting stocks of wheat, District farmers plan to plant more acreage to this crop than they did last year. On the other hand, a substantial reduction in rice acreage is in prospect. These acreage shifts by District farmers are similar to those of the nation's farmers.

The expansion of wheat acreage in the District is expected to come from increased plantings of spring wheat, whereas the rise in wheat acreage nationally is expected to stem primarily from larger plantings of winter wheat. Contributing to the anticipated increase in District spring wheat acreage was the freeze damage to fall planted wheat, particularly in Oregon but

TABLE 1

CROP ACREAGE AS INDICATED BY FARMERS ON MARCH 1, 1956
TWELFTH DISTRICT AND UNITED STATES

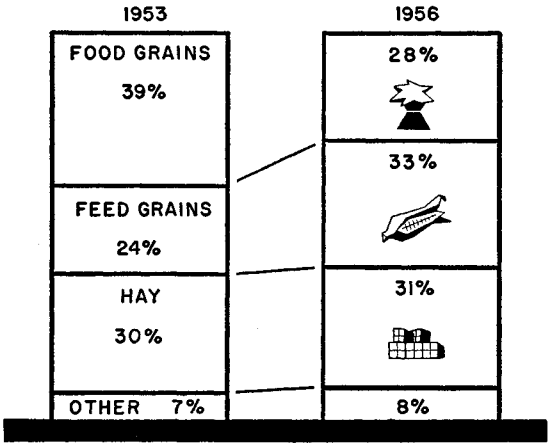
	Indicated acreage 1956		Percent change 1956 from 1955		Percent change 1956 from 1945-54 average	
	Twelfth District	United States	Twelfth District	United States	Twelfth District	United States
	(in thousands of acres)					
Barley	4,390	14,773	— 3.6	— 8.3	+ 37.0	+26.1
Beans, dry edible	479	1,535	— 8.6	— 7.5	— 4.0	— 8.4
Corn	430	78,686	—11.4	— 3.6	+ 85.3	— 7.2
Flaxseed	53	5,465	—15.9	+ 5.3	— 53.5	+25.1
Hay, all	6,381	74,305	+ 3.3	+ 0.4	+ 5.5	+ 0.6
Oats	1,544	46,063	+ 3.6	— 4.1	+ 0.7	+ 4.0
Peas, dry field	339	377	+16.9	+16.0	+ 5.9	+ 2.2
Potatoes, all[1]	386	1,394	— 0.3	— 4.0	+ 7.2	—25.0
Potatoes, early	67	233	—10.7	— 9.0	— 9.5	—32.3
Potatoes, late	319	1,065	+ 1.9	— 2.8	+ 11.5	—21.5
Rice	289	1,597	—14.0	—13.3	— 9.1	—15.7
Rye[2]	257	4,646	— 0.4	— 7.7	— 20.4	+27.9
Sorghums	393	24,198	+ 4.5	+ 0.4	+109.0	+68.2
Sweet potatoes	13	323	....	—11.3	+ 18.2	—30.7
Sugar beets	334	829	+ 2.5	+ 3.9	+ 2.5	— 2.1
Wheat, all	5,083	57,787	+ 0.4	+ 1.6	— 22.2	—20.2
Wheat, spring	942	12,584	+ 5.7	+ 0.9	— 37.8	—28.2
Wheat, winter[2]	4,141	45,203	— 0.8	+ 1.8	— 17.4	—17.7
Total	20,371	311,978	— 1.3	— 1.7	+ 2.0	— 1.5

[1] For United States, this includes potatoes in "intermediate" states in addition to those in "early" and "late" states.
[2] Based on December 1 estimates.
Source: United States Department of Agriculture, Agricultural Marketing Service, *Crop Production*, March 16, 1956.

CHART 1

DISTRIBUTION OF ACREAGE AMONG SPECIFIED CROPS

TWELFTH DISTRICT 1953 AND 1956



Source: United States Department of Agriculture, Agricultural Marketing Service, *Crop Production*.

also to some extent in Washington. Spring wheat is an alternative crop for winter wheat in this area and, with the freeze damage to the winter wheat crop, farmers plan to reseed a portion of this acreage to spring wheat.

The reduction in District[1] rice acreage expected this year is the second annual decline in acreage following grower acceptance of acreage controls beginning with the 1955 crop. The 47 thousand acre reduction planned for 1956 seems substantial but is not as large as the cut in acreage from 1954 to 1955. With the anticipated reduction this year, District rice acreage has been cut almost in half since 1954 with a total reduction of 227 thousand acres.

Scheduled cut in feed grain acreage

The immediate response of District farmers to acreage controls on wheat in 1954 was to increase substantially the acreage devoted to the production of feed grains. With the addition of more stringent controls on wheat acreage and the use of acreage controls on rice in 1955, feed grain acreage continued to expand last year. This year the reduction of food grain acreage in the District is expected to be small and confined to rice which is produced only in California. From past experience a further rise in feed grain acreage could be expected to accompany the decline in food grain acreage. However, District farmers plan to reduce their feed grain acreage. California feed grain acreage is expected to be slightly larger than in 1955 but the gain is not as great as the decrease in rice acreage. For the District as a whole acreage reductions are scheduled for barley and corn and increases are indicated for grain sorghums and oats.

[1] Commercial production of rice in the District is confined to the state of California.

Varied acreage changes anticipated for other field crops

Among the other field crops included in the March 1 report, District farmers plan sizable increases in acreage for hay and dry field peas, moderate increases for sugar beets and reductions for dry beans and flaxseed. The reduction in flaxseed acreage is a continuation of a downward trend in acreage for this crop.

Of all crops included in the March 1 report, more acreage is devoted to the production of hay than any other individual crop. Small percentage changes in hay acreage, therefore, represent acreage changes of considerable magnitude. Forty percent of the 200 thousand acre increase in hay acreage anticipated in the District is expected to occur in California. This comparatively large rise in California hay acreage undoubtedly stems from more stringent acreage controls on rice and is expected to come solely through increased acreage for grain hay production as contrasted to alfalfa and prairie hay. The sizable increase in grain hay acreage may partially explain why little increase in feed grain acreage resulted from the additional acreage controls on rice.

The increase in District dry field pea acreage is confined to a fairly limited area in eastern Washington and northern Idaho. This crop plays an important part in the crop production pattern in this predominantly wheat-producing area. This year farmers in these two states intend to increase their plantings of wheat as well as of dry edible peas. These larger plantings will evidently be made possible by cutting barley acreage.

With the increasing livestock population in the District, pasture conditions in addition to feed

grain production take on added significance. District pastures on April 1 were generally in somewhat better condition than on the same date a year ago but were below average conditions during the ten-year period 1945-54. In spite of ample winter moisture, pasture improvement in California was held back because of dry weather in March, and cool weather has impeded the growth of pastures in Washington.

Little change in vegetable acreage

In addition to estimates of field crop acreage, District planting indications are available for a number of truck crops intended for fresh and processing markets.

Extensive acreage changes from a year ago are in prospect for individual fresh vegetables, but the change in total acreage apparently will be small. A rise in plantings of winter vegetables was indicated by early estimates, with lettuce accounting for the bulk of the increase. Other winter vegetables, except carrots, were also expected to show a rise in acreage. In the last few years certain crops have gained in the favor of District producers of winter vegetables. In comparison to the average acreage during the 1949-54 period, more acres are planned for such crops as lettuce and celery while the popularity of carrot, spinach, and cauliflower production has declined noticeably.

Tending to offset the increase over last year in plantings of winter vegetables is the prospective decline in spring vegetable acreage. Whereas the winter lettuce acreage was slated to increase, a drop in acreage is planned for the spring lettuce crop. Reduced acreage is also in prospect for carrots, cauliflower, onions, peas, broccoli, and cantaloupes. A sizable rise is in prospect for watermelons but few other crops are expected to show increases in acreage. Behind a small overall increase in strawberry acreage lies a drastic shift within the District in the production of this crop. Historically the Pacific Northwest has been considered the major producer of this product, but acreage in California has been expanding rapidly in recent years. Damage from freezing during this past winter drastically reduced strawberry acreage in Washington. The rise in acreage planned by California farmers is sufficient to offset this decline, however, and to cause a slight increase in District strawberry acreage.

TABLE 2

PROSPECTIVE PLANTINGS OF SELECTED TRUCK CROPS FOR FRESH AND PROCESSING MARKETS
TWELFTH DISTRICT

	Indicated acreage	Percent change 1956 from 1955	Percent change 1956 from 1949-54 average
Fresh			
Winter (1955-56)	319,620	*	+ 3
Broccoli	550	+10	—33
Cabbage	5,000	+28	+ 2
Carrots	7,600	—17	—40
Cauliflower	230	+10	—77
Celery	4,260	+13	+10
Lettuce	51,800	+13	+ 8
Spinach	2,200	*	—16
Total (7 winter)	71,640	+ 9	— 3
Spring (1956)			
Asparagus	88,570	*	+ 9
Broccoli	12,300	— 1	+29
Cabbage	3,200	+ 7	+11
Cantaloupe	29,000	— 1	+ 2
Carrots	2,200	—35	—25
Cauliflower	5,300	—24	—26
Celery	2,900	+ 4	+24
Lettuce	41,300	— 4	— 6
Onions	3,450	—12	—45
Peas	3,900	—13	—44
Spinach	280	— 7	—33
Strawberries	41,880	+ 2	+26
Tomatoes	5,000	+ 2	+29
Watermelon	8,700	+21	+ 5
Total (14 spring)	247,980	— 2	+ 4
Processing			
Snap beans	16,500	— 4	+49[1]
Sweet corn	45,600	+34	+ 8[1]
Green peas	183,400	+ 8	+25[1]
Spinach	8,900	+11	+20[1]
Tomatoes	151,600	+23	+34[1]
Total (5 processing)	406,000	+15	+27[1]

*Less than 0.5 percent.
[1] For processing vegetables the percent change is measured from a ten-year average 1945-54.
Source: United States Department of Agriculture, Agricultural Marketing Service, *Vegetable-Processing* and *Vegetable-Fresh Market*. April 20 and previous releases.

District acreage devoted to the production of snap beans, sweet corn, green peas, spinach, and tomatoes for processing is usually as great as that used to produce fresh winter and spring vegetables, and in 1956 it is expected to be greater. Estimates of processing tomato acreage indicate that District farmers plan a sizable increase for this crop. If they had followed the planting guides issued by the Department of Agriculture, a decline would have been indicated. Except for snap beans, more acreage will probably be devoted to the production of other major processing vegetables as well. The expansion of the vegetable processing industry has prompted a considerable increase in District vegetable acreage for processing since the 1945-54 period, particularly for those vegetables suitable for freezing such as snap beans and green peas.

FIFTEENTH ANNIVERSARY OF UNITED STATES SERIES E SAVINGS BONDS

The United States Treasury Department is currently celebrating "Fifteen Years of Making Dreams Come True"—the fifteenth anniversary of the Series E Savings Bond, which was first issued in May 1941. Along with the anniversary observation the Treasury plans an intensified campaign to sell more of these bonds.

The Series E program is beneficial both to the persons who buy Savings Bonds and to the national economy. The program is of particular value as a weapon against inflation in times of Government deficits, such as occurred during World War II; in addition, it has continuing value as part of the long-range effort of the Treasury to widen the ownership of the national debt. To the individual saver, Savings Bonds offer an investment that is as safe as America and highly liquid, for they can be cashed easily and are not subject to market fluctuations in value. Furthermore, they carry a return which compares favorably with other instruments of similar safety and liquidity. The Series E Bonds now being sold earn 3 percent per annum on the purchase price if held to maturity, which is 9 years and 8 months from the purchase date. After maturity the bonds earn 3 percent per annum, compounded semi-annually, for 10 years more. Until maturity, the yield increases with the length of time the bond is held, but even if it is held a relatively short time the yield is considerable. For example, a bond need be held only 2 years to yield 2 percent, and at 5 years the yield is 2½ percent.

These features make Savings Bonds a desirable medium for many types of investors. For the large investor, they are useful as a contingency reserve and as a hedge against other more risky investments. For the small investor, they are an ideal way to save for emergencies and for specified goals such as sending children through school, buying a home, or providing retirement income. Through the cooperation of employers and banks, savers may conveniently set aside a portion of their income in Savings Bonds each month by using the Payroll Savings or Bond-A-Month plans.

BUSINESS INDEXES—TWELFTH DISTRICT[1]

(1947-49 average=100)

Year and month	Industrial production (physical volume)[2]							Total nonagricultural employment	Total mf'g employment	Carloadings (number)[2]	Dep't store sales (value)[2]	Retail food prices[3, 4]	Waterborne foreign trade[3, 5]	
	Lumber	Petroleum[3] Crude	Petroleum[3] Refined	Cement	Lead[3]	Copper[3]	Electric power						Exports	Imports
1929	95	87	78	54	165	105	29	....	....	102	30	64	190	124
1933	40	52	50	27	72	17	26	....	....	52	18	42	110	72
1939	71	67	63	56	93	80	40	....	55	77	31	47	163	95
1947	97	100	98	96	94	106	90	99	100	106	99	96	129	81
1948	104	101	100	104	105	101	101	102	102	100	104	103	86	98
1949	100	99	103	100	101	93	108	99	97	94	98	100	85	121
1950	113	98	103	112	109	113	119	103	105	97	105	100	91	137
1951	113	106	112	128	89	115	136	112	120	100	109	113	186	157
1952	116	107	116	124	86	112	144	118	130	101	114	115	171	200
1953	118	109	122	130	74	111	161	121	137	100	115	113	140	308
1954	112	106	119	133	70	101	172	120	134	96	113	113	131	260
1955	122	106	122	145	73	117	192	125	141	104	122	112	164	....
1955														
February	136	105	122	131	79	130	179	123	138	99	118	112	184	263
March	123	106	120	137	83	131	188	124	139	103	118	112	163	240
April	121	106	118	149	77	127	191	124	140	105	120	113	149	290
May	120	106	115	155	78	131	189	125	140	110	118	113	162	280
June	122	106	120	153	75	130	200	125	142	111	118	112	152	299
July	119	106	128	157	71	40	191	125	141	99	123	113	171	368
August	123	106	127	160	67	91	196	126	142	106	122	111	189	349
September	118	106	132	159	70	128	196	126	141	107	126	112	174	363
October	116	105	129	155	72	131	197	126	142	104	126	112	152	348
November	110	106	123	128	67	128	206	128	145	98	125	112	143	325
December	123	106	120	130	63	119	198	128	146	98	123	112	164	....
1956														
January	129	106	130	135	70*r*	134	199	133	146	107	130*r*	112	....	....
February	125	106	128	....	73	129	203	134	146	99	124	111	....	....

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition items of all member banks[6]				Bank rates on short-term business loans[8]	Member bank reserves and related items					Bank debits Index 31 cities[3, 12] (1947-49=100)[2]
						Factors affecting reserves:					
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[7]	Total time deposits		Reserve bank credit[9]	Commercial[10]	Treasury[10]	Money in circulation[9]	Reserves[11]	
1929	2,239	495	1,234	1,790	.....	− 34	0	+ 23	− 6	175	42
1933	1,486	720	951	1,609	.....	− 2	− 110	+ 150	− 18	185	18
1939	1,967	1,450	1,983	2,267	.....	+ 2	− 192	+ 245	+ 31	584	30
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	3.20	+ 13	− 930	+ 378	− 65	1,924	102
1950	7,093	6,415	9,254	6,302	3.35	+ 39	−1,141	+1,198	− 14	2,026	115
1951	7,866	6,463	9,937	6,777	3.66	− 21	−1,582	+1,983	+ 189	2,269	132
1952	8,839	6,619	10,520	7,502	3.95	+ 7	−1,912	+2,265	+ 132	2,514	140
1953	9,220	6,639	10,515	7,997	4.14	− 14	−3,073	+3,158	+ 39	2,551	150
1954	9,418	7,942	11,196	8,699	4.09	+ 2	−2,448	+2,328	− 30	2,505	168
1955	11,124	7,239	11,864	9,120	4.10	+ 38	−2,685	+2,757	+ 100	2,530	172
1955											
March	9,696	7,390	10,733	8,837	3.98	+ 10	− 401	+ 362	− 1	2,418	177
April	9,657	7,756	11,060	8,833	.....	+ 60	− 306	+ 261	+ 15	2,432	165
May	9,810	7,690	10,951	8,885	.....	− 55	− 51	+ 195	+ 50	2,476	170
June	10,102	7,446	11,023	9,026	3.99	+ 27	− 449	+ 429	+ 35	2,439	178
July	10,191	7,557	11,212	8,995	.....	+ 10	− 193	+ 217	− 9	2,495	166
August	10,392	7,407	11,163	9,021	.....	− 23	− 253	+ 200	+ 8	2,415	177
September	10,559	7,375	11,312	9,054	4.17	+ 17	− 148	+ 276	+ 18	2,541	173
October	10,665	7,487	11,465	9,067	.....	− 43	− 245	+ 174	+ 15	2,417	171
November	10,931	7,238	11,665	9,005	.....	+ 46	− 81	+ 205	+ 18	2,575	181
December	11,115	7,298	11,876	9,084	4.25	+ 8	− 434	+ 417	+ 17	2,530	183
1956											
January	11,193	7,143	11,794	9,070	.....	+ 84	− 322	+ 136	− 99	2,554	188
February	11,323	6,819	11,233	9,095	.....	− 87	− 76	+ 95	− 7	2,488	179
March	11,476	6,713	11,112	9,103	4.34	+ 71	− 178	+ 188	+ 35	2,516	183

[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, National Lumber Manufacturers Association and U.S. Bureau of the Census; petroleum, cement, copper, and lead, U.S. Bureau of Mines; 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] Los Angeles, San Francisco, and Seattle indexes combined. [5] 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. [6] Annual figures are as of end of year, monthly figures as of last Wednesday in month. [7] Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. [8] Average rates on loans made in five major cities. [9] Changes from end of previous month or year. [10] 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. [11] End of year and end of month figures. [12] Debits to total deposits except interbank prior to 1942. Debits to demand deposits except U.S. Government and interbank deposits from 1942. *p*—Preliminary. *r*—Revised.