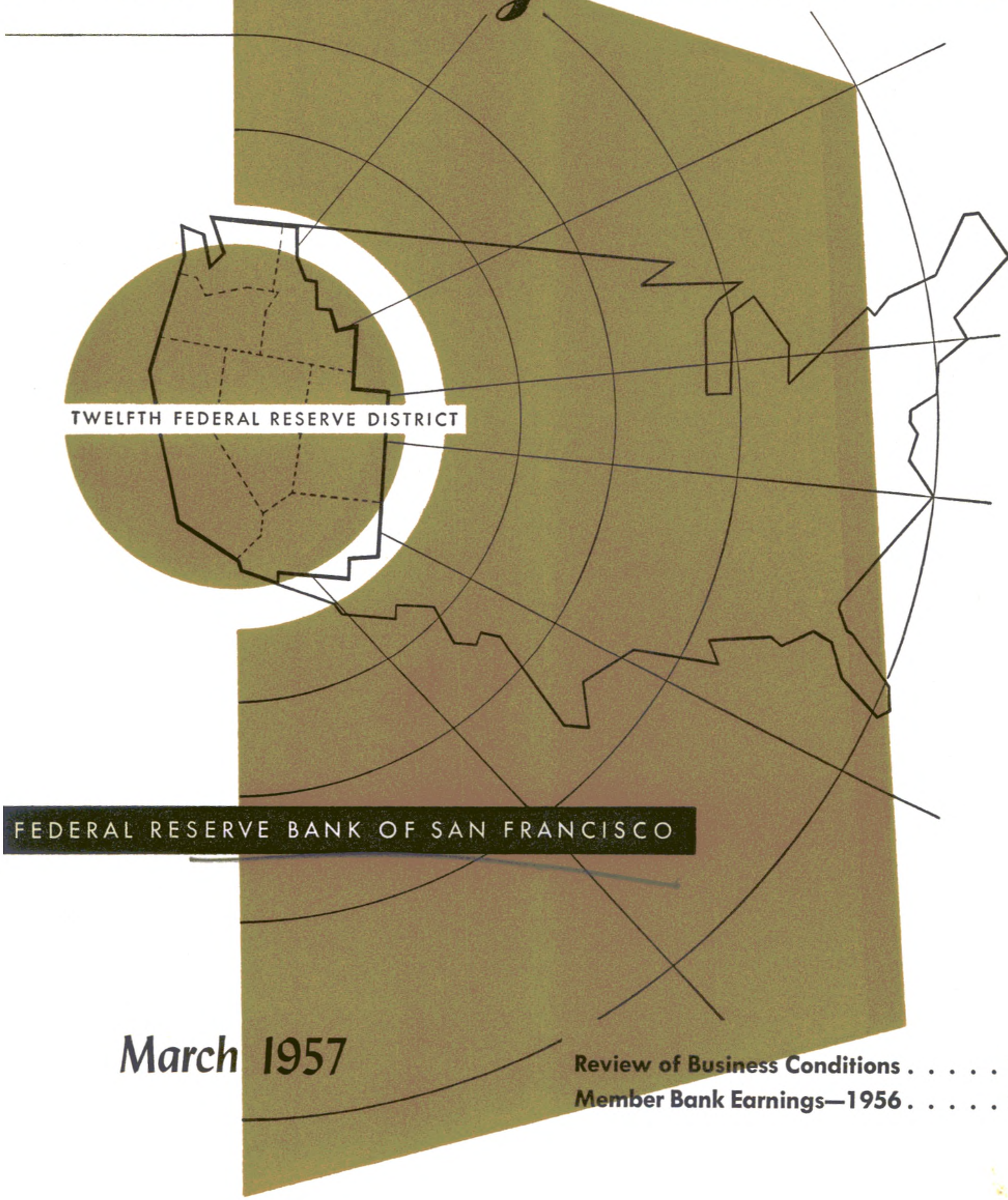
Monthly Review



FEDERAL RESERVE BANK OF SAN FRANCISCO

March 1957

REVIEW OF BUSINESS CONDITIONS

BUSINESS activity, fortunately, is inclined to show less change than business sentiment in any given short period of time. Although business confidence has weakened somewhat since the first of the year, particularly as reflected in the recent "bearish" stock market, major economic indicators suggest that at worst national business activity is levelling at the high peak reached in the closing months of 1956. Nonfarm employment, industrial production, retail trade, and construction activity showed little change in January and February from the December level, after seasonal adjustment. All were at record levels for this time of the year.

Other less comprehensive indicators, including unemployment, department store sales, and bank loans outstanding, also point toward a levelling of business activity. For many months unemployment in the nation has shown primarily only seasonal movements and in February was about the same as in the opening months of 1956. Department store sales, however, have fallen somewhat and in the first two months of 1957 ran at a rate about 3 percent below December sales after adjustment for seasonal variation. Some slackening in the demand for bank credit was also evident in January as loans outstanding at weekly reporting member banks declined nearly three times as much as in January 1956. Unlike last year, however, a slight rise occurred in February.

There are signs that prices may also be levelling. The weekly wholesale price index rose until mid-February but slipped back to the February 5 level by the first week in March. Recently the over-all price situation has embodied a greater-than-usual mixture of developments. Some primary products, reacting to an improved supply situation and less active demand, declined in price. Prices of most finished products held firm but some rose slightly. In January and February price increases were reported for finished steel and petroleum products, iron ore, pig iron, and newsprint. On the other hand, prices of steel scrap, copper scrap, and some nonferrous fabricated metals moved downward. In the nation's commodity markets prices of raw industrial materials slipped about 7 percent from the beginning of December to the end of February. Ordinarily these quotations are more sensitive than those for finished products and are inclined to move with business sentiment.

Business and government outlays are expected to rise

The source of the present lessening of optimism cannot be directly related to reductions in either government or business spending. Federal outlays, particularly defense expenditures, appear to be rising. State and local governments, faced with a growing need for schools, highways, and other publicly financed construction projects, are expanding outlays too. Business expenditures for plant and equipment in 1957, according to the Department of Commerce, are expected to rise above the record 1956 total by about 6.5 percent. However, there have been some postponements of proposed expansion plans and it is also possible that production and inventory policies are becoming more cautious. Seasonally adjusted data for manufacturing lines reveal a slight rise in sales and new orders from December to January. Inventories of trade and manufacturing firms have increased moderately but are not out of line in relation to current sales.

Most of the present concern appears to be connected with the reluctance of the nation's consumers to expand purchases of automobiles, household appliances, and new housing. New car sales in the nation in January and February were 5 percent lower than in the same period a year ago and after seasonal adjustment showed little change from the closing months of 1956. Production in the first two months of this year was about 4 percent greater than in 1956, and dealers' stocks have been accumulating. Since inventory and production policies in the industry are closely geared to sales this year, it is unlikely that dealers' stocks will be permitted to reach the top-heavy level attained a year ago. The possibility remains, however, that automobile sales might repeat last year's pattern and not show the usual spring pick-up. A slowdown in the flow of orders from the automobile industry contributed to the slight contraseasonal decline in steel production in early March.

Production of household durables remains sluggish

The demand for other consumer durables, mainly household appliances, has also declined from a year ago and has tended to parallel the reduction in housing starts. Production of major household goods dropped 8 percent from December to January after seasonal adjustment and continued to decline in February. Current output is about 12 percent less than in the first two months of 1956, with television set production showing an especially sharp decrease. This decline has contributed to a reduction in the demand for sheet steel and to a slackening in the demand for fabricated nonferrous metal products as well.

Housing starts in the nation in January, at a seasonally adjusted annual rate of 1,000,000 units, were down 15 percent from January 1956 and were also slightly below the average for the fourth quarter of last year. A further drop to the level of 910,000 units occurred in February, indicating that the long-awaited upturn has not yet arrived. Weakness in residential construction has especially hit the nation's tract house builders and the lumber and plywood industries.

On the favorable side, however, there are indications that purchases of consumer durables may rise. The preliminary findings of the most recent survey of consumer finances conducted for the Board of Governors of the Federal Reserve System suggest a moderately optimistic outlook for consumer spending. Consumers interviewed in January and February were generally optimistic about their income position and outlook for the current year. Plans of consumers to purchase major items showed little change from early 1956. The proportion of those planning to buy new automobiles during the year was 8.4 percent, the same as a year ago. The intentions with respect to purchases of used automobiles, furniture and major household appliances, and home improvements were up a bit from a year ago; but the proportion of those planning to buy new and existing houses was less than last year.

In summary, these various developments indicate that there has been a slowdown in the rate of growth of the nation's business activity. For an increasing number of goods, there has been a narrowing of the gap between demand and supply. The price and output adjustments that have occurred in recent months are to be expected in a flexible economy. While a few industries show signs of slack, these soft spots have not been sufficient to cause any over-all decline in business activity. Since the upward pressure upon prices and production had been strong during most of 1956, a reduction of this pressure may well be not only an inevitable but also a healthy development, for it will help in achieving the goal of maintaining economic stability.

District nonfarm employment continues to rise

In the Twelfth District business activity continued to show more vigor than in the nation, even though the December-January rise was smaller than that which occurred a year ago. Total nonagricultural employment rose from December to January after seasonal adjustment by an amount that equalled the November to December gain but was smaller than the 1 percent rise from December to January last year. This season's gains were widespread as employment declined less than seasonally in manufacturing, construction, trade, and government. Of the major employment categories, only mining failed to show growth after seasonal adjustment.

Weather conditions worsened in the District in the latter part of January and in early February and outdoor activity was curtailed. As a consequence insured unemployment rose above year-ago levels. A severe cold spell in the latter part of January, coupled with below average precipitation for the season, reduced stream flow in the Pacific Northwest and led to a cut in interruptible power supplied to industrial users. Beginning in early February, aluminum production was reduced by about one-fourth from the January rate and approximately 1,000 employees were laid off. By mid-March some cut-off power had been restored, and industry spokesmen expected to be able to resume capacity production by the end of March.

District production patterns show little change

Production in the Twelfth District continues to show the same strength and weaknesses apparent in the closing months of 1956. Total manhours worked in Pacific Coast manufacturing industries in January were below those for December, owing to seasonal factors, but were 7.2 percent above the January 1956 level. The gain between December 1955 and 1956 was somewhat less, about 5.6 percent. These year-to-year comparisons indicate that seasonal declines in most industries in January were smaller than those which occurred a year ago. In one industry, transportation equipment manufacturing, activity rose 1 percent from December to January because of increased production of aircraft, missiles, and automobiles.

Steel production in the District in February continued at the high January level, but weakness in copper markets has reduced mine output of that metal. Aluminum production in February was down about 25 percent because of the power shortage. Automobile output in February in California was at slightly reduced rates as work weeks were shortened in some plants, but activity in aircraft and missiles continued to expand.

The situation in lumber and plywood shows little change. Although Douglas fir plywood production in December was the largest for any month in 1956, a drop of 12 percent occurred in January and another decline took place in February. Part of the February decline reflected a shorter month. Although several new plants began operating in February, total output dropped because of curtailment of activity at other plants.

Douglas fir production in January rose 11 percent above the very low December figure. Until March 2, production in 1957 ran about 7 percent below output in a comparable period last year. Nevertheless, output still exceeded orders and shipments. The situation for western pine is similar except that current production is down from last year's level by a larger amount than either shipments or orders. In addition to reduced activity in lumber and plywood, production of pulp has slackened, and some mills in the Pacific Northwest have recently closed in order to reduce inventories.

Sales of District department stores in January were 3 percent above the year-ago figure but showed no change from December after adjustment for seasonal variation. February sales, according to preliminary information, declined slightly from the December-January level. New automobile registrations in California in January were higher than for any month since last June but were, nevertheless, 9 percent below the January 1955 level. Indications are that registrations in February dropped by the usual seasonal amount.

Greater drop in bank loans this year

Bank loans outstanding at weekly reporting member banks in the Twelfth District dropped sharply in January in contrast to almost no change in January a year ago. Another decline, about half as large, occurred in February; whereas last year loans expanded in February. All types of loans showed a drop in January, although security and agricultural loans recovered a fraction of their losses in February. In 1956 only commercial and industrial loans declined in both months. About 80 percent of the reduction in total loans outstanding from January 2 to February 27 was accounted for by commercial and industrial loans. Most types of business loans participated in the decline, although borrowings of metal and metal products producers and "other manufacturing and mining" firms increased slightly during this period.

Changes in building permits and contract awards are dissimilar

Preliminary estimates of building activity in the Twelfth District show that total permits granted in January rose about 7 percent from the December value. Residential authorizations show a value increase of about 20 percent but remained 11 percent below the year-ago figure. Nonresidential permits dropped 6 percent from December to January and were 5 percent below the value of permits issued in January 1956. Heavy construction contract awards, many of which are not covered by building permit statistics, were up substantially in January and February from the same two-month period in 1956. In spite of the weakness in permits, contract award data indicate that nonresidential construction in the

Twelfth District will continue fairly strong for at least several months.

This brief review of Twelfth District business conditions indicates that expansive forces generated by increased activity in aircraft, missiles, and heavy construction still outweigh weakness in other sectors. The District economy should continue to expand, although gains in the near future may not match those experienced a year ago.

Member Bank Earnings—1956

Banks in the Twelfth District in 1956 had an experience which was common to business nationally: they had to run faster and faster to maintain their same profit position. The demand for funds was stronger than ever while the supply expanded only moderately, so allocation of available funds became a prime and ever-present task. During 1956 funds were shifted by banks from security holdings to the higher-yielding loan portfolios, with accompanying increases not only in earnings on loans but also in net charge-offs, losses, and transfers to reserves on loans. Increases in expenses as well as in taxes on income further decreased operating earnings so that net profits after taxes, viewed as a percent of capital accounts, remained unchanged from 1955 to 1956.

Total operating earnings of Twelfth District member banks during 1956 were $110 million higher than in 1955 (Table 1), with greater earnings on loans primarily responsible for this growth. As indicated in Table 2, loan portfolios at District member banks were $1.5 billion larger on December 31, 1956 than at the end of 1955. While this expansion was not so great as the $1.7 billion increase in 1955, demands for credit were strong all during 1956. Member banks increased their loans outstanding by more than $400 million during each of the first three quarters. Efforts by the Federal Reserve System to restrain too rapid credit expansion by restricting the availability of reserves seemed to show increasing results in the fourth quarter, since total loans rose only $200 million then compared with gains during the same period of $400 million in 1954 and $600 million in 1955.

All loan categories, except agricultural, expanded; but business loans accounted for more than half of the increased indebtedness to Twelfth District banks during 1956. According to a sample of weekly reporting banks, all types of businesses except textile, leather and apparel producers, and sales finance companies increased their borrowings. Most of the growth was in the manufacturing and mining sector, especially by those firms engaged in the production of metals and metal products and food, liquor, and tobacco. The experience of sales finance companies, reflecting the lower volume of automobile sales, was in sharp contrast to the previous year, when

Table 1

Earnings and Expenses of Twelfth District Member Banks, 1954-1956
(in millions of dollars)

	1954	1955r	1956p	Percent change 1955-56
Earnings on loans	$494.7	$546.7	$650.6	+19.0
Interest and dividends on				
Government securities	144.1	160.0	152.7	— 4.6
Other securities	38.5	42.5	43.9	+ 3.3
Service charges on deposit accounts	61.3	66.3	74.6	+12.5
Trust department earnings	22.2	25.7	29.7	+15.6
Other earnings	39.7	41.9	41.7	— 0.5
Total earnings	800.5	883.1	993.1	+12.5
Salaries and wages	239.2	258.0	287.2	+11.3
Interest on time deposits	133.5	148.1	163.7	+10.5
Other expenses	139.1	155.5	177.1	+13.9
Total expenses	511.8	561.6	628.0	+11.8
Net current earnings	288.7	321.5	365.1	+13.6
Net recoveries and profits (—losses)[1]				
On securities	+28.2	—25.9	—28.2	....
On loans	—14.7	—25.3	—35.7	....
Other	— 7.0	— 3.4	— 3.7	....
Total net recoveries and profits	+ 6.5	—54.5	—67.6	+24.0
Net profits before income taxes	295.2	267.0	297.5	+11.4
Taxes on net income	139.5	118.4	133.6	+12.8
Net profits after taxes	155.7	148.6	164.0	+10.4
Cash dividends declared	74.3	85.0	90.0	+ 5.9
Undistributed profits	81.4	63.6	74.0	+16.4

r Revised.
p Preliminary.
[1] Including transfers to (—) and from (+) valuation reserves.

they increased their borrowings by substantial amounts.

The percentage increase in real estate loans was almost as much as total loans, with VA-guaranteed loans increasing at a slower rate than all other types of real estate loans. Loans to individuals grew at a rate only one-third as rapid as during 1955, primarily because of the very moderate growth in retail automobile instalment loans outstanding. Farmers decreased their indebtedness to Twelfth District banks in all types of borrowing—real estate and non-real estate loans and those guaranteed by the Commodity Credit Corporation.

TABLE 2

PRINCIPAL RESOURCE AND LIABILITY ITEMS OF ALL MEMBER BANKS IN THE TWELFTH DISTRICT 1955 AND 1956[1]

(in millions of dollars)

	Dec. 31, 1955	Dec. 31, 1956p	Percent change
Loans and investments	$20,401	$20,949	+ 2.7
Loans and discounts net	11,125	12,616	+13.4
Commercial and industrial loans	3,793	4,631	+22.1
Agricultural loans	489	448	— 8.4
Real estate loans	4,351	4,859	+11.7
Loans to individuals	2,155	2,308	+ 7.1
U. S. Government obligations	7,236	6,454	—10.8
Treasury bills	267	396	+48.3
Treasury certificates of indebtedness	320	124	—61.3
Treasury notes	1,815	1,323	—27.1
U. S. bonds	4,834	4,611	— 4.6
Other securities	2,038	1,879	— 7.8
Total assets	25,580	26,512	+ 3.7
Demand deposits	14,427	14,818	+ 2.7
Time deposits	9,120	9,427	+ 3.4
Total deposits	23,547	24,245	+ 3.0
Capital accounts	1,507	1,675	+11.1

p Preliminary.

[1] A preliminary tabulation of all items of condition of Twelfth District member banks as of December 31, 1956 is now available for distribution. Requests for copies should be directed to the Federal Reserve Bank of San Francisco, 400 Sansome Street, San Francisco 20, California.

Average interest return on loans remains stable

The record high earnings on loans reflect greater income from more loans outstanding rather than any significant change in the rate of return to banks in this District. The over-all rate of return on outstanding loans increased from 5.47 percent in 1955 to 5.49 percent in 1956. This small increase reflects the fact that most of the loans involved were made in an earlier period. However, as is well known, loan expansion in 1956 has been curbed by decreased availability of funds as well as by interest rate increases. Potential borrowers have been granted amounts less than originally requested, they have been required to meet more rigid financial standards, and the maturity of some loans has been shortened. Some increase in interest rates on new loans has occurred, however, as evidenced by quarterly surveys of selected short-term business loans. Rates on these loans, at 4.25 percent in December 1955, averaged 4.65 percent in December 1956. Because the over-all rate of return is computed on all loans outstanding, the addition of even a substantial volume of new loans at higher rates raises the over-all return only slightly.

The effect of shifts in interest rates upon bank earnings from loans is not so evident in this District as in other parts of the nation because of the greater importance of real estate loans in bank portfolios here. With the nominal rates on FHA and VA loans fixed, the over-all rate of return on all real estate loans reacts only slowly to rising interest rates. Rates on consumer loans also showed little change last year. Furthermore, the share of commercial and industrial loans was somewhat larger in 1956 than in 1955; and these loans, although their rates respond more readily to general money market conditions, commonly are extended at a lower rate than the average to all types of borrowers.

Earnings on securities fall as holdings decline

In contrast to the earnings record on loans, interest and dividends on securities held by Twelfth District member banks declined 3 percent. This resulted entirely from reduced holdings of securities. During the first half of 1956, member banks in the District reduced their holdings of United States Government securities by $780 million. To keep losses to a minimum, and in keeping with their ordinary procedures, most of the securities sold were bills, certificates, notes, or other short-term securities. During the last half of 1956, the yields on Treasury bills became even more attractive and banks were able to increase their holdings of these secondary reserves, thereby improving their liquidity position. Although member bank holdings declined, Government security yields rose and the average rate of return increased from 2.11 percent in 1955 to 2.27 percent in 1956.

Higher yields on municipal securities, which constitute the major share of the other securities held, as well as those on corporate issues, were responsible for increased interest and dividends in this category. However, holdings of these securities by member banks declined in every quarter of 1956, although new flotations in 1956 of corporate and municipal issues combined were somewhat larger than in 1955.

Earnings from service charges on deposit accounts continued at record levels in 1956. These charges generally are levied on specified minimum demand deposit balances and number of entries to these accounts, and on so-called "Special Checking Account" plans. Increased business activity and a record demand for funds, combined with the Federal Reserve System's attempt to restrain an inflationary expansion of money, forced each dollar to do more work. Bank debits to demand deposits in the District were 10 percent greater in 1956 than in 1955, and total demand deposits at the end of the year were 3 percent higher than a year earlier. Thus, considerably more checks were written on a somewhat larger volume of deposits, and revenues from service charges on checking accounts increased.

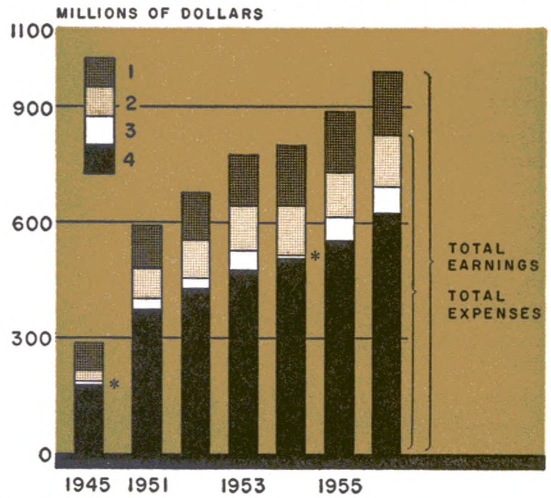
Banks also added to their income by providing more fiduciary services. Trust department earnings were up almost 16 percent over 1955; however, other earnings, which include income from the title and foreign departments, rentals from the banking house, other real estate, and safe deposits, and interest on time balances at other banks, declined by one-half of 1 percent.

Bank expenses rise sharply

Accompanying record earnings were record expenses. Total expenses in 1956 increased $66 million or 12 percent over those of 1955, with all categories of expenses contributing to the growth. As banking services expanded, aproximately 7,000 more officers and employees were required in 1956 than in 1955. Nearly 10,000 officers received about $82 million and 62,000 employees about $205 million in salaries during 1956, a total increase in salary payments of 11 percent over 1955.

CHART 1

EARNINGS, EXPENSES, AND PROFITS TWELFTH DISTRICT MEMBER BANKS



Key to chart:
[1] Profits.
[2] Taxes.
[3] Net losses and charge-offs, including transfers to valuation reserves.
*In 1945 and 1954 this area represents net recoveries on loans and securities.
[4] Expenses.

Time deposits at District banks increased $300 million in 1956, somewhat less than the $420 million gain in 1955. With higher yields available in other channels of investment, some funds were undoubtedly diverted from member bank time deposits. The increased level of time deposits, however, cost Twelfth District banks 10 percent more in interest payments in 1956 than in the preceding year. Interest costs related to total time deposits increased from 1.66 percent in 1955 to 1.77 percent in 1956. In an effort to maintain a competitive position for savings dollars, many banks in the District raised the interest rate on time deposits to 3 percent, effective at the beginning of 1957.

Other expenses grew even faster. Interest and discount on borrowed money more than tripled as Federal Reserve and interbank borrowing costs rose. Higher operating costs for occupancy and maintenance of banking quarters, light, heat, supplies, and repairs also contributed to the 14 percent rise in "other" expenses.

Net losses, charge-offs, and transfers to reserves also rise

Net current earnings, the difference between current operating earnings and current operating expenses, were further reduced by nearly $68 million in net losses, charge-offs, and transfers to valuation reserves, an amount $13 million greater than in 1955. Security prices fell in both years; and, as banks sold investments to obtain funds for lending, the transfers to valuation reserves, losses, and charge-offs amounted to $40 million in 1956 and $36 million in 1955. These sums were only partly offset by recoveries, profits, and transfers from reserves of $12 million in 1956 and $10 million in 1955. Because of larger loan portfolios and fuller use of the laws regarding reserves for bad debts, member banks were able to increase valuation reserves for loans. Losses, charge-offs, and transfers to these reserves amounted to $40 million in 1956 compared with $28.5 million in 1955. Recoveries, profits, and transfers from reserves came to $4 million in 1956 and $3.2 million in 1955.

TABLE 3

RATIOS TO CAPITAL ACCOUNTS AND RATES OF RETURN ON EARNING ASSETS—TWELFTH DISTRICT MEMBER BANKS, 1954-56

Ratios to capital accounts	1954	1955	1956
Net current earnings			
All banks	21.7	22.1	22.8
13 largest	22.3	22.5	23.0
Other	19.1	20.7	21.6
Net profits after taxes			
All banks	11.6	10.2	10.2
13 largest	11.5	10.6	10.6
Other	12.1	8.7	8.4
Rates of return on			
Loans			
All banks	5.4	5.5	5.5
13 largest	5.4	5.4	5.4
Other	5.8	5.9	6.0
Government securities			
All banks	2.0	2.1	2.3
13 largest	2.0	2.1	2.3
Other	1.9	2.1	2.3

Note: Capital accounts, loans, and Government securities items on which ratios are based are averages of Call Report data on December 31, 1955, June 30, 1956 and September 26, 1956.

Dollar amount of net profits sets new record

As a result of higher income, taxes on net income increased by $15 million from 1955 to 1956 and accounted for 44.9 percent of net profits before taxes in 1956 compared with 44.3 percent in the previous year. In dollar amount, net profits after taxes reached an all-time high of $164 million, an increase of 5 percent over 1954, the previous record year. However, these higher dollar profits did not represent a greater return on the investment in District banking. Capital accounts increased sharply ($104 million) in the first quarter of 1956 but more gradually during the final three quarters. The total gain over the year was $168 million. Thus, the ratio of net profits after taxes to capital accounts was unchanged from 1955 to 1956, as is shown in Table 3.

Cash dividends declared in 1956 amounted to 54 percent of net profits after taxes, with the remaining $74 million in undistributed profits contributing to the growth in capital accounts. In 1955, 57.2 percent of the net profits had been returned to stockholders in cash dividends, compared with 47.7 percent in 1954.

Bank profits rise faster in District than in nation

Preliminary figures indicate that the earnings experience of all member banks in the United States was similar to that of Twelfth District banks. Earnings reached a record $6 billion, with earnings on loans providing most of the increase. Total loans outstanding in the nation increased 10 percent during the year; commercial and industrial loans, 17 percent; real estate loans, 9 percent; and consumer loans, 19 percent. The rate of return on loans of all member banks in the United States increased from 4.77 percent in 1955 to 5.01 percent in 1956, narrowing the customary gap between rates in this District and the nation. Earnings from interest on Government securities did not decrease relatively as much in the nation as in the District, and the average rate of return on Governments rose more sharply. Total expenses increased somewhat more rapidly for all banks than for District banks, but no breakdown by type of expense is yet available.

The most significant difference between United States member banks and those in the District appears in the section pertaining to losses, charge-offs, and transfers to valuation reserves. All member banks increased charges to these accounts by almost 44 percent, twice the percentage increase at District banks. New York City member banks, which doubled charges to these accounts, were responsible for almost one-fourth of the losses and charge-offs of all member banks in the nation.

Thus, profits before taxes, taxes on net income, and net profits after taxes were each 4 percent greater in the nation in 1956 than they had been in 1955, an increase considerably less than that shown by District banks. While District banks maintained the same ratio of net profits after taxes to total capital accounts, the ratio of all member banks in the nation decreased from 7.9 percent in 1955 to 7.7 percent in 1956. Cash dividends declared as a percent of net profits were similar in the District and the nation.

Outlook for 1957

Banks in the District and the nation moved into 1957 with the prospects of high dollar earnings before them but with expenses definitely rising. The yields from higher interest rates should be more fully reflected this year than last and losses on Governments should be less as banks have so reduced their stock of liquid assets as to make further large reductions in their holdings of Government securities unlikely in the future. The largest single element of increased expenses already definitely in view for District banks is the higher interest paid on time deposits. With such deposits totaling nearly $9.5 billion at the end of 1956 and about two-thirds of these subject to a full 1 percent increase, the dollar volume of interest cost will be substantially larger than in the year just past. Few people expect any reduction in wages and salaries or in other bank costs. Part of these increased expenses may be reflected in higher service charges as well as interest rates but, by and large, bank management will have to work just as hard and perhaps harder than last year to earn the same percentage return on the capital invested in banking.

Table 4

Percent Changes in Selected Earnings and Expense Items of Twelfth District Member Banks by Size Group, 1955-56

	All banks	13 largest banks	Other banks
Earnings on loans	+19.0	+20.5	+12.8
Interest and dividends on			
Government securities	— 4.6	— 6.4	+ 2.4
Other securities	+ 3.3	+ 0.8	+16.8
Service charges on deposit			
accounts	+12.5	+13.1	+10.3
Trust department earnings	+15.6	+16.7	+ 9.5
Total earnings	+12.5	+13.0	+10.4
Salaries and wages	+11.3	+11.7	+ 9.8
Interest on time deposits	+10.5	+11.0	+ 8.5
Total expenses	+11.8	+12.1	+10.6
Net current earnings	+13.6	+14.4	+10.0
Profits before taxes	+11.4	+13.6	+ 1.3
Taxes on net income	+12.8	+15.7	....
Net profits after taxes	+10.4	+11.9	+ 2.8
Cash dividends declared	+ 5.9	+ 5.3	+ 9.7

Note: Figures presented in this table for the 13 largest and the other banks are not entirely comparable, particularly for components of total earnings and expenses, because during 1956 a number of smaller banks went out of existence, some of which were consolidated with banks in the 13-largest group. Adjustments for this factor would probably have little effect on the 13-largest figures but might mean significant changes in the figures for the other banks.

CONSUMER INSTALMENT CREDIT STUDY PUBLISHED

The Council of Economic Advisors, on direction of the President, requested the Board of Governors of the Federal Reserve System early in 1956 to undertake a broad study of consumer instalment credit and a review of the arguments for and against some form of government regulation of such credit. In order to contribute to a wider understanding of the role of consumer credit in the economy and its bearing on the problems of economic stability and progress, the results of this study are being published; and the first five of the six books are now available.

This study is in four parts. Part I deals with the growth and import of consumer instalment credit in the economy. Volume 1 of Part I presents an integrated study of instalment credit and credit institutions, credit terms, characteristics of users, and issues of regulation, prepared by the research staff of the Federal Reserve System. The second volume is composed of six special studies which amplify and extend Volume 1.

A set of analytical and discussion papers by outstanding scholars in the consumer credit field constitutes Part II of the survey. The two volumes of Part II are the outcome of a conference held last October at which 46 academic authorities from 28 universities met to examine the data and knowledge needed for effective public policy in the field of consumer instalment credit. These reports were prepared under the independent auspices of the National Bureau of Economic Research. Volume 1 discusses the position of consumer credit in the economy, and Volume 2 covers the pros and cons of regulation.

Industry and consumer views on regulation are summarized in Part III. This is a one volume digest of opinions and judgments of such industry representatives as manufacturers, retailers, banks, and finance companies. The public is represented by the views of several consumer, labor, and farm organizations.

Part IV, a volume on the financing of new car purchases, has not yet been completed. The date of publication and price will be announced in a later issue.

The volumes which are available may be purchased from the Superintendent of Documents, Government Printing Office, Washington 25, D. C. The prices of the books are:

Part I	Part II	Part III	$1.00
Volume 1, $1.25	Volume 1, $1.75		
Volume 2, $1.00	Volume 2, $ .60		

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
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	87	112	144	118	130	101	114	115	171	200
1953	118	109	122	130	77	111	161	121	137	100	115	113	140	308
1954	111	106	119	133	71	101	172	120	134	96	114	113	131	260
1955	121	106	122	145	75	118	192	127	143	104	122	112	164	307
1956	116	105	129	156	77	128	210	134	152	104	129	114	....	....
1956														
January	125r	106	130	135	71	134	199	131	149	107	130	112	136	354
February	119r	106	128	145	79	129	204	132	150	99	124	111	126	323
March	116r	105	128	149	76	131	219	132	150	103	128	112	150	395
April	117r	105	122	160	82	140	203	133	150	105	131	113	175	397
May	119r	105	129	173	74	135	211	133	152	107	122	113	183	519
June	121r	105	125	161	82	135	215	134	153	105	126	114	204	427
July	120r	105	132	160	75	110	212	134	152	102	132	115	215	559
August	117r	105	128	171	84	123	212	135	153	101	131	114	207	500
September	112r	104	136	168	78	122	209	135	153	107	131	114	212	459
October	110r	104	128	163	81	127	217	136	154	102	130	115	256r	563
November	111r	104	135	146	79	123	216	137	156	100	132	116	242	401
December	112	103	132	139	72	123	210	138	159	106	131	116	....	....
1957														
January	108	102	131	....	74	....	220	139	160	105	131	116	....	....

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: Factors affecting reserves				Reserves[11]	Bank debits Index 31 cities[3, 12] (1947-49=100)[2]
	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]		
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
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
1956	12,613	6,452	12,169	9,424	4.50	− 52	−3,259	+3,274	− 96	2,654	191
1956											
February	11,323	6,819	11,233	9,095	......	− 87	− 76	+ 95	− 7	2,488	179
March	11,476	6,731	11,112	9,103	4.34	+ 71	− 178	+ 188	+ 35	2,516	183
April	11,669	6,730	11,530	9,099	......	+ 82	− 270	+ 371	− 7	2,578	190
May	11,837	6,566	11,144	9,139	......	− 22	− 233	+ 217	+ 47	2,498	182
June	12,030	6,482	11,262	9,294	4.44	+ 5	− 405	+ 341	+ 32	2,404	186
July	12,157	6,396	11,392	9,233	......	− 6	− 143	+ 240	− 8	2,519	197
August	12,173	6,439	11,356	9,286	......	+ 4	− 315	+ 247	− 103	2,565	201
September	12,423	6,491	11,581	9,305	4.57	+ 3	− 454	+ 466	− 59	2,640	184
October	12,384	6,468	11,747	9,326	......	− 5	− 417	+ 312	− 2	2,542	197
November	12,504	6,431	11,867	9,235	......	0	− 143	+ 209	+ 38	2,579	197
December	12,804	6,383	12,078	9,356	4.65	− 17	− 303	+ 451	+ 38	2,654	202
1957											
January	12,488	6,505	11,812	9,587	......	+ 33	− 558	+ 249	− 144	2,548	208
February	12,556	6,356	11,279	9,690	......	+ 41	− 816	+ 494	− 139	2,517	202

[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, California Redwood 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.