

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO
TWELFTH FEDERAL RESERVE DISTRICT

December 1959

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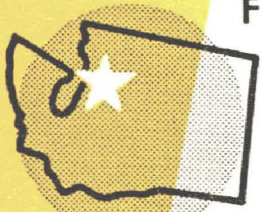
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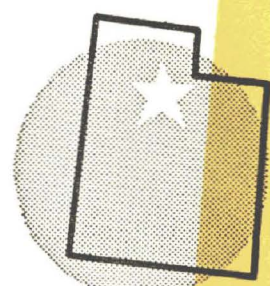
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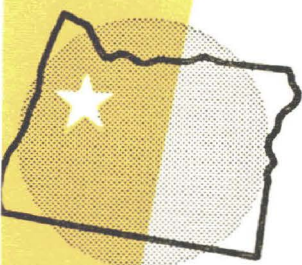
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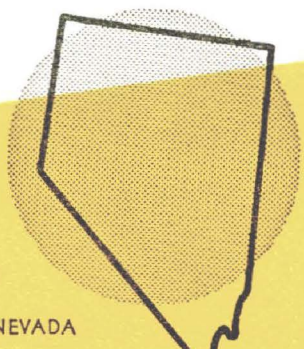
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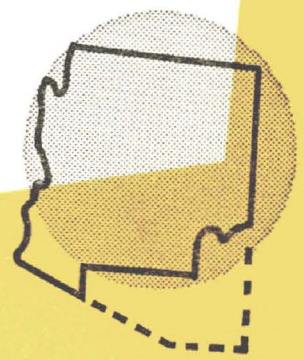
OREGON



CALIFORNIA



NEVADA



ARIZONA



HAWAII

Review of Business Conditions

As 1959 came to a close, business activity in both the Twelfth District and the nation was on the upswing as the consequence of the resumption of steel production and as a result of other changes which were primarily seasonal in character. The seasonally adjusted national index of industrial production rose slightly in November. Output of both durable and nondurable goods remained unchanged from October, but resumption of production at coal and iron ore mines idled by the steel strike boosted mineral output sharply. In the durable goods category, the substantial increase in steel ingot production was offset by reduced output of autos, trucks, farm machinery, and other producers' equipment necessitated by shortages of finished steel.

Nonfarm employment, on a seasonally adjusted basis, rose 125,000 to 52.1 million in mid-November. Increased employment in the steel and coal mining industries was largely offset by further layoffs in the automobile and other industries affected by steel shortages. Unemployment among both farm and nonfarm workers totalled 3,670,000 in mid-November, a level for that month exceeded in the postwar period only by last year's 3,833,000. Nevertheless, the increase of 389,000 in unemployment from mid-October to mid-November of this year was less than seasonal, and consequently the seasonally adjusted rate of unemployment fell from 6 percent of the labor force to 5.6 percent.

Seasonally adjusted retail sales throughout the nation in November were slightly below the record rate in October but exceeded the year-ago level by 7 percent. Shortages of automobiles reduced their sales substantially, but consumer purchases from department stores and most other types of retail outlets increased somewhat. Consumer buying was sustained by a seasonally adjusted increase of \$2.5 billion in personal income in November.

Although the outlook concerning the ultimate settlement of the steel dispute was still clouded in late December, the underlying tone of business sentiment is one of optimism. Consumer buying has been well sustained despite the restraining effect of the steel strike upon personal income, and the demand for new automobiles, in particular, appears to be brisk. While business spending on plant and equipment in the last half of 1959 was significantly reduced from earlier expectations as a consequence of steel shortages, the anticipated trend in such expenditures is upward. The latest Government survey indicates that businessmen estimate their capital outlays in the first quarter of 1960 at a seasonally adjusted annual rate of \$34.4 billion, an increase of \$500 million over the estimated volume for the fourth quarter of this year. Moreover, a survey by the National Industrial Conference Board indicated that capital appropriations, as distinct from capital outlays, by manufacturing corporations in the third quarter of this year were up 53 percent from the corresponding period of 1958. This was the largest rise in the post-recession period to date.

District metals output rises

During the month of November as a whole, steel ingot production of the three major District firms amounted to about 62 percent of rated capacity, compared with a national figure of 60 percent. The higher District rate was attributable to the resumption of production at one District plant prior to the general return to work at other firms on November 7 and 8. More recently, however, production limitations at one plant have kept the District rate from climbing as much as in the rest of the nation.

Although the now dormant steel strike has commanded more attention, the three and one-half month tie-up in the nonferrous met-

als industry reached a point in mid-December where shortages were beginning to threaten metal fabricating operations on a rather large scale. From the standpoint of mining activity, this tie-up was quite important in the Twelfth District, since its mines produced three-fourths of the nation's output of copper in 1958. In November it was reported that most copper fabricators had supplies sufficient only through the end of November, although some had stocks sufficient for operations through December.

The settlement of the strike in mid-December at a large District custom smelter should alleviate the supply situation for refined copper somewhat, since ore may be obtained from mines not affected by the strike. National output of copper ore in October was at about one-fifth of pre-strike levels.

The resumption of activity at the large District custom smelter was followed almost immediately by a reduction of one-half cent in the price of lead from the 13 cents per pound level which had prevailed since last August. The smelter had large unsold stocks of lead which became immediately available to the market. Buying at the new price was reported to be slow. In contrast, refined slab zinc stocks held by United States producers dropped sharply in November as shipments to industry, particularly the steel industry, rose, while smelter production fell.

Lumber markets have strengthened

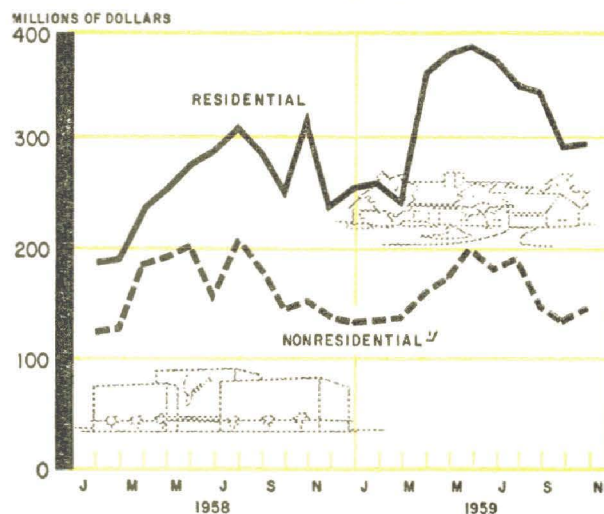
Twelfth District sawn lumber production continued through November at about the October rate (seasonally adjusted) despite further slight price declines. Weather conditions were generally favorable to logging activities, particularly for that time of year. Beginning in late November, new order receipts picked up and prices of some fir and pine items strengthened. The price of green fir two-by-fours, for example, increased about \$3 per thousand board feet in the first half of Decem-

ber, following a decline of \$13 since early August. The export market for Douglas fir, although accounting for perhaps only 5 percent of total sales in recent years, has shown particular improvement. Order backlogs for foreign shipment reached the highest level since January 1955 at the end of November. Some strengthening in plywood markets has also occurred, as indicated by price increases in the latter half of November of \$4 per thousand square feet for both rough sheathing and sanded grades. A number of small plywood producers are reported to have curtailed output, probably for much of the winter, so the industry is optimistic that present prices will hold until Spring, if not increase moderately further. In mid-December at least one mill raised its price on the basic sanded grade another \$4 to \$72 per thousand square feet.

Residential construction contracts rise slightly

Twelfth District residential construction contracts rose by 3 percent during the month of October, following declines in the four previous months. It seems unlikely, however, that this constitutes a reversal of the downward

CHART 1
CONSTRUCTION CONTRACTS AWARDED,
TWELFTH DISTRICT, 1958-1959



¹ Excludes public works, public utility, and heavy engineering construction contracts.
Source: F. W. Dodge Corporation.

trend. There are still too many unfavorable indications that portend further declines in the immediate future. For example, applications for FHA-insured mortgages declined in October for the fourth consecutive month and were down 8 percent from September this year and 26 percent below October of a year ago. Furthermore, an October FHA survey, conducted on a national basis, revealed that western builders plan a fairly substantial reduction in the level of home building in all price classes. Undoubtedly a part of this decline is to be explained in terms of the cost and uncertainty of current financing.

Current quotations for FHA mortgages in the District suggest a continuation of this tightness. In mid-December, western investors were quoting FHA 5¾ percent, 30-year maturity, minimum downpayment loans at 94½ to 95½, depending upon the location of the property. At the same time, eastern investors were quoting a still lower price for the same type of mortgage.

District farm price movements exhibit mixed trends

Prices received by District farmers in mid-November were moderately higher than a month earlier for most crops, while most livestock prices continued downward. Shipping point or central market prices for the last two weeks in November suggest that no substantial changes have occurred in prices at the farm level since mid-month. The improvement in crop prices was most general for grain crops. As a result, the increase in overall crop prices was most pronounced in Pacific Northwest states. In Oregon, for example, the increase in grain prices along with sharply higher prices for potatoes raised the mid-November price index for crops 2 percent above the previous month and 11 percent higher than a year earlier. In contrast, District hog prices declined to the lowest level since January of 1956, and beef cattle prices showed the sharp-

TABLE 1

PRICES OF SELECTED FARM PRODUCTS

| | Unit | Nov. 15 1959 | Nov. 15 1958 | Percent Change |
|-------------------|------|-----------------|-----------------|-------------------|
| CALIFORNIA | | | | |
| Cotton lint | | \$.34 | \$.32 | — 6 |
| Oranges | box | 6.80 | 3.23 | —52 |
| Beef cattle | cwt. | 23.50 | 22.80 | — 3 |
| Hogs | cwt. | 20.50 | 14.10 | —31 |
| Eggs | doz. | .394 | .286 | —27 |
| IDAHO | | | | |
| Potatoes | cwt. | 1.00 | 1.65 | 65 |
| OREGON | | | | |
| Corn | ton | 50.00 | 53.60 | 7 |
| Oats | ton | 41.90 | 45.60 | 9 |
| WASHINGTON | | | | |
| Apples | bu. | 1.60 | 2.05 | 28 |
| Potatoes | cwt. | .80 | 1.65 | 106 |

Source: United States Department of Agriculture, *Agricultural Prices*.

est month-to-month decline in most District states since the beginning of the price decline in June.

Compared with a year ago, prices received for crops contributing heavily to farm receipts at this time of the year show a mixed trend. Most livestock prices are lower than a year ago. Prices received for the District's important cotton crop also are lower, along with orange prices. On the other hand, apple and potato prices have improved considerably. In Washington, for example, potato prices in mid-November were double the extremely low prices received on the same date in 1958.

Department store sales rise

District department stores showed a seasonal upswing in November, although the District increase over year-ago sales was not as great as the national increase. Sales for the four weeks ending December 5 were 1 percent above the year-ago volume in the District, while national sales were 4 percent higher. However, cumulative sales for the year to that date were 9 percent above year-ago levels in the District, whereas national sales were only 7 percent higher.

District employment advances to another record

Twelfth District nonfarm employment reached another new record in November, largely resulting from the settlement of several labor disputes and the back-to-work order in the steel industry on November 7. By mid-November, most steel workers in both the primary and fabricating stages of the industry had returned to payroll status, and other manufacturing industries such as glass and shipbuilding increased employment sharply after new labor contracts were negotiated. Lumber and wood products firms maintained their work forces higher than usual for the season despite severe storms in the Pacific Northwest, and food canning payrolls in California declined less than seasonally. The ordnance and electrical machinery industries also boosted employment although a strike idled about 1,000 workers in the latter industry. These gains were partially offset by shutdowns at automobile and truck assembly plants, principally those of General Motors, and scattered layoffs occurred at metals fabricating and machinery plants, all as a result of dwindling steel inventories. Major aircraft firms in California also reduced employment by more than 3,000 workers in November. Production schedules for civilian jet aircraft have been gradually reaching a more normal basis, and as workers become better trained at their new tasks, fewer are required on assembly lines. Reduced military orders for jet aircraft continue to be reflected in declining employment, and these are only partly counterbalanced by augmented technical staffs for the design and production of more advanced weapons systems.

Despite evidence that steel shortages were slowing work on some construction projects and delaying commencement of work on others, employment in contract construction within the Twelfth District rose moderately in November after seasonal adjustment. All

other nonmanufacturing industries except the transportation and communications complex reported job gains also, with sizable increases being reported in services and government employment.

From more recent developments, it appears likely that the mid-December job total will show a further increase. Idled automobile workers were being recalled by the second week in December as new steel flowed through production pipelines and additional workers in machinery and metals industries returned to their jobs.

Bank loans and investments up

In the four weeks ending December 2, total loans at weekly reporting banks in the District rose \$77 million, the major factors being increases of \$99 million in commercial and industrial loans and of \$18 million in real estate loans. Agricultural loans declined seasonally by \$27 million, while other loans (mainly consumer) fell \$47 million. During the past three months, the rate of increase in commercial and industrial loans at reporting bank offices in the principal District cities—San Francisco, Los Angeles, Portland, Seattle, and Salt Lake City—lagged markedly behind the rate of increase at the reporting banks and branches outside those cities.

Loans to classified borrowers reflected seasonal needs: loans to food, liquor, and tobacco processors rose \$26 million, while loans to commodity dealers rose \$33 million. Borrowing by the wholesale trade increased \$13 million, although borrowing by the retail trade increased only \$1 million, as retail loan expansion during the first three weeks of the period was almost cancelled by a loan contraction of \$11 million during the final week. Loans to metals and metal products producers rose very slightly, reflecting the resumption of steel production. Construction firms increased their borrowings by \$8 million, while public utilities and transportation firms contracted

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their borrowings by \$18 million, of which \$6 million represented one large repayment.

Bank investment portfolio operations, conducted in the milieu of rising loan demand countered by new Treasury offerings, resulted in a net increase of \$82 million in holdings of United States Government securities by weekly reporting banks. Banks added \$47 million in Treasury bills to their portfolios, while a shift in the maturity of holdings of Treasury notes and United States bonds saw the "1 to 5 years" category drop by \$111 million, but the "within 1 year" category rose \$131 million. The District movement in bank holdings of Treasury bills, notes, and bonds followed that of the rest of the nation. District bank holdings of other securities also rose \$11 million.

Demand deposits adjusted rose \$116 million, while time deposits fell \$126 million, corresponding to the national pattern. Almost three-quarters of the decline in time deposits was due to a drawing down of savings deposits, principally reflecting the liquidation of Christmas Club savings accounts.

Yields stable, sales rapid in municipal bond markets

The volume of municipal bonds in issues of \$5 million and over was \$37 million in November, somewhat above the \$34 million sold in October, which was the low month so far this year. Sales of new issues occurred at a

TABLE 2
CHANGES IN SELECTED BALANCE SHEET ITEMS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES
 November 4, 1959 to December 2, 1959

(dollar amounts in millions)

| | Twelfth District | | United States | |
|---|------------------|---------|---------------|---------|
| | Dollars | Percent | Dollars | Percent |
| ASSETS: | | | | |
| Loans and investments adjusted ¹ | + 170 | + 0.8 | + 374 | + 0.4 |
| Loans adjusted ¹ | + 77 | + 0.5 | + 445 | + 0.7 |
| Commercial and industrial loans | + 99 | + 2.0 | + 328 | + 1.1 |
| Real estate loans | + 18 | + 0.3 | + 68 | + 0.5 |
| Agricultural loans | — 27 | — 4.6 | — 24 | — 2.6 |
| Loans for purchasing or carrying securities | + 13 | + 9.6 | — 113 | — 3.1 |
| Loans to nonbank financial institutions | + 3 | + 0.4 | + 78 | + 1.4 |
| Loans to domestic commercial banks | — 9 | — 4.5 | + 103 | + 7.6 |
| Other loans | — 47 | — 1.7 | + 51 | + 0.4 |
| U. S. Government securities | + 82 | + 1.5 | + 108 | + 0.4 |
| Other securities | + 11 | + 0.5 | — 179 | — 1.8 |
| LIABILITIES: | | | | |
| Demand deposits adjusted | + 116 | + 1.0 | + 402 | + 0.7 |
| Time deposits | — 126 | — 1.2 | — 436 | — 1.4 |
| Savings accounts | — 92 | — 1.0 | N.A. | N.A. |

N.A. not available.

¹Exclusive of loans to domestic commercial banks and after deduction of valuation reserves; individual loan items are shown gross.

Source: Board of Governors of the Federal Reserve System, Federal Reserve Bank of San Francisco.

still higher rate in the early part of December. Demand was brisk, with resale of most of the issues following rapidly upon acquisition by underwriters. Bond prices showed little change in late November and early December.

An expected sale of \$100 million of State of California bonds scheduled for December 9 was postponed at the last minute. The State Treasurer stated that the bonds will be re-offered on January 13, 1960. The announced reason for the withdrawal was that the interest cost anticipated from the one bid that would have been submitted might have been about 4 percent, which the Treasurer did not consider fair and equitable. The State has not received more than one bid on its major sales since October 3, 1956. On the State's last trip

to the market on September 10, it sold \$50 million of school bonds at a net interest cost of about 4.1 percent.

Savings and loan associations raise rate to 4½ percent

Further evidence of the competition to obtain funds in the present tight financial

markets was provided when various savings and loan associations in California announced in early December that they would raise the rate paid on savings accounts from 4 percent to 4½ percent, effective January 1, 1960. Some associations in southern California had already put into effect a 4¼ percent rate for the fourth quarter of this year.

Vault Cash

WHEN the national economy is in a strong, expanding state, as is now the case, the characteristic upswing in business credit needs during the holiday season and the increase in currency in circulation strain the resources of the commercial banking system; hence it is the practice of the Federal Reserve System to make additional reserves available to the banking system at this time of the year in order to permit an expansion of bank credit to meet the seasonal needs of the economy. For the 1959 holiday season, part of the seasonal easing of the banks' reserve position has come through a new ruling affecting the currency and coin, or vault cash, which banks keep on hand for operating purposes.

Effective the beginning of December, the Board of Governors of the Federal Reserve System amended its regulations so that member banks having large holdings of vault cash in relation to their deposits were permitted to count a part of this cash in meeting their reserve requirements. This action was authorized by legislation passed by the Eighty-Sixth Congress which amended Section 19 of the Federal Reserve Act governing reserve requirements of member banks. The amending legislation authorized the Board, among other things, to permit member banks to include in their required reserves all or part of their vault

cash holdings in addition to balances with Federal Reserve banks.

The primary purpose of Federal Reserve policy is to regulate the flow of money and credit so as to contribute to sustainable economic growth; the principal function of reserve requirements is to serve as the basis for regulating the ability of banks to expand credit and add to the available money supply. Since vault cash holdings and reserve balances at the Reserve banks both have the same effect in limiting the volume of credit a bank may extend and are interchangeable, it appears logical that both be counted as reserves.

The recent amendment of regulation D by the Board of Governors provided that effective December 1, 1959, so-called "country banks" (i.e., banks not classified as reserve city or central reserve city banks) having vault cash in excess of 4 percent of their net demand deposits are permitted to count the excess as part of their required reserves. The amendment also provided that effective December 3, banks classified as reserve city and central reserve city banks are similarly permitted to count vault cash in excess of 2 percent of their net demand deposits.

On the basis of average vault cash holdings for the past twelve months, it appeared that almost half of the 6,250 member banks in the

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United States would thus be in a position to count a part of their vault cash in meeting their required reserves. This would mean that as a result, total member bank reserve balances at the Federal Reserve banks might be lower than would otherwise be required by about \$230 million, of which \$160 million would be at country banks and \$70 million at reserve city banks. Total vault cash held by member banks has averaged about \$2.2 billion during 1959. Cash held at any particular time is subject to marked seasonal fluctuation, so that the effect on bank reserves of the change in the vault cash regulation cannot be exactly foretold from past averages. Furthermore, the change in the regulation may also have an effect on the average volume of currency held by member banks where they are over the minimums, since there is no longer the compelling reason to return cash to the Reserve bank for credit to the bank's reserve account.

The Board, in its first exercise of the authority to permit member banks to count all or part of their vault cash holdings as reserves, chose to permit only a partial use of vault cash as reserves. The Board's decision to permit the stated proportions of vault cash holdings at country banks and at central reserve and reserve city banks to be counted as reserves was based upon studies of the differential effects of alternative choices.

Variation among individual banks in vault cash holdings is a factor that must be considered in the judicious freeing of vault cash as reserves. The amount of vault cash held by an individual bank will vary during the year, although in the past banks generally have followed the practice of keeping cash on hand at a working minimum. They have to draw down their reserve balances at the Federal Reserve banks in order to increase their cash holdings and, conversely, excess cash may be exchanged for reserve balances. The factors which affect the ratio of vault cash to net demand deposits at individual banks—differences in operating needs and practices, and also distance from Federal Reserve banks—have resulted in wide variation in vault cash ratios among individual banks within a given bank class. However, taking all banks within a class as a group, a characteristic pattern has emerged, with the vault cash ratio being lowest for central reserve city banks, higher for reserve city banks, and highest for country banks; this pattern is illustrated in Table 1, Column 1. The present reserve requirements against net demand deposits, by bank classification, are shown in Column 3. However, both vault cash and reserve balances limit lending, and the combination of the two results in ratios which modify the spread in reserve requirements between bank classifica-

TABLE 1
RESERVES AND VAULT CASH HELD BY MEMBER BANKS
(Average of daily figures, July 16-31, 1959)

| | Amount of Vault Cash (in millions of dollars) | Ratio of Vault Cash to Net Demand Deposits (%) | Present Reserve Requirements Against Net Demand Deposits ¹ (%) | Ratio of Vault Cash Plus Required Reserves ² to Net Demand Deposits (%) |
|-----------------------------------|---|--|---|--|
| Central Reserve city banks | | | | |
| New York | 115 | 0.5 | 18.0 | 18.5 |
| Chicago | 29 | 0.5 | 18.0 | 18.5 |
| Reserve city banks | 699 | 1.7 | 16.5 | 18.2 |
| Country banks | 1,384 | 3.7 | 11.0 | 14.7 |

¹ Excluding cash items in process of collection and balances subject to immediate withdrawal due from other banks.

² Excluding requirements against time deposits, which are 5 percent for all member banks.

TABLE 2

MEMBER BANKS HOLDING VAULT CASH IN EXCESS OF STATED PERCENTAGES OF NET DEMAND DEPOSITS, BY FEDERAL RESERVE DISTRICTS, JULY 16-31, 1959

| FEDERAL RESERVE DISTRICT | COUNTRY BANKS | | | RESERVE CITY BANKS | | |
|--------------------------|--------------------------|-----------------------|---------------------|--------------------------|-----------------------|---------------------|
| | Number of banks affected | Total number of banks | % of banks affected | Number of banks affected | Total number of banks | % of banks affected |
| 1—Boston | 177 | 275 | 64.4 | — | 8 | — |
| 2—New York | 309 | 493 | 62.7 | 5 | 9 | 55.6 |
| 3—Philadelphia | 406 | 498 | 81.5 | 1 | 6 | 16.7 |
| 4—Cleveland | 399 | 561 | 71.1 | 14 | 22 | 63.6 |
| 5—Richmond | 331 | 432 | 76.6 | 13 | 20 | 65.0 |
| 6—Atlanta | 211 | 377 | 56.0 | 13 | 25 | 52.0 |
| 7—Chicago | 374 | 936 | 40.0 | 53 | 66 | 80.3 |
| 8—St. Louis | 152 | 469 | 32.4 | 5 | 19 | 26.3 |
| 9—Minneapolis | 166 | 467 | 35.5 | 1 | 10 | 10.0 |
| 10—Kansas City | 107 | 714 | 15.0 | 10 | 38 | 26.3 |
| 11—Dallas | 174 | 607 | 28.7 | 11 | 26 | 42.3 |
| 12—San Francisco | 59 | 147 | 40.1 | 8 | 24 | 33.3 |
| Total | 2,865 | 5,976 | | 134 | 273 | |
| Average | | | 47.9 | | | 49.1 |

tions, as shown in Column 4. While the ratio of vault cash plus required reserves to net demand deposits varies during the year for each class of banks, to count total vault cash as reserves would significantly increase the margins between classes if present reserve ratios were not changed.

The ruling which permits reserve city banks to count vault cash in excess of 2 percent of net demand deposits as reserves and country banks to count vault cash in excess of 4 percent of net demand deposits as reserves has differential results by Federal Reserve district. Table 2 shows that the number of banks affected, on the basis of July data on their holdings of cash, varies widely from one Federal Reserve district to another. The volume of reserves made available also differs from district to district. This variation in the pattern of cash holdings is related to the size of bank, its location, local payment habits, and the quality of transportation or mail services available for delivery and pickup of cash.

A more detailed picture of the impact of vault cash eligibility upon the lending capacity of Twelfth District banks is presented in Table

3. This table, based on vault cash held during the first half of November, shows that the dollar amount of reserves thus released would be

TABLE 3

ELIGIBLE VAULT CASH HOLDINGS OF TWELFTH DISTRICT MEMBER BANKS, November 1-15, 1959

(in thousands of dollars, based on daily averages)

RESERVE CITY BANKS, BY ZONE

| Zone | Total Cash | Eligible Cash (in excess of 2% of net demand deposits) | Eligible Cash/Total Cash (%) |
|----------------|------------|--|------------------------------|
| San Francisco | 102,120 | 636 | 0.62 |
| Los Angeles | 42,011 | 0 | — |
| Portland | 13,056 | 344 | 2.63 |
| Salt Lake City | 6,346 | 563 | 8.87 |
| Seattle | 19,550 | 750 | 3.84 |

COUNTRY BANKS, BY ZONE

| Zone | Total Cash | Eligible Cash (in excess of 4% of net demand deposits) | Eligible Cash/Total Cash (%) |
|----------------|------------|--|------------------------------|
| San Francisco | 14,738 | 165 | 1.12 |
| Los Angeles | 27,313 | 622 | 2.28 |
| Portland | 2,054 | 38 | 1.85 |
| Salt Lake City | 9,122 | 211 | 2.31 |
| Seattle | 13,006 | 1,356 | 10.43 |

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greater for reserve city banks in the Seattle zone than in the San Francisco zone, and would be relatively high in the Salt Lake City zone. For the same period, it is interesting to note that country banks in the Seattle zone had by far the greatest volume of cash released. Much of these funds are accounted for by banks in Alaska, which had by far the greatest dollar volume of eligible vault cash; this reflects the distance and time factors which govern their access to cash.

For the first week in which the new vault cash ruling was in effect for reserve city banks, December 3-9, the ratios of eligible cash to total cash for Twelfth District zones were similar to, but generally lower than, those for the first half of November. The decrease in the amount of vault cash relative to net demand deposits seems primarily a reflection of the customary rise in currency in circulation during the holiday season, rather than an adjustment to the change in reserve regulations.

The banking structure in the Twelfth Federal Reserve District is probably the most important reason why banks in this District did not receive benefits from the vault cash change proportional to their share of the nation's banking assets. Branch banks, through cash interchange among their offices, may reduce their average cash holdings by more than would be practical for the same size offices if they were unit banks. Other reasons, however, may also be very important. In this District, there is an unusual concentration of the population in metropolitan areas, and a consequent lack in the number of small rural communities which exist elsewhere. This would tend to reduce difficulty of access to cash by banks and banking offices in this District, as they are thus disproportionately concentrated in and around the metropolitan areas in response to the locational pattern of population and of commercial and industrial activity.

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BUSINESS INDEXES AND BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT¹

(Indexes: 1947-1949 = 100. Dollar amounts in millions of dollars)

| Year and month | Industrial production (physical volume) ² | | | | | | | Total nonagricultural employment | Total mfg employment | Car-loadings (number) ² | Dep't store sales (value) ² | Retail food prices ^{3, 4} | Bank rates on short-term business loans ⁵ |
|----------------|--|------------------------|---------|--------|--------------------|---------------------|----------------|----------------------------------|----------------------|------------------------------------|--|------------------------------------|--|
| | Lumber | Petroleum ² | | Cement | Steel ⁶ | Copper ⁶ | Electric power | | | | | | |
| | | Crude | Refined | | | | | | | | | | |
| 1929 | 95 | 87 | 78 | 55 | ... | 103 | 29 | ... | ... | 102 | 30 | 64 | .... |
| 1933 | 40 | 52 | 50 | 27 | ... | 17 | 26 | ... | ... | 52 | 18 | 42 | .... |
| 1939 | 71 | 67 | 63 | 56 | 24 | 80 | 40 | 60 | 57 | 77 | 31 | 47 | .... |
| 1949 | 100 | 99 | 103 | 100 | 97 | 93 | 108 | 99 | 97 | 94 | 98 | 100 | .... |
| 1950 | 114 | 98 | 103 | 112 | 125 | 115 | 120r | 103 | 105 | 98 | 107 | 100 | .... |
| 1951 | 113 | 106 | 112 | 128 | 146 | 116 | 136 | 112 | 121 | 100 | 112 | 113 | 3.66 |
| 1952 | 115 | 107 | 116 | 124 | 139 | 115 | 145r | 118 | 130 | 100 | 120 | 115 | 3.95 |
| 1953 | 116 | 109 | 122 | 131 | 158 | 113 | 162r | 121 | 137 | 100 | 122 | 113 | 4.14 |
| 1954 | 115 | 106 | 119 | 133 | 128 | 103 | 172 | 120 | 134 | 96 | 122 | 113 | 4.09 |
| 1955 | 122 | 106 | 124r | 145 | 154 | 120 | 192 | 127 | 143 | 104 | 132 | 112 | 4.10 |
| 1956 | 120 | 105 | 129 | 156 | 163 | 131 | 209r | 134 | 152 | 104 | 141 | 114 | 4.50 |
| 1957 | 106 | 101 | 132 | 149 | 172 | 130 | 224 | 138 | 157 | 96 | 140 | 118 | 4.97 |
| 1958 | 108 | 94 | 124 | 158 | 142 | 116 | 229 | 137 | 154 | 89 | 142 | 123 | 4.88 |
| 1958 | | | | | | | | | | | | | |
| October | 113 | 93 | 130 | 186 | 152 | 132 | 238 | 139 | 156 | 81 | 141 | 123 | .... |
| November | 114 | 93 | 127 | 159 | 169 | 139 | 238 | 140 | 158 | 91 | 149 | 124 | .... |
| December | 119 | 93 | 125 | 165 | 164 | 129 | 236 | 140 | 160 | 97 | 147 | 123 | 4.95 |
| 1959 | | | | | | | | | | | | | |
| January | 121 | 92 | 125 | 161 | 168 | 136 | 240 | 141 | 161 | 98 | 150 | 124 | .... |
| February | 118 | 92 | 126 | 142 | 187 | 138 | 242 | 141 | 162 | 93 | 155 | 123 | .... |
| March | 114 | 92 | 128 | 171 | 192 | 140 | 250 | 142 | 163 | 97 | 155 | 123 | 4.97 |
| April | 114 | 92 | 130 | 178 | 213 | 144 | 250 | 142 | 164 | 94 | 153 | 123 | .... |
| May | 119 | 92 | 128 | 188 | 216 | 148 | 254 | 143 | 163 | 101 | 154 | 123 | .... |
| June | 111 | 93 | 128 | 186 | 205 | 138 | 269 | 143 | 164 | 95 | 161 | 123 | 5.21 |
| July | 119 | 92 | 136 | 192 | 75e | 118 | 267 | 144 | 165 | 88 | 161 | 123 | .... |
| August | 111 | 92 | 136 | 191 | ... | 76 | 256 | 144 | 163 | 105 | 162 | 123 | .... |
| September | 113 | 92 | 132 | 176 | ... | 36r | ... | 144 | 162 | 87 | 154 | 123 | 5.54 |
| October | 114 | 91 | 132 | 186 | ... | 38 | ... | 144 | 161 | 71 | 153 | 123 | .... |

| Year and Month | Waterborne Foreign Trade Index | | | | | | Condition items of all member banks ⁶ | | | | Bank debits index 31 cities ¹² (1947-49=100) ² |
|----------------|--------------------------------|-----------|--------|---------|-----------|--------|--|-----------------------|---------------------------------------|---------------------|--|
| | Exports | | | Imports | | | Loans and discounts | U.S. Gov't securities | Demand deposits adjusted ⁷ | Total time deposits | |
| | Total | Dry Cargo | Tanker | Total | Dry Cargo | Tanker | | | | | |
| 1929 | 190 | 150 | 247 | 124 | 128 | 7 | 2,239 | 495 | 1,234 | 1,790 | 42 |
| 1933 | 110 | ... | ... | 72 | ... | ... | 1,486 | 720 | 951 | 1,609 | 18 |
| 1939 | 163 | 107 | 243 | 95 | 97 | 57 | 1,967 | 1,450 | 1,983 | 2,267 | 30 |
| 1949 | 85 | 87 | 81 | 121 | 118 | 199 | ..... | ..... | ..... | ..... | .... |
| 1950 | 91 | 80 | 108 | 137 | 141 | 88 | ..... | ..... | ..... | ..... | .... |
| 1951 | 186 | 194 | 175 | 157 | 136 | 660 | 7,866 | 6,463 | 9,937 | 6,777 | 132 |
| 1952 | 171 | 200 | 129 | 199 | 137 | 1,836 | 8,839 | 6,619 | 10,520 | 7,502 | 140 |
| 1953 | 140 | 137 | 145 | 308 | 157 | 4,224 | 9,220 | 6,639 | 10,515 | 7,997 | 150 |
| 1954 | 132 | 139 | 123 | 260 | 163 | 2,803 | 9,418 | 7,942 | 11,196 | 8,699 | 154 |
| 1955 | 164 | 176 | 149 | 308 | 183 | 3,594 | 11,124 | 7,239 | 11,864 | 9,120 | 172 |
| 1956 | 199 | 258 | 117 | 449 | 197 | 7,029 | 12,613 | 6,452 | 12,169 | 9,424 | 189 |
| 1957 | 229 | 306 | 123 | 575 | 213 | 10,008 | 13,178 | 6,619 | 11,870 | 10,679 | 203 |
| 1958 | 174 | 210 | 123 | 537 | 213 | 8,986 | 13,812 | 8,003 | 12,729 | 12,077 | 209 |
| 1958 | | | | | | | | | | | |
| November | 178 | 201 | 145 | 545 | 235 | 8,633 | 13,591 | 8,026 | 12,395 | 11,725 | 213 |
| December | 170 | 218 | 101 | 762 | 231 | 14,589 | 13,812 | 8,003 | 12,729 | 12,077 | 224 |
| 1959 | | | | | | | | | | | |
| January | 237 | 243 | 228 | 504 | 263 | 6,799 | 13,897 | 8,099 | 12,508 | 12,037 | 218 |
| February | 153 | 181 | 144 | 694 | 210 | 13,375 | 14,022 | 7,735 | 12,210 | 12,018 | 235 |
| March | 209 | 204 | 217 | 652 | 378 | 7,810 | 14,176 | 7,436 | 12,228 | 12,003 | 244 |
| April | 168 | 190 | 139 | 600 | 273 | 9,101 | 14,768 | 7,739 | 12,874 | 12,301 | 241 |
| May | 161 | 180 | 133 | 581 | 277 | 8,516 | 15,000 | 7,511 | 12,520 | 12,399 | 231 |
| June | 167 | 188 | 139 | 808 | 302 | 13,990 | 15,328 | 7,329 | 12,589 | 12,517 | 235 |
| July | 163r | 210r | 96 | 603r | 275r | 9,168r | 15,617 | 7,096 | 12,945 | 12,390 | 242 |
| August | 188 | 256 | 92 | 647 | 247 | 11,074 | 15,924 | 6,932 | 12,797 | 12,378 | 241 |
| September | 171 | 217 | 107 | ... | ... | ... | 15,978 | 6,717 | 12,850 | 12,365 | 238 |
| October | ... | ... | ... | ... | ... | ... | 16,010 | 6,702 | 12,963 | 12,316 | 232 |
| November | ... | ... | ... | ... | ... | ... | 16,252 | 6,651 | 13,133 | 12,138 | 251 |

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, and copper, U.S. Bureau of Mines; steel, U.S. Department of Commerce and American Iron and Steel Institute; 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, weighted by loan size category. 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. e—Estimated. r—Revised.

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