

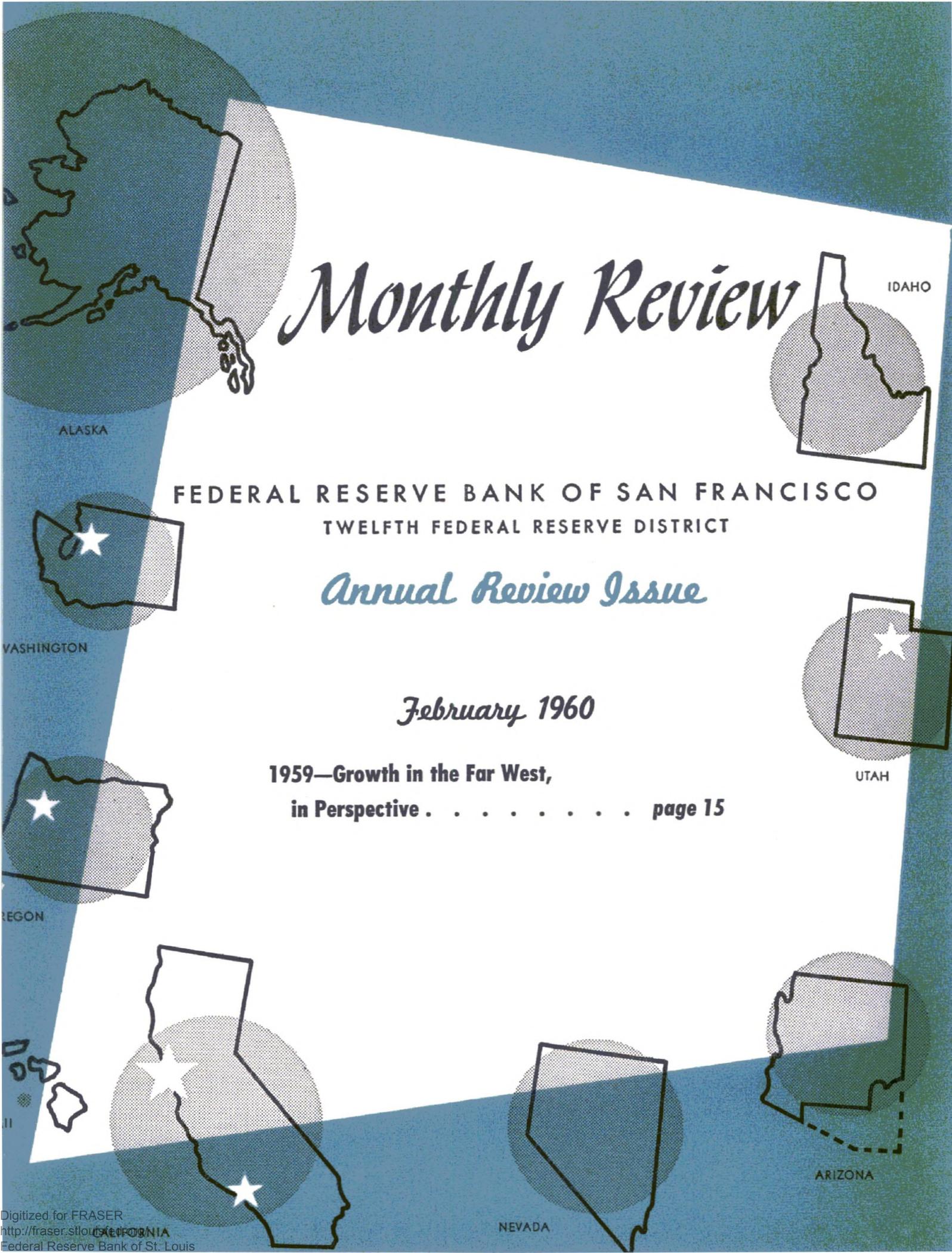
# Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO  
TWELFTH FEDERAL RESERVE DISTRICT

## Annual Review Issue

February 1960

1959—Growth in the Far West,  
in Perspective . . . . . page 15



ALASKA

IDAHO

WASHINGTON

UTAH

OREGON

ARIZONA

NEVADA

The Board of Governors of the Federal Reserve System has called for a report from lenders (other than banks, brokers, and dealers) whose activities as of December 15, 1959 included granting credit for the purpose of purchasing or carrying securities registered on a national securities exchange. Although the original filing period expired March 15, 1960, this period was extended by the Board to May 15, 1960. The reports are to be forwarded to the Federal Reserve Bank of the district in which the lender is domiciled.

Lenders not extending such credit on December 15, 1959, but whose activities at any time thereafter bring them within the scope of the above definition, are responsible for filing reports within 90 days after the first extension of credit for such purpose.

Additional information and copies of the reporting Form F.R. 728 may be obtained from the offices of this bank in San Francisco, California; Los Angeles, California; Portland, Oregon; Salt Lake City, Utah; and Seattle, Washington.

# 1959--Growth in the Far West, in Perspective

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THE year 1959 was one of renewed growth and expansion of economic activity in the Twelfth District.<sup>1</sup> Key measures such as income, employment, and commodity production recorded substantial gains, and most major types of endeavor closed the year at new highs. On the other hand, it was also a record year for work stoppages, as the total number of man-days of idleness resulting from major labor disputes in steel, copper, shipbuilding, and other industries was more than double the postwar average. These work stoppages, and particularly the nationwide dispute in the steel industry, tended to slow the rate of over-all economic expansion in the second half of the year, though perhaps less than in other parts of the country. With only the copper industry dispute remaining unsettled at the end of December, the Twelfth District economy appeared to be resuming expansion at about the pace experienced earlier in the year.

Higher incomes, mainly because of increasing employment, helped to boost consumer outlays for goods and services in the Twelfth District during 1959, and credit buying recorded a sizable climb also. New residential housing activity approached boom status, though moderately increased sales prices and higher financing costs tended to restrain demand as the year progressed. An estimate released earlier in the year indicated that manufacturing firms were stepping up their investment in new plant and equipment by about one-fourth in the West, although it appears likely that some of these plans had to be temporarily scaled down or shelved later in the year because of steel shortages. As in other

parts of the nation, Twelfth District business firms increased inventories sharply during the first half of 1959, and moderate further additions may have been possible during the second half despite the effects of the steel industry work stoppage. Higher profits from increased sales provided much of the funds to finance the rise in business spending, but business borrowing from banks was sizable also. New capital issues marketed by Twelfth District firms during 1959 amounted to about the same as in the preceding year, according to the limited data available. Improved revenues were not sufficient to meet all new state and local government spending needs, however, and borrowing in the capital market climbed by almost one-fifth to exceed \$1.3 billion.

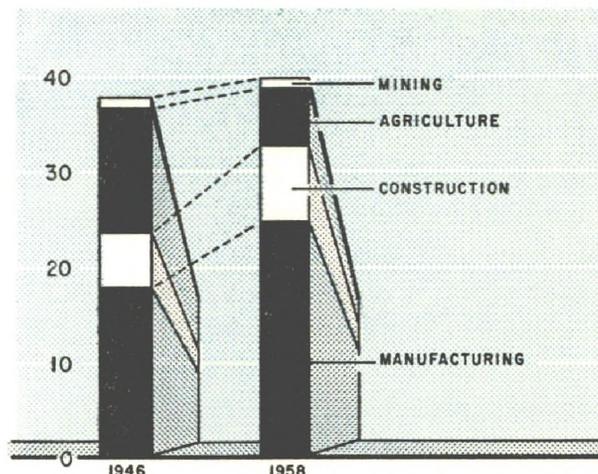
Federal Reserve System actions during 1959 were directed toward maintaining moderate pressure on bank reserve positions so that the money supply and credit extensions would not provide fuel for a resumption of the inflationary pressure of previous years. Demand deposits held by the public grew by little more than \$500 million in the Twelfth District, and time deposits increased by only a small amount. Total bank loans, however, rose by \$2.6 billion. Not surprisingly in a period of economic expansion, most of the increased borrowing was by business firms, although mortgages and consumer debt also increased sharply. Commercial banks financed a sizable part of this loan expansion through reduction of their investment portfolios.

Although credit demand rose sharply in 1959 and most types of economic activity reached new highs, a comparison of the relative size of gains in most over-all measures

<sup>1</sup>Limitations of data have prevented the inclusion of a discussion of economic developments in Alaska during 1959 in this *Review*. The reader is referred to the August 1959 issue of the *Monthly Review* for recent developments in Hawaii.

with those in corresponding periods following previous recessions and recoveries of the post-war era indicates that few records were attained. The growth of the Twelfth District economy during the previous postwar years was usually describable only in terms borrowed from Hollywood or Madison Avenue. The past year certainly needs no apology for the gains actually recorded, but a return to everyday terminology is in order. Does this suggest the District economy is growing more slowly? Shifts in the over-all level of economic activity during one year alone are hardly sufficient to establish whether a trend is being significantly modified. Further, there are no data available to measure the amount of total spending in this District in a fashion, for example, comparable to total national spending (i.e., Gross National Product). It is possible, however, to examine the major segments of the District economy and the few available aggregate measures to see more clearly how 1959 fits into the pattern established during

CHART 2  
DISTRIBUTION OF CIVILIAN INCOME FROM COMMODITY PRODUCTION  
Twelfth District, 1946, 1958

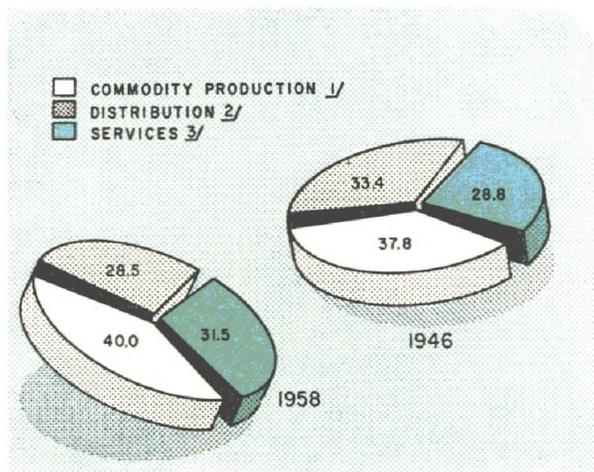


Source: United States Department of Commerce, Office of Business Economics.

the previous postwar years, and whether any major factors which may change the growth trend are clearly emerging.

Before reviewing developments during 1959, however, it would appear desirable to examine briefly some of the major changes which have occurred in the structure of the Twelfth District economy in the years since World War II. These changes are illustrated by data on the industrial sources of civilian income received by labor and proprietors. (Charts 1 and 2) With the rapid industrialization of the West, an increased proportion of civilian income is now being generated from the production of commodities. Manufacturing and construction account for all of the increased proportion of income from commodity output, while mining output contributes about the same share as just after the War. Fluctuations have occurred in income from agriculture in the intervening years, but total dollars derived from this source in 1958 were slightly below that of 1946. Since total civilian income more than doubled over the period, the relative share originating in agriculture was more than halved, dropping from 13 percent in 1946 to 6 percent in 1958. Ex-

CHART 1  
DISTRIBUTION OF CIVILIAN INCOME BY INDUSTRIAL SOURCES  
Twelfth District, 1946, 1958



<sup>1</sup>Includes agriculture; contract construction; manufacturing; and mining.

<sup>2</sup>Includes transportation, communication, electric, gas, and sanitary services; and wholesale and retail trade.

<sup>3</sup>Includes finance, insurance and real estate; government; and miscellaneous services.

Source: United States Department of Commerce, Office of Business Economics.

pansion of state and local government activities accounted for most of the increased percentage of income generated by service industries, while most of the relative decline in importance of distributive industries occurred in trade.

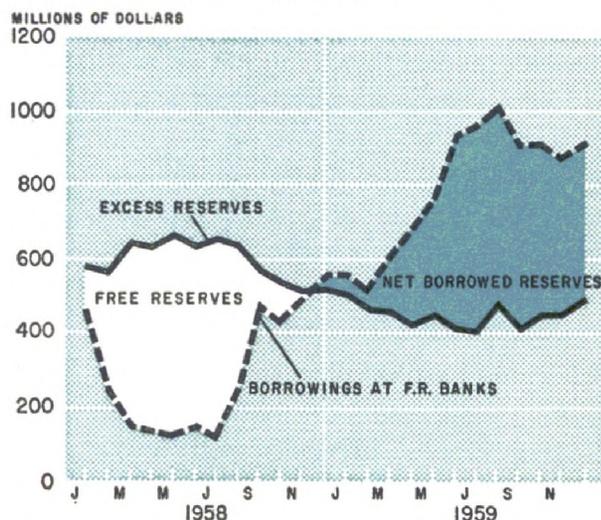
These structural changes, which have been only broadly outlined here, are of course only surface evidence of the operation of underlying factors influencing western economic expansion. For example, commodity production is now more important in the Twelfth District economy because of growth of the western market, changes in wage and transportation costs (both absolutely and in relation to selling prices), and differential resource advantages, including labor skills, among other things. The sharp growth of the western market, most of which is the result of migration from other areas, reflects mainly the drawing power of the western climate and mode of living and the general availability of jobs and/or high wages relative to other parts of the nation. What is perhaps most encouraging for the future growth of the West is that during the postwar years its economy has been able to take in stride marked shifts in the demands for its products without losing its forward momentum.

### National credit demands strong in 1959

The high level of economic activity that was evident in 1959 was accompanied by a strong demand for funds from all quarters. A brief review of developments in the national money and capital markets during the past year may serve to highlight Twelfth District conditions. Total credit at commercial banks in the nation, including both loans and investments, rose only \$3.4 billion,<sup>1</sup> the smallest gain in recent years. This moderate growth reflects a sharp increase in loans and a decline in investments. For the year, the money supply (de-

<sup>1</sup>Excluding banks in Alaska and Hawaii.

CHART 3  
MEMBER BANK BORROWINGS AND  
EXCESS RESERVES, UNITED STATES



Source: Board of Governors of the Federal Reserve System.

mand deposits adjusted and currency outside banks) grew by \$1.2 billion, seasonally adjusted, or about one-fourth of the increase in 1958. As is common in the expansion stage of the business cycle, the velocity of money transactions outside financial centers increased, by 5 percent in 1959.

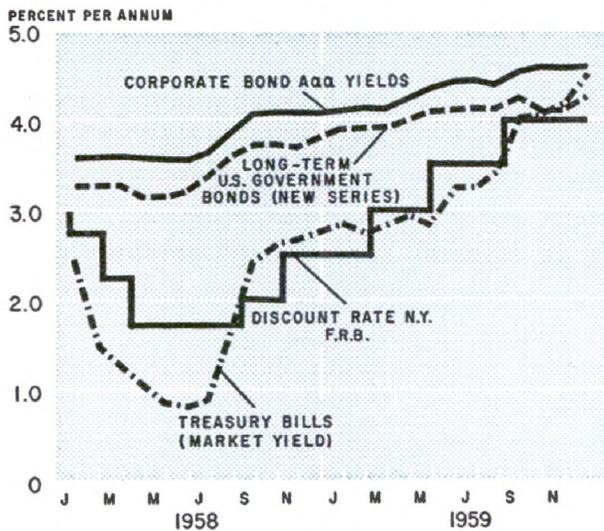
The pressure upon the resources of the banking system is indicated by the fact that member banks were net borrowers from the Federal Reserve Banks in every week but two during 1959. Net borrowed reserves—the difference between excess reserves and borrowings—reached \$500 million on a daily average basis in June and remained between \$400-\$560 million during the second half of the year. (Chart 3) Another indication of restraint is provided by the discount rate, which was raised 3 times, from the rate of 2½ percent effective at the start of the year to 4 percent on September 11.

Total loans of all commercial banks increased by \$11.7 billion in 1959, matching the record expansion of 1955. To meet this demand for funds, banks reduced their holdings of United States Government securities by \$8 billion, just about offsetting the increase

in such holdings during 1958. The composition of the expansion of loans was quite different from the last half of 1958, when real estate loans showed the strongest gains. The increase in mortgage debt was slowed due to the more favorable interest rates offered on other investments relative to that obtainable on government-guaranteed mortgages. Business loans (including those to nonbank financial institutions) increased by \$5.3 billion, as manufacturers built up inventories prior to the steel strike and seasonal borrowers, such as the food processing industries and trade

securities were yielding about 5 percent. (Chart 4) The increases in rates were neither gradual nor uniform. The general pattern of rates for the first 8 months of the year might be described as an upward sloping plateau, with market yields on 91-day Treasury bills rising from 2.82 percent in January to 3.38 percent in August, and long-term United States Government bonds and Aaa corporate bonds moving from 3.90 to 4.10 percent and 4.12 to 4.43 percent, respectively. In September there was a sharp upward movement in rates which was much more evident in the short- and intermediate-term maturities than in long-term maturities. Yields on 91-day Treasury bills rose by 0.66 percent to 4.04 percent in September and ended the year at 4.49 percent. The increase in long-term Governments in September amounted to 16 basis points. After falling back to mid-year levels during the next 2 months, they finished the year yielding 4.27 percent. The marked rise in yields on short- and intermediate-term United States Government issues was due in part to the large Federal deficit and the Treasury's inability to sell long-term issues because of the 4¼ percent rate limitation on issues longer than 5 years. Its principal recourse under these circumstances was to confine its financing to the short and intermediate ranges.

CHART 4  
SELECTED INTEREST RATES



Source: Board of Governors of the Federal Reserve System.

firms, showed a stronger than usual demand for credit in the second half of the year. The rise in consumer loans at commercial banks during 1959 moderately exceeded the previous record increase of \$2.3 billion in 1955.

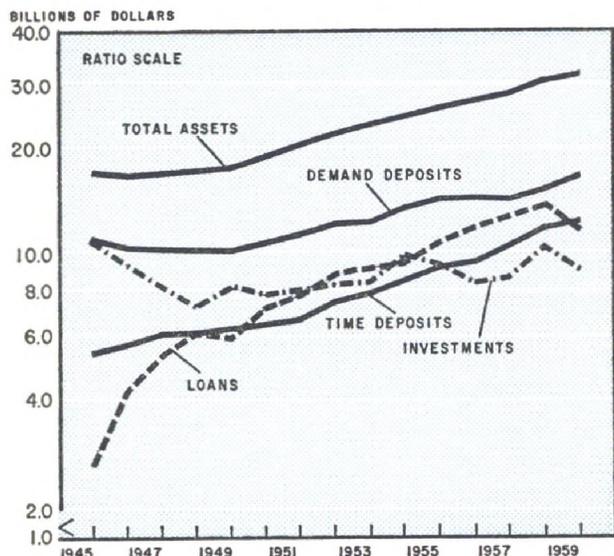
One of the most significant developments of the year was the sharp rise in interest rates. Rates in all sectors of the money market touched or exceeded levels of 1928 and 1929. The prime rate—the rate charged by commercial banks to first-quality borrowers—was raised to 5 percent in September, and in November and December certain maturities of intermediate-term United States Government

### Loan demand vigorous in District

Viewed against the backdrop of national credit developments, the accomplishments of District member banks in 1959 stand out in sharp relief. Total loans increased by \$2.6 billion,<sup>1</sup> an amount more than two-fifths greater than in the record year of 1955. The advance was shared by all categories of loans. (Chart 5) Tighter reserve positions as the demand for credit intensified, and to a lesser extent the effects of the primary metals strikes, contrib-

<sup>1</sup>The addition during 1959 of new member banks in Alaska and Hawaii accounted for about \$200 million of this increase. Comparisons of other 1959 data for Twelfth District member banks with those for 1958 also reflect the changes arising from these additions of member banks in 1959. The same comment applies to comparisons with prior years.

CHART 5  
SELECTED ASSET AND LIABILITY ITEMS  
TWELFTH DISTRICT MEMBER BANKS  
as of End of Year, 1945-1959<sup>1</sup>



<sup>1</sup> Beginning in 1959, data include new member banks in Alaska and Hawaii.

Note: This chart is plotted on a ratio or semi-logarithmic scale on which equal vertical distances represent equal percent changes, rather than equal absolute amounts. A straight line indicates that change is occurring at a constant rate.

Source: Board of Governors of the Federal Reserve System.

uted to a lessened rate of loan expansion in the second half of the year. The usual pattern of seasonal borrowing in the second half is for the expansion to begin rather slowly around the first of July and to gather strength rapidly in the third quarter and up to the Christmas holidays.

The ratio of total loans to total deposits, a measure of a bank's ability to increase loans further, rose from 49.8 percent at the end of 1958 to 56.0 percent in December 1959. The District loan ratio was above the average for member banks in the nation, and is probably due in part to the presence in this District of a higher proportion of large banks, which typically keep more of their earning assets in loans.

The sharp rise in real estate lending which had gotten underway in the second half of 1958 continued well into 1959. By mid-year, real estate loans had increased by the largest dollar amount of any loan category reported,

reflecting a level of construction activity well above the first half of 1958. But in September, when money markets tightened perceptibly, and through the fourth quarter, these loans showed only moderate increases despite a rise in the maximum interest rate on FHA-insured mortgages from 5¼ to 5¾ percent in September. Commercial banks began to limit their mortgage lending as total credit demand increased relative to their lending capacity and the rise in other interest rates made the yields on mortgages less attractive. In dollar terms, real estate loans rose by \$736 million, or 14 percent, during the year. This compares with increases of more than 50 percent during both 1946 and 1947, and an average of 13 percent per year during the period 1948 to 1958.

Total business loans (including loans to nonbank financial institutions) increased by \$1.2 billion, or 25 percent, during 1959. The greatest part of the gain came in the last half of the year, reflecting the seasonal pattern of business borrowing. This compares with the previous peak expansions of \$837 million in 1956 and \$776 million in 1955. Loans to nonbank financial institutions accounted for \$145 million of the increase during the last quarter of the year. Important among these are sales finance companies which tend to borrow heavily from banks late in the year to obtain funds for retiring open market paper held by non-financial corporations, which require funds for tax and dividend payments.

The major business borrowers in the second half of the year in the District are the seasonal group of food, liquor and tobacco processors, trade concerns, and commodity dealers. Their borrowings declined somewhat less than seasonally during the first half of the year and increased by \$240 million in the second half. For the entire year their net debt to the weekly reporting banks rose by \$164 million, compared with a decline of \$108 million in 1958. Other large borrowers were construction firms

## FEDERAL RESERVE BANK OF SAN FRANCISCO

and public utilities and transportation companies. Although the metal and metal products processors showed a decline of \$34 million in bank credit during the second half of the year, indicative of the effects of the work stoppages in the primary metals industries, they reported a substantial increase (\$73 million) in the first half as they stockpiled metals in anticipation of interrupted production.

Loans to consumers increased by \$576 million, or 23 percent, during 1959, as rising personal income and optimism rekindled the willingness to go into debt for durable goods, particularly automobiles, although all categories of consumer loans showed gains during the year. Loans to domestic commercial banks rose \$240 million during the first half of the year and fell off \$233 million during the second half. From early in July until mid-October, District member banks sold heavily in the Federal Funds market relative to their purchases and thereby served as a source of reserves to banks in the rest of the nation. (Federal Funds are claims balances at a Federal Reserve Bank held by particular banks which are lent to other banks having a temporary reserve deficiency.) The fact that later in the year District banks became net buyers rather than sellers of these funds was a further indication of tightening in reserve positions and local money markets.

The restraints imposed by tighter reserve positions, along with a smaller inflow of savings deposits, caused member banks to reduce their securities holdings to meet the demand for loans during 1959. The reduction in portfolios was concentrated in United States Government obligations, which showed a drop of \$1.3 billion, the largest decline in recent years. Other securities, chiefly state and municipal issues, decreased slightly.

### Deposits grow slowly

Time deposits at District member banks rose by \$396 million in 1959, a gain of 3.3

percent.<sup>1</sup> This was in marked contrast to an increase of \$1.4 billion in 1958. Since the largest part of time deposits in the District represents savings accounts of individuals and savings undoubtedly increased in the District, this denotes an increased selectivity by savers with respect to alternative returns on their funds. Since commercial banks were limited to a maximum rate of 3 percent on time deposits, individuals turned in part to savings and loan associations which paid 4 percent during 1959. Toward the end of the year, the more sophisticated individual investors put their funds into short- and intermediate-term United States Government securities. An issue of 4-year and 10-month Treasury notes bearing a coupon rate of 5 percent was so heavily oversubscribed (largely by individuals) when presented in October that it came to be known in the market as the "magic fives" for the manner of its public reception. Corporations and state and local governments also switched their funds from time balances to Treasury obligations.

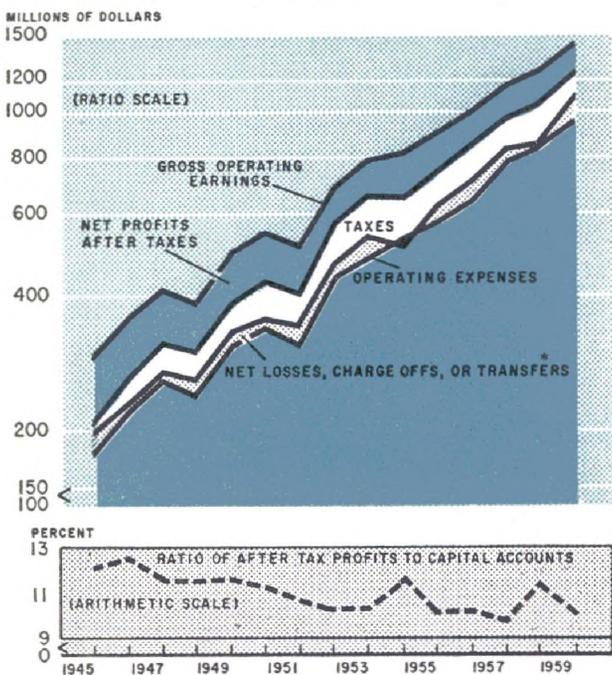
### Net profits of District banks declined in 1959

Current operating earnings of Twelfth District member banks reached the highest level in history during 1959, but net profits after taxes declined moderately because of losses realized on the sale of securities.<sup>2</sup> Operating earnings climbed to a record \$1.4 billion, a gain of 16 percent over 1958. (Chart 6) With the increased tempo of economic activity in 1959, advancing levels of interest rates accompanied rising loan demand. Although banks reduced their holdings of United States Government securities to help meet the demand for loans, the increase in average yields on investments nevertheless resulted in higher current earnings from this source also. Op-

<sup>1</sup> About two-fifths of this gain was accounted for by the addition of member banks in Alaska and Hawaii.

<sup>2</sup> A detailed analysis of Twelfth District member bank earnings will appear in a subsequent issue of this *Review*.

CHART 6  
EARNINGS AND EXPENSES OF  
TWELFTH DISTRICT MEMBER BANKS  
1946-1959



\*Net losses, charge-offs, or transfers to valuation reserves for loans and/or other securities.

Note: This chart is plotted on a ratio or semi-logarithmic scale on which equal vertical distances represent equal percent changes, rather than equal absolute amounts. A straight line indicates that change is occurring at a constant rate.

Source: Board of Governors of the Federal Reserve System.

erating expenses touched record heights, amounting to \$943 million, or 13 percent higher than in 1958. This increase reflected rising outlays for wage and salary payments and interest on time deposits, as well as other miscellaneous expenses. Net operating earnings before payment of income taxes totaled \$457 million, an increase of \$81 million from 1958. Losses on the sale of securities and the payment of \$140 million in income taxes reduced final net profits to \$196 million, \$10 million less than in the previous year.

### Savings and loan associations

In contrast with the decline in the growth of savings deposits at member banks in the District, share capital or savings accounts of savings and loan associations increased at a record rate in 1959. At insured savings and

loan associations in the District (including Alaska and Hawaii) there was an increase of approximately \$1.5 billion in savings accounts, or 19 percent, from 1958. The growth of savings inflows in California was even greater, as the rate paid on savings accounts was increased from 4 percent to 4¼ percent at some of the associations for the last quarter of 1959. As practically all investment funds at savings and loan associations go into the mortgage market, the associations showed an increase in real estate loans of nearly \$1.9 billion, or 25 percent more than during the previous year.

### Sales of District municipal securities

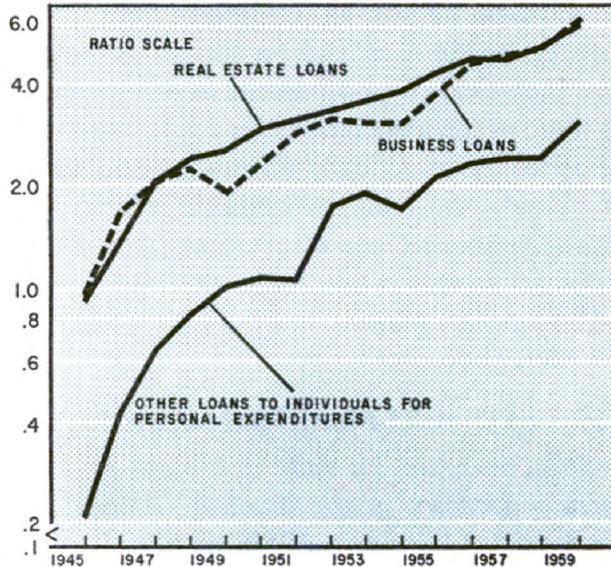
Security issues by state and local governmental agencies in the Twelfth District exceeded \$1.3 billion in 1959, or almost one-fifth greater than in 1958. Data on offerings in excess of \$5 million (which accounted for more than three-fourths of total District issues in 1959) indicate that local governmental issues rose by about one-half between 1958 and 1959 and contributed all of the annual increase. State government offerings of securities declined \$75 million to about \$350 million in 1959, largely because the State of California postponed a sizable issue scheduled for December to early 1960. Most of the increase in the local government sector came from an issue of nearly \$200 million in bonds by a public utility district in the State of Washington for construction of the Wanapum Dam.

### District bank assets grew steadily in the postwar period

A testimony to the rapid and sustained expansion of the West has been the increase in the assets of District member banks, which grew at an average annual rate of about 6 percent between the end of 1945 and the end of 1959. Total deposits of banks increased at an annual rate of over 5 percent during the same period, with a very substantial part of this being in the form of time deposits. The growth

## FEDERAL RESERVE BANK OF SAN FRANCISCO

CHART 7  
SELECTED LOANS  
TWELFTH DISTRICT MEMBER BANKS  
as of end of year, 1945-1959<sup>1</sup>



<sup>1</sup> Beginning in 1959, data include new member banks in Alaska and Hawaii.

Note: This chart is plotted on a ratio or semi-logarithmic scale on which equal vertical distances represent equal percent changes, rather than equal absolute amounts. A straight line indicates that change is occurring at a constant rate.

Source: Board of Governors of the Federal Reserve System.

of loans and discounts was even more dramatic, as they increased at an annual rate of 37 percent in the 14 years since the end of 1945. Investments, on the other hand, decreased \$2.2 billion during the postwar period. In terms of dollar volume, real estate loans at the end of 1959 were \$5.1 billion above the amount at the end of 1945, while business loans increased by \$5.4 billion and loans for consumer expenditure showed a gain of \$2.8 billion. Chart 7 illustrates the pattern of growth of these selected types of loans.

Gross earnings of District member banks have approximately quintupled since the end of 1945. There are two explanations for this rise in bank earnings. With only temporary interruptions during the three postwar recessions, banks have been shifting out of securities—chiefly United States Government obligations—into higher yielding loans. The rise in bank earnings in these years is a direct reflection of the upward trend of interest rates

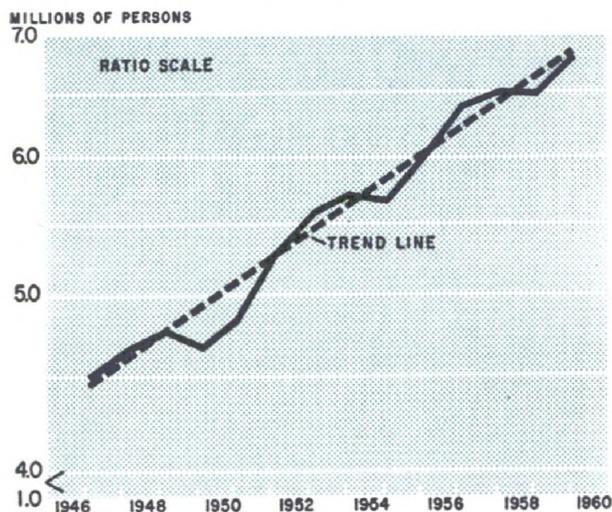
from the low levels maintained through World War II to the present levels which are in many cases comparable to the rates prevailing before the "Great Depression" of 1929-33. Improvement in operating efficiency and the development of more profitable types of lending operations, including vigorous efforts to capture a share of loans to consumers, have opened other avenues of earnings. The rise in gross earnings has been countered by a sharp increase in operating expenses, mainly increases in wages and salaries and interest payments on time deposits and on borrowed funds.

### Broad gains in District employment

Employment expansion in Twelfth District nonagricultural industries amounted to just over 4 percent during 1959, and, except for the strike-affected period of September and October, new record highs were reached in each succeeding month of the year. The largest increase, almost 6 percent over the preceding year, occurred in manufacturing employment, which finally exceeded the peak level attained during World War II. Construction employment rose by 4 percent over 1958 and returned to its previous high of 1956, while service industries, including government, increased employment about 4 percent above their 1958 highs. Employment in trade went up slightly less, although it too was at a record; other distributive lines reported no change in employment after falling in 1958. Only mining employment declined during 1959, with most of this occurring during the second half of the year because of labor disputes.

While employment was rising moderately, unemployment fluctuated between 4.5 and 5 percent of the labor force during 1959. The pattern of fluctuation—mildly downward at the beginning of the year, more markedly upward at mid-year, and then down again at year-end—suggests the impact which major labor disputes had on District joblessness. Although workers directly involved in labor dis-

**CHART 8**  
NONFARM EMPLOYMENT, TWELFTH DISTRICT  
1946-1959



Note: This chart is plotted on a ratio or semi-logarithmic scale on which equal vertical distances represent equal percent changes, rather than equal absolute amounts. A straight line indicates that change is occurring at a constant rate.  
Source: State employment agencies.

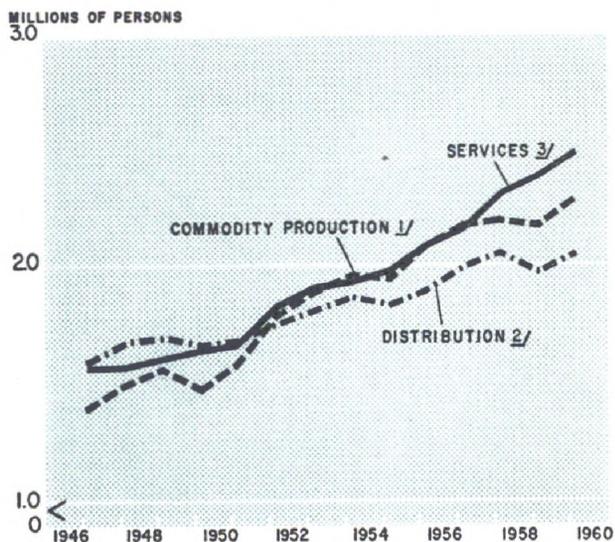
putes are not counted as unemployed, other employees in affected industries and in other lines of work may be indirectly idled. The drop in joblessness at year-end to about 4.5 percent of the labor force, after reaching 5.0 percent in September, indicates that while the prolonged work stoppages may have interrupted the expansion in economic activity, they did not seriously impair it. However, the unemployment rate was still moderately above the pre-recession level.

Between 1946 and 1959, total nonfarm employment rose by just over 50 percent, to an average of almost 6¾ million persons in the past year. (Chart 8) Since 1959 represented a year of expansion following recovery from the 1957-58 recession, it is not surprising that growth in jobholding during the year, amounting to over 4 percent, exceeded the postwar average of 3.4 percent. Though the level of employment attained was moderately below that which would have been expected by continuation of the postwar trend, the employment statistics for 1959 do not point conclusively to a slowing in the rate of growth. As Chart 8 shows, Twelfth District employment

did not return to the line of apparent trend after the 1948-49 recession until 1951, though it did in 1955 following the 1953-54 recession. If 1959 had not been sharply higher than the postwar average in the number of workers affected by labor disputes, employment would have been slightly closer to the trend line.

The postwar pattern of employment expansion has been led by the commodity producing industries, which recorded both the largest gains and the widest fluctuations during business cycles. (Chart 9) Employment in durable goods manufacturing was less important in this region than in the entire nation until about the past 5 years, and in fact since 1957 it has been of slightly greater importance in the Twelfth District. Nearly one of every five nonfarm workers in the West is now employed in durable goods manufacturing, compared with about one in seven in 1947. Employment in Twelfth District construction is also proportionately higher than in the entire nation, while in nondurable goods manufacturing and

**CHART 9**  
MAJOR COMPONENTS NONFARM EMPLOYMENT  
TWELFTH DISTRICT—1946-1959



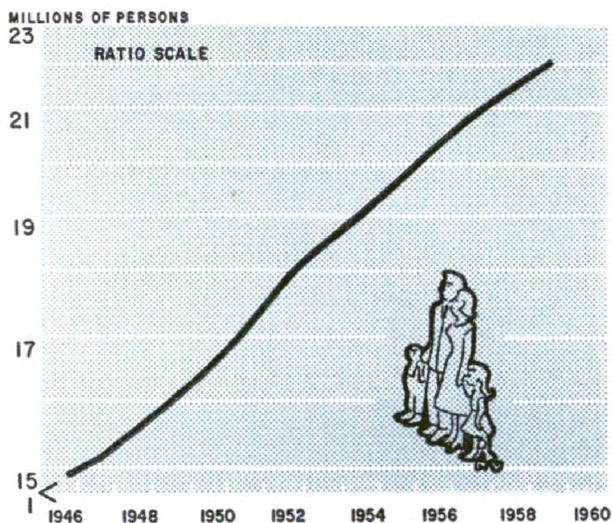
<sup>1</sup>Includes contract construction; manufacturing; and mining.  
<sup>2</sup>Includes transportation, communication, electric, gas, and sanitary services; and wholesale and retail trade.  
<sup>3</sup>Includes finance, insurance and real estate; government; and miscellaneous services.  
Source: State employment agencies.

in mining, employment in this District is less important than nationally.

Employment growth in the service industries has been almost as rapid as in commodity production, and the impact of business fluctuations has been reflected in these industries more through a slowing in the rate of climb than in an actual decline in employment. Over the postwar years, the most rapidly growing segment of the service industries (as of total nonfarm employment) has been that of finance, insurance, and real estate, with an increase of 84 percent through 1959. Government employment has risen about 60 percent, while miscellaneous services are up by more than half. Distributive industries recorded relatively moderate growth in the postwar period, with the trade segment up by almost 37 percent, and the transportation and communication complex up by about one-eighth.

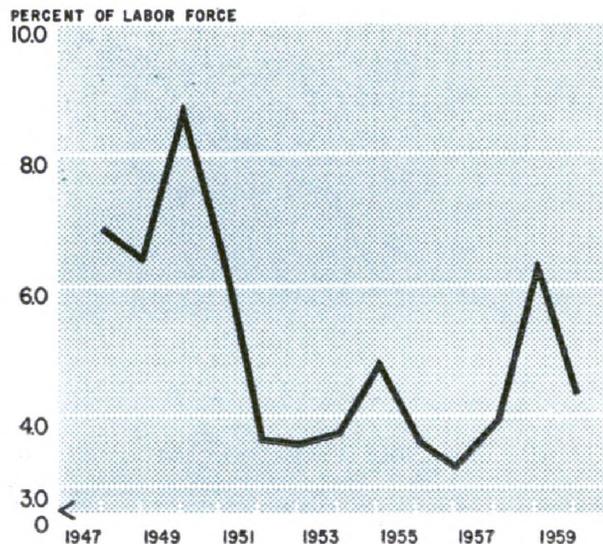
The Bureau of Census estimates that the population of the 7 Western States climbed from 15.1 million persons in mid-1946 to 22.3 million persons in mid-1959. (Chart 10)

CHART 10  
TWELFTH DISTRICT POPULATION  
as of July 1, 1946-1959



Note: This chart is plotted on a ratio or semi-logarithmic scale on which equal vertical distances represent equal percent changes, rather than equal absolute amounts. A straight line indicates that change is occurring at a constant rate.  
Source: United States Department of Commerce, Bureau of the Census.

CHART 11  
RATE OF UNEMPLOYMENT  
THREE PACIFIC COAST STATES  
1947-1959



Source: State employment agencies.

Ever since mass settlement of these states began over a century ago, most of the net increase has been the result of migration from other states and foreign lands. The proportion resulting from migration has tended to drop in recent years because of rising birth rates in the West, so that between 1950 and 1958, a period when the total District population rose by more than 5 million persons, migration accounted for just about one-half of the total. In the 3 Pacific Coast States, the proportion of the civilian population in the labor force declined by almost 3 percentage points, from 44.5 percent in 1947 to 41.7 percent in 1959. This fall largely reflects shifts in the population structure of the Twelfth District through higher birth rates and a changed migration pattern (which is now less confined to working-age people). Nevertheless, the labor force in these states grew by about 2 million persons during this period, or by slightly less than the increase in the number of jobs. The rate of unemployment on the Pacific Coast declined substantially between 1947 and 1951, and, despite fluctuations since then during business

recessions, has remained at a fairly moderate level. (Chart 11) It is also apparent that the changing population structure has had important ramifications for the types of goods demanded by western consumers, e.g., larger houses, and for the types of government services needed, e.g., more schools.

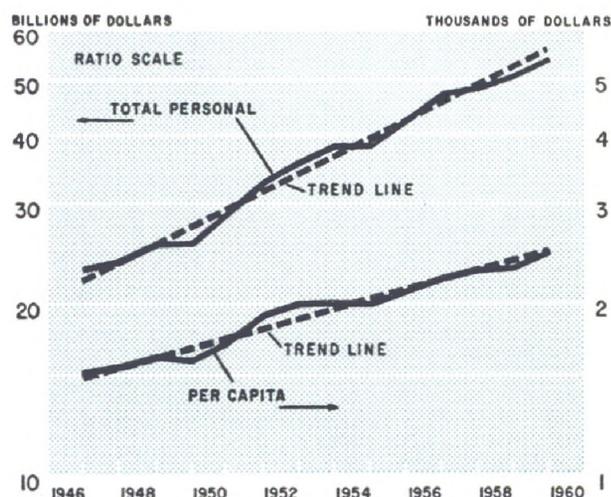
### Personal income scores further advance

Personal income received by Twelfth District residents reached about \$56 billion in 1959, representing a gain of over 8 percent from 1958. The major labor disputes which erupted after mid-1959 in shipbuilding and metal mining and manufacturing resulted in a brief dip in personal income receipts during September and October, but, as with employment, recovery to the pre-strike level was virtually completed by year-end. The effects of the work stoppages during the second half of the year were most apparent in the economies of Arizona and Utah, with their heavy complement of copper miners, and with the steel and related coal mining industry in Utah. However, both states were experiencing growth in defense-related manufacturing, which partially offset these declines; and with the first settlements in the copper dispute reached during December, it appeared to be only a question of time before income in the two states would break through to new high ground. Work stoppages, though sizable, had only a minor depressive effect on California income receipts, but the rate of gain there was slowed for several months. Personal income in other District states was scarcely affected at all by work stoppages, but most of them did experience a levelling in income growth during the second half of the year.

On a per capita basis, the gain in 1959 was almost 6 percent, to about \$2,520. While the rates of gain in total and per capita income failed to match those achieved during the Korean War years and during 1955-56, also

periods of expansion, the differences were not substantial, with the single exception of 1951, and they do not provide conclusive evidence that growth has slowed. (Chart 12) Between 1946 and 1958, personal income increased by 121 percent in Twelfth District states, while it doubled in the entire United States. But with its more rapid population growth and the reduced proportion of its population in the labor force, personal income on a per capita basis rose by 54 percent in the Twelfth District and 64 percent in the entire nation. Correspondingly, the proportion by which per capita personal income in this District exceeded the national average dropped from 23 percent to 16 percent. Moreover, as in other parts of the country, higher money incomes did not represent equivalent gains in purchasing power over goods and services. The Consumer Price Index for the four major western cities indicates that the gain in real income may have been only about three-fifths of the increase in money terms.

CHART 12  
TWELFTH DISTRICT PERSONAL INCOME  
1946-1959



Note: This chart is plotted on a ratio or semi-logarithmic scale on which equal vertical distances represent equal *percent* changes, rather than equal absolute amounts. A straight line indicates that change is occurring at a constant rate.

Sources: For 1946-1958 data: United States Department of Commerce, Office of Business Economics; for 1959 estimates: McGraw-Hill Publishing Company, *Business Week*.

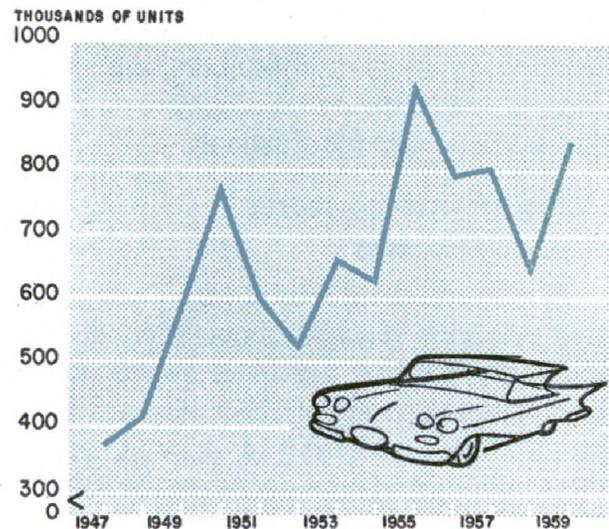
### Consumer expenditures boosted sharply in 1959

Rising personal income and increased use of credit led to a record level of consumer expenditures in the Twelfth District during 1959. Retail sales in the District were about 13 percent above 1958, with every month in 1959 showing an increase over the comparable year-ago month.<sup>1</sup> Since retail prices for goods rose little in 1959 (about 1 percent), the dollar amount of sales also approximates the real volume of goods purchased.

Sales of durable goods in 1959 showed an increase of 21 percent over 1958 and sales of nondurable goods experienced a 7 percent rise. This was materially better than the national performance of 14 percent for durables and 5 percent for nondurables. Department store sales in the District exceeded those of the previous year by 10 percent and followed much the same pattern as sales of retail stores generally, except that department store sales picked up markedly in November when retail sales generally were still low. In December, dollar sales at department stores were at an all-time high, exceeding by 7 percent the previous record set last December. On a seasonally adjusted basis, however, December's sales were below the level reached during the summer months.

In spite of the slowup in automobile production because of steel shortages in the fourth quarter of 1959, sales of automobiles and automotive accessories showed the largest sales gain in the District of any of the durable goods—30 percent over 1958. (1958 was the poorest year for District automobile sales since 1954.) New passenger car registrations in the Twelfth District were 33 percent higher than in 1958 and all District states shared in the improved car market. (Chart 13) From evidence so far available, the new compact cars

CHART 13  
NEW AUTOMOBILE REGISTRATIONS,  
TWELFTH DISTRICT—1947-1959



Source: *Automotive News*.

have met with favor, but it is too early to judge possible long-range effects on standard models and on foreign car imports. The District in 1959 again accounted for one-fourth of all sales of imported cars in the country and one out of every six new passenger cars sold in this area was of foreign manufacture.

A good year for residential construction helped to push retail sales of lumber and building materials and hardware up about 10 percent above 1958 and contributed in part to the 15 percent rise in sales of furniture and appliances. In the nondurable goods group, apparel and general merchandise turned in the best performance, although sales in all categories of soft goods were higher than in 1958.

Credit financing of consumer purchases increased sharply in 1959. Outstanding consumer instalment credit held by Twelfth District banks resumed its steady upward climb in 1959 after having levelled off in 1958. The rate of increase slowed in October and November as limited automobile inventories reduced the amount of automobile credit extended, but in December the upward movement resumed so that at year-end credit outstanding was \$436 million above December

<sup>1</sup>These are data based on firms operating 1-10 stores, which account for about 80 percent of total Twelfth District retail sales. Sales data are obtained from a special tabulation supplied by the United States Department of Commerce, Bureau of the Census.

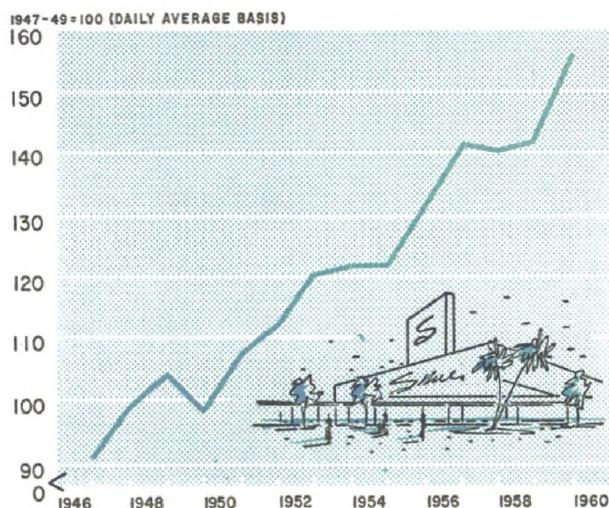
31, 1958. All types of instalment credit extended by banks showed increases during 1959. There were, however, month-to-month declines in personal loans in October and November and in other consumer goods paper in November. Both automobile paper purchased from dealers and automobile loans made directly to purchasers (which account for the bulk of bank-held instalment credit), increased every month, though the October and November increases were very small. The percentage of new automobile loans with maturities of 31-36 months increased for both purchased paper and direct bank loans. The maturity pattern for loans on used cars, however, remained relatively unchanged from 1958.

The pattern of consumer expenditures in the postwar years has altered, with shifts occurring among different goods and between goods and services. Of their total expenditures for goods, consumers in the District have increased materially the proportion spent for automobiles, automobile accessories, and gasoline, while a declining proportion has gone for apparel and general merchandise. Relative expenditures for home furnishings and appliances have remained about the same. There are no adequate measures of consumer outlays for services in the Twelfth District, but the pattern over the postwar period has probably followed that of the entire nation: a gradual rise from about 32 percent of total outlays in 1946 to 39 percent at present.

As a result of these changes in consumer buying habits, sales of department stores have shown some decline as a proportion of total retail sales in the District. Nevertheless, Twelfth District department store sales registered an increase in every postwar year except 1949, 1954, and 1957. The largest gain in the postwar period took place in 1959 when the sales index hit 156 (1947-49=100), 13 index points above 1958. (Chart 14)

At the beginning of the postwar period only about one-sixth of the total dollar volume of

CHART 14  
DEPARTMENT STORE SALES  
TWELFTH DISTRICT—1946-1959



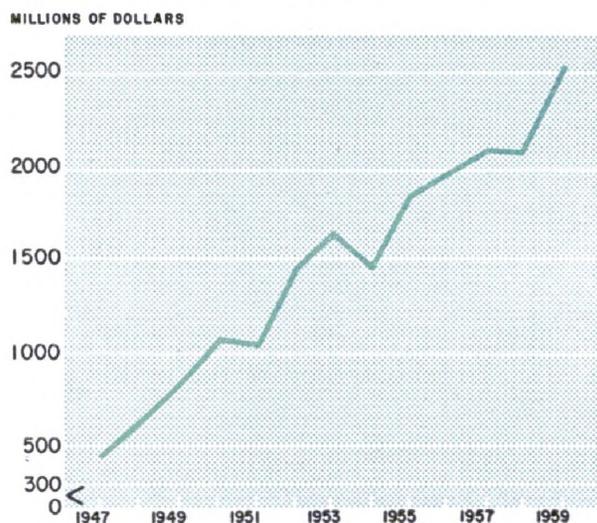
Source: Federal Reserve Bank of San Francisco.

retail sales in the District was accounted for by automobiles and automobile accessories. By 1955, this proportion had increased to about one-fifth and, except in 1958, has continued at that level. District residents accounted for about 12 percent of total new automobile registrations in the United States between 1946 and 1954, but since then the proportion has increased to 13 percent and reached almost 14 percent in 1958 and 1959. District consumers began in 1950 to purchase foreign cars in significant numbers. This trend gained momentum and by last year about one-sixth of all new passenger cars sold in the District were imported cars.

The increase in consumer expenditures in the District since 1946 has been accompanied by expanding amounts of consumer credit. (Chart 15) Commercial banks in the Twelfth District have increased their holdings of consumer instalment credit by over 400 percent since 1947. Throughout the postwar period, automobile paper has accounted for the largest percentage of outstanding consumer credit. From 41 percent of total outstandings in 1947, it rose to 61 percent in 1955 and has dropped only a few percentage points since then.

FEDERAL RESERVE BANK OF SAN FRANCISCO

CHART 15  
CONSUMER INSTALMENT CREDIT OUTSTANDING  
TWELFTH DISTRICT MEMBER BANKS  
as of end of year, 1947-1959



Source: Board of Governors of the Federal Reserve System.

**The construction boom of 1959**

Construction contributed significantly to the over-all expansion of business activity in the Twelfth District during 1959. This is reflected in both of the aggregate measures which are available: construction employment, which climbed 4 percent, and contract awards, which were up 8 percent in value. (Table 1) The buoyancy noticeable in residential construction after mid-1958 continued into 1959 and achieved boom status during most of the year. Estimates prepared by the Bureau of Census indicate that the number of housing starts nationally during 1959 was certainly impressive—the 1.34 million private dwelling units begun was second only to 1950's 1.35 million units and 18 percent above the 1958 level. But the same source estimates that housing starts in the 11 Western States jumped by almost one-fourth between 1958 and 1959 to reach 325,000 units—over 4 percent above the previous high in 1955. Since the states located within the Twelfth District have accounted for about seven-eighths of the 11-state total in recent years, it

may be inferred from this source that District housing starts reached record proportions and perhaps totaled about 290,000 units. Moreover, contract award data reported by the F. W. Dodge Corporation indicate that the number of new dwelling units started in just the 7 District states totaled almost 324,000 units, or 19 percent above 1958. The value of contract awards rose even more during 1959, exceeding 1958 awards by 24 percent. Regardless of the source chosen, the vigor of housing construction activity in the Far West during 1959 obviously reached unequalled proportions.

It should be recognized, of course, that the use of annual data on housing starts, as for other types of economic activity, may obscure within-the-year developments. The past year

TABLE 1  
**CONSTRUCTION CONTRACTS AWARDED  
BY PROJECT TYPE  
11 Western States—1958-59**

	Valuation (millions of dollars)		Percent change
	1958	1959	
Commercial buildings	624	685	+10
Manufacturing buildings	235	313	+33
Educational and science buildings	609	528	-13
All other nonresidential buildings <sup>1</sup>	743	612	-18
Total nonresidential buildings	2,210	2,138	-3
One- and two-family houses	2,852	3,490	+22
Other residential buildings <sup>2</sup>	668	747	+12
Total residential buildings	3,520	4,237	+20
Total heavy engineering construction	1,674	1,609	-4
Total construction	7,404	7,985	+8
Number of dwelling units			
One- and two-family houses	231	270	+17
Apartment buildings	76	86	+14

<sup>1</sup>Includes hospital, public, religious, social and recreational, and other miscellaneous nonresidential buildings.

<sup>2</sup>Includes apartment buildings, hotels, dormitories, and other non-housekeeping residential structures.

Source: F. W. Dodge Corporation, *Construction Contracts*.

serves as a good illustration of this point, as Twelfth District housing starts followed the national pattern of decline after mid-year. Although this decrease is generally attributed to a slowup in the flow of funds into the home mortgage market, the fact that there were also rather sharp rises in vacancy rates during the first half of the year and little more than seasonal declines over the next 3 months suggests that the level of demand may not have been sufficiently strong to permit the rate of housing starts during the first half-year to be maintained. (Table 2) There certainly

TABLE 2

**WESTERN AREA VACANCY RATES  
1958 and 1959, by Quarter**

	Rental Vacancy Rate (Percent of Total Vacant)	Homeowner Vacancy Rate (Percent of Total Vacant)
1958		
I	6.8	1.1
II	7.6	1.1
III	7.5	1.1
IV	6.3	1.1
1959		
I	6.6	1.5
II	9.0	1.6
III	8.6	1.4

Source: United States Department of Commerce, Bureau of the Census.

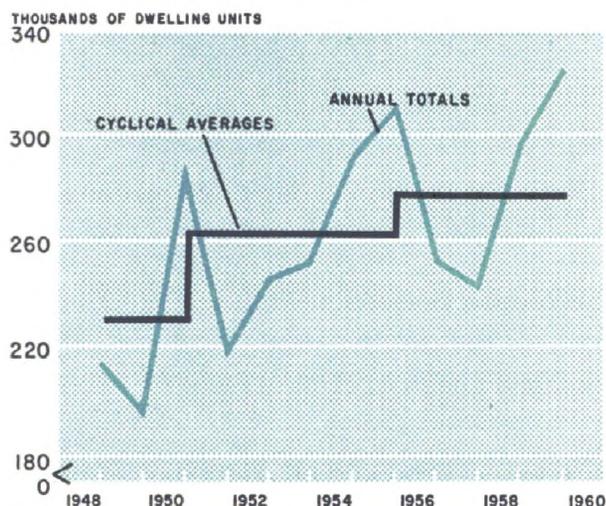
were, however, all of the indications of progressive tightening in the western (as well as national) market for home mortgages during most of 1959. Interest rates on conventional mortgages rose sharply throughout the year, as did yields on FHA-insured mortgages. Moreover, the extent of the decline in FHA applications during the second half of the year cannot be explained solely in terms of seasonal factors. After reaching record highs earlier in the year, applications declined sharply, and in November were 42 percent below those of the corresponding year-ago month. The modest turnup which occurred in December still left applications 19 percent below December 1958.

**Nonresidential, heavy construction dip slightly**

Nonresidential construction activity, as measured by contract awards, fell about 3 percent in the West during 1959, as a declining volume of public projects was only partially counterbalanced by recovery in private outlays. Industrial building contracts rose by one-third after a severe drop in 1958 and commercial building activity accelerated after an advance of 8 percent during 1958. Heavy engineering contract awards were slightly under the 1958 volume, with new highway and airport construction down markedly. Gains in power, sewage, and miscellaneous public works projects were approximately offsetting, however.

Information on construction activity in the West during the postwar years is adequate for discussion only in the case of new residential construction, although there is no doubt that the trend in all types of construction was generally upward. Moreover, housing starts are the only available measure of residential construction over the entire period. (Chart 16) Although starts provide no inkling about

CHART 16  
HOUSING STARTS, 11 WESTERN STATES  
1948-1959<sup>1</sup>



<sup>1</sup> Estimated for 1959.  
Source: United States Department of Labor, Bureau of Labor Statistics.

trends in spending per dwelling unit, it is generally agreed that they do provide an adequate index of major changes in the over-all level of activity.

The sharp postwar fluctuations which have been experienced in residential construction activity obscure, but do not obliterate, the evidence of a moderate upward trend. Chart 16 indicates the three apparent cycles which have occurred in homebuilding during this period and the average number of housing starts during each cycle. A slowing in the upward trend of starts is apparent in the most recent cycle, but the level of homebuilding in 1959 considered by itself appears to be more consistent with the over-all growth trend. Industry opinion generally is that a new downward phase of the homebuilding cycle began late in the year, however.

Changes in the number of housing starts are generally attributed to income, demographic, and financial factors. Previous discussion has already indicated that these factors tended to work positively in relation to housing demand during the postwar years generally. In viewing the relationship of each of the three factors to total demand, however, a comparison of western housing starts with those in the entire nation suggests that the higher rate of western population growth has been the dominant influence in maintaining a rising trend in this area relative to the level of national starts.

### **Forest industries share in gains**

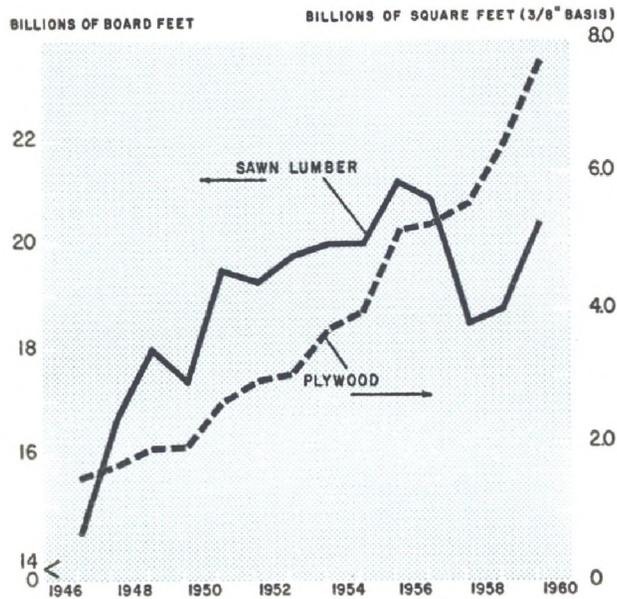
With general improvement in economic activity and national housing starts close to the record level of 1955, the Twelfth District's forest-based industries climbed from the doldrums of the past few years. Paper and furniture manufacturing firms expanded employment by about 5 percent above 1958 levels. Employment in the even more important lumber and wood products segment jumped by over 7 percent, and production of sawn lumber and softwood plywood were up 8 and 21

percent, respectively. The importance of the expansion in plywood output to Oregon, which of all District states is most dependent upon its forest resources, is indicated by the fact that half of its 1959 rise in lumbering employment occurred at veneer and plywood plants. Over a dozen new veneer and plywood mills were opened in 1959, with half of them in Oregon, to bring total capacity to an estimated 8 billion square feet annually (on a 3/8" basis).

Since the status of the lumber and plywood markets is closely tied to changes in the level of national homebuilding, prices improved through mid-1959, but then greater than seasonal price weakness was apparent in these items as housing starts turned down in the second half of the year. The price of quarter-inch sanded plywood panels, which is often used as a gauge of over-all plywood prices, rose quickly from \$76 per thousand square feet at the beginning of the year to \$85 at the height of the spring building season. Several price breaks after mid-year brought panels to \$64 in November's slack buying season, but a soft \$72 was being quoted in December. Sawn lumber prices were not quite so volatile: after rising in the first half of 1959 and declining more than seasonally after that, they nevertheless closed the year at about 8 percent above the end-of-1958 level. Also, these recent price declines in lumber and plywood had little effect on employment and production levels, at least through the end of 1959, even though inventories were moderately higher than a year ago.

The tides of Twelfth District lumber production over the postwar era have followed fairly closely the flow and ebb of the residential building cycle. Changes in other types of domestic construction and in industrial and export demand affect the industry also, but less importantly. Following the rapid buildup in output after the end of World War II, cyclical fluctuations in housing starts are reflected also in terms of peaks and troughs in sawn

CHART 17  
LUMBER AND PLYWOOD OUTPUT,  
WESTERN STATES—1946-1959



Sources: National Lumber Manufacturers' Association and Douglas Fir Plywood Association.

lumber production. (Chart 17) Plywood output has climbed most rapidly in peak years of the housing cycle and shows a tendency to level off as housing starts decline, but there has been no actual fall in output in the entire postwar period. The fact that total sawn lumber output has not in recent years followed the previously established trend of general increase (through 1955 and possibly 1956) is indicative of the competitive inroads made by other products in construction and other uses. Plywood is of course one of the substitute products, and to a certain extent it represents a substitute end-product of the western timber cut, particularly in the Douglas fir region of western Washington and western Oregon. Sawn lumber output in that area has trended downward since 1952, with interruptions apparent only in years of peak lumber demand. In the western pine region, the trend in production continues upward, and since 1956 its sawmills have turned out more board feet of lumber annually than the Douglas fir region.

### Defense-space complex provides thrust

Much of the stimulus to expansion of the Twelfth District economy during 1959 was provided by a complex of manufacturing industries which have often been cited in this *Review* as "defense- and space-related." Certainly this term is only one of convenience, representing a shorthand method of grouping together the District's sizable aircraft and ordnance industries, the predominant portion of whose output is for the government's defense and space exploration programs, with other important suppliers such as the electrical and nonelectrical machinery, instruments, and shipbuilding industries. Large segments of these latter industries have little or no direct connection with the defense effort and the entire group produces a wide variety of durable goods for civilian needs and other governmental programs. Yet federal outlays for aircraft, missiles, and related equipment is presently so important in this District as to be the key influence on changes in the combined output of these industries.

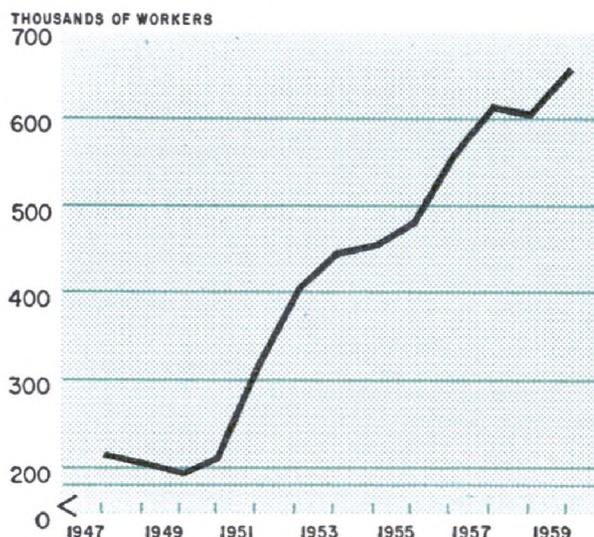
Measured in terms of manufacturing employment, these industries were important contributors to, if not the overriding factor in, changes in economic activity in five Twelfth District states during the past year. The changes wrought were not of uniform strength, however, and indeed they were not always expansionary in direction. In Utah, for example, where spending on missiles was almost negligible prior to 1958, employment in the manufacture of transportation equipment and ordnance doubled in 1959 and reached almost 10,000 persons by year-end. In the neighboring state of Arizona, employment in these same two industries rose only 5 percent, although the year-end employment level was about 2,000 workers higher than in Utah. The machinery manufacturing industries of Arizona, Oregon, and Washington, while still rela-

tively small, experienced increases in employment of fairly sizable proportions.

The State of Washington's dominant aircraft industry cut back employment almost uninterrupted during 1959, dropping by almost 16,000 workers, or 21 percent, between January and December. A somewhat different pattern was experienced at California's aircraft plants, in that employment rose moderately through the summer but began a sharp plunge in September which by year-end had wiped out even more than the preceding gains. At approximately 234,000 workers in December, California aircraft employment was at its lowest level since mid-1952. The cutbacks in Washington and more recently in California were both generally attributed to reduction of manpower needs (largely of semi-skilled and unskilled workers) on production lines, which were offset only in part by additions to technical staffs for research and development. Despite the layoffs in its aircraft industry since September, employment in California's entire defense-space complex averaged more than 40,000 workers higher in 1959 than in 1958 and in December remained above the year-ago level by over 30,000 workers. These gains are largely attributable to the strong expansion programs underway at ordnance and electrical machinery manufacturing firms.

Employment data may also serve as an indicator of the growth experienced by the defense-space complex in the postwar period. After fluctuating within a narrow range of little more than 200,000 workers between 1947 and 1950, employment in this combination of industries doubled by 1952 under the stimulus of the Korean War expansion, tripled by 1957, and now includes about two-thirds of a million workers. (Chart 18) Sales of one important segment of this complex, the western electronics industry, rose from about \$160 million in 1949 to nearly \$2 billion in 1959. In recent years, western electronics firms have accounted for over one-fifth of the total national

CHART 18  
EMPLOYMENT IN "DEFENSE-SPACE"  
MANUFACTURING INDUSTRIES,  
Twelfth District, 1947-1959



Source: State employment agencies.

sales in this industry. In terms of employment in the entire group of industries, the Twelfth District accounts for over 15 percent of the national total, but for the aircraft industry alone, the District's proportion is now about 42 percent.

Not all of the growth in electronics or in the over-all complex of industries is connected with federal outlays for defense and space exploration, of course. Aside from being master producers of military weapons of deterrence, these Twelfth District industries also turn out myriads of other products for civilian and non-defense governmental use. In many cases, they are providing products for the growing western market, but some major items are also produced for national and international markets. District firms have for decades been major producers of civilian aircraft, especially of propeller-driven, and more recently of jet-propelled, civilian transports. But neither do these industries alone reflect total federal outlays for defense and space exploration, since vast sums are also being spent for construction of military bases and other facilities in the Twelfth District. Nevertheless, there can be

no doubt that an important segment of the Twelfth District economy is highly subject to changes in federal policies with respect to defense and space.

The defense-space complex has been undergoing rapid changes in recent years and especially since mid-1957, as defense procurement reflected the advances in missile technology. A sharp cutback in military and space expenditures would have far-reaching effects on the Twelfth District economy; and there would be small comfort in the fact that, even in absolute terms, defense production industries employed substantially more workers here during World War II than they do at present. These industries provided the foundation for a sizable part of the expansion which the Twelfth District has experienced over the past decade, and sharp cutbacks similar to those after World War II would probably be accompanied by a somewhat analogous unemployment problem. Thus far, however, the District has shown great adaptability and is taking advantage of all opportunities to attain a greater degree of diversification in manufacturing output.

### **District steel output reduced by prolonged labor dispute**

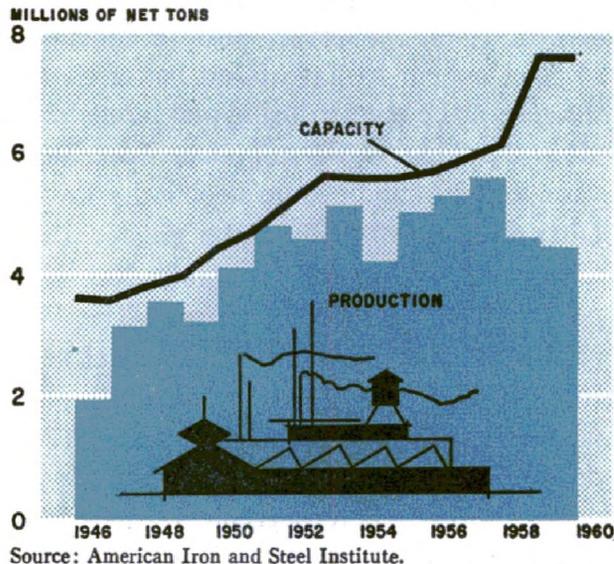
Twelfth District steel producers operated at close to 60 percent of rated ingot capacity during 1959, with actual tonnage falling below that of 1958 by about 2 percent. The first half of the year was characterized by a high operating rate and a heavy inventory build-up. A record of 613,000 ingot tons was produced during May, and for the entire 6 months, output was almost 50 percent above the like 1958 period. After the nationwide labor dispute began in mid-July, however, District output was at a virtual standstill until early November.

Despite the decline in production, it is estimated that consumption of steel products in the Twelfth District rose by about one-sixth during 1959. Although this was somewhat

less than the rise in national consumption, end-use here, like production, had declined less than in the entire nation during the recession in 1958. Moreover, western consumers of steel appear to have fared better than in the rest of the nation during and immediately after the long work stoppage. Percentage-wise, jobbers handle more steel in the Twelfth District than nationally and a greater inventory backlog was thus available during the period when production ceased. The West imported about 11 percent of its steel needs from foreign countries in 1959, compared with 6 percent for the entire country. (Both doubled their imports over 1958.) Also, one major producer here negotiated a new labor contract almost 2 weeks before the national return to work was ordered, permitting an earlier resumption of output.

The steel industry gained importance in the Twelfth District during World War II, with the establishment of facilities to supply shipyards and other war plants. Before the War, western output consisted mainly of bar steels, and only about 30 percent of over-all western needs were produced in this area. Today, the West produces an amount equal to about two-thirds of its needs, including practically all of its requirements of sheet steels for construction and tin plate for canning. Since 1946, steel capacity has more than doubled in the Twelfth District to reach 7.6 million tons in 1959. (Chart 19) Capacity additions have occurred here at twice the national rate, also. On January 1, 1959, District capacity jumped by more than one-fourth from the preceding year, largely because of a major expansion program by one large producer. However, the lengthy period required to break in these new facilities and to complete other aspects of the expansion program prevented full utilization of the augmented capacity during 1959. Over the past 12 months, further additions to capacity were moderate, amounting to a little

CHART 19  
STEEL PRODUCTION AND CAPACITY  
TWELFTH DISTRICT—1946-1959



more than 100,000 ingot tons annually, or a gain of about 1½ percent.

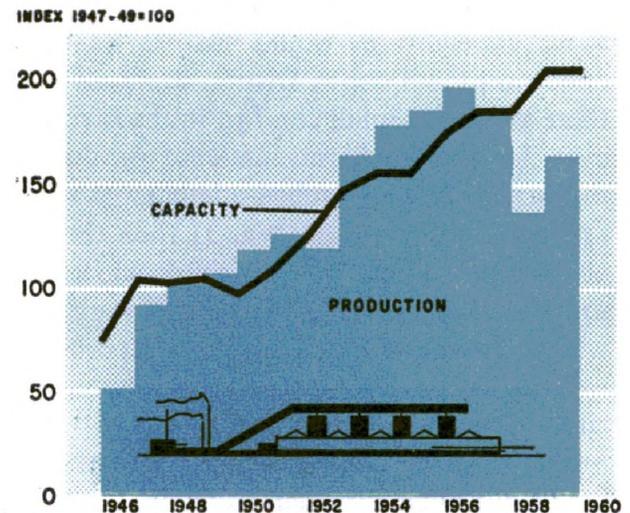
With the rapid growth of the Twelfth District since the War, spending on construction here has boomed to become 20 percent of the national total. Sheet steels for the construction industry now account for perhaps half of the steel produced in the West. Another 20 percent is consumed by the canning industry, which produces two-thirds of the nation's canned fruit and 40 percent of its canned vegetables. The nation, on the other hand, uses only 30 percent of its steel products for construction and 8 percent for canning, and produces many heavy alloys and stainless steels for manufacturing industries (automobiles, for example) which are not prominent in the West. At year-end, the indicated rise in the automobile industry suggested that steel demand might for a time be increasing more in eastern areas than in the Twelfth District, but a strong demand for District products appeared also in prospect.

### Aluminum output revives at District facilities

Aluminum ingot production in the Twelfth District climbed to 166 percent of the 1947-

49 average in 1959, while capacity remained at an index of 204. This was the first increase in output since 1956, but only a part of the fall in the output rate during the interim was regained. (Chart 20) National output

CHART 20  
ALUMINUM PRODUCTION AND CAPACITY  
TWELFTH DISTRICT—1946-1959



reached a new record in 1959, on the other hand, with production and shipments up 25 and 37 percent, respectively, over 1958.

From 1949 to 1956 the District's operating rate approached or exceeded rated capacity. Reactivation by private companies of much of the facilities built by the Federal Government during World War II boosted capacity in the early postwar years, and further expansion programs raised the District proportion of national capacity to a peak of 52 percent in 1949. More recent additions to national capacity have occurred largely in the Ohio Valley and other eastern areas, so that by 1959 Pacific Northwest reduction facilities accounted for less than 29 percent of total capacity in the nation. Rising costs of developing additional hydroelectric power and competition from improved techniques of generating power from coal, along with the lesser transportation costs in the East due to prox-

imity to markets, have caused a shift in the location of new facilities to eastern areas.

About one-half of Pacific Northwest output of aluminum ingot is shipped to other areas for further processing, and aluminum products fabricated and shipped from the Midwest are reported to be competitive with western products at least to the eastern border of the District. With Twelfth District facilities cast in the role of residual producers of ingot for the large eastern fabricators, the course of aluminum production in this area clearly depends on further growth of western markets and on finding new uses for the metal in domestic and export markets. Expanded demand worked in favor of Twelfth District production in 1959, and aside from seasonal forces, there appeared to be further strengthening at year-end, so that aluminum ingot prices were hiked back to the pre-recession level.

### **Other key metals affected by work stoppages**

Labor disputes at major mines tied up about four-fifths of United States copper producing capacity during most of the last 5 months of 1959, and most of the idled facilities are located in the Twelfth District. Although mine output reached a record rate in the first half of the year, production in this area fell by almost three-fourths after the beginning of the work stoppages. As a result, annual production in 1959 fell 14 percent from 1958 to the lowest total since 1949. District mines, which typically account for over three-fourths of United States copper output, were able to increase their share of the national total slightly during the year, to about 79 percent. This reflected a rise in operating rates in excess of gains in the other producing areas during the first half-year which was only partially offset by the greater than proportional drop in output here in the remainder of 1959. Despite the labor tieups, the effects of metal shortages and consequent pressures on prices

in national markets were minimized by a record accumulation of stocks by mid-year. Additionally, imports of unmanufactured copper rose 10 percent over 1958. Nevertheless, prices were higher than in 1958, so that even with the fall in tonnage, the value of total copper produced in 1959 was close to that of the preceding year.

The rising level of national industrial activity in 1959 resulted in significantly increased consumption of lead and zinc, but the work stoppages at mines producing these metals jointly with copper held District output to about the levels prevailing in 1958. Increased consumption and production limitations helped to push lead and zinc prices up during the year, raising the value of metal output somewhat over 1958. District mines accounted for 47 and 35 percent, respectively, of United States lead and zinc output, somewhat higher shares than in recent years.

Although settlements at some producing facilities led to limited output resumption late in December, District copper production remained at low levels early in 1960, pending settlements at major facilities in Arizona and Utah.

Exploration, development, and expansion programs continued apace at many important locations in the District. A major producer announced plans covering plant and equipment expenditures which are expected to raise capacity at one of its facilities by 20,000 tons annually. *Mining World* estimates that western mining industry's plant and equipment outlays totalled \$220 million in 1959.

### **Petroleum: products and problems**

Demand for petroleum and petroleum products exceeded the 1958 volume by slightly over 6 percent in 1959. With a slightly smaller increase in refinery output, the industry's long-standing inventory problem was somewhat less severe than in many recent years. The West Coast's petroleum industry,

FEDERAL RESERVE BANK OF SAN FRANCISCO

like its national counterpart, has been burdened with excess refining capacity in recent years, as a result of frequent plant expansion ahead of demand. Much of California crude has a relatively low yield of gasoline and a correspondingly higher yield of "residual" oil for industrial use. Demand for gasoline and light oils has continued to expand in recent years, but the market for residual fuels has declined relatively because of the competitive inroads of natural gas and distillate fuel oil. Capital outlays to increase gasoline output and quality have absorbed much of the refinery plant and equipment "dollar," so that changes in processing techniques to reflect the reduced demand for residuals have lagged. Consequently this product has been the prob-

lem child of the California refining industry, and has contributed to the declining demand for "low gravity" California crudes (see production indexes—Table 3), and to the expanding demand for higher gravity foreign oils. The "gravity" of the situation was highlighted dramatically in 1958, when a 9 percent decline in demand for residual fuel (compared with a 4 percent increase in gasoline demand) led to an approximately 20 percent rise in residual fuel inventories by December.

Although regional demand for residual fuel continued to decline in 1959, residual stocks were generally well below the year-before level. Markedly heavier shipments to East Coast ports were largely responsible for the

TABLE 3  
INDEXES OF INDUSTRIAL PRODUCTION—TWELFTH DISTRICT  
(1947-1949 = 100)

INDUSTRIAL PRODUCTION	1946	1949	1955	1956	1957	1958	1959p
Copper	71	93	120	131	130	116	100
Lead	70	101	77	80	79	62	62
Zinc	83	102	72	72	75	64	65
Silver	64	95	104	106	110	105	95
Gold	71	99	85	79	77	70	58
Steel Ingots	60	97	154	163	172	142	137
Aluminum	51	108	186	197	185	143	166
Crude Petroleum	94	99	106	105	101	94	92
Refined Petroleum	91	103	124	129	132	124	130
Natural Gas	89	98	98	92	90	86	85
Cement	81	100	145	156	149	158	174
Lumber	79	100	122	120	106	107	116
Wood Pulp	82	101	180	192	189	186	186
Douglas Fir Plywood	78	106	282	291	303	352	428
Canned Fruit	128	99	130	142	129	121	142
Canned Vegetables	124	98	178	225	194	214	186
Meat	101	104	139	149	139	127	134
Sugar	90	90	115	119	127	116	137
Flour	108	88	103	105	106	112	112
Creamery Butter	69	103	104	87	98	93	98
American Cheese	97	92	90	85	89	87	92
Ice Cream	132	91	107	114	120	126	128

p—preliminary

Note: Data given above supersede all previously published annual indexes.

inventory runoffs, although other factors were of considerable, and perhaps more important, long-run significance.

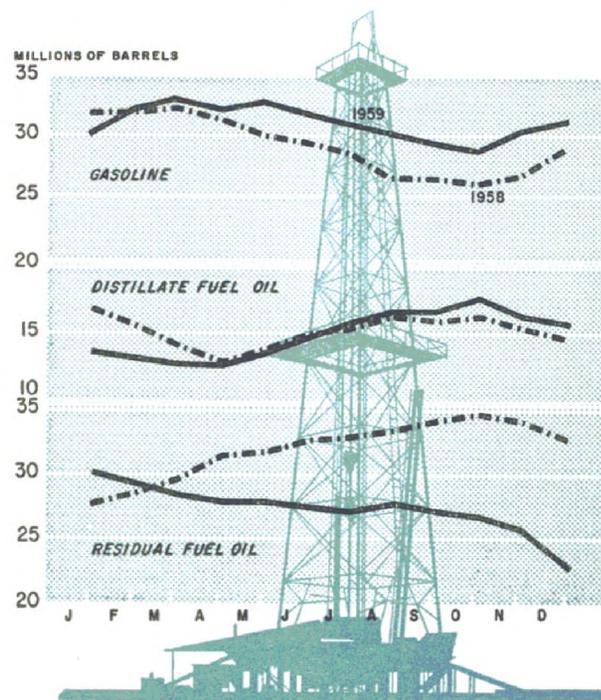
Production of residual oil was held down in 1959 partly by feeding relatively more high gravity foreign crude oils into refineries. Foreign crudes accounted for over 20 percent of refinery inputs, compared with about 17 percent in 1958, and with 12 percent nationally in both years. Although technological changes have over the years enabled California refiners to reduce residual oil yields moderately, the sharp reduction in residual oil yields in 1959 (to 24.4 percent of refinery output, compared with 27.9 in 1958) probably reflected the diminished quantity of domestic crude employed.

The generally improved "tone" of the industry's supply-demand situation in 1959 is perhaps most readily appreciated by reference to the inventory positions of some of the industry's most important products. Chart 21 compares end-of-month stock levels of gasoline, distillate fuel oil, and residual fuel oil with those obtaining in comparable months in 1958. Residual stocks declined as indicated above. Although gasoline and distillate holdings offer less in the way of contrast, they are considerably more important in terms of the general health of the over-all industry. Reflecting heavier industrial demands, as well as increased space-heating needs, demand for distillate fuel oil increased over 8 percent in 1959. Through 1958, distillate fuel oil stocks were maintained in good relation to demand, and in 1959 the increase in stocks reflected a relatively cautious attitude toward accumulation despite the substantial improvement in demand. On the other hand, even with a 3 percent rise in sales, stocks of motor fuel became somewhat more excessive during 1959 than they had been in the preceding year of recession. Thus, in contrast to most of the postwar period, when the demand for

West Coast gasoline grew faster than the national average and prevented gasoline surpluses during periods when such surpluses were serious burdens in eastern markets, the West Coast experience in 1959 was significantly more in conformity with the national petroleum industry's experience.

This in turn serves to highlight a pattern which has been manifest to a greater or lesser degree during much of the postwar period, for although differing demand and raw material "mixes" still continue to maintain the West's petroleum industry as a regional entity, the increased availability of foreign crudes and the restless pressure of technological change have served to diminish the differences between the experience of the West Coast and "eastern" petroleum industries. Developments during 1959 show continuation of these trends.

CHART 21  
PETROLEUM STOCKS IN DISTRICT FIVE<sup>1</sup>  
1958-1959



<sup>1</sup> Includes California, Oregon, Washington, Nevada, and Arizona. Source: United States Department of the Interior, Bureau of Mines.

### Many record highs in District agriculture in 1959

Agricultural production reached a record high level in 1959, with crop production up 4 percent from 1958 and above the postwar trend. Increased production of deciduous fruit and cotton in California was largely responsible for the District's gain in crop output. Although extremely dry weather prevailed throughout much of the District, irrigated crops generally fared better than in 1958. The production of early blooming deciduous fruits in particular had been reduced in 1958 by rainy weather during the spring.

Cotton yields were slightly higher than in 1958, but the big stimulus to District cotton production came from an expansion in California acreage. Acreage and production remained about the same in Arizona, but many California farmers took advantage of an option under the cotton price support program for 1959 which permitted expansion of acreage above allotments in exchange for a reduced level of support. As a result, harvested acreage in the state increased by 145,000 acres, or 20 percent. Associated with the expansion in cotton output, the amount of land devoted to feed grain production was reduced by 75,000 acres. Moreover, the quality of the cotton lint in California was unusually high as growing and harvesting conditions were almost ideal. Exports of domestic cotton from California ports for the season August 1 through December 31, 1959 were up sharply from last season—329,900 bales compared with 85,700 bales.

Increases in production or marketings were general for most livestock and livestock products. Of particular interest are the further gains in cattle feeding activities that occurred in the District. Although the number of cattle and calves on feed nationally at the end of 1959 was up 9 percent from a year ago, the gain in the District was nearly 18 percent, with increases of 32 percent in California and

26 percent in Arizona more than offsetting declines of 18 and 7 percent in Utah and Idaho, respectively. Reflecting the heavier feeding activity as well as poor pasture conditions, hay prices at the end of the year were about one-fourth higher than last year. However, the meat animal supply tended to lower average prices received by District farmers. At year-end, hog prices were about 35 percent lower; calf prices, 15 percent lower; beef prices, 7 percent lower; and lamb prices, 17 percent lower than a year earlier.

Despite lower prices, the heavier volume of marketings resulted in a record level of District receipts from farm marketings in 1959. As in the case of crop production, not all states shared in the increase in cash receipts; and, in fact, except for a small increase in Oregon, all of the gain occurred in California. The importance of deciduous fruit and cotton marketings on District receipts in 1959 is evident from the sharp increases in cash receipts in June and July and in the late fall months when such crops come to market. Accompanying the rise in deciduous fruit production was an increase in hired labor requirements with 10 percent more workers on California farms in June than a year earlier.

Farm costs were fairly stable in 1959 as prices paid by farmers nationally rose less than 1 percent between December 1958 and December 1959. Although cost-rate data are not available for the District, the course of farm costs is usually much the same as nationally. The stability in the over-all measure of prices paid by farmers obscures diverse movements in prices paid for specific types of goods and services. Prices paid by farmers during 1959 increased about 1 percent as higher costs for nonfarm items were largely offset by lower prices of agricultural-based items. At the close of the year, prices paid by farmers for agricultural-based items such as feed, feeder livestock, and seed averaged 6.3 per-

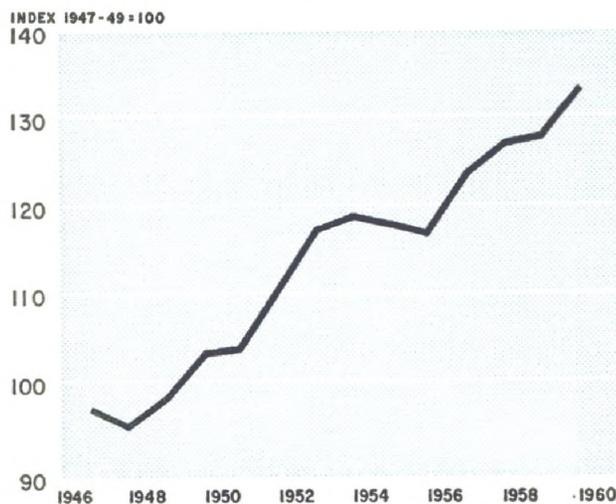
cent lower than a year earlier. On the other hand, prices paid for nonfarm production items averaged 2.6 percent higher, family living items were up 1.4 percent, and interest, taxes, and wage rates increased by 5.6 percent.

**Sharp growth in District agriculture output**

Since World War II, there have been striking gains in output by District agriculture as well as in the efficiency with which labor has been utilized to increase production. Farm output in the District rose approximately 30 percent from 1946 through 1958. Despite this rise in output, the time spent on farm work declined; where each man-hour of farm work produced 9 units of agricultural products in 1946, each man-hour produced 17 units in 1958.

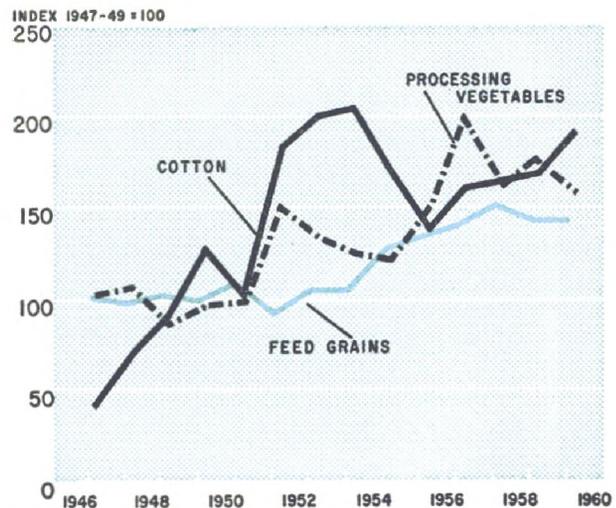
The rise in farm production was general (Chart 22) for most types of farm commodities with reductions or minor gains occurring in the output of food grains, fruits and nuts, and oil crops. The most spectacular gains were in the production of cotton, feed grains, and vegetables for processing. (Chart

CHART 22  
TWELFTH DISTRICT CROP PRODUCTION  
1946-1959



Source: Based on data from United States Department of Agriculture.

CHART 23  
PRODUCTION OF SELECTED CROPS,  
TWELFTH DISTRICT—1946-1959



Source: Based on data from United States Department of Agriculture.

23) The production of cotton lint, for example, rose almost threefold, from 616,000 bales in 1946 to 2,376,000 bales in 1958. This rise was quite modest when compared to what it might have been in the absence of acreage controls beginning in 1954. Acreage controls were largely responsible for the sharp rise in feed grain production as acreage was diverted from the production of cotton and wheat. Moreover, the increase in feed grain production must be considered as an important factor contributing to the expansion of cattle feeding in recent years, although cattle feeding activity was rising in the District even prior to 1954. Feed grain production more than doubled during the postwar period, while the number of cattle and calves on feed rose from 374,000 head on January 1, 1946 to 1,136,000 head on January 1, 1959.

Cash receipts of District farmers from marketings rose by 30 percent between 1946 and 1958. However, production expenditures grew at a more rapid rate, so that for the more limited period of 1949 through 1958, net income of farm operators grew by only 17 percent. Because of the declining number of farms, however, net income per farm rose

by 20 percent in the same period. Despite the modest rise in net income of farm operators, the value of farm real estate per acre in the Twelfth District rose 86 percent between March 1, 1946 and March 1, 1958 to reach \$18.4 billion on the latter date. District farm debt also rose sharply, with the amount of farm debt held by major lenders tripling from 1946's unusually low level through 1958. A large part of this increase represented an expansion of farm mortgage debt. The amount of farm debt outstanding on January 1, 1958 totaled \$2.5 billion.

### **More fruits, fewer vegetables in 1959 canning pack**

The total pack of fruits and vegetables at District canneries remained about the same as in 1958, according to incomplete data, with increases in fruit canning activity about offsetting a lower volume of vegetable canning. Not only was vegetable canning reduced from 1958, but it was below the postwar trend. Although growing conditions were generally better for irrigated crops in the District in 1959 than during the previous year, the smaller volume of vegetable canning resulted from lower yields as well as a cutback in acreage. Because of the dry weather, deciduous fruits escaped rain damage which plagued these crops in 1958 and output was considerably larger.

A record volume of deciduous fruit was canned in the District in 1959, up 18 percent from the short pack in 1958. Growing conditions were much improved over 1958 and, as a result, 58.4 million cases of fruit were canned. The increase in the size of pack was general for most major items but was led by cling peaches with a rise of about 4 million cases, a 23 percent increase, and apricots with a rise of about 3 million cases, an increase of approximately 200 percent from the short crop of the preceding year. The sharp rise in output more than offset a re-

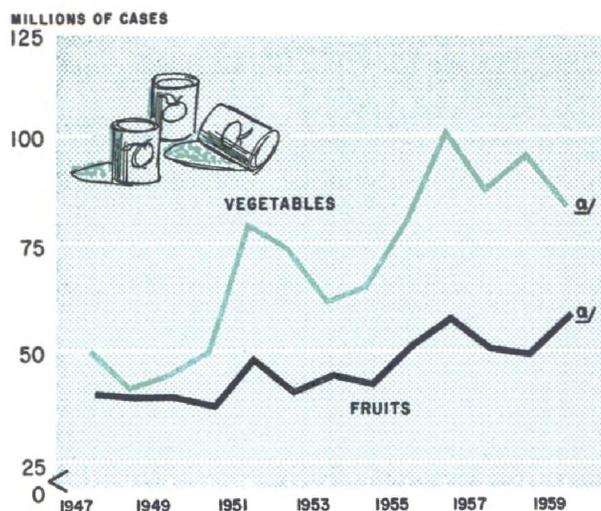
duced level of inventories from the previous year, and canners' efforts to move the increased supplies resulted in lower prices. At year-end, quoted prices for most canned deciduous fruits were more than 10 percent below year-ago prices. Despite the heavy movement from canners, their stocks on January 1, 1960 were still higher than last year except for cling peaches. Movement of this item was unusually heavy during the first 8 months of the marketing season.

The smaller vegetable pack resulted largely from a smaller pack of tomato and tomato products. Although carryover stocks of these items increased, the reduction in tomato canning activity more than offset a rise in inventories. As a result, supplies of tomato products available from District canneries for the 1959-60 marketing season were reduced from the previous year. Nevertheless, the movement of these products from canneries up to January of 1960 was above year-ago levels for most major items except tomato juice. Cannery prices of most tomato products at year-end were about the same as a year ago. Tomato juice again was an exception with cannery prices down from a year earlier.

### **Canning: a growing but variable industry**

Fruit and vegetable canning is a major component of the District's second largest manufacturing industry, food processing. Vegetable canning in particular has experienced rapid growth in the postwar period, with the size of the annual pack about doubling since 1947. Fruit canning also has expanded but not as rapidly. (Chart 24) Vegetable canning is dominated by items derived from tomatoes while fruit canning is dominated by products derived from cling peaches. Canned tomatoes and tomato products account for about two-thirds of all vegetables canned in the District. The same proportion of the total fruit pack is accounted for by

CHART 24  
CANNED FRUIT AND VEGETABLE PACKS  
TWELFTH DISTRICT—1947-1959



<sup>a</sup> Partially estimated.

Sources: National Canners Association; Northwest Canners and Freezers; and Canners League of California.

cling peaches or canned fruit products utilizing cling peaches. District production of these two important raw materials destined for canning is confined largely to the State of California. Because of the importance of cling peaches and tomatoes to the canning industry, substantial variations in the size of the annual pack stem largely from fluctuations in the canning of these two products. Fruit canning activity has less violent fluctuations than vegetable canning because short-term changes in production stem largely from variations in growing conditions. Vegetable production, on the other hand, is subject to acreage changes as well as fluctuations in growing conditions.

### Pacific Coast foreign trade

Pacific Coast foreign trade value in 1959 was about equal to the previous postwar record high reached in 1957, but the gain was attributable solely to a sharp rise in imports. Commodity imports for 1959 were almost one-third larger than in 1958 while exports only slightly exceeded those of the preceding year. Imports in 1959 increased at a rate equal to the near record expansion of 1949-50 when the Korean War broke out, a rate ex-

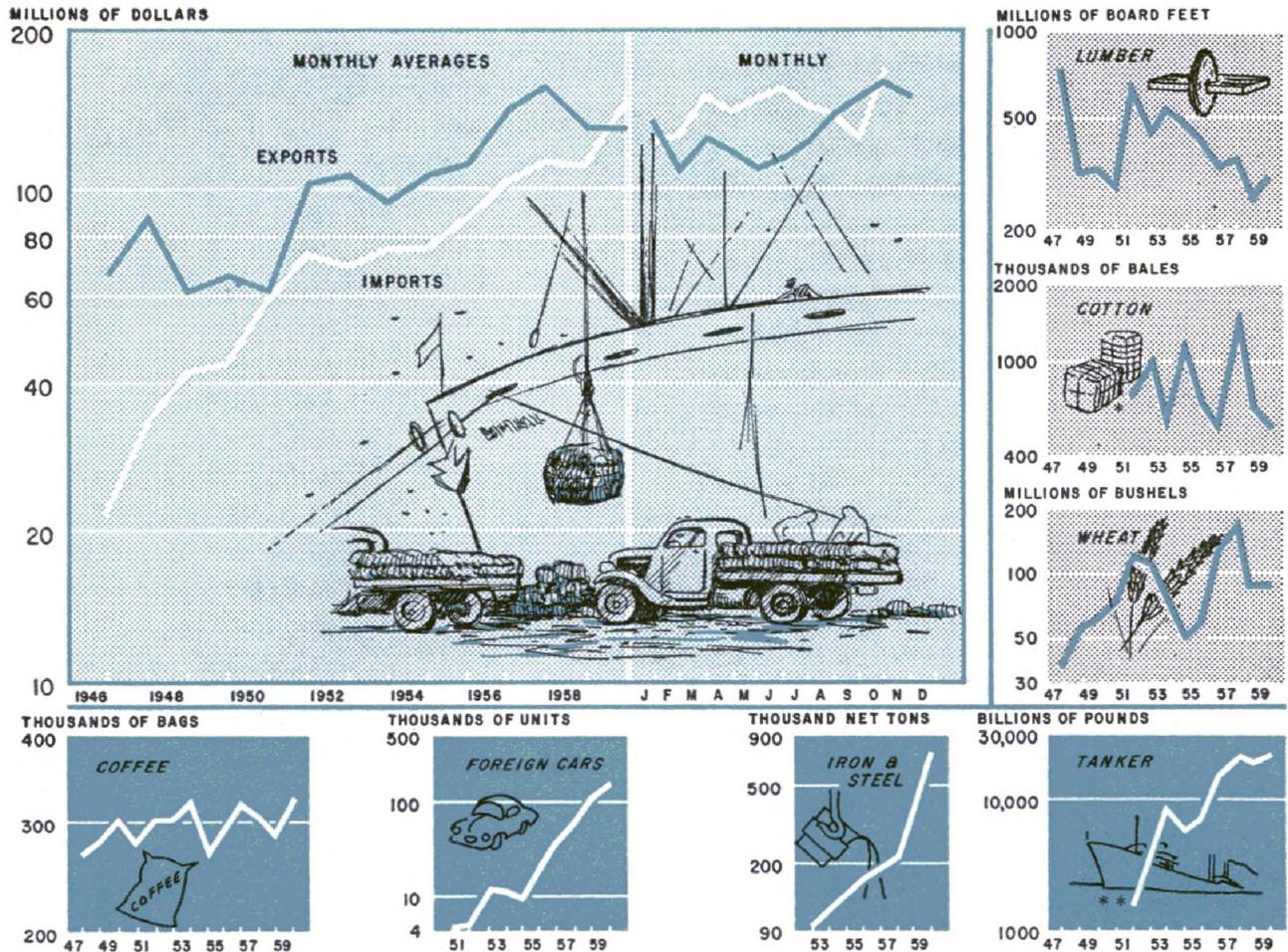
ceeded only by the 1946-47 rise resulting from the return to more normal peacetime trading conditions. Exports during the past year, on the other hand, seem to fit into a pattern that has recurred several times in the postwar period: following years of significant increases, there have been years of relative stability.

The outstanding feature of last year's Pacific Coast foreign trade is the appearance of a trade deficit in place of this region's traditional merchandise export surplus. The only other postwar year when import value even approached export value was 1950. (Chart 25)

The upsurge in Pacific Coast imports during 1959 was in part a continuation of the trend of previous years which resulted in District purchases from foreigners increasing almost sixfold between the end of World War II and 1958. The export capacity of foreign countries improved steadily throughout this period, and the vigorous upswing in Twelfth District and national economic activity stimulated imports. The behavior of selected commodity imports, as shown in the accompanying charts, illustrates the impact of these developments. Petroleum imports (as measured by tanker tonnage figures), for example, mirrored quickened economic activity until in 1959, when voluntary import quotas imposed to stem the rising tide of foreign oil slowed the pace. Coffee imports, on the other hand, point up the continuing importance of certain staple commodities in West Coast shipments; volume was generally steady while price fluctuated. Within the past 6 or 7 years, however, two new influences have gradually emerged which promised to exert a lasting effect on District imports: the recovery of foreign industrial capacity and of foreign competitive position and shifts in consumer tastes. The former is exemplified by the rising trend of iron and steel mill product imports, which was accentuated by the steel strike in

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CHART 25  
 PACIFIC COAST WATERBORNE FOREIGN TRADE—1946-1959  
 (ratio scale)



\*Not available.

\*\*Less than 1 billion pounds.

Note: This chart is plotted on a ratio or semi-logarithmic scale on which equal vertical distances represent equal percent changes, rather than equal absolute amounts. A straight line indicates that change is occurring at a constant rate.

Sources: United States Department of Commerce, Bureau of the Census; United States Department of Agriculture; and trade associations.

1959, and the latter by the increasing preference of automobile owners for foreign passenger cars. These influences were especially apparent last year, when imports of iron and steel products were more than twice as high as in 1958, and foreign car sales rose by about 50 percent.

District merchandise exports have increased more slowly than imports in the postwar period. United States Government programs—for reconstruction and rehabilitation and for disposal of surplus agricultural products—have played a significant part in

bolstering this area's sales abroad. Much of the Pacific Northwest's wheat exports have moved under government grant and aid programs. Cotton exports, on the other hand, have fluctuated sharply in response to changing foreign textile industry requirements and to stimulation from government subsidies. Part of the improvement in District exports in the fourth quarter of 1959 was due to stepped-up cotton sales to foreigners under a new program that became effective last August. Export demand for Twelfth District lumber was high after World War II and dur-

ing the Korean War, but has declined sharply over the past several years. The moderate increase in lumber exports during 1959 appears to be related in part to a protracted labor dispute at British Columbia coastal mills which forced usual customers of the Canadian mills to seek alternative sources of supply. However, the far eastern markets of domestic producers were also improved in 1959.

The relative stability of Pacific Coast exports from 1958 to 1959 should not arouse undue alarm in the light of previous postwar experience. Although 1958-59 exports were below the peak attained in 1957, they were still at respectable levels. As additional dollar import restrictions abroad are removed (such as the sterling area's ban on canned fruit imports, which affects the District in particular), as industrial production overseas expands, and as foreign reserve positions improve further, Pacific Coast exports should benefit.

### Conclusion

During the past year, many types of business activity in the Twelfth District reached new highs, and the rates of growth in aggregate measures such as income and employment were in excess of their respective postwar averages. But considering the pace of expansion in these two indicators and in major District industries following the two previous business cycles of the postwar period, it could hardly be said that growth during 1959 approached boom proportions. Some major industries in this District were not expanding by as much as they had earlier in the postwar era: petroleum and some of the nonferrous metals are examples. The past year provides a poor basis for judging the current status of the steel and copper industries because of their prolonged work stoppages, but improvement should occur in 1960 since these disputes are now settled and a backlog of unsatisfied demand has been built up.

At year-end, there were indications that several industries which provided much of the upward thrust in 1959 might not be so expansionary in the near future. The housing construction cycle evidently began another downward phase in the second half of the year, but it appears that this is a continuation of a pattern which has run roughly counter to the over-all business cycle during the postwar period. The decline in housing starts here and in the rest of the nation will once again likely have adverse effects on the western lumber industry. In the closing months of 1959, the "defense-space" complex of industries seemed to have lost even the moderate expansionary tone which it exhibited earlier in the year, and for the immediate future this may tend to limit the rate at which over-all growth occurs.

The defense-space industries provided much of the fuel for the sharp increase in Twelfth District manufacturing employment during the past decade. Since some slowing is apparent in this section, for growth of the District economy to continue substantially in excess of that in the rest of the nation, other commodity producing industries — mining, manufacturing, agriculture, and construction — have to provide the foundation. If the defense-space complex gives little or no stimulus, a larger share of resources would of course be available for allocation to other types of endeavor, but it is by no means obvious what industries would grow at as rapid a pace as this group has since 1950.

Growth of the Twelfth District economy during 1959 was not markedly below our past rate of growth, and the business climate at the end of the year was generally favorable to continued expansion. Higher incomes should enable retail spending to improve from the present advanced level, and total business and government spending for goods and services should increase further. These increases, however, are all likely to be moderate at this stage of the business cycle.

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BANKING AND CREDIT STATISTICS AND BUSINESS INDEXES—TWELFTH DISTRICT<sup>1</sup>

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

Year and Month	Condition items of all member banks <sup>2</sup>				Bank debits index 31 cities <sup>4, 5</sup>	Bank rates on short-term business loans <sup>6</sup>	Total nonagri-cultural employment	Total mfg employment	Car-loadings (number) <sup>8</sup>	Dep't store sales (value) <sup>9</sup>	Retail food prices <sup>7, 8</sup>
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted <sup>3</sup>	Total time deposits							
1929	2,239	495	1,234	1,790	42	....	...	...	102	30	64
1933	1,486	720	951	1,609	18	....	...	...	52	18	42
1939	1,967	1,450	1,983	2,267	30	....	60	57	77	31	47
1950	.....	.....	.....	.....	.....	.....	103	105	98	107	100
1951	7,866	6,463	9,937	6,777	132	3.66	112	121	100	112	113
1952	8,839	6,619	10,520	7,502	140	3.95	118	130	100	120	115
1953	9,220	6,639	10,515	7,997	150	4.14	121	137	100	122	113
1954	9,418	7,942	11,196	8,699	154	4.09	120	134	96	122	113
1955	11,124	7,239	11,864	9,120	172	4.10	127	143	104	132	112
1956	12,613	6,452	12,169	9,424	189	4.50	134	152	104	141	114
1957	13,178	6,619	11,870	10,679	203	4.97	138	156	96	140	118
1958	13,812	8,003	12,729	12,077	209	4.88	138	154	89	143	123
1959	16,537	6,673	13,375	12,452	237	5.36	143	163	93	156	123
1959											
January	13,897	8,099	12,508	12,037	218	....	141	161	98	150	124
February	14,022	7,735	12,210	12,018	235	....	141	162	93	155	123
March	14,176	7,436	12,228	12,003	244	4.97	142	164	97	155	123
April	14,768	7,739	12,874	12,301	241	....	143	164	94	153	123
May	15,000	7,511	12,520	12,399	231	....	143	163	101	154	123
June	15,328	7,329	12,589	12,517	235	5.21	143	164	95	161	123
July	15,617	7,096	12,945	12,390	242	....	144	166	88	161	123
August	15,924	6,932	12,797	12,378	241	....	144	163	105	162	123
September	15,978	6,717	12,850	12,365	238	5.54	144	162	87	154	123
October	16,010	6,702	12,963	12,316	232	....	144	161r	71	153	123
November	16,252	6,651	13,133	12,138	251	....	145	164	91	156	123
December	16,537	6,673	13,375	12,452	236	5.71	145	165	98	158	123
1960											
January	16,354	6,304	12,971	12,111	239	....	...	...	93	153	124

Year and month	Industrial production (physical volume) <sup>5</sup>							Waterborne Foreign Trade Index <sup>9, 10</sup>					
	Lumber	Petroleum <sup>7</sup>		Cement	Steel <sup>7</sup>	Copper <sup>7</sup>	Electric power	Exports			Imports		
		Crude	Refined					Total	Dry Cargo	Tanker	Total	Dry Cargo	Tanker
1929	95	87	78	55	...	103	29	190	150	247	124	128	7
1933	40	52	50	27	...	17	26	110	...	...	72	...	...
1939	71	67	63	56	24	80	40	163	107	243	95	97	57
1950	114	98	103	112	125	115	120	91	80	108	142r	145r	103r
1951	113	106	112	128	146	116	136	186	194	175	163r	140r	733r
1952	115	107	116	124	139	115	145	172r	200	129	206r	142r	1,836
1953	116	109	122	131	158	113	162	141r	138r	146r	314r	163r	4,239r
1954	115	106	119	133	128	103	172	133r	141r	123	268r	166r	2,912r
1955	122	106	124	145	154	120	192	165r	178r	149	313r	187r	3,614r
1956	120	105	129	156	163	131	209	201r	261r	117	459r	219r	7,180r
1957	106	101	132	149	172	130	224	231r	308r	123	582r	216r	10,109r
1958	107r	94	124	158	142	116	229	176r	212r	123	552r	218r	9,096r
1959	116	92	130	174	137e	100	...	...	...	...	...	...	...
1958													
December	119	93	125	165	164	129	236	170	219r	101	766r	235r	14,589
1959													
January	121	92	125	161	168	136	240	237	244r	228	508r	266r	6,799
February	117r	92	126	142	187	138	242	156r	183r	118r	701r	215r	13,375
March	114	92	128	171	192	140	250	212r	210r	217	657r	383r	7,810
April	114	92	130	178	213	144	250	170r	191r	139	605r	279r	9,101
May	118r	92	128	188	216	148	254	161	181r	133	587r	283r	8,516
June	111	93	128	186	205	138	269	170r	192r	139	813r	307r	13,990
July	118r	92	136	192	77e	118	267	166r	215r	96	612r	284r	9,168
August	111	92	136	191	...	76	256	196r	265r	97r	654r	254r	11,074
September	113	92	132	176	...	36	248	171	217	107	678	269	11,344
October	114	91	132	186	...	40	249	231	289	150	702	261	12,206
November	117	91	133	154	143e	43	...	141	189	71	...	...	...
December	129	91	131	152	214e	40	...	...	...	...	...	...	...

<sup>1</sup> Adjusted for seasonal variation, except where indicated. Except for department store statistics, all indexes are based upon data from outside sources, as follows: lumber, 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. <sup>2</sup> Annual figures are as of end of year, monthly figures as of last Wednesday in month. <sup>3</sup> Demand deposits, excluding interbank and U.S. Government deposits, less cash items in process of collection. Monthly data partly estimated. <sup>4</sup> Debits to total deposits except interbank prior to 1942. Debits to demand deposits except U.S. Government and interbank deposits from 1942. <sup>5</sup> Daily average. <sup>6</sup> Average rates on loans made in five major cities, weighted by loan size category. <sup>7</sup> Not adjusted for seasonal variation. <sup>8</sup> Los Angeles, San Francisco, and Seattle indexes combined. <sup>9</sup> Commercial cargo only, in physical volume, for the Pacific Coast customs districts plus Alaska and Hawaii; starting with July 1950, "special category" exports are excluded because of security reasons. <sup>10</sup> Alaska and Hawaii are included in indexes beginning in 1950. e—Estimated. r—Revised.