

# *Monthly Review*

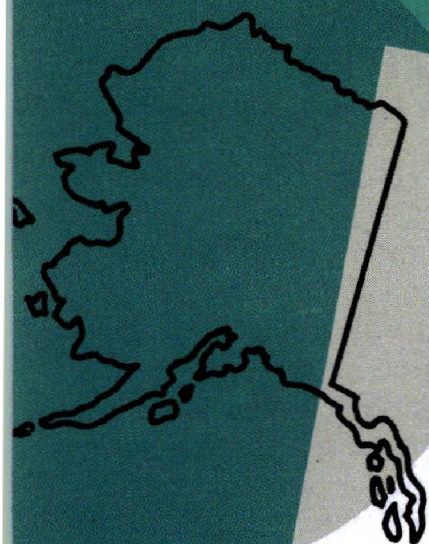
FEDERAL RESERVE BANK OF SAN FRANCISCO  
TWELFTH FEDERAL RESERVE DISTRICT

*February 1961*

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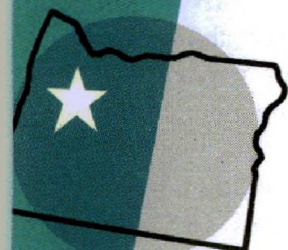
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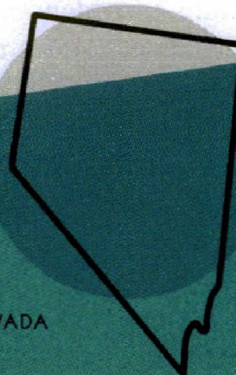
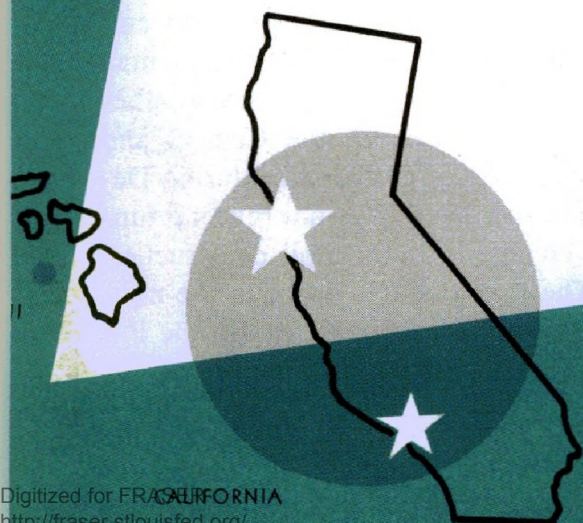
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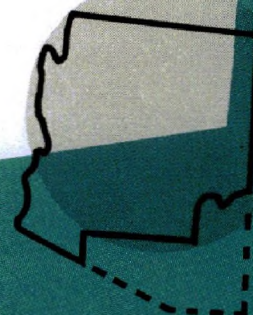
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# Review of Business Conditions

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**N**ATIONAL business activity continued to decline during January. The January industrial production index stood at 102 percent of the 1957 average, compared with 103 in December and 110 at mid-year. The output of automobiles was curtailed sharply in January as stocks of new but unsold cars reached over 1 million units. Some further decrease in auto assemblies occurred in February. Production of apparel, furniture, and business equipment continued to decline in January. Iron and steel output increased somewhat more than seasonally, however. Total civilian employment, seasonally adjusted, fell somewhat during December. Despite a slight increase in January, it remained below the November level. The number of idle workers reached a total of 5.4 million in January, the highest level for that month in the postwar period. Unemployment as a percentage of the labor force was 6.6 percent in January, seasonally adjusted rate. Preliminary estimates of personal income indicated a further decline from November to December, largely as a result of a drop in factory wage and salary payments. Retail sales fell again in January, although most of this decline was concentrated in automobile sales. The December decline in manufacturers' sales and new and unfilled orders of durable goods suggests a continuing cutback in the rate of business spending. Total construction outlays declined slightly in January, although recent levels of contracts for public works and utilities construction, especially streets and highways, portend higher levels of activity in this type of construction. Residential construction, on the other hand, still failed to show any vigor in recent months as evidenced by an 18 percent decline in housing starts during December.

The financial markets provide a somewhat contrasting picture. Bank credit expanded at a record rate in December as banks continued to acquire Government securities and ex-

panded their loans. The increased borrowing from banks was largely seasonal in nature, however, stemming from corporate tax and dividend payments made during the period. In January, on the other hand, a seasonal decline in loans occurred at weekly reporting member banks, while their investments continued to grow. In December and through the latter part of January, the stock market regained much of the ground lost in 1960. Yields on short-term Treasury securities and on corporate and municipal bonds were steady from mid-December through the latter part of January, while those on intermediate- and long-term Treasury securities rose slightly.

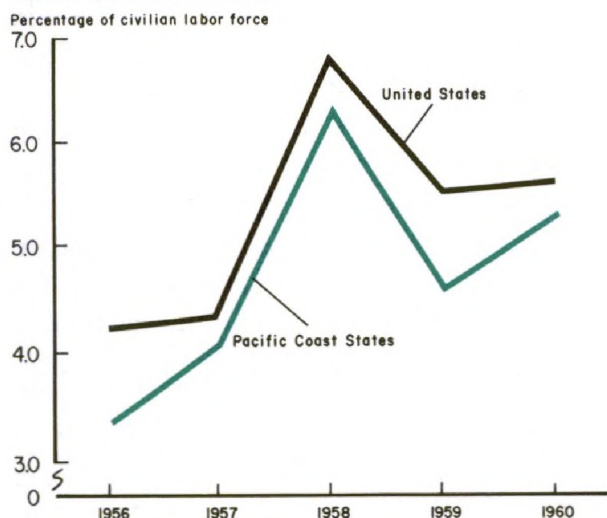
## **Pacific Coast employment up slightly; unemployment fell**

Total civilian employment in the Pacific Coast States increased by 11,900 persons in December, raising the total to 7.8 million.<sup>1</sup> This increase combined with a decline in the labor force reduced unemployment as a percentage of the labor force to 6.0 percent in December from 6.6 percent in November. This decline is in contrast to the sharp rise in the unemployment rate in the nation as a whole. The difference in the movement of the two series is largely explained by the fact that construction employment fell much more in the nation than in these states and that nondurables manufacturing employment increased in them while it declined in the nation. The substantial decline in construction employment for the entire United States may have been due to the unusually severe weather conditions experienced in the Central and Northeastern part of the country during December and, therefore, does not reflect a fundamental change in the overall construction market. The rise in employment in the nondurables manufacturing industries in the Pacific Coast States was concentrated primarily

<sup>1</sup> All employment figures are adjusted for seasonal variations.



## Unemployment rate rose more rapidly on the Pacific Coast in 1960 than in the nation



Source: United States Department of Labor and the California, Oregon, and Washington state employment agencies.

in the food processing, canning, and preserving industries, whose employment figures in the past have moved somewhat erratically. Durable manufacturing employment, on the other hand, declined in both the Pacific Coast States and the nation. The Pacific Coast decline was due primarily to further cutbacks of 2,500 persons in aircraft employment which was concentrated in California and represented a reduction of 1 percent for the month, the highest for any industry in the area. This raised the total number of workers laid off in aircraft in 1960 to 35,000.

For the year 1960, the Pacific Coast States continued to show their customary lower rate of unemployment than the United States as a whole, although the margin of difference narrowed from 1959. The average rate went from 5.5 to 5.6 percent in the United States and from 4.6 to 5.3 percent on the Pacific Coast. The relatively greater increase in unemployment in the Pacific Coast States was partly the result of a sharp fall in Pacific Coast aircraft employment in 1960. Furthermore, the steel strike in 1959 depressed employment to a greater extent in the nation than in the West, thereby contributing to a more favorable year-

to-year change in the United States than for the Pacific Coast.

Nonagricultural employment in the Twelfth District was unchanged from November to December. Net reductions in employment in mining, construction, and trade were offset by increases in transportation, services, and finance. The number of workers engaged in manufacturing did not change.

In January, three more District major labor market areas were classified by the United States Department of Labor as having a substantial labor surplus (6 percent or more unemployed). They are Los Angeles-Long Beach, Portland, and Tacoma, bringing the number of areas so classified in the District to six out of a total of fifteen District major labor market areas. Together these six areas account for roughly 45 percent of the total number of nonfarm wage and salary workers in the Twelfth District. In addition, two smaller areas, Roseburg and Coos Bay, Oregon, were designated as having a substantial labor surplus. There are now eleven such smaller areas in the District.

## Steel production rose in January

The index of western steel production rose during the first two weeks of January and then leveled off. In the week ended January 28, steel output in the West was 84 percent of the 1957-59 average and remained above the national production index, as it had throughout January. The higher levels of production in the District probably reflected the fact that steel output in this area is less dependent on sales to the automobile industry, in which production was further curtailed in January.

## Copper prices cut and output curtailed

Beginning in mid-January, major mine producers adopted the 1 cent price reduction for refined copper initiated earlier by custom smelters. This reduction narrowed the gap between domestic and foreign prices. Since it was followed by a price reduction by produc-



ers of finished copper items, it is expected to give them some relief from growing foreign penetration of the home market. It was also expected to help domestic refiners dispose of some of their very large inventories, which rose another 7 percent in December. However, copper producers have announced more recently that the price cut had not significantly spurred immediate buying. Following this price reduction, one large producer announced that it was cutting output by 10 percent at its mines in both the United States and Chile while another indicated that it would reduce its domestic production by 12½ percent but had no plans at that time to curtail its operations in Chile.

Despite these price and output reductions, it appears likely that when the data become available they will show that additions were made to the stocks of refined copper during the month of January. Brass mill officials report that January shipments, especially to automobile manufacturers, have been slow. Along with this slowdown in fabricators' sales, their orders placed with refiners have not been up to current refined production rates. Nevertheless, domestic refiners' prices did not change in January, although the dealer price slipped away somewhat from the new 29 cent producer price.

### **Douglas fir production declined further; sanded fir plywood prices cut**

Douglas fir output was curtailed further during December. Most of the reduction occurred in the last week of the month and reduced mill inventories somewhat. However, both new and unfilled orders declined in December, with the latter close to 40 percent below the year-end total in 1959. During the first three weeks of January, fir production remained below the year-ago level. However, inventories began to rise again as shipments were down even further. Green fir prices rose slightly in December and early January but were still 14 percent below last year; prices

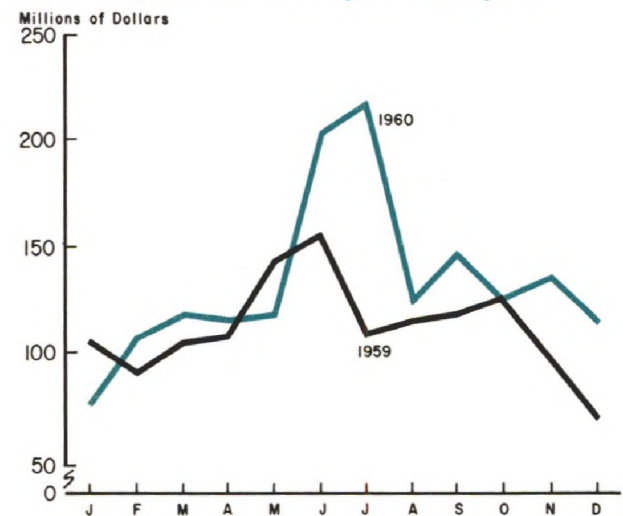
of dry fir items fell somewhat during the same period.

In mid-January, three of the five largest plywood producers announced a reduction in the price of ¼ inch sanded fir plywood. Two of these three cut the price from \$68 per thousand square feet to \$60, a figure which equalled the post-World War II low reached last summer. Since the reduction in price is expected to be accompanied by an immediate pickup in output, it may mark the end of a five-month period in which output declined.

### **District construction up slightly; public works construction continues to rise**

The value of construction contracts awarded in the District declined slightly in December, as it normally does; it was, however, 1 percent above the total for December 1959. The slight increase reflected divergent movements in the three major categories of construction. The \$114 million in contracts awarded for public works and utilities construction was 62 percent higher than the December 1959 figure, an increase which was largely due to increased contracts for streets and highways and public works projects other than bridges and sewerage systems. Nonresi-

### **District heavy engineering construction contract awards in 1960 were higher than the previous year**



Source: F. W. Dodge Corporation.



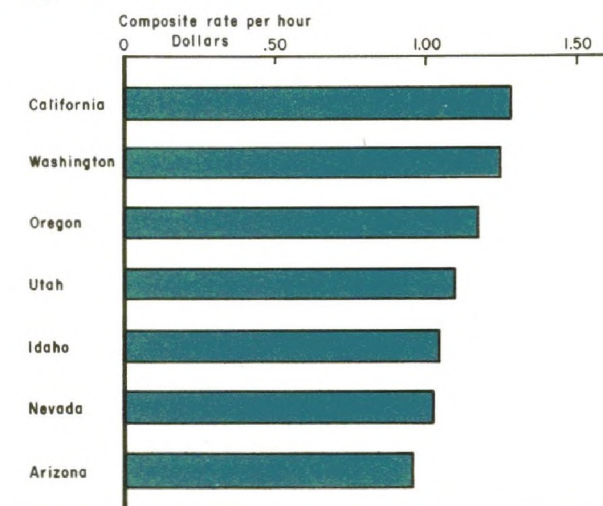
dential construction contracts in the amount of \$153 million were 3 percent below the corresponding 1959 total. This decline reflected chiefly a fall off in awards for commercial, manufacturing, and educational and science buildings. The value of residential contracts during December was \$224 million or 13 percent below the year-ago level. Contracts for single family dwelling units fell substantially from 1959, but those for multiple dwelling units continued at a level well above the previous year, as they did also in the nation as a whole.

### Mortgage market ease continues

A Federal Housing Administration survey indicated that the secondary market price of FHA-insured mortgages increased again during December. On January 1, the western price of FHA-insured  $5\frac{3}{4}$  percent new-home mortgages with standard maturity and down-payment provisions averaged 97.8 per \$100 of outstanding loan amount, compared with 97.7 a month earlier and the 1960 low of 96.3 last February. The FHA's quarterly survey of interest rates on conventional first mortgages revealed little change in these rates in Western States during the fourth quarter of 1960. District FHA applications declined in November, as they normally do, but rose 11 percent above November 1959. This was the first time in 1960 that they had exceeded the year-ago level. The rise in the national total in December suggests that further improvement may be expected in the District for that month.

On February 1, the Federal Housing Administration reduced the maximum interest rate on FHA-insured mortgages to  $5\frac{1}{2}$  percent from the  $5\frac{3}{4}$  percent rate that had been in effect since the middle of 1959. Shortly thereafter, the Federal National Mortgage Association announced a revised price schedule for its secondary market purchases. The new schedule establishes a price range for the  $5\frac{1}{2}$  percent FHA-insured mortgages that is below the prices previously paid for  $5\frac{3}{4}$  per-

### California farm wage rates are the highest in the District\*



\*Wage rates as of January 1, 1961.

Source: United States Department of Agriculture.

cent mortgages but only compensates in part for the lower interest rate permitted by the FHA.

### California farm wage rates up sharply

Farm wage rates in California reached a composite rate of \$1.29 per hour on January 1, 1961—6 percent higher than a year earlier and the largest increase over the preceding January in a number of years. Smaller gains in wage rates also occurred in some of the other District States, but there were declines in three states, the largest in Washington where numerous areas of substantial nonfarm unemployment exist. Nationally, the year-to-year rise in farm wage rates was the smallest in five years.

### Department store sales decline; California automobile registrations down in December

Consumers in the Twelfth District appear to have been buying cautiously in the early stages of 1961. According to preliminary figures, Twelfth District department store sales in the four weeks ended January 21 were 2 percent below the corresponding period of a year ago, a time when sales may have been



depressed by the lingering effects of the steel strike.

November new passenger car registrations in the District rose 4 percent above the October level and were 21 percent higher than in November 1959. However, the daily average of California registrations in December was 2 percent below that for November, although new car registrations normally increase in December.

The volume of consumer credit held by commercial banks in the Twelfth District increased by 3 percent during December, having declined during the two prior months. However, auto loans, one of the four categories of bank-held consumer credit, declined in December for the fourth consecutive month. Data for weekly reporting member banks indicate that consumer loans continued to rise in January.

### **Loans decline seasonally; time deposits rise**

Total bank credit outstanding at weekly reporting member banks in the Twelfth District declined in January, following a record rise in December. Banks reduced both their loan and investment portfolios. Except for loans to domestic commercial banks, to consumers and to brokers and dealers for financing United States Government securities, all loan categories were lower than at year-end, a result in part of the normal seasonal pattern of loan repayment in January. Business loans fell \$116 million, nearly twice the decline in January 1960, as food processors, wholesalers, and public utility and transportation firms reduced their borrowing, as they normally do at this time of year. Metal processors obtained additional bank credit but much less than a year ago when the rebound of activity after the steel strike led to unusually heavy borrowing. The reduction in loans to sales finance companies reflected repayments of bank debt contracted during the tax payment period in mid-December. The growth in

loans to brokers and dealers was associated with an increase in the amount of Treasury bills auctioned during the month and reflected dealers' needs to finance somewhat augmented inventories of securities. The "other" loan category, largely consumer loans, declined \$71 million through January 25 and then increased \$193 million in the week ended February 1. This increase occurred because of the participation of some District banks in the purchase of a substantial volume of consumer paper from a national retailer. Payment was made partly in cash and the remainder in negotiable noninterest bearing certificates of deposit, thereby resulting in a sizable increase in time deposits at these banks.

In contrast to generally reduced loan volume, weekly reporting member banks had \$122 million more in outstanding loans to domestic commercial banks on February 1, 1961 than on December 28, 1960. In part, this increase in loans to banks reflects a normal adjustment after the year-end when banks generally reduce their borrowing for annual statement purposes. The bulk of the loans made to commercial banks was in the form of Federal funds, which are claims on bank funds on deposit with Federal Reserve Banks.

A decline in demand deposits adjusted at District weekly reporting member banks in the last two weeks of January more than offset a rise earlier in the month. The behavior of time deposits was in sharp contrast with that of last January when there were record withdrawals of savings deposits. In 1960, savings deposits fell \$351 million in January, as individuals withdrew funds for reinvestment in savings and loan association shares and in United States Government securities at higher rates of interest. This year, savings deposits at weekly reporting member banks dropped only \$40 million, evidencing a continuation of the pattern of recent months for individuals to build up and, in this case, to maintain their bank savings accounts. An increase in time



# CHANGES IN SELECTED BALANCE SHEET ITEMS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

(dollar amounts in millions)

	Twelfth District				United States			
	From Dec. 28, 1960 to Feb. 1, 1961		From Feb. 3, 1960 to Feb. 1, 1961		From Dec. 28, 1960 to Feb. 1, 1961		From Feb. 3, 1960 to Feb. 1, 1961	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
<b>ASSETS:</b>								
Total loans and investments	— 48	— 0.02	+ 1,302	+ 5.94	— 880	— 0.79	+ 7,688	+ 7.44
Loans and investments adjusted <sup>1</sup>	—170	— 0.74	+ 1,200	+ 5.51	— 765	— 0.69	+ 7,474	+ 7.31
Loans adjusted <sup>1</sup>	— 63	— 0.42	+ 534	+ 3.68	—1,382	— 1.97	+ 2,756	+ 4.17
Commercial and industrial loans	—116	— 2.17	+ 223	+ 4.45	— 864	— 2.71	+ 1,110	+ 3.71
Real estate loans	— 19	— 0.37	— 179	— 3.38	— 39	— 0.31	— 146	— 1.16
Agricultural loans	— 21	— 3.22	+ 78	+14.10	+ 4	+ 0.37	+ 187	+20.75
Loans for purchasing and carrying securities	+ 10	+ 5.32	+ 36	+22.22	— 375	— 9.55	+ 309	+ 9.53
Loans to nonbank financial institutions	— 27	— 3.33	+ 69	+ 9.66	— 749	—12.64	— 326	— 5.92
Loans to domestic commercial banks	+122	+108.93	+ 102	+77.27	— 115	— 8.07	+ 214	+19.53
Loans to foreign banks	— 14	— 7.04	— 56	—23.24	— 52	— 6.94	— 56	— 7.44
Other loans	+122	+ 4.01	+ 382	+13.72	+ 818	+ 5.29	+ 1,773	+12.23
U. S. Government securities	— 16	— 0.27	+ 658	+12.53	+ 547	+ 1.81	+ 4,268	+16.14
Other securities	— 71	— 3.40	+ 8	+ 0.40	+ 70	+ 0.69	+ 450	+ 4.64
<b>LIABILITIES:</b>								
Demand deposits adjusted	—228	— 2.02	— 42	— 0.38	— 804	— 1.31	+ 70	+ 0.12
Time deposits	+225	+ 1.96	+ 1,042	+ 9.75	+ 1,226	+ 3.53	+ 4,595	+14.66
Savings accounts	— 40	— 0.42	+ 373	+ 4.12	n.a.	n.a.	n.a.	n.a.

n.a. Not available.

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

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

deposits of states and political subdivisions in the first weeks of January was sufficient to offset the small drop in savings deposits. Then, largely as a result of the transaction already mentioned, time deposits increased \$139 million in the last week of January, bringing the increase in total time deposits for the month to \$225 million. This rise is contrary to the seasonal decline in such deposits which normally occurs in January.

## Large volume of District municipal bonds selling briskly

District Government units sold \$180 million in bond issues of \$5 million or more between January 10 and 18. Although this was a heavy volume, even for January, underwriters and dealers did not hesitate to take on the new issues. These District bonds ar-

rived at a time when the tone of the municipal bond market nationally had strengthened somewhat unexpectedly, even with the presence of large inventories and a heavy January calendar. Despite this relatively heavy volume, however, there was little change in District bond prices throughout the month.

The most important new District bonds were the \$95 million California school building aid issue awarded on January 11 at a net interest cost of 3.68 percent. A week later they were completely sold and trading in the secondary market at a premium of 5 to 10 basis points. Other large District issues included \$30 million of Los Angeles school construction bonds sold at a net interest cost of 3.63 percent and an equal amount of Oregon veterans bonds sold at 3.43 percent.



# The Twelfth District Bank Debits Index

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THE dollar volume of bank debits in a city is one of the indicators of business and financial activity that frequently is cited in the financial pages of local newspapers. Bank debits represent the dollar amount of checks which individuals, business firms, state and local governments, and other private holders of checking accounts draw against these accounts. Other types of charges against or deductions from demand deposits, including such things as automatic transfers to savings accounts, automatic payments on bank loans, and service charges on deposit accounts, add to the total of bank debits. The data collected by the Federal Reserve Bank of San Francisco on bank debits exclude debits to demand deposits of the Federal Government, to interbank deposits, and to time deposits. The debits series, therefore, corresponds to the types of deposits that are included in the national figures for the money supply. Since demand deposits constitute the bulk of the money supply—currency in circulation being the remainder—bank debits provide a measure of the rate of use or turnover of the money supply.

Bank clearings, another type of statistic which often appears on the financial pages of newspapers, are quite different from bank debits. Bank clearings represent the dollar volume of checks and drafts exchanged by banks which are members of a local clearing house association. A check written in payment of a bill and deposited directly in the bank on which it is drawn does not enter into bank clearings, for example, nor do automatic transfers to saving accounts or automatic loan payments. There are also other types of differences between debits and clearings which need not be detailed here.

The purpose of this article is to examine the usefulness of bank debits statistics as a guide to trends in economic activity in the Twelfth District, with particular emphasis on the value

of the bank debits index for 31 District cities which is published in the statistical table which appears in each issue of the *Monthly Review*.

## Factors influencing volume of bank debits

Debits to demand deposits at commercial banks indicate the extent to which depositors are using their checking accounts. More checks are written as the flow of goods and services increases. However, debits also reflect financial transactions of many types, including such things as payments for securities and shifts of balances by depositors from one account to another, as well as payments for real estate and other property transfers which may not be directly related to changes in general economic conditions. Another factor which influences debits statistics is the number of times a product is bought and sold by middlemen before it finally reaches the consumer.

Although there is no way to separate debits due to increased production from those which result from an increased number of payments made during the process of production or from those due to payments for property transfers, the special effect of financial transactions in the national debits series can to some degree be reduced by separate listings of data for specific cities. Debits totals are compiled for New York City, six other important financial centers, including San Francisco and Los Angeles, and 337 other reporting centers. The large and fluctuating volume of financial transactions associated primarily with the security markets in New York City results in substantial short-term changes in the seasonally adjusted annual rate of turnover of demand deposits at commercial banks in that area. These erratic movements are not so pronounced in rates of turnover of demand deposits in the six other centers, while the velocity of demand deposits



in the 337 other centers is much less erratic. All three series have risen more or less steadily during the postwar period.

### Twelfth District bank debits

Monthly totals of debits to demand deposit accounts at commercial banks are collected for 37 cities in the Twelfth District. Individual city debits totals are published by the Federal Reserve Bank of San Francisco in a monthly report, "Bank Debits to Demand Deposits—Twelfth District." All commercial banking offices located within a center report, either directly to the Federal Reserve Bank or through a clearing house, in the monthly debits survey. District debits figures also enter into the national debits series published by the Board of Governors of the Federal Reserve System.

The bank debits index for the Twelfth District published in the *Monthly Review* is computed from combined debits totals for 31 of the 37 reporting centers in the Twelfth District and covers approximately 60 percent of the dollar volume of checking accounts of individuals, businesses, and state and local governments at District commercial banks. Adjustments are made for the number of business days during the month, using a five-day week and recognizing eight national holidays per year. Seasonal adjustment factors compensate for tax payment dates, agricultural marketing patterns, and seasonal fluctuations in manufacturing, trade, construction, and other business activity. A seasonally adjusted bank debits index for 31 cities in the Twelfth District was first published in the *Monthly Review* in August 1959; comparable seasonally adjusted data are available on a monthly basis for the years 1953 through 1960. A base of 1947-49 is used for the series.

### Debits have risen rapidly in last decade

Because overall measures of economic activity similar to gross national product and

TABLE 1  
PERCENTAGE INCREASES IN SELECTED  
TWELFTH DISTRICT ECONOMIC INDICATORS,  
1951 to 1960

Bank Debits, 31 cities . . . . .	91.6
Dollar Volume of Transactions on Pacific Coast Stock Exchange . . . . .	100.8
Total Nonagricultural Employment . . . . .	34.8
Total Manufacturing Employment . . . . .	38.0
Department Store Sales . . . . .	39.3
Demand Deposits <sup>1</sup> . . . . .	51.5

<sup>1</sup> Includes demand deposits of individuals, partnerships, and corporations and states and political subdivisions.

total industrial production are not available for the Twelfth District, bank debits may appear to be a valuable alternative indicator of the general business situation. Debits data must, however, be used with caution in economic analysis. The long-term rise in debits may conceal their sensitivity to short-run changes in economic conditions. The Twelfth District debits index has increased 92 percent over the past decade, more than double the percentage increase in certain other important Twelfth District indexes of economic activity (see Table 1). Some of this increase in debits can, of course, be attributed to the rise in the price level which, as measured nationally by the consumer price index, has risen about 14 percent since 1951. However, several more specific developments have also contributed to the rapid growth in debits totals during the last decade.

The growth in financial activity has probably had an important effect upon the volume of District bank debits. One important sector of the financial community in the Twelfth District is represented by the dollar volume of transactions at principal District stock exchanges, which has increased 101 percent from the 1951 level. Financial transactions are reflected in bank debits totals but may not indicate the level of production. It would appear that the sharp increase in financial activity in the District has contributed more to the pronounced long-term rise in debits



statistics as compared to other measures of economic activity.

Both business firms and individuals in the Twelfth District have relied more heavily on checking accounts as a means of payment in recent years. Although both the dollar amount of demand deposits and the rate at which these deposit balances are circulated have increased, debits have shown a more pronounced long-term rise. The improvement of both business and banking procedures has made it possible to accomplish more transactions with the existing money stock, and business firms are able to hold down the level of their cash balances and rely on a more rapid turnover of demand deposits to satisfy their payment needs. The increasing popularity of charge accounts and instalment purchases in retail trade has stimulated the use of personal checking accounts, and the large scale introduction of special checking accounts, which are tailored to the needs of the small depositor, has encouraged persons who formerly paid for their purchases by cash to take advantage of the convenience of a checking account.

Since developments such as these, which are not directly related to changes in production and employment, have contributed to the long-term rise in the use of checking accounts, allowances must be made if debits are to be used as an indicator of longer-run trends in District business activity.

### **Debits sensitive to short-run changes in business activity**

The value of the bank debits index as a guide to short-run or cyclical changes in business conditions in the Twelfth District may be examined by comparing debits data with total nonagricultural employment, one of the most comprehensive measures available for analysis of District business activity. Since, as already noted, the upward trend during recent years in bank debits has been much greater than in nonagricultural employment, the

short-run changes in the two series may be more clearly compared by eliminating the trend, or long-term growth line, from both series. When plotted on this basis, the two series exhibit a similar cyclical pattern, as shown in the accompanying chart. Debits, however, show more erratic month-to-month changes. These may be due, among other things, to departures from the normal seasonal pattern of payments and to unusual financial transactions. The problem of erratic movements is more serious in Twelfth District debits data than in the national tabulations, since these movements will have less influence on the total picture as the geographic area covered by the statistics is enlarged.

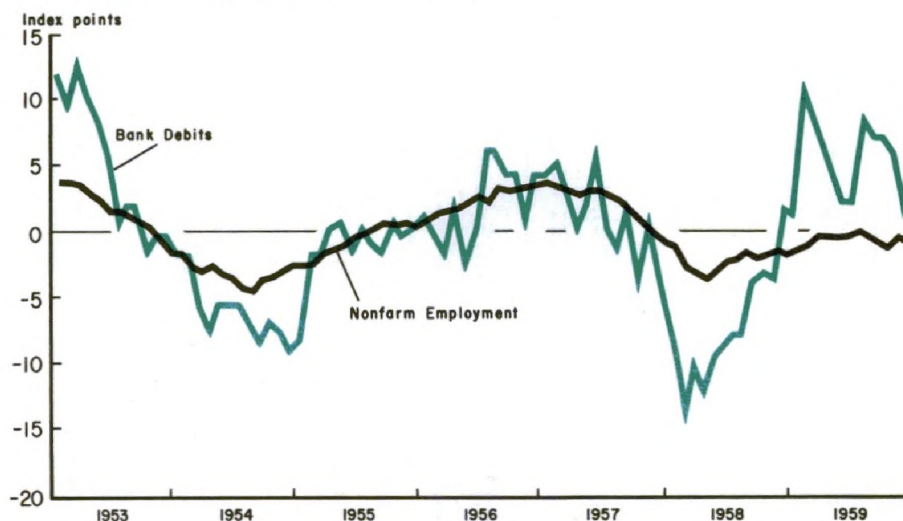
The magnitude of the short-run changes in the debits series is also greater than for non-agricultural employment. A great variety of factors may contribute to this type of difference between the two series. The employment data reflect the number of people working, but they do not reflect the average number of hours worked per employee. As business activity declines, not only employment but also average hours worked typically fall, thereby reducing payrolls, and thus bank debits, relatively more than total employment. Declining business activity is accompanied by a reduced flow of goods through the economy, and the impact of this may have a greater effect upon the volume of payments than upon the number of people employed. Often, though not always, the securities markets are less active in periods of declining business activity, thereby resulting in additional reduction in debits. In periods of rising business activity, these factors cited would tend to behave in the opposite fashion, increasing bank debits relatively more than employment. If attention were centered on analyzing specific periods of boom or recession, which is not the purpose of this discussion, undoubtedly other types of special influences could be singled out that helped to account at particular times for the greater magnitude of cyclical swings



in bank debits than in nonagricultural employment in this District.

In summary, the seasonally adjusted bank debits index for the Twelfth District can be used as a rough indicator of business conditions, after allowances are made for long-term trends and erratic month-to-month fluctuations. These allowances are of even greater importance when debits statistics are used as a guide to trends in the business activity of individual cities.

### District bank debits and nonfarm employment have similar cyclical patterns



Note: For each series, the line plotted represents the movements, in terms of index points, of the seasonally adjusted index around the 1953-59 trend line. The trend line for each series is represented by the zero line in the chart. The base for each index is 1947-49=100. Owing to a change in the nonfarm employment series in 1960, data were not plotted for that year.  
Source: Indexes computed by the Federal Reserve Bank of San Francisco; employment data supplied by state employment agencies.

**CORRECTION:** In the January 1961 issue of the *Monthly Review*, page 8, second column, lines 5-10 should be corrected to read, "Of the \$151 billion of marketable United States Government securities held by non-Government investors at the end of August 1960, \$33 billion, or more than one-fifth, were in the form of bills, while about \$11 billion consisted of certificates."



**FEDERAL RESERVE BANK OF SAN FRANCISCO**  
**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, 7</sup>				Bank debits index 31 cities <sup>4, 5</sup>	Bank rates on short-term business loans <sup>6, 7</sup>	Total nonagricultural employment	Total mfg employment	Car-loadings (number) <sup>5</sup>	Dep't store sales (value) <sup>5</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
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	153	4.09	120	134	96	122	113
1955	11,124	7,239	11,864	9,120	173	4.10	127	143	104	132	112
1956	12,613	6,452	12,169	9,424	190	4.50	134	154 <sup>r</sup>	104	141	114
1957	13,178	6,619	11,870	10,679	204	4.97	139 <sup>r</sup>	160 <sup>r</sup>	96	140	118
1958	13,812	8,003	12,729	12,077	209	4.88	138	155 <sup>r</sup>	89	143	123
1959	16,537	6,673	13,375	12,452	237	5.36	146 <sup>r</sup>	166 <sup>r</sup>	93	157	123
1960	17,139	6,964	13,060	13,034	253	5.62	151	167	89	156	125
1960											
January	16,354	6,304	12,971	12,111	248	....	149	170	99	157	124
February	16,388	5,976	12,493	12,017	243	....	150	170	92	159	123
March	16,660	5,707	12,553	11,986	242	5.72	150	170	95	157	123
April	16,933	5,999	12,810	12,042	254	....	151	170	95	159	126
May	17,104	5,813	12,290	12,142	255	....	151 <sup>r</sup>	168	95	153	125
June	17,131	5,738	12,298	12,277	255	5.73	151	167	85	153	125
July	16,895	5,967	12,608	12,253	260	....	151	166	81	159	126
August	17,142	6,303	12,579	12,454	249	....	152 <sup>r</sup>	166	85	155	125
September	16,923	6,339	12,575	12,547	253	5.53	151	166	83	155	126
October	16,958	6,626	12,848	12,628	263	....	151	165	78	160	126
November	16,898	6,697	12,907	12,616	248	....	151 <sup>r</sup>	165	83	152	126
December	17,139	6,964	13,060	13,034	258	5.50	151	165	93	159	127
1961											
January	16,751	6,984	13,010	13,121	255	....	...	...	...	...	...

Year and month	Industrial production (physical volume) <sup>5</sup>							Waterborne Foreign Trade Index <sup>7, 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	92	80	108	144	145	103
1951	113	106	112	128	146	116	136	186	194	175	162	140	733
1952	115	107	116	124	139	115	145	171	201	130	204	141	1,836
1953	116	109	122	131	158	113	162	141	138	145	314	163	4,239
1954	115	106	119	133	128	103	172	133	141	123	268	166	2,912
1955	122	106	124	145	154	120	192	166	178	149	314	187	3,614
1956	120	105	129	156	163	131	209	201	261	117	459	201	7,180
1957	106	101	132	149	172	130	224	231	308	123	582	216	10,109
1958	107	94	124	158	142	116	229	176	212	123	564	221	9,504
1959	116	92	130	174	138	99	253	188	223	138	686	263	11,699
1960	107	...	...	...	...	...	...	...	...	...	...	...	...
1959													
December	129	91	131	163	212	40	260	209	266	128	858	302	15,333
1960													
January	127	90	130	156	197	67	265	229	296	134	958	277	18,687
February	127	90	127	173	206	116	263	230	271	172	720	259	12,719
March	120	91	131	165	183	134	271	287	316	246	678	296	8,707
April	113	91	137	182	162	141	265	240	287	172	813	286	14,484
May	112	91	136	167	164	144	271	251	331	139	774	290	13,341
June	101	91	132	170	158	142	270	243	288	180	872	294	15,944
July	104	91	138	149	134	123	270	193	257	102	681	263	11,565
August	104	90	138	164	125	121	275	227	280	153	1,025	261	20,948
September	101	90	136	143	131	141	279	248	346	108	885	284	16,550
October	95	91	131	159	127	144	...	...	...	...	...	...	...
November	91	91	135	155	125 <sup>p</sup>	141	...	...	...	...	...	...	...
December	100	...	...	...	133 <sup>p</sup>	...	...	...	...	...	...	...	...

<sup>1</sup> Adjusted for seasonal variation, except where indicated. Except for banking and credit and department store statistics, all indexes are based upon data from outside sources, as follows: lumber, National Lumber Manufacturers' Association; West Coast Lumberman's Association, and Western Pine Association; 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. Department of Commerce.

<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. <sup>p</sup>—Preliminary. <sup>r</sup>—Revised.