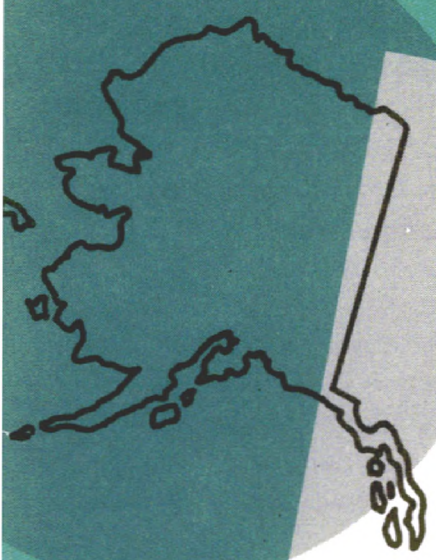


RNH  
Library



ALASKA



IDAHO

# Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO  
TWELFTH FEDERAL RESERVE DISTRICT

*August 1961*

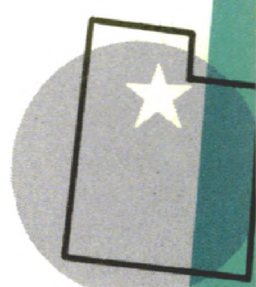
*In This Issue*

**Review of Business Conditions . . . page 158**

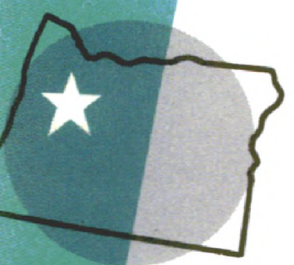
**District Banks in International  
Finance . . . . . page 166**



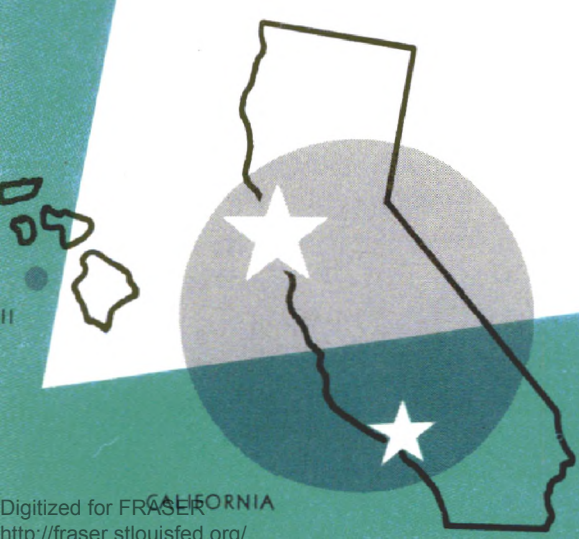
WASHINGTON



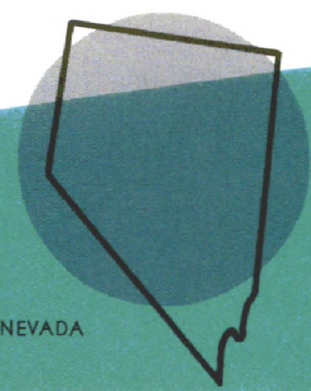
UTAH



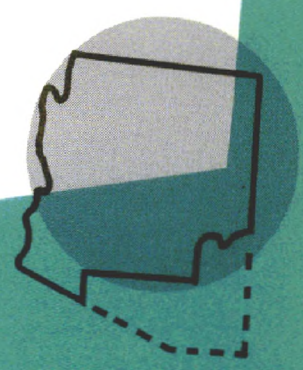
OREGON



CALIFORNIA



NEVADA



ARIZONA



# Review of Business Conditions

---

THE gross national product in the second quarter of 1961 rose to a record seasonally adjusted annual rate of \$515 billion, reflecting increases in all three major components — government expenditure, private domestic investment, and consumer spending; the second quarter increase of \$14.2 billion marked the swiftest rise in gross national product for the first quarter of recovery from any postwar recession. Inventory investment for the second quarter is estimated at a rate of \$2.5 billion, in contrast with the inventory liquidation of \$4.5 billion in the first quarter. Business expenditure on new plant and equipment is expected to rise somewhat in the third quarter but to remain below 1960 levels. The June index of industrial production approached the high of January 1960, reflecting gains in both durable and nondurable manufacturing; consumer expenditure on durable goods rose \$2.4 billion in the second quarter. Although steel production rose slightly (on a seasonally adjusted basis) in the last half of July, the summer slowdown may be more prolonged than expected. New car production in July was the smallest for that month since 1958, reflecting preparation for the unusually early introduction of new model cars. Production in August is expected to drop further, as the model changeover is completed and the 1962 models begin to come off the assembly lines about mid-August. Machine tool orders rose substantially in July, reflecting a large increase in foreign orders; military orders are expected to rise as the year continues. Construction expenditures were at a record rate in July, the first month in which construction spending surpassed the rate forecast by the Government for 1961.

Total civilian employment at mid-July was below the record mid-June level. The unexpected decline occurred as a smaller than usual increase in nonagricultural employment failed to offset the usual July decline in

agricultural employment; hence, the adjusted unemployment rate rose slightly to 6.9 percent in mid-July from 6.8 percent in June. In manufacturing industries, the average workweek lengthened to 40 hours in June, and hourly earnings increased slightly. Personal income in June rose to a record annual rate of nearly \$417 billion, almost entirely reflecting a rise in wage and salary payments; personal savings in the second quarter also reached a new peak. Consumer instalment debt outstanding expanded by a seasonally adjusted rate of \$100 million in June, as extensions rose to the highest level since November. The wholesale price index dropped almost one-half of 1 percent in June to the lowest level since November 1957, while the index for all commodities except farm products and foods fell to a two and one-half year low. Indications are that total farm output in 1961 may be smaller than the record production of 1960; however, the volume of farm products marketed in the first half of the year was 3 percent higher than the year-ago volume, and farmers' income in the first half of 1961 was considerably above that of the same period in 1960.

In July the Treasury sold almost \$17.5 billion in new securities to refund maturing securities and raise new cash. New corporate securities offered for sale in the second quarter reached a record volume; despite this heavy volume of financing, interest rates changed relatively little. The United Kingdom Government toward the end of July announced a series of measures designed to correct the continuing unfavorable state of that country's balance of payments and reserve position, including an increase in the bank rate from 5 to 7 percent. Our domestic money and bond markets were further affected when on July 26 the President requested an additional appropriation of \$3.5 billion for conventional warfare material,



most of which would be spent within fiscal 1962. Bank credit (adjusted) at weekly reporting member banks increased \$1.9 billion in the four weeks ending July 27, caused almost entirely by a rise in portfolio holdings of United States Government securities over the period which offset a decline in loans.

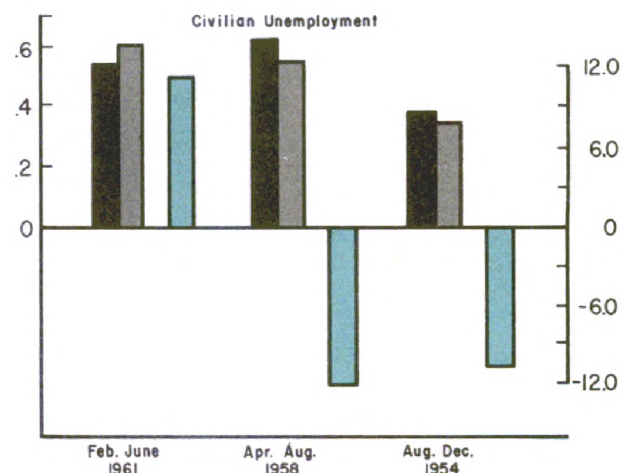
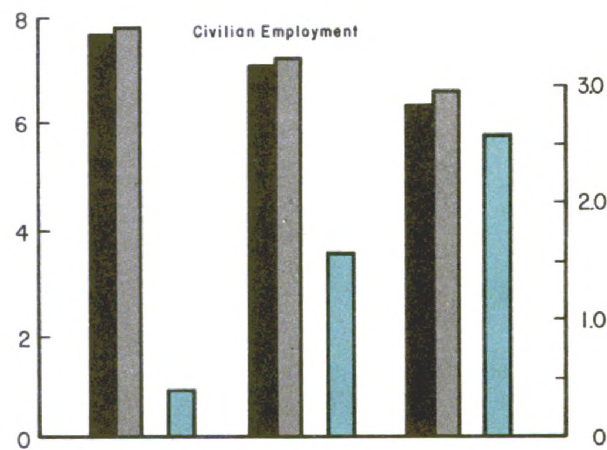
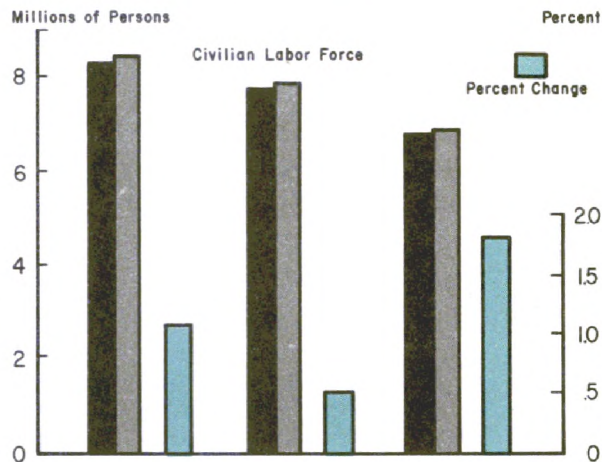
### Growth in District employment lags nation

An above-seasonal increase of 203,000 workers pushed the level of total civilian employment in the Pacific Coast States to a record high of almost 8 million persons in June. Although June graduates and summer jobseekers contributed heavily toward expanding the labor force over the month, the increase of 30,500 in the number of jobless was less than usual for this month; however, 606,400 persons were unemployed in June—more than in any June in the postwar period. After adjustment with seasonal factors revised to reflect the new method of estimating unemployment in California, the rate of unemployment in the Pacific Coast States rose from 7.4 percent in April to 7.5 percent in May and then fell to 7.2 percent in June.

The June rise of 95,000 nonfarm wage and salary workers in the District to 7.2 million was also greater than normal and included above-seasonal employment increases of varying magnitudes in all major industry groups and in all states except Arizona, which experienced a decline. Areas of particular strength were manufacturing, construction, transportation, and finance; the percentage decline in manufacturing employment from the same month a year ago was the smallest since November, on a seasonally adjusted basis. June gains in Pacific Coast manufacturing were heaviest in primary and fabricated metals, electrical machinery, lumber and wood products, and food processing.

As in previous postwar downturns, the District in 1960 did not suffer as severe a reversal as did the nation; between May 1960

### Employment gains in Pacific Coast States lag those of prior recoveries



Note: Data are seasonally adjusted.  
Source: State departments of employment.



FEDERAL RESERVE BANK OF SAN FRANCISCO

and February 1961, seasonally adjusted non-farm employment fell by more than 2 percent nationally, while rising 0.2 percent in the District. Unemployment was the only District labor market indicator which compared unfavorably with the nation in the contraction, and this was primarily the result of a prolonged series of layoffs in the aircraft industry which began before the recession.

In contrast to previous upswings in post-war business cycles, however, the District has lagged the rest of the nation in its current rate of recovery on the basis of seasonally adjusted employment statistics. Moreover, the present rate of expansion in the District (February to June) is slower than in either the 1958 or 1954 upturns, while in the nation the reverse is true. Total civilian employment in the Pacific Coast States has gained, respectively, one-quarter and one-sixth as fast as in the corresponding periods in 1958 and 1954, while unemployment has *increased* in the current recovery by the same percentage that it was *declining* in the previous two recoveries. Employment increased less rapidly in the Pacific Coast States than in the nation, even though the labor force in the Pacific Coast States expanded at a slower rate than in the United States as a whole.

Comparison of the expansion in nonagricultural employment in the Twelfth District states shows that only Utah and Oregon have experienced employment gains commensurate with or superior to those of both 1958 and 1954.

Industry data seem to offer the best explanation of the comparative sluggishness of employment in the District. The construction and manufacturing industries combined employ 31 percent of all wage and salary workers in Twelfth District nonagricultural establishments, compared with the national proportion of 35 percent. In the District between February and June, these two industries added workers to their payrolls at rates which were only one-third and one-sixth as great as in the corresponding recovery periods of 1958 and 1954, respectively. By contrast, national employment in these two key industries expanded four times as fast as in 1958 and more than twice as fast as in 1954. Declines in aircraft employment have been a depressing factor in the District picture; it is because of continued layoffs in aircraft that the total of defense-related employment (aircraft, electrical machinery, ordnance, instruments, and shipbuilding), which counts heavily in Pacific Coast manufacturing, expanded considerably less in the past four months than in the four months following the two prior recession lows. In volatile construction employment, the disparity of expansion is even greater and provides the sharpest divergence from the national experience; however, employment changes in this industry are sometimes erratic. In view of the relatively strong recent trend in public works construction awards and the improvement in home building starts, it is entirely possible that construction employ-

TABLE I

Percentage Change From	Total Construction		Residential Construction		Nonresidential Construction		Heavy Engineering Construction	
	U. S.	District	U. S.	District	U. S.	District	U. S.	District
<b>1961 (Jan.-May)</b>								
<b>1960 (Jan.-May)</b>	+ 3.7	+ 12.1	+ 1.4	+ 1.6	+ 1.7	+ 6.7	+ 10.6	+ 48.0
<b>1958 (Mar.-July)</b>	+ 13.0	+ 9.0	+ 11.2	+ 28.1	+ 0.9	+ 5.8	+ 32.3	- 12.5
<b>1957 (Mar.-July)</b>								



ment figures may be more favorable in the coming months.

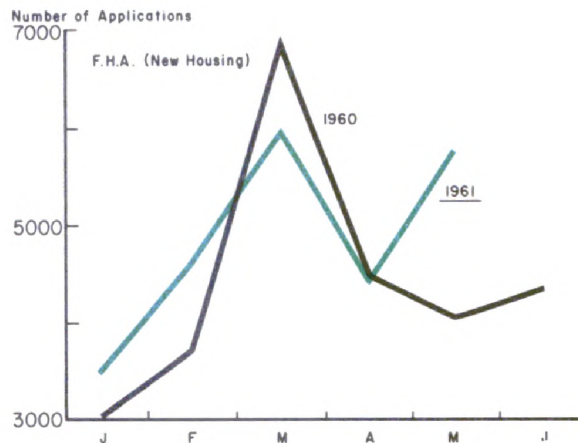
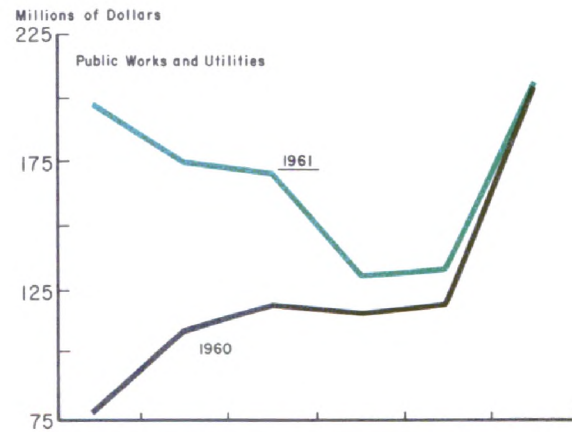
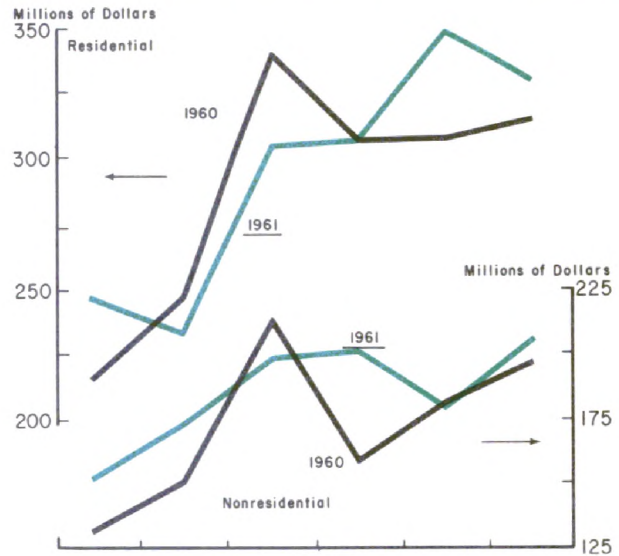
### District construction up in June

Total construction in the District, as measured by the value of construction contracts, amounted to \$738 million in June or 4 percent above the same month of last year. The greatest gain was in nonresidential contracts, which were 7 percent above June 1960; a higher volume of awards for commercial and industrial buildings reversed, temporarily at least, the prior downward trend. Increased building of multi-family units brought District residential contracts to a level 4 percent above last June; contracts for single family units were at approximately last year's level. There was little change in June awards for total heavy engineering construction or for most of its major categories, including streets and highways, in comparison with year-ago levels; however, the June figures represent a slowdown from the pace set earlier this year in street and highway construction. Total construction in the District for the first six months of this year is now running 10 percent above 1960, due largely to increased heavy engineering activity.

June data available on building permits in the District reflect improvement in a number of major metropolitan areas which had been lagging several months ago, including Los Angeles, San Jose, Sacramento, Seattle, and Tacoma.

The trend in overall District construction contracts in the current recovery compares favorably with the trend in the prior one (Table I), but the reasons for this differ. In 1958, total construction in the District was rising in the early stages of recovery, largely because of the rapid increase in spending on residential construction. In the current period, residential construction has apparently contributed little to the recovery thus far; rather it has been heavy engineering construction, particularly streets and highways, that

### District construction contracts have increased in the current recovery



Source: F. W. Dodge Corporation and Federal Housing Administration.



has been the expansive force. Nonresidential construction in the District has been moderately expansive in the early stages of both periods of recovery. Nonresidential construction does not, however, appear to use as much labor as residential construction.

In comparing the District with the nation, the data for contracts awarded do not show that total construction in the District has lent less support in this recovery. In fact, the reverse appears to be true, largely because of the greater expansion in heavy engineering construction in the District. There is also another type of difference, however. In both the District and the nation, residential construction played a much more important role in the earlier stages of the 1958 recovery compared with the current one; the slower rise in District residential construction, relative to that in the nation, in this year's recovery has therefore provided less of a stimulus to District construction employment.

### **Vacations reduce lumber output**

Vacation shutdowns were largely responsible for the decline in District production of sawn lumber during the first part of July. Preliminary estimates of Douglas fir output for the week ended July 8 indicate that it was less than one-half of the June level. Western pine production was also reduced substantially during this week, although by a somewhat lesser amount. Lumber output picked up in the next week but was still below the June level. New orders declined during the first half of July, but as in June, the number received was still above output. A similar situation in June suggested that Western pine producers have been holding back production, presumably in an effort to stabilize the market. Shipments also exceeded production during this period, so that mill inventories declined slightly. Lumber prices fell during the last half of June and in the first week of July, but the decline was slight and appears to have been seasonal in nature.

Vacation closings also reduced District plywood production in the first part of July, but despite this, plywood prices fell. Unofficial discounts bringing the price of the sanded grade to \$66 were reported around the middle of the month. Not long after, the major mills announced that the official price of the sanded grade had been lowered to \$64 per thousand square feet. Some mills also reduced the price of plywood sheathing to \$94 from the \$98 price in June. Slow summer buying and high mill inventories were reported as the reasons for this price reduction.

### **Summer slump in metals continues**

Western<sup>1</sup> weekly steel production rates, after slipping a bit during June from May rates, remained steady through the first three weeks of July at 116-8 percent of the 1957-59 average and about 18 percent above average national rates. The Western steel production index fell to 112 in the fourth week of July but rose to 120 in the first week of August and remained above the national index in both weeks. Convinced that customers think that steel price increases are not in immediate prospect, producers do not expect that inventory accumulation will contribute much to steel demand, and their outlook is for only moderate increases in demand as the vacation season draws to a close and the new automobile year begins in August. New steel orders from auto producers have been disappointing, and a substantial amount of excess capacity in the steel industry is expected to persist both nationally and in the District for the remainder of the year. However, price shading which occurred in June is reported to have ceased.

Over the four-month period February through May, the pick-up in District steel production has been substantially more rapid than during the first four months of recovery in either of the two preceding cycles, when production gains were relatively slight. Na-

<sup>1</sup>Twelfth District States and Colorado.



tional steel production also rose significantly faster during the first four months of recovery from the recent recession than in the corresponding months of the two preceding cycles, but although the proportionate gain in national steel production appears to have exceeded that of the District in all three periods compared, the national margin of production gain appears to have been much smaller during the recent February-May period. However, in the recent recession the decline in steel production was relatively smaller in the District than nationally.

New orders placed with copper fabricators in June were well below the record May volume, but since June shipments were down from May, the volume of unfilled orders remained unchanged from May but above a year ago. Fabricators bought more copper in June than in May, and inventories rose slightly above last June levels.

### **Retail trade stronger**

The June department store sales index for the District rose 6 percent, on a seasonally adjusted basis, from May 1961 and also from June 1960. Unadjusted figures for weekly department store sales in the Twelfth District continued to show improvement in July; for the 4 weeks ending July 29, sales were 5 percent above the same period a year ago. Nationally, sales over the same period were up 3 percent.

The number of new passenger car registrations in the Twelfth District during May dropped 8 percent from a year ago; however, this was the smallest decline from year-ago figures since February. A rise of 3 percent from the April total is, perhaps, even more significant, since a decline rather than an increase from April has occurred in May in each of the preceding five years. The cumulative total for the year is now 14 percent below the 1960 level, compared to a minus 16 percent cumulative figure at the end of April. Hope of improvement in auto registrations is held

out by the fact that in California the daily average number of registrations in the first two-thirds of June ran 2 percent ahead of the same period in 1960 and approximately 11 percent ahead of the same period in May.

### **Farm income estimates revised downward**

Revised District cash receipts data for the first five months of the year indicate more of a reduction from 1960 than estimated earlier. On the basis of these revised estimates, returns of District farmers for the five-month period were down 5 percent from a year earlier with the decline restricted to receipts from crop sales. Farm returns, however, strengthened in May and equaled receipts in the comparable month of 1960 for the first time this year. Cash receipts for the remainder of the year will be bolstered by a volume of crop production about equal to that achieved by District farmers in 1960, according to July production estimates. A decline in crop output of 7 percent is forecast nationally with the removal of acreage from production under the feed grain program a major contributing factor. However, feed grain production in the District may be almost as large as a year earlier. An easing in crop output in the District would stem largely from an anticipated reduction in the cotton crop which would more than offset a 22 percent expansion in sugar beet production. Contracted acreage for processing tomatoes suggests an expansion in output of this important District crop, but production estimates are not yet available. Although little change in District crop production is indicated for 1961, sharp declines from 1960 are anticipated in the states of Utah and Nevada where drought conditions continue. Preliminary estimates indicate that crop production in Utah and Nevada will be down 20 percent and 36 percent, respectively, from the average annual output during the 1947-49 period. Data for July 1 indicate that the expansion in District



FEDERAL RESERVE BANK OF SAN FRANCISCO

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

(dollar amounts in millions)

	Twelfth District				United States			
	From June 28, 1961 to July 26, 1961 Dollars    Percent		From June 29, 1960 to July 27, 1960 Dollars    Percent		From June 28, 1961 to July 26, 1961 Dollars    Percent		From June 29, 1960 to July 27, 1960 Dollars    Percent	
<b>ASSETS:</b>								
Total loans and investments	+ 246	+ 1.00	— 38	— 0.17	+ 1,723	+ 1.51	+ 1,380	+ 1.30
Loans and investments adjusted <sup>1</sup>	+ 251	+ 1.03	— 23	— 0.10	+ 1,938	+ 1.71	— 1,306	+ 1.25
Loans adjusted <sup>2</sup>	— 81	— 0.54	— 229	— 1.47	— 336	— 0.48	— 854	— 1.23
Commercial and industrial loans	— 110	— 2.04	— 169	— 3.09	— 449	— 1.41	— 662	— 2.08
Real estate	+ 10	+ 0.19	— 22	— 0.41	+ 56	+ 0.43	— 24	— 0.19
Foreign banks	+ 3	+ 1.52	— 13	— 5.91	+ 3	+ 0.52	— 39	— 5.29
Nonbank financial institutions	— 2	— 0.27	+ 3	+ 0.35	— 161	— 3.20	— 95	— 1.52
For purchasing and carrying securities	+ 17	+ 9.44	0	0	+ 314	+ 8.08	+ 476	+ 16.15
Agricultural	+ 16	+ 2.25	+ 34	+ 5.40	+ 17	+ 1.48	+ 36	+ 3.68
Other	— 14	— 0.44	— 56	— 1.83	— 101	— 0.62	— 71	— 0.46
Loans to domestic commercial banks	— 5	— 3.05	— 15	— 10.79	— 215	— 17.38	+ 74	+ 5.67
U. S. Government securities	+ 308	+ 4.68	+ 210	+ 4.19	+ 2,126	+ 6.65	+ 1,970	+ 7.66
Other securities	+ 27	+ 1.20	— 4	— 0.20	+ 148	+ 1.35	+ 190	+ 2.00
<b>LIABILITIES:</b>								
Demand deposits adjusted	+ 224	+ 1.98	+ 294	+ 2.68	+ 1,232	+ 1.98	+ 612	+ 1.00
Time deposits	+ 105	+ 0.82	— 47	— 0.42	+ 504	+ 1.27	+ 74	+ 0.72
Savings accounts	+ 91	+ 0.89	— 69	— 0.73	+ 179	+ 0.62	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.

cattle feeding activity came to a halt, at least temporarily, with the number of cattle on feed declining below a year earlier.

**New municipal issues light  
in June and July**

In July, as in June, an unusually small volume of new bonds was issued by District governments. The largest new issue was \$18.8 million in Los Angeles city general obligation bonds sold on the 11th. The bonds will finance sewers and various other public improvements at a net interest cost of 3.39 percent.

The State of California plans to sell \$225 million in 20-year serial bonds on August 16. This will be the largest single issue ever sold by the State and includes issues of \$100 million for veterans' housing, \$100 million for school building aid, and \$25 million for construction of State buildings.

**District business loans decline in July**

Outstanding loans<sup>1</sup> at District weekly reporting member banks in July registered the largest monthly fall since January 1961, but the decline was less than a third of the amount of decrease a year ago in July when the loan expansion which began in April 1958 came to an end. Despite the reduction in the volume of loans outstanding, there was an increase in total bank credit<sup>2</sup> extended in July, as banks added \$335 million to their holdings of securities. District banks were net sellers of Federal funds during the month, evidence that banks were not generally pressed for reserves.

There has been little reflection of an economic upswing in the recent trend of District

<sup>1</sup> Total loans minus loans to domestic commercial banks and valuation reserves.

<sup>2</sup> Total loans adjusted and investments.



business loans. After an increase in mid-June attributable to tax borrowing, there was a net decline of over \$100 million in July. Public utility and transportation firms were responsible for nearly half the decrease, but net repayments by the metal products industry also contributed to the decline in business borrowing. Agricultural loans increased in July, and real estate loans showed a small gain. District banks also extended a larger amount of credit to brokers and dealers for purchasing and carrying United States Government securities.

Twelfth District banks subscribed to \$337 million of the tax anticipation bills issued by the Treasury on July 26. Thus, the increase in Treasury bill holdings by weekly reporting member banks in the District in July was largely accounted for by the acquisition of these bills. In addition, there were small increases in other categories of United States Government securities, except in the over 5-year maturity range which showed a decline.

Demand deposits adjusted were lower at the end of July than a month earlier. Time deposits continued a steady upward trend with a gain in savings deposits responsible for three-fourths of the \$105 million increase in total time deposits.

### **Rate of loan expansion in District lower than in rest of nation**

In the five months of the present recovery (mid-February to mid-July), total credit<sup>1</sup> extended by weekly reporting member banks increased proportionately more in the District than in the rest of the nation — 2.9 percent compared with 1.3 percent. The District increase in bank credit, however, was entirely in additions to investment portfolios. The 9.7 percent increase in security holdings of District banks for the five-month period was over six times the rate of increase for all other weekly reporting member banks. Loan volume<sup>2</sup>, on the other hand, declined 0.6 percent in the District, contrasted with a gain of 1.1 percent in the rest of the nation. This pattern is the reverse of the experience in the first five months of the 1958 upturn (April-August) when District weekly reporting member banks had a 3 percent loan increase, while in the rest of the nation there was a drop of 2 percent and the District lagged the nation in the percentage gain in investments. The fact that significant economic indices in the District have not shown as substantial an improvement as in the nation as a whole may account, in part, for these developments in the credit area.

<sup>1</sup> Loans adjusted and investments.

<sup>2</sup> Loans minus valuation reserves and loans to domestic commercial banks.



## District Banks in International Finance

---

SINCE the end of World War II, Twelfth District banks have increased their participation in financing both United States foreign transactions and transactions between other foreign countries as world trade expanded and the network of international financial relations spread. Prior to the passage of the Federal Reserve Act in 1913, national banks were not specifically authorized to establish or operate foreign branches and were further hampered in their foreign business by their inability to create dollar acceptances. Some states, however, permitted their banks to establish foreign branches, and some private unincorporated banks also had branches abroad. The demands arising from the development and expansion of domestic business preoccupied District banks in the interwar period, and the onset of the depression in the thirties also discouraged any widespread interest by District banks in international financing.

At the present time, there are more than 25 banks in the Twelfth District engaged in foreign and international financing. Among them are most of the larger banks in the District, agencies of foreign banks, some of the smaller domestic commercial banks, and domestic banking corporations affiliated with foreign banks. The degree to which the various banks participate in foreign and international financing is not necessarily related to their size; some of the larger banks are relatively inactive while some of the smaller banks, especially those affiliated with foreign banks, concentrate on meeting the needs of foreign traders and on providing other financing facilities. From a fairly limited scale, the activities of District banks have expanded into fields commonly encompassed by most banks engaged in international financing.

### **Organizational structure of District banks' foreign operations varied**

Although the Twelfth District is overshadowed in international finance by the banks in New York City, District banks represent the second most important group in foreign and international banking in the United States. Most of the major commercial banks in the Twelfth District maintain foreign or international banking departments. These departments open and confirm letters of credit, create acceptances, extend pre-export financing, lend to United States exporters against drafts on buyers abroad, provide collection service, make remittances, lend to foreign governments, banks, and corporations, and undertake foreign exchange transactions for their customers and various other related functions. They also carry out foreign transactions for their domestic correspondent banks and transactions in the United States for their foreign correspondents.

District banks generally rely heavily on the facilities abroad of foreign correspondent banks and/or other domestic banks in taking care of their foreign business. The volume of their foreign business often does not warrant the substantial organizational and maintenance costs that have to be incurred in establishing and operating overseas offices. Many banks, moreover, feel that correspondent relationships are more satisfactory, since the extensive experience of local banks abroad can be drawn upon and competition with local banks avoided. In some cases, a foreign branch results in a significant loss of business formerly channeled through a correspondent bank and of goodwill, a loss that may be only partly offset by new foreign deposits and direct business contacts.



Only one bank in this District, Bank of America National Trust and Savings Association, has foreign branches in addition to its customary correspondent banking relationships. Bank of America's first overseas branch was set up in London in 1931 and was the only foreign branch until 1947 when the Manila branch was opened. There are now 13 such branches in 9 foreign countries or territories scattered around the globe.<sup>1</sup>

The assumption of a more important role by the United States in the world economy in the early years of the present century led to the inclusion of special provisions in the Federal Reserve Act to promote United States foreign trade to an extent commensurate with the United States' enhanced position. In addition to the authority accorded national banks to establish branches abroad under Section 25, national banks are allowed to invest up to 10 percent of their paid-up capital and surplus in foreign banking or investment corporations, which may carry on their primary banking or financing business only outside the United States<sup>2</sup>. The corporations may be of two types: "agreement corporations," which are state-chartered banking subsidiaries formed by member banks operating under an agreement with the Board of Governors of the Federal Reserve System, and "Edge Act corporations" (Section 25a), which are federally-chartered banking or financing corporations. These corporations are designed to increase the flexibility of credit available for foreign transactions, to improve the competitive position of American banks overseas, to permit greater conformity by American branches abroad with local customs and banking usages, and to stimulate participation by American banks in the field of foreign financing. At the same time, separation of international banking business from domestic operations tends to minimize risks for domestic

depositors. Only one bank in this District, Bank of America N.T. & S.A., has taken advantage of these provisions; it organized in 1950 an Edge Act corporation — Bank of America, New York — with headquarters in New York and branches abroad. But it has been by far the most active Edge Act banking corporation, conducting an extensive international banking business, purchasing stock of foreign banks (including two development banks in India and Pakistan), and opening foreign branches in eight countries<sup>1</sup>. There are no agreement corporations in this District.

Subsidiaries of foreign banks have incorporated in this District under state banking laws to assist in financing the area's foreign trade. At the present time, there are six state banking corporations of this type in California: The Canadian Bank of Commerce of California, Bank of Montreal (San Francisco), Bank of Canton, The Bank of Tokyo of California, The Hongkong and Shanghai Banking Corporation of California, and The Sumitomo Bank of California. Incorporation in California permits these banks to do everything a domestic bank does. In Washington and Oregon, The Canadian Bank of Commerce maintains two direct branches, since foreign banks in these states are accorded the same treatment as domestic banks as long as they meet the requirements of the state banking laws. The Bank of Tokyo Ltd., in addition, recently converted its agency in Seattle into a direct branch. By incorporating under state banking laws, foreign banks are able to increase the scope of their operations, although there is a tendency still for most of their business to be transacted with the country in which the parent bank is situated. Like domestic banks, these foreign banking affiliates are subject to various state limitations, such as the limitation on loans to a single borrower, which restrict their activities somewhat since capitalization is often small.

<sup>1</sup> Argentina, England, Guam, Japan, Nigeria, Okinawa, Pakistan, the Philippines, and Thailand.

<sup>2</sup> Section 9 gives the same privilege to state member banks.

<sup>1</sup> France, Germany, Guatemala, Hong Kong, Italy, Lebanon, Malaya, and Singapore.



In addition to national and state banks participating in foreign financing, some foreign banks maintain either agency or representative offices in the Twelfth District. Foreign bank agencies in California are prohibited from receiving deposits and, in general, perform certain specified operations for their parent banks. They may buy, sell, pay or collect bills of exchange, issue letters of credit, make remittances, and extend loans (which are not restricted by the limitations on state banks). There are currently five foreign bank agencies in San Francisco: The Sanwa Bank Ltd., Bank of Montreal, The Bank of Tokyo Ltd., The Canadian Bank of Commerce, and The Hongkong and Shanghai Banking Corporation; and one in Los Angeles, The Bank of Tokyo Ltd. Foreign banks with an agency as well as a state banking subsidiary have an officer in the agency that can speak for the parent bank and can commit the parent bank for larger transactions that cannot be handled by the state bank.

Representative offices, in contrast to agencies, are even more restricted in the types of banking business they are permitted to conduct. They may not receive deposits or engage in regular banking operations. Home office approval is required for all transactions. Representative offices are often used when the parent bank wishes to minimize competition with existing domestic banks. There are three representative offices of foreign banks in the Twelfth District: Banco Nacional de Mexico and Bank of Nova Scotia in Los Angeles and Barclays Bank Ltd. in San Francisco.

### **Foreign short-term dollar balances in the District have expanded sharply**

In the course of their foreign and international operations, District banks obtain foreign short-term dollar deposits, accumulate various short- and long-term claims against foreigners, and conduct various other services incidental to these activities. Since the volume of both dollar balances and claims

has been growing in recent years, particularly for certain banks, a closer examination of their movements and composition might be useful in evaluating their impact on commercial bank operations.

The postwar growth of foreign dollar balances (or short-term banking liabilities to foreigners) reflects the increased importance of the United States dollar as an international reserve currency. By the end of 1960, two-thirds of foreign short-term dollar assets in the nation were held by foreign central banks and governments and international institutions as part of official reserves. The remainder of these short-term balances is held by commercial banks, businesses, and individuals as working balances or short-term investments. The size of these liabilities has added to the complexity — but also the breadth — of the money market in the United States, since switches into or out of various assets, or between them, affect the money market. In addition, the massive outflow of short-term funds from the United States in late 1960, attracted by higher returns abroad and by a temporary shading of confidence in the dollar, coincided with declining business activity in this country. While the latter development had led to easing in short-term interest rates, the exodus of short-term capital made it important that the gap between interest rates here and abroad should not be widened.

Twelfth District banks account for approximately 5 percent of total United States short-term banking liabilities to foreigners, not a very large share but more than half of the amount held outside New York City. The District's share of total banking liabilities to certain countries, however, is much more important than the overall average would indicate. The major holders of foreign dollar balances in the District are, naturally enough, those countries that tend to keep much of their short-term dollar assets with commercial banks. The reasons for utilizing commercial bank facilities include a somewhat wider vari-



ety of investment possibilities for dollar holdings (for example, time deposits), special commercial bank efforts to attract foreign business, greater convenience in obtaining and disposing of certain liquid assets, such as bankers' acceptances, provision of loan and overdraft facilities, and deposit of official funds with a commercial bank in order to encourage extension of trade credits to foreign commercial banks. District short-term bank liabilities to foreigners are distributed more evenly among the three major areas of Europe, Asia, and Latin America than are those of the United States where Europe is the leading short-term holder. The difference is due partly to banking and trading patterns and partly to differing economic conditions abroad. Canada, the second largest single dollar holder in the United States, is relatively unimportant in the Twelfth District, since Canadian dollar balances consist largely of the unused proceeds of investment funds obtained in the New York capital market and of funds that flow from abroad to the New York agencies of Canadian banks for investment in the New York call-loan market. Asia, on the other hand, is a more important trading area for the Twelfth District than it is for the United States as a whole.

A major portion of District short-term banking liabilities to foreigners is owed to foreign banks and official institutions (including international institutions), a large share of which is accounted for by foreign central banks and governments. About two-thirds of the official holdings consist of demand and time deposits. Transactions in United States Treasury bills and certificates for official account, on the other hand, are very small in this District. The rest of the short-term liabilities include mainly investments in acceptances and commercial paper. Nonofficial holdings of foreign dollar balances consist almost entirely of deposits; "other" short-term assets (including mainly bankers' ac-

ceptances) account for the remainder and are owned principally by foreign commercial banks.

### **Foreign bank time deposits a postwar development**

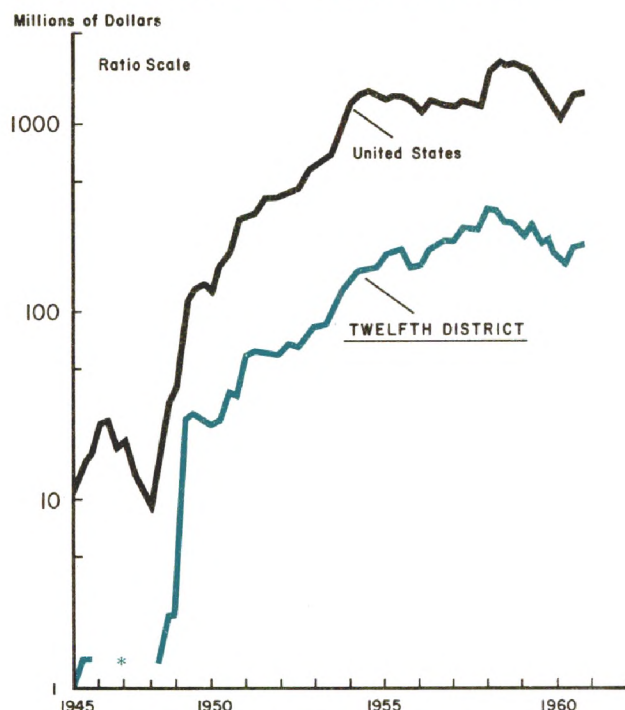
One of the most volatile elements in short-term bank liabilities to foreigners has been time deposits owned by foreign banks and held with commercial banks in the United States (hereafter referred to as foreign bank time deposits), a liability item whose growth has been a postwar development. This category of deposits, as shown in the condition reports of member banks, included time deposits owned by both foreign commercial and central banks until the recent revision of the call reports to include also time deposits of foreign governments and international institutions. Foreign bank time deposits in the United States rose from a mere \$17.6 million at the end of 1945 to a record-breaking \$2 billion at the end of 1958; by December 1960 foreign bank time deposits had fallen to \$1,464 million. The decline from the 1958 peak reflects higher yields obtainable on other short-term investments in the United States in 1959 and the outflow of short-term funds in 1960. The upward trend was, like short-term bank liabilities as a whole, related to the postwar "key currency" position of the United States and the increased use of the dollar in settlement of world trade and payments. Time deposits became a preferred outlet for foreign short-term funds partly because of their tax-exempt status, special services offered by the banks in order to attract or retain the deposits, and the advantage of a fixed return for a determinate period selected by the holder, but also because the granting of intermediate loan facilities was often conditioned upon the maintenance of a time deposit with the lending bank.

Because of New York's pre-eminence as the principal money market center in the United States, it accounts for approximately



CHART 1

**District foreign bank time deposits match increase for nation**



\*From 1946 through April 1948, less than \$1 million or none.  
 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.

three-fourths of total foreign bank time deposits in this country. Twelfth District banks hold practically all of the remainder. In this District, however, foreign bank time deposits are much less important in relation to total time deposit liabilities (even in San Francisco where most of the deposits are held) than in New York City, where these deposits constitute anywhere from one-fifth to as much as one-third of time deposits. This reflects the long cultivation of time and savings accounts by Twelfth District banks, where such accounts presently equal 44 percent of all deposits compared with 25 percent in New York District banks. As in the United States as a whole, Twelfth District foreign bank time deposits have grown rapidly, especially since 1949. Except in the last two years, foreign bank time deposits have risen relatively faster than total time deposits.

The increase in District foreign bank time deposits can be ascribed to the build-up in foreign dollar balances, the continuing progress toward nonresident convertibility of other currencies<sup>1</sup> as well as restrictions on the operations of foreign banks in other countries, and the attraction of higher time deposit rates in comparison with alternative investments. The step-up in United States lending activities overseas, especially in the longer term area, has also contributed to the growth in time deposits. District foreign bank time deposits have responded to changes in interest rate differentials between various types of short-term assets, with bankers' acceptances and United States Treasury bills and certificates serving as the other principal competitors for foreign bank funds. Despite the occasional narrowing or disappearance of the incentive in favor of time deposits, however, foreign bank time deposits have remained relatively high.

Within this District commercial bank holdings of foreign bank time deposits are highly concentrated. More than 90 percent of these deposits are reported by California banks, although not all of the large California banks hold these deposits. Small amounts are held by banks in Washington, Arizona, and Hawaii, and none in the rest of the District states.

The increased importance of foreign bank time deposits since World War II does not seem to be a passing phenomenon because of their usefulness as an outlet for the temporary investment of foreign dollar balances. The rather sharp variations in their volume, however, present a number of complications for an individual commercial bank and also for the monetary authorities, since it is not always clear what specific factors are responsible for the fluctuations. The availability of

<sup>1</sup>At the end of 1958, the major European countries made their currencies externally convertible, while early in 1961 these countries accepted the obligations of Article VIII of the International Monetary Fund's Articles of Agreement against exchange restrictions for balance of payments reasons.



a broad spectrum of alternative investment outlets for foreign dollar balances, including time deposits, may help to minimize the conversion of privately-held foreign short-term dollar assets into other currencies when the relative yield on any one or a group of these various dollar investment media declines.

### **District banking claims on foreigners have also risen**

Unlike foreign claims against United States banks, which serve to a significant extent as international reserves, United States banking claims on foreigners reflect largely international lending and trade financing activities. Partly because of this difference in function, our short-term claims on foreigners are much smaller than their short-term claims on us and constitute less than 10 percent of total United States claims abroad. Nevertheless, United States banking claims on foreigners have risen substantially since the immediate postwar period. Since 1956, the nation's claims have doubled, with short-term claims alone climbing by a slightly larger percentage. During the same period, total District banking claims increased 83 percent, while short-term claims rose 126 percent. The slower rise in Twelfth District claims since 1956 has thus been due to a slower rise in District participation in long-term bank credits to foreign countries.

Twelfth District short-term banking claims on foreigners have accounted, on the average, for 10 to 15 percent of United States claims in the past five years. Claims on Latin America are relatively more important in this District than in the nation, while claims on Asia have been growing in importance since late 1960. The proportion of total exports covered by these short-term credits, however, has fallen below prewar levels, partly because of Government programs financing exports and other nonbank financing.

Although in earlier years the composition of District short-term banking claims on foreigners was more or less similar to that of

the nation, there have been some shifts in the relative importance of various types of claims. In general, loans to foreign banks and official institutions and "other" short-term claims payable in dollars (principally bankers' acceptances) are of greater significance in this District than in the United States as a whole. This can be explained by differences in the area concentration of claims locally and nationally since certain types of credit instruments are more commonly used in particular areas (such as letters of credit for trade with Latin America). Within the past three years, loans to foreigners by District banks have declined in importance while "other" short-term claims payable in dollars showed a steep rise, especially in the second half of 1960 as the margin between interest rates here and abroad increased and as exchange liberalization stimulated a record rise in bankers' acceptance financing in this country. The interest incentive in favor of short-term investment overseas also operated to increase United States short-term claims payable in foreign currencies (such as United Kingdom and Canadian three-month Treasury bills), but the effects on this category of claims in this District were slight. The increased mobility of short-term funds will probably make short-term claims payable in foreign currencies a more important factor in future changes in claims, but its impact may be negligible in this District, since these money market transactions take place largely in New York.

Changes in credit conditions cause shifts among the various types of claims. For example, when credit is tight, there is greater recourse to acceptance financing and fewer direct loans to foreigners, since United States banks in these circumstances prefer the greater degree of liquidity attached to acceptances and loanable funds are not available. In regard to the total volume of outstanding claims, however, such factors as the volume of international trade and the level of eco-



conomic activity abroad are basic influences over and above United States commercial bank policies.

The area distribution of District short-term banking claims parallels the general pattern of Pacific Coast export trade except where Government-financed shipments are significant or financing is customarily arranged outside banking channels. In the case of Government-financed shipments, commercial banks provide interim financing ranging from 2 weeks to 30 days, which may not always be reflected in the reported claims data. Bank financing of foreign trade, on the other hand, is not confined solely to trade passing through Pacific Coast ports but also extends to trade originating elsewhere in the United States and trade between other foreign countries. At the present time, Asia is the biggest short-term debtor of both District and United States banks, with Latin America second and Europe third. District claims on Latin America and Europe have been relatively stable since 1959 while claims on Asia have been rising rapidly, especially since the last quarter of 1960.

In addition to the international lending and trade financing activities covered in the short-term claims data, District banks engage in other activities related to overseas operations. These include issuance or confirmation of sight letters of credit, domestic bank financing of the exporter or of domestic manufacturers producing for export markets, and financing of imports which is channeled through the domestic credit sections of most United States and District banks.

### **Growth in District long-term claims has lagged behind nation.**

Since 1954, United States long-term banking claims on foreigners have more than tripled as banks extended medium- and long-term credits both on their own account and through participation in the earlier maturities of loans of the United States Export-Import

Bank and the International Bank for Reconstruction and Development (with or without their guaranty) and, more recently, the newly-established Inter-American Development Bank. Loans of the commercial banks are usually fully secured or otherwise supported. Participation by District banks in the field of long-term lending has, however, been rather limited, with the exception of a few banks. The relative inactivity of District banks compared with New York banks, for example, with the exception of the largest District bank, may be due to more conservative bank lending policies, lower loan limits (since many of the foreign loans are quite large), lack of experience in long-term foreign lending, less contact with foreign customers, and a larger proportion of trade with non-European areas where the risks of long-term lending are somewhat greater. As these banks become more familiar with conditions abroad and as multilateralism in trade and payments becomes more widespread, additional banks may enter into the foreign long-term lending field, although the smaller banks will understandably continue to be reluctant to tie up much of their funds for extended periods of time.

### **Bankers' acceptance financing most closely associated with merchandise trade**

The availability of more detailed data on bankers' acceptance financing permits us to take a closer look at this type of financing in the Twelfth District<sup>1</sup>. Acceptances constitute an important means of financing international trade. Under a multilateral trade and payments system, an active acceptance market facilitates the flow of funds from country to country in response to changes in money market conditions and may serve as a balancing factor in disturbances of a temporary

<sup>1</sup>For an earlier article on bankers' acceptances, see Federal Reserve Bank of San Francisco, "The Role of Bankers' Acceptances in International Trade and Finance," *Monthly Review*, July 1955, pp. 84-90.



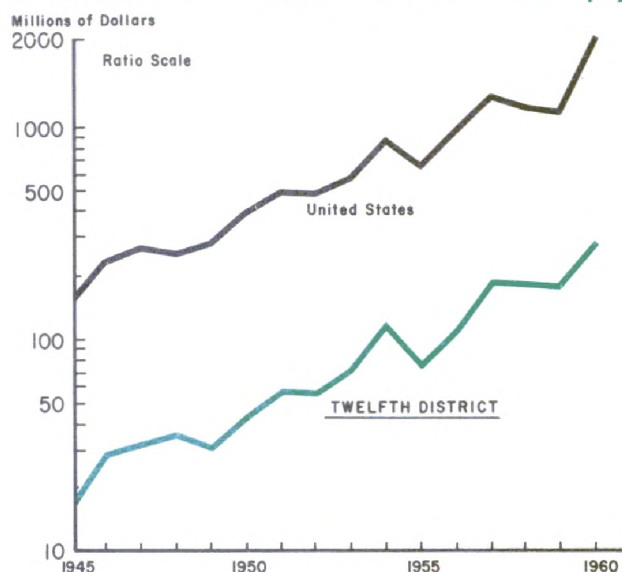
or seasonal nature arising from a country's international transactions. Even in the absence of worldwide convertibility, acceptance financing contributes to greater flexibility in trading arrangements. Bankers' acceptances are also an excellent device for attracting short-term funds into foreign trade financing, since they are a desirable and safe form of liquid short-term investment. They are, furthermore, a useful adjunct to other domestic credit instruments in meeting seasonal needs, expanding the supply of credit when credit is scarce, and in providing a money market instrument for central bank action. For individual traders, moreover, acceptance financing may be cheaper than other alternatives.

The original Federal Reserve Act only authorized certain types of acceptance financing, with the result that the market developed slowly. Federal Reserve Banks worked to foster an acceptance market by making direct purchases from dealers and undertaking open market operations. In the Twelfth District, for instance, Reserve Bank efforts contributed to the expansion in bankers' acceptances outstanding from \$24.5 million at the end of 1924 to a prewar peak of \$73 million in 1929. Since World War II, District bank bills have climbed from a low of \$16.6 million in 1945 to a record \$373 million by the end of June 1961, surpassing the prewar peak as early as 1954. The District growth has been relatively greater than that of the United States where acceptances did not equal the December 1929 record until October 1960. The more rapid growth of acceptances in the Twelfth District has been due to the activity of some of the larger banks and the greater marketability of District bills today, coupled with the general postwar recovery of acceptance financing and the enhanced role of the United States dollar in international payments.

As in other phases of international financing, the San Francisco Federal Reserve Dis-

CHART 2

### Bankers' acceptances in the District and the nation have risen sharply



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: Federal Reserve Bank of New York.

trict's acceptance volume is smaller than that of the New York market. But this District is responsible for the second largest volume of bankers' acceptances outstanding in the nation, about 14 percent of the total, compared with an average of slightly more than 70 percent for New York. On the assumption that the average maturity of acceptances is 90 days, and excluding acceptances for financing third-country trade, District acceptances finance about 16 percent of the dollar volume of foreign trade passing through District ports. Within the past few years, the share of District trade financed by acceptances has risen faster than that of the United States but is still well below prewar levels because of the greater importance today of Government-financed exports and private long-term investment, which may not necessitate use of bank credit.

Export acceptances are significantly less important, and transactions covering goods stored in or shipped between third countries more important in the District than in the



United States as a whole. The lesser role of export bills in this area may be influenced by the country pattern of our shipments abroad and by Government-financed export programs. At the same time, the relative importance of the various acceptance classifications fluctuates rather sharply from year to year. Export and import acceptances outstanding tend to move in the same direction as merchandise exports and imports, although in the latter half of 1960 the lower cost of acceptance financing in the United States increased outstandings in these two categories more than would be expected from the rise in the dollar volume of trade. District acceptances to finance domestic shipments, which have never been very large in this region, tend to vary, on the other hand, with the level of District cotton exports as do acceptances drawn to finance domestic storage. Dollar exchange acceptances, which provide dollars to a designated list of countries to tide them over seasonal shortages of foreign exchange, fluctuate with foreign dollar requirements. International or third-country trade financing, the largest category in this District, accounting for almost half of District bankers' bills, is also affected by the volume of world trade and foreign economic activity and, most recently, by the relative attractiveness of financing in the cheapest market.

Eighteen banks in the Twelfth District currently report acceptances drawn. About one-third of the reporting banks account for more than 90 percent of the District acceptances. The distribution of District acceptances is more limited than is that of the New York banks. Twelfth District banks as a whole tend to retain a much larger proportion of their own bills in their portfolios (as loans and discounts) than reporting banks in the nation, with the smaller banks holding a significantly larger proportion than the larger banks. This characteristic may be due to a less active market on the West Coast, unsuitable maturities, odd amounts, or other features making

the acceptances less desirable as instruments, as well as frequent changes in rates (especially when the trend is upwards). Of the acceptances that reach the market, a small amount is swapped between District banks to fill customers' requests, some are sold to dealers in New York and other centers, and some to the Federal Reserve Bank of New York. Less than half of the banks reporting in this District invest regularly in the bills of other banks and then only in small amounts.

Acceptance financing methods are generally similar in the District and the nation. The cost of acceptance financing, consisting of interest (on a discount basis) and a commission for the accepting bank, does not vary significantly from costs in the rest of the nation. All member banks are permitted to accept bills up to 50 percent of paid-up and unimpaired capital stock and surplus, unless otherwise authorized. About two-thirds of the principal accepting banks in the District have been given authority to accept up to 100 percent of capital and surplus, although none of them are currently accepting the maximum amounts. Only five District banks are authorized to create dollar exchange acceptances. Although all Federal Reserve Banks were originally authorized to purchase prime bankers' acceptances in the open market, this authority was cancelled in 1955. The Federal Reserve Bank of New York is now authorized to buy and sell bankers' acceptances for the Federal Reserve System at market rates of discount.

The supply of acceptances — in the District and the United States — is governed, as mentioned above, by such factors as the level of international trade, trade usage, the reserve positions of foreign countries, the degree of restriction over trade and exchange transactions, and the mobility of short-term funds. The supply is also influenced by the relative cost of financing through other methods, with the prime commercial loan rate probably the most relevant competitive rate.



CHART 3

Demand for various liquid dollar assets affected by their relative yields.



Source: Board of Governors of the Federal Reserve System.

Demand, on the other hand, arises mainly from foreigners (central banks and governments, commercial banks, and private investors) because of the tax-exempt feature and, more recently, from United States business corporations. On the demand side, acceptances must vie with other short-term dollar assets for investors' funds, especially United States Treasury bills and time deposits. Study of the movements of these assets in the past several years shows that investor demand is responsive to fluctuations in relative yields.

### Foreign exchange trading in the District limited

Foreign exchange trading, another facet of foreign trade financing, is carried on by a number of banks in this District. Contrary to the situation in most foreign countries, the

United States Government has not generally intervened in the foreign exchange market in this country. The United States has usually maintained the value of the dollar through the Treasury's willingness to buy and sell gold to foreign countries at \$35.00 per fine ounce. In recent months, however, the United States Treasury has undertaken limited operations in selected currencies<sup>1</sup>. Other foreign countries have long stabilized the exchange value of their currencies by buying and selling foreign exchange (primarily dollars but also other currencies). Nevertheless, transactions

<sup>1</sup>In particular, the United States Treasury announced in April that a part of a \$587 million prepayment on postwar indebtedness by Germany had been accepted in German marks, with the declared objective of utilizing these mark holdings to combat speculative tendencies and maintain orderly market conditions in the mark-dollar exchange markets. (See Secretary of the Treasury Dillon's statement before the Subcommittee on International Exchange and Payments of the Joint Economic Committee of Congress, June 19, 1961.)



by private banks, businesses, and individuals and foreigners continue to be the dominant factor in our exchange markets.

The size of District bank operations in foreign exchange depends largely on the volume of foreign business. The methods employed are patterned after those of the New York City banks but on a somewhat smaller scale. Each bank maintains deposit balances abroad with a number of foreign banks. As is true of all banks in the nation, District banks do not normally take significant positions (either "long" or "short") in any currency and generally undertake all transactions for their customers' accounts rather than for their own. One feature of the New York market not present in this District is the extensive brokerage system of New York City. Much of the District transactions are conducted directly between banks and not through an intermediary. The larger District banks quote rates competitive with the large New York City banks, while some smaller banks may quote slightly higher rates to provide a margin of profit greater than the spread between the buying and selling rates. The principal currencies traded in the District are the same as in the New York market — pound sterling and the Canadian dollar.

### Summary

Banks in the Twelfth District have been increasing their international trade and financing activities ever since the end of World

War II when the United States dollar moved to the forefront as the leading international reserve currency. They have launched out into comparatively new fields, such as short-term loans to foreign banks and official institutions and long-term credit in conjunction with United States or international agencies or on their own account. They have become more active in certain fields heretofore dominated by European banks, such as bankers' acceptance financing and foreign branch and subsidiary networks. They have adapted themselves to the changed environment stemming from United States leadership and responsibilities, providing new and additional services and facilities. They have assisted the United States in carrying out this country's role as international banker by receiving and investing foreign short-term dollar balances and by supplying both long- and short-term credits.

As international trade and finance continue to expand and as convertibility (for both residents and nonresidents) is gradually restored around the world, the opportunities for United States banks will multiply. More District banks may become more venturesome, branching out into the foreign field for the first time or extending their operations there, as political and economic risks are reduced. These activities will give valuable assistance in maintaining the position of the United States dollar as the leading international currency.



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	101	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	104	141	114
1957	13,178	6,619	11,870	10,679	204	4.97	139	160	96	140	118
1958	13,812	8,003	12,729	12,077	209	4.88	138	155	89	143	123
1959	16,537	6,673	13,375	12,452	237	5.36	146	166	94	157	123
1960	17,139	6,964	13,060	13,034	253	5.62	150	166	88	156	125
1960											
July	16,895	5,967	12,608	12,253	260	....	150	164	86	159	126
August	17,142	6,303	12,579	12,454	249	....	150	164	82	155	125
September	16,923	6,339	12,575	12,547	253	5.53	150	164	86	155	126
October	16,958	6,626	12,848	12,628	263	....	150	164	85	160	126
November	16,898	6,697	12,907	12,616	248	....	150	163	85	152	126
December	17,139	6,964	13,060	13,034	258	5.50	150	163	87	159	127
1961											
January	16,751	6,984	13,010	13,121	255	....	151	162	84	154	127
February	17,525	6,991	12,750	13,639	257	....	151	162	83	164	127
March	17,517	6,916	12,860	13,754	274	5.48	151	163	83	160	127
April	17,637	7,436	13,222	13,999	267	....	151	162	88	164	127
May	17,632	7,393	12,865	14,289	265	....	151	163	81	153	127
June	17,578	7,571	12,935	14,371	269	5.50	152p	164p	85	162p	126
July	17,504	7,935	13,206	14,492	267	....	...	...	...	...	...

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	252	188	223	138	686	263	11,699	
1960	110	91	134	161	154	129	271	241	305	149	808	269	14,209	
1960														
June	110	91	132	170	158	142	270	243	288	180	872	294	15,944	
July	108	91	138	149	133r	123	270	193	257	102	681	263	11,565	
August	109	90	138	164	125	121	275	227	280	153	1,025	261	20,948	
September	106	90	136	143	131	141	279	250	347	113	885	284	16,550	
October	103	91	131	159	127	144	275	244	347	97	779	238	9,240	
November	100	91	135	155	129	141	276	220	306	97	826	254	15,744	
December	99	91	137	151	133	137	274	271	338	175	1,046	245	21,919	
1961														
January	101	91	134	159	111	139	277	235	318	118	779	218	15,394	
February	101	91	134	176	152	134	276	248	362	95	666	233	11,985	
March	103	92	131	178	162	137	...	264	363	124	952	252	19,268	
April	112	92	135	168	172	133r	...	...	...	...	759	286	13,139	
May	110	92	143	169	191	139p	...	...	...	...	...	...	...	...
June	...	...	...	188	187	...	...	...	...	...	...	...	...	...

<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. p—Preliminary. r—Revised.



