

Monthly Review



ALASKA



IDAHO

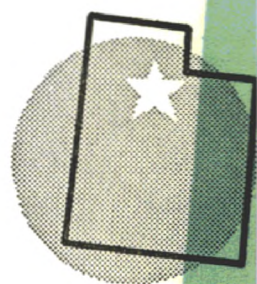
FEDERAL RESERVE BANK OF SAN FRANCISCO
TWELFTH FEDERAL RESERVE DISTRICT



WASHINGTON

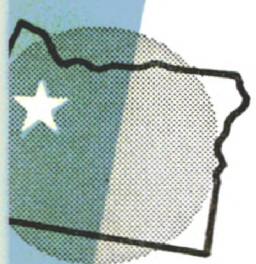
May 1962

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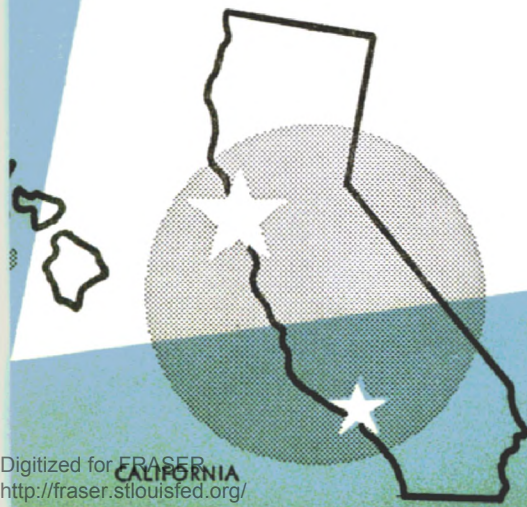


UTAH

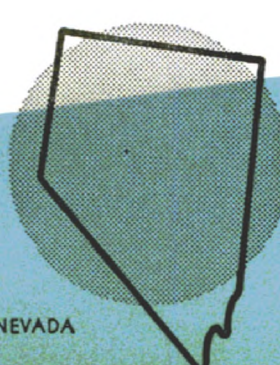
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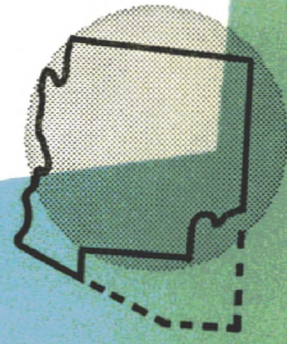
OREGON



CALIFORNIA



NEVADA



ARIZONA

Review of Business Conditions

IN assessing economic developments since March, it is necessary to place the atmosphere of uncertainty prevailing during this period in proper perspective, and not allow it to obscure the favorable trend of business indicators. The cautious mood of many investors and businessmen, of course, cannot be entirely ignored; just as the expectations of consumers regarding the business outlook have a direct effect upon their expenditures, the temper of business—and for that matter of labor and the public—affects the course of economic activity. Over the last year or so, the nation has become increasingly aware of the possible implications of an economic situation in which competition for industrial products has become more aggressive and world-wide, at a time when the United States has had a continuing unfavorable balance of payments and an outflow of gold, and also had excess capacity and relatively high unemployment in a period of cyclical expansion. This awareness may well affect business plans for plant and equipment expenditures, as well as the course of future labor negotiations, and has exerted its impact on the stock market as investors reassess the price-earnings ratios of corporate stocks.

The mood of the last month and a half contrasts sharply with favorable business performance, as reflected in record levels of industrial production and personal income in April and a first quarter reduction in our balance of payments deficit. Final figures for gross national product in the first quarter of 1962 were at an annual rate of \$548 billion, slightly down from the preliminary estimates but above the rate of \$542 billion in the fourth quarter of 1961. The industrial production index, which had risen 1 point in March, increased another point in April to 117 percent of the 1957 average. The April increase occurred in the face of a 5 percent decline in steel output, which started early in the month and continued into May, as cus-

tomers cancelled or deferred orders in order to work off inventories built up as a hedge against a possible steel strike. By mid-May, the industry reported some improvement in forward orders but, generally, expected production to remain around the present low operating rate until sometime in the third quarter. Output of other durable materials and goods, however, increased during April. The gain in production of consumer goods was again led by automobile assemblies which rose 8 percent to keep pace with the near record retail sales volume in March and April. Further slight increases in automobile production are scheduled for May. Output of other consumer goods also increased in April, and commercial and industrial machinery production was up from the March level.

The value of new construction in April showed little change from the March level with private construction up 2 percent while public construction declined. Housing starts in April, however, were up 8 percent from March, on a seasonally adjusted basis, and were 32 percent above April last year. This increase, together with that in March, should result in a rise in construction activity in the coming months. An extension of the breakdown in labor negotiations in the West Coast building industry, however, could adversely affect May construction figures. The resale price of FHA insured mortgages continued to rise in April with the three month upward trend reflecting the increasing availability of mortgage funds.

The employment situation in the nation continued to improve as nonfarm employment in April rose by 240 thousand to 55.1 million workers. Both factory employment and the average workweek in manufacturing rose contraseasonally. Employment gains occurred in most of the durable goods industries and in apparel, construction, and trade. On the unfavorable side, the seasonally ad-

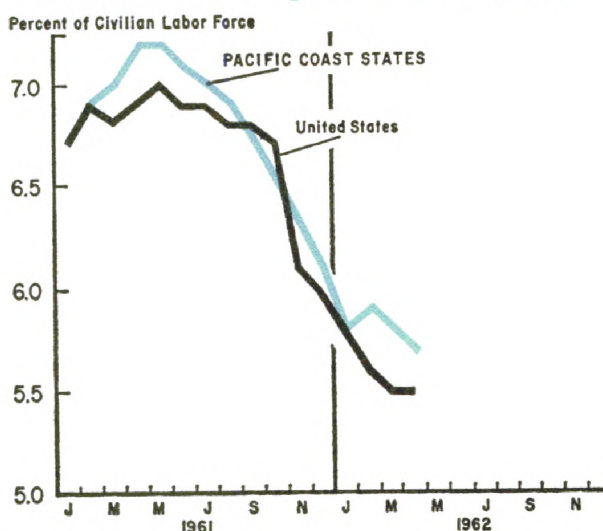
justed unemployment rate of 5.5 percent in March remained unchanged in April.

Reflecting the increase in factory payrolls, personal income for April advanced to a seasonally adjusted annual rate of \$438.7 billion, a gain of \$2.8 billion from March and \$29 billion above April 1961. Following the trend which began in March, consumers further increased their rate of spending, and April retail sales rose 1 percent on a seasonally adjusted basis. Gains centered in durable goods, as the fast pace of automobile sales in March accelerated further in April to a seasonally adjusted annual rate of somewhat over 7 million units, including foreign cars. There was little change in the wholesale commodity price index but a further slight rise in retail prices.

The encouraging report that the first quarter balance of payments deficit dropped about a billion dollars from the fourth quarter of 1961 on a seasonally adjusted basis was tempered by official announcement cautioning against expectations that this reduced level would necessarily be maintained during the rest of the year.

In the financial sector, total credit extended by commercial banks expanded in April as loan volume increased and banks added further to their holdings of state and municipal securities. The rapid rate of increase in time deposits at banks during the first quarter slowed somewhat in April, but gains were still substantial. The money supply, on a seasonally adjusted basis, continued to expand. The sharp decline in the stock market continued into May, with the Dow-Jones industrial average falling below 600 and trading volume reaching near record levels. Yields on corporate and state and local government bonds and on medium- and long-term Treasury issues declined between mid-April and mid-May, and Treasury bill rates were slightly lower.

Rate of unemployment on West Coast in 1962 higher than in nation



Source: United States Department of Labor and state departments of employment.

Pacific Coast unemployment declined in April; nonfarm employment up

The seasonally adjusted rate of unemployment in the Pacific Coast States fell to 5.7 percent of the labor force in April from 5.8 percent in March, in contrast to the national rate of unemployment in April which remained unchanged at 5.5 percent.

The decline in the unemployment rate in the Pacific Coast States reflected a 1.6 percent drop in the number of unemployed persons; total employment remained virtually unchanged during the month as the result of an increase in nonagricultural employment which just offset a decline in agricultural employment. According to preliminary data, nonagricultural wage and salary employment in the Pacific Coast States rose in April by 3,600 persons, or 0.3 percent on a seasonally adjusted basis. The increase reflected higher levels of employment in every major industry sector except mining and transportation, which registered declines of about 0.6 percent. Employment in construction registered the highest rate of increase during the month with a gain of 1.0 percent, followed by manufacturing with a gain of 0.6 percent. The in-

crease in manufacturing employment largely reflected gains in electrical equipment, ordnance, paper and allied products, chemicals, and transportation equipment, which more than offset declines in textiles and apparel, fabricated metals, and the furniture and fixtures industries. As compared with April 1961, all major industry sectors in the Pacific Coast States except mining and transportation reported higher levels of employment, ranging from about 2.7 percent in construction, trade, and finance to 5.5 percent in manufacturing. Within the manufacturing sector, very substantial gains on a year-to-year basis were posted by ordnance (19.6 percent), electrical equipment (12.9 percent), and machinery (7.0 percent). Services and government reported gains of about 4.1 percent over the year.

District employment up slightly in March

District nonfarm wage and salary employment (not including Alaska and Hawaii) increased very slightly during March, by 6,800 or 0.1 percent on a seasonally adjusted basis. The small increase primarily reflected slightly higher employment in mining, transportation, services, and government which more than offset reduced employment in construction and manufacturing. Notwithstanding the slight dip (0.3 percent) in March, manufacturing employment in the District posted a 5 percent gain on a year-to-year basis. Trade, finance, and construction recorded gains ranging from 2.6 to 2.8 percent, and services and government gains of about 4.5 percent. The smallest rate of increase was reported by mining, which realized a 0.6 percent increase in employment over March a year ago.

An important change in the Bureau of Employment Security classification of the fifteen major labor market areas in the District occurred in April with the reclassification of Tacoma, Washington from an "area of sub-

stantial unemployment" (6.0 to 8.9 percent of the labor force) to an "area of moderate unemployment" (3.0 to 5.9 percent of the labor force). Reflecting this change, the number of major labor market areas in the District experiencing "moderate unemployment" has increased to nine from four a year ago. The number of major areas in the District still experiencing "substantial unemployment" was reduced to six (San Diego, San Bernardino - Riverside - Ontario, Fresno, Stockton, Portland, and Spokane) as compared with eleven such areas in April 1961.

District construction awards and building permits up; labor negotiation difficulties slow building in northern California

The value of total construction contracts awarded in the District during March rose by 25 percent over February to \$712 million. The increase, which fell considerably short of the 45 percent gain registered in the nation, encompassed all major categories of construction awards. The value of contracts let for residential construction rose 29 percent and accounted for 51 percent of the value of total awards during the month; nonresidential awards were up 26 percent, and contracts for public works and utilities registered a 14 percent gain. For the entire first quarter, the value of construction awards in the District exceeded that of a year ago by 4 percent, with a 23 percent gain in residential awards and a 12 percent increase in nonresidential contracts offsetting a sharp decline (31 percent) in the value of contracts let for public works and utilities. Within the residential category, awards for the construction of one- and two-family houses registered about a 10 percent gain over the first quarter of 1961 while contracts for apartments recorded about a 60 percent gain. Notwithstanding these disparate rates of change, awards for the construction of one- and two-family residences still ac-

counted for 70 percent of the value of total residential contracts let during the first quarter, and awards for apartments amounted to 25 percent of the total. In the first three months of 1961, the relative proportions were about 78 percent and 19 percent, respectively.

Data relating to the value of residential permits issued in thirteen reporting areas of the District during March revealed mixed movements but, on balance, point to a prospective increase in the level of District construction activity in the months ahead. April data received from nine of the thirteen reporting centers indicated a continuation of this increase as six of the nine offices showed an increase in value of permits issued over March and five offices an increase above the level of April a year ago. The deadlock in negotiations between the Northern California Construction Employers Association and four construction unions could result, however, in a sharp decline in District construction in the immediate future as projects totaling some \$3.5 billion in 46 counties are involved in the dispute.

Savings increase creates competition for mortgage loans

District mortgage markets continue to exhibit the characteristics in evidence during the last few months: vigorous competition by lending institutions in the solicitation of savings funds and the placement of mortgage loans. Rates on conventional loans do not appear to have changed perceptibly in recent weeks, but the vigor of competition in mortgage lending is increasingly evident in advertising media. Evidence of some tendency towards additional ease in District mortgage markets is reflected in a steady rise in the prices paid for Federally insured mortgages sold in the secondary market. In the West, the average net price paid for FHA 5¼ percent 25-year mortgages rose from \$96.3 per \$100 of outstanding loan amount on March 1 to \$96.7 on April 1, with some bids ranging as

high as \$98.00. In addition, mortgage holdings of the District office of the Federal National Mortgage Association in March registered the smallest monthly increase since last September, indicating a decline in purchases (including acquisitions under previous commitments) and a rise in sales.

During March the net flow of funds into District savings and loan associations substantially exceeded the growth normally associated with first quarter interest accruals and increased by 66 percent over February. At this level, net savings were 46 percent greater than in March of 1961 and raised the cumulative increase during the first quarter of 1962 to 19 percent above that in the corresponding period last year. The net rise in savings accounts outpaced mortgage lending, even though the net increase in loans was substantially greater than during the same period of 1961. Loan commitments, however, rose by 9 percent in March, representing an increase of 40 percent over March 1961. District member banks also recorded a large increase of \$312 million in savings deposits in the first quarter. During this period, District banks' total holdings of real estate loans increased by \$82 million, in contrast to declines in the first quarter of the two preceding years, but the gain did not extend to residential real estate loans, which registered a decline of \$13 million. This would appear to be further evidence of the relative scarcity of residential mortgages compared with available lendable funds.

Lumber output, orders, and prices showed mixed trends in March and April

Douglas fir production rose substantially in March after a slow start but, while topping February's output, still fell a fraction below the level of production in March 1961. For the entire first quarter, output exceeded that of the corresponding period a year ago by about 2 percent. New orders also rose in

March over February, but fell short of output, and were substantially below the level of new business a year ago. On a cumulative basis, new orders during the first quarter were a fraction under the level of orders placed during the same period of 1961. At the end of March, unfilled orders were equal to 46 percent of inventories as compared with 51 percent a year previous; the level of inventories itself registered virtually no net change during the interim. On the basis of preliminary data, average weekly fir production during April was running slightly below March output, but new orders were running ahead of production and were above the weekly average of new business received during the previous month.

Following an increase in February, pine production registered a moderate gain in March, to a level 6 percent above output in March 1961. New orders received during the month were down slightly from February and were 11 percent below the level of new business received in March a year ago, but still exceeded production. On a cumulative basis, production during the entire first quarter topped that of the same period a year ago by 8 percent, while new orders registered a gain of 12 percent. At the end of March unfilled orders were equal to 26 percent of stocks on hand, about the same ratio as in March a year ago. Although a complete set of data for April is not yet available, a sampling of reporting mills indicates that weekly average output and new orders were running about even with the levels attained during March. Production of California redwood during the first quarter of 1962 exceeded output during the first three months of 1961 by 15 percent. New orders during the quarter, however, fell short of output and were also 4 percent below the level of new business received a year ago.

Fir and pine prices during April generally bear out the indications of some firming of

orders. Increases in the prices of green fir, dry fir, and pine boosted Crow's average lumber price per thousand board feet by 23 cents over the end of March to \$76.11 as of April 26. On a year-to-year basis, however, the aggregate price represents a decline of 51 cents, due to lower prices for dry fir and green fir which more than offset a higher price for pine species. On the first of May some of the major fir plywood producers reportedly unofficially cut prices on quarter-inch sanded panels from \$64 to \$62 a thousand square feet and the following week dropped the price to \$60; this was far below the price of \$72 prevailing in May last year. The high level of inventories at the wholesale level was held responsible for the price decline which the industry viewed as temporary.

A potentially significant development during April was the establishment of a new par value for the Canadian dollar at the rate of 92.5 United States cents per Canadian dollar. The reduced price of Canadian currency in terms of the United States dollar will of itself improve the competitive position of Canadian exports, including lumber, in United States markets.

Decline in steel production milder in District than in nation

The reaction of Western steel production to the new labor agreement reached between major steel producers and the United Steelworkers of America at the end of March was considerably milder than in the rest of the nation. Reflecting order cancellations and deferments, national steel production registered 6 successive weekly declines from the last week in March through the second week in May, dropping approximately 27 percent over-all. The Western index, on the other hand, dropped only about 10 percent over the six-week period as reductions in the first three weeks of April and the second week in May were partially offset by advances in the other two weeks.

Some of the decline in steel demand expected nationally in the remainder of the second quarter and early in the third quarter is for flatrolled steel by automobile and appliance makers; since this is an insignificant source of demand in the District, further declines in Western production may be somewhat more moderate relative to the rest of the nation. One of the major Western producers in announcing permanent closing of its open-hearth furnaces in the San Francisco Bay area stated that the operations would be performed at its more modern plant facility at another location within the District; overall District steel production, therefore, should not be affected by the closure.

Copper industry faces labor negotiations

Although a number of nonferrous metal companies signed labor agreements prior to the June 30 contract expiration date, one major producer only started negotiations in May, and negotiations with another major producer were delayed pending National Labor Relations Board elections to determine the bargaining agent. The labor agreements already signed by the industry generally included an immediate 8½ cent an hour wage increase in addition to fringe benefits provisions.

Copper producers and smelters have indicated that their May supply is sold or covered by orders, but a few producers report some slackening in domestic demand. In March, deliveries to domestic customers were at their highest level since June 1959 and deliveries to foreign users also gained sharply. In spite of the strike by African workers which closed copper mines in Northern Rhodesia that supply 16½ percent of free world copper output, there was little or no price fluctuation in the London and New York copper markets in the first two weeks in May.

Some softness in District gasoline prices

During April, West Coast refinery crude runs averaged 1,188,000 barrels daily, only slightly higher than the 1,181,000 barrels daily during April 1961. Nationally, gasoline stocks at the end of the first quarter were at their best level relative to demand in several years. Retail gasoline prices tended to firm nationally in April following the January-March period which one of the trade journals characterized as the worst for gasoline prices in a decade. In the District, however, no such firming tendency is evident, as retail gas prices in Salt Lake City, Seattle, and Los Angeles trended downward slightly during the first two weeks of April with little change during the remainder of the month. Oil spokesmen have blamed increased competition, including new entrants into the Western markets, for relatively soft gasoline prices in recent months. On the basis of earnings reports for major regional companies, however, profit experience was more satisfactory during the first quarter than for the industry nationally.

District farmers had record March receipts

March was a good month for District farmers as returns from farm marketings reached a record level of \$319 million for the month. Receipts from both crops and livestock and livestock products contributed to the rise. Cash receipts were boosted by the sharply higher prices received by farmers on a wide range of products.

Supplementing the heavy flow of cash to District farmers from marketings were the substantial payments received for participation in the Feed Grain and Wheat Programs. Under these programs District farmers are eligible for advance payments of about \$30 million¹ and through mid-April had already

¹ These advance payments constitute only about half of the total payments farmers will receive under these programs; the balance will be paid after harvest.

FEDERAL RESERVE BANK OF SAN FRANCISCO

received payments totaling in excess of \$14 million. Participation in these programs has reduced District acreage of the four crops involved (wheat, grain sorghum, corn, and barley) by a total of more than 2 million acres from that which could have been planted to these crops in the absence of special farm programs for 1962. Washington farmers, in particular, have signed up considerable acreage (647 thousand acres) and are eligible to receive more than \$9 million in advance payments.

District department store and auto sales at high levels

Spurred on by active Easter buying and by a general rise in consumer spending associated with a rising level of spendable income, department store sales in the Twelfth District have attained record levels. During April, department store sales were 12 percent above the corresponding period a year ago, with all major metropolitan areas in the District reporting gains. On a cumulative basis, District department store sales since the beginning of the year registered a gain of 7 percent over the first four months of 1961, topping the 5 percent gain registered in the nation. The momentum of sales continued

during the first two weeks of May, as District department stores reported gains above year-ago levels.

A rising level of consumer spending for durable goods is reflected in the increase in new car registrations in California. During March, registrations totaled 63,828 or a daily average rate of 2,364, the highest since March 1959. During the first three weeks of April the daily average rate of new car registrations in California increased slightly to 2,375.

District banks account for a large share of the loan expansion in the nation

After a moderate increase in March, loans rose sharply in April as District weekly reporting member banks had a monthly gain of \$223 million in total loans (excluding loans to domestic commercial banks). This compares with a \$45 million increase in April last year and is only slightly under the gain in April of 1960. District banks accounted for one-half of the monthly loan increase for all weekly reporting banks in the country. Business loans, however, still lagged, contributing little more than one-tenth of the net loan increase, in contrast to nearly one-half in 1960 and three-fourths in 1961. Reflecting

FIELD GRAIN AND WHEAT PROGRAMS PROVIDE CASH FOR DISTRICT FARMERS

(in thousands)

	Field grain and wheat acreage on farms	Acreage signed up for diversion	Value of total advance payments	Value of sight drafts already issued ¹
Arizona	235	99	\$ 1,717	\$ 1,400
California	1,377	514	6,390	3,468
Idaho	1,192	380	4,837	2,148
Nevada	2	1	9	—
Oregon	1,070	314	4,463	2,463
Utah	219	83	849	452
Washington	2,264	647	10,497	4,094
Twelfth District	6,359	2,038	28,762	14,025
United States	119,562	47,750	614,637	376,778

¹Week ending April 16, 1962.

Source: United States Department of Agriculture.

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

(dollar amounts in millions)

	Twelfth District				United States			
	From Mar. 28, 1962 to May 9, 1962		From May 10, 1961 to May 9, 1962		From Mar. 28, 1962 to May 9, 1962		From May 10, 1961 to May 9, 1962	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
ASSETS:								
Total loans and investments	+ 209	+ 0.80	+ 2,283	+ 9.43	+ 689	+ 0.57	+ 9,340	+ 9.43
Loans adjusted and investments ¹	+ 363	+ 1.41	+ 2,285	+ 9.57	+ 841	+ 0.70	+ 9,107	+ 9.57
Loans adjusted ¹	+ 428	+ 2.62	+ 1,309	+ 8.46	+ 1,043	+ 1.41	+ 4,964	+ 8.46
Commercial and industrial loans	+ 93	+ 1.64	+ 351	+ 6.47	— 116	— 0.35	+ 1,095	+ 6.47
Real estate loans	+ 115	+ 2.07	+ 394	+ 7.45	+ 303	+ 2.22	+ 1,120	+ 7.45
Agricultural loans	+ 51	+ 6.44	+ 173	+ 25.82	+ 55	+ 4.16	+ 192	+ 25.82
Loans for purchasing and carrying securities	+ 26	+ 9.89	+ 87	+ 43.07	+ 291	+ 6.44	+ 887	+ 43.07
Loans to nonbank financial institutions	— 1	— 0.12	+ 106	+ 14.58	— 76	— 1.35	+ 653	+ 14.58
Loans to domestic commercial banks	— 154	— 34.00	— 2	— 0.67	— 152	— 8.39	+ 233	— 0.67
Loans to foreign banks	— 4	— 1.66	+ 25	+ 11.79	+ 9	+ 1.30	+ 125	+ 11.79
Other loans	+ 149	+ 4.55	+ 206	+ 6.40	+ 581	+ 3.43	+ 1,058	+ 6.40
U. S. Government securities	— 197	— 2.94	+ 266	+ 4.26	— 547	— 1.70	+ 1,377	+ 4.26
Other securities	+ 132	+ 4.78	+ 710	+ 32.48	+ 345	+ 2.60	+ 2,766	+ 32.48
LIABILITIES:								
Demand deposits adjusted	+ 53	+ 0.46	+ 209	+ 1.83	— 387	— 0.62	— 404	+ 1.83
Time deposits	+ 230	+ 1.62	+ 1,797	+ 14.26	+ 845	+ 1.88	+ 7,132	+ 14.26
Savings accounts	+ 21	+ 0.19	+ 1,171	+ 11.69	+ 250	+ 0.79	+ 3,864	+ 11.69

¹Exclusive of loans to domestic commercial banks and after deduction of valuation reserves; individual loan items are shown gross. Source: Board of Governors of the Federal Reserve System and Federal Reserve Bank of San Francisco.

a marked upturn in consumer expenditures in April, and possibly some borrowing to meet personal income tax payments, the "other loan" category (which is mainly consumer loans) registered the largest monthly gain since the cyclical peak in April 1960¹. Bank investment in real estate loans, which had increased gradually throughout the first quarter of 1962, turned sharply upward in April, and the net change of \$72 million exceeded that in any month since April 1959 and constituted one-third of the national increase for the month. Heavier than normal borrowing by farmers was reflected in a rise in agricultural production loans which more than offset

the usual seasonal reduction at this time of year in bank holdings of Commodity Credit Corporation loans.

During the first two weeks of May, District weekly reporting banks extended loans at a greatly accelerated pace. The increase of \$205 million in loans adjusted² was almost equal to the gain for the entire month of April and accounted for more than one-third of the loan increase for all weekly reporting banks in the country. Business loans rose \$69 million and real estate loans \$43 million; in both categories, the District's share of the national increase was slightly more than 50 percent. District bank purchases of Participation Cer-

¹Excluding February 1961 when sizable loans to a national retailer were included in the "other loan" category.

²Total loans less loans to domestic commercial banks and after deduction of valuation reserves.

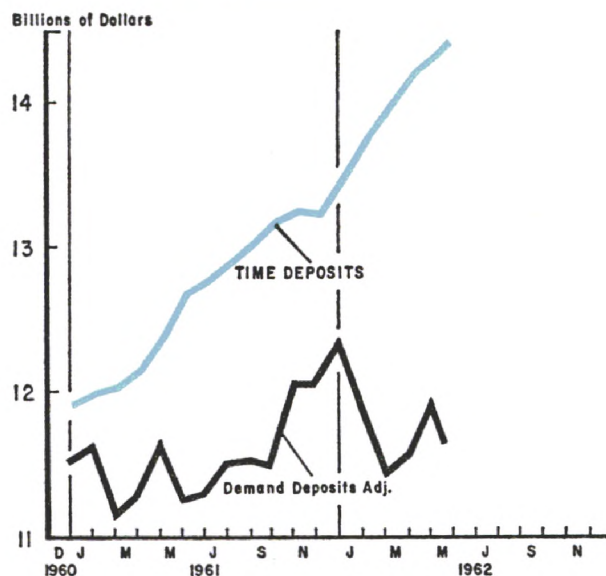
tificates in the Export-Import Bank's Portfolio Fund offering of May 1 was responsible for about half of the gain in the "other loan" category during this two-week period.

There was practically no net change in total holdings of United States Government securities by District weekly reporting member banks in April, but there was a lengthening in maturities held. In the week ended April 18, these banks acquired about \$100 million of the new 3¾ percent bonds of 1968—one-fourth of the total amount for all weekly reporting member banks in the nation. Treasury bill holdings declined \$100 million in the same week indicating that the banks may have used some of these funds to pay for the new bonds. In the first two weeks of May these District banks reduced their bill holdings by another \$200 million.

Demand deposits at District weekly reporting banks fluctuated widely during April as checking accounts were built up prior to April 15 and then drawn down to meet personal income tax payments. As of April 25, demand deposits adjusted were up from the end of March, but all tax checks had not yet cleared. In the first two weeks of May there was a decline of \$300 million. In April bank debits to demand deposit accounts of individuals, partnerships and corporations, and of state and political subdivisions in the District were up 23 percent from April 1961, raising the total increase for the first four months of 1962 to 17 percent above the corresponding period in 1961.

For the first time this year there was a decline in savings deposits at weekly reporting District banks as individuals dipped into their savings accounts in the amount of \$76 million in the two weeks prior to April 15. It appears that a large part of these withdrawals were made to meet personal income tax payments as savings rose again in the following weeks. This decline in savings was the larg-

Growth in time deposits at District banks slowed somewhat in April and early May



Note: Data are for Twelfth District weekly reporting member banks. Time deposit data from February 1961 through September 1961 have been adjusted to exclude loan funds of a national retailer temporarily held as time certificates of deposit. Demand deposits adjusted are total demand deposits other than domestic commercial interbank and United States Government, less cash items in process of collection.

est since the week of July 6, 1960¹ when mid-year interest withdrawals were particularly large. It was also large compared with a decline of only \$48 million for all weekly reporting banks in the country during this two-week period. This may indicate the extent to which savings deposits in the District are considered substitutes for demand deposits.

During April District banks were, on balance, net sellers of Federal funds with most of the transactions made at the discount rate or slightly lower. This relatively high rate level for Federal funds indicates that banks generally were in a less easy reserve position. The fact that District banks were net sellers of Federal funds during this period is an indication that they were in a comparatively easier reserve position than banks in the rest of the nation.

¹ On the basis of the new definition of savings deposits which excludes most Christmas Club accounts.

**Bank earnings declined
in first quarter**

On the basis of published first quarter earnings reports for a number of major California banks, increased interest expense on savings deposits resulted in generally lower earnings compared with the first three months of 1961. Since most California banks did not begin to compute interest on a daily average basis until the second quarter of 1961, increased costs compared with the first quarter of 1961 reflect the effect of this change in computation as well as the absolute increase in rate.

**May calendar for District bonds
unusually large**

In May the calendar for state and local government bond issues in the District was

unusually large, but except for a \$100 million Veterans' bond issue by the State of California, the forward calendar so far appears to be very light for June, a month in which the volume of new issues is normally high. *Staat's* index of yields on 20 California bonds declined to 3.04 in the first week of May from 3.20 at the beginning of April and 3.39 at the beginning of the year.

Member banks in the District were particularly heavy investors in securities of state and political subdivisions in the first quarter of 1962, increasing their holdings by \$223 million. On the basis of data for weekly reporting banks, this trend appears to have continued at an accelerated pace in April as these banks added \$100 million to their "other" securities portfolios.

FEDERAL RESERVE BANK OF SAN FRANCISCO

BANKING AND CREDIT STATISTICS AND BUSINESS INDEXES—TWELFTH DISTRICT¹

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

Year and Month	Condition items of all member banks ²				Bank debits index 31 cities ^{4, 5}	Bank rates on short-term business loans ^{6, 7}	Total nonagricultural employment	Total mfg employment	Car-loadings (number) ⁵	Dep't store sales (value) ⁵	Retail food prices ^{7, 8}
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted ²	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
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	121	134	96	122	113
1955	11,124	7,239	11,864	9,120	173	4.10	127	144	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	161	96	140	118
1958	13,812	8,003	12,729	12,077	209	4.88	138	153	89	143	123
1959	16,537	6,673	13,375	12,452	237	5.36	146	165	94	157	123
1960	17,139	6,964	13,060	13,034	253	5.62	150	165	88	156	125
1961	18,499	8,278	14,163	15,116	270	5.46	152	163	87	175	127
1961											
April	17,637	7,436	13,222	13,909	266	....	150	160	88	164	127
May	17,632	7,393	12,865	14,289	265	....	151	162	81	153	127
June	17,578	7,571	12,935	14,371	268	5.50	152	163	85	162	126
July	17,504	7,935	13,206	14,492	267	....	152	162	86	167	126
August	17,779	7,863	13,212	14,656	262	....	152	164	84	157	125
September	18,028	7,955	13,317	14,786	277	5.45	153	165	87	170	126
October	17,901	8,190	13,901	14,867	291	....	153	166	99	164	127
November	18,212	8,182	13,944	14,874	265	....	154	167	100	165	126
December	18,499	8,278	14,163	15,116	293	5.42	154	167	92	175	127
1962											
January	18,646	8,082	13,671	15,448	294	....	155	169	100	166	127
February	18,622	7,820	13,163	15,647	289	....	156	169	99	177	128
March	18,906	7,776	13,235	15,939	301	....	156	169	97	177	128
April	19,070	7,811	13,706	16,091	312	....	156 _p	170 _p	...	173	128

Year and month	Industrial production (physical volume) ⁵							Waterborne Foreign Trade Index ^{7, 9, 10}					
	Lumber	Petroleum ⁷		Cement	Steel ⁷	Copper ⁷	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
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	803	269	14,209
1961	109	92	140	169	171	136	...	...	...	...	...	...	...
1961													
March	103	92	131	178	162	137	285	264	363	124	952	252	19,268
April	114	92	135	168	172	133	283	261	331	163	759	286	13,139
May	111	92	143	169	191	143	285	265	331	171	865	292	15,856
June	111	91	143	188	187	143	289	224	290	128	767	289	13,223
July	110	91	143	157	183	124	293	271	365	138	1,026	297	20,025
August	111	91	140	160	180	107	300	247	322	140	805	277	14,586
September	111	92	142	163	174	138	295	217	317	76	841	277	15,542
October	110	92	144	171	181	149	310	209	310	67	872	307	15,613
November	113	92	144	182	167	147	305	256	331	148	756	264	13,573
December	106	92	141	152	167	145	294	...	...	...	...	...	...
1962													
January	105	90	139	165	184	142 _r	...	...	...	...	...	...	...
February	112	92	140	153	187	158	...	...	...	...	...	...	...
March	...	90	142	175	...	...	...	...	...	...	...	...	...

¹ 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. ² Annual figures are as of end of year, monthly figures as of last Wednesday in month. ³ Demand deposits, excluding interbank and U.S. Government deposits, less cash items in process of collection. Monthly data partly estimated. ⁴ Debits to total deposits except interbank prior to 1942. Debits to demand deposits except U.S. Government and interbank deposits from 1942. ⁵ Daily average. ⁶ Average rates on loans made in five major cities, weighted by loan size category. ⁷ Not adjusted for seasonal variation. ⁸ Los Angeles, San Francisco, and Seattle indexes combined. ⁹ 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. ¹⁰ Alaska and Hawaii are included in indexes beginning in 1950. p—Preliminary. r—Revised.