



ALASKA



IDAHO

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO
TWELFTH FEDERAL RESERVE DISTRICT



WASHINGTON



UTAH

June 1963

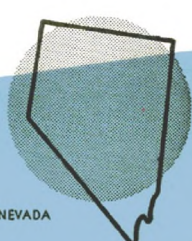
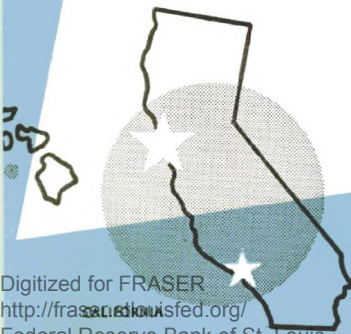
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OREGON



NEVADA



ARIZONA

Review of Business Conditions

THE over-all performance of the national economy during the first four months of 1963 was one of moderate advance. During the first quarter, the nation's output of goods and services rose by \$8.3 billion, after allowance for seasonal factors, to a record annual rate of \$571.8 billion. The advance was the largest quarterly gain in over a year and, following the pattern of the two previous quarters, was attributable primarily to a rise in spending by consumers and by Federal and state and local governments. An expansion in employment on a seasonally adjusted basis contributed to a rise of \$4.1 billion in personal income in the first quarter compared with the final three months of 1962. Consumers increased their rate of expenditure by \$4.3 billion over the fourth quarter, to a record annual rate of nearly \$368 billion. Purchases of durable goods increased slightly, mainly as the result of a continuing high level of demand for new automobiles. A gain of \$3.8 billion in purchases of nondurable goods and services accounted for most of the rise in consumer spending in the first quarter. This rise also was reflected in a record level of retail sales, which in March reached an annual rate of \$20.4 billion. In April, retail sales were maintained at their March level. Personal income rose \$2.6 billion in April, however, the largest monthly gain this year. Since the growth in consumer expenditures in the first quarter exceeded the rise in personal income, consumers saved proportionately less of their disposable income and also substantially increased their instalment debt.

Government purchases of goods and services during the first quarter increased by \$3.3 billion, of which two-thirds represented higher outlays for national defense. Private investment expenditures registered a slight increase, reversing two quarters of decline. The relative lack of vigor in investment outlays was attributable to a considerable extent to inclement weather during the quarter and a greater than

seasonal decline in virtually all types of construction. The value of total new construction put in place dipped below the March level in April but more than recouped this decline in May, according to preliminary figures.

The decline in expenditures on new construction in the first quarter was somewhat more than offset by a slight increase in purchases of producers' durable equipment and by a marked increase in the amount of inventory accumulation associated with stockpiling in anticipation of a possible strike in the steel industry. Business expenditures for new plant and equipment dipped below an annual rate of \$37 billion in the first quarter but are estimated at \$38.5 billion in the second quarter. On the basis of the most recent survey, it is anticipated that they will total slightly more than \$39 billion in 1963, compared with \$37.3 billion last year. Realization of this level would entail a gain of about \$3 billion during the second half of 1963.

Industrial production, after holding steady in January, rose in each month through May to a record 123.8 percent of the 1957-59 average. The succession of monthly gains was fairly widespread among most market groups, although a substantial proportion of the increase centered in iron and steel output and to a considerable extent stemmed from accelerated inventory accumulation in anticipation of a possible strike. Reduced stockpiling apparently was a factor contributing to a downturn in steel production in the early part of June.

Generally speaking, the growth in business activity in the Twelfth District about matched that in the nation during the first four months of 1963, although the lack of comparable regional data for major sectors of economic activity precludes a definitive assessment of relative performance. Civilian employment in the Pacific Coast States rose by about 1 percent, on a seasonally adjusted basis, during the first quarter, slightly exceeding the in-

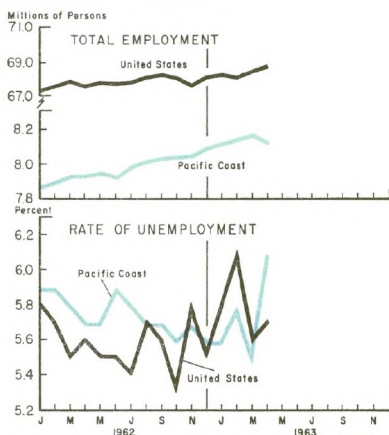
crease nationally.¹ Both the number of unemployed and the unemployment rate declined in the Pacific Coast States, the latter from 5.6 percent of the labor force last December to 5.5 percent in March — the lowest monthly rate since April 1960. Nationally, the unemployment rate over this period rose from 5.5 percent and in April stood at 5.7 percent, reflecting a substantial increase in the labor force in that month which exceeded the actual rise in employment. On the Pacific Coast, however, the unemployment rate jumped sharply to 6.1 percent in April, the highest monthly rate since December 1961. In this case, the increase reflected a decline in employment and is attributable to the impact of inclement weather upon agriculture, lumber, and construction, as well as to cutbacks in defense industries.

Retail trade in the Twelfth District was somewhat less of an expansionary factor during the first quarter of 1963 than it was in the nation as a whole. In other types of economic activity, including steel production, the District fared relatively better than the nation. Construction activity exhibited relatively greater strength at the District than at the national level; so also did various indicators of prospective construction activity, including contract awards, building permits, and applications for FHA insurance on new housing. The flow of funds seeking mortgage investment remains in ample supply in both the District and the nation.

District nonfarm employment rose slightly in the first quarter

The number of nonagricultural wage and salary workers in the District (excluding Alaska and Hawaii) increased by 0.8 percent during the first quarter,² with all reporting states and all major industry sectors, except mining, recording gains over the fourth quar-

Pacific Coast rate of unemployment rose sharply in April as employment declined



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

ter of 1962. Most of the increase was attributable to a relatively strong rise in January. Nationally, the rate of expansion of nonfarm payroll employment during the quarter was slightly less, 0.7 percent, due to a decline in employment in January. Contrary to developments in the District, employment in mining registered gains in the nation over the last quarter of 1962, while employment in the construction and in the transportation and utilities industries registered a decline.

The faster rate of growth in total nonfarm employment in the District, as compared with the nation, followed the pattern established since early in 1960. Between April 1960 (which marked the prerecession high in employment in both the District and the nation) and March 1963, nonagricultural payroll employment in the District registered a gain of somewhat less than 9 percent, whereas in the nation it increased only slightly more than 2 percent. Nationally, employment in manufac-

¹ All data are seasonally adjusted unless otherwise noted.

² All data on employment and unemployment are seasonally adjusted unless otherwise specified.

turing and in contract construction had not yet attained their prerecession levels, whereas in the District both industries surpassed those levels by the fourth quarter of 1961.

Pacific Coast unemployment rate declined during the first quarter but rose sharply in April

After falling to a 1963 low of 5.5 percent in March (the lowest monthly rate since April 1960), the unemployment rate in the Pacific Coast States rose sharply to 6.1 percent in April, the highest rate since December 1961. The increase reflected a sharp rise in unemployment in all three states; the number of unemployed, 528,000, was about 11 percent greater than in March and almost 10 percent higher than in April a year ago. Although a fractional rise in the California labor force was a contributing factor, the rise in unemployment primarily reflected a 0.5 percent reduction in employment and occurred in both the agricultural and nonagricultural sectors. Poor weather conditions were partly responsible for the setback. Heavy rains curtailed activity in agriculture, as well as in the construction and in the lumber and wood products industries, each of which registered declines in employment of 2.5 percent or more.

With the exception of the revitalized primary metals industries, all durable goods industries in the Pacific Coast States also experienced a decline in employment in April, as did the three principal components of defense-oriented industries. For the first time this year, employment in the electrical equipment industry registered a decline, amounting to 0.5 percent or 1,200 workers. The effects of the cancellation of the Skybolt missile contract were also more pronounced in April, as ordnance employment in California fell by 2,000 and reduced the number of workers in the industry to 103,700—some 4,200 less than the all-time high recorded in December 1962. Similarly, aircraft manufacturers re-

duced their payrolls during the month by 2,600 workers, which left the number of employees in the industry at 237,700, some 12,000 less than the 1962 high, and the lowest level reached since the early summer of 1961.

Additional District major labor market area classified as having substantial unemployment

There were no changes in the labor supply classifications of the 15 major labor market areas in the District during the first quarter of 1963. In April, however, the United States Bureau of Employment Security reclassified San Jose from the category of "moderate unemployment" (3.0 to 5.9 percent of the labor force unemployed) to that of "substantial unemployment" (6.0 to 8.9 percent). The primary factors contributing to the reclassification of San Jose were layoffs in defense-related industries and continued in-migration to the area at a rate surpassing the growth in job opportunities. As a result of the April change, the number of major areas in the District with substantial unemployment rose to five; in addition to San Jose, they include Fresno, San Diego, and Stockton in California, and Spokane, Washington.

District construction activity buoyant

Construction activity in the Twelfth District exhibited considerable strength during the first quarter of 1963. One measure of this activity, construction employment, registered the largest gain in employment of any major industry sector on a seasonally adjusted basis, relative both to the previous quarter and to the first quarter of 1962. Nationally, construction employment declined in relation to the first and fourth quarters of 1962.

In the first four months of 1963, the number of private housing starts in the West¹ exceeded the level of starts during the comparable period of 1962 by about 17 percent, sub-

¹ The "West" includes Montana, Wyoming, Colorado, and New Mexico in addition to the nine Twelfth District states.

stantially surpassing the 5 percent increase in the nation as a whole. The smaller rate of increase nationally was attributable to unusually severe weather in wide sections of the country during the winter months.

The value of total construction contracts awarded in the District (excluding Alaska and Hawaii) during the first four months of 1963 amounted to \$3,072 million, a volume 17 percent greater than that for the comparable period of 1962.¹ Most of the increase was accounted for by a rise in awards for residential construction, which registered a gain of 22 percent over a year ago; a substantial part of this increase represented contracts for apartment houses. The dollar volume of contracts for nonresidential construction and for public works and utilities also registered appreciable gains, exceeding by about 12 and 8 percent, respectively, the value of awards made during the first three months of 1962.

In contrast to the relative buoyancy of construction awards in the District, the value of contracts of all types let in the nation during the first four months of 1963 was virtually unchanged from a year ago. While contracts for residential and nonresidential construction had gains of 6 and 5 percent, respectively, awards for public works and utilities declined about 17 percent.

Other advance indicators of construction activity exhibited relatively greater strength in the District than in the nation during the first quarter. District residential building permits were at a level considerably above that of a year ago; several metropolitan areas, notably Los Angeles-Long Beach, Sacramento, San Bernardino-Riverside, and San Jose in California reported substantial increases. In addition, considerably more than half of residential permits in the District were for units in multiples of five or more. District applications for FHA mortgage insurance on new housing in the first quarter were 11 percent above the fourth quarter of 1962 and 3

percent above a year ago. Nationally, the seasonally adjusted volume of FHA applications fell slightly below that for the fourth quarter of 1962 and was also considerably below a year ago.

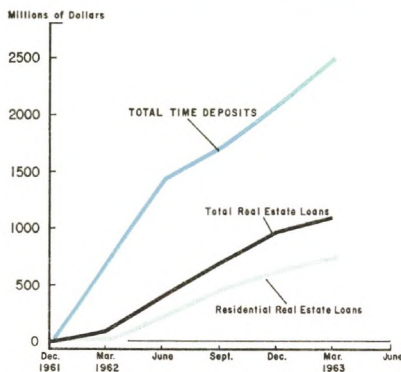
District mortgage credit still abundant

In response to the attractive rates of return offered by savings institutions, the flow of savings continued at a substantial level in both the Twelfth District and the nation during the first four months of the year. Share accounts at District insured savings and loan associations increased \$1.4 billion, or almost 9 percent. District associations accounted for 40 percent of the national increase in savings at insured savings and loan associations during the period. Mortgage holdings at District associations also rose by \$1.4 billion, or 8 percent. This represented 45 percent of the national increase.

Time and savings deposits of District weekly reporting member banks increased \$604 million during the first quarter of 1963. This 4 percent gain was less than the 5.5 percent rate of growth in the comparable period of 1962. A smaller increase in savings deposits of individuals was largely responsible for the slower rate of expansion in 1963. Holdings of real estate mortgages by these District banks rose \$181 million; this represented a 3 percent rate of growth compared with a gain of less than 2 percent in 1962. In April, an additional increase of \$97 million in total time and savings deposits exceeded a \$50 million net rise in mortgage holdings. In both cases these gains were less than in April 1962.

Call report data as of March 18, 1963 for all Twelfth District member banks indicated that nearly two-thirds of the gain in mortgage holdings since year-end involved residential financing and consisted almost entirely of conventional mortgage loans. This development contrasts sharply with that of the first quarter of 1962 in which the increase in real

Residential mortgages at District member banks grew more rapidly in first quarter of 1963 than a year ago



Source: Reports of Condition of Condition of Twelfth District member banks.

estate lending was concentrated in mortgages secured by commercial and industrial properties, with residential real estate mortgage holdings remaining relatively unchanged.

Reflecting the pressure of funds seeking mortgage investment, sales by the Federal National Mortgage Association from its secondary market portfolio amounted to \$319 million during the first quarter, while secondary market purchases dropped to their lowest level in five years. By the end of March, the decline in the number of loans held in the secondary market portfolio of the Los Angeles office of the Federal National Mortgage Association amounted to nearly 9 percent of the total number of mortgages held at the end of 1962.

Interest rates and yields on home mortgages continued to reflect the impact of continuing large inflows of loanable funds into the mortgage market. Rates charged on conventional home mortgages remained fairly stable during the first four months of the year, and as of May 1 stood at 6.10 percent for new homes and 6.20 percent on existing homes in the West. The same pattern, at somewhat

lower levels, was evident for the nation as a whole. Prices paid in the secondary market for FHA-insured 5¼ percent, 25-year home mortgages continued to rise, a trend which has been fairly consistent since early in 1962. In May, the price for these mortgages attained the highest levels since the third quarter of 1958.

District department store sales show continued strength

Rising to record levels during each month of the first quarter, sales of Group I retail¹ stores in the District and the nation registered gains of 4 and 6 percent, respectively, over the first quarter of 1962. Department store sales, on the other hand, have exhibited relatively more buoyancy in the District than in the nation. District department store sales in the first five months of the year were 4 percent above those of the corresponding period of 1962. This slightly exceeded the 3 percent gain nationally. The higher level of District sales as compared with 1962 reflects larger than average gains in Sacramento, San Jose, Salt Lake City, Los Angeles-Long Beach, and San Diego, which more than offset net declines in Oakland, Seattle, and Tacoma.

District steel production registered a sustained advance through mid-May

The upswing in steel production, which began in the fourth quarter of 1962, continued in the first quarter of 1963, with District and national production registering gains of 21 and 14 percent, respectively. The increased output in the District occurred in response to a seasonal pickup in construction and can-making activity, and to a widespread consumer inventory build-up as a hedge against a possible steel strike later in the year — a factor which also contributed to the rise in steel production nationally.

¹ Stores of firms operating 1-10 establishments at the time of the 1958 Census of Business. Data are not seasonally adjusted.

In April, District steel production increased by about 6 percent from March, to a level approximately 37 percent higher than that of a year ago. Output recorded a further advance of about 5 percent from April 27 to May 11, and attained its highest level since the week ending February 20, 1960. Nationally, steel output also rose by about 6 percent from March to April, and surpassed year-ago production by about 16 percent. After leveling off early in May, steel production in the nation resumed its advance, and in the third week of the month was at its highest rate since the spring of 1960. Although the pace of new orders in May receded from the peak reached in late April, possibly reflecting a feeling on the part of most customers that stockpiling in anticipation of a possible strike has been adequate, the backlog of steel orders assures a continued high level of shipments through June.

The steel industry increased prices in April on hot and cold rolled sheet and strip by an average of \$4.85 a ton. The price increases, first announced in the East, were then posted by District producers, with the result that the previous differentials between East and West Coast prices were maintained.

District petroleum refining activity increased

Processors of petroleum products in the District¹ and in the nation increased their refining activity during the first quarter of 1963 to levels which surpassed those attained a year ago. On the basis of incomplete data, it appears that increased output of District refineries combined with a lower level of exports to raise the total supply of refined products, while imports remained largely unchanged as compared with a year ago. The movement of gasoline from District refineries nevertheless was sufficient to reduce stocks of this product during the quarter. Stocks of residual oil also

declined, but considerably less than is usual for this period of the year, and at the end of the quarter were about 75 percent above the year-ago level. According to trade reports, a decline has occurred in the demand for residual oil, which accounts for about one-fifth of the total output of District refineries. To some extent this decline appears to stem from the operation of a new refinery in Panama, thereby making it unnecessary for ships engaged in trans-Pacific trade through the Canal to refuel as frequently at West Coast ports

Oil companies pay \$12 million for first offering of Federal tracts off California coast

After a year and a half of delays and cancellations, the first Federal lease-sale of undersea acreage off the California coast was conducted in mid-May. Interest was not particularly active, and only four major oil companies participated in the bidding. Of the approximately 670,000 acres offered, only about one half was leased at an average price of \$40.92 per acre. The area leased was off Point Reyes north of San Francisco, where ocean waters range in depth from about 200 feet to 1,200 feet. Problems attendant to drilling at great depth apparently accounted for the lack of interest in placement of bids by oil producers. Operations in the area may begin this summer.

Demand for nonferrous metals generally improved

Copper producers were successful in effecting a better relationship between production, orders, and shipments during the first quarter of 1963, and the price of refined copper held steady at 31 cents a pound, the quotation that has prevailed since 1961. Mined and refined production of copper in the United States declined slightly in April from the level attained in March, but still exceeded year-ago output by 9 and 7 percent, respectively. Deliveries of refined copper to fabricators also

¹ Petroleum District V consists of Alaska, Arizona, California, Nevada, New Mexico, Texas, and Washington.

declined in April, by about 3 percent from March on a daily average basis, but surpassed the level of deliveries a year ago by about 2 percent. Copper producers expect that May and June shipments will approximate the April level.

Production of zinc and lead increased during the first quarter of this year in response to a rising level of orders. While the output of both metals surpassed that of the fourth quarter, it did not match the levels attained during the first quarter of 1962. Purchases of zinc by the steel and automobile industries for galvanizing and die-casting imparted a firm tone to zinc markets in April and the first two weeks in May. Zinc producers derived some encouragement from April statistics, which revealed that shipments rose 13 percent during the month to reach their highest level since March of last year. Notwithstanding these changes, the price of zinc held steady at 11½ cents a pound for the basic prime Western grade through May.

District lead producers supplied a greater share of the national market during the first quarter of 1963, largely as the result of an 8-month strike at a leading lead producer in the Midwest. The strike contributed to a net reduction in United States lead output. The decline in total production, and an attendant reduction in producers' stocks, were factors contributing to a firming in price. The price was increased ½ cent a pound to 10½ cents in January. It had previously risen ½ cent a pound to 10 cents last November. The price of 9½ cents that had prevailed from February to November of 1962 represented a 15-year low. Although lead demand slowed somewhat in April following settlement of the strike, it firmed again in May. Early in June the price was raised another ¼ cent to 10¾ cents a pound.

Primary aluminum production in the United States during the first quarter of 1963 fell about 3 percent short of the record attained in

the final quarter of 1962, but it still surpassed output a year ago by 5 percent. In response to a rising demand for aluminum, two major District producers restarted additional potlines at their Washington facilities late in April, raising their output to about 93 percent of capacity. During April the industry posted price increases of 1 to 2 cents a pound on such products as aluminum sheet for siding, roofing, mobile homes, and awnings.

Fir and pine orders weakened in first quarter but improved in April and early May

Market developments in the Douglas fir and Western pine regions were somewhat disappointing in the first quarter of 1963. Orders and shipments in both regions reversed their usual seasonal pattern by declining from the fourth quarter of 1962. Most of the weakness in Douglas fir shipments and orders in the first quarter emanated from a decline in rail and cargo orders placed with Pacific Northwest producers by Eastern consumers. This decline in turn reflected continuing penetration of the East Coast market by mills in British Columbia. While Pacific Northwest mills shipped 22 percent less lumber to Atlantic Coast ports in the first quarter of 1963 than in the corresponding period of 1962, Canadian mills shipped 3 percent more lumber than a year earlier. Their share of the Eastern cargo market rose from 67 percent in the first quarter of 1962 to 73 percent this year. Rail and cargo orders from the East Coast also were retarded by congestion of inventories on the East Coast following the Longshoremen's strike, which ended in late January. As the result of this congestion, as well as poor weather, substantial stocks of lumber unloaded at docks and retail yards were not moved to jobsites at a fast enough pace to warrant substantial reordering.

In April, however, operations in the Douglas fir region gave evidence of slight improvement in market conditions. New orders rose

by 12 percent from March and exceeded production, which was cut back slightly, partly due to adverse weather. New orders also outpaced a rise in shipments, with the result that unfilled orders increased by about 2 percent to a level equal to 57 percent of stocks on hand, as compared with 49 percent a year ago.

On the basis of preliminary data, orders and shipments in both the fir and pine regions during the first two weeks of May were higher, on an average weekly basis, than in April. Production was somewhat lower, as were inventories, but unfilled orders increased. Reflecting the fairly stable, if not vigorous, demand conditions evident in the level of new orders, prices for green fir, dry fir, and pine all firmed sufficiently between April 25 and May 9 to boost *Crow's* composite lumber price by \$0.22 to \$76.42 per thousand board feet. On a year-to-year basis, this represented a gain of \$0.27, largely stemming from a 3.6 percent increase in the price of fir which more than offset about a 1 percent decline in the price for pine species. Trade reports indicate that domestic mills are facing resistance to higher prices, however, apparently as the result of a \$2.00 reduction in the price of Canadian green Douglas fir during the first week of May. Orders for sheathing grades of plywood picked up momentum in the first two weeks of May, and the price of ½ inch sheathing plywood rose \$1.00 to a range of \$74 to \$76. The price of ¼ inch sanded stock remained at \$60.

Activity in the California redwood region during the first quarter was much more satisfactory than in the other regions. New orders, unfilled orders, and shipments all advanced substantially from the final quarter of 1962

to levels well above those of a year ago. Stocks on hand declined during the first quarter of this year and, at the end of March, were considerably below the level of a year previous. A further improvement in incoming orders was reported for April.

District farm returns registered gains over the first quarter of 1962

District farmers received almost a billion dollars from crop and livestock marketings during the first quarter of 1963, a gain of about \$22 million over the comparable period a year ago. All District states except California shared in the advance. The failure of California to register any gain stemmed from unfavorable growing conditions, which held down marketings of early spring crops. Nationally, returns to farmers from marketings also advanced over a year ago, but the rate of gain was somewhat less than that experienced by District farmers. For the most part, increased receipts from crop marketings accounted for the year-to-year gains in both the District and the nation. Returns from livestock marketings increased slightly in the District but eased somewhat nationally. The first quarter rise in District cash receipts resulted primarily from a heavier volume of marketings, although farm prices for the period averaged slightly higher than a year ago and contributed to the increase in cash returns. However, in March, the final month of the first quarter, receipts apparently fell below the unusually high level of a year ago due to a lower volume of marketings as well as lower prices. In April prices appear to have registered a further decline, both from March and relative to April 1962.

Twelfth District Participation in the Expanding Secondary Market for Negotiable CD's

THE sizable reduction which has occurred in recent years in the amount of working balances relative to total financial assets held by corporations and other businesses, and by public agencies and private institutions has been a subject for extensive study and discussion. This trend has been of particular interest to the nation's banks because it has contributed to a slower secular rate of growth in demand deposits—balances held in checking accounts. Since a bank needs deposits in order to make loans and investments, most banks in the last few years have more actively sought savings and time deposits to offset the diminishing rate of increase in demand deposits.

Banks have used various methods to compete more effectively with other savings institutions and with other alternate forms of investment for personal, corporate, and foreign funds. As early as 1961, some of the major banks in the nation began to use negotiable time certificates of deposit as a means of attracting corporate, public, and foreign funds. This article will review briefly the general background of this national development, and discuss the issuance of negotiable time certificates by banks in the Twelfth Federal Reserve District, where, for some banks, this form of deposit was not a new instrument.

CD's become a money market instrument

The negotiable "CD," as it commonly is called, is a certificate issued by a bank to evidence a deposit of funds; it is negotiable in form and, upon maturity, is payable at the bank of issue.¹ While the depositor may sell

the certificate prior to its maturity, the bank is assured of the use of the funds until the scheduled date of maturity. Although some banks for years have issued time certificates in negotiable form, many major banks, including those in New York City and Chicago, did not, as a matter of general policy, accept time deposits of corporate and other business firms in either negotiable or other form. In 1961, however, this policy was reversed, and some of the large New York banks began to issue negotiable CD's to corporations as a means of attracting or retaining deposits. During the year, a secondary market for negotiable certificates became operative when several New York Government securities dealers began to make a market in CD's. This provided a means by which corporations and others more readily could sell certificates prior to maturity. As the secondary market became more active in New York and was broadened to include Chicago, negotiable time certificates of deposit became, in effect, money market instruments.

The secondary market for CD's has remained a somewhat restricted one. Although all certificates of deposit in negotiable form are technically marketable, they may not be so in practice. The market, to date, has been limited largely to certificates issued in minimum amounts of \$1 million, with relatively little trading in smaller denominations. In addition, certificates offered by dealers generally have been restricted to those issued by large, nationally known banks. Certificates issued by less well-known banks customarily are sold in the secondary market to yield a rate of return higher than that on certificates of comparable maturity issued by banks of national prominence.

¹ Some banks will issue CD's payable at a bank other than the bank of issue, usually a correspondent bank.

Recent growth in CD's due to competitive rate of return

The extremely rapid growth in the volume of negotiable CD's in the last two years reflects both the competitiveness of their rates of return in relation to other short-term yields and the increase in their marketability. CD's, however, lack some of the flexibility of other money market instruments. Issuance of time certificates is governed by provisions of Regulation Q which set maximum interest rates, according to maturity, at which banks may issue certificates to domestic depositors;¹ these constitute ceilings beyond which banks cannot increase rates to maintain the competitive position of CD's in relation to other money market instruments. These ceilings, however, apply only to the rates of interest at which banks may issue certificates and not to the yields obtained when CD's are traded in the market.

Under the interest rate structure prevailing since late 1961, the 2½ percent maximum rate on time certificates issued with maturities of 3-6 months has kept these CD's from being competitive with Treasury bills of comparable maturities. As a result, few negotiable certificates have been issued during this period with maturities under 6 months and, if any of these CD's reached the market, they would have been traded at a discount. During this same period, the interest rate ceilings imposed by Regulation Q permitted banks to issue CD's with maturities of 6 months or longer at rates above prevailing yields on Treasury bills of comparable maturity, and competitive with rates of return on commercial and finance company paper. As these CD's with original maturities of 6 months or longer ap-

proached maturity, they also were traded in the secondary market at effective yields above those of comparable-length Treasury bills. For example, a depositor might obtain a 9-month certificate at a rate running up to a maximum of 3½ percent and sell the certificate in the secondary market after, say, 6 months. Because of the interest rate yield curve which prevailed during this period, such a CD generally sold at a price that gave the original depositor a yield equivalent, for the time he held the certificate, greater than the stated interest rate on the CD. The purchaser of the certificate in the secondary market, in turn, obtained an instrument with 3 months to maturity at a price to yield an effective rate somewhat below that of the stated interest rate on the CD, but above that which he could have obtained by depositing the funds originally with a bank for a period of less than 6 months.

During the last two years, CD's issued by major money market banks have traded on the market to yield only slightly more than Treasury issues of like maturity, but certificates issued by less well-known banks have traded at a somewhat higher spread. This probably has not been due to any question about the comparable financial soundness of the issuing institution, but because purchasers in the secondary market prefer to deal in CD's of banks with which they have an account relationship and which are located in major financial centers where they normally transact business. The spread between the bid and ask price expressed in terms of yield on time certificates of major banks has been small, generally around 5 basis points on CD's close to maturity and narrowing to around 2 basis points on ones with long maturities. This relatively narrow spread in yields is similar to that on Treasury bills, for which the market is many times greater.

The relative stability in the interest rate structure since late 1961 also has contributed

¹ The following maximum rates on time deposits (other than savings) are permitted under Regulation Q as revised January 1, 1962:

1 year or more	4 percent
6-12 months	3½ percent
3-6 months	2½ percent
Less than 90 days	1 percent

A later revision of Regulation Q effective October 15, 1962, removed for a 3-year period any interest rate ceiling on time deposits held by foreign governments, monetary and financial authorities of foreign governments when acting as such, and international financial institutions of which the United States is

to the growth of CD's as money market instruments. There are institutional factors that create reluctance on the part of banks to make frequent changes in rates paid on CD's, but the most significant factor is probably bank practice of quoting interest rates only in multiples of $\frac{1}{8}$ percent. As a consequence, rate adjustments to meet changing market conditions tend to lag those on other money instruments, particularly Treasury bills for which weekly auctions immediately reflect even very small changes in the price for funds. For this reason, stability in rates tends to favor the marketability of CD's.

Twelfth District ranks third in volume of outstanding CD's

According to the results of a nationwide survey of negotiable time certificates of deposit made by the Federal Reserve System, banks in the Twelfth District had outstanding CD's of \$779 million on December 5, 1962. The District ranked third in the nation, with only the New York and Chicago Districts having larger outstandings.¹ Although the dollar volume of CD's at District banks rose 159 percent from December 1960 to December 1962, this was substantially under the 464 percent rate of growth for the nation as a whole. This is explained by the fact that many banks in the Twelfth District have for years issued time certificates in negotiable form. As of December 1960, approximately one-third of all outstanding negotiable CD's in the nation were issued by Twelfth District banks, with banks in the Dallas District, where CD's also were well established, accounting for another third of the total.

While only a very small proportion of the negotiable time certificates issued in the Twelfth District reach the secondary market, the amount traded has been increasing gradually as the market has expanded, and as

CD's have become more widely recognized as money market instruments by business firms and others. Most certificates offered by dealers are in denominations of \$1 million and over. On recent weekly listings of offerings by several of the New York dealers in CD's, the dollar volume issued by District banks has ranged up to 15 percent of the total amount of CD's offered. The flow of certificates to the secondary market, however, is erratic and this percentage fluctuates widely over time. The increase in District participation in the market has been on the buy as well as on the sell side, as corporations, banks, and other financial institutions in the District have become aware of CD's as a form of profitable short-term investment.

District CD's tailored for the secondary market

Trading of District-issued CD's on the national secondary market indicates that major banks in the Twelfth District are able to compete successfully with banks in other sections of the country for time deposits of national corporations. Some of the large, money-market banks in the District are sufficiently well-known nationally so that their CD's are traded in the secondary market on the same basis as large New York and Chicago banks. A negotiable time certificate issued by a District bank may reach the secondary market either directly through a New York dealer or through a local office of such a dealer. Inventories of CD's are not maintained at local offices, so any purchases of CD's are for New York delivery¹ and are traded out of New York. Similarly, purchases of CD's by District banks, corporations, and others are bought from an eastern dealer directly or through a local office of such a dealer.

District banks have adopted various practices to overcome some of the handicaps imposed by the geographic distance from the

¹ The total amount of outstanding CD's in the nation as of December 5, 1962 was \$6,181 million, of which the New York Federal Reserve District accounted for \$2,217 million and the Chicago District, \$940 million.

¹ It appears that very few, if any, CD's from the Twelfth District are traded directly in Chicago.

New York market. Twelve of the District banks included in the survey issue negotiable CD's in a form which permits redemption at maturity at a bank other than the bank of issue, generally a New York City correspondent. This facilitates trading the certificate on the market since the secondary purchaser can receive payment at maturity in New York. By making a restrictive endorsement to the secondary purchaser (normally a New York dealer), a District depositor can mail a CD to New York at a minimum cost. The secondary purchaser may then re-endorse the certificate to bearer, permitting future trading without necessity of further endorsement. To further facilitate the marketability of their large denomination CD's, some District banks compute interest on a 360-day basis, rather than a 365-day basis. This conforms with the practice of some of the major eastern banks and permits buyers to compare yields more readily on these CD's with those on Treasury bills. The computation of interest on negotiable time certificates, however, still varies among banks, and it is necessary for a purchaser to know the individual bank's basis of computation in order to arrive at the actual rate of return on each CD offered on the secondary market. If the market for CD's continues to expand, there will probably be further standardization in interest computation among banks.

There appears to be very limited local trading of CD's in the District. If a depositor holding a CD under \$500,000 needs these funds prior to the scheduled date of maturity, he probably cannot sell the certificate on the national secondary market, but the bank of issue might be able to secure for him a bid through a local office of one of the national dealers who might know of a local customer interested in purchasing a small denomination certificate. Or, occasionally another local bank, as a courtesy to the bank of issue, might purchase the CD for its own account or for the account of a customer interested in the ma-

turity offered. The local sale of each certificate is handled as an individual transaction, and, since dealers do not maintain inventories of CD's locally, there appear to be no local District markets as such. However, the fact that at least limited local trading does take place offers to the depositor who holds a small denomination CD the possibility that he may be able to effect a sale of the certificate in case of unanticipated need for funds prior to the scheduled maturity of the CD.

Customer relationship generally required by District banks in issuing CD's

In judging the amount of outstanding CD's issued by District banks that might reach the secondary market, it is necessary to examine bank policies related to the issuance of these negotiable certificates. Only two District banks included in the December survey indicated that they impose upon the depositor any direct restriction or implied understanding that would restrict resale of negotiable time certificates, and both these banks stated that such restriction was made only in a few cases and under unusual circumstances. Banks, however, may have policies that indirectly restrict trading on the secondary market. District banks state that it is their general practice to limit the issuance of CD's to those with whom the bank has a customer relationship, or desires to establish such a relationship, although there are some exceptions to this practice. In some instances, instead of a flat turn-down, the bank will quote a rate somewhat below that paid to its prime depositors, or will accept part, but not all, of the funds a large corporation may wish to deposit at a requested rate of interest. This means that national corporations or other businesses wanting to invest funds in CD's may find some District banks unwilling to accept the deposit, at least at a favorable rate of interest, unless the business firm has an already established customer relationship.

FEDERAL RESERVE BANK OF SAN FRANCISCO

TABLE 1
CHANGE IN VOLUME OF OUTSTANDING NEGOTIABLE
TIME CERTIFICATES OF DEPOSIT, 1960-62

(millions of dollars)

Twelfth District banks		Amount			Percent change
Deposit size (in millions)	Number	Dec. 5, 1962	Dec. 30, 1961		1961-1962
\$1,000 and over	6	357	274	101	254
\$500-\$999	8	255	174	146	74
\$100-\$499	12	149	91	48	209
Less than \$100	6	18	8	6	211
Total	32	779	546	301	159

Note: Data are for negotiable time certificates of deposit outstanding at 32 Twelfth District banks.
Data may not add to totals due to rounding.

If a depositor sells a CD in the secondary market shortly after issuance, District banks do not necessarily refuse him another CD, but, under these circumstances, some banks may reduce the rate of interest offered, thus indirectly limiting resale without loss. If a bank has reason to believe a negotiable certificate is being purchased for the purpose of resale, the amount requested by the depositor may be scaled down, the rate offered reduced, or issuance refused. In any of these ways, some District banks indirectly control the acquisition of negotiable time certificates by depositors who want to "play the market." Banks in the Twelfth District have a larger proportion of their total deposits in the form of time deposits than do banks in other sections of the country, and the rate of increase in their demand deposits in recent years has been greater than for banks in the eastern money market centers. For these reasons, District banks possibly are under somewhat less pressure than eastern banks to issue negotiable time certificates to attract a larger volume of deposits.

Growth in District CD's greatest at billion dollar banks

The survey of negotiable time certificates of deposit conducted by the Federal Reserve

CD's by size of bank, by maturity pattern, and by distribution among types of depositors. Thirty-eight banks in the Twelfth District were included in the survey (all banks in the District weekly reporting series and all other banks with deposits of \$100 million and over). Six banks, all with deposits under \$500 million, reported that they did not issue time certificates in negotiable form; the other 32 banks do issue negotiable time certificates. Only six of these banks, however, issue certificates in "bearer" form. Although this form may enhance the marketability of the instrument, obviating the need for endorsement, mailing costs are high if shipment of the certificates becomes necessary, as would be required if traded in the New York market.

Outstanding negotiable certificates at District banks rose from \$301 million in December 1960 to \$779 million on December 5, 1962. There was some slowing down in the rate of gain over this time span, with the 81 percent increase in 1961 being twice that of 1962. There has, however, been a steady increase in the percent of total time deposits (excluding savings) held in the form of negotiable certificates—14 percent in 1960, 18 percent in 1961, and 24 percent in 1962.¹ The range among individual banks is wide, varying from under 10 percent to over 90 percent.

¹ Based on the 28 banks included in the weekly reporting member bank series.

TABLE 2

DISTRIBUTION OF OUTSTANDING NEGOTIABLE TIME CERTIFICATES OF DEPOSIT BY DENOMINATION

(dollar amounts in millions)

Twelfth District banks	In denominations of \$500,000 and over				In denominations of \$100,000-\$499,999			
	Number	Percent of total	Dollar amount	Percent of total	Number	Percent of total	Dollar amount	Percent of total
\$1,000 and over	253	52	249.0	53	519	43	73.2	40
\$500-\$999	135	27	136.2	29	459	38	73.6	41
\$100-\$499	89	18	73.0	16	201	17	30.9	17
Less than \$100	13	3	9.4	2	18	2	3.6	2
Total	490	100	467.6	100	1,197	100	181.3	100

Note: Data are for negotiable time certificates of deposit in denominations of \$100,000 and over issued by 32 Twelfth District banks and outstanding as of December 5, 1962.

District banks with deposits of \$1 billion and over had a 254 percent increase in outstanding CD's from 1960 to 1962, larger than the gain for banks in other size groups. In December 1962, these large banks accounted for 46 percent of the total District volume of outstanding negotiable CD's. This contrasts with the situation in 1960, when they accounted for only 34 percent. In that year, one-half of all outstanding CD's were issued by District banks in the \$500-\$999 million deposit-size group. This shift was due largely to the fact that, while many District banks had for years issued certificates of deposit in negotiable form, a few of the largest banks did not begin to do so until 1961.

Geographically, the largest volume of CD's was issued by banks in San Francisco and Los Angeles, but among the 15 banks with the largest outstandings in certificates of \$100,000 and over were banks in Honolulu, Phoenix, Portland, and Salt Lake City.

Large denomination CD's expand the fastest

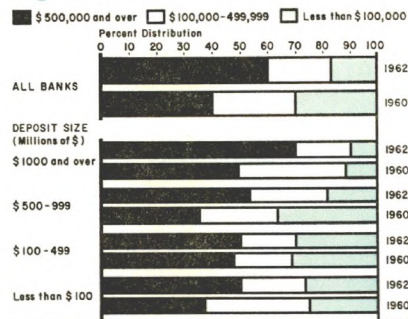
Banks reported their outstanding negotiable time certificates of deposit in three size categories: (1) less than \$100,000, (2) \$100,000-\$499,999, and (3) \$500,000 and over. Since the survey was designed to obtain information on CD's that might reach the sec-

ondary market, additional detail was obtained for the two larger size categories. For banks in all deposit-size groups, the rate of increase in CD's issued in denominations of \$500,000 and over was greater than for certificates in the smaller denomination categories, and, by 1962, these large denomination certificates accounted for 60 percent of total outstanding CD's as compared with about 40 percent in 1960. Thus, the potential volume of District CD's that might be traded in the market rose substantially during the last two years.

As of December 1962, banks with deposits of \$1 billion and over accounted for slightly more than half, both numerically and by dollar amount, of the outstanding CD's in denominations of \$500,000 and over, and these CD's constituted more than 70 percent of their total outstandings. Even the smaller deposit-size banks held one-half of their outstanding CD's in the largest denomination category. Distribution of larger denomination certificates by deposit-size groups of banks is shown in Table 2.

District banks reported \$10.7 million in negotiable CD's issued at a zero rate of interest. These certificates were distributed among banks in all deposit-size groups. The fact the District banks issued certificates in negotiable form at a zero rate of interest may,

District banks shift toward large denomination CD's



Note: Data for December 5, 1962 are for 32 Twelfth District member banks; data for December 31, 1960 are for those Twelfth District banks which were able to give a breakdown of their outstanding negotiable CD's by denomination.

in part, be the incidental result of a practice among many of these banks of issuing virtually all of their time certificates in negotiable form. In some cases, these deposits may be funds pending settlement of claims, with

this form of certificate avoiding the question of whether or not the principal would be entitled to any interest paid, yet permitting the bank to hold the deposit subject to the percentage reserve requirement applicable to time deposits. It is also possible that deposits might occasionally be held in this form in lieu of a compensating balance. In the latter case, a CD at a zero rate of interest might be traded in the secondary market but, in such an event, it would necessarily be traded at a discount.

Favored maturity is 6-9 months

As in the nation as a whole, the most popular maturity for CD's issued in the District was in the 6-9 month range. In December 1962, two-thirds of the outstanding CD's in the District and three-fourths of those at the largest banks had original maturities in this range (Table 3). About one-fourth of the CD's were issued with maturities of exactly one year. Only the smallest deposit-size group of banks did not conform to this pattern; they

TABLE 3
DISTRIBUTION OF OUTSTANDING NEGOTIABLE TIME CERTIFICATES OF DEPOSIT
BY ORIGINAL MATURITY

(In millions of dollars)

Twelfth District banks	Less than 6 months	6-9 months	9-12 months	One year	Over one year
Deposit size (In millions)					
\$1,000 and over					
Dollar amount	11.1	234.2	10.7	65.2	1.0
Percent of total	3	73	3	20	*
\$500-\$999					
Dollar amount	14.6	133.9	5.8	53.9	1.6
Percent of total	7	64	3	26	1
\$100-\$499					
Dollar amount	10.7	42.5	2.0	27.9	20.8
Percent of total	10	41	2	27	20
Less than \$100					
Dollar amount	0.4	1.8	0.0	3.2	7.6
Percent of total	3	14	0	25	58
Total					
Dollar amount	36.8	412.4	18.5	150.2	31.0
Percent of total	6	64	3	23	5

* Less than 0.5 percent.

Note: Data are for negotiable time certificates of deposit in denominations of \$100,000 and over issued by 32 Twelfth District banks and outstanding as of December 5, 1962.

Percentages may not add to 100 due to rounding.

TABLE 4
DISTRIBUTION OF OUTSTANDING NEGOTIABLE TIME CERTIFICATES OF DEPOSIT
BY ORIGINAL PURCHASER

(dollar amounts in millions)

Twelfth District banks	Corporate or business	Personal	States and political subdivisions	Foreign governments, central banks, int'l. institutions	Other foreign	Other (including non-profit)
Deposit Size (in millions)	Denominations of \$500,000 and over					
\$1,000 and over						
Dollar amount	164.4	—	1.6	75.5	7.0	0.5
Percent of total	66	—	1	30	3	*
\$500-\$999						
Dollar amount	84.8	—	44.9	6.5	—	—
Percent of total	62	—	33	5	—	—
\$100-\$499						
Dollar amount	28.8	—	35.2	5.2	—	3.8
Percent of total	40	—	48	7	—	5
Less than \$100						
Dollar amount	3.2	—	6.2	—	—	—
Percent of total	34	—	66	—	—	—
Total						
Dollar amount	281.2	—	87.9	87.2	7.0	4.3
Percent of total	60	—	19	19	2	1
	Denominations of \$100,000-\$499,999					
\$1,000 and over						
Dollar amount	68.5	0.6	—	0.3	2.3	1.5
Percent of total	94	1	—	*	3	2
\$500-\$999						
Dollar amount	47.9	1.5	22.3	0.1	0.9	0.9
Percent of total	65	2	30	*	1	1
\$100-\$499						
Dollar amount	16.8	2.2	9.7	1.2	—	1.0
Percent of total	54	7	31	4	—	3
Less than \$100						
Dollar amount	1.6	0.2	1.8	—	—	—
Percent of total	44	6	50	—	—	—
Total						
Dollar amount	134.8	4.5	33.8	1.6	3.2	3.4
Percent of total	74	3	19	1	2	2

* Less than 0.5 percent.

Note: Data are for negotiable time certificates of deposit in denominations of \$100,000 and over issued by 32 Twelfth District banks and outstanding as of December 5, 1962.

Percentage totals may not add to 100 due to rounding.

had more than one-half of their outstanding CD's with original maturities over one year. The longest maturity of CD's issued, as reported by individual banks, ranged from 6 months to 36 months, but more than one-half of the banks issued no certificates longer than 12 months.

Corporations and other business firms hold major portion of District CD's

In December 1962, nearly two-thirds of all outstanding District CD's in denominations of \$100,000 and over were held by corporations and other business firms. The Federal Reserve Bank of St. Louis

\$100 million and over had been issued to corporations and other business firms. These are the CD's most likely to reach the secondary market, particularly those in denominations of \$500,000 and over issued by the larger banks (Table 4). For all bank deposit-size groups, except for banks with less than \$100 million of deposits, this type of depositor accounted for the largest percentage of total outstandings.

District banks as a group reported that 19 percent of outstanding CD's in denominations

of \$100,000 and over were issued to states and political subdivisions, although the largest banks issued only 1 percent of their certificates to this type of depositor. There appear, however, to be some differences in interpretation among District banks as to the negotiability of certificates issued to state and political subdivisions, so these figures may not properly reflect the extent of CD's issued to this group. For instance, many banks do not regard the deposit receipt form provided by the State of California, for use when time deposits are made by the State, as a negotiable certificate. Some other political subdivisions also provide their own form of deposit receipt, and these, too, may not be considered as negotiable by some banks. Other banks, however, may regard these receipts as technically negotiable instruments, and some banks issue a standard form of negotiable certificates to states and political subdivisions where no prescribed form is required. In those District states having regulations requiring all deposits of state and political subdivisions to be secured by surety bond and/or certain specified types of collateral, resale of certificates evidencing such deposits might pose problems for the issuing bank. These problems may be more hypothetical than real, however, as there appears to be little or no evidence that time certificates issued to states and political subdivisions ever reach the secondary market.

Since the revision of Regulation Q in October 1962, banks have been free to compete for time deposits of foreign governments, central banks, and international financial institutions of which the United States is a member without respect to an interest rate ceiling. In the Twelfth District, 30 percent of outstanding negotiable CD's of \$500,000 and over issued by banks with \$1 billion or more in deposits were made to this type of depositor. Banks in other deposit-size groups issued only nominal amounts, or no certificates, to this type of purchaser. It might be expected

that some of these certificates would be traded on the secondary market because of higher rates than those carried by certificates issued to domestic depositors. In those unusual instances in which the issue rates have exceeded Regulation Q ceilings, District banks have placed a notation on such certificates, as recommended by the Board of Governors of the Federal Reserve System, informing holders that interest above the maximum rate permitted under Regulation Q cannot be paid unless the holder is exempt under the terms of the Regulation.

Factors affecting continued popularity of CD's

The popularity of CD's, like that of any money market instrument, is dependent upon attractiveness under market conditions existing at the time. During the past two years, the structure of interest rates has been such that both initial investors and those acquiring them in the open market have found it profitable to place funds in CD's with original maturities of 6 months or longer. In both cases, the return has been higher than that on Treasury bills of comparable maturity.

A substantial shift upward in short-term rates, resulting in a sizable reduction in the existing spread between the yield on CD's and Treasury bills of comparable maturity, could affect adversely CD's as money market instruments. There is still some leeway under present Regulation Q ceilings for upward adjustment in rates from the average level banks are currently paying on CD's with maturities of 6 months and longer. A substantial rise in short-term rates, however, would find banks unable to issue CD's at rates competitive with Treasury issues and other money market instruments of comparable maturities, under the present terms of Regulation Q.

Most banks in the last two years have been willing to issue negotiable time certificates of deposit as a means of attracting funds that

might otherwise be lost to them. To cover interest payments on these deposits, banks have made shifts in both loan and investment portfolios to obtain assets with higher rates of return. This generally has meant an increase in holdings of mortgages and of tax-exempt municipals and other non-Treasury securities; the result has been a lengthening of the average maturity of bank-held assets. The interest of banks in issuing CD's at rates high enough to make them attractive to depositors

will continue to be circumscribed by the ability to invest these deposits in assets which will profitably cover interest costs, and by willingness to lengthen the maturity of assets held against relatively short-term deposits. Banks must also continue to schedule maturities of CD's in such a fashion as to guard against sudden loss of deposits should there be an increase in short-term interest rates which they would be unwilling or unable to meet.

FEDERAL RESERVE BANK OF SAN FRANCISCO
BANKING AND CREDIT STATISTICS AND BUSINESS INDEXES—TWELFTH DISTRICT¹
(In Indexes: 1957-1959=100. Dollar amounts in millions of dollars)

Year and Month	Condition items of all member banks ^{2, 7}				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) ⁸	Dep't store sales (value) ⁸	Retail food prices ^{7, 8}
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted ³	Total time deposits							
1929	2,239	495	1,234	1,790	19	....	...	...	110	18	53
1933	1,486	720	951	1,609	8	....	...	...	56	11	34
1939	1,967	1,450	1,983	2,267	14	....	...	...	83	19	38
1953	9,220	6,639	10,515	7,997	69	4.14	86	86	108	74	93
1954	9,418	6,942	11,196	8,699	71	4.09	85	84	103	74	93
1955	11,124	7,239	11,864	9,120	80	4.10	90	90	112	82	92
1956	12,613	6,452	12,169	9,424	88	4.50	95	96	112	91	94
1957	13,178	6,619	11,870	10,679	94	4.97	98	101	103	93	97
1958	13,812	8,003	12,729	12,077	96	4.88	98	96	96	98	101
1959	16,537	6,673	13,375	12,452	109	5.36	104	101	101	109	101
1960	17,139	6,964	13,060	13,034	117	5.62	106	103	95	110	103
1961	18,499	8,278	14,163	15,116	125	5.46	108	103	94	115	104
1962	....	....	....	....	141	....	113	109	104	123	...
1962											
May	19,328	7,582	13,945	16,352	140	....	112	108	102	121	106
June	19,625	7,689	13,101	16,511	143 ^r	5.52	112	108	102	123	106
July	19,669	7,532	13,535	16,587	144 ^r	....	113	109	106	123	105
August	20,017	7,309	13,255	16,655	144 ^r	....	113	109	105	124	105
September	20,165	7,471	13,446	16,772	143 ^r	5.49	113	107	103	124	105
October	20,460	7,471	13,969	16,934	142 ^r	....	114	111	104	121	106
November	20,589	7,501	14,012	16,827	144 ^r	....	114	110	102	128	105
December	21,102	7,608	14,431	17,093	146	5.50	115	111	101	127	106
1963											
January	21,035	7,454	13,917	17,390	146	....	116	111	90	127	107
February	21,403	7,130	13,527	17,532	149	....	116	111	105	128	107
March	21,480	7,130	13,646	17,760	152	5.46	116	111	105	130	107
April	21,714 ^r	7,103 ^r	14,175 ^r	17,868 ^r	147	....	116 ^p	110 ^p	...	118	107
May	21,893 ^p	7,070 ^p	13,439 ^p	18,111 ^p	152	....	...	...	...	...	...

Year and month	Industrial production (physical volume) ^{1, 2}							Waterborne Foreign Trade Index ^{3, 4, 5}					
	Lumber	Petroleum ²		Cement	Steel ¹	Copper ¹	Electric power	Exports			Imports		
		Crude	Refined					Total	Dry Cargo	Tanker	Total	Dry Cargo	Tanker
1929	81	91	61	34	...	89	13	96	61	193	20	55	*
1933	35	54	39	17	...	15	11	55	...	12	...	...	...
1939	62	70	49	35	16	70	17	82	43	190	16	41 ^r	1
1952	101	112	90	77	92	100	61	86	81	101 ^r	33	61 ^r	18
1953	102	114	95	82	105	98	69	71	56	113	51	70	41
1954	101	111	92	83	85	90	73	67	57	96	44	71	28
1955	107	111	96	90	102	104	82	84	72	117 ^r	52 ^r	80	35
1956	104	109	100	97	108	114	89	101	105	91	75	86	69
1957	93	106	103	93	114	113	95	117 ^r	124	96	95	93	97
1958	98	98	96	99	94	101	97	89	86	96	92	95	91
1959	109	96	101	108	92	86	107	95	90	108	112	113	112
1960	98	95	104	101	102	112	115	122	123	120 ^r	133 ^r	142 ^r	147 ^r
1961	95 ^r	96	108	105	111	119	124	126	134	104	134	116	145
1962	97	96	111	111	100	128	...	...	...	...	...	...	...
1962													
April	93	95	105	113	98	141 ^r	129	107	121	67	140	117	154
May	96	96	108	111	107	136	131	134	145	104 ^r	137	138	137
June	94	96	112	94	103	130	128	104	121	59	156	132	170 ^r
July	98 ^r	96	115	115	84	112	128	82	85	74	154	122	172
August	97	95 ^r	114	117	89	115	134	116	130	76	168	136	186
September	98	96	113	115	90	119	134	105	121	61	137	122	145
October	97	98	112	120	88	127 ^r	132	96	105	72	158	154	161
November	104 ^r	97	113	115	91	127	135	93	91	99	163	127	183
December	103	97	113	121	100 ^r	127	...	154	157	143	134	124	140
1963													
January	102 ^r	96	113	122	100 ^p	125	...	...	...	...	...	...	...
February	95 ^r	96	111	118	114 ^p	130 ^r	...	...	...	...	...	...	...
March	104	97	110	122	127 ^p	134	...	...	...	...	...	...	...
April	...	...	...	...	138 ^p	...	...	...	...	...	...	...	...

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 Lumbermen'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 1912. Debits to demand deposits except U.S. Government and interbank deposits from 1912.

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 A new index now combining not only Los Angeles, San Francisco, and Seattle food indexes but also Portland. Reweighted by 1960 Census figures on population of standard metropolitan areas.

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 the index.

¹¹ Preliminary.

¹² Revised.

¹³ Less than 0.5 percent.