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Editor: William Burke

Murky Scene

On Earth Day, most business analysts could see only dimly through the smog of conflicting economic indicators. The scene was clouded by an ambiguous combination of indexes—with, for example, prices rising in the face of a production decline—and it wasn't made any clearer by the new military developments which have now put Laos and Cambodia (along with Vietnam) on the troubled map of Southeast Asia.

The big numbers in early 1970 purveyed some of this doubtful atmosphere. In the first quarter, GNP rose at a 3-percent annual rate to $960 billion, but this figure masked a 6-percent rise in GNP prices and a 3-percent decline in real output. The first-quarter output decline continued the slide which commenced in the final months of 1969; the price increase was the sharpest advance of the current inflationary period and, indeed, was the largest increase of the past two decades.

Federal buying off

The Federal government reduced its spending for military goods and services during the quarter, while businesses held down their rate of inventory accumulation and home builders recorded a sharp reduction in spending. Yet, at the same time, businesses continued to expand their purchases of new plant and equipment, and consumers continued to boost their purchases of practically everything except autos, while the foreign-trade sector posted a long-awaited increase in its net export surplus.

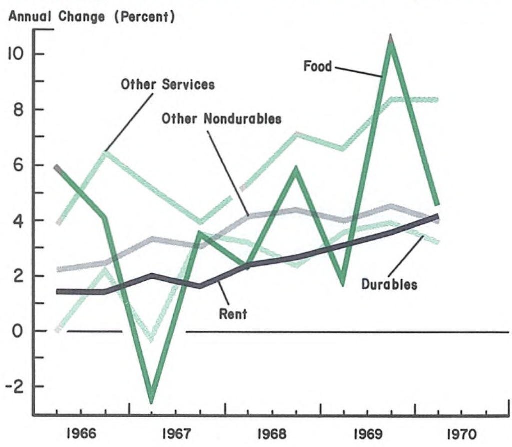
Within the government sector, defense spending dropped at a 2-percent annual rate, to a $79-billion figure, while Federal non-defense spending held at about the $23-billion level maintained on average during 1969. (State-and-local government expenditures rose at a below-average 9-percent annual rate, to $119 billion, during the period.) But despite the hold-down on spending in defense and other fields, the Federal budget moved toward a deficit position because of reductions in revenues, caused by sluggish business and the cut in the tax surcharge, and increases in spending in some categories (such as Medicare) which do not appear in the figures for GNP purchases.

In coming quarters, Federal goods purchases may remain somewhat sluggish; new orders for defense equipment, although up sharply since last summer, are still one-fourth below year-ago levels. But purchases of personnel services should remain high, despite some layoffs, because of the 6-percent retroactive pay boost for Federal employees.

Business spending up

Within the business sector, fixed-investment spending rose at a 6-percent annual

Consumer prices continue soaring, although at slower rate than before



rate in the first quarter, to $104-billion, on the basis of a continued strong trend in durable equipment and a sharp upsurge in spending for bricks and mortar. Moreover, the latest Commerce-SEC plant-equipment survey suggests continued strength throughout the rest of 1970, with second-half spending rising 10 percent (annual rate) above the estimated first-half level, since most industries are trying to enlarge their capacity and increase efficiency so as to prepare for the competitive atmosphere of the 1970's.

Even so, several unfavorable factors in the current business scene may affect near-term decisions adversely. The slowdown in industrial activity, the falling rate of capacity utilization, the reduction in sales and profit expectations, and the stringent conditions in the capital market all could force the postponement or cancellation of present spending plans. In fact, the recent decline in new orders for machinery and equipment—down 5 percent from the 1969 average during the first quarter—already casts some doubt on the credibility of at least some of the figures in the spending survey.

Businesses, while spending heavily for plant and equipment, accumulated inventories at only a $1-billion annual rate in the January-March period. This figure, the lowest accumulation rate of the last several years, reflected mostly the attempt of auto retailers to get their stocks more into line with their reduced level of sales. But few analysts yet saw much evidence of a decline in *total* business inventories, which typically occurs only in full-scale recession years.

House building down

Residential builders meanwhile saw nothing but gloom in the first-quarter housing figures. New construction fell at a 20-percent annual rate, to $30 billion, in the sharpest drop since the 1966 slump; and new housing starts dropped steeply to a 1.25-million annual rate.

The housing credit outlook has improved as savings institutions have garnered a net inflow of funds, helped along by the increasing attractiveness of yields on savings instruments. (The yield spread between Treasury-bill rates and S&L rate ceilings narrowed during the first quarter to about the level of 1968, a year of strong deposit growth.) But the improved savings inflow will not have an immediate impact on the mortgage market, because of the usual lag between the inflow and the disbursement of these savings.

Consumer problem: buying . . .

Within the consumer sector, durable-goods spending during the first quarter dropped at a 1-percent annual rate, to $89½ billion, especially since would-be buyers avoided auto salesrooms in droves. New-car sales remained sluggish during the early-spring period; the annual sales rate for domestic models in March and early April was about 7½ million units, or somewhat below even the depressed 1969 figure. But much of the domestic industry's problems could be attributed to the competitive strength of foreign-made cars, which raised their share of the U. S. market from 10½ to 13 percent over the past year.

In other areas, consumer spending rose during the January-March period, at an above-average 10-percent annual rate for nondurable goods and at the usual 9-percent rate for consumer services. In both categories, spending reached a $255-billion rate for the quarter—and in both cases, price increases accounted for at least half of the total gain in dollar spending.

. . . and pricing

The problems of households were aggravated by the continued rise in the consumer price index—up at about a 6-percent annual rate during the quarter, mostly because of the impact of increasingly expensive food and services. At best, the rise has not accelerated over the past six months or so, although even that is not true for prices of services lately. (Hamburger prices have eased slightly, but housewives still pay more for that staple than they did a year ago.) Some relief from the upsurge in meat prices is expected because of an improved supply situation; in the labor-intensive service industries, however, inflationary pressures should recede only when (and if) wage-productivity relationships improve.

An unfavorable omen was the continued increase in the wholesale price index, which foreshadowed higher pricetags for retail commodities in coming months. (Still, the index held steady in April, because of a drop in wholesale food prices.) A mildly favorable omen, however, was the slight easing of inflationary pressures reported in recent surveys of purchasing agents.

Relatively strong income flows, along with the reduced surtax, led to an 8-percent annual rate of increase in disposable personal income in the January-March period. This increase offset the sharp rise in consumer prices and thus permitted a slight gain in real per capita income—and, with the sluggishness in durable-goods spending, it helped maintain the consumer savings rate at the fairly high 6½-percent figure reached in second-half '69.

. . . and earning

Consumer income will be bolstered this quarter by higher (and retroactive) Government payments to Federal workers and social-security beneficiaries, as well as by higher-than-usual income-tax refunds. But the growing sluggishness in the labor market may counteract the effect of rising wage rates and hold down the growth of income generally. In the first quarter, nonfarm employment rose at a 2-percent annual rate—far below the average growth of the past several years—because of the continued decline in durable-goods manufacturing and the sluggish job pace in the construction trades and in the Federal government (except for temporary Census workers). Just between December and April, the jobless rate soared from 3.5 to 4.8 percent, reflecting heavy layoffs among adult men, the backbone of the labor force, as well as a large increase in the overall number of people in the labor market.

Workers' attempts to offset price hikes with hefty wage boosts, when coupled with a heavy collective-bargaining calendar, make the bargaining scene as murky as the general economic climate. New settlements negotiated during 1970 will affect almost one-half of the 11 million workers covered by major labor contracts—twice as many as in 1969—and most of the others, under contracts signed in earlier years, will get an average 5.6-percent wage increase this year.

In early 1970 negotiations, electrical workers obtained a wage boost slightly above the average 1969 increase, and teamsters negotiated a nationwide agreement which soon threatened to come unstuck because of regional groups' pressures for more pay. Tire workers are now on strike for more pay, as are many construction workers, and still in the offing is the autoworkers' contract, up for negotiation late this summer without the crucial participation of the late Walter Reuther. The uncertainty in the labor scene thus adds another imponderable which policymakers must confront in treading 1970's narrow path between inflation and recession.

William Burke

Less Restraint?

During the winter and early spring months, dedicated "Fed watchers" were even more alert than usual, attempting to detect signs of a lessening of monetary restraint. Their efforts were not completely rewarded, but still they professed to see a modicum of relaxation of the stringency that characterized 1969's money and credit markets. There was the sharp decline in interest rates that developed from the beginning of the year through early April. There was an increased growth in the money supply, along with a modest increase in time deposits that contrasted with the protracted 1969 decline. Finally, there were two specific newsworthy developments—the commercial banks' ½-percent reduction in their prime rate in late March, and the Federal Reserve's reduction (from 80 to 65 percent) in stock-market margin requirements in early May.

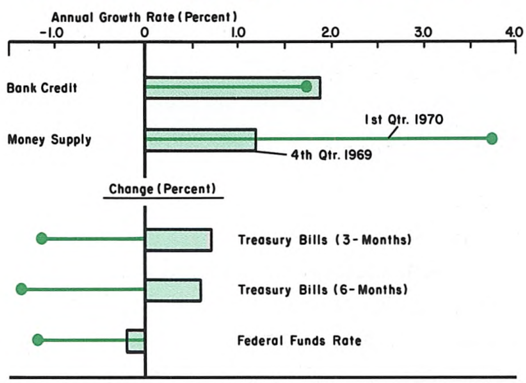
Monetary . . . watching the aggregates

Three policy actions taken this winter each contributed in its own way to a slight easing of restraint. The first action was the Federal Reserve Board's decision to lift the maximum interest rates payable upon time-and-savings deposits. Ceilings were raised for all categories, ranging from a ½-percent increase for savings accounts (to 4½ percent), to a 1¼-percent increase for large negotiable certificates of maximum maturity (to 7½ percent).

These changes, along with the sharp drop in market interest rates, had a dramatic impact upon total commercial-bank time-and-savings deposits. From a net rate of outflow of nearly 12½ percent in January, these deposits grew at more than a 13½-percent annual rate in March.

The second major policy action was taken by the Federal Open Market Committee at its January 15 meeting. The Committee concluded that "increased stress should be placed on the objective of achieving modest growth in the monetary aggregates, with about equal weight being given to bank credit and the money stock. . . . Operations should be directed at maintaining firm conditions in the money market, but they should be modi-

First-quarter shift in policy shows in monetary aggregates and in rates



fied if it appeared that the objective with respect to the aggregates was not being achieved."

This emphasis upon monetary aggregates could be interpreted as a distinct shift in the implementation of monetary policy, since it represented a switch in policy goals. Previously, open-market operations were concerned with achieving or maintaining a given state or condition in the money market, with the greatest initial impact on short-term interest rates.

The third major policy action was the Open Market Committee's (9 to 3) vote to ease policy, which was taken at its February 10 meeting and publicized in May. The majority's directive was that operations should be conducted "with a view to moving gradually toward somewhat less firm conditions in the money market."

By the standard of either monetary aggregates or money-market interest rates, monetary policy showed some easing between fourth-quarter '69 and first-quarter '70. In the January-March period, commercial-bank credit grew at a 1.8-percent annual rate—roughly the same as in the preceding period—and the money supply accelerated to a 3.8-percent growth rate. Short-term interest rates meanwhile dropped sharply, by a full percentage point or more, from the historical highs reached in late 1969, even though they stiffened again in April.

Fiscal . . . turning expansive

While monetary-policy indicators showed less tightness in the opening quarter of the year, fiscal indicators exhibited considerable easing, as the Federal budget moved rapidly toward a deficit position. (In contrast, the budget showed a $6½-billion annual rate of surplus in fourth-quarter '69, on the national-income accounting basis.) In early 1970, the Treasury obtained less tax revenue because of changes in tax legislation and in the business climate, but it paid out more to social-security beneficiaries and state-and-local governments, even while reducing its payments to defense contractors.

Looking to fiscal 1971, fiscal analysts are projecting a fairly substantial deficit on the basis of present tax and revenue expectations. Revenues will be held down by the continued easing of tax restraints and (possibly) by the continued sluggishness of business activity. At midyear, the income-tax surcharge (now at 5 percent) will be phased out completely, while the personal-tax exemption will be lifted from $600 to $650. Meanwhile, certain spending increases are already locked into place. Postal and other Government workers have received a healthy pay increase — retroactive to last January, instead of January 1971, as earlier scheduled—while expenditures are rising for such purposes as increased social-security benefits and (recently unfrozen) Federally-assisted construction projects.

The monetary-policy response—given the context of a difficult business atmosphere and a complicated fiscal stance—was suggested by Federal Reserve Chairman Burns in Congressional appearances during February and March. "The task of monetary policy in the year ahead will be to tread the narrow path that lies between too much restraint and too much ease." This policy seeks to ensure that the recent drop in business activity does not go on much longer or threaten to become more widespread, but it also seeks to avoid stimulating the economy to the extent of jeopardizing the battle against inflation.

Herbert Runyon

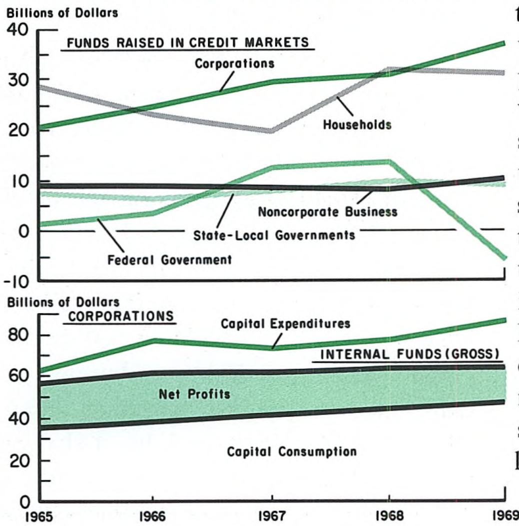
Past Events

The financial stringency of the past year has come about, at least in part, because of the events of a half-decade ago. More exactly, the long-ago spending plans of businesses, governments, and consumers generated credit demands that far exceeded the funds that were likely to be available as those plans all matured and required new financing. Over time, then, the nation's credit markets came under heavy strain, as evidenced by flow-of-funds data for the Vietnam period.

The Federal government, with its heavy wartime financing, boosted its net demands on credit markets from $2 billion in 1965 to $13 billion in 1968, but then, with the surcharge-based change in its financial fortunes, it actually became a net supplier of funds ($5 billion) in 1969. Similarly, households and state-and-local governments significantly increased their requirements between 1965 and 1968, but then reduced their net credit demands (to $31 billion and $9 billion, respectively) in the restrictive environment of 1969.

Corporations, however, almost doubled their market financing over this period, raising $37 billion in 1969 as against $20 billion in 1965. This reflected the widening gap between corporations' heavy capital expenditures and the relatively stagnant level of their internally-generated funds. Capital spending rose sharply from $63 billion in 1965 to $87 billion in 1969, while internal funds rose only from $57 billion to $63 billion over the same timespan, largely on account of a three-year-long downtrend in retained corporate earnings.

Corporations go to market,
as internal funds fail to cover needs

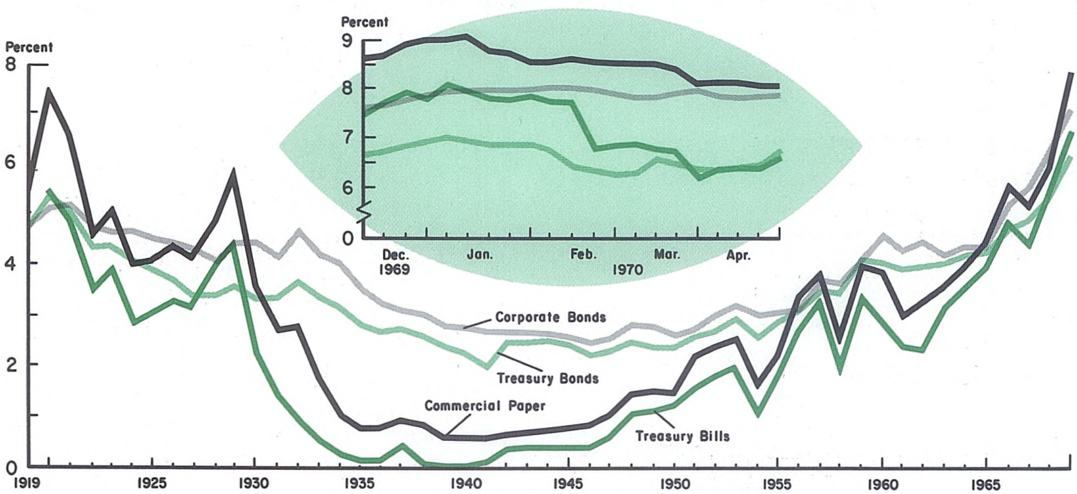


With the business slowdown of early 1970, most observers see an easing in the demand for short-term credit—but with the continuing backlog of capital projects generated years ago, they also visualize a continuation of heavy pressures on the capital markets. Corporations are creating severe demands on securities markets because of their need to finance large capital-goods expenditures (for which they have insufficient internal funds) and to fund their bank loans and other short-term debt. But other sectors are also generating heavy market pressures: households and state-and-local governments, with their long-pent-up needs for housing, schools, and hospitals; Federal agencies, with their substantial role in supporting the mortgage market; and now the Federal government, with its recent shift again towards a deficit position.

Two events of the past month demonstrate the magnitude of these pressures—and the prices required to meet them. In mid-April, AT&T issued $1.6 billion of 30-year debentures with an 8¾-percent interest rate, and accompanied this with warrants to buy $1.6 billion of the company's stock over a 4½-year period. At month-end, the Treasury added a $3.5-billion cash offering onto its offer to refund $16.6 billion of maturing securities; in the cash offering, it announced an 18-month 7¾-percent note priced to yield 7.79 percent, and in the exchange offering, it announced two longer-term issues, one of them being a seven-year note with an 8-percent coupon.

The task for market makers in 1970 is to restore an equilibrium between the demand and supply of capital-market funds. Given a gradual increase in savings flows and a modest expansion of monetary aggregates, the existing backlog of credit demands may gradually be worked down, permitting a concomitant decline in long-term interest rates. Even so, the immense size of this backlog of credit demands—and the prospect of heavy new demands, reflecting in many cases the side-effects of spending plans set in motion years ago—could sustain the remaining imbalance and keep rates from falling very far from their recent highs.

Interest rates stiffen again in spring months, after declining from historical highs reached at turn of year



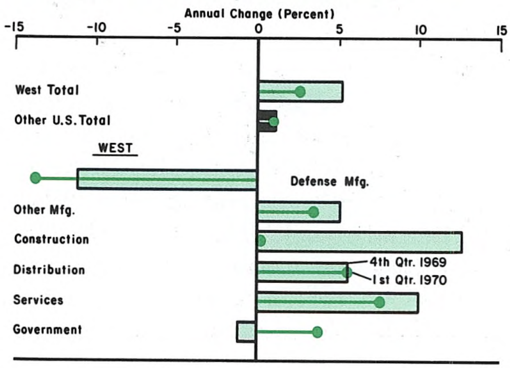
Wintry Scene

The Western scene contained some wintry elements in the early months of 1970. Aerospace manufacturing and home-building, in particular, lagged during the quarter, but brighter spots appeared in such diverse activities as non-residential construction and livestock raising.

Nonfarm employment increased at about a 3-percent annual rate, to 10.5 million, during the January-March period — or only about half as fast as in the final quarter of 1969. (Still, employment continued to expand at least twice as rapidly in the West as in the rest of the nation.) While jobs continued to open up in most major industries, employment remained stable in construction —and dropped at an 18-percent annual rate in the West's hard-beset aerospace industry.

The unemployment rate continued to rise in the West as in the nation, reflecting the general slowdown in business activity. The jobless rate in California increased to 5.0 percent in first quarter '70—up from 4.5 percent in the final quarter of 1969. The rate rose even higher in several other states, especially Washington—where it jumped to 5.9 percent, as against 5.3 percent in the preceding quarter. Elsewhere in the nation, the first quarter rate was about 4.0 percent, up from 3.4 percent over the quarter.

Employment grows less rapidly, because of layoffs in defense plants



Some soft spots

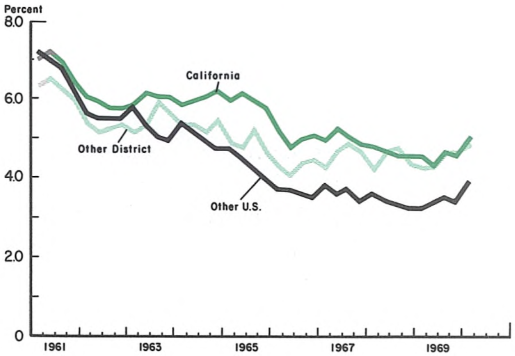
The West's aerospace employment decline accelerated over the first quarter, as payrolls dropped by more than 30,000 to 634,000, with California firms accounting for almost two-thirds of the increase in layoffs. Nonetheless, the annual rate of decline was greater in Washington (60 percent) than in California (13 percent).

Weakening was evident in both the commercial and military sectors. Financial difficulties of airlines and aircraft builders have delayed deliveries of current-model commercial jets as well as orders for the new "jumbo" jets. Also, total defense contracts have declined, lagging almost a fourth behind the year-earlier pace during the final months of 1969.

The District's housing industry opened the new year on a downbeat, under the impact of bad January weather and a further hike in housing costs. Housing starts dropped about 20 percent, to a 271,000-unit annual rate, between the closing quarter of 1969 and the first quarter of 1970, with virtually all of the decline being centered in single-family units. In some areas, such as Seattle, the drop was quite sharp, but Los Angeles, Phoenix, Las Vegas, and Salt Lake City continued to show considerable strength.

In contrast, non-residential and heavy con-

Jobless rates much higher in West than in rest of nation



struction remained quite strong. Contract awards for office buildings, power facilities, streets, and highway continued to run over 20 percent above year-ago levels, in dollar volume.

Western lumber producers marked their prices down further as housing activity continued to lag across the nation. In March, softwood lumber prices were down 29 percent, and softwood plywood prices were down 52 percent from the peak levels of early 1969 — although they still remained above the more normal levels of early 1968.

Copper demand in the nation lagged behind the year-ago pace in early 1970, but strong European demand and production problems in foreign mines caused prices to rise sharply on the London exchange. U. S. producers reacted to the world-wide situation by raising refined copper prices by 4 cents a pound in January and by another 4 cents in early April, to a range of 60-60¼ cents a pound. With this latest increase, producer prices were 58 percent above the level prevailing at the end of the copper strike two years ago.

Shipments of aluminum ran below last year's record level, but demand picked up by early spring, and thereby encouraged Pacific Northwest producers to raise prices. In mid-April, the price of ingot rose 4 percent, from 28 to 29 cents a pound, and prices of selected fabricated products went up 3 percent on average.

Silver prices were affected in early 1970 by the discussion centering around coinage of an Eisenhower silver dollar. The New York dealer price rose from $1.80 to $1.93 an ounce around the turn of the year, when it appeared possible that Congressional legislation would provide for minting 150 million silver-content coins bearing the former President's likeness. But the quotation dropped back to $1.87 an ounce by mid-April as House backing for the measure became increasingly doubtful.

Western steel production failed to match its exceptionally strong year-ago performance during early 1970. Although demand was sluggish into the spring period, producers this April raised prices of steel bars and semifinished products—such as blooms and billets—by 4½ percent on average, in an effort to offset rising cost pressures.

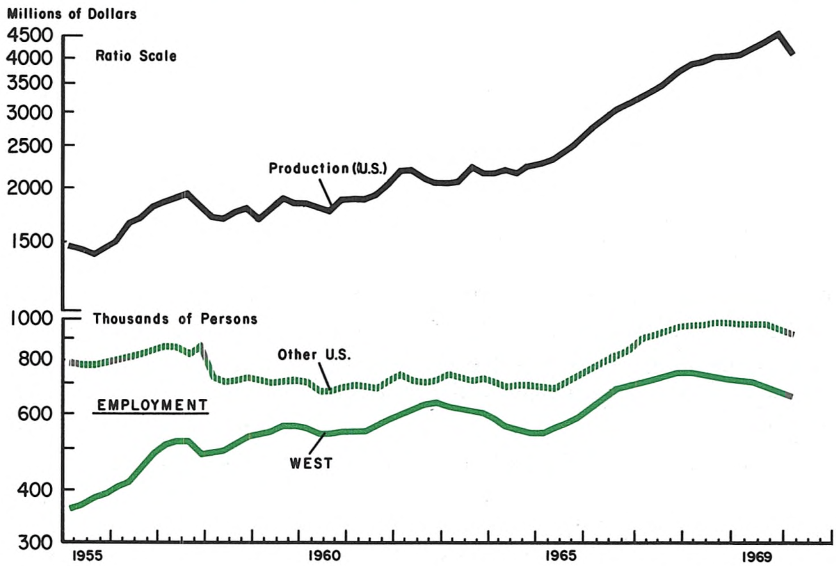
More softness

Total industrial power use in the District declined 4 percent from the December '69 peak by February, before levelling off in March. (In contrast, power use nationwide rose 2 percent in the same period.) The primary metals industry, accounting for 42 percent of the West's total industrial consumption, contributed heavily to the sluggish early '70 performance. Weakness developed in the transportation-equipment, chemical, and food-product industries in late 1969, but the early-1970 decline was all-pervasive.

Petroleum product inventories remained high during the first quarter, even though District refineries reduced their operating rate from 93 to 76 percent of capacity between December and March. (Since District crude production remained steady during this period, foreign producers felt the full impact of the refinery cutback.) Still, in the face of high gasoline inventories, some major firms attempted to meet rising costs by announcing wholesale price increases this spring.

Delivery of North Slope Alaskan oil to major U.S. markets was delayed when conservationists obtained an injunction blocking construction of the Trans-Alaskan Pipeline System, originally set for completion in late 1972. But meanwhile, oil was discovered in the Canadian Arctic near the Mackenzie River, and confirmation wells are now being drilled in that area.

Vietnam boom in defense production comes to an end—and layoffs ensue



Increased livestock receipts dominated the Western farm scene during early 1970. All District states showed year-to-year increases of 12 to 15 percent in cash receipts from marketings of livestock and livestock products, while Western farmers generally posted only slight increases in crop returns.

Cattle on feed numbered 6 percent above the year-ago total at the beginning of 1970. Despite an increase in marketings of fed cattle, prices averaged 6 percent above those of a year ago, reflecting the continued strong demand for beef and the reduced production of other meats.

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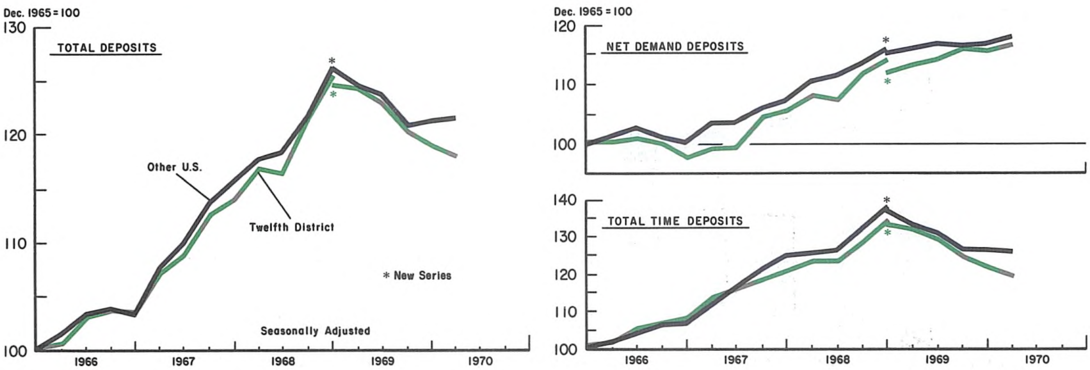
Troubled Quarter

Credit expansion at Western banks was still limited in the first quarter of 1970 by monetary-policy pressure and time-deposit attrition. Nevertheless, Twelfth District commercial banks recorded a small ($108 million) increase in total credit during this period, in contrast to a decline nationally. District banks invested $415 million in U.S. Treasuries and other securities, largely in short-term issues, to replenish their badly depleted securities holdings. On the other hand, they reduced their loan portfolios by $307 million, because of both net repayments and outright loan sales. But banks nationally moved in just the opposite fashion, expanding their loans while reducing their security holdings. (All data seasonally adjusted.)

Although Western banks reduced their loan portfolios in early 1970, the *demand* for loans (particularly business loans) expanded much more than seasonally when measured by balance-sheet data adjusted for loan sales. Yet, in the face of this continued strength in credit demand, most Western banks followed the national pattern in the last week of March and announced a ½-percent reduction (to 8 percent) in their prime business-loan rate.

Meanwhile, interest costs moved up significantly as a result of the late-January increase in time-deposit ceiling rates. Almost all District banks moved to the new 4½-percent maximum rate on regular passbook savings, and some banks offered certificates or

District banks post smaller deposit decline than in earlier periods —but banks elsewhere record much stronger performance



open-account deposits (in passbook or statement form) at 5½ percent for one-to-two-year maturities and 5¾ percent for longer maturities. While these higher rates did not stop disintermediation in consumer-type savings in February, they helped to moderate the rate of outflow, and in March banks experienced a small seasonal inflow.

District member banks' first-quarter decline in total deposits ($355 million, seasonally adjusted) was only about half as large as the preceding quarter's decline. Net demand deposits actually increased, because of a rise in private deposits, while time-deposit attrition tapered significantly from the peak levels of earlier quarters. Indeed, banks added $253 million in large-denomination negotiable CD's, issuing them mainly to foreign governments and institutions which are not subject to Regulation Q ceiling rates.

Record discounting

Despite the substantial deposit run-off during the first quarter, the *average* level of deposits was only slightly below the fourth-quarter level. Nevertheless, reserve requirements for the quarter were slightly higher ($8 million) because of the marginal reserves that banks have been required to maintain since last October on certain Eurodollar holdings.

Borrowings from the Federal Reserve discount window averaged a record high of $157 million in the January-March period, as against $128 million in the preceding period (daily-average basis). Since excess reserves remained at about the same level as before, net borrowed reserves increased sharply to an average of $138 million. This intensification of reserve pressure on District banks, which contrasted with a reduction elsewhere in discounting and in net borrowed reserves, reflected the greater pressure regionally for funds to meet the continued heavy deposit outflow.

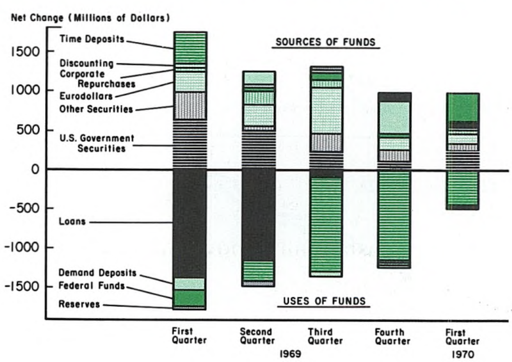
District banks also turned to the Federal-funds market for additional borrowing of reserve funds. Total net purchases (borrowings) amounted to $546 million — almost triple the level of the several preceding quarters. Moreover, certain major banks were very heavy borrowers, since the aggregate total includes data for some banks that were substantial net sellers of funds.

Shifting sources

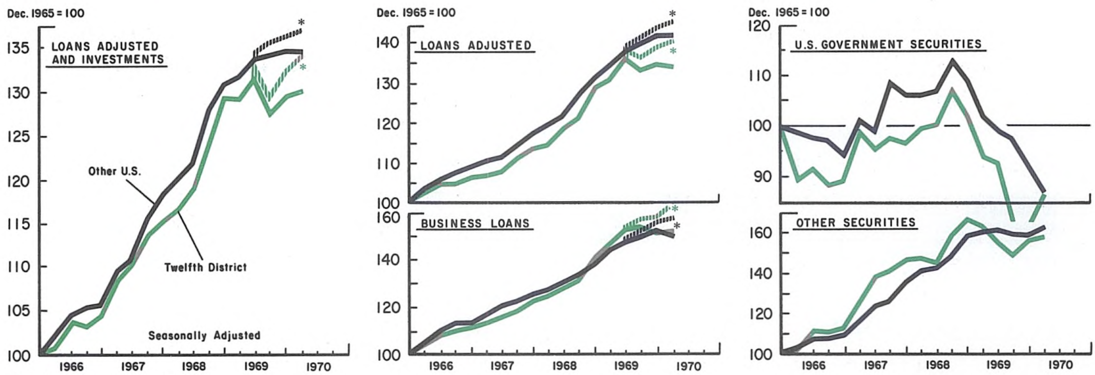
Nonetheless, the unrelenting pressure on District banks forced them to obtain funds from other sources as well during the first quarter of 1970. Large District banks increased their total funds by about $1 billion —roughly the same as in the fourth quarter of 1969, but less than two-thirds of the increase of the year-ago period.

Fed-funds purchases supplied nearly 40 percent of the total first-quarter sources of funds, but securities sales accounted for nearly as much. Banks also reduced loan portfolios (largely through sales of loans) for the second consecutive quarter, so that loans again served as a source rather than as a use of funds, as they normally do. Expanded sources of funds also came from Eurodollar borrowings, up slightly from the

Reduced (and shifting) sources of funds reflect continued pressure



Credit expansion still limited at Western banks . . .
security holdings increase, but loans decline (exclusive of loan sales)



*Including Loans Sold Outright

previous quarter, and from Federal Reserve discounting, up sharply after a fourth-quarter decline.

About one-third of these new funds were used to meet seasonal withdrawals of demand deposits. Practically all of the remainder went for time-deposit payouts; even so, this was a much smaller share of the total use of funds than in the two preceding quarters.

Shifting demand

Bank loan portfolios declined in January and February, but then rose in March (seasonally adjusted basis). Business loans fluctuated somewhat on a balance-sheet basis, but total loan *accommodation* rose steadily during the quarter—for a $575-million quarterly gain, when these balance-sheet data are adjusted to include loans sold outright. The strongest credit demands came from durable-goods manufacturers, particularly machinery and transportation-equipment makers, but demands were also heavy from services and public utilities.

Uneasiness over rising unemployment made Western consumers somewhat wary about their credit commitments, particularly for automobiles, during the first quarter. According to data from large District banks, consumers in that period made net repayments of $141 million on their bank-held consumer instalment loans, whereas they increased their bank instalment debt by $71 million in the year-ago period.

The Western mortgage market meanwhile held up better than expected in the face of the severe first-quarter drains of deposits from savings institutions. (While District banks were losing $200 million in consumer-type time-and-savings deposits, District savings-and-loan associations were suffering a first-quarter outflow of $79 million on top of their even heavier fourth-quarter loss.) Banks at least did not suffer a decline in their holdings of mortgage loans, and S&L's actually expanded their outstandings by about $224 million, mostly on the basis of large borrowings from the Federal Home Loan Banks.

Yet the market remained very tight, as exemplified by a further rise in mortgage lending rates. In the West, the average rate on a conventional new-home loan rose from about 9 to 9½ percent over the first quarter. This was substantially above the 8½-percent average rate nationally.

Ruth Wilson

SELECTED ASSET AND LIABILITY ITEMS OF WEEKLY REPORTING LARGE BANKS

Data Not Seasonally Adjusted

(Dollar amounts in millions)

	TWELFTH DISTRICT				U. S. MINUS TWELFTH DISTRICT		
	Outstandings	Net Change			Outstandings	Net Change	
	March 25, 1970	First Quarter 1970		1st Qrtr. 1969	March 25, 1970	First Quarter 1970	1969
		Dollars	Percent	Percent		Percent	Percent
Loans gross adjusted and invested[1]	$48,508	−1,372	− 2.75	− 3.05	$178,532	− 4.25	− 3.96
Loans gross adjusted	36,409	−1,390	− 3.68	− 1.06	131,853	− 5.05	− 2.27
Commercial and industrial loans	14,212	− 353	− 2.42	+ .82	64,641	− 3.98	+ 1.29
Real estate loans	11,055	0	0	+ 1.10	22,396	− 1.01	+ 1.65
Agricultural loans	1,331	+ 9	+ .68	+ 1.28	676	− 7.90	− 4.23
Loans to nonbank financial institutions	1,602	− 265	−14.19	−14.67	9,259	−17.87	−12.47
Loans for purchasing and carrying securities:							
To brokers and dealers	287	− 37	−11.42	−66.45	3,848	−20.30	−42.08
To others	231	− 29	−11.15	+ 4.62	2,234	− 7.80	+ 1.01
Loans to foreign banks	174	− 94	−35.08	+ 2.32	1,287	+ 8.33	+ 2.30
Consumer instalment loans	5,454	− 141	− 2.52	+ 1.37	14,726	− 1.42	− .96
All other loans	1,946	− 449	−18.75	+28.92	12,981	− 3.61	N.A.
Total investment	12,099	+ 18	+ .15	− 8.10	46,679	− 1.92	− 8.00
U.S. Government securities	4,341	− 238	− 5.20	−17.17	17,531	− 8.95	−14.99
Obligations of states and political subdivisions	6,685	+ 175	+ 2.69	− 2.14	26,048	+ 1.92	− 1.72
Other securities	1,073	+ 81	+ 8.17	+ 2.99	3,100	+11.51	−11.10
Total deposits (less cash items)	45,736	−1,393	− 2.96	− 3.82	153,133	− 7.14	− 9.31
Demand deposits adjusted	16,531	−1,024	− 5.83	− 5.86	64,323	−12.44	−11.69
Total time and savings deposits	27,668	− 85	− .31	− 1.57	69,684	+ .42	− 4.05
Savings deposits	14,510	− 361	− 2.43	− 2.05	31,486	− 1.62	− .56
Other time IPC	9,293	+ 204	+ 2.24	+ 4.43	26,917	− 2.33	− 5.77
Deposits of states and political subdivisions	2,502	− 133	− 5.05	−12.69	4,727	+15.12	−10.32
(Neg. CD's $100,000 and over)	2,610	+ 253	+10.73	− 8.72	9,210	+ 7.32	−19.48

[1]Total loans less loans to domestic commercial banks.

Seasonally Adjusted Bank Data: California

Seasonally adjusted series on bank credit and deposits for all commercial banks in California have been compiled and are available upon request. Revised seasonally adjusted data for a more limited number of bank credit series for all commercial banks in the Twelfth District also are available upon request from the:

RESEARCH DEPARTMENT

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