

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business activity declined sharply during 1931, although some stability was noticeable in the situation during the first few months of the year. After May, expanded currency circulation contributed to a moderate tightening of the credit structure which was reflected in decreased deposits and loans of commercial banks, higher money rates, and additional use of Reserve Bank credit. Average commodity prices declined during 1931, but less drastically than in 1930. Both production and value of 1931 crops were markedly smaller than in the preceding year. Of chief importance industrially, output of lumber and petroleum decreased sharply and was somewhat under apparent consumption throughout most of the year, production of non-ferrous metals and of cement was reduced considerably, and there were increases in the volume of livestock slaughtered, wool consumed, and gold mined. Activity in the flour milling and paper and pulp industries changed little during the year, while large decreases were recorded from 1930 to 1931 in the canning and preserving of fruits and vegetables. Building permits were greatly reduced in value, but engineering contracts increased substantially. The value of retail and wholesale sales and the number of new automobile registrations was sharply reduced during 1931. Intercoastal as well as railroad freight traffic also suffered marked reductions during the year, and both imports and exports declined by large amounts.

During December, physical conditions for 1932 crops were further improved by larger than seasonal rain and snowfall in most parts of the Twelfth District. The business situation showed no marked change from the November level, production remaining practically stationary, and distributive activity declining somewhat after seasonal adjustment. Lumber mills reduced operations less than seasonally in December. Building permits receded to the lowest value since February, 1919, but a substantial increase in the value of engineering contracts awarded for other than commercial and indus-

trial building was recorded in December, reflecting principally large awards for Federal government projects and streets and roads. California crude oil production remained unchanged. Retail sales during December failed to increase by the full seasonal amount, while little change occurred in other measures of trade activity.

Reporting member banks in the Twelfth District, as elsewhere in the United States, sought to maintain a liquid condition during 1931. Loans were reduced considerably from 1930 levels. This movement was accompanied by a decline in deposits and some expansion in holdings of Government and other readily marketable securities. The decline in deposits began after May, becoming more pronounced in the later months of the year. An important factor in bringing about reduced deposits was a demand for currency considerably in excess of ordinary requirements which resulted, in part at least, from an increase in the number of bank suspensions. A reduction in bankers' balances in District reserve cities, the demand for additional currency, and a loss of funds to national markets, resulted in a steady increase in member bank borrowings at the Reserve Bank from May to October, since when there has been a moderate decline. Federal reserve credit was further extended in later months of the year by large purchases of acceptances, principally for the accommodation of reserve system open market operations. Since October, total credit extended by the Federal Reserve Bank of San Francisco has been considerably greater than in 1930. A substantial net excess of Treasury expenditures over receipts during 1931 and moderate purchases of locally produced gold by the United States Mint supplied part of the funds needed by banks.

Record low interest rates during early 1931 were followed by moderately rising rates during the remainder of the year. During the four weeks ending January 20, 1932, however, buying rates on bankers' acceptances were reduced slightly. Member banks reduced their indebt-

edness at the Reserve Bank somewhat over the year-end, but resumed borrowing at early December levels during the first half of January.

There was but a small decrease in demand for currency during the four weeks ended January 20, whereas the return from circulation during this period usually amounts to about 25 million dollars.

Agriculture

The 1931 agricultural season was one of the most unfavorable experienced by farmers in the Twelfth District during the current century. Sub-normal snow and rainfall for two or more successive years in all states of the District, except Arizona, combined with economic factors to reduce the volume and value of crops and the value of animal products. Estimated gross value of the District's crops during 1931 was \$509,000,000, which may be compared with \$737,000,000 in 1930 and \$985,000,000 in 1929. Indexes of the volume and value of crop production are shown in the following table for the five latest years and for 1921.

	1931*	1930†	1929	1928	1927	1921
Value	58.4	84.4	112.8	103.5	103.4	79.8
Volume	94.6	110.2	108.7	109.0	108.6	84.9

*Preliminary. †Revised.

The number of livestock received at principal markets in the seven western states was greater in 1931 than in 1930. This increase in receipts, however, was accompanied by a decline of approximately 25 per cent in livestock prices, as well as a reduction in the average weight per head, and the aggregate value of the year's marketings was smaller than in 1930.

At the beginning of 1932 the seasonal rain and snowfall was equal to or greater than the

long-time average in most parts of the District.

Estimates of the 1931-1932 Navel orange and lemon crops in California for January 1, 1932, did not differ materially from those of the preceding two months. Frost damage to citrus fruit during December was slight, excessive harm having been prevented by the use of protection devices. During November and December, 8,871 carloads of oranges and 1,345 carloads of lemons were shipped to market as compared with 8,761 carloads and 1,328 carloads, respectively, for the same months in 1930. Prices for oranges, f.o.b. California, were moderately lower during December than in the preceding month or in December, 1930.

Production of butter and eggs in December, as indicated by receipts of these commodities at Pacific Coast markets, was more nearly adjusted to apparent consumption than was the case a year ago. Storage holdings of butter and eggs on January 1, 1932 were 63 per cent and 72 per cent smaller, respectively, than on January 1, 1931. Despite the improvement in the statistical position of these products, butter and egg prices declined seasonally during late December and early January.

Snowstorms on winter livestock ranges during December made it necessary to supply additional hay and grain for livestock. In California, rainfall has already helped the growth of feed, but warmer weather is needed to stimulate a satisfactory growth of range forage. As a result of severe weather and the poor condition of cattle and sheep, losses of livestock during the past two months have been heavier than usual, especially in the case of sheep which were generally in less satisfactory condition than cattle when moved to winter ranges. A tendency to withhold cattle from market has been evident during recent weeks in some sections of the District where shortages of feed are not serious.

Agricultural Marketing Activity—

	December		Season to Date	
	1931	1930	1931	1930
Carlot Shipments				
Apples	4,372	4,701	27,314	45,111
Oranges	8,871	4,930	8,761	8,761
Lemons	1,345	668	1,329	1,329
Vegetables (Cal.)	7,037	7,788	20,683	24,150
Eggs (Cal., Ore., and Wash.)....	316	524	4,616	4,628
Exports				
Wheat (bu.)	2,379,483	1,421,794	14,861,934	13,045,113
Barley (bu.)	20,997	777,340	2,668,144	5,613,195
Receipts				
Cattle*	37,952	37,462	478,064	468,039
Sheep*	144,640	138,136	2,057,253	1,695,549
Hogs*	169,610	154,401	1,609,765	1,406,171
Butter (lbs.)†...	6,423,707	6,262,077	79,175,074	73,276,899
Eggs (cases)‡...	126,067	122,841	1,850,293	2,021,555
Storage Holdings (end of the month)				
Wheat (bu.)	3,614,000	6,195,000	.....	.....
Beans (bags)	2,379,252	2,218,674	.....	.....
Apples (Cal., Wash.-carloads)	18,059	19,076	.....	.....
Butter (lbs.)‡ ...	1,108,381	2,997,231	.....	.....
Eggs (cases)‡ ...	27,243	96,774	.....	.....

*Six markets. †Three markets. ‡Eight markets.

Industry

Industrial production was comparatively stable during the first five months of 1931. Activity declined rapidly from June to the end of the year, however, and in December, 1931, this Bank's index of industrial production was 29 per cent lower than in December, 1930, and about 50 per cent below the peak in the summer of 1929. Especially sharp declines were recorded in fruit and vegetable canning, mining of non-ferrous metals, value of building, and output of lumber. Production of flour and paper and pulp was approximately the same in 1931 as in the preceding year, while consumption of wool in the District's textile industry, slaughter of livestock, and output of gold were each in larger volume than in 1930. Production of crude and refined oils was at a fairly steady

rate throughout the year, but averaged considerably under the levels of 1930. Engineering contracts awarded for projects other than industrial and commercial buildings were larger in value in 1931 than in 1930. This increase was accounted for chiefly by expanded activity in such public works as sewers, bridges, streets and roads, and the Hoover Dam. Privately initiated construction of all types was at exceedingly low levels during the year.

The number of industrial employees and the average weekly wage paid declined substantially during 1931. In California, reporting firms employed, on the average, 145,155 workers at an average weekly wage of \$27.29 in 1931, compared with 180,179 workers employed by the same firms at an average weekly wage of \$29.87 in 1930. The declines in the number of employees and in average weekly wages were 19 per cent and 9 per cent, respectively. Year-to-year comparisons of the number of employees showed somewhat smaller decreases in December than in most other months of the year, although the reduction in the average weekly wage paid during that month was one of the largest in 1931. In Oregon averages for 1931 indicated 19,015 employees at 134 firms, drawing an average weekly wage of \$22.38, compared with 22,878 employees working for the same firms at an average weekly wage of \$24.91 during 1930. Comparable statistics of employment are not available for other states of the District, but general reports furnish evidence that material reductions in the number of employed and in wage rates paid took place in those states also during the year.

Industry—

Indexes of daily average production, adjusted for seasonal variations
(1923-1925 daily average = 100)

	1931					Year's Aver.
	Year's Aver.	Dec.	Nov.	Oct.	Dec.	
General:						
Carloadings—Industrial	58	44	48	48	74	85
Electric Power Production	156*	..	146	149	153	159
Manufactures:						
Lumber	54	36	34	45	67	86
Refined Mineral Oils†	140*	..	134	139	157	167
Flour	104	116	115	117	103	112
Slaughter of Livestock	91	87	92	98	83	80
Cement	70	56	56	65	79	90
Wool Consumption‡	87*	..	132	115	57	71
Minerals:						
Petroleum (California)†	79	76	76	76	89	95
Copper (United States)‡	670	..	..	..	75	87
Lead (United States)‡	70	64	58	68	92	100
Silver (United States)‡	48	50	40	40	66	80
Building and Construction§						
Total	62	45	42	47	55	65
Value of Building Permits						
Twenty Larger Cities	32	21	24	26	46	49
Seventy Smaller Cities	38	26	28	29	48	60
Value of Engineering Contracts Awarded						
Total	109	76	69	78	94	122
Excluding Buildings	186	123	104	121	96	130

*Eleven months' average. †Nine months' average. ‡Not adjusted for seasonal variations. §Prepared by Federal Reserve Board. §Indexes are for three months ending with the month indicated.

The volume of canned fruits and vegetables packed in the Twelfth District in 1931 was 37 per cent smaller than in 1930 and 28 per cent smaller than the 1927-1931 average. Output of canned vegetables declined 55 per cent in consequence chiefly of shortages of tomatoes and asparagus for canning purposes. Production of canned fruits decreased by 26 per cent from the preceding year, reflecting both marketing difficulties and some decline in production of canning fruits. Only apricots, prunes, and a few berry crops of minor importance were canned in larger volume than in 1930. The packs of pears and spinach decreased but slightly during 1931, while the largest reductions from the preceding year were shown in packs of clingstone peaches, tomatoes, and tomato products. Production of dried fruits was also much less in 1931 than in 1930, the decline in dried prunes amounting to 35 per cent and in raisins to 18 per cent.

Fish canneries on the Pacific Coast and in Alaska produced smaller packs in 1931 than in 1930. Most varieties of salmon were packed in smaller quantities, although the catch of Alaska Reds was considerably larger than in the preceding year. A decline of 32 per cent was reported in the volume of tuna canned in California. Voluntary curtailment was the principal factor bringing about a reduction of 45 per cent in the California pack of sardines.

Inventories of lumber and petroleum products declined during most of 1931 and were considerably smaller at the end of the year than at the end of 1930. Stocks held by flour mills

Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees Dec., 1931	No. of Employees Dec., 1930	No. of Firms	No. of Employees Dec., 1931	No. of Employees Dec., 1930
All Industries*	1,144	123,019	150,258	136	15,710	18,858
Stone, Clay and Glass Products	58	5,246	6,122	3	147	160
Lumber and Wood Manufactures	142	14,287	18,828	49	7,866	9,992
Textiles	14	1,554	1,863	9	1,291	1,236
Clothing, Millinery and Laundering	149	10,493	12,046	8‡	343	364
Food, Beverages, and Tobacco	274	24,479	27,767	38	1,484	2,039
Public Utilities	39	46,115	54,502	..	..	..
Other Industries†	463	61,059	76,802	..	..	..
Miscellaneous	44	5,901	6,830	29	4,579	5,067
Wholesale and Retail	134	37,936	39,347	..	..	..

*Public utilities and wholesale and retail figures not included in this total. †Includes the following industries: metals, machinery and conveyances; leather and rubber goods; oils and paints; printing and paper goods. ‡Laundering only. Figures in parentheses indicate percentage change from December, 1930.

increased sharply during the last six months of 1931 and at the end of December were about the same as those held a year earlier. Inventories of refined copper increased steadily during the first nine months of 1931, and, although no data were released for the last quarter, it seems probable that there was little or no reduction during that period. Stocks of blister copper, on the other hand, declined throughout the year, but in an amount insufficient to offset the increases in refined stocks.

No appreciable changes from the conditions noted during most of the year were evident in industrial activity during December. Production declined seasonally, most adjusted indexes continuing at the extremely low levels of November. Output of lumber approximated 348,000,000 board feet, the smallest monthly total of the post-war period with the exception of January, 1921, when the cut was 320,000,000 board feet. There was little change in the production of either crude or refined oils, but mining of non-ferrous metals apparently continued to decrease. A further decline was reported in the value of building permits issued in this area during December. After seasonal allowance, this Bank's index was only 21 per cent of its average during 1923, 1924, and 1925. The value of engineering contracts awarded increased as a result of substantial advances in awards for streets and roads, Federal Government and public buildings, and unclassified projects. Production of flour in December was approximately the same as in November.

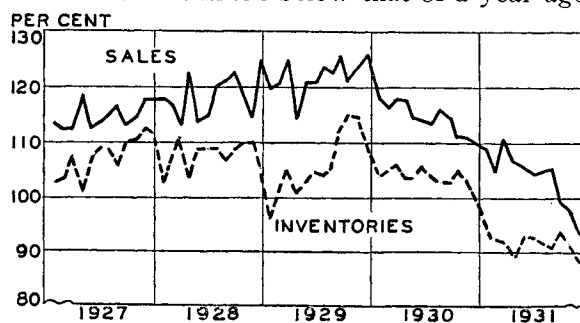
Distribution and Trade—

	1931				1930	
	Year's Average	Dec.	Nov.	Oct.	Dec.	Year's Average
Carloadings†	Index Numbers*					
Total	75	63	64	66	89	97
Merchandise and Miscellaneous ...	90	82	81	83	102	107
Foreign Trade°						
Total†	78**	..	58	64	93	113
Imports†	69**	..	53	58	97	107
Exports	81**	..	61	67	91	116
Intercoastal Trade°						
Total	73	68	74	76	88	88
Westbound	69	65	70	71	84	81
Eastbound	89	81	88	94	103	113
Retail Trade						
Automobile Sales‡						
Total	65	45	40	45	89	95
Passenger Cars ...	60	42	36	41	83	90
Commercial Vehicles	110	73	85	91	148	151
Department Store						
Sales‡	103	91	94	98	110	115
Stocks§	91	87	88	91	99	104
Collections#	Actual Figures					
Regular	42.7	41.8	41.8	45.3	42.3	43.4
Installment	15.4	13.5	14.4	15.7	14.4	15.4

*Adjusted for seasonal variations, 1923-1925 average = 100. °Indexes are for three months ending with month indicated. †Excluding raw silk. ‡Daily average. §At end of month. #Per cent of collections during month to amount outstanding at first of month. **Eleven months' average.

Trade

The volume of trade in the Twelfth District declined steadily during 1931 and was smaller than in any other recent year. The large decreases in those measures of trade activity which are based upon value reflected not only the smaller physical movement of commodities, but also the markedly lower prices at which they were moved. It seems probable, for example, that the actual volume of goods sold at retail was not much below that of a year ago.



DEPARTMENT STORE SALES AND INVENTORIES
Index numbers of daily average sales and inventories at the end of month of department stores in the Twelfth District, adjusted for seasonal variations (1923-1925 average=100).

December figures indicate a continuance of the decline in trade during that month, but the rate of decline, after allowance for seasonal factors, was somewhat less than in most earlier months of the year.

Department store sales were about 11 per cent smaller in value in 1931 than in 1930. Declines over the year period were smaller in northern California and larger in the Pacific Northwest than in the District as a whole. The large declines in Washington and Oregon were reported principally in the last half of the year.

	1931 compared with 1930*		
	NET SALES		STOCKS
	December	Jan. 1—Dec. 31	December
Department Stores ..	-17.0 (68)	-11.4 (64)	-13.3 (51)
Phoenix	-13.5 (3)	-7.6 (3)	..
Los Angeles	-18.6 (10)	-12.2 (10)	-13.3 (9)
Other Southern Cal. ..	-17.7 (8)	-11.2 (8)	-15.6 (5)
Oakland	-11.1 (4)	-6.3 (4)	-17.6 (4)
San Francisco	-12.6 (7)	-9.5 (6)	-11.4 (7)
Other Northern Cal. ..	-10.7 (8)	-3.4 (8)	-10.0 (8)
Portland†	-21.9 (7)	-14.6 (7)	-11.0 (7)
Seattle	-26.0 (5)	-17.7 (5)	-15.4 (5)
Spokane	-17.6 (5)	-7.8 (3)	-15.6 (5)
Salt Lake City	-13.2 (4)	-10.8 (4)	-19.2 (3)
Apparel Stores	-18.6 (29)	-13.3 (26)	-20.3 (18)
Furniture Stores	-27.8 (36)	-15.0 (34)	-10.8 (28)
All Stores	-18.2 (133)	-11.9 (124)	-13.5 (97)

*Percentage change. †Includes five apparel stores which are not included in District department store total. Figures in parentheses indicate number of stores reporting.

During December, sales of department stores increased over the previous month by slightly less than the usual amount, chiefly because of a smaller than seasonal increase in Los Angeles. Gains in other cities were approximately in accordance with seasonal expectations. Cash sales made up a slightly larger proportion of total sales in 1931 than in 1930. Collections on

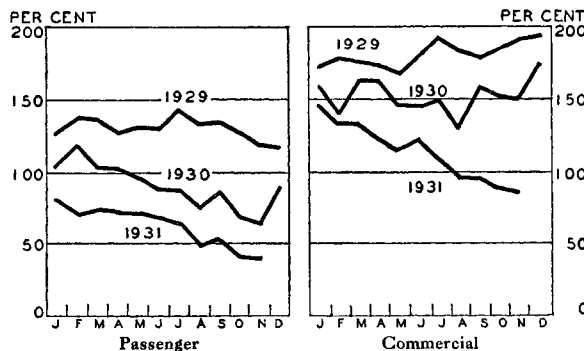
accounts receivable were slower in 1931, particularly in the last few months of the year. The rate of stock turnover was about the same in 1931 as in the preceding year.

Sales at wholesale also declined steadily throughout 1931. Of the lines upon which data are collected by this Bank, sales of groceries and paper and stationery held up best over the year period, while sales of agricultural implements and electrical equipment made relatively the poorest showings. December, 1931, sales at wholesale were about 20 per cent below those of December, 1930, the same percentage of decline as that recorded for the entire year.

WHOLESALE TRADE—Twelfth District
Percentage change in value of sales

	Dec., 1931 compared with		1931 compared with 1930
	Nov., 1931	Dec., 1930	
Agricultural Implements	-14.3	-47.8	-44.8
Automobile Supplies	-13.9	-25.0	-20.3
Dry Goods	-23.1	-26.4	-22.0
Electrical Supplies	15.9	-38.4	-33.6
Furniture	-4.3	-29.9	-23.1
Groceries	-4.0	-3.1	-9.9
Hardware	-4.0	-30.3	-25.7
Shoes	-2.4	-29.9	-23.5
Paper and Stationary	-23.6	-18.4	-15.5
All Lines	-2.1	-20.3	-19.5

Carloadings in the Twelfth District during 1931 were substantially below those of 1930, their trend having been steadily downward except for a period of about three months during the middle of the year when they increased somewhat. For the year as a whole, loadings of grain and livestock were about as large as those in 1930, but loadings of coal, coke, and ore were considerably lower, and loadings of forest products declined drastically. Merchandise and miscellaneous carloadings also declined substantially, particularly during the second half of the year.



NEW AUTOMOBILE REGISTRATIONS—Twelfth District
Indexes adjusted for seasonal variations (1923-1925 average = 100).

Intercoastal traffic through the Panama Canal declined steadily during the first half of 1931. A moderate improvement during the early autumn months was more than offset by renewed declines during the last two months of the year. Large decreases in westbound traffic were reported in shipments of automo-

biles and automobile accessories, tin plate, iron and steel, and tobacco. In the eastbound traffic reduced shipments of canned goods, copper, and petroleum products accounted for a considerable part of the decrease. Partially offsetting these declines in the Pacific to Atlantic trade were increases in shipments of beans, sugar, and fresh and dried fruits.

The District's foreign trade during the first eleven months of 1931 was substantially smaller in value than in the corresponding period of 1930. Total imports declined by a relatively larger amount than exports. Silk imports fell off drastically throughout the year, reaching an exceptionally low figure in November, and imports of other commodities also declined sharply, although by a somewhat smaller amount. Despite a general decline in exports, shipments of apples from the Pacific Northwest and oranges and dried fruits, particularly prunes, from California showed substantial increases as compared with a year ago. Principally because of large sales to China by the Federal Farm Board, shipments of flour were at a comparatively high level during the last few months of the year.

Prices

There were further widespread declines in commodity prices during 1931. The Bureau of Labor Statistics' index of wholesale commodity prices declined 15 per cent between December, 1930, and December, 1931, some-

Bank Debits*

	December, 1931	December, 1930	Twelve Months—1931	
			1931	1930
Arizona				
Phoenix	\$ 27,566	\$ 36,914	\$ 355,888	\$ 435,659
California				
Bakersfield	11,968	16,664	127,736	159,756
Berkeley	17,716	19,312	200,723	232,257
Fresno	23,742	30,208	272,070	395,183
Long Beach	36,419	52,022	472,509	580,361
Los Angeles	711,630	959,480	9,288,170	11,998,756
Oakland	211,686	222,000	2,247,211	2,316,683
Pasadena	29,493	35,306	354,451	406,474
Sacramento	46,704	46,285	558,291	581,311
San Bernardino	9,558	11,023	103,903	123,066
San Diego	46,181	57,399	558,066	656,908
San Francisco	831,585	1,212,779	11,178,630	15,055,143
San Jose	21,850	27,097	289,670	332,044
Santa Barbara	13,071	15,022	155,185	185,305
Stockton	17,109	20,791	205,102	284,931
Idaho				
Boise	12,944	16,701	158,776	175,390
Nevada				
Reno	9,043	10,437	118,943	133,303
Oregon				
Eugene	5,372	6,723	65,166	82,155
Portland	140,721	160,267	1,711,062	2,100,003
Utah				
Ogden	14,335	20,797	167,491	224,134
Salt Lake City	64,891	85,430	710,693	884,885
Washington				
Bellingham	5,794	7,749	78,614	108,320
Everett	7,393	10,760	107,022	146,656
Seattle	168,148	232,003	2,242,438	2,814,322
Spokane	36,583	48,867	484,830	611,551
Tacoma	28,819	39,565	385,027	526,432
Yakima	9,912	15,942	141,575	178,472
Total	\$2,560,233	\$3,417,543	\$32,739,242	\$41,729,460

*In thousands of dollars.

what less than the 17 per cent decline of the preceding year. At 71.2 (1926 = 100) the average of this index for the year was only 2 per cent above the 1913 average. Retail prices appear to have declined somewhat more in 1931 than in 1930. The decrease in farm prices of agricultural products was 30 per cent during 1931, compared with a decline of 28 per cent during 1930, according to the United States Department of Agriculture index. That index at 66 (August, 1909-July, 1914, average = 100) for December, 1931, was the lowest since it was first compiled in 1910. Although many products included in the indexes discussed above are not of importance in this District, it is believed that the changes indicated reflect with a fair degree of accuracy changes which occurred in Twelfth District prices.

With few exceptions, quotations for grains, field crops, fruits, vegetables, and livestock declined more in 1931 than in 1930. The lowest price on record (44 $\frac{5}{8}$ cents per bushel) was established for both the September and December contracts for wheat at Chicago in late September and early October. A small barley crop resulted in slightly higher prices for that grain in the autumn of 1931 than in the autumn of 1930. Livestock prices at Pacific Coast markets declined about 25 per cent during 1931 to the lowest levels in fifteen years or more. Each of the District's principal field crops (potatoes, beans, sugar beets, cotton and hay) brought lower returns in the last six months of 1931 than in the last six months of 1930, while fruit and vegetable prices averaged substantially lower during the 1931 marketing season than in any other recent year.

Lumber prices declined less sharply during 1931 than during 1930, reflecting more successful efforts in the later year to adjust production to effective demand. Crude oil prices in California declined precipitately in the spring of 1931, but subsequently advanced somewhat and at the year-end the quotation for a representative grade, 30° gravity, was 72 to 81 cents per barrel, compared with \$1.23 to \$1.42 per barrel in the autumn of 1930.

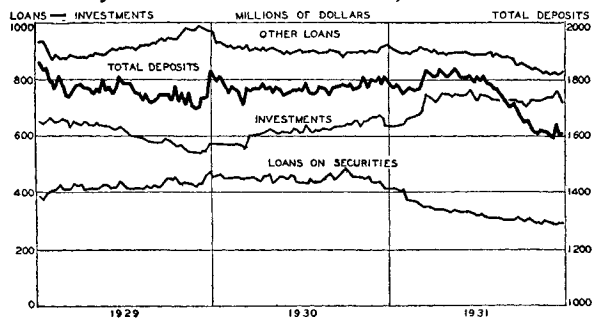
With the exception of silver, prices for non-ferrous metals important in the Twelfth District were lower in December, 1931, than in December, 1930. The price of silver reached a low of 25 $\frac{3}{4}$ cents per ounce in mid-February, 1931, since when it has fluctuated at a moderately higher level. At the end of the year the approximate quotation of 30 cents per ounce was the same as in January, 1931. Copper prices, as well as prices for lead and zinc, reached record low levels in November. The price of copper advanced somewhat during December.

Among the miscellaneous commodities of

importance in the trade or industrial activity of the District, prices of flour, coffee, sugar, and newsprint decreased relatively less than quotations on wool, hides, cement, and rubber. Rubber reached an all time record low price in December, 1931.

Credit Situation

The easy money conditions which prevailed in the Twelfth District during 1930 continued during the first five months of 1931. During that period money rates declined further, reaching the lowest levels on record in May; total deposits in reporting member banks tended to increase, reflecting principally larger time deposits; extensive liquidation of loans on securities continued; and credit extended locally by the Federal Reserve Bank of San Francisco remained small. In mid-year, however, demand for currency started to increase; both time and demand deposits began to decline rapidly; commercial loans as well as security loans were reduced; interest rates



LOANS, INVESTMENTS, AND DEPOSITS
Reporting member banks—Twelfth District

commenced to advance; and borrowings at the Reserve Bank increased. Although investments of reporting member banks, representing principally the extension of credit outside the Twelfth District, remained at high levels, their total loans and investments declined during the second half of the year. At the end of the third quarter, following England's abandonment of the gold standard, the demands upon the Federal Reserve Bank of San Francisco increased rapidly. This increase was about equally divided between additional borrowing by Twelfth District banks and participation by this Bank in the System's purchases of acceptances in the New York market. Earning assets rose to within three million dollars of the peak in 1920. At the high point in October, 1920, however, total credit extended by the Reserve Bank was 97 per cent larger than its combined capital, surplus, and reserve deposits, while at the high point in October, 1931, the same comparison showed credit extended to be only 16 per cent larger.

According to available figures, which are

subject to minor revisions, 76 banks in the Twelfth District with deposits of 49 million dollars (1.2 per cent of 1931 average total deposits of all District banks) were closed and 1 reopened during 1931. In the United States as a whole, 2,290 banks having deposits of 1746 million dollars (3.4 per cent of 1931 average total deposits of all banks) were suspended, and there were 271 reopenings. Twelfth District failures were more numerous toward the end of the year, 28 of the 76 being reported in September, October and November, while 19 were reported in December alone. (Twenty-two more banks were closed during the first twenty days of January.) Bank suspensions during the latter part of the year tended to accelerate the withdrawal of deposits, which in turn increased the demand for currency from the Federal Reserve Bank of San Francisco. The customary return of money from circulation has been almost negligible since Christmas. During the first three weeks of January the demand for currency decreased only 1 million dollars, although in past years there has been a reduction of about 25 million dollars during this period. At the end of 1931 currency circulation in the District was 47 million dollars greater than at the end of 1930 and 62 million dollars greater than at the close of 1929.

The rapid increase in demand for currency during the second half of 1931, accompanied as it was by a continued drain on deposits, caused banks rigorously to seek to place themselves in a position to meet any possible demands of creditors. Larger holdings of Government securities became particularly evident, since these instruments are considered to be highly liquid and are eligible as collateral for discount at the Reserve Bank. In effect, the banks paid for a large part of these heavy purchases of Government securities in installments, for they represented participations in the several United States Treasury financing plans which called for immediate deposits to the credit of the Federal Government to be drawn down later. Banks were able to secure cash immediately by selling the Government securities which they did not wish to retain. This practice was especially manifest at the end of December when banks prefer to reduce their borrowings as much as possible while issuing year-end condition statements.

The decline in deposits of reporting member banks, discussed above, amounted to 205 million dollars during 1931, while deposits of all member banks decreased 412 million dollars. The largest factors connected with this decline were reductions in local loans and payments to other Reserve Districts, although withdrawals of cash were also important. Partly offsetting the factors making for decreased deposits were

Treasury expenditures in excess of collections and, to a lesser extent, United States Mint purchases of locally produced gold. These changes, affecting almost exclusively as they do the figures of member banks in the Twelfth District, are shown for the year period balanced against the decline in deposits in the following table:

(In millions of dollars)	
Factors Tending to Reduce Deposits	
Increase in currency in hands of public.....	51*
Net payments to other districts for account of individuals	261
Decreases in Loans	284†
Decreases in loans on securities	159†
Decreases in loans on farm lands and real estate	10
Decreases in all other loans	115†
Total	596
Factors Tending to Increase Deposits	
Mint purchases of locally produced gold	44
U. S. Treasury expenditures in excess of collections	144
Increase in loans to banks.....	6
Total	194
Difference between above totals	402
Deposits actually decreased	412
Items not accounted for	10

*Includes a 4 million dollar reduction in vault cash of weekly reporting member banks, but makes no allowance for changes in vault cash of other banks. †Adjusted to exclude open market loans outside the Twelfth District.

Total loans of reporting member banks decreased steadily from 1,320 million dollars on December 31, 1930, to 1,115 million dollars on December 31, 1931. During the same period their investments increased from 634 million dollars to 729 million dollars, the total of loans and investments thus declining 110 million dollars to 1,844 million dollars. Reductions of loans on securities contributed 120 million dollars to the total loans decline of 205 million dollars.

FEDERAL RESERVE BANK OF SAN FRANCISCO
(In millions of dollars)

	Condition			
	Jan. 20, 1932	Jan. 13, 1932	Dec. 16, 1931	Jan. 21, 1931
Total Bills and Securities	177	151	149	72
Bills Discounted	101	75	56	19
Bills Bought	25	26	36	14
United States Securities	48	48	54	39
Total Reserves	218	248	249	300
Total Deposits	147	151	160	189
Federal Reserve Note Circulation	233	234	222	165
Ratio Total Reserves to Deposit and Note Liabilities Combined	57.4	64.4	65.1	84.8

Borrowings of member banks at the Reserve Bank remained relatively low during the first five months of 1931, although they were somewhat higher than during most of 1930, partly because the available supply of Federal funds (excess reserve balances) of eastern institutions was smaller than in the earlier year. Following reductions in rates paid on bankers' balances by District banks early in the year, however, approximately 20 million dollars of those balances were withdrawn. In consequence, there was an increased demand for Federal Reserve credit after late May and this demand was further accentuated by the increases

in currency circulation which occurred during the remainder of the year. In addition to meeting these local demands, the Federal Reserve Bank of San Francisco participated fully in the national features of the reserve system's operations. These included relatively large advances to foreign banks, a considerable increase in Government security holdings, and the purchase of large amounts of acceptances, particularly in September and October during a period of unprecedented exports of gold from the United States. It was during this period that this Bank's earning assets approached the record levels of 1920.

REPORTING MEMBER BANKS—Twelfth District
(In millions of dollars)

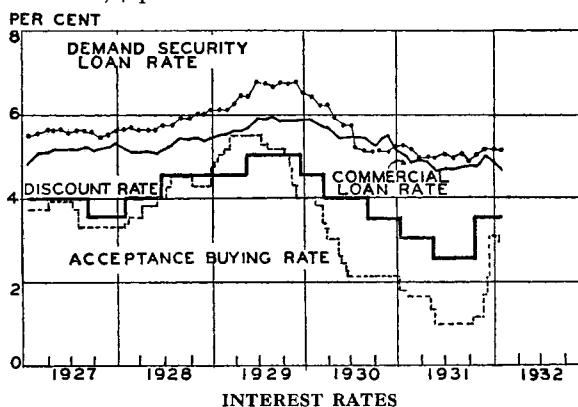
	Condition			
	Jan. 20, 1932	Jan. 13, 1932	Dec. 16, 1931	Jan. 21, 1931
Loans and Investments—Total...	1,826	1,827	1,877	1,930
Loans—Total	1,098	1,103	1,116	1,299
On Securities	299	296	290	404
All Other	799	807	826	895
Investments—Total	728	724	761	631
United States Securities	391	386	414	319
Other Securities	337	338	347	312
Reserve with Reserve Bank	83	87	88	106
Net Demand Deposits	614	621	654	738
Time Deposits	907	914	930	1,013
Due from Banks	107	104	121	224
Due to Banks	160	165	174	275
Borrowings at Reserve Bank	86	62	47	14

About 44 million dollars of locally produced gold was sold to the San Francisco Mint during the year. In addition 141 million dollars of imported gold was deposited with the Mint and 92 million dollars of imported United States gold coin was deposited at the Federal Reserve Bank. Only a negligible part of these gold imports was for the account of Twelfth District institutions, however, and the remainder was transferred to New York, either for the account of eastern banking and business firms or for the account of the Japanese Government. Such transfers had no effect upon the District's supply of banking funds.

Although the United States Treasury collected in the Twelfth District 187 million dollars more than it spent on the public debt account during 1931, its expenditures for ordinary account were 331 million dollars in excess of its collections for the same account during the year. Net disbursements in excess of collections for both ordinary and public debt accounts amounting to 144 million dollars were thus added to the banking funds of this District during 1931. The loss on Government debt transactions was to be expected, since a large part of the new issues of Government securities sold to local banks is paid for by crediting the Treasurer's deposit account on the books of the purchasing bank, and then sold for cash to banks or investors in New York where redemption takes place at maturity.

Interest rates, which were unusually low at the end of 1930, declined further until the mid-

dle of May, 1931. Advances were recorded in most of the remaining months of the year, and by December rates were not much below those of December, 1930. Considering the year as a whole, interest charges were lower on all classes of loans than at any time since data were first collected in 1921. Rates paid upon active checking accounts of bankers were reduced from 2 per cent to 1 per cent in San Francisco and from 2½ per cent to 1 per cent in Los Angeles. Similar reductions were made by banks in other Twelfth District reserve cities. In 1931, the rediscount rate of this Bank was reduced from 3½ per cent to 3 per cent on January 9 and from 3 per cent to 2½ per cent on May 22, but was advanced to 3½ per cent on October 21. The buying rate of the Federal Reserve Bank of San Francisco on 90-day bills, which followed closely the buying rate of the Federal Reserve Bank of New York during 1931, was gradually lowered from 1¾ per cent in January to 1 per cent in May. During the last quarter of the year this rate was increased to 3⅛ per cent. On January 19, 1932, a reduction of ¼ per cent became effective.



Discount and acceptance buying rates—Federal Reserve Bank of San Francisco.
Commercial and security loan rates—San Francisco.

Activity at Twelfth District security markets was virtually at a standstill during 1931, as compared with 1928 and 1929, and prices of securities declined almost continuously during the year. Security loans to local brokers at the end of the year were only 25 per cent of their total at the beginning of the year, and reductions in loans on securities to customers other than brokers and dealers were large. New security issues of Twelfth District corporations were negligible during the year. Corporations were hard pressed to pay interest on their already outstanding indebtedness and dividend reductions and omissions were numerous. A considerable number of corporation and irrigation district bond defaults were recorded during 1931. Municipalities borrowed extensively for public works and other purposes.

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

ISAAC B. NEWTON, Chairman of the Board and Federal Reserve Agent
Federal Reserve Bank of San Francisco

Supplement

San Francisco, California, January 20, 1932

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SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Industrial activity declined from November to December by slightly more than the usual seasonal amount, while the volume of factory employment showed about the usual decrease. Wholesale prices declined further.

Production and Employment. Volume of industrial output decreased somewhat more than is usual in December and the Board's seasonally adjusted index declined from 72 per cent of the 1923-1925 average in November to 71 per cent in December. Activity in the steel industry decreased from 30 to 24 per cent of capacity for the month, partly as a result of seasonal influences—in the first three weeks of January it showed a seasonal increase. Automobile output increased considerably in December from the extreme low level of the preceding month, and daily average output at shoe factories, which ordinarily declines at this season, showed little change. At textile mills production was curtailed by more than the usual seasonal amount. The number employed at factories decreased seasonally from the middle of November to the middle of December. In the automobile and shoe industries there were large increases in employment, while in the clothing industries employment declined. In most lines, however, changes were of a seasonal character.

For the year 1931 as a whole the average

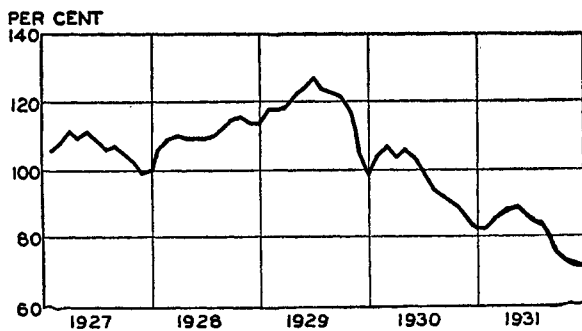
volume of industrial production was about 16 per cent smaller than in 1930, reflecting large decreases in output of steel, automobiles, and building materials, offset in part by slight increases in production of textiles and shoes.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, declined considerably more than is usual from the third to the fourth quarter and for the year as a whole was 32 per cent smaller than in 1930, reflecting reduced physical volume of construction, as well as lower building costs.

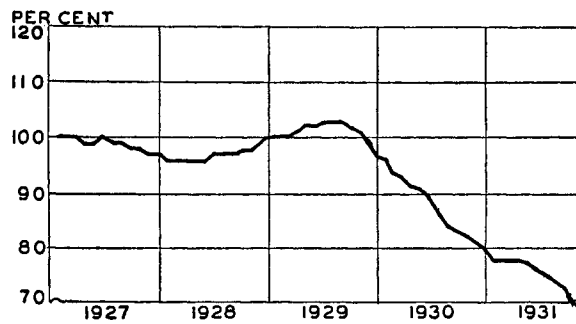
Distribution. Distribution of commodities by rail declined by the usual seasonal amount in December, and department store sales increased by approximately the usual amount.

Foreign Trade. Value of foreign trade continued at low levels in December and for the year as a whole exports showed a decline of 37 per cent from 1930 and imports a decline of 32 per cent, reflecting in part reduced prices.

Wholesale Prices. Wholesale prices of commodities declined from 68 per cent of the 1926 average in November to 66 per cent in December, according to the Bureau of Labor Statistics, reflecting decreases in the prices of many domestic agricultural products, sugar, silk, iron and steel, and petroleum products. During the first half of January, prices of hogs, lard, and



INDUSTRIAL PRODUCTION
Index numbers of industrial production adjusted for seasonal variations (1923-1925 average=100).



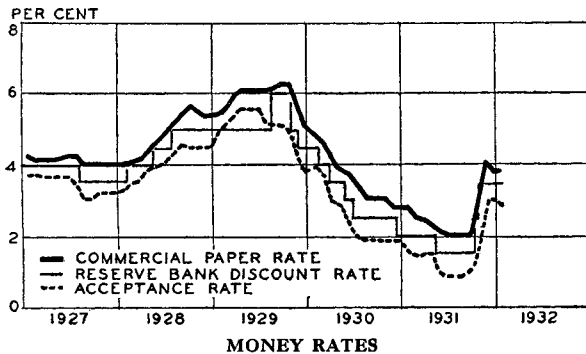
FACTORY EMPLOYMENT
Federal Reserve Board's index of factory employment, with adjustment for seasonal variations (1923-1925 average=100).

butter declined further, while prices of cotton, silk, coffee, and copper increased.

Bank Credit. Reserve bank credit, which had declined from the middle of October to the middle of December and had increased in the latter part of that month, declined again during the first three weeks in January. The growth in the latter part of December reflected a somewhat more than seasonal increase in the de-

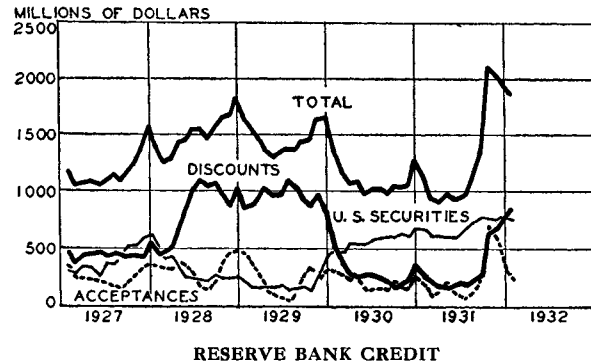
time, and on January 20 totaled \$190,000,000. The banks' portfolio of United States government securities showed some increase over the level of the early part of December and discounts for member banks increased substantially.

Loans and investments of member banks in leading cities declined further during December and the first two weeks of January, reflect-



MONEY RATES
Monthly rates in the open market in New York: Commercial paper rate on 4- to 6-month paper. Acceptance rate on 90-day bankers' acceptances. Latest figures are averages of first 20 days in January.

mand for currency, partly offset by reductions in member bank reserve balances and in deposits of foreign central banks. In January the return flow of currency was considerably smaller than in other recent years, while member bank reserve balances continued to decline. Acceptance holdings of the reserve banks, which had reached a total of \$780,000,000 in October, have declined through maturing of bills held almost uninterruptedly since that



RESERVE BANK CREDIT
Monthly averages of daily figures for 12 Federal reserve banks. Latest figures are averages of first 20 days in January.

ing reductions in loans on securities, as well as in other loans, and in investments.

In the middle of January buying rates for bankers' acceptances at the Federal reserve banks were reduced and open market rates on 90 day bills declined, first from 3 to $2\frac{7}{8}$ per cent and later to $2\frac{3}{4}$ per cent. Yields of high grade bonds, after advancing for a period of about four months, declined after the turn of the year, reflecting a rise in bond prices.