

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

A further moderate decline was recorded in Twelfth District business activity during May. The sale and transportation of commodities decreased somewhat from the low level of April, as did industrial production, after allowance for seasonal influences. Unemployment conditions were ameliorated slightly by the need for additional farm laborers. Prices of leading Twelfth District products continued to decline. Contrary to the usual seasonal developments, country banks' balances at reserve cities increased slightly during recent weeks.

Conditions for the growth of crops remained satisfactory during May, but agricultural prices moved slightly lower. Early estimates indicate that production of several important grain and deciduous fruit crops will be larger than in 1931. Production estimates for the current lemon and Valencia orange crops were reduced on June 1. Livestock were in better condition than in the preceding month due to the rapid improvement of range forage.

California crude oil production averaged substantially lower in May than in April and was further reduced in early June, approaching closely the new proration schedule in effect since late May. Refinery operations and gasoline inventories also declined. Output of lumber failed to increase seasonally from April to May. The reduction of construction activity to exceptionally low levels was indicated by a sharp decrease in the value of engineering contracts awarded and a decline in the value of building permits issued. Non-ferrous metal mining was further restricted. Flour milling changed little, although there is usually a decline during May.

There was some decline in trade activity as a whole during May, but individual indicators varied considerably. Both retail and wholesale sales were lower in value than in April, while registrations of new automobiles and the volume of intercoastal traffic increased, after allowance for seasonal factors. Freight carloadings decreased during May, whereas there is usually a considerable increase during that

month. All measures of trade were substantially lower than a year ago, as were retail and wholesale commodity price indexes.

Reserve bank credit employed in the Twelfth District increased moderately during the four weeks ending June 15, although other phases of credit conditions appeared to be somewhat easier. Discounts advanced somewhat, reversing the substantial reduction which had been in progress since early March, while holdings of locally purchased acceptances remained unusually small. In early June this Bank participated heavily in the System's open market operations, and its holdings of United States Governments increased from 69 million dollars to 107 million dollars. Expenditures of the United States Treasury in excess of collections within the District, although smaller than in the preceding four weeks, offset in part an outflow through the Gold Settlement Fund resulting from payment of inter-district commercial transactions. Currency circulation increased slightly as is usual at this season.

Loans of reporting member banks remained practically unchanged from May 18 to June 15. Investments and deposits of these banks declined during the first three weeks of this period, but increased on June 15, as a result of United States Treasury financing, to approximately the levels of a month earlier.

Agriculture

The growth of crops in the Twelfth District was further hindered during May by cool weather and less sunshine than usual at this time of year. Despite these retarding influences, crop production prospects and the condition of livestock ranges remained satisfactory. The lateness of the current agricultural season makes it more than ordinarily difficult to estimate the volume of crop production at this time. For the earlier maturing crops, however, preliminary estimates made by the United States Department of Agriculture on June 1 show that wheat, barley, and tame hay

production in the District will be somewhat greater than in 1931, as will the peach, pear, prune, and plum crops in California.

Production of winter wheat in the District during 1932 was estimated at 72,162,000 bushels on June 1, about 7 per cent more than the 1931 harvest. This forecasted increase is in contrast to the expected smaller crop in the United States, which was estimated on June 1 to be 410,699,000 bushels, compared with 787,465,000 bushels harvested in 1931 and an average production of 548,032,000 bushels during the period from 1924 to 1928. While production estimates for other grain and field crops are not available, the latest condition figures of some of them are shown in the accompanying table.

CONDITION OF GRAINS AND HAY
(Per cent of normal)

	Spring Wheat		Oats		Barley		Tame Hay	
	June 1		June 1		June 1		June 1	
	1932	1931	1932	1931	1932	1931	1932	1931
Arizona .....	..	..	93	90	91	88	88	90
California .....	..	..	80	56	79	52	86	79
Idaho	92	84	93	86	92	87	89	80
Nevada	92	84	94	74	94	85	89	74
Oregon	90	78	90	84	91	82	90	85
Utah	92	83	93	84	94	86	86	70
Washington	86	68	89	83	87	80	87	84
United States	84.5	67.9	78.9	84.7	82.3	77.2	76.9	77.4

Source: United States Department of Agriculture.

Dairy and poultry producers in the District have been faced by a declining market for their products since last December. This downward tendency continued during May, prices for butter and eggs reaching the lowest levels since comparable records first became available in 1910. Although egg receipts at Pacific Coast markets were lighter in May than in April, storage holdings increased 144,510 cases by June 1 and on that date were 6 per cent larger than on June 1, 1931. Butter receipts were 12 per cent larger in May than in April, but were 4 per cent less than receipts during May, 1931. On June 1, storage holdings of butter were 2,452,838 pounds, compared with 2,116,822 pounds on June 1, 1931. The statistical position of these commodities is less favorable in the District than in the United States as a whole, where storage holdings of eggs and butter were 32 per cent and 17 per cent less, respectively, on June 1, 1932, than on June 1, 1931.

Early June estimates of the Valencia orange crop in California were reduced considerably from estimates of one month ago. The crop is now expected to aggregate about 16,553,500 boxes of merchantable fruit, compared with 17,317,150 boxes in 1931. The current estimate of the 1931-1932 lemon crop is 5,229,400 boxes as compared with last year's crop of 5,735,290 boxes. The market for both lemons and oranges improved from April to May and lemon prices, for the first time since October, 1931, were

higher than for the corresponding month in the previous year.

Production of deciduous fruit in California is expected to be somewhat larger in 1932 than in 1931, but smaller than in 1930. Estimates of the size of the apple and grape crops in that state are not yet available, but condition figures are approximately the same as a year ago. In the Pacific Northwest, the development of fruit crops has been delayed by weather conditions. Production estimates for apples, the principal fruit crop of that region, are not yet available. In Washington, the 1932 pear crop is estimated to be about the same as in 1931, while the cherry and peach crops are larger.

DECIDUOUS FRUITS AND NUTS—California

	Condition (Per cent of normal)		Production* Forecast Actual	
	June 1 1932	June 1 1931	June 1 1932	1931
	Apples	72	77	...	9,112†
Apricots	70	80	245	277
Cherries	56	77	16	23
Grapes	78	78	...	1,287
Raisin	80	77	...	729
Table	77	78	...	221
Wine	72	83	...	337
Peaches .....	..	..	667	579
Clingstone	88	86	451	397
Freestone	84	83	216	182
Pears	64	63	231	218
Plums	81	80	71	65
Prunes	61	62	219	208
Almonds	67	82	...	15
Walnuts	86	71	...	29

*In thousands of tons. †In thousands of boxes.

Note: In 1931 varying amounts of apricots, cherries, clingstone peaches, grapes, plums and pears were unharvested because of market conditions.

Source: California Crop Report.

The growth of forage on livestock ranges in the District was excellent during May, and the condition of cattle and sheep improved during the month, although the effects of scant feed supplies during the past winter are still apparent. Livestock are now on summer ranges which are furnishing better feed than in any other recent year. Although cattle have improved considerably this spring, exceptionally poor condition of breeding cows during past months has resulted in a smaller calf crop than a year ago. The poorer than usual quality of grass-fat steers received at District markets this spring has been reflected in low prices for these cattle.

Sheepraisers lost a larger proportion of their herds than did cattlemen during the past winter. Despite an improvement during the spring months, sheep were in a less satisfactory condition during May, 1932, than in any other May of the past ten years. Excessive losses of ewes and new-born lambs continue to be reported.

The movement of California spring lambs to eastern markets during the current marketing season to June 11 totaled 461,340 head, about 6 per cent less than the average shipments up to that date in the five preceding years. Receipts of cattle and sheep at the eight principal

markets of the District increased seasonally from April to May, while swine receipts showed the usual decline. The volume of cattle, sheep, and hog receipts during this year to the end of May was larger in each case than during the corresponding period in 1931.

Industry

Output of Twelfth District industries was moderately less in May than in April, after allowance for seasonal changes. The employment situation improved a little, due principally to seasonal agricultural demands for labor. Production of lumber did not expand seasonally, and mining of non-ferrous metals, building and construction, and petroleum producing and refining operations were all on a more restricted basis than during April. Flour milling activity did not decline during May, although some reduction of output is normal during that month.

The demand for additional farm labor in many agricultural sections of the District offered temporary employment for many workers. Contracts awarded during recent months for a considerable amount of street and road work and increased motion picture activity also added to the number of employed to some extent. In general, however, there was a continued large surplus of labor throughout the District, further curtailment in other industries offsetting most of the improvement just mentioned. Additional wage reductions were reported and were reflected in reduced payrolls.

Output of crude petroleum was reduced substantially during late May and early June under the most recent voluntary curtailment program. This was the first significant decrease in production in almost a year. Production

quotas were allocated to each field on the basis of its productive capacity, except that wells of small production were not curtailed to the point where they would not pay operating expenses. This arrangement means that in general the flush wells have been made to bear most of the reduction in output. Refineries decreased their production somewhat during the month and stocks of gasoline were smaller at the end of May than at the end of April. The decline in inventories was largely seasonal in character, since consumption of gasoline almost always increases during the spring and summer months.

The production of non-ferrous metals was further reduced during May because of the continued closing of mines. Silver mining has been curtailed and practically every major copper producer of the District has either suspended operations entirely or is running with only skeleton crews. There was some increase in the output of lead, and gold mining and prospecting continued active.

The volume of building and construction continued to decline during May, contrary to the usual tendency at this time of the year. The value of building permits, which decreased generally throughout the District, was 10 per cent less in the 90 cities for which data were reported during May than in April. Engineering contracts awarded were less than half as large in May as in April. Declines of considerable magnitude in contracts for streets and roads, industrial buildings, and unclassified projects were offset only in part by increases in contracts for waterworks, bridges, excavations, and Federal government projects.

Industry—

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

	1932				1931		
	May	Apr.	Mar.	Feb.	May	Apr.	Mar.
General:							
Carloadings—Industrial..	34	41	36	37	59	61	61
Electric Power Output...	145	146	141	153	168	160	
Manufactures:							
Lumber	32	35	34	35	62	62	58
Refined Mineral Oils†...	145	133	131	145	150	138	
Flour	100	94	116	110	98	94	94
Slaughter of Livestock...	90	85	90	88	92	84	
Cement	54	60	43	40	72	83	81
Wool Consumption†	67	76	108	59	56	74	
Minerals:							
Petroleum (California)†.	76	78	76	76	81	80	80
Lead (United States)‡...	49	45	55	54	78	71	79
Silver (United States)‡...	42	28	31	47	54	63	
Building and Construction§							
Total	33	34	31	38	75	77	85
Building Permits—Value							
Larger Cities	17	19	21	19	31	33	36
Smaller Cities	15	16	17	20	43	43	45
Engineering Contracts							
Awarded—Value							
Total	53	58	48	69	144	157	158
Excluding Buildings.111	114	84	137	273	286	308	

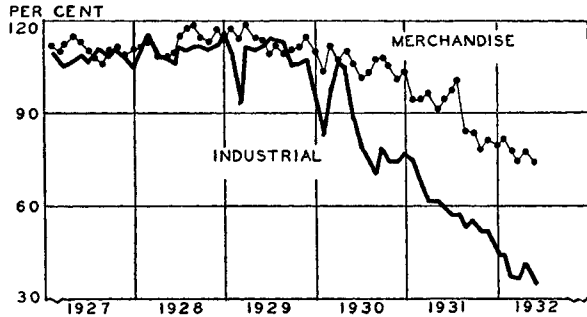
†Not adjusted for seasonal variations. ‡Prepared by Federal Reserve Board. §Indexes are for three months ending with the month indicated.

Employment—

Industries	California		Oregon			
	No. of Firms	No. of Employees of May 1932	No. of Firms	No. of Employees of May 1931		
All Industries*	1,224	130,713	160,879	131	14,815	19,665
Stone, Clay and Glass Products.	60	5,093	7,040	..	..	..
Lumber and Wood Manufactures ..	149	13,158	19,183	48	8,194	11,495
Textiles	16	1,627	1,829	8	758	1,094
Clothing, Millinery and Laundering.	164	11,531	13,857	61	227	272
Food, Beverages and Tobacco...	291	29,521	33,142	36	1,227	1,620
Public Utilities ..	40	49,210	57,137	..	..	..
Other Industries.†	489	62,698	78,282	..	..	..
Miscellaneous	55	7,085	7,546	33	4,409	5,184
Wholesale and Retail	167	30,894	34,460	..	..	..

*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 May, 1931.

The cut of lumber remained about the same during May as in April, although it usually reaches the high point for the year during the later month. For the first time since last October orders failed to exceed production, with the result that there was no change in inventories.



CARLOADINGS—Twelfth District

Indexes adjusted for seasonal variation (1923-1925 daily average=100).

Flour mills in the District operated at about the same rate in May as in April, although there is usually a moderate decline between those months. Inventories declined, but by somewhat less than the usual amount. Reports from individual mills would indicate that most of the milling was being conducted on a hand-to-mouth basis to fill a steady but moderate demand from local buyers. There appears to be almost a total absence of foreign demand for flour.

Trade

In the aggregate, Twelfth District trade was somewhat less active in May than in April, although contrasting movements were recorded for individual factors ordinarily used to measure the total volume. Both retail and wholesale sales decreased from April to May, after allowance for seasonal variations, as did freight carloadings, which showed a decline instead of the usual increase. Registrations of new automobiles increased slightly after allowance for seasonal changes and intercoastal traffic was considerably larger.

RETAIL TRADE—Twelfth District

	1932 compared with 1931*		
	NET SALES		STOCKS
	May	January 1 to end of May	May
Department Stores ...	-30.4 (67)	-23.4 (65)	-19.0 (49)
Los Angeles	-28.5 (10)	-24.0 (10)	-18.6 (10)
Other Southern Calif.	-29.8 (7)	-24.2 (7)	-17.4 (4)
Oakland	-27.8 (4)	-20.2 (4)	-28.8 (4)
San Francisco	-27.5 (7)	-18.0 (7)	-16.1 (7)
Other Northern Calif.	-28.4 (7)	-21.5 (7)	-20.5 (7)
Portland†	-33.1 (7)	-32.2 (6)	-27.6 (7)
Seattle	-38.8 (5)	-30.2 (5)	-16.0 (5)
Spokane	-31.0 (4)	-21.1 (4)	-13.2 (4)
Salt Lake City	-30.1 (4)	-21.8 (4)	.....
Apparel Stores	-26.9 (27)	-22.8 (25)	-18.2 (15)
Furniture Stores	-37.0 (37)	-28.3 (36)	-20.3 (28)
All Stores	-30.9 (131)	-23.9 (126)	-19.1 (92)

*Percentage change. †Includes five apparel stores which are not included in District department store total.

Figures in parentheses indicate number of stores reporting.

Daily average sales of department stores declined slightly, contrary to the seasonal tendency. In comparison with April, sales held up better in Los Angeles and Oakland than in other parts of the District, after adjustments for seasonal variations. The Fairchild index of retail prices at department stores shows a decline of 17.7 per cent over the year period, more than half as large as the decline in the value of sales.

Sales at wholesale also declined from April to May and were 31 per cent less in value than in May, 1931. As has been the case for several months, the smallest declines were reported by drug, grocery, automobile supply and paper and stationery firms.

WHOLESALE TRADE—Twelfth District

Percentage change in value of sales

	May, 1932 compared with—		1932 compared with 1931
	April, 1932	May, 1931	
Agricultural Implements	-17.1	-39.8	-41.7
Automobile Supplies	-1.3	-22.3	-20.3
Drugs	-12.7	-23.7	-19.0
Dry Goods	-9.7	-40.3	-35.8
Electric Supplies	-5.4	-52.1	-45.3
Furniture	-11.9	-46.5	-37.2
Groceries	-4.8	-14.7	-17.8
Hardware	-3.8	-32.3	-30.9
Shoes	-11.7	-34.4	-30.1
Paper and Stationery	-21.9	-27.3	-20.1
All Lines	-8.1	-28.1	-26.7

The number of new automobiles registered declined less than usual during May and this Bank's seasonally adjusted index advanced slightly. That index has been relatively fixed at an exceedingly low level for the past four months. During recent months sales of low-priced cars have accounted for a larger proportion of total sales than heretofore.

Volume of intercoastal traffic through the Panama Canal increased moderately during May as compared with April, although there is

Distribution and Trade—

	1932				1931	
	May	Apr.	Mar.	Feb.	May	Mar.
Carloadings†	Index Numbers*					
Total	55	60	56	59	78	79
Merchandise	74	77	74	76	94	96
Foreign Trade*						
Total† .....	..	50	54	55	78	82
Imports† .....	..	46	50	53	67	77
Exports .....	..	52	57	57	82	83
Intercoastal Trade						
Total	54	47	61	55	76	71
Westbound	66	54	89	80	86	88
Eastbound	50	45	55	48	74	65
Retail Trade						
Automobile Sales‡						
Total	32	31	33	34	76	76
Passenger	30	29	30	31	71	71
Commercial	59	54	61	58	117	125
Department Store						
Sales‡	71	74	80	85	102	103
Stocks§	72	73	74	76	89	88
Collections#	Actual Figures					
Regular	40.4	41.3	42.1	40.4	44.1	43.6
Installment	13.7	14.1	14.6	14.7	15.5	15.3

*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.

usually no change at this season of the year. Westbound traffic increased substantially as did the tonnage of petroleum going east. Lumber shipments, however, declined to about 84,000 tons, a quantity much smaller than any reported since data for shipments of individual commodities first became available in November, 1925.

Total loadings of freight on District railroads decreased somewhat during May, although there has usually been an increase during that month. Each of the two general classifications, merchandise and miscellaneous, and industrial, into which this Bank segregates carloadings data declined, contrary to their seasonal tendencies.

Prices

Prices for most commodities which are important in the economic activity of the Twelfth District declined further during May. It is believed that average changes for these commodities follow fairly closely the movements of national price indexes, notwithstanding the inclusion in such indexes of commodities of little importance in the seven western states. The Bureau of Labor Statistics' monthly index of 784 wholesale commodity price series reached 64.4 (1926=100) in May, the lowest point recorded for any month since February, 1911, when it was at the same level. Weekly price indexes have been declining steadily since early April. Textiles, hides and leather products,

and farm products have accounted for a large part of the declines during recent weeks.

Non-ferrous metals prices were relatively stable during May at the low levels of late April. With the exception of silver prices, current quotations for these metals are below those of a year ago. In early June, silver quotations ranged from 27½ to 28⅞ cents per ounce and were approximately one cent per ounce higher than a year ago.

Prices for the important agricultural products of this District have declined almost continuously since August, 1929. According to the monthly index of agricultural prices compiled by the United States Department of Agriculture, the average decline was nearly 60 per cent between that month and April, 1932. In the immediate post-War period from May, 1920, to November, 1921, this same index declined 56 per cent.

Prices for beef cattle, hogs, and sheep declined at Pacific Coast markets during May, reaching the lowest levels of the current marketing season. Similarly, animal products prices declined. An average of domestic raw wool prices compiled by the Fairchild News Service declined to 33 cents per pound during the first week of June. This composite averaged 53.7 cents per pound during the corresponding weeks of 1911, 1912 and 1913. Butter prices declined from May to June, as is customary, and in the later month were 28 per cent below the quotations of June, 1931. Egg prices also declined slightly.

The course of wheat prices was erratic during May and early June. From a low of 54⅛ cents per bushel in early May, the July contract at Chicago rose to 60½ cents per bushel in the later part of the month, subsequently declining in early June. On June 20 the lowest price for this contract was 48¾ cents per bushel. Current prices for new crop California feed barley at San Francisco have ranged from 60 to 70 cents per hundredweight, as compared with a range of \$1.00 to \$1.15 in June last year. Alfalfa hay, cotton, and bean prices were all lower in May and early June than in April.

Cherries and plums from California have brought higher returns in eastern auction markets this season than a year ago. Heavier shipments of California lemons have been co-incident with an increase in average prices from \$2.24 per box in April to \$3.39 per box in May. Valencia orange prices also improved after the completion during May of last season's Navel orange shipments. The average f. o. b. price during that month was \$2.05 per box as compared with \$1.87 per box in April.

During May, petroleum prices remained unchanged, while quotations for lumber fluctuated less than in any month of 1932. Prices of

Bank Debits*

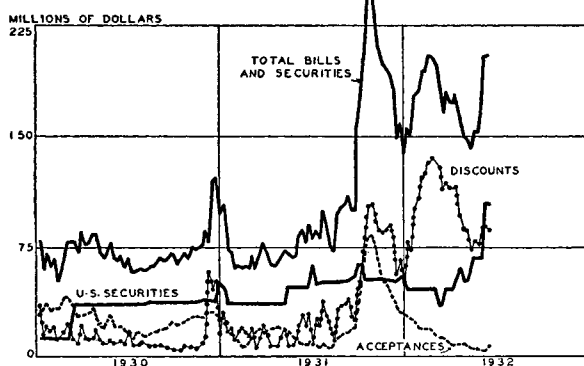
	May 1932	May 1931	First five months—	
			1932	1931
Arizona				
Phoenix	\$ 21,490	\$ 33,681	\$ 116,397	\$ 164,728
California				
Bakersfield	6,431	9,402	39,189	57,775
Berkeley	12,719	18,160	77,810	82,573
Fresno	13,633	18,560	81,440	110,235
Long Beach	24,209	38,602	143,725	219,222
Los Angeles	511,431	806,687	2,996,040	4,289,091
Oakland	150,323	196,796	871,181	960,823
Pasadena	19,175	30,112	123,892	164,414
Sacramento	36,631	46,445	202,205	230,999
San Bernardino	6,094	8,315	34,705	44,527
San Diego	30,844	45,342	184,331	252,479
San Francisco	566,537	980,477	3,405,168	5,154,483
San Jose	14,134	21,433	84,245	118,862
Santa Barbara	8,173	12,322	50,287	67,668
Stockton	11,712	16,598	67,278	87,633
Idaho				
Boise	9,068	11,568	50,450	61,234
Nevada				
Reno	7,670	10,017	37,627	47,675
Oregon				
Eugene	4,095	5,603	20,671	27,396
Portland	109,865	167,382	520,407	728,946
Utah				
Ogden	8,193	13,541	42,888	70,574
Salt Lake City	37,304	55,699	226,159	307,344
Washington				
Bellingham	4,591	6,358	24,069	34,451
Everett	5,110	8,589	29,306	46,561
Seattle	129,673	194,480	676,340	986,593
Spokane	28,061	36,815	147,264	207,875
Tacoma	21,140	32,961	113,121	171,652
Yakima	7,668	11,524	39,543	62,247
Total	\$1,805,974	\$2,837,469	\$10,405,738	\$14,758,060

*In thousands.

such miscellaneous commodities as flour, silk, tin, and rubber declined slightly from early May to June, while prices for cement, brick, sugar and newsprint remained unchanged.

Credit Situation

An inflow of bankers' balances to the reserve cities, a reduction in the number of member banks accommodated at the Reserve Bank, and lower interest rates paid to depositors by reporting banks, have been important factors in the credit situation in the Twelfth District during recent weeks. Both deposits and investments of city banks declined between May 18 and June 8, but the decreases were offset during the following week, largely as a result of the Treasury financing of June 15. Loans remained practically unchanged during the four weeks ended June 15. Security trading on the principal exchanges was at the lowest levels in years.

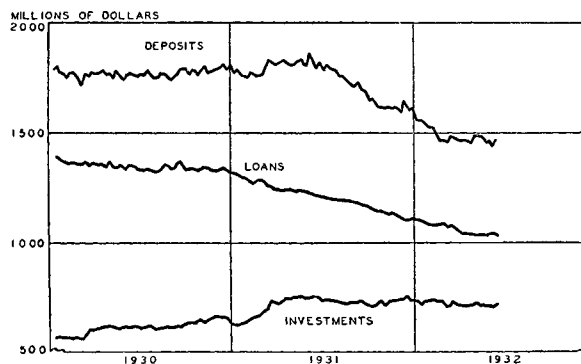


EARNING ASSETS—Federal Reserve Bank of San Francisco

During March there was a 13 per cent decline in number of banks discounting (chiefly country banks), whereas there has usually been a seasonal increase of about 15 per cent in that month. In April the increase was less than the seasonal expectation, and there was a small decrease in May, although on the basis of past experience an increase of approximately 6 per cent in the number of members accommodated might have been expected. Activities of the Reconstruction Finance Corporation and its agencies have contributed in no small degree to these favorable indications and to other current developments in the credit situation.

Since the establishment of the Federal Reserve Bank of San Francisco in 1914, deposits of member banks have customarily been at the lowest point of the year in either May or June. In past years this condition has accompanied an accumulation of the largest seasonal adverse balance of trade with other regions due to heavy expenditures in anticipation of returns later in the year as agricultural and other seasonal products were marketed. For this reason, country banks have usually felt the greatest

strain of the year in May and June and their ability at this time to add to correspondent accounts, as reflected in bankers' balances at reserve cities, is encouraging. At the same time loans of reporting member (city) banks have changed but little, notwithstanding a continuance of the decline in stock and bond quotations and in the level of commodity prices. There appears to be a general willingness and ability on the part of commercial bankers to co-operate with the President's committees to promote the use and expansion of credit, insofar as individual situations permit.



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

Net demand deposits, as reported weekly by city member banks, declined 81 million dollars between December 30 and June 15. Of this decline, however, 27 million dollars resulted from a reduction in bankers' deposits at the several banks, leaving a decrease of only 57 millions in demand deposits of individuals. During this same period time deposits were reduced by 54 million dollars. Total loans of these banks declined 88 million dollars between December 30 and June 15 and investments were 14 million dollars lower on the later date.

This Review* has previously shown that a decline in deposits may be the result of (1) a decline of loans, (2) a withdrawal of currency or gold, (3) an addition to the capital funds of the banking system, or (4) a transfer of credits to other districts, either for the account of the United States Treasurer or others, the various factors acting singly or jointly. During the period from December 30, 1931, to June 15, 1932, there was a net reduction of 10 million dollars in currency circulation, although fluctuations from maximum to minimum were much larger than that amount. Since this return of currency from circulation increased deposits, as did Mint purchases of gold and Treasury expenditures in excess of collections, an explanation of the reduction in deposits is to be found among the remaining factors. The decline in loans was the most important of these, but

*January, 1932, and April, 1932.

transfers of funds from the District for the accounts of banks and individuals were also of considerable weight. Most of the net payments were made to the New York District. Net changes in banking capital were small.

The creation of acceptances by Twelfth District banks has declined to low levels during the past quarter, current offerings having been small. Liabilities of banks on bills have been decreasing steadily from their peak in November, 1930. Acceptances based upon goods stored in or shipped between foreign countries have been reduced by the greatest amount, reflecting the drastic decline in foreign trade.

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

	Condition			
	June 15 1932	June 8 1932	May 18 1932	June 17 1931
Total Bills and Securities	203	201	155	79
Bills Discounted	90	90	80	22
Bills Bought	7	4	5	8
United States Securities	107	107	70	49
Total Reserves	195	190	242	289
Total Deposits	154	148	156	184
Federal Reserve Notes in Circulation	228	226	223	169
Ratio of Total Reserves to De- posit and Note Liabilities Combined	51.1	50.9	63.9	82.1

There was the usual increase in currency circulation over the May 30 week-end holiday. Circulation, although declining in the following week, has tended to increase since mid-May. This is in conformity with the usual experience, in which money in circulation increases at this time of the year, the upswing culminating in a mid-summer peak during the week of the July 4 holiday.

The Federal Reserve Bank of San Francisco participated heavily in System purchases of Government securities during the week ended June 8. An amount of securities equal to more than half of the System's additional purchases during that week was placed to the account of that Bank, with the result that its Government security portfolio now shows a percentage increase since March approximately equal to that

of the System as a whole for the same period. At the same time 42 million dollars of Government securities were deposited with the Federal reserve agent as collateral for Federal reserve notes, as authorized by the Glass-Steagall Act. This was the first time that the Federal Reserve Bank of San Francisco made use of such authorization.

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

	Condition			
	June 15 1932	June 8 1932	May 18 1932	June 17 1931
Loans and Investments—Total..	1,743	1,734	1,748	1,986
Loans—Total	1,027	1,033	1,036	1,223
On Securities	272	273	276	333
All Other	755	760	760	890
Investments—Total	716	701	712	763
United States Securities	388	373	383	401
Other Securities	328	328	329	362
Reserve with Reserve Bank	89	84	90	105
Net Demand Deposits	559	545	559	733
Time Deposits	879	887	897	1,057
Due from Banks	137	126	125	186
Due to Banks	168	160	167	244
Borrowings at Reserve Bank	72	72	63	15

On June 15 the United States Treasury allotted 27 million dollars of 3 per cent Treasury notes maturing in 1935, and 24 million dollars of Treasury Certificates of Indebtedness maturing in 1933 to banks in this District. These securities were paid for almost entirely by exchange of maturing certificates (21 per cent) and by deposit credit to the Government (73 per cent). This financing followed that of April 30 which was actively supported by Twelfth District banks. Government disbursements in excess of collections have largely converted the Government deposits built up at that time into individual deposits and this process has moderated reductions in deposits occasioned by the continued, if less rapid, declines of loans.

Available data indicate that interest rates charged customers have tended downward slightly at some banks during recent weeks.

Volume of trading on Twelfth District stock exchanges continued to decrease during May, the number of shares traded being the smallest since 1926. Prices of all types of corporate securities declined substantially.

Current Movements of Bankers' Balances — Twelfth District

During the past several weeks bankers' balances have been moving from country banks to reserve city banks, whereas for several previous months country banks had been withdrawing balances from their city correspondents. This withdrawal had been continuous from July, 1931, through March, 1932, and had resulted in a substantial redistribution of funds throughout the seven western states, with signs of strain at certain points.

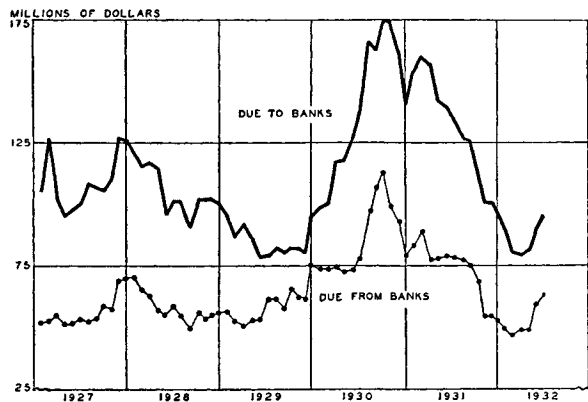
Country banks generally had a surplus of funds during the easy money period from June, 1930, to June, 1931. As a result of this surplus, they increased their deposits with city

correspondents to unusually high levels. The bulk of these funds was placed with banks in cities of the Twelfth District other than San Francisco, which banks in turn sent them on to San Francisco and New York.

Beginning with July, 1931, however, country banks began to withdraw their funds as credit conditions became firmer. Between July, 1931, and March, 1932, amounts due to other banks reported by the leading reserve city banks outside of San Francisco declined about 60 million dollars, while the amount owed by San Francisco banks to correspondents decreased about 95 million dollars.

Banks in outside reserve cities have usually been unable to employ country bank funds in their local markets and therefore have customarily passed them on to San Francisco and to New York, where they usually command some rate of interest. Experience of past years has shown that reserve city banks pass on to the more important financial centers considerably larger amounts than they receive as bankers' deposits from country banks, because the same forces which give rise to a surplus of funds in the country areas also contribute to a surplus in the regional reserve cities. Likewise, conditions which make necessary the withdrawal of country bank funds create a credit stringency in the reserve cities by a greater amount than the reduction in country bank balances.

San Francisco, as the principal money market of the Twelfth District and as an important secondary financial center of the United States, has a fairly elastic demand for money and is able to utilize excess funds from other areas. In fact, the banking structure of that city as it has been built up over a period of years has been based upon the availability of these outside funds. In recent years about 40 per cent of the bankers' balances received by San Francisco banks has been employed in their local market, the remainder being sent on to New York, the primary financial center.



BANKERS' BALANCES—San Francisco

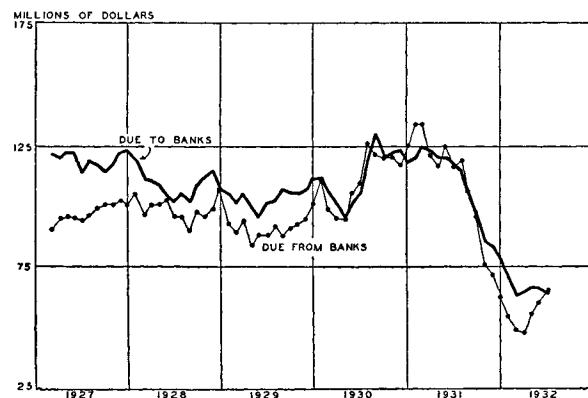
"Due to banks" represents principally balances carried in San Francisco by country banks and other reserve city banks in the Twelfth District.

"Due from banks" represents principally balances carried by San Francisco banks in New York and other cities not in the Twelfth District.

The movements of funds between July, 1931, and March, 1932, conformed to past experience. Bankers' balances held by Twelfth District reserve city banks outside of San Francisco were reduced 60 million dollars, and banks in those cities met the demands of their country correspondents by recalling their own deposits with banks in San Francisco and New York. These balances declined 80 million dollars, indicating

that regional reserve cities were also facing withdrawals of deposits by customers and other conditions making for a tighter credit situation. San Francisco banks paid out 55 million dollars of bankers' deposits and they in turn reduced their own balances elsewhere (principally in New York) by 33 million dollars. In summary, reserve city banks outside of San Francisco gained a net of 20 million dollars in funds by recalling 80 million dollars from banks in San Francisco and New York, while their loss to country banks was only 60 million dollars. Of the 80 million dollars recalled, San Francisco banks supplied 22 million dollars and banks in New York and other cities furnished the remainder or 58 million dollars.

The change in direction of movement of bankers' balances has been well marked since late March, but the amount of change has been substantial only during the past six weeks. Country banks have now replaced a moderate amount of funds with their city correspondents in regional reserve cities and these banks in turn have placed them in San Francisco and New York. San Francisco banks, not being able to employ the usual proportion of short-term demand deposits, have to some extent passed them on to New York and other cities.



BANKERS' BALANCES—Twelfth District Reserve Cities Outside San Francisco, including Los Angeles, Oakland, Portland, Salt Lake City, Seattle, and Spokane.

"Due to banks" represents principally balances carried in these "outside" reserve cities by Twelfth District country banks.

"Due from banks" represents principally balances carried by "outside" reserve city banks in San Francisco and New York and other cities not in the Twelfth District.

This reversal of trend in bankers' deposits probably represents a partial redistribution of bank reserves from those cities having an excess to those districts having a deficiency, and reflects in some degree a feeling of greater confidence in the credit situation. This change became noticeable soon after the Federal Reserve System, with the participation of this Bank, commenced to make large purchases of Government securities on the open market in March.

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, June 20, 1932

Vol. XVI No. 6

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Volume of production in basic industries and employment at factories decreased further in May, and wholesale prices declined. Foreign withdrawals of gold, which had been in large volume in May and the first half of June, practically stopped after the middle of the month.

Production and Employment. Production at mines and factories declined further in May, and the Board's seasonally adjusted index of industrial production showed a reduction from 64 per cent of the 1923-1925 average in April to 61 per cent in May. Output of coal was substantially reduced, particularly in the anthracite fields, shipments of iron ore showed less than the usual seasonal increase, production of iron and steel declined, and activity at textile mills and shoe factories was further curtailed. In the automobile industry, output increased considerably.

In the first part of June activity in the steel and cotton industries was reported to have declined further, while output of automobiles continued at about the same rate as in the latter part of May.

Further reductions in employment and earnings of factory workers accompanied the smaller volume of manufacturing output in May, particularly in the steel and machinery

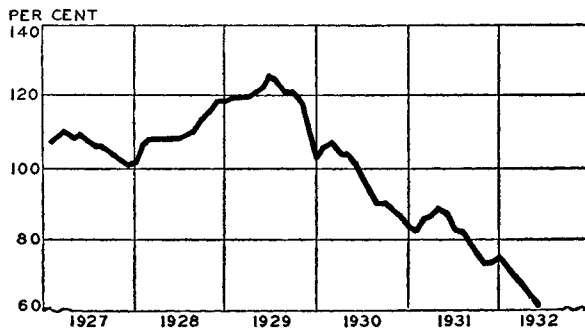
industries, and in the textile and clothing trades. Employment at automobile plants and in the seasonally active food industries showed an increase.

Value of building contracts awarded, according to reports to the F. W. Dodge Corporation, after increasing somewhat in April and May, declined slightly in the first half of June, reflecting chiefly smaller awards for public works and other non-residential building.

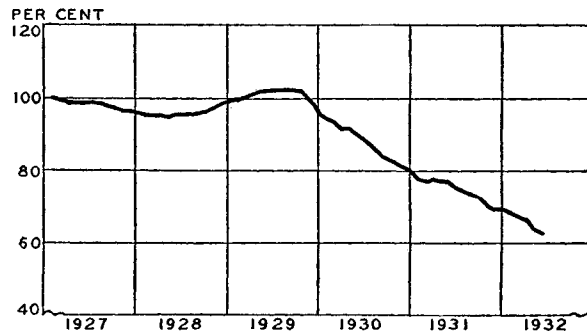
Distribution. Railroad freight traffic decreased further in May, the largest reduction being in shipments of coal and miscellaneous freight. Sales of department stores in leading cities, which had increased substantially during April, were smaller in May.

Wholesale Prices. Prices of commodities at wholesale were 1.7 per cent lower in May than in April, according to the Bureau of Labor Statistics. There were large decreases in prices of many domestic agricultural products and of hides and textiles. Prices of petroleum products advanced.

During the first three weeks of June, market quotations for a number of non-agricultural commodities were relatively steady, and prices of sugar, meats, and livestock increased. Prices of wheat, after considerable fluctuation, were at



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



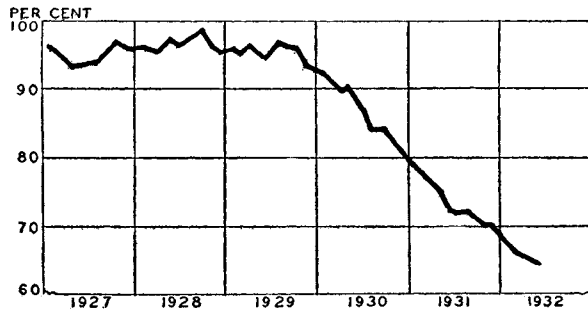
Federal Reserve Board's index of factory employment, with adjustment for seasonal variations (1923-1925 average=100).

unusually low levels at the beginning of the third week in June.

Bank Credit. Withdrawals of gold from the United States continued through May and the first half of June, and the country's stock of monetary gold declined by \$435,000,000 between May 4 and June 15. After that date there was no further decline in the total stock of

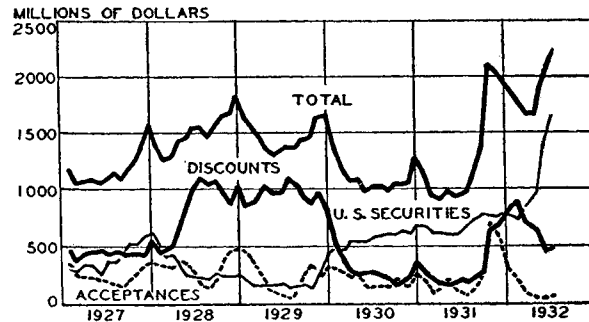
by the export demand for gold, and there was also a decrease in member bank reserve balances.

Loans and investments of reporting member banks in leading cities, which had declined sharply earlier in the year, showed wide fluctuations after the middle of May. In the middle of June, total loans and investments were larger



WHOLESALE PRICES
Index of United States Bureau of Labor Statistics
(1926=100).

monetary gold, continued gold exports representing gold previously earmarked by foreign central banks. During the first part of May continued purchases of United States Government securities by the reserve banks enabled member banks further to reduce their discounts. In later weeks, however, funds released through these purchases were absorbed



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

than a month earlier, the increase in holdings of United States securities being more than sufficient to offset declines in other investments and in loans.

Money rates in the open market remained at low levels. Rates on prime commercial paper were reduced to a range of $2\frac{1}{2}$ - $2\frac{3}{4}$ per cent in the second week of June.