

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

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Vol. XVIII

San Francisco, California, January 20, 1934

No. 1

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### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business activity turned upward definitely during April, 1933, and continued to expand throughout May, June, and July of that year, bringing practically every important measure of industry and trade to levels higher than a year earlier. This improvement was followed by some setback in the next three months with a moderate upturn during the last two months of the year.

In December, practically all lines of industry and trade for which data are available were more active than in December, 1932, although some seasonally adjusted indexes remained below the figures reached in July and August, 1933. Adjusted freight carloadings decreased moderately following the sharp advance in November, but department store sales expanded much more than is ordinarily expected in December, in which month sales activity is always the greatest of the year. As a result of this activity in retail trade and work under the Civil Works Administration, seasonal reductions in other lines of employment were more than offset during the month. The return of currency from circulation after Christmas was larger than usual and reserves of member banks continued to rise.

There was a marked expansion in lumber mill operations during 1933, and output of cement also increased. As a result of increased awards for public works, which reflected in large part projects initiated by the Federal Government, total construction contracts expanded during 1933 for the first time in seven years. Residential building improved slightly during the last half of the year. Petroleum production and refining was curtailed somewhat further. Mining of non-ferrous metals was stimulated somewhat by increasing prices which prevailed after March, aggregate output for the year approximating that of 1932. Flour milling and livestock slaughter remained at comparatively high levels during 1933 and the canning of fruits and vegetables expanded markedly from the low rate of activity in the preceding year.

Employment and wage payments advanced sharply after March, reflecting the adoption of codes of fair competition as well as the improved business situation. During the last four months of the year the number of employees was substantially larger than in either 1931 or 1932. Aggregate sales of wholesalers during the year were slightly larger in value than in 1932, while department store sales decreased moderately. Volume of intercoastal traffic increased sharply to 1931 levels, and automobile sales also expanded substantially after severe contraction in other years since 1929. The number of commercial failures during 1933 was the smallest since 1924 and the amount of liabilities involved was less than in any year since 1926.

The agricultural situation also improved during 1933, principally as a result of orderly marketings of crops and higher farm prices, actual production of crops being about the same as in the preceding year. Climatic conditions were generally favorable for the growing and harvesting of crops, although as a result of the dry year, range forage was extremely poor. Movement of livestock to market was about the same as in 1932, and prices improved but little from the low levels of that year.

Steady improvement in Twelfth District banking conditions followed the period of severe pressure which culminated in the temporary closing of all banks in March, 1933. With the reopening of most banks on an unrestricted basis in the last half of that month, currency was redeposited about as rapidly as it previously had been withdrawn. These funds, together with those entering the district banking structure from large net United States Government disbursements in this area, enabled banks to settle for a net outflow to other districts because of commercial transactions, to reduce borrowings at the reserve bank, and to build up reserve deposits. The gain of funds from net Treasury disbursements continued during the last half of the year, resulting in the building up of excess reserves to record proportions and

in a reduction in interest rate charges.

Net demand and time deposits of reporting member banks tended upward steadily after March, and after June there was a moderate expansion in total loans and investments as a result of enlarged portfolios of Government securities and an increase in "all other" loans. Subsequent to the banking holiday period, capital structures of many banks were strengthened through sales of preferred stock, some banks were liquidated, and some merged into branch systems, the effect being a strengthening of the entire banking system.

### Agriculture

Higher prices for nearly all agricultural products, a fairly large volume of production, and more complete harvesting of some crops increased the estimated value of Twelfth District crop production during 1933 as compared with 1932.

#### INDEXES OF CROP PRODUCTION AND VALUE

		Twelfth District (1925-1927 average=100)						
		1919	1921	1929	1930	1931	1932	1933
Value	.....	143	80	113	84	58	46	55¶
Volume	.....	86	85	109	110	96	106	100¶

¶Preliminary.

Efforts to conduct marketing activities under agreements covering a major part or the entire volume of a particular crop or product grown within specified areas occupied a more important place in the history of agriculture during 1933 than in any other period during recent years. Export sales of agricultural products were influenced favorably by the depreciation of the dollar in terms of foreign currencies, but the adverse effects of tariff increases, quotas, and other restrictive regulations imposed by foreign countries upon fruits and other food products from the United States offset that influence to some extent. Federal Government payments in accordance with acreage reduction agreements augmented the income received by cotton and wheat farmers from sales of their crops. Mortgage refunding and lending operations at relatively low interest rates through credit advanced by Federal Government agencies became increasingly important in relieving the pressure of debt during the year. The Federal Government also enlarged its short-term credit granting facilities to assist in the marketing of farm products.

Weather conditions, excepting the severe cold of the 1932-1933 winter months, were generally favorable to the growth and harvesting of crops. Irrigation water was ample throughout the district during the growing season. Livestock ranges deteriorated considerably during the year, however, due to lack of rain during summer and autumn months. This period

of warm dry weather was not without its benefits at harvest time for the consequent small amount of crop spoilage at maturity increased the yield of grain, field, and fruit crops and facilitated the drying and preserving of fruits.

Winter killing caused the abandonment of nearly half of the acreage sown to wheat in the autumn of 1932. Notwithstanding the reseeding of a large part of the abandoned acreage with spring wheat and a favorable growing season the district's most important grain crop was 7 per cent smaller in 1933 than in 1932 and 8 per cent smaller than the average production from 1928 through 1932. The North Pacific Emergency Export Corporation, organized in the fall of 1933 to remove surplus stocks of wheat in the Pacific Northwest, announced export sales of more than 11 million bushels up to January 20. Of these sales, 6,610,000 bushels had been shipped by January 20, 1934. Surplus stocks of wheat in the Pacific Northwest were estimated at 35 to 40 million bushels last October. Acreage sown to wheat in the Pacific Northwest during the fall of 1933 was 14 per cent less than that planted in the preceding year, according to the Agricultural Adjustment Administration. Growing conditions thus far this winter have been more favorable than a year ago. Production of barley, an important cash crop in California, decreased 30 per cent from 1932 to 1933, while prices paid growers for the 1933 crop increased about 55 per cent.

Production of all field crops except hay and rice increased from 1932 to 1933, gains in cotton, bean, and hop production running about 50 per cent. Although total production was smaller, farmers marketed a larger volume of many California deciduous fruits, particularly of grapes and canning peaches, in 1933 than in 1932. The district's apple crop was 3 per cent smaller in 1933 than in the preceding year. According to the United States Department of Agriculture, production of both oranges and

### *Agricultural Marketing Activity—*

	December		Season to Date	
	1933	1932	1933	1932
<b>Carlot Shipments</b>				
Apples and Pears...	5,038	3,773	21,803	27,279
Citrus Fruits.....	4,113	3,966	8,984	9,830
Vegetables .....	8,210	5,818	29,681	26,167
<b>Exports</b>				
Wheat (bu.).....	4,239,597	6,666	5,043,204	2,005,321
Barley (bu.).....	341,083	410,416	3,202,852	3,947,706
<b>Receipts</b>				
Cattle .....	89,862	67,931	939,995	884,739
Hogs .....	276,987	273,679	2,852,964	3,017,736
Sheep .....	305,977	234,851	4,679,657	4,889,210
Eggs (cases) .....	142,817	103,403	1,668,023	1,592,444
Butter (lb.) .....	6,833,970	6,308,990	76,332,219	78,812,270
Wheat (carlots)...	5,030	3,028	29,471	26,708
Barley (carlots)...	490	400	3,506	3,818
<b>Storage Holdings (end of month)</b>				
Wheat (bu.).....	6,645,000	3,085,000	.....	.....
Beans (bags).....	2,254,800	1,895,643	.....	.....
Butter (lb.).....	8,508,000	896,000	.....	.....
Eggs (cases).....	26,000	10,000	.....	.....

lemons was smaller during the 1932-1933 season than in the preceding crop year.

Although the number of eggs received at Pacific Coast markets was larger in 1933 than in 1932, shipments from the district to eastern states were substantially smaller, indicating a decrease in total production during the year. Butter production was slightly smaller in 1933 than in 1932, but storage holdings in California, Oregon, and Washington on January 1, 1934 were 8,508,000 pounds (including butter owned by the Federal Government), compared with 896,000 pounds on January 1, 1933.

Severe storms in April and May, a shortage of feed during the late lambing period, and the long summer drought which made ranges dry and range feed extremely scarce contributed to the difficulties of the livestock industry in 1933. Physical conditions and the financial embarrassment of many cattle raisers were reflected in an unusually heavy increase in cattle receipts at district markets during the autumn marketing season, receipts for the entire year totaling 6 per cent more than in 1932. Most cattle marketed were lighter in weight and poorer in quality than in 1932, when range and feed conditions were fairly good. Cattle prices averaged slightly lower in 1933 than in the previous year. Fewer lambs and hogs were shipped to the principal markets of the Twelfth District in 1933 than in 1932.

### Industry

The lowest level of activity during the depression was reached by the principal Twelfth District industries in March, 1933. Production expanded sharply in subsequent months through July, and in that month was considerably higher in nearly all industries for which data are available than in July, 1932. A moderate decline in output during August, September, and October was followed by a somewhat higher level of operations during the last two months of the year.

The upturn in production from April through July was accompanied by increases in industrial employment and payrolls. Further substantial advances in both the number employed and in total wage payments were recorded during August and September, a fact which may be attributed almost entirely to adoption of industrial codes, since production in those months declined somewhat. During the period of seasonal reductions in employment in agricultural and industrial activities late in the year, a large number of employees were given work through Federal Government employment programs and by more than the customary sharp expansion in retail trade in December.

The number employed in California and Oregon industries averaged about 10 per cent

higher in 1933 than in 1932. During the first quarter of the year employment averaged 7 per cent lower than in the corresponding months of 1932, while during the last quarter, a year-to-year increase of 24 per cent was reported. Increased employment in the important lumber, motion picture, and canning industries was especially large, but there was considerable improvement in practically all of the major groups. Similarly, payrolls advanced sharply from April through September, but because of the comparatively small wage payments early in the year, total payments in 1933 were about the same as in 1932. Weekly earnings per worker averaged about 10 per cent lower than in 1932, in part reflecting a reduction in the length of the working week and in part a decline in wage rates.

Crude oil production in California averaged slightly lower in 1933 than in 1932. Control of production under the Federal code of fair competition was inaugurated on September 8, 1933, and during the remainder of that month producers adhered rather closely to the allotment of 480,000 barrels daily, an increase over previously existing schedules. Federal allotments of 455,000 barrels daily were set for October and November, and there was a further reduction to 450,000 barrels for December, but output averaged 471,000 barrels per day during those months. Refinery operations showed more than the usual spring rise, notwithstanding which substantial withdrawals from inventories of refined products were necessary. Activity decreased during the last half of the year to levels of late 1932. Crude and fuel oil stocks were reduced during 1933, especially in the last few months of the year when unusually

### Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees Dec., 1933 Dec., 1932	No. of Firms	No. of Employees Dec., 1933 Dec., 1932
All Industries*	1,161	142,196 (+23.6)	115	17,511 (+32.7)
Stone, Clay, and Glass Products.	61	5,003 (+30.9)	3	115 (+576.5)
Lumber and Wood Manufactures ..	126	14,550 (+26.6)	41	9,745 (+46.0)
Textiles .....	12	1,219 (+25.2)	7	1,413 (+20.1)
Clothing, Millinery, and Laundering	149	9,493 (-4.5)	6†	142 (-7.8)
Food, Beverages, and Tobacco...	274	34,240 (+37.7)	31	1,439 (+22.7)
Public Utilities...	46	42,784 (-3.8)	..	....
Other Industries†	492	67,251 (+19.2)	..	....
Miscellaneous ...	47	10,440 (+39.1)	27	4,657 (+16.4)
Wholesale and Retail .....	222	36,243 (+10.9)	..	....

\*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, 1932.

heavy shipments were made to the Atlantic Coast. Total stocks were about 7 per cent lower on December 31, 1933, than at the end of 1932.

This bank's seasonally adjusted index of lumber production advanced from a record low point of 28 (1923-1925 average = 100) in March to 62 in July. Operations were stimulated early in that period by building activity in the earthquake stricken area of southern California and later by the restocking of depleted inventories of retail lumber yards. A large volume of accumulated orders maintained production during July, but a moderate decline during August, September, and October cancelled approximately half of the earlier advances in the seasonally adjusted index. Output decreased by about the customary amount during the last two months of the year. Shipments were larger in 1933 than in 1932 and exceeded production in a majority of months in 1933. Gross inventories were 10 per cent smaller on December 30, 1933, than at the end of 1932.

A substantially larger volume of construction was undertaken in 1933 than in 1932, the first year-to-year increase in this field of activity since 1926. Engineering contract awards were greatly enlarged during the first half of the year by the Colorado River Aqueduct and San Francisco-Oakland Bay Bridge projects. Following formation of the Public Works Administration in June, Federal Government construction, which had fallen off for several months, expanded rapidly with awards being made principally for work on streets, highways, and excavations, and more recently, public buildings. Additional large Federal grants or loans have been allocated to projects for which

contracts have not yet been awarded. Commercial, industrial, and residential building was fairly stable during 1933 at levels somewhat lower than in the preceding year.

The canning industry was more active in 1933 than in 1932. Canning of fruits increased over 50 per cent, the pack being the largest since 1930. The quantity of vegetables canned was also substantially higher than in 1932 or 1931. Carryover stocks from previous years were comparatively small and, despite the increased production of 1933, the total amount available for consumption was only slightly larger than in 1932. While the pack of canned salmon was about the same in 1933 as in 1932, unsold stocks at the end of the year were somewhat larger in volume. The pack of tuna fish totaled 1,200,000 cases during 1933, compared with 1,065,000 cases during 1932 and a five-year average of 1,354,000 cases. According to preliminary figures, aggregate volume of fruits dried was somewhat smaller this year than last, a decline in raisin production more than offsetting increases in the quantity of prunes and figs dried.

Industrial activity changed little during December. After seasonal allowance, electric power production remained the same as in the previous month. Lumber mill operations decreased slightly more than seasonally. The adjusted index of flour milling advanced sharply, while livestock slaughter showed practically no change. Daily average petroleum production in California rose from 464,000 barrels in November to 475,000 barrels in December, or about 30,000 barrels in excess of proration allotments. A decrease of 4.5 per cent in the number employed in California industries during December was in accordance with seasonal expectations and employment continued about 24 per cent higher than in the preceding year. Aggregate wage payments were but slightly smaller in December than in November with the result that there was a further increase of 2 per cent in average weekly earnings per worker.

## Industry —

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

	1933				1932	
	Year's Aver.	Dec.	Nov.	Oct.	Dec.	Year's Aver.
<b>General</b>						
Carloadings—Industrial . . . . .	43	42	53	49	36	37
Electric Power Production . . . . .	139¶	145¶	145	142	137	139
<b>Manufactures</b>						
Lumber . . . . .	45	46	48	47	32	34
Refined Mineral Oils† . . . . .	127	116	129	124	129	134
Flour . . . . .	95¶	99¶	87	77	83	96
Slaughter of Livestock . . . . .	110	106	107	108	103	107
Cement . . . . .	53	85	67	57	42	46
Wool Consumption† . . . . .	96¶	97¶	93	105	87	101
<b>Minerals</b>						
Petroleum (California)† . . . . .	72	72	70	72	71	74
Copper (Twelfth District) . . . . .	23	..	..	..	..	28
Lead (United States)† . . . . .	47*	..	71	64	39	45
Silver (United States)† . . . . .	33*	..	33	33	30	37
<b>Building and Construction§</b>						
Total . . . . .	41	37	38	34	44	35
Building Permits—Value						
Larger Cities . . . . .	12	11	12	13	9	14
Smaller Cities . . . . .	12	11	12	13	15	15
Engineering Contracts Awarded—Value						
Total . . . . .	81	71	75	62	87	63
Excluding Buildings . . . . .	163	125	131	106	162	117

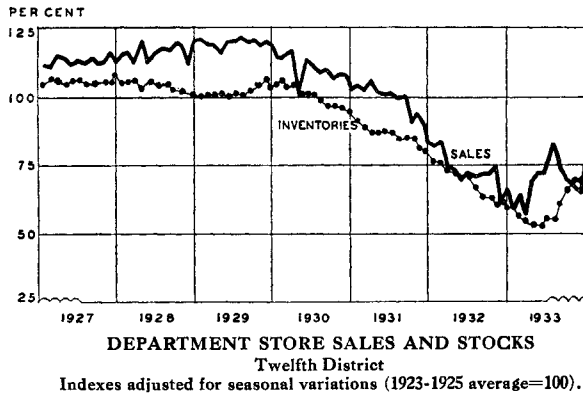
†Not adjusted for seasonal variations. ‡Prepared by Federal Reserve Board. §Indexes are for three months ending with month indicated. ¶Preliminary. \*Eleven months' average.

## Trade

During the first three months of 1933 Twelfth District trade activity was the lowest in more than a decade, but in the following four months the transportation and sale of commodities increased sharply. There was little net change during the last half of the year, the average for that period being substantially higher than in 1932 and only slightly under the average for the last half of 1931.

Notwithstanding rapid improvement during spring and early summer months, department store trade totaled 6 per cent less in value in 1933 than in 1932. Sales in March were 30 per cent smaller than those of a year earlier but,

as a result of subsequent expansion in all reporting cities, they were 13 per cent higher in July than in the same month of 1932. This year-period gain was approximately offset because of less than the usual increase for August, in which month a retail sales tax of 2½ per cent became effective in California. The rate of activity did not change greatly during the next three months, but there was more than the customary sharp expansion in business during December. Number of sales transactions was also lower during 1933 than in 1932. According



to the Fairchild index, retail prices of department store goods advanced considerably from June to the end of October, averaging about the same for the entire year as in 1932. The value of inventories on a seasonally adjusted basis moved upward steadily from April to the end of November, but decreased in December, probably as a result of heavier sales than had been anticipated in that month.

**RETAIL TRADE—Twelfth District**  
Percentage changes in value of sales and stocks

	1933 compared with 1932		
	NET SALES		STOCKS
	December	January 1 to end of December	December
Department Stores....	8.2 (66)	— 5.9 (66)	7.4 (49)
Los Angeles .....	5.5 (7)	— 6.0 (7)	12.0 (7)
Other Southern Calif. ....	8.6 (7)	— 6.3 (7)	22.1 (4)
Oakland .....	0.8 (4)	—10.7 (4)	— 3.8 (4)
San Francisco .....	14.7 (8)	— 3.7 (8)	9.2 (7)
Bay Region .....	10.3 (16)	— 5.5 (16)	5.6 (15)
Central California ..	7.1 (6)	— 5.8 (6)	8.5 (6)
Portland† .....	5.9 (7)	— 8.7 (7)	7.8 (6)
Seattle .....	3.2 (4)	— 8.3 (4)	— 0.6 (4)
Spokane .....	18.0 (4)	— 7.5 (4)	—11.2 (4)
Salt Lake City .....	13.0 (4)	— 0.2 (4)	28.8 (3)
Apparel Stores .....	16.0 (29)	— 1.1 (27)	21.7 (16)
Furniture Stores .....	7.0 (28)	— 9.0 (28)	2.2 (21)
All Stores .....	8.6 (123)	— 5.9 (121)	7.4 (86)

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

Sales of automobiles during 1933 increased 40 per cent over the preceding year. This increase followed drastic declines in the four preceding years to a 1932 level of only one-third of the 1923-1925 average. The number of new passenger cars sold during the year was 41 per cent larger than in 1932, and registrations of commercial vehicles increased 32 per cent. Sales declined somewhat more than seasonally

during December, in part reflecting the inability of dealers to secure delivery on new models.

Except during the first four months of the year, value of wholesale sales was considerably larger in 1933 than in the corresponding months of 1932. Sales of dry goods, furniture, electrical supplies, hardware, and shoes showed increases for the year as a whole, and reductions in other lines of activity were small compared with decreases in other years since 1929.

**WHOLESALE TRADE—Twelfth District**  
Percentage changes in value of sales

	December, 1933 compared with		Cumulative 1933 compared with 1932
	Nov., 1933	Dec., 1932	
Agricultural Implements.....	—12.3	120.4	— 0.1
Automobile Supplies.....	—15.6	— 4.9	— 4.1
Drugs .....	34.3	39.4	— 5.4
Dry Goods .....	—27.1	0.5	14.9
Electrical Supplies.....	11.8	21.4	9.0
Furniture .....	—26.0	33.0	34.6
Groceries .....	— 6.6	7.6	— 1.8
Hardware .....	2.5	36.0	10.1
Shoes .....	—21.1	16.7	9.1
Paper and Stationery.....	6.9	16.1	— 1.7
All Lines .....	— 0.3	19.0	2.3

Aggregate volume of freight moved on district railroads was the same in 1933 as in 1932. For the first time since 1928, however, industrial loadings showed an increase over the preceding year. Merchandise and miscellaneous freight increased moderately more than the seasonal amount from the low point in the first quarter, but totaled slightly less for the year than in 1932. California traffic decreased somewhat during 1933, but Pacific Northwest loadings were larger, reflecting to a considerable extent increased lumber shipments.

Intercoastal traffic through the Panama Canal increased substantially during 1933, principally because of increased petroleum shipments during the last half of the year. The larger gain was in the more important east-bound cargoes, although the movement from Atlantic to Pacific Coast ports also exceeded 1932 volume.

**Distribution and Trade—**

	1933				1932	
	Year's Average				Year's Average	
	Dec.	Nov.	Oct.	Dec.	Dec.	Dec.
Indexes adjusted for seasonal variations (1923-1925 average=100)						
<b>Carloadings†</b>						
Total .....	58	64	68	60	54	57
Merchandise .....	70	81	82	69	68	74
<b>Intercoastal Trade</b>						
Total .....	70	83	85	86	56	54
Westbound .....	75	69	77	91	58	67
Eastbound .....	69	89	85	81	56	50
<b>Retail Trade</b>						
<b>Automobile Sales‡</b>						
Total .....	48	45	60	53	35	34
Passenger .....	46	43	56	49	32	32
Commercial .....	75	77	99	85	62	57
<b>Department Store</b>						
Sales‡ .....	70	77	65	67	68	74
Stocks§ .....	61	65	69	69	61	68
<b>Collections#</b>	Actual Figures					
Regular .....	43.1	44.5	44.8	46.1	41.6	40.9
Installment .....	15.3	15.6	16.0	17.0	12.5	13.9

†Daily average. §At end of month. #Per cent of collections during month to amount outstanding at first of month.

## Prices

General movements in prices of Twelfth District products corresponded closely during 1933 to price tendencies in the country as a whole. After declining until February or March, wholesale prices of most commodities increased rapidly during the next three months. Following a slight recession from July to October, prices remained fairly steady during the last quarter of the year. Prices of agricultural products, which are marketed principally in the late summer and autumn, were considerably higher during the second half of the year than in late 1932.

**WHOLESALE COMMODITY PRICES**  
Expressed as percentages of average prices in 1926

	Average 1929	February, 1933	July, 1933	January, 1934*
Wheat .....	83	30	48	50
Barley .....	120	45	48	77
Rice .....	60	49	48	57
Cotton .....	103	34	60	66
Lima Beans .....	157	45	74	62
Cattle .....	136	58	71	67
Lambs .....	104	44	37	59
Wool .....	95	40	71	83
Eggs .....	101	42	55	52
Butter .....	106	42	58	43
Oranges .....	78	41	51	44†
Apples .....	106	41	62	58†
Prunes .....	129	54	69	78
Flour .....	90	54	93	84†
Canned Peaches .....	100	54	58	67
Canned Salmon .....	81	42	50	51
Sugar .....	91	68	82	77
Copper .....	131	36	65	61
Silver .....	85	42	62	72
Lead .....	81	36	54	48
Coffee .....	100	43	42	46
Rubber .....	43	6	14	20
Lumber .....	76	49	75	90†
Cement .....	84	75	82	84†
Gasoline .....	66	39	58	51†

\*January 20 or nearest date available. †December average.

The cost of living in the principal Twelfth District cities, as indicated by figures of the United States Bureau of Labor Statistics, declined during the first few months of 1933, and at mid-year was lower than at any time since the War. Advances during the last half of the year offset declines from January to June, however, bringing December living costs to a level approximately the same as in December, 1932. Retail food prices decreased during the first quarter, increased sharply from April through August, but declined moderately in later months, leaving but a slight net increase over the year as a whole.

Wheat futures at Chicago advanced from around \$0.50 a bushel at the first of the year to a momentary high point of \$1.20 a bushel in July, and moved within a range from \$0.67 to \$1.09 per bushel during the remainder of the year. Barley, cotton, hops, and rice prices practically doubled during the spring and summer rise and up to the present time have retained a large part of the advance. Quotations on oats and potatoes increased considerably from the extremely low levels of the first part of the year and averaged higher in 1933 than in 1932.

Prices for fruit sold in local and eastern auction markets during 1933 were substantially above those of 1932. Although the fruit and vegetable price index of the United States Department of Agriculture averaged only 13 per cent higher than in 1932, it was from 35 to 40 per cent higher than in the corresponding months of 1932 during the summer and fall when district fruit marketing is at its peak. Average prices paid growers for oranges and lemons were 5 per cent and 10 per cent, respectively, lower in 1933 than in 1932.

Opening quotations for canned fruits, announced in September, ranged from a slight decrease to a 14 per cent increase over 1932. Dried fruit prices in December were 35 to 67 per cent above those of December, 1932.

Butter prices, as measured by quotations for 92 score butter in the San Francisco market, averaged 4 per cent lower in 1933 than in the preceding year. Purchases of butter by the Federal Government held the price from declining during November, but prices dropped to the lowest point on record when Government buying ceased on December 16. Prices paid for eggs during 1933 were 6 per cent lower than in 1932.

Lamb prices were considerably higher in 1933 than in 1932 and wool prices averaged more than double those of the preceding year, when they were extremely low. Cattle prices remained steady at a low level during the entire year, while hogs sold only slightly higher than in 1932.

## Bank Debits\*—

	December, 1933	December, 1932	Twelve Months 1933†	Twelve Months 1932
<b>Arizona</b>				
Phoenix .....	\$ 23,840	\$ 19,674	\$ 218,711	\$ 239,640
<b>California</b>				
Bakersfield .....	13,501	9,159	93,084	92,260
Berkeley .....	18,477	12,867	149,361	163,716
Fresno .....	21,206	16,163	171,378	187,970
Long Beach .....	21,984	25,951	262,495	307,304
Los Angeles .....	552,575	532,771	6,005,101	6,560,761
Oakland .....	186,539	228,886	1,910,412	2,020,820
Pasadena .....	18,305	20,806	213,917	249,375
Sacramento .....	30,497	37,876	320,464	450,893
San Bernardino .....	5,565	7,145	55,294	70,785
San Diego .....	32,715	36,141	342,155	399,970
San Francisco .....	682,741	651,762	7,431,020	7,742,014
San Jose .....	17,510	15,020	171,937	188,570
Santa Barbara .....	9,202	8,678	86,680	107,543
Stockton .....	13,777	11,521	133,766	150,563
<b>Idaho</b>				
Boise .....	11,829	10,975	111,243	117,506
<b>Nevada</b>				
Reno .....	6,395	4,527	58,972	82,396
<b>Oregon</b>				
Eugene .....	3,729	3,032	37,086	44,546
Portland .....	114,191	90,831	1,219,859	1,177,498
<b>Utah</b>				
Ogden .....	16,312	12,805	121,756	115,700
Salt Lake City .....	56,308	54,138	491,735	515,139
<b>Washington</b>				
Bellingham .....	4,430	4,228	48,656	53,531
Everett .....	5,441	4,809	56,302	62,276
Seattle .....	134,793	120,760	1,440,438	1,514,847
Spokane .....	27,976	27,087	257,725	327,877
Tacoma .....	23,296	19,134	225,241	243,059
Yakima .....	10,730	7,455	86,809	92,539
<b>Total .....</b>	<b>\$2,063,864</b>	<b>\$1,994,201</b>	<b>\$21,721,597</b>	<b>\$23,279,098</b>

\*In thousands of dollars. †Includes banking holiday period.

Prices of copper, lead, silver, and zinc increased considerably in the second quarter of the year and were higher than in 1932. The price of newly mined domestic silver was advanced to approximately 64½ cents per ounce on January 1, 1934, in accordance with the terms of the Executive Order of December 21 ratifying the London Silver Agreement. Market prices for other silver remained about 44 cents per ounce. Lumber quotations moved upward during 1933 to the highest point reached since early in 1930. Gasoline and crude oil prices changed little from the 1932 averages tending upward in the closing weeks of the year.

### The Credit Situation

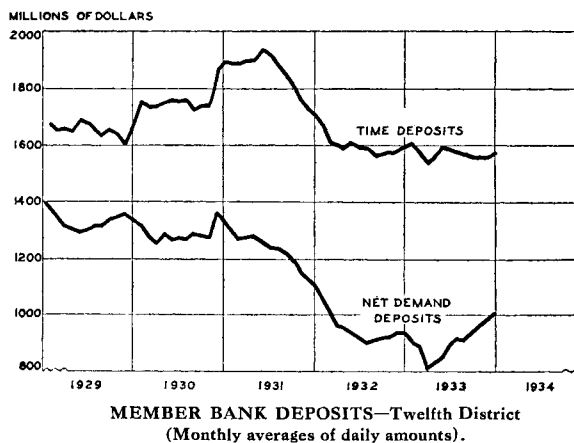
Banks in the Twelfth District were unusually free from pressure at the beginning of 1934. They were not only almost completely out of debt to the Reserve Bank and to other banks, but they also had large amounts of excess reserve funds. Depositor confidence was reflected in a return of currency to the banks during the first half of January somewhat in excess of the usual seasonal amount.

The present ease in the position of district banks, which has been evident for about six months, followed a period of approximately two years during which banks were almost continuously under severe strain. Lack of confidence in banks grew steadily in 1931, taking the form of widespread withdrawals of deposits, with the currency thus received by individuals going into hoards. Bank failures were numerous. The Reconstruction Finance Corporation, formed in January, 1932, relieved some of the most severe demands upon banks, and provision in July, 1932, for obtaining funds through increased issuance of national bank notes furnished additional help.

Closing of important Sacramento Valley banks in California in January, 1933, followed in February by special banking holidays in eastern states and cities, caused a renewal of deposit withdrawals which reached panic proportions during the last few days of February and led to cessation of normal banking operations in all states of the district on March 2 and 3. In all, banks of this district were called upon to furnish about 120 million dollars of currency and gold for hoarding between January 18 and March 4. A detailed discussion of the events immediately preceding the banking holiday, and of the reopening of banks appeared in the March, 1933, issue of this Review. The remainder of this discussion is therefore a summary of the period of liquidation and reconstruction between March and the end of the year, by which time nearly all banks in operation in the district had been sufficiently rehabilitated to permit their admission to the

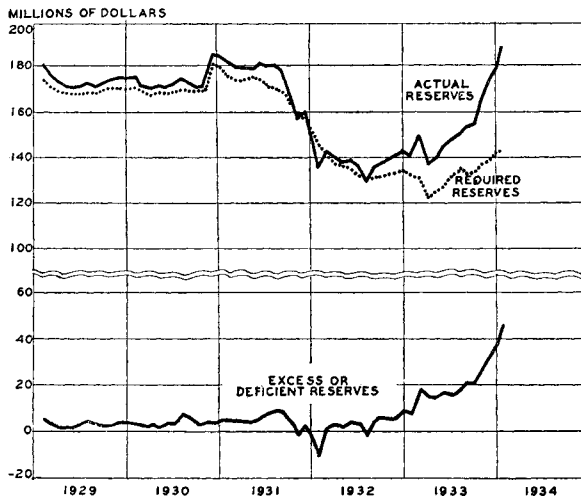
Temporary Deposit Insurance Fund which became operative on January 2, 1934.

Following prompt national legislative and administrative action designed to ease the banking situation, banks in San Francisco reopened on March 13 and in other district communities on March 14 and 15. About 84 per cent of the member banks and 89 per cent of the non-member banks in the district were licensed to operate without restrictions, the unlicensed banks holding but a small percentage of total district deposits. Before the banks reopened for normal operations, currency began to return as special deposits, and with the resumption of full operations hoarded money came back to the Reserve Bank as fast as it had gone out prior to the banking holiday. Deposits at commercial banks, which in March reached the lowest point in eleven years, began an upward movement that continued through the remainder of 1933. Changes in time and demand deposits of all member banks during the past five years are shown in the following chart. A part of the growth in deposits since March represents additions to membership in the Federal Reserve System, but that influence has been offset to some extent by losses from membership through banks closing or through withdrawal from the System for other reasons.



The return of 124 million dollars of currency from hoarding between March 15 and the end of April was by far the most important factor easing the pressure on banks immediately after the March holiday. The principal factor for the year as a whole, however, was the large amount disbursed in this area by the United States Treasury in excess of local collections, the same factor that had eased conditions during the last ten months of 1932. Not only did funds from the Federal Government considerably more than offset the usual net outward movement of funds due to commercial transactions between this and other districts, but they supplied a substantial excess of banking reserves

which contributed to a progressive easing of the credit situation throughout the year. These additional reserve funds were distributed among banks in San Francisco and in other reserve cities as well as among country banks.



MEMBER BANK RESERVES—Twelfth District  
(Monthly averages of daily amounts. January figures preliminary.)

The increase in member bank reserve balances became more rapid after the middle of the year, at which time borrowings from the Reserve Bank had already reached a negligible amount. A decrease in the amount of bankers' funds on deposit in San Francisco took place after June, when the Banking Act of 1933 prohibiting payment of interest on demand deposits became effective, and many banks withdrew their deposits with correspondents except

for the sums necessary for ordinary business transactions, transferring the excess non-interest bearing funds to deposits with the Federal Reserve Bank. By the end of 1933 reserves of Twelfth District banks in excess of legal requirements were considerably higher than at any time in the history of the Federal Reserve System. One effect of this surplus of reserves was to cause a considerable reduction in interest rates charged customers by banks in most of the larger cities of the district.

Loans of reporting member banks did not increase from April through June but expanded moderately during the last half of the year. The entire increase came in loans for commercial purposes, loans on securities remaining unchanged.

In preparing themselves for admission to the Temporary Deposit Insurance Fund a good many Twelfth District banks obtained commitments from the Reconstruction Finance Corporation or other agencies for the purchase of preferred stock or debentures to be issued by the banks. A large part of these transactions had not been completed by the end of 1933. Most banks which had not been issued licenses for unrestricted operation in March were licensed, reorganized, taken into branch banking systems, or placed in liquidation during the remainder of the year. Organization and expansion of branch banking systems took place in Oregon, Washington, Idaho, and Utah, states in which laws permitting branch banking were enacted early in 1933. In some cases, the branch systems were successors to chain systems which had been in operation for some time previously.

#### SOURCES AND USES OF BANKING RESERVES Twelfth District

Changes in millions of dollars during the periods indicated

	SOURCES OF FUNDS				Total Supply
	Reserve Bank Credit	Commercial Operations	Treasury Operations		
<b>1933</b>					
Jan. 4 to Mar. 15..	+51.0	+ 47.1	+12.3		+110.4
Mar. 15 to June 30	-72.2	-124.0	+75.8		-120.4
June 30 to Dec. 31	+ 4.3	- 29.8	+56.5		+ 31.0
<b>1933—Week Ending</b>					
December 20.....	+ 1.1	- 3.1	+ 1.1		- .9
December 27.....	+ 1.2	- 1.4	+ 3.6		+ 3.4
<b>1934—Week Ending</b>					
January 3.....	+ 6.0	- 4.9	- 3.0		- 1.9
January 10.....	- 7.4	+ 7.4	-10.4		- 10.4
January 17.....	+ .2	- 3.5	- .6		- 3.9

	USES OF FUNDS				
	Demand for Currency	Member Bank Reserve Deposits	Non-member Deposits	Unexp'd Capital Funds	Total Dem'd
<b>1933</b>					
Jan. 4 to Mar. 15..	+108.0	+ 5.3	+ 8.4	- .7	+110.4
Mar. 15 to June 30	-138.0	+17.8	- 1.8	+ 1.6	-120.4
June 30 to Dec. 31	- 1.7	+27.7	+ 4.4	+ .6	+ 31.0
<b>1933—Week Ending</b>					
December 20.....	+ 5.0	- .6	- 5.4	+ .1	- .9
December 27.....	- 5.9	+ 7.8	+ 1.6	- .1	+ 3.4
<b>1934—Week Ending</b>					
January 3.....	+ .3	- 2.8	+ .9	- .3	- 1.9
January 10.....	-11.2	+ 5.2	+ .3	- 4.7	- 10.4
January 17.....	- 6.2	+ 4.6	- 1.9	- .4	- 3.9

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

	Condition			
	Jan. 17, 1934	Jan. 10, 1934	Dec. 20, 1933	Jan. 18, 1933
Loans and Investments—Total.	1,701	1,704	1,716	1,669
Loans—Total .....	886	888	901	933
On Securities .....	215	215	224	229
All Other .....	671	673	677	704
Investments—Total .....	815	816	815	736
United States Securities....	502	504	500	411
Other Securities .....	313	312	315	325
Reserve with Reserve Bank....	107	107	103	87
Net Demand Deposits.....	592	588	597	550
Time Deposits .....	887	883	869	906
Due from Banks .....	150	131	149	207
Due to Banks .....	148	146	148	197
Borrowings at Reserve Bank...	...	...	1	15

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

	Condition			
	Jan. 17, 1934	Jan. 10, 1934	Dec. 20, 1933	Jan. 18, 1933
Total Bills and Securities.....	185	185	181	145
Bills Discounted .....	2	2	2	25
Bills Bought .....	17	17	13	2
United States Securities.....	166	166	166	118
Total Gold Reserves and Other Cash .....	259	271	269	253
Total Deposits.....	210	215	200	154
Reserve Notes in Circulation...	201	206	215	221
Reserve Bank Notes in Circulation	15	15	14	...
Ratio of Total Gold Reserves and Other Cash to Deposit and Federal Reserve Note Liabilities Combined .....	63.1	64.2	64.8	67.4

# 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, 1934

Vol. XVIII No. 1

### SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Industrial activity, as measured by the Federal Reserve Board's seasonally adjusted index, showed an increase in December, following upon four months of decline. Factory employment declined somewhat, while employment by public agencies showed a considerable increase.

**Production and Employment.** The Board's index of industrial production, which is adjusted to allow for seasonal variation, advanced from 73 per cent of the 1923-1925 average in November to 74 per cent in December. For the fourth quarter of 1933 as a whole the volume of industrial output was 13 per cent larger than for the corresponding period of 1932. Activity in the steel industry, contrary to seasonal tendency, increased considerably in December and there was also an increase in the output of automobiles. Shoe production declined by an amount smaller than is usual in December. At textile mills, activity declined further by considerably more than the usual seasonal amount to about the low level of last spring.

The number of employees at factories declined between the middle of November and the middle of December by somewhat more than the usual seasonal amount, reflecting chiefly reductions in working forces at cotton,

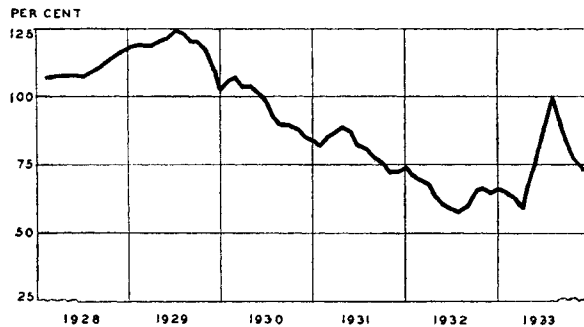
woolen, and silk mills and at clothing factories. At automobile factories there was a substantial increase in employment.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased further in December, and in the first half of January there was a large increase in contracts awarded for public works and private construction also increased. In the fourth quarter of 1933 as a whole construction contracts in 37 states totaled \$500,000,000 as compared with \$300,000,000 in the last quarter of 1932.

**Distribution.** Freight carloadings, particularly of miscellaneous freight, declined in December as compared with November by less than the usual seasonal amount. Dollar value of sales by department stores showed an increase slightly larger than is usual for December.

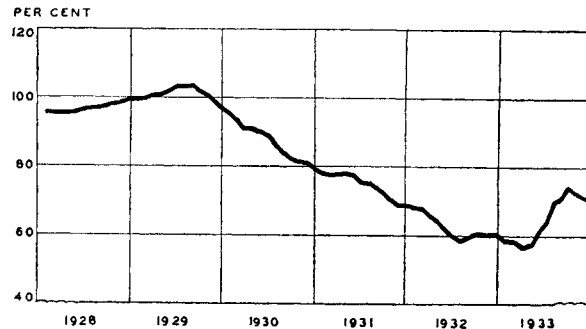
**Dollar Exchange.** The foreign exchange value of the dollar which had fluctuated around 64 per cent of parity from the end of November to January 13, declined to 62 per cent on January 17, and subsequently advanced to a range from 62 to 63 per cent.

**Prices.** Wholesale commodity prices, which had shown a slight decline between the middle of November and the third week of December,



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).

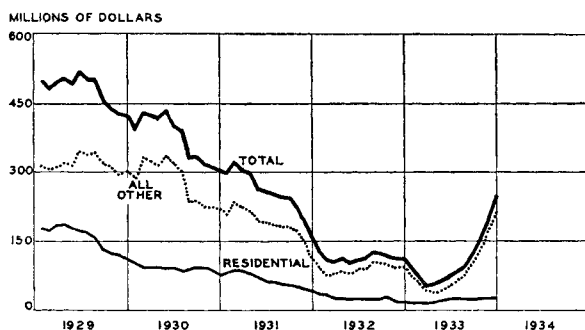
advanced in the following month, reflecting chiefly increases in the prices of farm products and foods. Cotton and grains showed marked increases and livestock prices also advanced somewhat.

**Bank Credit.** At the reserve banks, the seasonal return of currency from circulation after the holiday demand amounted to about \$250,000,000 from the high point on December 22 to January 17. A large part of the funds arising from this inflow of currency to the reserve banks was added to the reserve balances of member banks, with the consequence that these

balances increased by January 17 to \$900,000,000 in excess of legal requirements.

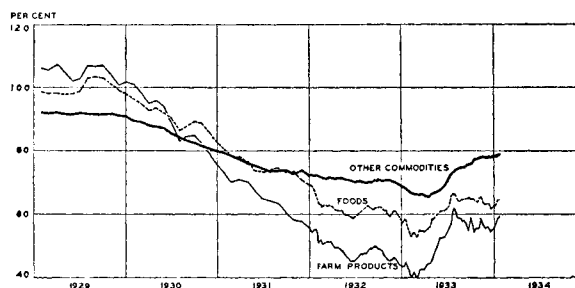
The return flow of currency from circulation and the reduction of balances held by commercial banks for the United States Government were reflected in an increase of demand deposits at reporting member banks. Loans of the banks declined between December 13 and January 17, while holdings of United States Government and other securities increased.

Short-term money rates in the open market, which had shown a slight advance in December, declined in January to the previous level.



#### VALUE OF CONSTRUCTION CONTRACTS AWARDED

Three month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variations. Latest figures based on data for November and December and estimate for January.



#### WHOLESALE PRICES

Indexes of the United States Bureau of Labor Statistics. By months 1929 to 1931; by weeks 1932 to date. (1926=100.)