MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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Federal Reserve Bank of San Francisco

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District industry and trade were about the same in May as in April, after allowance for seasonal factors. Reports covering the period from the middle of April to the middle of May indicated that employment was fairly well maintained at the highest level of the year.

Declines in output occurred in the lumber and flour milling industries, in which operations were reduced as a result of transportation difficulties in connection with the longshoremen's strike beginning on May 9. Production of crude oil was slightly larger and refinery activity expanded further. Contract awards for public works construction were the highest for any month since last October and private construction was stimulated to some extent by increased industrial building.

Department store sales, adjusted for seasonal variations, were approximately the same in May as in April of this year and in May 1933. Freight carloadings increased slightly more than seasonally and sales of new automobiles declined less than is customary during May. Intercoastal shipments through the Panama Canal, particularly from the Atlantic to the Pacific, were substantially restricted.

Rainfall early in June improved livestock ranges and benefited most growing crops, although it damaged some deciduous fruits and berries slightly. Ranges still show the effects of lack of rainfall, however, and, except in Washington, Oregon, and northern California, crops have suffered more or less from shortages of irrigation water. A number of counties in the district have been classed by the Agricultural Adjustment Administration as in the emergency drought areas, and surplus cattle are being moved from these regions. Outlook for grain crops, except wheat, is poorer than at this time last year. Despite recent unfavorable growing conditions, the aggregate yield of deciduous fruits is expected to equal the 1933 output. Stimulated by prospects of small crops throughout the country, prices of farm products tended upward rather consistently during the last half of May and first half of June.

Demand and time deposits of reporting member banks continued to be expanded during the five weeks ending June 20 by Government payments to individuals and corporations in excess of the amounts collected from them. Banks and individuals in the Twelfth District were allotted 52 million dollars of the United States securities issued on June 15. Of this total, payment by banks through deposit credit to the Treasurer's account amounted to 37 million dollars thereby further increasing total deposits. Excess reserves of member banks increased to a new high level on June 13 as a result of the net Treasury disbursements, but declined somewhat in the following week due to an outflow of funds incident to interdistrict commercial and financial transactions. Reflecting these easy money conditions, interest rates were reduced still further during June. Banks also continued to increase their investments in securities other than obligations of the United States Government. Loans showed little change during the period under review.

Agriculture

The outlook for production of crops and livestock in the Twelfth District became less favorable during May as a result of continued warm weather, lack of moisture, and further damage by insects. During the first half of June, however, rainfall was generally beneficial to ranges and to growing crops, notwithstanding some damage to certain fruit crops, to hay being harvested, and to grain ready for harvest. Although growing conditions vary widely it now appears that the volume of this season's agricultural production in the district as a whole will approximate the average of the preceding fifteen years.

A reduction during May of 5,000,000 bushels in the forecast of the winter wheat crop in Twelfth District states resulted largely from unfavorable weather conditions and heavy insect infestation. On June 1, this year's crop was estimated at 60,592,000 bushels, compared with a harvest of 41,297,000 bushels last year

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and an annual average production of 76,918,000 bushels from 1927 through 1931. With few exceptions, June 1 condition estimates of the 1934 spring wheat, oat, barley, and tame hay crops were lower than reports at the same time last year, and were also below the average June 1 condition for the period 1922-1931. The condition of the California barley crop at the beginning of June points toward a harvest of 630,000 tons. This forecast is 19,000 tons smaller than the May 1 estimate, but still above last year's crop of 587,000 tons. Cotton is in excellent condition in California and in Arizona. The condition of growing sugar beets has been adversely affected by a scarcity of irrigation water in Idaho and Utah but in California that crop is in good to excellent condition. Prospects for hop production are still quite uncertain because of damage by downy mildew, but growers anticipate the harvest of an average crop.

CONDITION OF GRAINS AND HAY
(Per cent of normal on June 1)

	Spring Wheat		Oats		Barley		Tame Hay	
	1933	1934	1933	1934	1933	1934	1933	1934
Arizona	..	..	84	85	83	75	81	77
California	..	..	74	69	68	67	76	78
Idaho	86	79	86	83	85	82	75	72
Nevada	91	66	85	86	91	86	78	54
Oregon	84	71	85	73	85	76	69	77
Utah	88	56	89	54	88	60	81	41
Washington	83	69	86	86	86	84	73	87
United States	85	41	79	47	80	45	80	54

Source: United States Department of Agriculture.

Estimated production of the 1934 California Valencia orange crop declined during May and on June 1 the harvest was expected to total approximately 19,000,000 boxes. The current lemon crop is estimated at 7,129,000, or about 300,000 boxes larger than the 1933 crop. Shipments of oranges and lemons from California during May exceeded those of a year ago. Aggregate returns to growers of both fruits continued larger than last year.

Because of a shortage of irrigation water, heavy insect infestation, and damage caused by plant diseases and rain, output of most California deciduous fruit crops is now expected to be somewhat smaller than was estimated earlier in the season. Production will, however, approximate that of 1933. The condition of clingstone peaches in California is good, and production of that fruit is expected to be only slightly less than either the 1927-1931 average or the 1933 crop. Production estimates of freestone peaches indicate a crop slightly smaller than last year and about 7 per cent smaller than the 1927-1931 annual average. The only important deciduous fruit crop which is now expected to differ greatly in size from production last season is the apricot crop which will be the smallest since 1924. Forecasts place that crop at 143,000 tons compared with an output of 268,000 tons in 1933 and an average annual production of 215,000 tons for the years 1927 through 1931. It is reported that prices paid growers for apricots are more than double those of a year ago, when canning apricots sold for $20 to $30 per ton. In the Pacific Northwest, deciduous fruits were damaged by rain and cold weather during and after unusually early blossoming, but present conditions are

DECIDUOUS FRUITS AND NUTS—California

	Condition June 1 (Per cent of normal)			Production† (Thousands of tons)		
	Average 1922-1931	1933	1934	Average 1927-1931	1933	Indicated 1934
Apples	72	72	54	9,804*	9,672*	9,333*
Apricots	66	71	37	215	268	143
Cherries	62	67	49	17	25	16
Grapes	84	72	78	2,020	1,559	..
Raisin	82	72	76	1,206	916	..
Table	84	72	78	380	270	..
Wine	88	72	86	434	373	..
Peaches	81	83	80	561	530	522
Clingstone	72	84	82	371	351	346
Freestone	77	81	77	190	179	176
Pears	71	69	63	217	221	220
Plums	78	74	76	62	57	60
Prunes	66	59	60	207	180	189
Almonds	67	60	55	12	13	..
Walnuts	78	61	65	35	32	..

†Includes fruit grown but not harvested because of market conditions. *In thousands of bushels.
Source: United States Department of Agriculture.

about average for this time of year. Early pears were frost-bitten in some sections of Oregon. The pear crop in the Pacific Northwest is expected to be about 11 per cent smaller this year than last. It will, however, be about 6 per cent larger than annual average production of 5,863,000 bushels for the five years 1927-1931. The apple crop is in good condition in both Oregon and Washington but poor in Idaho.

Weather conditions during May were unfavorable for livestock ranges. Serious shortages of stock water were reported in Utah and southern Idaho. Rainfall during the first half of June helped ranges in most areas, although it was not sufficient to be of lasting benefit where most needed. On the whole, both range feed and stock water are adequate in Washington, Oregon, and northern California at present and fair to poor in other parts of the district. The outlook for summer feed and stock water is poor.

Agricultural Marketing Activity—

	May		Season to Date	
Carlot Shipments	1934	1933	1934	1933
Deciduous fruit	3,368	1,673	37,044	41,273
Citrus fruit	8,158	7,625	38,281	38,233
Vegetables	14,203	11,665	72,868	61,586
Exports				
Wheat (bu.)	889,834	2,598	18,757,205	2,107,004
Barley (bu.)	344,958	251,250	5,330,931	6,762,660
Receipts				
Cattle	86,558	74,380	445,083	345,601
Hogs	195,936	230,856	1,167,334	1,249,718
Sheep	536,330	491,604	1,497,288	1,416,090
Eggs (cases)	189,485	184,732	894,714	814,876
Butter (lbs.)	8,378,726	7,575,823	33,538,587	30,770,599
Wheat (carlots)	3,152	4,325	53,618	42,129
Barley (carlots)	594	514	6,109	6,169
Storage Holdings	1934		1933	
(end of month)	May	April	May	April
Wheat (bu.)	3,455,000	4,303,000	2,314,000	2,387,000
Beans (bags)	1,107,000	1,276,000	620,000	840,000
Butter (lbs.)	4,820,000	1,650,000	3,024,000	659,000
Eggs (cases)	656,000	459,000	656,000	453,000

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Cattle continue in good condition except in very dry areas of the district. Several counties in Arizona, California, Idaho, Nevada, Oregon, and Utah were declared to be drought areas by the Agricultural Adjustment Administration in early June and surplus cattle are to be moved from them or purchased by the Federal Government and distributed for relief purposes. Receipts of cattle in leading markets of the district during May continued to exceed those of last year. Cattle prices increased slightly and at present are about the same as were being paid at this time a year ago.

Some losses of lambs were reported during May from Utah, Nevada, Idaho, and southeastern Oregon as a result of the scarcity of feed and water. A considerable portion of lambs being shipped from Idaho this season has been placed in feedlots, whereas early lambs from that state usually move directly from the range to market. The main spring lamb movement from California had terminated by mid-June. Shipments of live and dressed lambs from that state approximated 444,300 head for the season to June 1, compared with 449,000 head shipped last year. Lamb prices in Pacific Coast markets increased moderately during May, and quotations at Chicago during the last three weeks of the month were the highest since July 1930.

Industry

Industrial activity during May averaged about the same as in April, or slightly lower. Industrial employment also remained comparatively stable.

This bank's seasonally adjusted index of employment in California industries, excluding canning of fruits and vegetables, remained unchanged at 82 per cent of the 1923-1925 average during May, the first month since last November that the index has not advanced. As is customarily expected, operations at canneries did not require as many workers in May as in April. Most other groups of manufacturing enterprises reported small seasonal increases or seasonal stability during the month. The number of persons engaged in producing motion pictures decreased 9 per cent from the preceding month, but this offset only part of the recent increases in that industry. Despite the lack of change in employment, total industrial payrolls for California continued to increase, reaching the highest level since late 1931. Average weekly earnings per worker increased 4 per cent from April to May.

In February, March, April, and May of this year the number of wage earners in the motion picture industry, not including the projection of films in theaters, was more than double that of the corresponding months of 1933. This high level of employment resulted in large part from a pronounced upturn from May through September of last year, reflecting not only increased production but also some shortening of the working week. Following a reaction during October, November, and December, the upturn was resumed in January 1934.

Crude oil production in California, at a daily rate of 486,000 barrels, was slightly greater in May than in April. Use of a new method for prorating production, based partially upon indicated demand for output of individual fields, resulted in a substantial increase in daily allotments to 500,300 barrels for June and to 509,400 barrels for July. These increases were allowed principally to producers in the Huntington Beach and Long Beach fields, where the largest excesses had occurred in previous months. Actual output during the first three weeks of June averaged about 515,000 barrels daily.

Notwithstanding a further increase in crude oil refining during the six weeks ending in mid-June, some withdrawals from inventories of refined products were necessary. Gasoline prices increased slightly further during late May, but remained below prices prevailing prior to the reductions in March.

Lumbering failed to expand by the full seasonal amount during May. Operations in the important Douglas fir region were sharply curtailed during the last half of the month because of transportation difficulties resulting from the longshoremen's strike. Activity in the western pine and California redwood areas expanded more than is usual between April and May. New orders received by all mills in the district, although not as large in May as in April, re-

Employment—

Industries	California No. of Firms	California No. of Employees May, 1934	California No. of Employees May, 1933	Oregon No. of Firms	Oregon No. of Employees May, 1934	Oregon No. of Employees May, 1933
All Industries*	1,079	148,698 (+27.7)	116,437	118	19,008 (+22.7)	15,488
Stone, Clay, and Glass Products	50	4,946 (+31.6)	3,759	3	152 (+322.2)	36
Lumber and Wood Manufactures	120	14,617 (+43.6)	10,180	41	10,285 (+19.2)	8,631
Textiles	14	1,735 (+30.2)	1,333	8	1,745 (+36.6)	1,277
Clothing, Millinery, and Laundering	136	10,124 (+4.7)	9,668	6‡	179 (—3.8)	186
Food, Beverages, and Tobacco	257	35,370 (+17.3)	30,166	31	1,699 (+64.2)	1,035
Public Utilities	41	39,902 (—.8)	40,211	..	....	....
Other Industries†	464	69,492 (+24.6)	55,753	..	....	....
Miscellaneous	38	12,414 (+122.6)	5,578	29	4,948 (+14.5)	4,323
Wholesale and Retail	234	32,414 (+12.1)	28,905	..	....	....

*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, 1933.

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mained considerably above production. Aggregate shipments, however, decreased sharply.

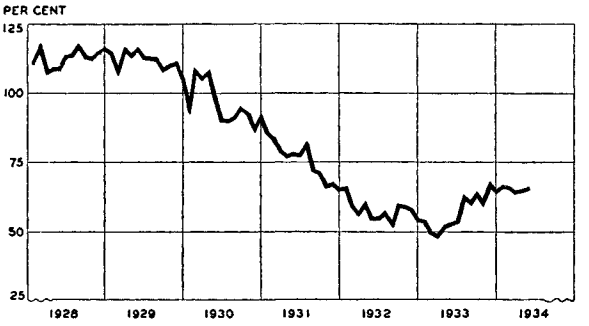
Contract awards for new construction undertaken by public agencies more than doubled during May and were the largest for any month since last October. Practically all types of public works participated in the rise, although contracts of 2 million dollars for a highway bridge at Coos Bay, Oregon, and for 2 million dollars on the Boulder Dam project were the most important. Some stimulation of privately financed construction was evidenced by increased awards for industrial buildings, but residential construction remained comparatively inactive and commercial building was negligible.

The California canned spinach pack for the season just completed amounted to 1,899,731 cases, compared with 1,587,839 cases packed in 1933. This year's pack was larger than any since the record output of more than 4,000,000 cases in 1929. The asparagus pack was limited under terms of a marketing control agreement to 1,900,000 cases, an amount smaller than the actual movement into consumption last year and a decrease of more than 200,000 cases from the 1933 pack. Opening prices for canned asparagus were 12 to 15 per cent higher than in 1933, but lower than in any other year for which records are available.

Canners are now actively preparing for the summer season. Canning of cherries has been practically completed and some apricots have been packed. Carryover stocks of canned fruits on June 1 were somewhat larger in the aggregate than on the corresponding date last year, but amounted to less than half the large inventories of two years ago. The increase in stocks as compared with last year reflected an increase of approximately a million cases in holdings of canned peaches. Sales of all canned fruits except peaches were larger in amount during the year ended June 1, 1934 than in the previous year. Consumption of peaches, however, was but little smaller than in the preceding season, when excessive inventories resulted in disorderly marketing.

Trade

Railway freight traffic expanded slightly more than is customary during May, an increase in loadings of merchandise and miscellaneous freight more than offsetting a decline in industrial loadings. California carloadings continued to rise, after seasonal adjustment, but those originating in the Pacific Northwest did not change, despite an unusually large increase in the volume of lumber shipments.



CARLOADINGS—Twelfth District
Index adjusted for seasonal variation (1923-1925 average=100).

Sales of Twelfth District department stores increased by the slight seasonal amount customary between April and May. Advances in sales of reporting stores in California exceeded seasonal expectations somewhat, but were about offset by reduced trade throughout the Pacific Northwest. While the dollar value of sales was 1 per cent larger than in the corresponding month last year, the number of sales transactions was 7 per cent smaller. The Fairchild index of retail prices of department store goods

Industry—

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

	1934				1933		
General	May	Apr.	Mar.	Feb.	May	Apr.	Mar.
Carloadings—Industrial.	44¶	49	47	49	37	35	30
Elec. Power Production	151¶	154	149	145	135	136	136
Manufactures							
Lumber	49	51	55	52	37	29	28
Refined Mineral Oils†	..	131	128	107	127	133	113
Flour	95¶	98	106	95	117	102	92
Slaughter of Livestock.	111	105	103	111	120	107	103
Cement	74	73	76	75	52	42	52
Wool Consumption†	..	89	71	107	93	79	80
Minerals							
Petroleum (California)†	74	73	72	68	72	72	66
Lead (United States)‡	..	..	57	64	37	45	45
Silver (United States)‡	..	..	47	37	30	36	44
Building and Construction#							
Total	29	29	34	33	43	47	40
Building Permits—Value							
Larger Cities	10	10	11	10	10	10	10
Smaller Cities	19	19	19	14	13	13	11
Engineering Contracts Awarded—Value							
Total	56	61	66	69	90	97	73
Excluding Buildings	114	114	136	145	198	223	178

†Not adjusted for seasonal variation. ‡Prepared by Federal Reserve Board. #Indexes are for three months ending with the month indicated. ¶Preliminary.

Distribution and Trade—

	1934				1933		
	May	Apr.	Mar.	Feb.	May	Apr.	Mar.
	Indexes adjusted for seasonal variation (1923-1925 average=100)						
Carloadings‡							
Total	66¶	65	64	66	53	52	48
Merchandise	85¶	79	79	78	67	67	65
Intercoastal Trade							
Total	79	86	95	91	68	60	59
Westbound	73	88	81	71	61	60	57
Eastbound	82	86	105	99	70	60	63
Retail Trade							
Automobile Sales‡							
Total	63¶	60	60	52	48	37	27
Passenger	57¶	55	55	48	46	36	27
Commercial	124¶	112	112	99	70	48	33
Department Store							
Sales‡	71	71	78	72	72	69	57
Stocks§	66	64	62	64	54	54	56
Collections#	Actual Figures						
Regular	47.8	45.1	46.7	43.6	43.3	41.0	38.6
Installment	17.5	17.5	17.6	16.9	15.0	14.0	13.4

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

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decreased slightly from May 1 to June 1, but at 89 (January 1931=100) it was markedly above the index of 70 on June 1, 1933. Value of department store inventories decreased by less than the usual amount.

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

	1934 compared with 1933		
	NET SALES		STOCKS
	May	Jan. 1 to end of May	May
Department Stores	1.4 (67)	13.8	17.9 (49)
Los Angeles	— 3.7 (7)	10.6	25.4 (7)
Other So. California...	3.8 (7)	15.0	2.5 (5)
Oakland	2.5 (4)	8.3	17.2 (4)
San Francisco	— 3.5 (8)	12.6	14.7 (7)
Bay Region	— 1.2 (16)	11.8	15.0 (15)
Central California	9.5 (6)	16.1	7.8 (6)
Portland†	— 0.6 (7)	14.2	7.8 (6)
Seattle	4.9 (4)	17.5	19.3 (4)
Spokane	26.1 (4)	35.8	5.3 (4)
Salt Lake City	18.8 (4)	20.1	32.4 (3)
Apparel Stores	11.5 (31)	20.6	31.1 (19)
Furniture Stores	13.3 (31)	28.8	19.0 (24)
All Stores	3.4 (129)	16.0	19.1 (92)

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

Wholesale trade expanded by the customary amount during May. After a comparatively poor showing in April, activity in drug and grocery lines increased. Sales of shoes and of paper and stationery also showed an upturn, and trade in electrical supplies expanded further. On the other hand, sales of agricultural implements and of furniture, two lines which ordinarily are quite active at this season, decreased. Dry goods and hardware sales maintained most of the large expansion of the previous month. Aggregate sales of wholesalers were 18 per cent larger in value during May 1934 than in May 1933, an increase slightly greater than the rise in the Bureau of Labor's index of wholesale prices of finished goods during the past year.

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

	May, 1934 compared with		Cumulative 1934 compared with 1933
	Apr., 1934	May, 1933	
Agricultural Implements....	— 8.8	60.9	121.4
Automobile Supplies	— 2.3	10.8	19.6
Drugs	2.7	22.0	34.6
Dry Goods	1.4	12.4	35.2
Electrical Supplies	6.1	57.5	59.3
Furniture	—14.2	—12.2	42.5
Groceries	11.6	— 1.7	16.1
Hardware	0.3	33.1	51.6
Shoes	1.2	23.5	44.7
Paper and Stationery	4.4	23.1	38.1
All Lines	3.7	18.1	35.0

Seasonally adjusted sales of new automobiles advanced from 60 per cent of the 1923-1925 average in April to 63 per cent in May, compared with 48 in May 1933. Passenger car sales declined less than seasonally from the preceding month, while the number of commercial vehicles sold was larger than in any other month since July 1931.

Reflecting the longshoremen's strike, intercoastal traffic dropped from 779,000 tons in April to 719,000 tons in May, although shipments are ordinarily about the same in those two months. About half of the decline took place in shipments from the Atlantic Coast, which are much less important in the aggregate than tonnage moved from the Pacific Coast through the Panama Canal. The decline in eastbound traffic represented principally a decline in lumber shipments although other cargo, excepting petroleum and its products, also decreased. Petroleum shipments, which are loaded and unloaded mostly by pipeline, increased slightly during the month.

Prices

Accompanying further advances in commodity prices at national markets, wholesale prices of many commodities important in the Twelfth District increased moderately during late May and the first half of June. As usual, the principal changes were in quotations on agricultural products. Contract prices for wheat at Chicago on June 1 reached the highest point since last July but declined substantially during the following three weeks. Both cash and future wheat prices at Pacific Coast markets also increased moderately during the last half of May. Quotations on futures followed the decrease in national markets during June, but cash prices held steady. Prices for other grains increased somewhat from the middle of May to June 20. Cotton and bean prices also advanced,

Bank Debits—*

	May, 1934	May, 1933	First five months 1934	First five months 1933†
Arizona				
Phoenix .....$	29,419	$ 20,766	$ 123,062	$ 84,471
California				
Bakersfield	8,095	7,234	41,985	32,265
Berkeley	14,652	10,737	103,392	55,491
Fresno	15,371	11,654	81,864	56,267
Long Beach	21,423	22,461	111,698	105,071
Los Angeles	521,129	482,241	2,698,956	2,357,049
Oakland	169,104	163,253	787,168	806,227
Pasadena	18,427	15,927	95,247	86,964
Sacramento	53,258	22,153	237,845	140,718
San Bernardino .	5,559	3,862	28,373	22,363
San Diego	27,773	26,658	150,332	138,679
San Francisco ..	626,954	582,194	3,401,894	2,816,664
San Jose	14,537	12,297	75,368	61,383
Santa Barbara ..	7,773	6,367	39,381	33,351
Stockton	13,289	10,502	64,973	48,005
Idaho				
Boise	10,907	7,231	53,293	38,005
Nevada				
Reno	8,745	4,295	33,902	19,826
Oregon				
Eugene	4,016	3,160	18,423	13,010
Portland	116,876	113,971	591,781	440,954
Utah				
Ogden	11,485	8,853	57,315	36,694
Salt Lake City..	52,197	36,638	225,896	181,964
Washington				
Bellingham	4,547	3,962	22,054	17,662
Everett	5,128	4,243	25,251	19,182
Seattle	139,390	120,130	656,581	517,501
Spokane	30,110	20,388	132,458	90,639
Tacoma	23,790	17,936	109,562	79,883
Walla Walla ...	3,587	2,724	18,904	12,646
Yakima	8,513	6,188	44,671	28,371
Total .....$	1,966,054	$1,748,025	$10,031,629	$8,341,305

*In thousands of dollars. †March, 1933, figures were incomplete for some cities during the banking holiday period.

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while prices for rice and hops were steady. Quotations for alfalfa hay showed little change.

Increased prices were quoted on all fruits except prunes, prices for which declined ¼ cent a pound. Present prices of prunes and raisins are about 20 per cent higher than a year ago, while dried apricots are selling about 60 per cent higher than at this time last year. Quotations on canned fruits remained stationary during the period under review.

The New York price for copper produced under the code for that industry was advanced from 8½ cents a pound to 9 cents a pound during the second week of June. Quotations on spot foreign silver showed little net change between mid-May and mid-June, while prices of lead and zinc declined.

The Credit Situation

Interest rates charged by Twelfth District banks declined further during June as excess reserves, augmented by large Government disbursements, continued to accumulate. Total deposits of city banks increased substantially during the five weeks ended June 20. The volume of bank loans outstanding showed only minor changes during this period. Banks utilized part of their surplus funds by purchasing investments in the open market as well as by subscribing for new securities issued by the United States Treasury on June 15. Activity on stock exchanges of this district remained at comparatively low levels.

Banks and individuals in the Twelfth District were allotted 29 million dollars of the 3 per cent United States Treasury bonds and 23 million dollars of the 2⅛ per cent Treasury notes dated June 15. These securities were paid for by (1) exchanging maturing securities to the amount of one million dollars, (2) cash to the amount of 14 million dollars, and (3) credits to the Treasurer's account at depositary banks to the amount of 37 million dollars. The third of these methods increased deposits at city member banks.

United States Treasury disbursements in excess of collections within this district amounted to more than 25 million dollars during the five weeks ending June 20. Total checks and warrants cashed for the Treasury (exclusive of public debt and currency redemptions) exceeded 95 million dollars during this period, and amounted to more than 9 dollars per capita. Of this total, 10 million dollars was disbursed by the San Francisco Mint and Seattle Assay Office, principally in payment for new gold and silver; 15 million dollars by the Post Office Department covering regular expenditures of a self-supporting nature; 20 million dollars by the Farm Credit Administration and Reconstruction Finance Corporation, largely as loans; 2 million dollars each for the Civil Works Administration and for pensions; and substantial totals for the War and Navy departments. The original disbursement of these funds was divided among the several parts of the district approximately as follows: 46 million dollars in the San Francisco area; 19 million dollars in the Los Angeles area; 9 million dollars in the Seattle-Tacoma area; 8 million dollars in the Portland area; 7 million dollars in the Salt Lake City

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

	Condition			
	June 20, 1934	June 13, 1934	May 23, 1934	June 21, 1933
Total Bills and Securities	167	167	167	163
Bills Discounted	1	1	1	29
Bills Bought	..	..	..	2
United States Securities	166	166	166	132
Total Reserves	307	314	306	267
Total Deposits	253	264	257	171
Federal Reserve Notes in Circulation	204	201	198	229
Federal Reserve Bank Notes in Circulation	..	..	..	4
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined	67.1	67.6	67.2	66.8

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

	Condition			
	June 20, 1934	June 13, 1934	May 23, 1934	June 21, 1933
Loans and Investments—Total	1,827	1,786	1,776	1,704
Loans—Total	876	872	871	898
On Securities	221	223	224	214
All Other	655	649	647	684
Investments—Total	951	914	905	806
United States Securities	600	566	569	479
Other Securities	351	348	336	327
Reserve with Reserve Bank	139	146	140	92
Net Demand Deposits	627	628	611	555
Time Deposits	939	930	929	873
Due from Banks	158	167	171	137
Due to Banks	173	183	183	153
Borrowings at Reserve Bank	..	..	..	22

SOURCES AND USES OF BANKING RESERVES
Twelfth District

Changes in millions of dollars during the weeks indicated

SOURCES OF FUNDS

Week Ending 1934	Reserve Bank Credit	Commercial Operations	Treasury Operations	Total Supply
April 11	— .7	+ 9.5	+14.6	+23.4
April 18	+4.1	—13.1	+ 1.2	— 7.8
April 25	—2.9	+ 1.4	+ 3.0	+ 1.5
May 2	+ .2	— 3.6	+ 6.7	+ 3.3
May 9	— .2	— 2.7	+ 3.1	+ .2
May 16	— .4	— 4.1	+ 6.3	+ 1.8
May 23	— .9	— .2	+ 7.8	+ 6.7
May 30	+ .4	—11.6	+ 2.7	— 8.5
June 6	+ .3	+10.1	+ 5.5	+15.9
June 13	— .3	+ .5	+ 3.1	+ 3.3
June 20	+ .9	— 7.0	— 2.8	— 8.9

USES OF FUNDS

Week Ending 1934	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
April 11	—1.1	+24.7	— .2	+23.4
April 18	— .7	— 1.2	— 5.9	— 7.8
April 25	—3.9	+ 2.5	+ 2.9	+ 1.5
May 2	+1.8	— 2.8	+ 4.3	+ 3.3
May 9	+2.5	+ 3.2	— 5.5	+ .2
May 16	— .7	+ 2.0	+ .5	+ 1.8
May 23	—1.9	+ 6.2	+ 2.4	+ 6.7
May 30	+ .3	— 7.7	— 1.1	— 8.5
June 6	+4.9	+ 9.8	+ 1.2	+15.9
June 13	—1.0	+ 7.6	— 3.3	+ 3.3
June 20	+4.4	—11.7	— 1.6	— 8.9

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area; and 6 million dollars in the Spokane area.

The deposit of Government checks in a particular city does not, of course, reveal the locality ultimately reached by the payments. These disbursements are subject to a rapid and wide diffusion throughout the West and other parts of the United States. Payments to contractors, for example, are deposited with their usual banking connections in the larger banking centers and thence paid by check to subcontractors, to dealers in materials and equipment, and to labor over a wide area. Most payments as loans or grants to states, municipalities, and other organizations are first deposited in the large cities and then paid to contractors or directly to labor or to others throughout more extensive regions.

During the five weeks ending June 20, Treasury disbursements in excess of local collections in the Twelfth District increased member bank reserve balances, and helped to maintain the already large portion of those balances classed as excess reserves. Other factors affecting the supply of or demand for banking reserves did not change greatly. Payments to other districts because of commercial or financial operations were somewhat in excess of the funds received by the Twelfth District. There was some increase in demand for currency.

Both the spending of Treasury funds and the purchase of Government securities affected total deposits of district banks, the former being a conversion from Government to individual deposits, and the latter adding to Government deposits. The huge surplus of reserves available to banks was reflected in increased purchases of investments other than United States securities. Neither security loans nor commercial and real estate loans showed a material net change between May 16 and June 20.

The small volume of imports contributed to a further decline in the amount of bills accepted by district banks during May. The scarcity of this type of paper for investment has been an important factor in the decline in local holdings of acceptances since February of this year. Deposits of foreign bankers with the fifteen leading foreign exchange dealers in the West increased sharply to a new high in May, partly because of lack of profitable employment for the money elsewhere in this country and partly because of uncertainty regarding foreign currencies.

Money rates in San Francisco declined again during June, continuing the trend which has been observed since March. Charges on most types of customer loans are now as low as at any time since data were first collected in 1921, and some banks report rates the lowest on record. Open market loan rates also continued to reach new low records, reflecting in part the large excess reserves held by banks in this and other districts.

Trading on the leading stock exchanges of the district in May was lower than in any earlier month of this year and less than half that of May 1933.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Industrial production increased slightly in May, while factory employment and payrolls showed little change. The general level of wholesale prices, after remaining practically unchanged since the middle of February, advanced sharply in the middle of June, reflecting chiefly increases in the prices of livestock and livestock products.

Production and Employment. Industrial production, as measured by the Board's seasonally adjusted index, advanced from 86 per cent of the 1923-1925 average in April to 87 per cent in May, as compared with a recent low level of 72 last November. Activity at steel mills increased further from 54 per cent of capacity in April to 58 per cent in May, while output of automobiles showed a decline. Lumber production continued at about one third the 1923-1925 level. In the textile industries output declined somewhat, partly as a consequence of seasonal developments. Coal production showed little change in volume, while output of petroleum continued to increase.

In the first three weeks of June, activity at steel mills continued at about the May level, although a decline is usual at this season. Maintenance of activity reflected in part, according to trade reports, considerable stocking of steel. Output of automobiles declined somewhat, in accordance with the usual seasonal tendencies.

Employment in factories, which usually declines slightly between the middle of April and the middle of May, showed little change, while employment on the railroads, in agriculture and in the construction industry increased seasonally. Increased employment was shown at manufacturing establishments producing durable goods, such as iron and steel and nonferrous metals, while employment declined at establishments producing non-durable manufactures, such as textiles and their products.

Value of construction contracts awarded, as

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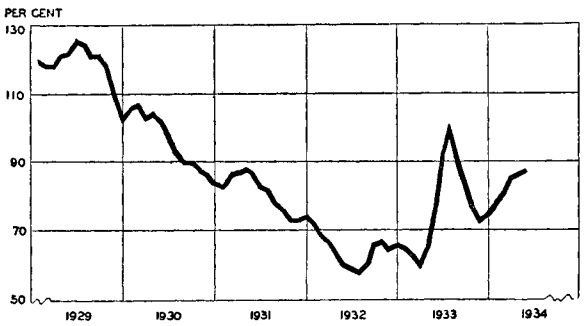
reported by F. W. Dodge Corporation, has shown a decline in the spring months, reflecting a reduction in the volume of contracts for public projects. The volume of construction work actually under way has increased as work has progressed on contracts previously awarded.

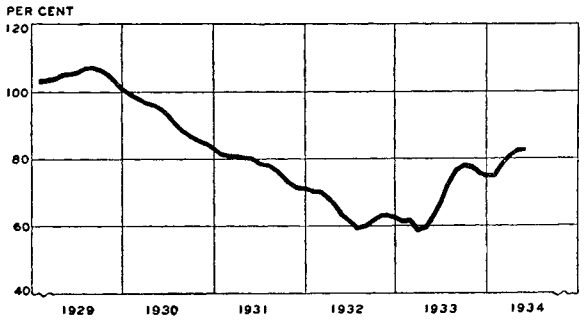
Department of Agriculture estimates based on June 1 conditions indicated unusually small crops of winter wheat and rye and exceptionally



INDUSTRIAL PRODUCTION

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

poor conditions for spring wheat, oats, hay, and pastures, largely as a consequence of a prolonged drought. The winter wheat crop was estimated as 400 million bushels, compared with a five-year average of 630 million bushels and an exceptionally small crop of 350 million bushels last season. Rains in early June somewhat improved prospects for forage and grain crops not already matured.



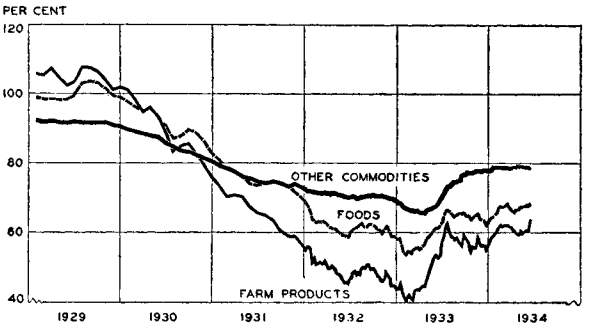
FACTORY EMPLOYMENT

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

Distribution. Total freight traffic increased in May by more than the usual seasonal amount, reflecting in considerable part a larger volume of shipments of miscellaneous products. At department stores, the value of sales showed the usual seasonal increase.

Commodity Prices. During May and the first three weeks of June wholesale prices of individual farm products fluctuated widely, while prices of most other commodities showed little change. Wheat, after advancing rapidly during May, declined considerably in the first three weeks of June. Cotton continued to advance in the early part of June. In the middle of the month hog prices increased sharply from recent low levels. Automobile prices were reduced in the early part of June, and copper prices advanced.

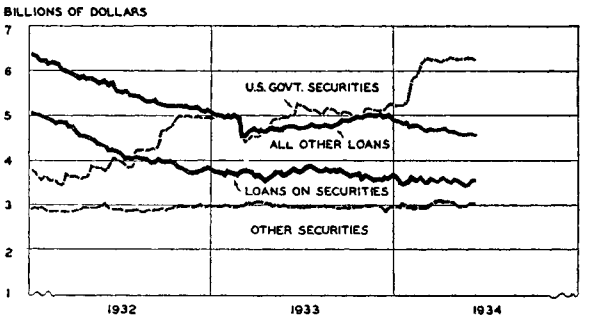
Bank Credit. During May and the first half of June there was little change in the volume of reserve bank credit outstanding. As a consequence of expenditure by the Treasury of



WHOLESALE PRICES

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

cash and deposits with the Federal reserve banks and a growth in the country's monetary gold stock, member bank reserve balances advanced further to a level $1,800,000,000 in excess of legal requirements. In the week ending June 20, however, excess reserves dropped to $1,675,000,000, reflecting an increase in Treasury deposits at the reserve banks in connection with June 15 tax receipts and sales of Government



MEMBER BANK CREDIT

Wednesday figures for reporting member banks in 90 leading cities. Latest figures are for June 13.

securities. Total loans and investments of reporting member banks increased by $80,000,000 between May 16 and June 13, reflecting a growth in holdings of investments other than United States Government securities and in open market loans to brokers and dealers, while loans to customers declined.

Net demand deposits increased by about $400,000,000 during the period. Money rates in the open market continued at low levels. The rate on prime commercial paper declined to ¾-1 per cent in June, the lowest figure on record.

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