

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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Federal Reserve Bank of San Francisco

Vol. XVI

San Francisco, California, April 20, 1932

No. 4

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

An increase in Twelfth District business activity almost equal to the customary seasonal rise accompanied the easing of banking and credit facilities during March. Industrial activity was unchanged, after allowing for the usual seasonal advances, while the distribution of commodities declined further from the low levels of the preceding month. Credit conditions at the middle of April were substantially the same as in mid-March, at which time considerable improvement was evident over immediately preceding months.

Sub-normal temperatures throughout the District retarded the growth of many crops during March. Fall-sown wheat is in fair condition and it seems probable that production for the District will approximate the harvest of 1931, despite some reduction in the Pacific Northwest. The development of deciduous fruits was retarded and the crop damaged slightly by freezing temperatures in early April. April 1 estimates indicate that the Valencia orange crop will be larger than in 1931. The condition of the crop is satisfactory, except that the fruit is running to small sizes. The condition of livestock remained unusually poor during March.

Production of crude oil in California was slightly lower in March than in February, but increased in the first half of April. Refinery runs of crude oil increased in the latter two weeks of March, more than offsetting decreases earlier in the month, and gasoline in storage averaged slightly above February levels. Lumbering expanded by about the seasonal amount. The value of building permits issued during March rose more than seasonally, and engineering contracts awarded also increased in value. Mining operations were further curtailed. Flour milling showed slight change. Seasonal requirements for labor effected some reduction in unemployment in the District, but wage decreases continued.

Retail sales responded only in part to the early occurrence of Easter Sunday and to the

customary February-March stimulus, and the adjusted index declined substantially. Wholesale firms also reported a smaller than seasonal increase. Approximately the usual increase in sales of new automobiles was recorded in March. As in February, intercoastal traffic increased somewhat.

While Twelfth District demand for credit changed little from mid-March to mid-April, there was a considerable decline during the week ended April 20. During the five-week period discounts at the Federal Reserve Bank of San Francisco averaged slightly lower than in preceding weeks, and holdings of locally purchased acceptances were reduced. Credit extended outside the District was increased by the moderate participation of this Bank in the System's open market program of purchasing United States Government securities. Additional currency returned from circulation and United States Treasury expenditures in this area continued to exceed collections. These two factors combined with small Mint purchases of locally produced gold to bolster declining deposits of reporting member banks. Deposits actually decreased further, however, principally because of rather large net payments of funds to other districts (mostly to New York) for the accounts of individuals. Declines in loans also continued to reduce deposits. Investment holdings of member banks were reduced slightly. Money rates remained unchanged in this District, despite further easing in national markets.

Agriculture

The continuance of unusually heavy snow-packs in the higher altitudes augurs well for the availability of an ample supply of irrigation water in most of the District's irrigated areas during the approaching summer months. Sub-normal temperatures and frequent cold rains, although contributing to the preservation of moisture supplies, retarded the growth of crops and range forage in the Pacific Northwest

and Intermountain States during March. Cold winds and lack of rainfall affected crops and ranges adversely in California. The usual seasonal slack in agricultural marketing activity was evident during the month. Prices received for products marketed, although somewhat lower than in February, showed a smaller average decline in March than in most months during the past two-and-a-half years.

In the Pacific Northwest the lack of soil moisture at planting time in the autumn of 1931 and the unfavorable weather of March were reflected in a poorer condition of the winter wheat crop on April 1 this year than a year earlier. Production forecasts of the forthcoming wheat crop in Oregon, Washington, and Idaho indicate that it will be about 2 per cent smaller than the 1931 crop, while in California the condition and production prospects for this grain were better than on April 1, 1931. Realization of production forecasts made at this season depends to a large extent upon weather and market conditions between now and harvest time.

According to information released by the United States Department of Agriculture, farmers in the Twelfth District intended on March 1 to plant larger acreages of spring wheat, oats, barley, tame hay, and rice during 1932 and smaller acreages of potatoes and beans than were harvested in the preceding year.

Freezing temperatures in some of the deciduous fruit growing areas of California during early April slightly damaged the 1932 crops according to reports of the State Department of Agriculture. Intermittent rains and low temperatures hindered the development of deciduous fruit crops in the Pacific Northwest during March.

It is estimated that the forthcoming Valencia orange crop in California will be 17,777,000 boxes, or about 1,200,000 boxes larger than the crop marketed in 1931. The condition of the crop is satisfactory, although it now appears that sizes of the individual fruits will be smaller this year than last. Estimates of the 1931-1932 lemon and Navel orange crops remain unchanged at 5,625,000 boxes, and 13,247,850 boxes, respectively. Shipments of oranges were greater during March than in February, but smaller than in March, 1931. The movement of lemons during March was greater than in either February this year or March last year.

Although egg receipts were larger during March than in February, they were considerably smaller than in March, 1931. Storage holdings increased 161,827 cases from March 1 to April 1, but the increase was not as great as for the same period last year, and present holdings are approximately 15 per cent smaller than a year ago. Receipts of butter increased

during March. Storage holdings were larger at the end of that month than on March 1, 1932, but were smaller than on April 1, 1931. Prices for eggs and butter declined during March as is usual during that month.

Unusually cold weather during March in most of the livestock grazing areas of the District retarded the growth of range forage, and the condition of livestock did not improve as much as is usual at this season of the year. Losses of new-born lambs and ewes were heavier than in other recent years. With both stock cows and ewes in poor condition, the outlook continues to be for smaller calf and lamb crops in 1932 than in 1931. The movement of California lambs to eastern markets commenced later this year than last, most of the relatively small shipments for the season to date having been absorbed in local markets. It is expected that shipments of lambs to eastern markets will increase in volume during late April. Wool shearing is now underway throughout most areas of the District. Early sales of Arizona and central California wools have been at prices approximately 25 per cent lower than a year ago.

Industry

Approximately the usual seasonal increase in Twelfth District industrial activity was recorded during March. Lumbering increased seasonally and output of crude and refined oils changed little during the month. A moderate rise in the adjusted index of cement production followed a similar increase during February. The value of building and construction expanded more than seasonally and flour milling was fairly active during the month. Mining operations were further reduced. Employment increased somewhat as is always the case in the spring, but widespread unemployment continued as a result of the low level of operations in most industries. Additional downward adjustments in wages were effected during the month.

The customary spring resumption of operations at many lumber mills and logging camps which had been closed during the winter was reported during March. The volume of lumber cut increased by approximately the seasonal amount during the month. Production averaged only 35 per cent of the 1923-1925 average and was 40 per cent below output in March, 1931, and was barely exceeded by orders and shipments, with the result that the rate of decline in inventories was smaller than in other recent months.

The value of building permits remained at a low level during March, but was higher than the extremely low value in January or Febru-

ary, and this Bank's seasonally adjusted index of building advanced. Principal increases during March were in Los Angeles, Fresno, and Portland. Of the larger cities, however, only Portland showed an increase over March, 1931. This Bank's index of engineering construction, which is an average of the figures of the current and two preceding months, declined during March. The value of engineering construction contracts awarded in the seven western states increased during March as compared with February, however, principally because of larger awards for streets and roads and unclassified projects both public and private. Increases in contracts for commercial buildings and for Federal Government projects were also reported.

No important change in petroleum production and refining was shown during March. Voluntary curtailment of the output of crude oil from California wells continued and production declined slightly, bringing daily average production for the entire month to the lowest level since 1922. Refining activity, as indicated by weekly data on crude oil run to stills, declined during the first half of March, but increased during the last two weeks, and at the end of the month was at the highest rate in four months. Stocks of gasoline changed little during March and in mid-April were approximately the same as a year earlier.

The closing down of large copper mines, mentioned in previous issues of this Review, has continued and announcements indicate that some of the companies still operating contem-

plate such a move in the near future. In view of this tendency it would appear that copper mining in the District continued to decrease during March, although definite figures of production are not available. Output of silver and lead was also exceptionally small in volume during the month. As during the past year and a half, gold mining, prospecting for gold and the development of both old and new gold mining properties were quite active.

A moderate increase in domestic demand for flour combined with continued export shipments by the Federal Farm Board maintained flour milling at a relatively high level during March.

Trade

Twelfth District trade activity increased slightly less than seasonally during March. Retail trade increased by but a small part of the seasonal expectation, and wholesale firms reported somewhat less than the customary increase in sales. Registrations of new automobiles were seasonally higher than in February and shipments in the intercoastal traffic were substantially greater than in February.

Sales of department stores increased but slightly in March, whereas the increase during that month has usually been substantial in amount. Easter Sunday was unusually early this year, and the customary pre-Easter buying period came in March. The failure of sales to increase appreciably caused this Bank's index of department store trade, which makes allowance for the customary seasonal change and for the influence of Easter, to decline from 85 per cent of the 1923-1925 average in February to 80 per cent in March. The figure for the later

Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees Mar., 1932	No. of Employees Mar., 1931	No. of Firms	No. of Employees Mar., 1932	No. of Employees Mar., 1931
All Industries* . . .	1,231	126,622	160,086	128	14,278	18,583
		(-20.9)			(-23.2)	
Stone, Clay and Glass Products. . .	62	5,181	6,849	..	..	..
		(-24.4)				
Lumber and Wood Manufactures . .	144	13,041	17,494	48	7,412	10,662
		(-25.5)			(-30.5)	
Textiles	18	2,080	2,186	8	857	1,099
		(-4.8)			(-22.0)	
Clothing, Millinery and Laundering. . .	161	12,314	14,030	6†	229	261
		(-12.2)			(-12.3)	
Food, Beverages and Tobacco . . .	290	25,370	32,042	35	1,275	1,441
		(-20.8)			(-11.5)	
Public Utilities . . .	39	49,251	56,274	..	..	..
		(-12.5)				
Other Industries†. . .	495	62,385	78,882	..	..	..
		(-20.9)				
Miscellaneous	61	6,251	8,603	29	4,411	4,955
		(-27.3)			(-11.0)	
Wholesale and Retail	153	30,642	32,509	..	..	..
		(-5.7)				

*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. ‡Laundry only. Figures in parentheses indicate percentage change from March, 1931.

Industry—

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

General:	1932-1931				1931		
	Mar.	Feb.	Jan.	Dec.	Mar.	Feb.	Jan.
Carloadings—Industrial. .	36	37	44	45	61	66	75
Electric Power Output. . .	141	141	156	160	152	152	152
Manufactures:							
Lumber	34	35	41	38	58	59	67
Refined Mineral Oils†. . .	133	131	138	136	138	140	133
Flour	116	110	107	116	94	101	105
Slaughter of Livestock. . .	90	83	87	84	86	70	70
Cement	43	40	37	56	81	96	75
Wool Consumption†	108	96	113	74	77	54	54
Minerals:							
Petroleum (California)†. .	75	76	77	76	80	81	81
Lead (United States)†. . .	55	54	59	64	79	82	83
Silver (United States)†. . .	28	31	38	48	63	62	68
Building and Construction§							
Total	31	38	40	45	85	56	57
Building Permits—Value							
Larger Cities	21	19	19	21	36	44	44
Smaller Cities	17	20	23	26	45	45	47
Engineering Contracts							
Awarded—Value							
Total	48	69	73	76	158	83	96
Excluding Buildings. . . .	84	137	120	123	308	107	117

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

month was the lowest since June, 1922. Sales in central California were relatively higher and those in the Pacific Northwest relatively lower than the average for the District.

RETAIL TRADE—Twelfth District

	1932 compared with 1931*		STOCKS
	NET SALES	January 1 to end of March	
	March	March	March
Department Stores	-20.5 (67)	-19.3 (67)	-15.9 (52)
Los Angeles	-23.4 (10)	-20.9 (10)	-17.2 (9)
Other Southern Calif.	-22.1 (7)	-22.8 (7)	-18.0 (7)
Oakland	-14.9 (4)	-13.2 (4)	-23.7 (4)
San Francisco	-16.3 (7)	-13.2 (7)	-11.2 (7)
Other Northern Calif.	-13.5 (8)	-14.4 (8)	-13.5 (8)
Portland†	-25.8 (7)	-29.6 (6)	-24.9 (7)
Seattle	-22.2 (5)	-25.3 (5)	-12.2 (5)
Spokane	-15.3 (4)	-15.7 (4)	-12.5 (4)
Salt Lake City	-14.0 (4)	-19.0 (4)	....
Apparel Stores	-20.1 (25)	-20.3 (24)	-16.0 (15)
Furniture Stores	-27.2 (36)	-25.4 (34)	-15.7 (28)
All Stores	-21.2 (128)	-20.1 (125)	-15.9 (95)

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

Figures in parentheses indicate number of stores reporting.

Sales at wholesale were about 21 per cent smaller in value during March than in the corresponding month of 1931, as compared with similar declines of 27 per cent and 23 per cent, respectively, during January and February. March, 1932, had one more trading day than did March, 1931. As in other recent months smaller than average declines were reported in sales by drug and grocery firms.

WHOLESALE TRADE—Twelfth District

Percentage change in value of sales

	March, 1932 compared with February, 1932		1932 compared with 1931
	March, 1932	March, 1931	
Agricultural Implements	60.2	-33.0	-41.1
Automobile Supplies	9.1	-16.6	-19.3
Drugs	-11.1	-16.8	-16.8
Dry Goods	51.2	-27.9	-33.7
Electrical Supplies	-10.9	-44.0	-41.8
Furniture	11.9	-31.2	-34.9
Groceries	11.7	-7.4	-14.5
Hardware	27.1	-27.6	-30.2
Shoes	65.5	-18.7	-27.0
Paper and Stationery	3.1	-20.6	-20.0
All Lines	9.0	-20.7	-24.8

Shipments of commodities in the intercoastal trade through the Panama Canal increased substantially and by more than the seasonal amount from February to March. Both eastbound and westbound traffic participated in the heavier volume. Despite an increase of about 10 per cent in the seasonally adjusted index during the month, however, total shipments were considerably below those of March, 1931. Increased eastbound shipments of general cargo and petroleum products more than offset a decline in lumber shipments and accounted for most of the total advance.

Automobile registrations in the Twelfth District increased by the customary seasonal amount during March, although aggregate sales remained far below those of March a year ago. Sales of commercial cars increased somewhat more than seasonally, but sales of passenger cars increased slightly less than usual.

Prices

Commodity prices increased slightly during March, but during the first half of April most weekly price index numbers declined to the levels recorded at the beginning of March. The decline from January to April this year, however, has not been as great as in the corresponding periods of 1930 and 1931. Since July, 1929, when the downward movement commenced, the level of commodity prices has declined approximately 35 per cent. In this same period the decline in prices of agricultural products has been about 55 per cent.

A downward movement in prices for the principal agricultural products of the Twelfth District was recorded during the first half of April, following the comparative stability of March. Quotations on deciduous fruits, which decreased somewhat in March, are not particularly important at this time of year because of the small volume marketed. Citrus fruit prices, which are of major importance, declined, however, and at 5.97 cents per pound cotton sold lower than at any time since the beginning of this year. Prices for dairy and poultry products declined seasonally during March and early April, as did prices for lambs which were received at District markets in increasing numbers. Hog quotations moved lower, while cattle prices advanced somewhat. In the past few weeks prices of canned and dried fruits, such as peaches, apricots, pears, raisins and prunes have been reduced. Although declines were shown in prices of the bulk of farm products, quotations for wheat advanced during the first ten days of April, while barley prices showed no change.

Distribution and Trade—

	1932-1931				1931		
	Mar.	Feb.	Jan.	Dec.	Mar.	Feb.	Jan.
Index Numbers*							
Carloadings†							
Total	56	59	66	65	79	83	86
Merchandise	74	76	81	80	96	94	94
Foreign Trade*							
Total† .....	..	55	56	55	86	99	91
Imports† .....	..	53	51	51	86	90	88
Exports .....	..	57	59	57	88	94	92
Intercoastal Trade							
Total	61	55	51	67	76	79	78
Westbound	89	80	80	77	89	89	94
Eastbound	55	48	42	63	71	78	71
Retail Trade							
Automobile Sales‡							
Total	33	34	48	62	78	76	84
Passenger	30	31	45	57	73	70	78
Commercial	61	58	84	115	135	134	145
Department Store							
Sales‡	79	85	84	85	107	103	105
Stocks§	78	78	79	87	92	92	93
Collections#							
Regular	42.1	40.4	43.4	41.8	43.4	40.9	44.9
Installment	14.6	14.7	14.8	13.5	14.9	14.7	15.8

*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.

On April 9 the major oil companies in California lowered the retail price of first-grade gasoline two cents a gallon and raised the price of third-grade gasoline by varying amounts, depending upon location. The tank wagon price on the higher grade of gasoline was not changed, which reduced the differential between the wholesale and retail prices from four to two cents a gallon.

Non-ferrous metal prices continued to decline during March and April. On March 23 lead sold at a new low level (3 cents per pound, at New York). Silver and copper quotations changed little during March, but declined to 27 $\frac{7}{8}$ cents per ounce and 5 $\frac{3}{4}$ cents per pound, respectively, in April.

Lumber prices remained relatively stable during March as in other recent months. Prices for miscellaneous commodities, such as flour, sugar, wool, rubber, and hides, declined slightly during March, while coffee, cement, and newspaper prices changed little.

Credit Situation

Following the marked improvement in the Twelfth District banking situation during the four weeks ended March 16, figures of reporting member banks and other credit data revealed little fundamental change from that date to April 20. During the five weeks under review currency to the amount of 6 million dol-

lars was retired from circulation in this District. This continued decrease of money in circulation helped to maintain the credit ease established in late February. Bank failures continued to be relatively less numerous than in the period from September, 1931, to January, 1932. Demand deposits declined slightly, however, due to circumstances to be more fully explained later in this discussion. In contrast with the easier tendency in the New York money market, interest rates charged customers by commercial banks remained the same in April as in March. Local securities markets were considerably less active in March than in February.

SUPPLY OF AND DEMAND FOR BANKING FUNDS

Twelfth District			
Changes between March 16 and April 20, 1932			
(In millions of dollars)			
Supply		Demand	
Monetary gold stock...	—18.4	Demand for currency....	—6.3
Treasury operations ...	26.3	Member bank reserve deposits	—3.5
Reserve bank credit....	—16.9	Unexpended capital funds, non-member deposits, etc. ....	.8
Discounts	—18.2		
Acceptances....	— .9		
Other	2.2		
Total	— 9.0	Total	—9.0

Reserve bank credit extended in the Twelfth District changed little between mid-March and mid-April, but declined during the third week in the later month. Discounts for country banks, which fluctuated between 5 and 7 million dollars during the first three quarters of 1931, have averaged about 16 million dollars since January. City bank discounts tended downward during March and the first three weeks of April, fluctuating around the 100 million dollar level during most of that period. Early in April this Bank's holdings of Government securities purchased in New York in connection with the open market operations of the Federal Reserve System were substantially enlarged.

FEDERAL RESERVE BANK OF SAN FRANCISCO

	Condition			
	Apr. 20 1932	Apr. 13 1932	Mar. 16 1932	Apr. 22 1931
Total Bills and Securities	167	178	166	63
Bills Discounted	97	116	115	6
Bills Bought	8	8	13	20
United States Securities	62	54	38	39
Total Reserves	222	214	231	292
Total Deposits	151	153	150	180
Federal Reserve Note Circulation	223	222	229	160
Ratio Total Reserves to Deposit and Note Liabilities Combined	59.4	57.1	61.0	86.1

At reporting member banks, loans, and to some extent deposits, continued the general downward trend of past months. Investments also declined slightly during March and April, most of the decrease occurring in holdings of Government securities.

A large part of the past year's decline in both loans and deposits has resulted directly from reduced business activity. Not only has the

Bank Debits*

	March 1932	March 1931	First three months 1932	
			1932	1931
Arizona				
Phoenix	\$ 22,468	\$ 33,030	\$ 72,067	\$ 97,976
California				
Bakersfield	7,488	10,904	23,347	35,808
Berkeley	15,433	15,051	50,290	48,663
Fresno	17,094	22,360	51,796	70,134
Long Beach	28,114	42,542	91,060	137,140
Los Angeles	599,212	860,412	1,872,360	2,614,040
Oakland	167,649	180,571	552,517	574,205
Pasadena	26,391	32,009	81,130	100,688
Sacramento	39,918	45,267	125,809	136,497
San Bernardino	6,755	8,863	21,362	27,093
San Diego	36,081	47,890	115,229	154,564
San Francisco	746,500	1,039,858	2,157,707	3,164,792
San Jose	15,887	23,177	52,621	73,409
Santa Barbara	10,131	13,238	31,623	40,744
Stockton	13,046	16,625	41,537	52,825
Idaho				
Boise	10,111	11,832	32,288	37,810
Nevada				
Reno	7,389	8,605	22,334	27,528
Oregon				
Eugene	3,903	5,267	12,187	16,287
Portland	101,887	144,347	308,924	417,287
Utah				
Ogden	7,858	14,485	26,781	43,220
Salt Lake City	40,837	62,526	145,423	187,865
Washington				
Bellingham	5,096	7,259	14,546	20,631
Everett	5,792	9,448	18,077	27,732
Seattle	144,459	212,039	411,468	589,260
Spokane	30,167	41,905	89,262	130,547
Tacoma	23,023	36,294	69,990	104,500
Yakima	7,949	13,208	23,480	38,285
Total	\$2,140,638	\$2,979,012	\$6,515,215	\$8,969,530

*In thousands of dollars.

smaller number of transactions tended to reduce loans, but falling prices and other factors such as the thinning margin of collateral and reduced value and saleability of goods upon which credit has been based have tended to exert pressure for repayment of loans. Selling of commodities and securities at what they would bring on a market already suffering from lack of buying power has been a frequent necessity during recent months in order to pay maturing loans, the proceeds of which have been needed in order to assist banks to maintain a position of liquidity. These forces continued during March and early April, though their severity seemed somewhat abated in a few quarters, and loans and deposits decreased further.

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

	Condition			
	Apr. 20 1932	Apr. 13 1932	Mar. 16 1932	Apr. 22 1931
Loans and Investments—Total..	1,757	1,756	1,800	1,992
Loans—Total	1,047	1,048	1,074	1,238
On Securities	282	284	298	339
All Other	765	764	776	899
Investments—Total	710	708	726	754
United States Securities....	380	378	393	383
Other Securities	330	330	333	371
Reserve with Reserve Bank ..	84	86	87	103
Net Demand Deposits	572	571	585	757
Time Deposits	872	869	883	1,046
Due from Banks	105	107	106	189
Due to Banks	151	150	149	259
Borrowings at Reserve Bank....	78	99	98	0

The rapid decline in deposits, which has been of particular significance during the past seven months, reflects the influence of several factors. The more important of these factors are: changes in loans; Mint purchases of locally produced gold; United States Treasury expenditures and collections; demand for currency; and inter-district movement of funds by individuals, business organizations, and banks.

Of the several factors set forth above, changes in loans correspond with general fluctuations in deposits more closely than the others. The effect of changes in loans upon deposits arises from the fact that the extension of a loan, with certain exceptions, tends automatically to increase the bank deposit either of the borrower or of the person who receives the proceeds of the loan and, conversely, the repayment of a loan cancels the borrower's bank deposit by an amount equivalent to the repayment. The decline in District bank deposits has been considerably larger than the decline in loans during the past year, however, showing that factors other than loans have had more than their usual influence.

The net balance of commodity and security exchanges between this and other districts is probably the most important long-run factor, other than loans, influencing deposits. During recent weeks this balance continued to call for

an outflow of funds, most of which have gone to New York. In the past month these transfers have represented payments for individual account, since commercial banks have not increased their funds in the call loan market in New York nor have they purchased additional investment securities. There has been, in fact, some decrease in investment holdings of city banks. These payments to other districts in excess of funds received from other districts constituted the most important factor contributing to the reduction of total bank deposits in this District between March 16 and April 20.

Mint purchases of gold in this area are significant in building up deposits because the Twelfth District is an important producer of gold. When locally produced gold is sold to the Mint or Assay Offices the funds received enter directly into the District's monetary and banking system as deposits, making possible an expansion of the credit structure. The gold thus creates new local bank deposits directly, while the sale of other locally produced commodities increases deposits directly only when sales are made to and payments received from outside the Twelfth District. Gold imports have the same effect as the sale of locally produced gold when they are received for the account of Twelfth District business or banking houses. Since most of such imports reaching Pacific Coast ports are consigned to eastern banking houses, they have a small direct effect upon the supply of local banking funds.

The Federal Government's excess of disbursements over collections in the Twelfth District in recent years has been more important than local gold production as a factor tending to increase deposits. In effect, the Federal Government has expended money collected as taxes or borrowed in other areas for goods or services in this area. Substantial net additions have thus accrued to the District's banking funds and these gains have contributed directly to the maintenance of deposits.

The demand for currency by the public has exerted a variable influence upon deposits. The withdrawal of currency from the banks reduces deposits without effecting an equivalent reduction in indebtedness of borrowing customers, while a return of money by the public builds up deposits, but does not directly increase loans. Ordinarily such movements are of only moderate size and are strictly seasonal in character. During the last half of 1931 and the first two months of 1932, however, there was an unprecedented demand for currency by the public, which was reflected in unusually sharp decreases in deposits. During the past two months part of this money has been re-deposited, thereby sustaining deposits.

Twelfth District Production of Principal Non-Ferrous Metals

Since the middle of the last century the area now comprising the Twelfth Federal Reserve District* has been of major importance in the production of non-ferrous metals. During the period from 1849 to 1931 the aggregate value of gold, silver, copper, and lead mined in this region has varied from about 30 to 430 million dollars annually and has frequently exceeded the combined value of output of those metals from all other regions in the United States, including Alaska.

Mining activity in the Twelfth District may be said to have begun with the discovery in 1848 that large quantities of gold existed in California. From that time until 1859 or 1860 gold was the only metal mined in commercial quantities in this area, and its production was confined almost entirely to California. Production in that state reached a peak in 1852 or 1853, following which it declined almost continuously until 1893. About the time of the Civil War, discoveries and development of rich deposits of gold and silver in Nevada and of gold in Idaho supplemented the decreasing gold production of California. The total annual value of non-ferrous metals output in this entire region rose steadily from 1868 to 1878, reaching a peak in that year practically equal to the previous high point in 1852 when the production of gold was valued at more than 80 million dollars according to estimates of the California State Bureau of Mines. From the late 70's until the middle 90's the value of gold and silver production decreased gradually, the decline being offset only in part by rather small increases in the output of copper and lead, mining of which was not of great importance in this region prior to 1895.

In the late 1890's copper mining in Arizona was developed on a large scale. Shortly after 1900 the annual value of that metal produced in the seven western states became greater than the value of gold output. In each year since that time copper has held first rank in metal production of these states and fluctuations during this period in the value of metals produced in the Twelfth District reflect principally changes in the value of copper output. From 1894 until 1917 value of all metals produced increased sharply (1,160 per cent), reflecting

largely a rapid development of copper mining in Arizona, Utah, and Nevada. Part of the gain in value was, of course, the result of increases in the price paid for several of the metals, but much more important than price advances was the expansion in actual operations. Aggregate value of non-ferrous metals fell off precipitately following the World War to an unusually low level in 1921, but started upward again in 1922, and in 1929 was the highest on record, the War years being excepted. Sharp declines were shown during 1930 and 1931 as a result of curtailed output and decreased prices of copper, lead, and silver. The irregular movements in the value of metals mined in the Twelfth District during recent years is no doubt traceable in part to the efforts made to regulate and control voluntarily the output of copper and lead.

As the above discussion indicates, production of gold and silver made up the bulk of non-ferrous metals output in this region during the last half of the nineteenth century. Mining of gold tended to decline during most of that period, however, and the value of silver decreased after 1878, while the production of copper and lead, although small, became both relatively and actually more important toward the close of the century. The predominance of the production of precious metals from 1850 to the close of the nineteenth century was the result of several factors. It was natural that the more valuable metals should be taken first, particularly since they were frequently more easily obtained, and also because the possibilities of obtaining wealth quickly were greater than in the case of the baser metals. Furthermore, the necessity for expensive equipment and large plants to make the reduction of copper and lead ores commercially profitable was a serious obstacle, as was the lack of transportation facilities. Increases in population and the supply of laborers, railroad expansion, numerous discoveries of copper and lead ore bodies incidental to the search for gold and silver, improvement in mining methods, rapid expansion in markets for copper and to a smaller extent for lead, and depletion of the readily accessible deposits of gold and silver were all important factors in bringing about the gradual rise in importance of production of copper and lead.

The trend of Twelfth District gold production has undergone two major changes since the California gold rush period. After reaching a peak in 1852, the trend was generally downward for 40 years. From 1893 to 1910 production increased steadily, reflecting increased production in California, new discoveries in Ne-

* Statistics for the entire state of Arizona, the five southeastern counties of which are located in the Eleventh Federal Reserve District, are included in this summary. Those counties (Cochise, Graham, Greenlee, Pima, Santa Cruz) have accounted for about 40 per cent of the non-ferrous metals output of Arizona in recent years for which county data are available.

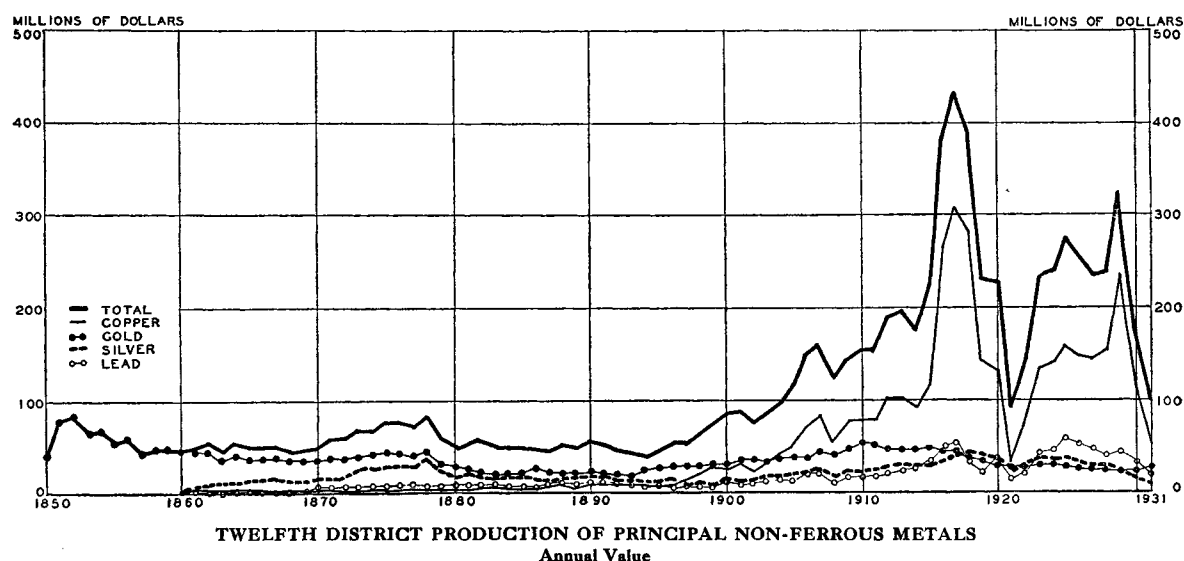
vada, and a gain in importance of the by-product yield of gold from copper smelting in Utah and Arizona. Since 1910 the annual value of gold produced in this region has declined almost continuously.

Silver production has shown no definite long-term trend. Most of its value has come either from the lead-silver regions in Utah and Idaho where the two metals have been mined jointly in large scale operations, or from Nevada where rich deposits have been found from time to time. Peaks in value of output were reached in 1878 following development of the Comstock Lode in Nevada (discovered in 1859) and again in 1918 when both volume and value were increased considerably as a result of the high prices paid for the metal at that time.

The value of copper, produced principally in central and southeastern Arizona, eastern Nevada, and north-central Utah, was negligible in relation to total Twelfth District metal output prior to 1896 or 1897, but it has shown a decided upward trend since that time, having exceeded the combined value of all other non-

ferrous metals produced in the seven western states in most recent years. Production of lead has followed much the same trend as copper output, but on a somewhat lower level.

During recent years Arizona has led other Twelfth District states in the value of all metal production because of its importance as a producer of copper. Utah has ranked second, also because of copper, although lead and silver have contributed materially to aggregate value in that state. Nevada and Idaho have alternately been third and fourth in the District, the former because of copper and the latter as a result of lead and silver. Although production of gold in California has exceeded that of any other District state in all years since 1878, the lack of substantial production of metals other than gold is reflected in the fact that that state has ranked fifth in total value of non-ferrous metals output during most of the past 15 years. Mining of non-ferrous metals has never been large in amount in Oregon or Washington, production in those two states usually aggregating less than one per cent of the District total.



Records of mineral production in Twelfth District states have been quite satisfactory since 1877, the first year for which such figures were compiled by the United States Geological Survey. (Compilation of mining records in recent years has been transferred to the United States Bureau of Mines.) These data, generally considered the most authentic available, have been used in preparing the above chart.

For the years prior to 1877, however, the numerous available estimates of metal production show wide discrepancies. Lacking a more reliable measure, the United States Bureau of Mines has selected Mint purchases of gold to represent gold production in the United States during these earlier years. It is recognized, of course, that such purchases were not an accurate measure of production, since they understate the output of gold by an amount approximately equal to the volume of the metal which went directly into commercial use or which was exported. These data are subject to criticism also on the ground that sales to the Mint were usually made somewhat later than the actual production date. In view of these circumstances, gold production data used in preparing the above chart for years prior to 1877 were compiled from estimates by the California State Bureau of Mines as well as from estimates by the United States Bureau of Mines and by others. The figures of silver, copper, and lead production used in the study were similarly estimated. While it is believed that these figures show the general movements satisfactorily, it should be realized that for years prior to 1877 they are only approximations.

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, April 20, 1932

Vol. XVI No. 4

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Industrial activity was in smaller volume in March than in February, although usually little change is reported at this season. The number of employees at factories was also reduced, contrary to seasonal tendency. Volume of reserve bank credit decreased in March, but showed a considerable growth in the first three weeks of April. Money rates continued to decline.

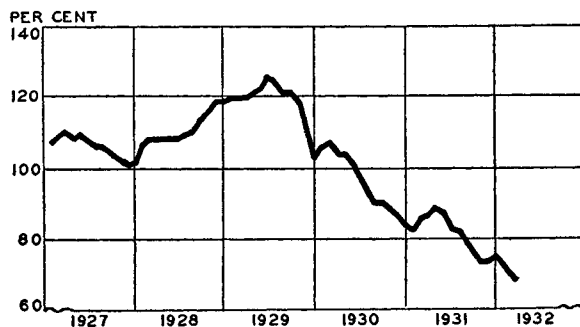
Production and Employment. Output of industrial products, as measured by the Board's seasonally adjusted index, declined from 70 per cent of the 1923-1925 average in February to 68 per cent in March. Daily output at steel mills and automobile factories decreased, contrary to seasonal tendency, and activity at woolen mills declined sharply to the lowest level in recent years. Cotton consumption by domestic mills continued at the February rate, although sales of cotton cloth declined, and output of shoes increased considerably. In both these industries production was at about the same rate as a year ago. Activity in the lumber industry, which recently has been at a level about 45 per cent lower than last year, increased by more than the usual seasonal amount. Output of coal also increased considerably during March but declined in early April.

Volume of factory employment and payrolls

decreased from February to March, although an increase is usual at this season. There were substantial reductions in working forces in the steel, automobile, machinery, and furniture industries, as well as at woolen and silk mills, while clothing and shoe factories showed additions to their working forces. Value of building contracts awarded, as reported by the F. W. Dodge Corporation, showed some increase of a seasonal character during March and the first half of April and was approximately one-third as large as last year.

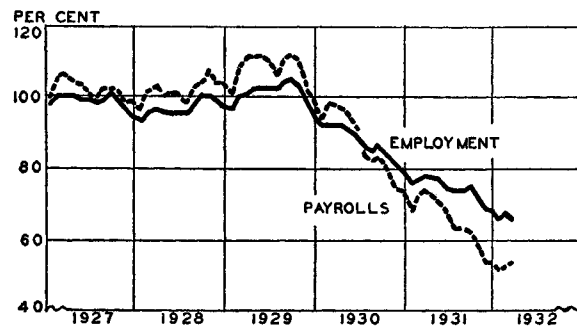
Distribution. Rail shipments of merchandise, which ordinarily increase in March, showed little change, and sales at department stores in leading cities increased by less than the estimated seasonal amount.

Wholesale Prices. The general level of wholesale commodity prices showed little change between February and March, according to the Bureau of Labor Statistics. In the first two weeks in March prices of many commodities, including livestock and meats, advanced. Between the middle of March and the third week in April, prices of cotton, silk, wool, hides, sugar, silver, and tin declined considerably, while prices of coffee and petroleum increased. Wheat prices showed wide fluctua-



INDUSTRIAL PRODUCTION

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



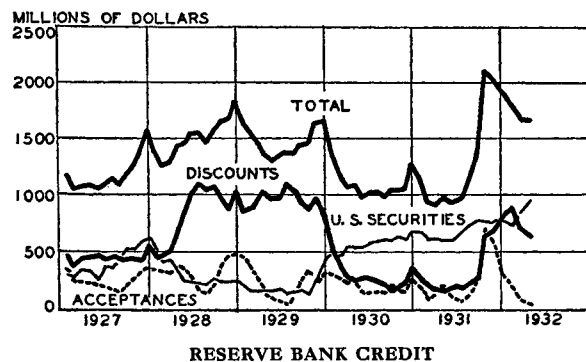
FACTORY EMPLOYMENT AND PAYROLLS

Indexes of factory employment and payrolls, without adjustment for seasonal variations. (1923-1925 average = 100).

tions, but were at about the same level in the week ending April 23 as in the first half of March.

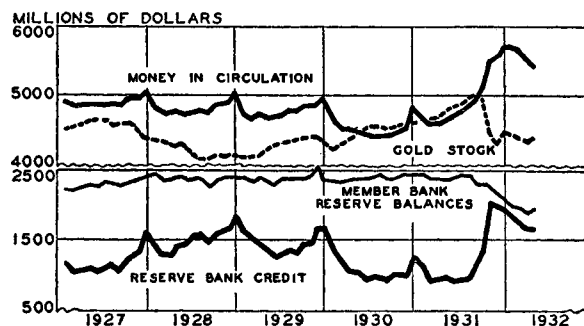
Bank Credit. The Federal Reserve System's holdings of United States Government securities, after increasing continuously from early in March, totaled \$1,078,000,000 on April 20, an

of monetary gold, increased by \$115,000,000 during the first three weeks of April. This increase was accompanied by a substantial growth in member bank reserve balances. Total loans and investments of reporting member banks in leading cities continued to decline during the five weeks ending April 13. At banks



Monthly averages of daily figures for 12 Federal reserve banks. Latest figures are averages of first 21 days in April.

increase of \$338,000,000 since the end of February. This increase has been accompanied by some further decline in the reserve banks' holdings of acceptances and a reduction of \$164,000,000 in discounts. Member bank indebtedness to the reserve banks showed a considerable reduction in all the Federal reserve districts. Total volume of reserve bank credit outstanding, which had declined in March, reflecting a continued return of money from circulation and an increase in the country's stock



Monthly averages of daily figures. Latest figures are averages of first 21 days in April.

in New York City, however, there was an increase in investment holdings, both of United States Government securities and other securities, offsetting the decline in loans, which continued until the middle of April.

Open market rates for bankers' acceptances showed successive reductions and on April 21 the offering rate for 90-day bills was $\frac{7}{8}$ per cent, the same rate as that which prevailed between May and September, 1931. Rates on commercial paper also declined.