

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business activity was about the same in July as in the preceding two months. Seasonal changes were recorded in measures of industrial production, while slightly more than the usual decline in trade activity was indicated. Credit demands were met without difficulty and credit extended by the Federal Reserve Bank of San Francisco declined moderately. Wholesale prices for a number of commodities important in the Twelfth District increased further between the middle of July and August 20.

Farming activities were favored by excellent weather conditions during July, except in the wheat growing areas of eastern Oregon where some damage was caused by strong winds. August 1 estimates indicated that production of grains and deciduous fruits would be larger than in 1931 and that field crops, with the exception of hay, would be smaller. The 1932 barley harvest was exceptionally large. It was predicted that the Valencia orange crop would slightly exceed 1931 production, while a reduction in the lemon crop continued to be expected. Volume of agricultural products marketed continued to be smaller than in the preceding year, despite generally large storage stocks and prospects of larger than average yields. The condition of livestock improved considerably, reflecting an abundance of range forage. Advances in prices during July were larger on the average for farm products than for other commodities.

Production of petroleum in California, which continued under voluntary restriction, averaged slightly lower in July than in June, but increased in the first half of August. A substantial reduction in stocks of gasoline accompanied a small decrease in refinery operations. After adjustment for seasonal factors, production of lumber changed little, but output of cement increased sharply. Although the value of engineering contracts awarded in July moved upward as a result of Federal Government projects, building permits were smaller in value than in June. Flour milling

declined, after seasonal adjustment. Canning factories operated on schedules substantially lower than in 1931. Employment increased seasonally and wage reductions apparently were less numerous than in earlier months of the year.

The value of retail sales remained practically unchanged during July, after allowance for seasonal factors, while sales at wholesale and registrations of new automobiles declined. Decreases in freight carloadings were somewhat smaller than is customary during July. Inter-coastal traffic increased less than is usual from June to July.

A larger volume of funds was supplied to the Twelfth District commercial banking structure during the four weeks ending August 17 than in the preceding month. Gains through the gold settlement fund and expenditures of the United States Treasury in excess of collections in the District more than offset declines in reserve bank credit. The increased supply of funds was used in part to meet demands by the public for additional currency, the remainder accumulating as increased member bank reserves. Total deposits of reporting member banks moved upward from late July levels, reflecting chiefly increased Government deposits. Time and net demand deposits of banks did not change appreciably, while loans declined moderately.

Agriculture

Weather conditions continued generally favorable for the development of crops in the Twelfth District during July, although strong drying winds during the early part of the month reduced grain yields in the wheat growing regions of eastern Oregon. Livestock ranges have been furnishing more feed than in the summer of the two preceding years and cattle and sheep are making better gains than is usual. The volume of crop production during 1932 is expected to be greater than in 1931, principally as a result of increased production

of grains and fruits. The volume of crops marketed thus far this year has been less than in 1931 and the carryover of crops from last year, as well as stocks of some of the current year's crops, continues to be a burdensome market factor. Market prospects for some of the chief crops and livestock products of the District improved during July, however, as prices of a number of those commodities advanced.

On August 1 the United States Department of Agriculture estimated that production of wheat in the Twelfth District this year would total 114,309,000 bushels, a figure slightly larger than the estimate of a month ago and 27 per cent above the harvest of 1931. An increase from July 1 to August 1 in the estimated production of both the winter and spring wheat crops in Washington offset decreases in the estimated production of these two types of wheat in Oregon. The movement of wheat to domestic and foreign markets has been small in volume this year as compared with last, reflecting somewhat more than the usual tendency on the part of growers to hold for higher prices later in the season.

WHEAT PRODUCTION (In thousands of bushels)

	Forecast Aug 1, 1932	Forecast July 1, 1932	1931
Arizona	483	506	672
California	11,780	11,780	6,475
Idaho	30,146	29,460	19,641
Nevada	444	445	319
Oregon	19,700	21,592	17,662
Utah	4,741	4,962	4,679
Washington	47,015	44,694	40,843
Twelfth District	114,309	113,439	90,291
United States	722,687	736,971	894,204

Source: United States Department of Agriculture.

Harvesting of the 1932 barley crop in California has been completed. This year's production of 39,498,000 bushels was nearly three times as large as the small crop of 1931, and 33 per cent larger than the 1926-1930 average production of this grain.

In contrast with the increase in production of grains and fruits in the District, field crops are generally estimated to be smaller in volume this year than in 1931. A notable exception is hay, production of which is expected to be 24 per cent larger than a year ago.

Production estimates of citrus fruits in California remained unchanged from June to July. The current Valencia orange crop will be slightly larger than a year ago, while lemon production is expected to be somewhat smaller. Market shipments of both oranges and lemons were less in July, 1932, than in July, 1931. Improvement in orange prices during July was accompanied by a seasonal increase in lemon prices.

The late maturing deciduous fruit crops in California and the Pacific Northwest developed

satisfactorily during July. The volume of fruit production in California will be larger in 1932 than in 1931. In the Pacific Northwest, however, the deciduous fruit output will be smaller this year than last. The decline is due to reductions in the apple and pear crops which comprise the bulk of deciduous fruits grown in that region. Prices for most deciduous fruits are at extremely low levels. Considerable quantities of peaches are not being harvested.

Receipts of eggs at the major Pacific Coast markets declined seasonally to 112,388 cases, and were less than reported for any other month of this year. On August 1, stocks of eggs on the Pacific Coast were 2 per cent larger than a year ago in contrast with a decrease of 32 per cent in holdings in the United States over the year period. Receipts of butter also declined during July. Storage stocks accumulated faster during that month than in July, 1931, however, and on August 1, at approximately 7,300,000 pounds, were about 24 per cent larger than a year ago. In the United States, storage holdings of butter were 4 per cent smaller on August 1 than a year earlier.

Feed on livestock ranges in the District was plentiful during July, and cattle and lambs improved considerably during the month. Contrary to the conditions of a year ago, the outlook for feed on fall ranges is excellent and at present it is expected that supplemental feeds will be ample during the coming winter.

The 1932 calf crop has developed satisfactorily and, although the number of animals raised this year is smaller than a year ago, the average weight of calves available for marketing in the remaining months of the year is likely to be greater than in 1931. Predictions that the District's lamb crop would be smaller in 1932 than in 1931 were substantiated during July by estimates of the United States Department of Agriculture which indicate that the number of lambs docked was 18 per cent less this year than in 1931. For the United

LAMB AND WOOL PRODUCTION

	Lambs Docked (In thousands)		Wool Production (In thousands of pounds)	
	1932	1931	1932	1931
Arizona	536	569	5,928	5,760
California	2,260	2,578	25,820	28,004
Idaho	1,484	1,848	15,936	19,419
Nevada	410	713	6,705	8,720
Oregon	1,648	1,877	18,400	22,000
Utah	1,141	1,654	17,706	23,056
Washington	608	605	5,915	6,336
Twelfth District	8,087	9,844	96,410	113,295
United States	29,717	32,373	343,386	369,315

Source: United States Department of Agriculture.

States as a whole the lamb crop was 8 per cent smaller in number this year than last. In this District, the 1932 wool clip of 96,410,000 pounds was 15 per cent smaller than the 1931 clip, while in the United States the decline was 7 per

cent. The decrease in production may be attributed to lighter fleeces during 1932 as well as to a slightly smaller number of sheep shorn.

The quality of cattle and sheep now being shipped to market is better than a year ago, reflecting improved range conditions. Very few future delivery contracts for feeder lambs or cattle have been reported in the western states.

Industry

Activity of major industries of the Twelfth District changed little during July. Production of crude oil in California decreased slightly and was exceeded by the amount run to refinery stills, thereby reducing petroleum inventories. After allowance for seasonal factors, output of lumber remained practically unchanged, while cement production advanced substantially. Construction contract awards increased somewhat. Canning of fruits and vegetables was seasonally active, but at a level lower than in 1931.

Some improvement in the unemployment situation was reported during July as a result of seasonal increases in canning and agricultural activities. In California, the decrease (18 per cent) in employment from the same month in the preceding year was practically the same as the year-to-year decline in June. Reports from other states of the District indicate little change in employment conditions as compared with a month ago. Fewer wage reductions were reported in July than in other recent months.

Output of crude oil averaged slightly less during July than in June and was at the lowest level in ten years. Production during the later

month was well under the proration allowable of 476,700 barrels daily. Increases during the first two weeks of August, however, brought output approximately to that figure. Refining activity decreased slightly, accompanied by a substantial reduction in gasoline stocks.

Although lumber output decreased during July, the change in that month, as in earlier months of the year, was almost entirely seasonal in character. Shipments and orders of lumber were unchanged and their margin over production was increased, thereby bringing about another reduction in inventories. The stability in the industry thus far during 1932 has followed continuous declines during the preceding two and one-half years in the volume of lumber cut. This Bank's seasonally adjusted index of lumber production was 35 per cent of the 1923-1925 average during July, compared with 61 per cent for July, 1931.

A rise in the value of engineering contract awards during July was entirely responsible for an improvement in the District's construction industry. Federal Government projects, which comprised about three-fourths of the total of \$16,649,000 of these awards, were the largest since March, 1931, when Boulder Dam contracts amounting to nearly 50 million dollars were let. Practically no permits were issued for commercial and industrial building in July, and permits for residential construction were lower in value than the extremely small June total. The sharp decline in construction costs which has taken place during the past three years was at least temporarily checked during July, when a slight rise was recorded, chiefly as a result of increases in prices for building materials.

Operations in the canning industry expanded during July, although activity was substantially

Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees July, 1932	No. of Firms	No. of Employees July, 1932
All Industries*	1,186	133,691	123	14,963
Stone, Clay and Glass Products	60	4,752	..	..
Lumber and Wood Manufactures	135	12,159	44	7,625
Textiles	16	1,415	7	860
Clothing, Millinery and Laundering	160	10,413	7‡	286
Food, Beverages and Tobacco	281	37,593	36	2,036
Public Utilities	41	48,565	..	..
Other Industries†	482	62,007	..	..
Miscellaneous	52	5,352	29	4,156
Wholesale and Retail	163	28,943	..	..

*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 July, 1931.

Industry—

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

General	1932				1931		
	July	June	May	Apr.	July	June	May
Carloadings—Industrial	34	32	34	41	56	56	59
Electric Pwr. Production	135‡	134	137	145	159	154	153
Manufactures							
Lumber	35	35	32	35	61	64	62
Refined Mineral Oils†	144	137	145	137	137	137	145
Flour	85	103	100	94	101	124	98
Slaughter of Livestock	90	83	90	90	98	91	88
Cement	51	43	54	60	71	74	72
Wool Consumption†	108	55	67	111	87	59	59
Minerals							
Petroleum (California)†	71	71	76	78	79	79	81
Lead (United States)‡	31	49	59	45	64	60	78
Silver (United States)‡	40	41	49	42	43	52	47
Building and Construction§							
Total	29	30	33	34	71	57	75
Building Permits—Value							
Larger Cities	12	13	17	19	33	29	31
Smaller Cities	14	14	15	16	41	40	43
Engineering Contracts Awarded—Value							
Total	53	49	53	58	123	89	144
Excluding Buildings	96	92	111	114	210	159	273

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

lower than in other recent years. Tentative appraisals indicate a canned peach pack in California approximately 20 per cent less than the unusually small 1931 pack of 8,421,000 cases. The 1932 Hawaiian canned pineapple pack is expected to be reduced to less than half of the 1931 pack of 12,800,000 cases. Heavy carry-over stocks of canned pineapple and peaches are reported.

Output of electric power on the Pacific Coast increased seasonally during July. Kilowatt-hours produced declined about 15 per cent as compared with a year ago, partly because demands for electric energy to pump irrigation water were considerably greater last year. This decrease was greater than any year-to-year decrease reported during the present depression.

Flour milling was less active in July than in June, although a slight increase is usual between those months. Some improvement in domestic demand contributed to small reductions in inventories of most reporting mills. Stocks of wheat held by mills increased somewhat.

Trade

Trade was somewhat less active during July than in June.

Value of department store sales decreased seasonally during July. Stores in San Francisco and Los Angeles reported small increases in sales, after seasonal adjustment, as compared with the previous month. These increases, however, were slightly more than offset by declines at Seattle and Salt Lake City. Inventories of department stores as measured on a retail selling price basis, were reduced more than

Distribution and Trade—

	1932				1931		
	July	June	May	Apr.	July	June	May
	Indexes adjusted for seasonal variations (1923-1925 average=100)						
Carloadings†							
Total	57	55	55	60	81	78	78
Merchandise	74	75	74	77	101	97	94
Foreign Trade*							
Total†	..	45	46	50	78	72	78
Imports†	..	42	41	46	64	54	67
Exports	..	47	49	52	83	76	82
Intercoastal Trade							
Total	45	51	54	47	59	73	76
Westbound	72	57	66	54	85	83	86
Eastbound	39	50	50	45	53	69	74
Retail Trade							
Automobile Sales‡							
Total	31	47	32	31	67	75	76
Passenger	29	45	30	29	62	69	71
Commercial	50	71	59	54	110	124	117
Department Store							
Sales‡	72	74	70	74	100	102	102
Stocks§	67	70	72	73	87	89	89
Collections#	Actual Figures						
Regular	39.2	40.1	40.4	41.3	42.3	42.7	44.1
Installment	13.4	13.8	13.7	14.1	15.3	15.3	15.5

†Daily average. *Indexes are for three months ending with month indicated. †Excluding raw silk. §At end of month. #Per cent of collections during month to amount outstanding at first of month.

seasonally to the lowest level for any month since January, 1919. The number of net sales transactions of 26 reporting stores was 14 per cent lower in July, 1932, than in July, 1931. The Fairchild retail price index decreased 1.5 per cent from July 1 to August 1 and was 18.1 per cent lower than on August 1, 1931.

RETAIL TRADE—Twelfth District

Percentage changes in value of sales and stocks with no adjustment for price changes

	1932 compared with 1931		
	NET SALES		STOCKS
	July	January 1 to end of July	July
Department Stores	-29.7 (67)	-24.8 (66)	-23.6 (52)
Los Angeles	-26.8 (10)	-24.9 (10)	-23.4 (10)
Other Southern Calif.	-31.8 (8)	-26.0 (8)	-22.8 (5)
Oakland	-29.6 (4)	-22.0 (4)	-35.9 (4)
San Francisco	-26.6 (7)	-19.9 (7)	-19.2 (7)
Other Northern Calif.	-28.3 (8)	-21.5 (8)	-21.2 (8)
Portland†	-34.6 (7)	-32.2 (6)	-36.4 (7)
Seattle	-38.8 (5)	-31.4 (5)	-21.5 (5)
Spokane	-34.8 (4)	-22.3 (4)	-17.8 (4)
Salt Lake City	-32.3 (4)	-23.8 (4)	-14.4 (3)
Apparel Stores	-31.1 (25)	-24.3 (23)	-23.3 (14)
Furniture Stores	-39.3 (37)	-29.7 (35)	-21.5 (28)
All Stores	-31.0 (129)	-25.3 (124)	-23.3 (94)

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

Figures in parentheses indicate number of stores reporting.

Note: These figures take no account of operating costs.

Wholesale sales were 12 per cent smaller in value in July, 1932, than in the preceding month, whereas little or no change has been recorded from June to July of most recent years. The year-to-year decrease in the later month was larger in most lines of trade than in June, probably because there was one less trading day in July this year than last.

WHOLESALE TRADE—Twelfth District

Percentage changes in value of sales with no adjustment for price changes

	July, 1932 compared with		Cumulative 1932 compared with 1931
	June, 1932	July, 1931	
Agricultural Implements	-17.0	-30.7	-39.9
Automobile Supplies	-20.9	-27.3	-19.7
Drugs	-18.2	-28.8	-20.4
Dry Goods	4.0	-39.0	-36.8
Electrical Supplies	-15.4	-50.2	-45.6
Furniture	-18.4	-54.0	-39.0
Groceries	9.5	-18.4	-18.0
Hardware	-15.3	-33.2	-31.1
Shoes	-15.2	-38.9	-32.6
Paper and Stationery	3.5	-26.6	-21.5
All Lines	-12.3	-29.5	-27.3

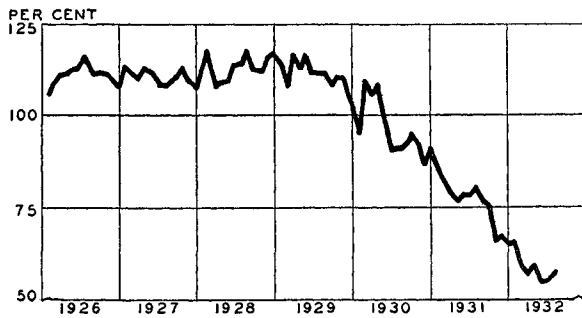
Note: These figures take no account of operating costs.

New automobile registrations decreased during July, although increases have been usual during that month. Both commercial vehicles and passenger cars were registered in smaller numbers. This bank's adjusted index at 31 (1923-1925=100) was approximately the same as in the four months preceding June, when it had been at the lowest level since its compilation was begun in 1922.

Intercoastal traffic increased less than seasonally. Westbound shipments through the Panama Canal were the largest since December, 1931, but shipments from Pacific to Atlantic seaboard decreased contrary to seasonal ten-

dency, reflecting principally extremely light cargoes of lumber and petroleum products.

Total freight loaded on District railroads decreased somewhat less than seasonally from June to July because shipments of industrial



CARLOADINGS—Twelfth District

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

commodities held up better than has been usual between those months. Merchandise loadings increased by only part of the seasonal amount.

Prices

The strength apparent in commodity prices during June became more evident in July, indexes of prices advancing in nearly every week of that month and early August. The current improvement in prices has been concentrated chiefly in raw materials, although prices for finished goods have also increased slightly. Semi-manufactured goods have continued to decline in price as shown by the July index of the Bureau of Labor Statistics. The increase from June to mid-August is the first substantial advance in commodity prices since July, 1929.

From January to July of this year prices declined considerably less than during corresponding periods in either 1931 or 1930. According to the Bureau of Labor Statistics' index of wholesale commodity prices the decline during the first 7 months of the year was 4.2 per cent in 1932, 8.0 per cent in 1931, and 8.8 per cent in 1930. During the three years ending with July, 1932, commodity prices declined 33 per cent, compared with a decline of 45 per cent from May, 1920, to January, 1922, the last preceding period of sharp price declines.

Many of the commodities showing price advances in the past two months have been farm products, several of which are important in the Twelfth District. Wheat prices, after reaching an all-time low record in mid-July, advanced sharply in the latter part of that month. The September contract at Chicago in mid-July ranged from 46⁵/₈ to 48³/₈ cents per bushel. At the month-end this contract was quoted at 51¹/₄ cents per bushel, fluctuating in early August from 48³/₈ to 54³/₈ cents per bushel, and declining to 49¹/₂ cents per bushel on August 20.

Changes in prices for corn, oats, and barley were similar to those for wheat. Field crops—hay, potatoes, rice, beans, and hops—declined in price during the month under review. Cotton reached a new high price for the year on August 10, however, as represented by the spot quotation for the middling upland grade at New Orleans. Citrus fruit prices improved from June to July, but most quotations on fresh, dried, and canned deciduous fruits were somewhat lower than in the preceding month. Dairy and poultry products prices increased seasonally during July as did hog prices. Cattle and lamb prices at Pacific Coast markets were generally higher in late July than in the earlier part of that month. Wool and sugar prices were stable throughout July.

Although quotations for copper showed practically no change during July and early August, lead, zinc, and silver prices increased to the levels of early April. On August 20, copper was quoted at 5³/₈ to 5¹/₂ cents per pound, lead at 3³/₁₀ cents per pound, zinc at 2³/₄ cents per pound, and silver at 27⁷/₈ cents per ounce.

Petroleum prices have been maintained at the levels established in late June. Available information indicates that lumber prices were relatively stable during July as compared with the earlier months of 1932. The significance of many quotations is indeterminate, however, because of the poor demand for forest products. Miscellaneous commodities important in the

Bank Debits*—

	July 1932	July 1931	First seven months 1932	1931
Arizona				
Phoenix	\$ 17,555	\$ 29,236	\$ 153,830	\$ 224,362
California				
Bakersfield	7,112	9,633	53,271	76,338
Berkeley	13,275	17,599	105,039	117,848
Fresno	13,392	20,344	109,087	151,256
Long Beach	24,999	39,728	194,905	298,900
Los Angeles	528,140	756,266	4,055,111	5,810,807
Oakland	161,971	196,702	1,185,521	1,339,538
Pasadena	17,884	27,442	160,483	221,286
Sacramento	38,374	51,313	277,788	327,743
San Bernardino	4,346	9,463	44,526	62,792
San Diego	33,186	47,588	250,290	344,817
San Francisco	662,814	899,813	4,696,527	7,010,647
San Jose	15,817	31,156	114,684	172,414
Santa Barbara	8,548	12,973	67,662	92,656
Stockton	13,325	19,117	93,563	124,732
Idaho				
Boise	10,569	14,915	72,265	90,948
Nevada				
Reno	8,551	11,641	54,256	70,562
Oregon				
Eugene	3,396	5,447	28,112	39,128
Portland	92,012	146,990	709,768	1,022,841
Utah				
Ogden	9,432	13,811	61,607	98,623
Salt Lake City	39,912	58,460	306,133	424,404
Washington				
Bellingham	4,649	6,947	33,361	48,137
Everett	5,357	10,120	39,828	66,337
Seattle	122,438	202,558	929,641	1,409,976
Spokane	25,679	43,628	200,212	295,454
Tacoma	19,161	33,292	154,677	240,251
Yakima	7,571	10,756	54,913	84,807
Total	\$1,909,465	\$2,726,938	\$14,207,060	\$20,267,604

*In thousands of dollars.

manufacturing or commercial activities of the District—coffee, rubber, hides, silk, and tin—increased in price during July.

Credit Situation

Declines in loans of reporting member banks moderated during July and the first half of August. Member banks generally reduced their borrowings from the Federal Reserve Bank of San Francisco, built up their reserve deposits, and increased deposits with banks outside the District. Interest rates advanced slightly. Securities markets were active with advancing prices.

SUPPLY OF AND DEMAND FOR BANKING FUNDS Twelfth District Changes between July 20 and August 17, 1932 (In millions of dollars)

Supply		Demand	
Monetary gold stock...	9.7	Demand for currency.....	3.0
Treasury operations...	17.2	Member bank reserve de-	
Reserve bank credit.....	-19.8	posits	3.1
Discounts	-17.7	Unexpended capital funds,	
Acceptances ..	-1.8	non-member deposits,	
Other .....	.3	etc. ....	.9
Total	7.1	Total	7.0

Total deposits of member banks declined sharply during the first seven months of 1932. The bulk of this decrease was confined, however, to the first two months of the year. Neither time nor net demand deposits of reporting member banks have shown any appreciable net change since early March, and similar data for all member banks decreased but slightly. The total of these two classes of deposits for all member banks declined only 84 million dollars

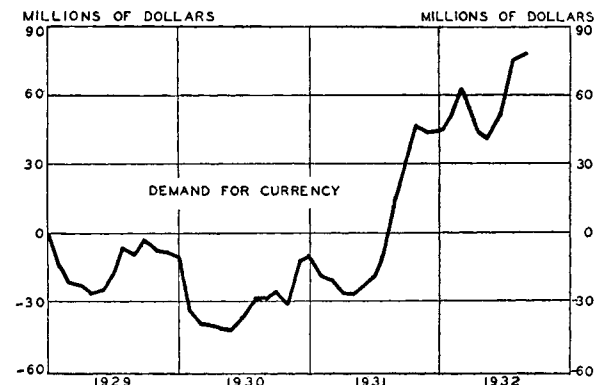
SOME FACTORS AFFECTING DEPOSITS OF TWELFTH DISTRICT MEMBER BANKS—January 1 to June 30, 1932 (In millions of dollars)

Principal Factors Tending to Reduce Deposits	
Increase in currency in hands of public.....	14
Reduction in vault cash of member banks....	7
Demand for currency at Federal Reserve Bank and Mint	7
Decrease in local loans	200
Decrease in loans on securities.....	59
Decrease in loans on real estate.....	73
Decrease in all other local loans.....	68
Net payments to other districts for account of individuals	292
Payments to other districts.....	229
Gains due to outside sales of bank investments	26
Gains due to reduction of open market loans..	17
Gains due to shifting of bankers' balances....	20
Reduction in uncollected checks and cash items.	28
Total	534
Principal Factors Tending to Increase Deposits	
Treasury expenditures in excess of collections....	123
Mint purchases of local and imported gold plus deposits of imported U. S. gold coin with the Federal Reserve Bank	77
Reduction in capital funds of member banks.....	18
Total	218
Difference (indicated decrease in deposits).....	316
Deposits actually decreased	297
Demand deposits	169
Time deposits	119
Government deposits	9
Minor items not included above	19

(monthly averages of daily figures) between March and July as compared with a decline of 628 million dollars (20 per cent) from May, 1931, to March, 1932.

This more recent stability of deposits reflects some moderation in the rate of decline in loans and investments, together with a net inflow of funds to this District as a result of Treasury operations and a cessation of losses through the gold settlement fund due to transactions of individuals and corporations with other sections of the country. Decreases in currency circulation during March and April also contributed to the bolstering of deposits. An increased demand for currency during June and early July, however, more than cancelled the earlier decreases. The effect of these factors on deposits is shown in the preceding table.

Money in circulation in the District was but little lower in mid-August than at the beginning of July, at which time holiday demands always cause a sharp increase in demand for currency. Approximately the usual seasonal return of currency from the hands of the public was recorded during the three weeks ending July 27. In the following week, however, an abrupt rise in demand for currency was recorded, nearly half of the increase coming from the Los Angeles area, and little change in circulation was recorded during the following two weeks. In addition to the seasonal tendency, the large withdrawal of currency at the end of July probably reflects the influence of an unusually large number of travelers coming to California to attend conventions and the Olympic Games.



CURRENCY CIRCULATION—Twelfth District
Changes cumulated from January 2, 1929
Monthly averages of weekly figures

As a rule travelers coming to the Pacific Coast start with a considerable amount of currency to pay expenses en route, arriving with a somewhat limited amount of funds. This small supply of currency is replenished at the traveler's destination through the cashing of checks, drafts, or other credit instruments, to provide cash for current expenses. Upon leaving the District, an additional supply of cash sufficient to pay expenses on the return trip is secured from banks. A large amount of Twelfth

District currency is thus carried out of the District, while relatively little currency is carried into this region from other parts of the United States. These amounts appear as increases in the demand for currency in the Twelfth District and are reported by districts en route as decreases in circulation when the money eventually returns to the banks in those districts. Evidence on this point is furnished by the note settlement operations of the Federal Reserve System. Since the law prohibits a Federal Reserve Bank from paying out any Federal reserve notes but its own, each reserve bank ships the notes of other reserve banks which it receives to the issuing bank if fit for further circulation, or to the Treasury Department in Washington for redemption and destruction if unfit for circulation. During a period of more than six years the amount of this Bank's notes returned to it or shipped to the Treasury Department has constantly exceeded the aggregate amount of Federal reserve notes of all other reserve banks shipped by the Federal Reserve Bank of San Francisco.

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

	Condition			
	Aug. 17, 1932	Aug. 10, 1932	July 20, 1932	Aug. 19, 1931
Total Bills and Securities	206	207	225	98
Bills Discounted	79	81	97	34
Bills Bought	3	3	6	12
United States Securities	123	123	122	52
Total Reserves	207	210	185	318
Total Deposits	144	146	140	199
Federal Reserve Notes in Circulation	250	253	251	198
Ratio of Total Reserves to De- posit and Note Liabilities Combined	52.4	52.7	47.2	80.1

Following the numerous suspensions of banks during May and June, few failures were reported during July and early August. This improvement probably indicates that the stability of deposits and the strengthening of the financial situation generally are becoming increasingly effective. It is probable that the greater than seasonal increase in demand for currency late in June was related to the numerous bank suspensions at that time. The cessation of currency withdrawals for hoarding since early July has been distinctly favorable to the position of banks, as has the renewed public confidence which has corresponded chronologically with the reduction in bank failures.

On August 1, the United States Treasury allotted 47 million dollars of United States Government securities to purchasers in the Twelfth District. Of this total, 37 million dollars was paid for by deposit credit. City banks reported an increase of 22 million dollars in Government deposits between July 27 and August 3, whereas United States securities held increased only 9 million dollars. As a result of

these transactions city banks gained 13 million dollars in funds through the sale of securities which had been paid for by deposit credit. Sales of securities by these banks to their local customers who pay for them by drawing on their deposits or supplies of cash result in a cancellation of net demand or time deposits or in a reduction of currency circulation. Since deposits remained unchanged and the demand for currency increased slightly, it is unlikely that the securities were sold locally. It appears rather that these sales were made outside the District, for gains through the gold settlement fund during the week ended August 3 were 20 million dollars, in contrast with continuous losses during most of July. The fact that during the past few weeks practically the entire net gains or losses to the Twelfth District through the gold settlement fund have resulted from transactions with the New York Federal Reserve District which is the premier national market for Government securities tends to confirm this conclusion. The outside funds thus gained have been important in contributing to an easier money situation within the District.

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

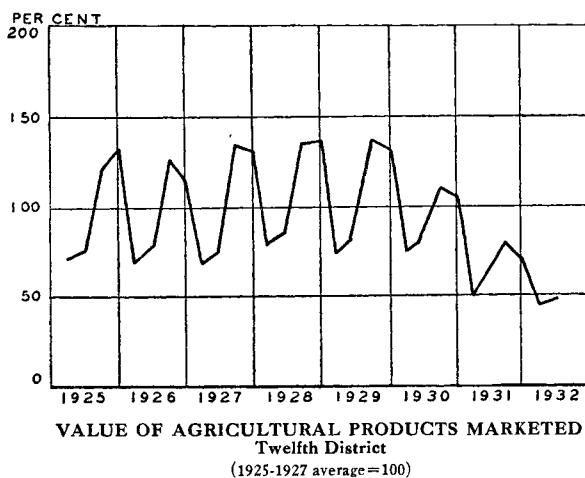
	Condition			
	Aug. 17, 1932	Aug. 10, 1932	July 20, 1932	Aug. 19, 1931
Loans and Investments—Total	1,728	1,723	1,722	1,923
Loans—Total	1,000	1,008	1,014	1,196
On Securities	248	248	252	312
All Other	752	760	762	884
Investments—Total	728	715	708	727
United States Securities	397	386	378	371
Other Securities	331	329	330	356
Reserve with Reserve Bank	85	84	82	108
Net Demand Deposits	559	552	550	729
Time Deposits	879	884	882	1,017
Due from Banks	139	130	120	192
Due to Banks	164	157	155	233
Borrowings at Reserve Bank	61	61	76	27

Federal Reserve System holdings of bankers' acceptances purchased in the Twelfth District were reduced to but little more than a million dollars during August. This almost negligible quantity of holdings reflects the extremely small amount of acceptances being created by District banks, which in turn is an outgrowth of the small volume of foreign trade and other activity necessitating such paper. At the same time the difference of $2\frac{1}{2}$ per cent between this Bank's discount rate ($3\frac{1}{2}$ per cent) and its buying rate on 90-day bills (1 per cent) is larger than it has been at any time since the establishment of the Federal Reserve Bank of San Francisco.

The number of shares traded at District securities markets was substantially greater in July than in June. As at national markets, prices advanced sharply. The increased volume of trading, accompanied by higher stock quotations, continued during the first three weeks of August.

A Quarterly Index of the Value of Agricultural Products Marketed in the Twelfth Federal Reserve District

For several years this Bank has published annual indexes of the value and volume of crop production in the Twelfth Federal Reserve District. These indexes have not become available until after the close of each calendar year and have therefore been of no use as indicators of income during the period in which most products are sold by growers. In an effort to obtain a reasonably accurate indication of agricultural income prior to the close of the year, an index has been constructed which shows by quarterly periods changes in the value of crops and animal products marketed. This index becomes available within six weeks after the close of the period covered. No attempt has been made to measure income being received by the producers during the particular quarter covered. Rather, the index shows the value of marketings during a given quarter in relation to marketings during other periods. Since those marketings sooner or later are translated into income for growers, an indication is given by the index of how farm income derived from sales during a given quarter is likely to compare with income from sales during other periods.



During the past seven years, about 20 per cent of the District's agricultural output has moved to market in the second quarter of the year. In the three months ending with June, 1932, the index of the value of products marketed stood at 49 per cent of the 1925-1927 average, compared with 64, 83, and 81 in the corresponding periods of 1931, 1930, and 1929, respectively. In the first half of 1932, the value of marketings indicated by the index was 18 per cent lower than in the first half of 1931, 40 per

cent lower than in the first half of 1930, and 39 per cent below marketings during the first six months of 1929. Inasmuch as less than 40 per cent of the year's production is ordinarily sold during the first half of the year, the market movements and prices received during the next few months — particularly during August, September, and October — will be of major importance in determining the District's total agricultural income from crops and livestock produced during 1932.

* * * * *

In constructing the index, the years 1925-1927 were taken as the base period. Data covering 19 crops and animal products were used, those 19 products having accounted for about 65 per cent of the total cash income from agriculture in the Twelfth District during recent years. The proportion of each of these 19 products represented in the quarterly data ranges for the most part from 60 to 85 per cent of its total production, although a few samples are more inclusive and one (rice) represents only 25 per cent of the total output of that crop. Several important products have not been included in the index because either volume or price data, or both, were lacking currently. Notwithstanding these omissions, and despite the somewhat irregular representation of certain individual items, it is believed that the several general groups of products—grains, field crops, fruits, vegetables, livestock, and livestock products—are adequately represented in the index. That the index does furnish a reasonably accurate comparison of changes in the value of agricultural products marketed, is demonstrated by the fact that since 1925 changes in the quarterly index, converted to an annual basis, correspond satisfactorily with changes in the annual index of cash income which includes nearly all crops and animal products marketed in the District.

The quarterly indexes are shown in the following table since the beginning of 1925. Since the figures are not adjusted for seasonal variation it is to be expected that the indexes for the last two quarters of each year will be larger than those for the first two quarters.

INDEX OF THE VALUE OF AGRICULTURAL MARKETINGS								
Twelfth District								
(1925-1927=100)								
Quarter ending	1925	1926	1927	1928	1929	1930	1931	1932
March	71	70	68	79	74	74	52	45
June	77	81	76	86	81	83	64	48
September	119	126	134	135	136	109	79	..
December	133	114	131	138	131	105	71	..
Average	100	98	102	109	105	93	66	..

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, August 20, 1932

Vol. XVI No. 8

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Volume of industrial output declined seasonally from June to July, while factory employment and payrolls decreased by more than the usual seasonal amount. In July, the general level of wholesale prices was about 1 per cent higher than in June, and in the first half of August prices of many leading commodities advanced considerably. Reserve bank credit declined somewhat in the four weeks ending August 17, reflecting chiefly a substantial growth in the country's stock of monetary gold.

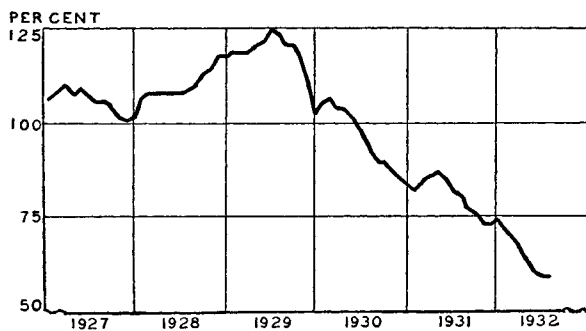
Production and Employment. Industrial production declined by about the usual seasonal amount in July, and the Board's index, which is adjusted to allow for the usual seasonal variations, remained unchanged at 59 per cent of the 1923-1925 average. Activity decreased seasonally in the steel industry; by slightly more than the usual seasonal amount in the lumber, cement, newsprint, and meatpacking industries; and by substantially more than the seasonal amount in the automobile and lead industries. Output of shoes, which ordinarily increases in July, declined. At woolen mills activity increased by a substantial amount and at silk mills there was a seasonal increase in production. Activity at cotton mills decreased, as

is usual in July, while sales of cotton cloth by manufacturers increased considerably. Output of coal increased from the low level prevailing in June.

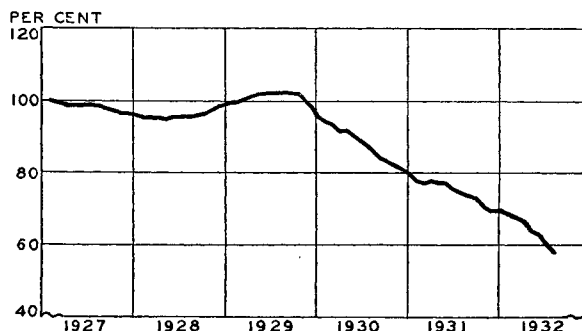
Reports on the volume of factory employment and payrolls showed substantial declines from the middle of June to the middle of July. In the machinery, women's clothing and hosiery industries and at railroad repair shops, the number employed decreased by considerably more than the usual seasonal amount and at shoe factories the increase reported was smaller than usual. In the woolen goods industry a substantial increase in employment was reported.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, continued at a low level during July and the first half of August.

Prospects for many leading crops, including corn, spring wheat, potatoes, and tobacco, were reduced somewhat during July, according to the Department of Agriculture. The estimated total wheat crop, based on August 1 conditions, is 723,000,000 bushels, a decrease of about 175,000,000 bushels from last year's large crop, reflecting a reduction of 350,000,000 bushels in the winter wheat crop, offset in part by an estimated increase of 175,000,000 bushels in the

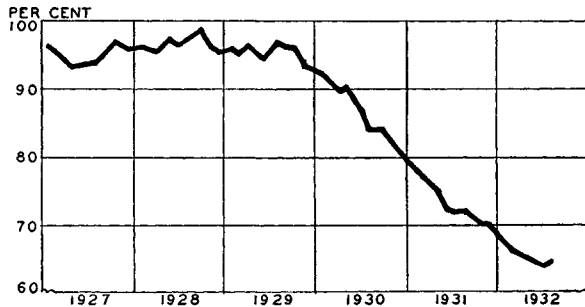


Index numbers of industrial production adjusted for seasonal variations (1923-1925 average=100).



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

spring wheat crop. The first official cotton estimate, as of August 1, was 11,300,000 bales, as compared with crops of 17,100,000 last season and 13,900,000 the year before. The indicated production of corn is 2,820,000,000 bushels, substantially larger than the crops of the last two seasons and slightly larger than the five-year average.



WHOLESALE PRICES

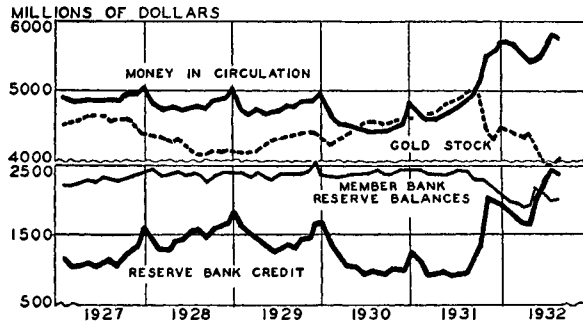
Index of United States Bureau of Labor Statistics (1926=100).

Distribution. Volume of freight traffic decreased somewhat from June to July, and value of department store sales was substantially reduced.

Wholesale Prices. The general level of wholesale prices, as measured by the monthly index of the Bureau of Labor Statistics, advanced from 63.9 per cent of the 1926 average in June to 64.5 per cent in July.

Between the middle of July and the third week of August, prices of livestock and meats, which had previously advanced considerably, declined somewhat, while price increases were reported for many other leading commodities, including wheat, textile raw materials and finished products, non-ferrous metals, hides, sugar, coffee, and rubber.

Bank Credit. The total volume of reserve bank credit outstanding, which had increased by \$850,000,000 between the end of March and the third week of July, declined by \$95,000,000 in the four weeks to August 17, and in the same period member banks increased their reserve balances by \$45,000,000. These changes reflected chiefly the addition of \$95,000,000 to the



FEDERAL RESERVE BANK CREDIT AND PRINCIPAL FACTORS IN CHANGES

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

country's stock of monetary gold and an inflow to the banks of \$30,000,000 in currency.

Total loans and investments of reporting member banks in leading cities were \$250,000,000 larger on August 17 than four weeks earlier. Total loans of these banks continued to decline throughout the period, while their investments increased substantially, reflecting an increase in holdings of United States Government securities in connection with Treasury financing operations. Time deposits increased by \$95,000,000 and net demand deposits by \$85,000,000.

Money rates in the open market remained at low levels. Successive reductions brought the prevailing rates on prime commercial paper to a range of 2-2¼ per cent in the first part of August.