

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

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Federal Reserve Bank of San Francisco

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### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Production of the District's principal industries and activity in most fields of trade increased in response to seasonal influences during August. Wholesale prices for many commodities important in the Twelfth District continued to rise during August and the first half of September. Credit conditions were easier in city than in country bank areas.

Harvesting of many agricultural products approached completion during August, while late maturing crops developed satisfactorily. September 1 estimates confirmed earlier indications of larger aggregate crop production than in the preceding year. Marketing activity increased seasonally, but was lower than in August, 1931. Inventories of agricultural products generally remained relatively large, but prices continued to advance from the record low levels of early summer.

Operations in the California petroleum industry continued under curtailment during August, with little change apparent in demand for or output of the industry's products. Activity in the lumber industry remained at extremely low levels, although a slight increase in demand for lumber was indicated by the larger volume of orders received by mills. Building and construction failed to reveal any noteworthy change during August. Production of foods increased during the month, reflecting largely seasonal activity in the canning of fruits. The number of industrial employees in California increased by more than has been usual during August.

More than the seasonal rise from July to August was recorded in retail trade. Sales at wholesale also increased after seasonal adjustment. Automobile registrations remained practically unchanged. Freight carloadings increased by less than is customary, but intercoastal traffic through the Panama Canal was larger in August than in July, although a recession in tonnage is usual between these months.

Additional funds were made available to banks in city areas during the five weeks end-

ing September 21. Substantial increases in circulation of national bank notes were more than sufficient to meet seasonal demands for currency, and enabled member banks to reduce borrowings at the Federal Reserve Bank of San Francisco. Time and net demand deposits of reporting member banks were practically unchanged between August 17 and September 21. Government deposits and investments increased sharply on September 15 as a result of Government financing on that date. Banks converted part of the securities into cash almost immediately, thereby increasing the supply of banking funds available to the District. During the ten weeks preceding September 15, total loans and investments of reporting member banks had been practically unchanged, continuous declines in loans having been offset by increased holdings of United States securities.

#### Agriculture

During August and early September weather conditions continued favorable for agricultural activities in the Twelfth District. Completion of the harvests of many fruit, grain, and field crops and the satisfactory development of late crops continue to indicate that the volume of crop production during 1932 will be larger than in 1931. A considerable amount of fruit in the Pacific Coast states is not being picked because current prices are not returning harvesting and marketing costs. Ranges continue to furnish adequate feed for livestock.

During the autumn harvesting and marketing season, the price of farm commodities is more important to producers and to agencies financing agriculture than in other seasons. In August of this year, prices for crops and animal products at the farm, as represented by the United States Department of Agriculture price index, were 4 per cent higher than in the preceding month, and 14 per cent higher than in June, although the index was at the lowest point recorded in any August since it was first compiled in 1910.

Despite the greater volume of agricultural products available for consumption, the volume marketed thus far this autumn has been smaller than in the corresponding period of 1931. Stocks of agricultural products in the raw and semi-processed state were generally larger on September 1 this year than on the same date in 1931.

**INDEXES OF AGRICULTURAL PRICES—United States**  
(August, 1909–July, 1914=100)

	August				
	1932	1931	1929	1921	1913
All Groups .....	59	75	143	116	101
Grains .....	43	54	129	103	95
Fruits and Vegetables .....	79	97	160	178	102
Cotton and Cottonseed .....	51	53	146	91	93
Meat Animals .....	69	92	165	112	110
Dairy Products .....	65	87	137	138	...
Poultry Products .....	75	93	151	143	...

Source: United States Department of Agriculture.

Previous estimates that grain crops would be larger in 1932 than in 1931 have been substantiated by near-completion of harvesting. Production of most field crops—beans, cotton, potatoes, and rice—will be smaller this year than in 1931 or 1930, although tame hay production is expected to be approximately 25 per cent larger than a year ago.

**GRAIN AND FIELD CROPS—PRODUCTION**  
(In thousands)

	Forecast Sept. 1, 1932	Forecast Aug. 1, 1932	1931	1930
<b>Beans (bags)</b>				
California, Idaho ...	3,444	3,219	5,550	6,179
United States .....	9,907	9,645	12,713	13,759
<b>Cotton (bales)</b>				
Arizona, California ..	198	194	292	419
United States .....	11,310	11,306	17,096	13,932
<b>Hops (pounds)</b>				
California, Oregon, Washington .....	25,970	24,505	25,852	23,447
<b>Potatoes (bushels)</b>				
Twelfth District ...	41,036	41,786	45,771	47,150
United States .....	356,746	367,399	375,518	333,210
<b>Rice (bushels)</b>				
California .....	6,490	6,270	8,000	7,271
United States .....	37,711	39,084	45,014	44,299
<b>Tame Hay (tons)</b>				
Twelfth District ...	13,188	13,070	10,524	12,169
United States .....	68,587	67,390	64,213	63,463
<b>Sugar Beets (tons)</b>				
Calif., Idaho, Utah.	2,526	.....	1,870	1,767
United States .....	8,206	.....	7,933	9,199
<b>Barley (bushels)</b>				
Twelfth District ...	51,532	51,285	23,535	44,621
United States .....	302,666	302,808	198,185	304,601
<b>Oats (bushels)</b>				
Twelfth District ...	24,666	24,251	21,795	26,300
United States .....	1,244,781	1,214,733	1,112,037	1,277,764
<b>Wheat (bushels)</b>				
Twelfth District ...	114,842	114,309	90,291	112,562
United States .....	714,538	722,687	894,204	858,160

Source: United States Department of Agriculture.

Excepting grapes, the bulk of this year's deciduous fruit production in California had been harvested by mid-September. Most of the crops are larger this year than in 1931 but smaller than in 1930. Grape production in that state is estimated to be 1,822,000 tons, compared with a crop of 1,320,000 tons in 1931, which was the smallest crop in ten years. Nearly 90 per cent of the increase as compared with last year is the result of larger production of raisin grapes. In the Pacific Northwest, as in California, the commercial crop of apples will

be larger this year than last, although the total crop approximates that of 1931. Harvesting of other deciduous fruit crops in the Pacific Northwest is now being finished.

**APPLES—PRODUCTION**  
(In thousands of bushels)

Commercial Crop	Forecast Sept. 1, 1932	1931	1930
California .....	6,480	4,647	6,522
Idaho .....	4,290	3,969	4,650
Oregon .....	3,150	2,079	4,470
Utah .....	543	210	945
Washington .....	28,080	25,893	33,597
Total .....	42,543	36,798	50,184
United States .....	88,851	103,476	101,004

Current production estimates of citrus fruits in California indicate slightly lower yields in 1932 than in 1931. Rail shipments of oranges and lemons during August were smaller than in July, but approximated shipments in August, 1931. In August, orange prices at \$1.66 per box, f.o.b. California, averaged lower than in any month since January, and were 22 per cent lower than a year ago. Lemon prices increased during the month.

Livestock continued to gain satisfactorily during August, and the autumn movement of cattle and lambs to market commenced during that month. The proportion of total market shipments represented by feeder lambs is running smaller this fall than in 1931 when poor feed conditions resulted in unusually heavy marketing of such stock. There has been little forward contracting of lambs for autumn and winter feeding and low prices prevail for this class of animal. Cattle receipts at Twelfth District markets during the summer months were about 10 per cent smaller and lamb receipts about 17 per cent smaller than a year ago. In contrast with the trend of receipts in the mid-Western markets, shipments of hogs to Pacific Coast markets continued larger than a year ago.

The number of beef cattle, particularly cows and calves on farms and ranges, has increased

**Agricultural Marketing Activity—**

	August		Season to Date	
	1932	1931	1932	1931
<b>Carlot Shipments</b>				
Deciduous Fruit..	13,607	16,554	26,966	35,232
Citrus Fruit .....	5,799	5,942	65,894	70,221
Vegetables .....	3,811	3,364	51,358	63,537
<b>Exports</b>				
Wheat (bu.) .....	1,091,841	1,059,382	1,211,523	3,237,771
Barley (bu.) .....	556,910	581,746	1,073,582	1,293,155
<b>Receipts</b>				
Cattle* .....	37,972	48,939	335,068	352,738
Hogs* .....	133,127	139,621	1,424,794	1,111,533
Sheep* .....	585,813	702,813	2,593,914	3,057,688
Eggs (cases) .....	121,616	137,627	1,203,057	1,338,622
Butter (lb.) .....	6,274,826	7,236,778	56,078,186	55,595,477
Wheat (carlots) ...	6,068	6,665	8,681	11,435
Barley (carlots) ...	674	558	1,268	1,499
<b>Storage Holdings (end of month)</b>				
Wheat (bu.) .....	2,034,000	13,640,000	.....	.....
Beans (bags) .....	703,242	689,409	.....	.....
Butter (lb.) .....	7,009,853	5,391,431	.....	.....
Eggs (cases) .....	576,192	540,104	.....	.....

\*Los Angeles receipts not included.

about 3 per cent in this District since 1930, while market receipts have declined slightly. Absorption of the larger volume of marketing likely to eventuate from this increase in breeding herds at a fair rate of return to producers depends largely upon improvement in consumer purchasing power.

The much better condition of ranges and plentiful supplies of hay, grain, and cottonseed by-products for fattening have improved the outlook for livestock feeding operations this autumn as compared with a year ago.

### Industry

Changes in Twelfth District industry were predominantly seasonal in character during August. Crude oil production increased somewhat, but, seasonal factors considered, lumbering and construction did not change materially, and output of cement declined. Consumption of electric energy changed little from July to August. Flour milling increased more sharply than has been customary at this time of year.

Some increase in employment, largely seasonal, was reported during August. Hiring of additional employees by the food manufacturing, clothing and textile, motion picture, and construction industries contributed the major part of the increase. There was little change during the month in the relatively small number employed at lumbering and mining. General manufacturing industries employed at least as many workers in August as in July. Vigorous efforts of the Twelfth District Industrial and Banking Committee to alleviate unemployment by spreading available jobs among

the greatest number of workers possible through reduction of the hours of labor and by means of other plans adaptable to particular situations have been at least partially successful. Reports of wage reductions were less numerous during July and August than in earlier months of this year.

California petroleum output increased during August and was slightly in excess of the proration allowable of 475,600 barrels daily set for that month. In the three weeks ending September 17, crude oil production was at about the same rate as in August. Effective October 1, when seasonal reductions in consumption of petroleum products usually become pronounced, it is planned to impose further restrictions upon output. Volume of crude oil run to refinery stills was smaller in August than in July, but gasoline inventories continued relatively large.

Although the value of building permits issued during August was larger than in July, this Bank's adjusted quarterly indexes for both the larger and smaller groups of cities declined. Despite a sharp decrease in Federal Government contracts, value of engineering contracts awarded increased after seasonal adjustment, chiefly because waterworks undertakings were larger than for any month since October, 1925.

Lumber production increased by less than the seasonal amount during August. Shipments and orders were larger than in the preceding month and continued, as during most of the past two years, to exceed the volume of lumber cut, thereby contributing further to reductions in lumber inventories, which have been declining for more than a year. Complete data for lumber stocks are not reported, but available information indicates that they are now considerably lower than at any time during the

### Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees of Aug., 1932	No. of Employees of Aug., 1931	No. of Firms	No. of Employees of Aug., 1932	No. of Employees of Aug., 1931
All Industries*	1,175	149,798	177,298	119	14,428	18,496
		(-15.5)			(-22.0)	
Stone, Clay and Glass Products..	60	5,107	6,150	..	..	..
		(-17.0)				
Lumber and Wood Manufactures ..	131	12,371	17,453	41	7,440	10,011
		(-29.1)			(-25.7)	
Textiles .....	16	1,500	1,791	8	809	1,227
		(-16.2)			(-34.1)	
Clothing, Millinery and Laundering.	161	11,219	13,209	5†	244	285
		(-15.1)			(-14.4)	
Food, Beverages and Tobacco ...	273	54,029	61,651	36	1,739	2,215
		(-12.4)			(-21.5)	
Public Utilities...	42	48,579	53,503	..	..	..
		(-9.2)				
Other Industries†.	484	58,099	70,080	..	..	..
		(-17.1)				
Miscellaneous ....	50	7,473	6,964	29	4,196	4,758
		(7.3)			(-11.8)	
Wholesale and Retail .....	162	27,520	30,720	..	..	..
		(-10.4)				

\*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 August, 1931.

### Industry—

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

General	1932				1931		
	Aug.	July	June	May	Aug.	July	June
Carloadings—Industrial..	31	34	32	34	53	56	56
Electric Pwr. Production.134¶	134	135	137		153	159	155
<b>Manufactures</b>							
Lumber .....	33	35	35	32	53	61	64
Refined Mineral Oils†...		131	144	137	140	137	137
Flour .....	109	85	103	100	88	101	124
Slaughter of Livestock...		87	90	83	99	98	91
Cement .....	45	51	43	54	57	71	74
Wool Consumption† .....		82	108	55	101	111	87
<b>Minerals</b>							
Petroleum (California)†.	73	72	71	76	77	79	79
Lead (United States)†..	33	31	49	59	61	64	60
Silver (United States)†.	41	40	41	49	45	43	52
<b>Building and Construction§</b>							
Total .....	32	29	29	33	72	71	57
Building Permits—Value							
Larger Cities .....	10	12	13	17	32	33	29
Smaller Cities .....	13	14	14	15	36	41	40
Engineering Contracts							
Awarded—Value							
Total .....	63	53	49	53	128	123	89
Excluding Buildings.123	96	92	111		238	210	159

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

past two or three years. It is customary for mills to build up depleted stocks of their products in the later months of the year when demand usually recedes somewhat.

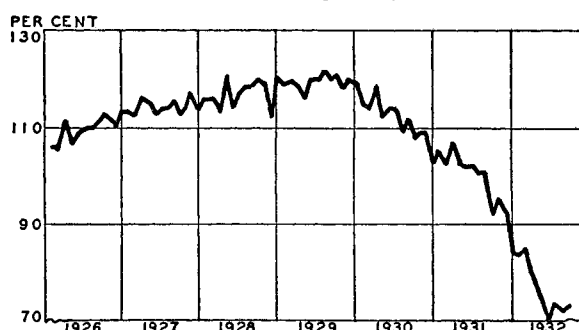
Canning of this year's pack of fruits and vegetables was practically completed in California during August, and was well under way in the Pacific Northwest. It is estimated that the 1932 canned peach pack will be about 6½ million cases, a pack 23 per cent less than last year's small output. Total stocks of canned peaches on September 17 were less than on October 1 of either 1931 or 1930, despite a larger carryover this year than in either of the two preceding years. Although actual data are not yet available, trade journals report a small pack of good quality canned apricots. The California pack of canned asparagus was reduced to 1,313,237 cases this year, a smaller quantity than in any year since 1922.

The August increase in output of flour was of more than seasonal proportions. Stocks held by reporting mills remained about the same as in the preceding month and were somewhat larger than a year ago. Millers' stocks of wheat increased, as is customary during August.

## Trade

The value of department store sales increased slightly more than is usual from July to August. This increase was almost entirely the result of larger sales in Los Angeles, where the Olympic Games doubtless stimulated buying. Stores in other District cities reported little change or

value since records were begun in 1919. Stocks usually increase during August in anticipation of greater activity during the remaining months of the year. Retail prices at department stores, as measured by the Fairchild retail price index, decreased only ½ per cent between August 1 and September 1, the smallest decline during any month since January, 1931, when these data first became available regularly.



DEPARTMENT STORE SALES—Twelfth District

Index adjusted for seasonal variations (1923-1925 average=100).

Wholesale sales were 23.3 per cent lower in value in August, 1932, than in August, 1931, a year-period decrease smaller than that for July, but approximately equal to the average reduction during the past eight months. Most lines of activity showed moderate gains from July to August, reflecting principally two more trading days in the later month.

## WHOLESALE TRADE—Twelfth District

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

	August, 1932 compared with—		Cumulative 1932 compared with 1931
	July, 1932	Aug., 1931	
Agricultural Implements .....	-17.4	-25.9	-38.8
Automobile Supplies .....	7.1	-21.9	-20.1
Drugs .....	10.0	-19.9	-20.4
Dry Goods .....	39.6	-32.2	-35.8
Electrical Supplies .....	2.1	-41.2	-45.1
Furniture .....	34.7	-46.6	-37.3
Groceries .....	1.7	-14.5	-18.2
Hardware .....	5.9	-27.2	-30.7
Shoes .....	96.1	-29.3	-32.0
Paper and Stationery .....	19.5	-19.7	-20.8
All Lines .....	8.8	-23.3	-26.8

Note: These figures take no account of operating costs.

A rise during August in intercoastal trade was contrary to seasonal experience of most other recent years. While the volume of Atlantic to Pacific cargoes receded (following a sharp advance in July), the decline was more than offset by increased eastbound traffic through the Panama Canal. Both lumber and petroleum shipments were substantially larger in August than in July.

August registrations of new automobiles remained practically unchanged from the preceding month. In neither July nor August of this year were registrations equal in number to those in June, although there has customarily been a decided increase following that month.

## 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
	August	January 1 to end of August	August
Department Stores ...	-23.8 (69)	-24.7 (66)	-25.6 (53)
Los Angeles .....	-18.4 (9)	-24.2 (9)	-26.8 (8)
Other Southern Calif. ....	-27.8 (9)	-26.3 (8)	-27.0 (7)
Oakland .....	-24.2 (4)	-22.3 (4)	-33.7 (4)
San Francisco .....	-23.6 (7)	-20.4 (7)	-19.4 (7)
Other Northern Calif. ....	-24.3 (8)	-21.9 (8)	-22.0 (8)
Portland† .....	-34.0 (7)	-32.3 (6)	-36.5 (7)
Seattle .....	-28.3 (5)	-31.1 (5)	-25.6 (5)
Spokane .....	-26.3 (4)	-22.8 (4)	-20.3 (4)
Salt Lake City .....	-36.3 (4)	-25.3 (4)	-14.8 (3)
Apparel Stores .....	-32.4 (25)	-25.3 (23)	-26.2 (15)
Furniture Stores .....	-32.4 (34)	-30.0 (33)	-23.5 (26)
All Stores .....	-25.4 (128)	-25.4 (122)	-25.3 (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.

slight declines in sales value, after seasonal adjustment. As compared with last year, value of sales declined 24 per cent, while the number of sales transactions, an indicator of the volume of goods moved, was but 5 per cent smaller in August, 1932, than in August, 1931. Merchandise inventories of reporting stores were reduced further during August to the smallest

District freight carloadings increased during August, but by less than the seasonal amount. This Bank's adjusted index of total loadings at 52 (1923-25 average = 100) was 27 per cent lower than in August, 1931. Neither industrial carloadings nor loadings of merchandise and miscellaneous freight increased as much as has been usual in past years between July and August.

### Prices

The advance in commodity prices which began in June continued during August and early September. The Bureau of Labor Statistics' monthly index of wholesale commodity prices, which advanced from 63.9 in June (1926 = 100) to 64.5 in July, reached 65.2 in August, thus showing the first advance for two consecutive months since July, 1929. The figure for August, 1931, was 72.1. The monthly index of farm prices compiled by the United States Department of Agriculture increased from 52 (August, 1909-July, 1914 = 100) in June to 59 in August. As is usual, District market conditions were quite similar to those in the country as a whole.

Quotations for fresh fruits and vegetables declined during August and the first half of September, but stable or increasing prices for field crops, grains, dried and canned fruits, and animal products resulted in a continued increase in agricultural prices as a whole. Grain prices fluctuated during August at somewhat higher levels than in July but decreased moderately in mid-September. Most field crops increased in price during late August and early September. An advance of 3 cents per pound in cotton prices during August was partly offset by declines at the month-end and in the second week

of September. Potato, bean, and hay prices rose during August, a reversal of the downward trend which had been apparent for these products since early spring. Prices paid for apples, pears, plums, oranges, and grapes in local and eastern markets were lower during August, 1932, than in July, 1932, or August, 1931. Quotations on canned pineapple advanced on September 5. Raisins sold lower in the last half of August and early September, but prices for other dried fruits increased. Opening prices for the 1932 almond crop were substantially the same as opening prices last year.

Egg prices advanced about 25 per cent at Pacific Coast markets during late August and early September. Butter prices remained unchanged. Cattle and lamb prices at Pacific Coast markets changed little during August, while hog prices lost most of the gains made during July. Quotations on wool advanced 25 per cent during August.

Non-ferrous metal prices increased during August and early September. Quotations for lumber in the Pacific Northwest and for crude petroleum in California were maintained during August at approximately the same levels as in July. In late August the retail price of third grade gasoline was reduced in principal District consuming markets. Prices for other important commodities, such as rubber, coffee, silk, tin, cottonseed oil, sugar, and hides, produced or used in the District generally increased.

### Bank Debits\*

	1932			1931			First eight months—	
	Aug.	July	June	Aug.	July	June	1932	1931
Indexes adjusted for seasonal variations (1923-1925 average = 100)								
<b>Carloadings†</b>	52	57	55	55	72	81	78	
Total .....	52	57	55	55	72	81	78	
Merchandise .....	68	74	75	74	85	101	97	
<b>Foreign Trade‡</b>								
Total† .....		45	45	46	77	78	72	
Imports† .....		39	42	41	61	64	54	
Exports .....		48	47	49	83	83	76	
<b>Intercoastal Trade</b>								
Total .....	49	45	51	54	65	59	73	
Westbound .....	61	72	57	66	82	85	83	
Eastbound .....	47	39	50	50	62	53	69	
<b>Retail Trade</b>								
Automobile Sales‡								
Total .....	29	30	47	32	56	67	75	
Passenger .....	28	28	45	30	49	62	69	
Commercial .....	48	50	71	59	97	110	124	
Department Store								
Sales‡ .....	73	72	74	70	100	100	102	
Stocks§ .....	63	67	70	72	87	87	89	
<b>Collections#</b>								
Regular .....	38.6	39.2	40.1	40.4	41.2	42.3	42.7	
Installment .....	14.4	13.4	13.8	13.7	15.9	15.3	15.3	
*In thousands of dollars.								
<b>Bank Debits*</b>								
Arizona								
Phoenix .....	\$ 14,792	\$ 24,802	\$ 168,622	\$ 249,164				
California								
Bakersfield .....	6,390	8,965	59,661	85,304				
Berkeley .....	11,144	15,802	116,183	133,650				
Fresno .....	11,855	20,676	120,942	171,932				
Long Beach .....	21,732	34,804	216,637	333,704				
Los Angeles .....	504,934	716,606	4,560,045	6,527,413				
Oakland .....	136,968	169,576	1,322,489	1,509,114				
Pasadena .....	17,029	25,484	177,512	246,770				
Sacramento .....	34,626	49,848	312,414	377,591				
San Bernardino .....	4,907	7,728	49,433	70,520				
San Diego .....	29,210	43,703	279,500	388,520				
San Francisco .....	630,539	902,183	5,327,066	7,912,830				
San Jose .....	13,877	23,780	128,561	196,194				
Santa Barbara .....	7,238	12,182	74,900	104,838				
Stockton .....	11,676	15,424	105,239	140,156				
Idaho								
Boise .....	9,913	13,178	82,178	104,126				
Nevada								
Reno .....	7,339	10,699	61,595	81,261				
Oregon								
Eugene .....	3,131	4,833	31,243	43,961				
Portland .....	88,893	130,929	798,661	1,153,770				
Utah								
Ogden .....	7,990	14,268	69,597	112,891				
Salt Lake City .....	34,962	53,594	341,095	477,998				
Washington								
Bellingham .....	4,283	6,244	37,644	54,381				
Everett .....	4,498	8,196	44,326	74,533				
Seattle .....	122,175	172,354	1,051,816	1,582,330				
Spokane .....	24,397	37,216	224,609	332,670				
Tacoma .....	17,753	29,595	172,430	269,846				
Yakima .....	5,968	10,063	60,881	94,870				
Total .....	\$1,788,219	\$2,562,733	\$15,995,279	\$22,830,337				

\*In thousands of dollars.

†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.

### Credit Situation

The issuance of relatively large amounts of new national bank notes by national banks was an important factor contributing to the easing of credit in this area during August and early September. Additional banking funds were also made available by the allotment of a substantial amount of United States Treasury securities to Twelfth District banks on September 15. A considerable part of these securities was paid for by deposit credit and sold for cash outside the District before the Treasury had drawn on the deposit created by the original sale. During the five weeks ended September 21 there was little change in time or net demand deposits at reporting member banks, but a small amount of gold was acquired for local account. These factors enabled city member banks to meet demands for currency and an adverse balance of payments through the gold settlement fund while reducing their borrowings at the Reserve Bank. On the other hand, country bank borrowings from the Federal Reserve Bank of San Francisco did not decrease as much between July and August as has been customary in past years, indicating somewhat less than the seasonal easing of credit in country areas.

#### SUPPLY OF AND DEMAND FOR BANKING FUNDS Twelfth District

Changes between August 17 and September 21, 1932  
(In millions of dollars)

Supply		Demand	
Monetary gold stock....	.8	Demand for currency....	.5
Treasury operations....	20.2	Member bank reserve deposits.....	1.8
Reserve bank credit.....	-19.0	Unexpended capital funds, non-member deposits, etc. ....	.3
Discounts.....	-20.3		
Acceptances.....	.7		
Other.....	2.0		
Total.....	2.0	Total.....	2.0

During August, District security markets were more active than in nearly a year, with consistent price advances in most active local stocks.

At this time of year and in immediately following months funds usually begin to move into the Twelfth District from most other parts of the country as fruits, grains, and other Dis-

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

	Condition			
	Sept. 21, 1932	Sept. 14, 1932	Aug. 17, 1932	Sept. 23, 1931
Total Bills and Securities.....	185	200	206	101
Bills Discounted.....	59	74	79	27
Bills Bought.....	3	3	3	20
United States Securities.....	123	123	123	54
Total Reserves.....	210	201	207	321
Total Deposits.....	146	146	144	185
Federal Reserve Notes in Circulation.....	235	239	250	219
Ratio of Total Reserves to Deposit and Note Liabilities Combined.....	55.1	52.3	52.4	79.5

trict crops and products are shipped to markets outside the District. In accordance with this normal tendency the balance of payments with all reserve districts in the United States except

New York was seasonally favorable to the Twelfth District during the five weeks ended September 21. Total payments to and by this District during this period were dominated, however, by transactions with New York, which primarily reflect financial operations having little immediate relationship to the commodity trade balance of the western states. These transfers, which do not have the same seasonal movements as those with other districts, were unfavorable, resulting in a net loss of approximately 5 million dollars through

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

	Condition			
	Sept. 21, 1932	Sept. 14, 1932	Aug. 17, 1932	Sept. 23, 1931
Loans and Investments—Total..	1,735	1,726	1,728	1,894
Loans—Total.....	993	994	1,000	1,171
On Securities.....	244	245	248	318
All Other.....	749	749	752	853
Investments—Total.....	742	732	728	723
United States Securities.....	411	402	397	366
Other Securities.....	331	330	331	357
Reserve with Reserve Bank.....	85	88	85	101
Net Demand Deposits.....	557	571	559	687
Time Deposits.....	880	875	879	984
Due from Banks.....	147	156	139	147
Due to Banks.....	171	173	164	198
Borrowings at Reserve Bank..	43	58	61	21

the gold settlement fund (excluding gold imported through San Francisco and Seattle for eastern account) during the five weeks ending September 21.

Currency circulation in the Twelfth District was practically unchanged between August 17 and September 21, although there is usually an increase at that time of year. This stability indicates a decrease in hoarding, a conclusion given support by the fact that the amount of gold paid to the public during the five weeks ended September 21 was smaller than the amount of gold returned by the public, a movement in contrast with that in evidence earlier this year. During this period, however, national bank note circulation expanded rapidly, replacing moderate amounts of other forms of Treasury currency as well as of Federal reserve notes. (See page 72.)

On September 15 the United States Treasury allotted 43 million dollars of 3¼ per cent Treasury notes and 20 millions of 1¼ per cent certificates of indebtedness to banks in this District. These allotments were 6 per cent and 5 per cent, respectively, of the total amount borrowed through these issues from the entire country. Banks paid for these securities by surrendering 26 million dollars of maturing Government obligations and by crediting the Treasury with deposits of 33 million dollars, 29 million dollars of which remained in the subscribing banks on September 21. As already pointed out, the sale of part of the new securities for cash outside the District tended to decrease the need of borrowing from the Federal Reserve Bank to provide funds for individual payments to other districts and was,

in fact, an important factor in making possible small reductions in outstanding discounts.

The number of banks borrowing from the Federal Reserve Bank of San Francisco decreased less than is customary between July, the month when country discounts are usually largest, and August. The number of banks borrowing during July was the largest since 1924 and the ratio of borrowing banks to all member banks during that month was larger than at any time since 1921. From July to the end of the year the number of borrowing institutions usually decreases about 50 per cent, chiefly as a result of liquidation of discounts by country banks.

Principally because of the failure of a group of affiliated banks in Idaho and eastern Oregon in late August, the number of banks closing their doors in this District was considerably larger between mid-August and mid-September than in the preceding month. There were 12 failures in Idaho, 3 in Oregon, and 2 in Washington, between August 17 and September 21. Bank credit in Idaho has declined during most years since 1920, although there was some expansion during the period from 1925 to 1928. Loans and discounts of banks in that state are

currently less than 30 million dollars, compared with an amount approximately equal to the average for the seven pre-War years, 1909-1915, inclusive, and a total of 107 million dollars on June 30, 1920. The extremely high level of 1920 came about largely because of the great expansion of agriculture, livestock raising, and mining during the World War when credit was extended by local banks upon enterprises which proved not to be self-sustaining after the unusual war time demand and prices for foods and metals had subsided. Since 1920, the proportion of total resources of Idaho banks represented by loans has declined more or less continuously, while an increasing proportion of funds has been placed in investments. During 1920 total loans were 104 per cent of total deposits, compared with 50 per cent at the close of 1931.

The turnover of shares on the stock exchanges of the District was greater during August than at any time since September, 1931. Price increases were recorded in nearly all of the locally traded stocks during August and the first week in September. As at national markets, however, prices fluctuated irregularly after September 8.

### ***Recent Issues of National Bank Notes in the Twelfth Federal Reserve District***

The amount of circulating notes of Twelfth District national banks has increased considerably since July, 1932, in which month Congress authorized for a three-year period the use of all issues of Government bonds bearing not more than  $3\frac{3}{8}$  per cent interest as collateral to secure national bank notes. This form of currency, which is secured 100 per cent by United States Government bonds and against which a 5 per cent redemption fund in lawful money must be maintained with the Treasurer of the United States, may be issued by a national bank to an amount not greater than its paid in capital. Prior to July, the practical limitation upon the amount of national bank notes outstanding was the volume of Government bonds eligible to secure such notes, whereas the effective limiting factor now is the amount of paid in capital of national banks.

New Twelfth District issues of these notes, excluding those issued in replacement of worn notes withdrawn from circulation because of unfit condition, totaled about 30 million dollars between July 27 and September 21. During 1929, 1930, and 1931, the net increase in note liability of Twelfth District national banks was 17 million dollars. The actual amount of new notes issued during those years was somewhat larger than that net figure, since some notes

were retired, either because certain banks voluntarily gave up the circulation privilege, or because notes of insolvent banks were redeemed. (When a national bank fails, it must deposit lawful money with the United States Treasury to redeem such notes as it may have outstanding when they are presented.)

**NATIONAL BANK NOTES—Twelfth District**  
(In thousands of dollars)

	New Notes Issued	Note Liability Increased	Notes Retired†
1929 .....	8,100	3,300	4,800
1930 .....	7,000	3,600	3,400
1931 .....	13,000	10,000	3,000
1932—Jan. 1-June 30.....	7,400	4,900	2,500*
July 1-Sept. 21.....	30,900	.....*	.....*

\*These data are available only on regular call report dates; it is probable, however, that the amount of notes retired since June 30 has been less than one million dollars, indicating a net increase of approximately 30 million dollars in note liability. †Figures in this column are derived by deducting the increase in note liability (column 2) from the amount of new notes issued (column 1).

As shown in the preceding table, the increase since June 30, 1932, in national bank notes outstanding in this area has been greater than the net increase between December 31, 1928, and June 30, 1932. At the end of June, total liability of national banks in the Twelfth District for outstanding national bank notes was approximately 79 million dollars, compared with a paid in capital of 183 million dollars. Thus banks had issued circulating notes to 43 per cent of

the maximum permitted by law and had the legal right to place an additional 104 million dollars of notes in circulation before the maximum was reached, provided proper security to serve as collateral were made available. While paid in capital remained practically unchanged between June 30 and September 21, during which period additional security was made available, the note liability increased to approximately 109 million dollars or 60 per cent of the total authorized by law.

Because of their larger capital, national banks in San Francisco and Los Angeles have the ability to issue greater amounts of notes than have banks in other parts of the District, and on June 30, 1932, banks in those two cities accounted for approximately half the total national bank note circulation of the Twelfth District. They had not, however, availed them-

#### CAPITAL AND NOTE CIRCULATION OF NATIONAL BANKS—Twelfth District

	June 30, 1932			Per cent of Possible Increase	Per cent of Possible Issue Outstanding
	Capital Paid In	Note Liability	Possible Increase in Notes		
Arizona*					
Total .....	1,050	522	528	.5	49.7
California					
Los Angeles...	40,500	7,751	32,749	31.5	19.1
Oakland .....	1,700	1,500	200	.2	88.2
San Francisco...	75,900	31,150	44,750	43.0	41.0
Other .....	20,543	10,638	9,905	9.5	51.8
Idaho					
Total .....	2,150	1,453	697	.7	67.5
Nevada					
Total .....	1,500	1,242	258	.2	82.8
Oregon					
Portland .....	7,100	6,400	700	.7	90.1
Other .....	5,880	3,271	2,609	2.5	55.6
Utah					
Ogden .....	500	500	0	.0	100.0
Salt Lake City...	1,850	1,794	56	.1	97.0
Other .....	625	370	255	.2	59.2
Washington					
Seattle .....	13,300	5,872	7,428	7.2	44.2
Spokane .....	2,000	1,989	11	.0	99.5
Other .....	8,265	4,403	3,862	3.7	53.3
Twelfth District..	182,863	78,855	104,008	100.0	43.1

\*Does not include five southeastern counties which are in the Eleventh Federal Reserve District.

selves of the privilege to as great an extent, relatively, as had other banks. As a result, at the time additional issues of Government bonds were made eligible as collateral for note circulation, banks in San Francisco and Los Angeles had the option of issuing 75 per cent of the total possible increase in circulation of this currency in the District. These comparisons are shown in the accompanying table.

Since late in July, when the present volume of new issues of national bank notes commenced, increases in that form of currency have not only accounted for all of the increase in total circulation of money in the District, but they have also displaced to a small extent other forms of money, including other Treasury currency and Federal reserve notes. Changes in total circulation and in each of the components discussed are shown in the accompanying chart. Maximum fluctuations are not reflected in this series of Wednesday figures since part

of the currency customarily withdrawn for week-end spending is returned to the banks by the following Wednesday.

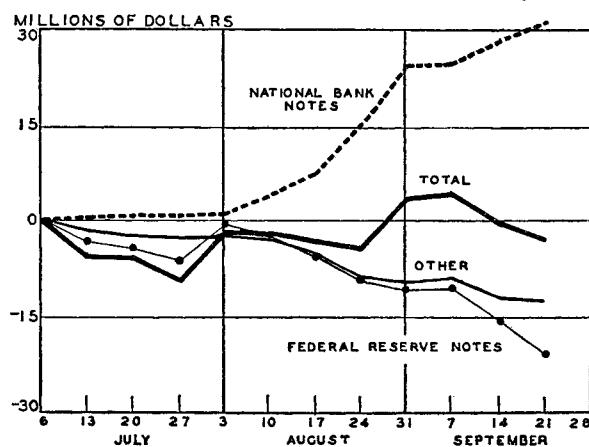
Additional national bank notes issued during the past two months has to some extent obviated the need for further borrowing from the Federal Reserve Bank of San Francisco and insofar as it has been in excess of the amounts paid over the counter to depositors, has pro-

#### CHANGES IN CIRCULATION OF MONEY—Twelfth District

(In thousands of dollars)

Week ending 1932	Total	Nat'l Bank Notes	Fed'l Reserve Notes	Other
July 13.....	5,090	20	3,453	1,657
20.....	996	0	602	394
27.....	3,306	0	2,691	615
August 3.....	7,139	883	5,848	408
10.....	240	2,477	1,649	588
17.....	986	4,010	2,827	2,169
24.....	981	7,419	4,530	3,870
31.....	7,579	9,482	1,037	866
Sept. 7.....	1,185	137	54	1,102
14.....	4,984	4,047	5,664	3,367
21.....	2,419	2,446	4,077	788
Net change—				
July 7-Sept. 21..	2,619	30,921	-20,736	-12,804

vided the banks with funds to repay rediscounts. In this manner and to the extent of the new issues credit of the United States Treasury, through the issuance of national bank notes which are secured by Government bonds, has replaced credit of the Reserve Bank. This Treasury credit costs the issuing bank less than does Federal reserve credit obtained by dis-



DEMAND FOR CURRENCY—Twelfth District

Changes cumulated from July 6, 1932.

counting, since instead of paying the discount rate (3½ per cent at the present time) there is only a small annual tax plus costs of printing and issuing the notes, and loss of interest on the 5 per cent redemption fund. In the past, these costs have averaged less than 1 per cent per year. While all national banks can issue notes, it is obvious that the incentive to use the privilege granted by the recently amended law is greater in the case of borrowing banks, particularly those already holding Government securities now made available as the basis for further issues of national bank notes.

# 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, September 20, 1932

Vol. XVI No. 9

### SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Volume of industrial production increased from July to August by considerably more than the usual seasonal amount, reflecting chiefly expansion in activity at textile mills. Wholesale prices advanced during August and the general level prevailing in the first three weeks of September was somewhat higher than in other recent months. There was a further growth in the country's stock of monetary gold and a non-seasonal return flow of currency to the reserve banks.

**Production and Employment.** Industrial output increased substantially in August and the Board's seasonally adjusted index showed an advance from 58 to 60 per cent of the 1923-1925 average. Activity at cotton, woolen, silk, and rayon mills increased from the low level of other recent months by considerably more than the usual seasonal amount, and there was also a substantial increase in activity at shoe factories. Output of automobiles, however, declined further and production in the steel and lumber industries showed none of the usual seasonal increase in August. During the first three weeks of September there was a slight advance in steel output.

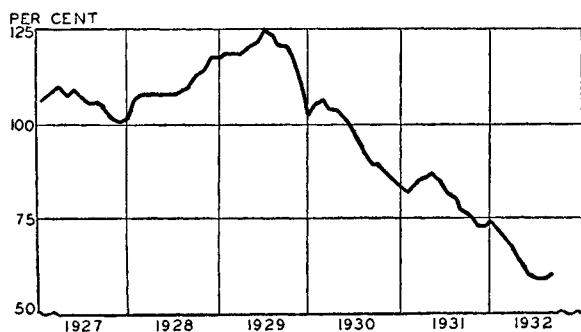
Employment at factories increased slightly more than is usual at this season. There were

large additions to working forces in the textile, clothing, and leather industries, while in the automobile, tire, and machinery industries and at car building shops the number employed decreased further. Aggregate wage payments increased less than seasonally.

Building contracts awarded up to September 15, as reported by the F. W. Dodge Corporation, indicate that for the third quarter the total value of contracts will be about the same as for the second quarter, whereas usually awards for the third quarter are smaller. Currently, contracts for public works are a considerably larger part of the total than they were at the beginning of the year and residential contracts are a smaller part.

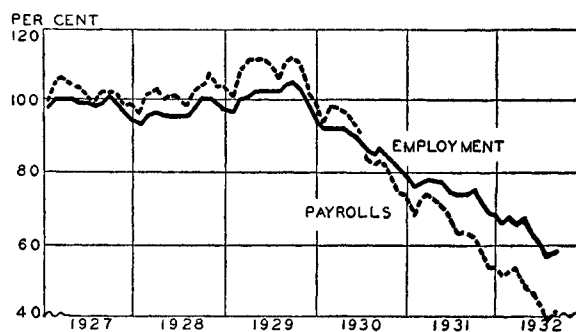
Department of agriculture crop estimates based on September 1 conditions indicate little change in prospects during August. Indicated crops of wheat and tobacco are considerably smaller than in other recent years, while the corn crop is the largest since 1925. The cotton crop is estimated at 11,300,000 bales, a decrease of about 6,000,000 bales from the large crop of a year ago.

**Distribution.** Volume of merchandise and other freight handled by the railroads increased seasonally during August, while during the cor-



INDUSTRIAL PRODUCTION

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

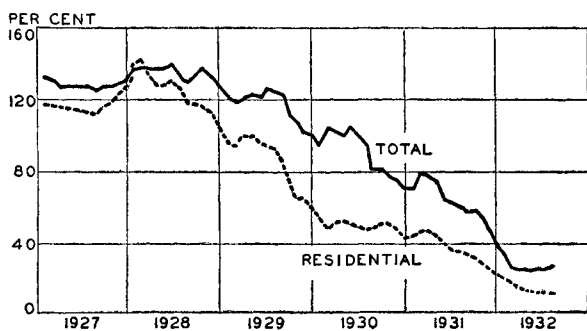


FACTORY EMPLOYMENT AND PAYROLLS

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

responding period a year ago no increase was reported. Department store sales of merchandise increased from July to August by somewhat less than the usual seasonal amount.

**Wholesale Prices.** Wholesale commodity prices advanced from 64.5 per cent of the 1926 average in July to 65.2 per cent in August, according to the monthly index of the Bureau of Labor Statistics. During August, prices of many leading commodities, including textile raw materials and finished products, wheat,



VALUE OF BUILDING CONTRACTS AWARDED

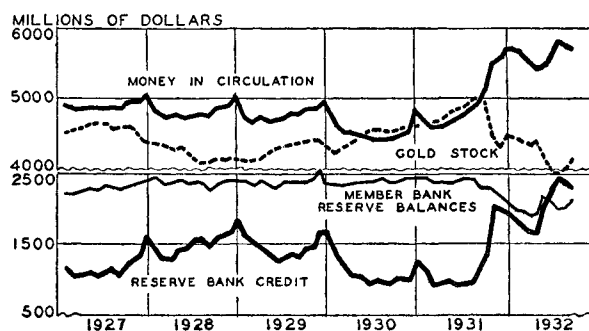
Indexes based on three-month moving averages of F. W. Dodge data for 37 Eastern states, adjusted for seasonal variations (1923-1925 average=100).

hides, non-ferrous metals, sugar, rubber, and coffee, increased substantially. In the first half of September there were declines in the prices of many of these commodities, while prices of wool and woolen goods, cattle, and hides advanced.

**Bank Credit.** During recent weeks further growth in monetary gold stock, a return flow of currency from hoards, and new issues of national bank notes have resulted in additions to the reserve funds of member banks. These banks have employed a part of the funds in further reducing their borrowings at the reserve banks and have accumulated a part as

reserve balances, which at the present time are more than \$300,000,000 in excess of required reserves. Reserve bank holdings of United States Government Securities and of acceptances remained practically unchanged during the four weeks ending September 14, while the total of reserve bank credit declined by \$43,000,000 through the reduction of discounts for member banks.

Loans and investments of reporting member banks in leading cities showed little change be-



FEDERAL RESERVE BANK CREDIT AND PRINCIPAL FACTORS IN CHANGES

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

tween the middle of August and the middle of September. A further decline of more than \$150,000,000 in loans by banks outside New York City during the past four weeks was offset in large part by continued increase in investment holdings, chiefly at member banks in New York City. There was a considerable growth in deposits of reporting member banks reflecting in part larger balances held by city banks for the account of other banks.

Money rates in the open market remained unchanged at low levels during August and the first half of September.