

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business declined steadily during the first half of 1932, but became fairly stable in the second half of the year. The volume of crop production was larger in 1932 than in 1931, but the quantity of agricultural commodities marketed was slightly smaller and agricultural income declined sharply because of reduced prices for farm products. Activity in several leading industries of the District—lumber, petroleum, electric power, meat-packing, non-ferrous metals, and cement—fluctuated near the low levels of late 1931, showing little net decline during the year. The paper and pulp and textile industries increased production schedules during the year. Flour milling and canning of fruits and vegetables decreased during 1932 as compared with 1931. The value of engineering contracts awarded and building permits issued was considerably smaller in 1932 than in 1931, although state and Federal Government projects continued to be initiated on a relatively large scale. Both retail and wholesale trade improved seasonally in the last half of 1932, but substantial declines in value were reported for the year. Adjusted freight carloadings and intercoastal traffic advanced from low mid-year levels. Registrations of new automobiles and the value of foreign trade receded in most months of 1932. Prices for commodities important in the Twelfth District continued to decrease during 1932. There was little net change during the second half of the year, however, and the average price decline from the year before was less than in 1930 or 1931.

The strained credit situation of late 1931 grew considerably worse during the first two months of 1932 as a result of continued large deposit withdrawals and heavy payments of funds to other districts, accompanied by numerous bank failures. Borrowings from the Reserve Bank rose to the highest levels in eleven years. With the passage of the Glass-Steagall Act and the opening of operations by the Reconstruction Finance Corporation in February, however, sentiment improved and the decline in deposits and the rate of bank failures moderated. This

partial improvement was offset by a considerably larger than usual mid-year withdrawal of currency. Beginning in late July, the credit situation became easier, a tendency which continued throughout the remainder of the year. This improvement was traceable in part to a continued large inflow of funds through Treasury expenditures in excess of collections, and to a marked reduction in the net outflow of funds to other parts of the United States because of commercial transactions. (In early months of the year this inflow had been offset by losses through individual and banking transactions.) Another factor of importance in easing credit conditions during the last half of the year was the issuance of substantial amounts of new national bank notes secured by Government bonds. The improvement in the banking situation was reflected in an increase in deposits, and in increased investments in United States securities.

During December, California crude oil output and adjusted lumber production changed little. The value of engineering contracts awarded and building permits issued was smaller than in November, in which month the Golden Gate Bridge contracts were included. Flour milling and cement production increased, after seasonal allowance. Expansion in department store sales from November to December was somewhat greater than seasonal but freight carloadings and intercoastal traffic decreased.

The credit situation became somewhat easier during the five weeks ended January 18, a seasonal reduction in demand for currency having enabled banks to reduce borrowings further. The principal change in the condition of member banks was the continued decline in loans.

Agriculture

Although weather conditions were more favorable and crop production was larger in 1932 than in 1931, the demand for agricultural products of the Twelfth District was further reduced by a deepening of the world-wide de-

pression and an increase in trade barriers in the form of foreign tariffs and depreciated currencies. Declines in prices resulted in another year of extremely low returns for most agricultural products of the District, the further decrease in agricultural income being accompanied by increased delinquencies in taxes on farm real estate and interest payments on mortgage indebtedness. The low prices received for agricultural commodities discouraged the marketing of considerable quantities of products, and instances in which prices failed to return, or barely returned, costs of transportation to market were more numerous than in any other recent year.

In 1931, drought conditions had reduced crop yields and the acreage of crops harvested. During the winter of 1931-1932, however, rainfall was near the long-time average, furnishing plentiful soil moisture, and heavier snowfall than usual in the mountain areas was a source of adequate irrigation water during the 1932 crop-growing period. Production of wheat, oats, and barley, the principal grain crops of the District, increased 25, 46, and 122 per cent, respectively, from 1931 to 1932. The increase was the result not only of larger acreage but also of improved yields. Production of all field crops except sugar beets and hay decreased. The volume of deciduous fruit crops in California was about 13 per cent greater in 1932 than a year previous, chiefly because of an increase in grape production. In the Pacific Northwest the aggregate volume of fruit harvested in 1932 was approximately the same as in the preceding year. There was a slight decrease in the 1931-1932 orange and lemon crops in California as compared with production of those crops during the previous season.

The acreage sown to winter wheat during the autumn of 1932 was estimated by the United States Department of Agriculture on December 1 to be 5 per cent greater than the acreage sown a year earlier. The cold weather of early

December, however, caused an undetermined amount of damage to winter wheat, particularly in eastern Oregon and Washington, where the usual protective covering of snow was lacking.

Production of eggs, as indicated by receipts at Pacific Coast markets, was about 15 per cent smaller during 1932 than in 1931. Butter production declined only 3 per cent in this period. At the year-end, storage holdings of butter and eggs were 33 per cent and 20 per cent lower, respectively, than on December 31, 1931.

Physical conditions for the livestock industry were more satisfactory during 1932 than in 1931, although severe losses of sheep on the desert ranges of Utah, Nevada, and Idaho early in the year were a result of heavy snows. Livestock ranges furnished more and better forage in 1932 than in 1931 and forage for supplemental feeding of livestock on ranges or for fattening of stock in feedlots was more plentiful during the later year.

Smaller numbers of cattle and sheep were shipped to the principal Twelfth District markets during 1932 than in 1931, while shipments of hogs in 1932 increased 25 per cent. Prices received for livestock were substantially lower in the later year, with the result that the total value marketed was less than in 1931.

During the past three years sheepmen have marketed a greater proportion of young ewes from their flocks than is generally the custom and have retained the older animals because prices for such stock would not pay transportation costs to central markets in many cases. The trend of market receipts indicates that cattle producers have reduced their herds during the past two years. On January 1, 1933, the number of cattle on feed in the seven states of the District was estimated to be 204,000 head, or 3 per cent greater than the number on feed a year earlier. A similar comparison for lambs shows that 438,000 head were being fed January 1, 1933, as compared with 472,000 head a year earlier, a decrease of 7 per cent.

Industry

Output of most Twelfth District industries during 1932 was well below that of 1931, during which year operations had been rapidly curtailed. Declines in activity during the first half of 1932 were moderate, and a fair degree of stability was shown in total industrial production during the second half of the year. Activity in the engineering construction, paper and pulp, wool manufacturing, and gold mining industries averaged higher in the last six months than in the first half of the year, while meat packing and production of electric power, petroleum, lumber, cement, and silver changed little. Declines were recorded in the output of flour, lead, and zinc and in residential and commercial building throughout the year.

Agricultural Marketing Activity—

	December		Season to Date	
	1932	1931	1932	1931
Carlot Shipments				
Apples and Pears	4,386	4,108	42,110	46,371
Citrus Fruit	3,965	4,663	9,633	10,472
Vegetables	3,066	4,578	20,163	23,417
Exports				
Wheat (bu.)	7,039	2,449,482	2,021,402	16,385,363
Barley (bu.)	410,417	161,375	4,340,750	3,752,291
Receipts				
Cattle*	38,282	48,944	522,654	589,472
Hogs*	178,193	210,427	2,032,695	1,806,691
Sheep*	154,299	182,752	3,774,634	4,532,813
Eggs (cases)	103,403	126,067	1,592,444	1,850,293
Butter (lb.)	6,308,990	6,423,707	78,812,270	79,175,074
Wheat (carlots)	2,928	4,033	26,701	33,004
Storage Holdings (end of month)				
Wheat (bu.)	3,085,000	3,614,000
Beans (bags)	1,895,643	2,379,252
Butter (lb.)	908,664	1,108,381
Eggs (cases)	9,530	27,243

*Receipts at Los Angeles not included.

The seasonally adjusted index of lumber production did not change much in 1932, remaining near the exceptionally low level reached late in 1931. Output was considerably less in 1932 than in 1931, however, because of the large declines recorded in the earlier year. Both orders and shipments consistently exceeded the volume of lumber cut, contributing to further material reductions in inventories. Although orders held up fairly well in December, that month was the only one in 1932 in which shipments of lumber were smaller than production.

Continued recession in the value of engineering contracts awarded and building permits issued during most of 1932 was checked in the last few months of the year, chiefly as a result of Golden Gate Bridge contracts, but also because certain types of building had already become negligible. Public works construction was fairly active during 1932, such awards comparing favorably with those of other recent years, except 1931, when the Hoover Dam contract greatly enlarged their value. In late December and in early January several large additional contracts, aggregating about \$33,000,000 were awarded, representing construction to be undertaken on the Colorado River aqueduct and Los Angeles flood-control system. During 1932, the value of permits issued for residential, commercial, and industrial building was extraordinarily low.

California petroleum production continued to be restricted throughout 1932 under voluntary proration agreements first adopted in late 1929 and thereafter revised from time to time to meet current conditions in the industry. With few exceptions, actual production remained in excess of proration schedules. The most recent and probably the most notable exception was

in June, 1932, when one of the largest purchasers of crude oil agreed to raise prices should output be kept within a proration allowable of 476,700 barrels daily (an increase over the allowable existing at that time). During remaining months of the year, production fluctuated around the June level of 470,000 barrels daily. New proration schedules calling for a daily average of 440,000 barrels were announced on October 1, but output remained unchanged and exceeded the allowable continuously throughout the remainder of the year. The quantity of refined oils produced was 4 per cent smaller in 1932 than in 1931, a decrease slightly less than the decline in crude oil output. Inventories of gasoline, crude petroleum, and fuel oil were about the same at the end of 1932 as a year earlier.

The volume of canned fruits packed in the District decreased substantially further in 1932, output totaling only 80 per cent of that of 1931 and 60 per cent of the average amount packed from 1927 through 1931. The pack of canned vegetables was slightly greater than in the preceding year, but was 32 per cent below the average of the past five years. The 1932 Hawaiian canned pineapple pack was sharply restricted to 5,000,000 cases, as compared with 12,543,000 cases in 1931. At least partly as a result of curtailed production and reduced prices, the unsold stocks of canned fruits and vegetables was considerably smaller at the end of the year than in 1931. According to preliminary figures canneries packed 10 per cent less salmon in 1932 than in 1931 and the tuna pack in southern California was 8 per cent under that of the preceding year. Production of prunes de-

Industry—

	Indexes of daily average production, adjusted for seasonal variations (1923-1925 daily average=100)					
	1932			1931		
	Year's Aver.	Dec.	Nov.	Oct.	Dec.	Year's Aver.
General						
Carloadings—Industrial	37	36	40	42	45	57
Electric Pwr. Production	140	148†	143	137	156	155
Manufactures						
Lumber	35	32	33	36	38	55
Refined Mineral Oils†	134*	..	128	131	136	140
Flour	96	83	78	75	116	104
Slaughter of Livestock	87*	..	81	88	87	91
Cement	46	42	40	41	57	72
Wool Consumption†	102*	..	120	139	113	89
Minerals						
Petroleum (California)†	74	71	71	72	76	79
Lead (United States)‡	46	40	45	38	64	70
Silver (United States)‡	37	30	37	36	48	50
Building and Construction§						
Total	35	48	44	28	45	62
Building Permits—Value						
Larger Cities	15	16	14	10	21	32
Smaller Cities	15	15	13	13	26	38
Engineering Contracts Awarded—Value						
Total	63	87	83	52	76	109
Excluding Buildings	117	162	150	91	123	186

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

Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees Dec., 1932 Dec., 1931	No. of Firms	No. of Employees Dec., 1932 Dec., 1931
All Industries*	1,180	117,603 (-8.2)	128,114	123 13,438 (-9.7)
Stone, Clay, and Glass Products	56	4,016 (-23.7)	5,264	..
Lumber and Wood Manufactures	130	11,253 (-19.6)	13,992	45 6,612 (-8.4)
Textiles	15	1,354 (-13.6)	1,568	9 1,191 (-7.6)
Clothing, Millinery, and Laundering	148	10,008 (-12.2)	11,395	6‡ 207 (-13.8)
Food, Beverages, and Tobacco	288	26,205 (-5.4)	27,706	34 1,278 (-10.6)
Public Utilities	51	47,094 (-8.2)	51,277	..
Other Industries†	497	58,788 (-7.1)	63,283	..
Miscellaneous	46	5,979 (21.9)	4,906	29 4,150 (-11.6)
Wholesale and Retail	194	37,525 (-4.9)	39,454	..

*Public utilities and wholesale and retail figures not included in this total. †Includes the following industries: Metals, machinery, and conveyances; leather and rubber goods; oils and paints; printing and paper goods. ‡Laundry only. Figures in parentheses indicate percentage change from December, 1931.

creased from 1931 to 1932 while output of raisins and figs increased. Although a larger proportion of the apricot crop was dried this year than last, the output of dried apricots was smaller than a year ago.

Additional evidence of industrial conditions is furnished by employment data covering a more diversified list of industries than that for which production figures are available. These data indicate that approximately seasonal changes took place in the number of employed in most states of the District during the last half of 1932, following fairly large scale reductions earlier in the year. Efforts of the Twelfth District Banking and Industrial Committee to spread available work and create new jobs succeeded in increasing the number of employed or in keeping workers employed who would otherwise have been released. Such programs usually involved a reduction in the hours and wages of labor.

In California, the number employed in manufacturing activities averaged about 15 per cent lower during 1932 than in 1931. Declines were largest early in 1932 and smallest in the last four months of the year, when they averaged about 10 per cent. Average industrial payrolls were 28 per cent lower and average weekly earnings 14 per cent lower in 1932 than in 1931. Employment and wages reported by firms in Oregon varied approximately the same as in California. Data on employment conditions are less satisfactory for other states of the District but general reports from United States Labor Directors indicate that changes were similar to those recorded in California and Oregon.

Approximately the seasonal decline in industrial activity was recorded from November to December. Adjusted lumber production remained practically unchanged, as did California crude oil output. The year-to-year decline in electric power production was the smallest in recent months. Flour milling increased, after seasonal allowance, and stocks were larger than for any month since October, 1930.

Trade

The value of department store sales receded 24 per cent from 1931 to 1932 and was smaller than in any year since data were first available in 1919. As in the preceding two years, a considerable part of the decline is attributable to reduced prices at which sales were made. This conclusion is borne out by a decline of 14 per cent in the Fairchild index of retail prices of important articles entering into department store trade and by the fact that the number of sales transactions decreased but 10 per cent. Declines approximating the District average were reported by stores in Los Angeles and

Oakland, while San Francisco and other northern California stores reported smaller than average decreases. Sales in the Pacific Northwest and in Salt Lake City were reduced by larger proportions than in the District generally. Most of the decreases in sales occurred

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
	December	January 1 to end of December	December
Department Stores ...	-19.8 (68)	-23.9 (64)	-22.1 (52)
Los Angeles	-17.9 (9)	-23.4 (9)	-21.1 (8)
Other Southern Calif.	-18.0 (8)	-25.2 (7)	-22.0 (6)
Oakland	-24.8 (4)	-23.0 (4)	-25.2 (4)
San Francisco	-18.2 (7)	-20.6 (7)	-20.9 (7)
Other Northern Calif.	-15.7 (10)	-21.4 (8)	-13.0 (10)
Portland†	-30.2 (8)	-30.8 (6)	-39.8 (7)
Seattle	-21.0 (5)	-28.0 (5)	-27.6 (5)
Spokane	-27.2 (4)	-24.8 (4)	-14.2 (4)
Salt Lake City.....	-19.4 (4)	-25.7 (4)	-11.3 (3)
Apparel Stores	-20.7 (27)	-23.9 (21)	-24.6 (14)
Furniture Stores	-30.1 (33)	-30.1 (31)	-29.5 (26)
All Stores	-20.7 (128)	-24.6 (116)	-23.3 (92)

†Includes six 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.

during the first half of the year, more than the full seasonal increase having been reported in following months until November, when a sharp non-seasonal decline took place. Part of the abrupt November drop in the seasonally adjusted index was recovered in December. Department store inventories continued to be sharply reduced during the year.

The average decline in the value of wholesale sales was 25 per cent in 1932, compared with 20 per cent in 1931. Decreases of more than 35 per cent were reported by dealers in agricultural implements, electrical supplies, and furniture; declines of from 25 to 30 per cent were reported by wholesalers of dry goods, hard-

Distribution and Trade—

	1932				1931	
	Year's Aver.	Dec.	Nov.	Oct.	Dec.	Year's Aver.
	Indexes adjusted for seasonal variations (1923-1925 average=100)					
Carloadings†						
Total	57	54	58	59	65	75
Merchandise	74	68	74	72	80	89
Foreign Trade*						
Total†	48*	..	43	46	55	72
Imports†	43*	..	41	39	51	64
Exports	50*	..	45	50	57	76
Intercoastal Trade						
Total	54	56	60	62	65	71
Westbound	67	58	66	70	77	84
Eastbound	50	56	57	58	63	66
Retail Trade						
Automobile Sales‡						
Total	34	35	32	28	62	67
Passenger	32	32	30	26	57	62
Commercial	57	62	52	50	115	114
Department Store						
Sales‡	74	68	63	75	85	98
Stocks§	68	61	63	61	81	87
Collections#	Actual Figures					
Regular	40.9	40.7	41.8	43.3	41.0	42.8
Installment	14.0	12.8	13.4	14.7	13.3	15.1

‡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. *Eleven months average.

ware, and shoes; and declines of 20 per cent or less were reported by automobile supplies, drug, grocery, and paper and stationery houses. Wholesale commodity prices declined somewhat less during the later year.

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales with
no adjustment for price changes

	December 1932 compared with		Cumulative 1932 compared with 1931
	Nov., 1932	Dec., 1931	
Agricultural Implements	-22.7	-45.6	-40.0
Automobile Supplies	-3.4	-10.1	-19.8
Drugs	-4.1	-12.0	-19.1
Dry Goods	-16.2	-9.7	-29.7
Electrical Supplies	19.4	-31.4	-41.4
Furniture	-7.6	-20.5	-35.8
Groceries	-6.2	-15.8	-18.0
Hardware	0.4	-18.3	-28.1
Shoes	-15.3	0.2	-24.7
Paper and Stationery	7.9	-22.6	-20.3
All Lines	-3.0	-17.4	-24.5

Note: These figures take no account of operating costs.

Total freight carloadings on District railways were 23 per cent lower in 1932 than in 1931. The declines were relatively small during the last months of the year, however, as compared with a year ago because traffic expanded more than is usual during the autumn months when the largest seasonal movement of commodities takes place. Loadings of grain and livestock were considerably smaller in 1932 than in 1931, but the heaviest reductions were recorded in shipments of forest products, ore, and coal and coke, which comprise about 75 per cent of total industrial loadings. As in the two preceding years, merchandise and miscellaneous freight decreased relatively less than did other classes of carloadings.

The volume of intercoastal trade through the Panama Canal dropped from nearly 8 million cargo tons in 1931 to 6 million tons in 1932, which is about half the 1923-1925 average tonnage. The decline in traffic from the Atlantic to the Pacific Coast was larger than in the more important eastbound traffic. Lumber shipments in the latter direction were about 40 per cent smaller in 1932 than in 1931, while petroleum tonnage decreased 26 per cent and other cargo declined 7 per cent. After seasonal adjustment, total traffic reached its lowest point in June, since when moderate increases have been recorded.

New automobile registrations of both passenger cars and trucks decreased substantially in number during 1932 to the exceptionally small total of 113,000, about 47 per cent lower than in 1931 and 74 per cent below the record high number of registrations in 1929. December registrations declined by slightly less than the seasonal amount.

The value of the District's foreign trade decreased sharply during the first seven months of 1932, but in the following four months approximately seasonal changes were recorded. Both exports and imports averaged 33 per cent less

in value in the first eleven months of 1932 than in 1931. Greater than seasonal increases in exports occurred in August, September, and October, in part reflecting larger canned fruit shipments in anticipation of a rise in tariff schedules of some foreign countries in November.

Prices

Prices of products produced in the Twelfth District declined further during 1932. In most cases, decreases were not so great as during the two preceding years, increases during summer months having reduced the net decline for the year. While decreases in prices of farm products were smaller than in 1930 or 1931, they continued to exceed decreases in prices paid by the farmer for the commodities he buys.

Prices for field and grain crops declined more than quotations for other agricultural products. Wheat, barley, and rice prices moved downward sharply between January and June and showed little net change during the last half of the year. The decrease in barley prices was especially large, reflecting to some extent a much larger crop than in 1931. Cotton prices, after declining to a new low level in June, increased until early September, following which declines were resumed. In December, prices approximated those of a year earlier. Bean quotations fluctuated much the same as cotton prices, except that the low for the year was

Bank Debits*—

	Dec., 1932	Dec., 1931	Cumulative Twelve Months	
			1932	1931
Arizona				
Phoenix	\$ 19,674	\$ 27,566	\$ 239,640	\$ 355,888
California				
Bakersfield	9,159	11,968	92,260	127,736
Berkeley	12,867	17,716	163,716	200,723
Fresno	16,163	23,742	187,970	272,070
Long Beach	25,951	36,419	307,304	472,509
Los Angeles	532,771	711,630	6,560,761	9,288,170
Oakland	228,886	211,686	2,020,820	2,247,211
Pasadena	20,806	29,493	249,375	354,451
Sacramento	37,876	46,704	450,893	558,291
San Bernardino	7,145	9,558	70,785	103,903
San Diego	36,141	46,181	399,970	558,066
San Francisco	651,762	831,585	7,742,014	11,178,630
San Jose	15,020	21,850	188,570	289,670
Santa Barbara	8,678	13,071	107,543	155,185
Stockton	11,521	17,109	150,563	205,102
Idaho				
Boise	10,975	12,944	117,506	158,776
Nevada				
Reno	4,527	9,043	82,396	118,943
Oregon				
Eugene	3,032	5,372	44,546	65,166
Portland	90,831	140,721	1,177,498	1,711,062
Utah				
Ogden	12,805	14,335	115,700	167,491
Salt Lake City	54,138	64,891	515,139	710,693
Washington				
Bellingham	4,228	5,794	53,531	78,614
Everett	4,809	7,393	62,276	107,022
Seattle	120,760	168,148	1,514,847	2,242,438
Spokane	27,087	36,583	327,877	484,830
Tacoma	19,134	28,819	243,059	385,027
Yakima	7,455	9,912	92,539	141,575
Total	\$1,994,201	\$2,560,233	\$23,279,098	\$32,739,242

*In thousands of dollars.

reached in April. Hay prices were comparatively high at the beginning of 1932, the result of a shortage of feeds of all kinds, but declined during the year. Potato prices declined to the low level of the year in late August, subsequently rising in December to levels approximately 30 per cent lower than a year earlier.

Prices for all fruits sold in eastern auction markets this year were lower than in 1931. The fruit and vegetable price index of the United States Department of Agriculture declined about 20 per cent. Reports of prices received for deciduous fruits failing to return the costs of transportation to market were more numerous than in any other recent year. During 1932 orange prices averaged about 10 per cent below those of 1931, while prices for California lemons averaged about 9 per cent higher than in the preceding year.

Opening prices for the 1932 pack of canned fruits, announced in October, ranged from 20 to 25 per cent below those of 1931. Quotations for most canned fruits had been reduced several times during the year prior to October in an attempt to reduce inventories. Prices for the major dried fruits—raisins, prunes, apricots, apples, figs, and pears—were from 10 to 45 per cent lower in December, 1932, than in December, 1931.

Dairymen and poultrymen received lower prices for butter and eggs during 1932 than during 1931. Egg prices, after the usual increase in the autumn, approximated quotations of a year earlier during the last 3 months of 1932. Butter prices also increased seasonally in November, but subsequently declined to levels approaching the lowest recorded during the year.

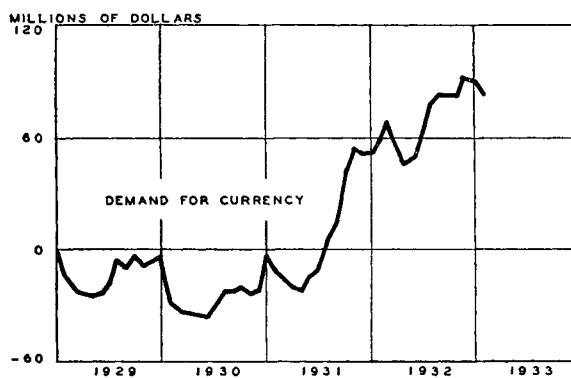
Although lamb prices in 1932 were more stable than in 1931, quotations at Pacific Coast markets averaged 23 per cent lower than in the earlier year. Cattle and hog prices declined about 20 per cent and 40 per cent, respectively, during 1932, quotations for hogs on the Chicago market reaching the lowest level in 50 years. The decline in wool prices, which had been continuous since late 1929, was checked during the last half of 1932. Quotations on this commodity were approximately 15 per cent lower at the end of the year than in December, 1931. Hide prices decreased during 1932.

Prices for the principal non-ferrous metals produced in this District—copper, lead, and silver—declined during 1932, while the quotations for zinc, of lesser importance in this area, increased slightly. Lumber quotations decreased less during 1932 than in either of the two preceding years. Prices for both crude oil and gasoline were advanced considerably during June and remained practically unchanged thereafter.

Credit Situation

At the close of 1932, member banks found themselves under much less pressure than they had been at the opening of the year, when their position was rapidly becoming stringent. In January and February, 1932, the predominant influences—withdrawal of deposits and inability of borrowers to liquidate loans—were those which had brought about a critical banking situation in this District during the latter part of 1931. By the end of February, borrowings at the Reserve Bank were larger than at any time since 1921. There was little actual improvement in the situation between February and the middle of the year, but banking difficulties did not increase during that period and borrowings at the Reserve Bank were reduced. During the last half of the year a net movement of Government funds into the District, together with returning confidence on the part of depositors and the issuance of additional quantities of national bank notes by national banks, resulted in considerable improvement in the condition of banks in most parts of the District.

This improvement in credit conditions continued into January, 1933. The amount of money in the hands of the public and in commercial banks, which had shown practically no seasonal increase immediately before Christmas of 1932, decreased somewhat and enabled



CURRENCY CIRCULATION—Twelfth District
(Changes cumulated from January 2, 1929)

Monthly averages of weekly figures. Latest figure is an average of the first three weeks in January.

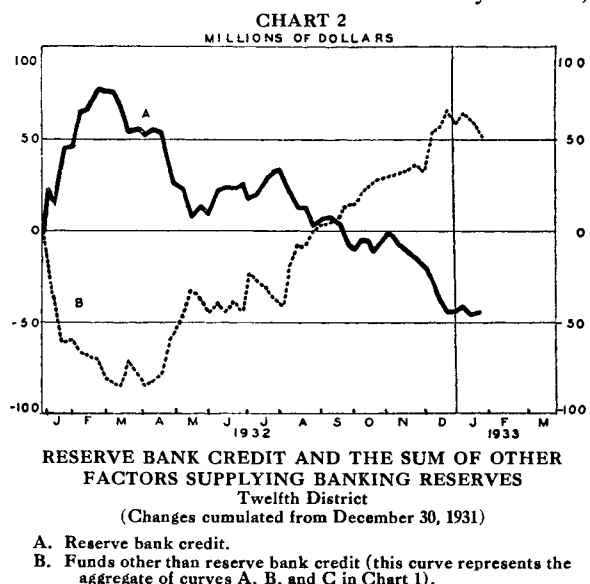
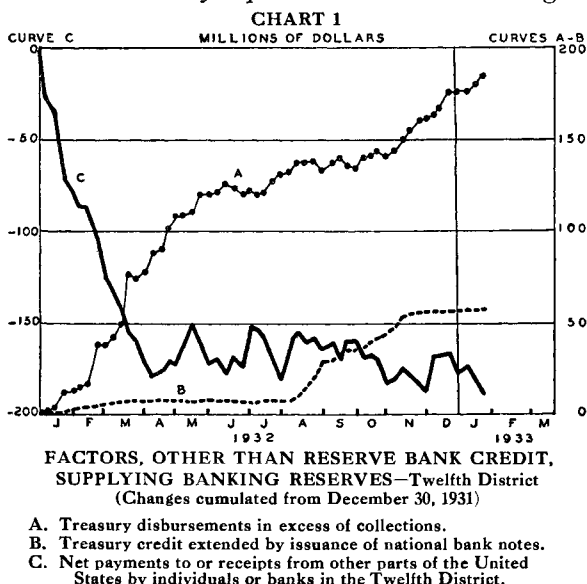
member banks to make small additions to their reserve deposit accounts. Borrowings from the Reserve Bank had reached a comparatively low level by the end of December, and did not change much during the first three weeks of January. Time and net demand deposits of reporting member banks remained unchanged. Commercial and security loans declined, reaching a level somewhat lower than in November, following which a small expansion of commercial loans had taken place.

A more detailed summary of credit developments in the District during 1932 follows.

Deposits were withdrawn from banks in large amounts during January and February, 1932. Time and net demand deposits of city member banks decreased about 100 million dollars during this period and deposits of country banks, as measured by deposits of member banks in smaller centers, also declined sharply. A part of the extraordinary demand thus made upon banks by depositors resulted from a substantial movement of funds out of the District in payment of obligations in other parts of the United States. Even though a considerable part of the decline in deposits came about through drawing down accounts in making repayments of loans, thus simultaneously reducing assets and liabilities by equal amounts and freeing a

half of 1932, this improvement being reflected principally in further reductions in borrowings from the Reserve Bank, in increases in deposits of reporting member banks, and in expansion of the holdings of United States Government securities by those banks. As in the first half of the year, local disbursements by the Federal Government exceeded collections in this District by a large amount and continued as a major source of supply for additional banking funds.*

The important differences between the January-June and July-December periods were that, in the later months, the demand for additional currency subsided and net payments of funds by individuals and banks to other parts of the United States decreased substantially. Thus,



small amount of cash reserves held against deposits, banks were forced to increase their use of Reserve Bank credit by about 75 million dollars during the two months. More than 50 District banks closed during this period.

With the commencement in February of operations by the Reconstruction Finance Corporation and the passage of the Glass-Steagall Act, which permitted the reserve banks to use United States Government obligations as collateral for Federal reserve notes, the prevailing lack of confidence in the banking structure was partly eliminated. Currency hoarding declined during March, April, and May; the number of bank failures decreased considerably; and member banks reduced their borrowings from the Federal Reserve Bank of San Francisco. A large exodus of gold from the United States during April, May, and June caused public apprehension regarding banks to arise again, and a sharp renewal of hoarding in different parts of the United States, including the Twelfth District, took place during June and July.

Credit conditions improved during the second

during the later months of the year, the inflow of Government funds made for actual net credit improvement whereas their effect in earlier months had been to lessen the strain caused by the heavy commercial outflow of funds and by currency hoarding. A further substantial source of Treasury credit during the late summer and autumn months of 1932 was provided by the issuance of new national bank notes under the amendment provision of the Federal Home Loan Bank Act, which became effective in July. Twelfth District banks made greater use of this privilege, relatively, than did banks in the country as a whole.†

In summary of developments during the last half of 1932: the credit supply available to

* These funds were made available to banks through the deposits by individuals and corporations of checks drawn against Government account in payment for goods or services. In effect, the building up of individual deposits in this manner represented the transfer of deposits created by the Government's borrowing operations to the credit of individuals.

† See Monthly Review for September, 1932, for a more complete discussion of this subject.

banks was increased by about 56 million dollars through the excess of Federal Government expenditures over collections in this District and by about 50 million dollars through the issuance of new national bank notes, while the outflow to other districts because of commercial transactions was only 22 million dollars, leaving a net gain in funds of 84 million dollars. These funds were used to the amount of about 65 million dollars to reduce indebtedness at the Reserve Bank, to the amount of 14 million dollars in building up reserve deposits at the Reserve Bank, and to the amount of 3 million dollars in meeting increased public demand for currency.

SUPPLY OF AND DEMAND FOR FUNDS USED AS BANKING RESERVES—Twelfth District
Changes in millions of dollars during the periods indicated

SOURCES OF FUNDS				
	Monetary Gold Stock	Treasury Operations	Reserve Bank Credit	Total Supply
Dec. 30, 1931–Mar. 2, 1932.	—129.4	47.8	76.2	—5.4
Mar. 2, 1932–July 6, 1932.	—24.2	80.7	—53.9	2.6
July 6, 1932–Dec. 28, 1932.	—21.9	105.8	—65.1	18.8
Dec. 30, 1931–Dec. 28, 1932.	—175.5	234.3	—42.8	16.0
Dec. 28, 1932–Jan. 18, 1933.	—13.7	8.3	— .2	— 5.6

USES OF FUNDS				
	Demand for Currency	Member Bank Reserve Deposits	Unexp'd Capital Funds, Etc.	Total Demand
Dec. 30, 1931–Mar. 2, 1932.	7.6	— 3.2	—9.8	—5.4
Mar. 2, 1932–July 6, 1932.	19.1	—15.7	— .8	2.6
July 6, 1932–Dec. 28, 1932.	3.1	14.1	1.6	18.8
Dec. 30, 1931–Dec. 28, 1932.	29.8	— 4.8	—9.0	16.0
Dec. 28, 1932–Jan. 18, 1933.	— 9.2	4.7	—1.1	—5.6

The Federal Reserve Bank of San Francisco participated as usual in the open-market operations of the Federal Reserve System during 1932. This participation necessitated extensive use of Government bonds as security for Federal reserve notes. During the two weeks ending January 18, 1933, this Bank's holdings of Government securities were reduced 5 million dollars to 118 million dollars.

Bank failures in the District were numerous during 1932. During January and February 52 banks failed, following which the rate of suspensions decreased somewhat until late in the year. Another epidemic of failures occurred in December, when the cumulative effects of several seasons of low returns in agricultural regions forced additional country banks to suspend operations. Total failures during the year involved 146 banks with deposits of 99 million dollars (preliminary figures) as compared with suspensions of 76 banks having 49 million dollars in deposits in 1931. Almost all the failures in 1931 occurred in the last half of that year. Many of the smaller country banks took advantage of state or local banking moratoria toward the close of 1932.

During the first quarter of 1932 large shipments of gold from Japan for Japanese Government account, practically all of which were

transferred to New York, were received at San Francisco. Numerous shipments of gold from China and Australia were also received during

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

	Condition			
	Jan. 18, 1933	Jan. 11, 1933	Dec. 21, 1932	Jan. 20, 1932
Total Bills and Securities	145	148	149	177
Bills Discounted	25	25	24	101
Bills Bought	2	2	2	25
United States Securities	118	121	123	48
Total Reserves	243	246	247	218
Total Deposits	154	153	153	147
Federal Reserve Notes in Circulation	221	225	228	233
Ratio of Total Reserves to Deposit and Note Liabilities Combined	65.0	65.1	64.9	57.4

the year. Due to renewed interest in gold mining, the District's production of gold increased sharply, and more than the usual addition from this source was added to the gold reserves of the Federal Reserve Bank of San Francisco in 1932.

With the continued decline in foreign trade and other activity giving rise to the creation of acceptance credits, the amount of bills accepted by San Francisco banks was much smaller than in preceding years. Because of the small volume of bills and the lack of suitable opportunities for investments of funds, banks held most of this class of paper themselves, with the result that the Reserve Bank's holdings of locally purchased acceptances declined during most of the year and were almost negligible at the year-end.

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

	Condition			
	Jan. 18, 1933	Jan. 11, 1933	Dec. 21, 1932	Jan. 20, 1932
Loans and Investments—Total..	1,706	1,716	1,740	1,826
Loans—Total	958	961	970	1,098
On Securities	237	237	241	299
All Other	721	724	729	799
Investments—Total	748	755	770	728
United States Securities	417	423	436	391
Other Securities	331	332	334	337
Reserve with Reserve Bank	89	90	89	83
Net Demand Deposits	568	562	571	614
Time Deposits	919	924	921	907
Due from Banks	209	194	189	107
Due to Banks	204	199	201	160
Borrowings at Reserve Bank	17	17	15	86

Interest rates in San Francisco and Los Angeles, while lower than in 1929, were somewhat higher than in 1931 and tended to rise slightly during the year. Money rates changed little during the year in other District cities. The discount rate of the Federal Reserve Bank of San Francisco remained at 3½ per cent all year, compared with rates of 3 per cent, 2½ per cent, and 3½ per cent during different periods in 1931. Acceptance buying rates were reduced to 1 per cent on 90-day paper at mid-year. Interest rates charged by brokers upon debit balances of customers averaged nearly 1 per cent above 1931 on eastern securities but were equal to or below 1931 charges for local securities. Effective January 1, 1933, several banks in San Francisco, and most banks in Los Angeles reduced the rates paid on savings deposits from 3½ per cent to 3 per cent.

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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

Supplement

San Francisco, California, January 20, 1933

Vol. XVII No. 1

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Volume of industrial production declined in December by slightly less than the usual seasonal amount, while factory employment and payrolls showed a decrease somewhat larger than is usual at this season. The general level of wholesale commodity prices, after declining in December, showed relatively little change in the first half of January.

Production and Employment. In December the Board's seasonally adjusted index of industrial output showed an increase from 65 per cent of the 1923-1925 average to 66 per cent, the level prevailing in September and October. There was a substantial increase in output of automobiles in connection with the introduction of new models, and lumber production showed a less than seasonal decline. In the textile industries there were decreases in output in accordance with the usual seasonal tendency. Activity at steel mills showed a substantial decline in December, followed by a seasonal increase in the first three weeks of January.

Volume of employment in manufacturing industries decreased from the middle of November to the middle of December by somewhat more than the usual seasonal amount. Working forces were reduced in the clothing, leather, and building material industries, while at auto-

mobile factories there was a substantial increase in employment.

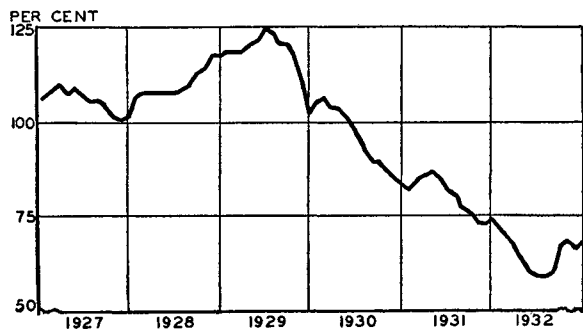
Value of construction contracts awarded as reported by the F. W. Dodge Corporation, declined by more than the usual seasonal amount in the fourth quarter, following a non-seasonal increase in the third quarter. Contracts awarded in the first half of January showed an increase, as measured by daily average figures, reflecting the award of large contracts in connection with construction of a bridge at New Orleans.

Distribution. Freight traffic decreased in December by an amount somewhat smaller than is usual at this season. Sales by department stores increased by somewhat less than the usual seasonal amount and were smaller than a year ago by 23 per cent, reflecting in part a decline in prices.

Foreign Trade. Value of exports in December was smaller than in December, 1931, by about one-fourth. For the year as a whole the decline was about one-third, reflecting decreases ranging, in the first eleven months, from 8 per cent for crude material to 45 per cent for finished manufactures.

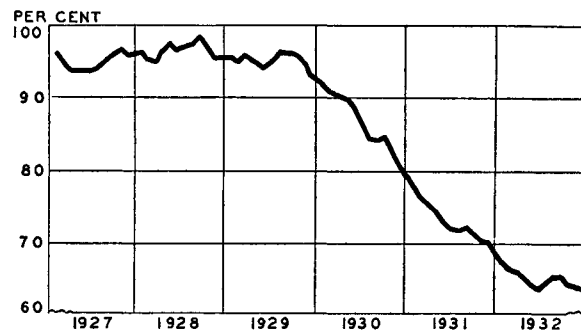
Value of imports into this country during 1932 was smaller than in 1931 by 37 per cent.

Wholesale Prices. Wholesale prices of many



INDUSTRIAL PRODUCTION

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

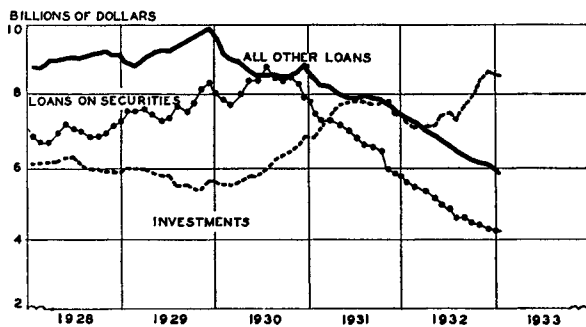


WHOLESALE PRICES

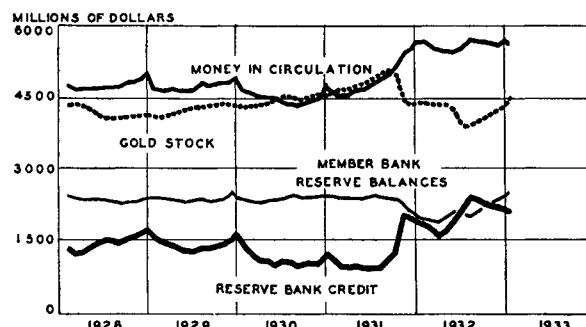
Index of United States Bureau of Labor Statistics (1926=100).

leading commodities, including non-agricultural as well as agricultural products, declined from November to December, and the monthly index of the Bureau of Labor Statistics showed a decrease from 63.9 per cent of the 1926 average to 62.6 per cent as compared with 68.6 per cent a year ago. In the first half of January, wheat prices advanced from the low levels reached at the end of December and cotton

of member bank borrowings at the Federal reserve banks and through a decline of \$73,000,000 between January 4 and January 18 in the reserve banks' holdings of United States Government securities. Member bank reserve balances, however, increased further during the four-week period by about \$100,000,000 to a level \$575,000,000 higher than a year ago. Excess reserves of member banks, which have



MEMBER BANK CREDIT
Monthly averages of weekly figures for reporting member banks in leading cities. Latest figures are averages of first two weeks in January.



FEDERAL RESERVE BANK CREDIT AND PRINCIPAL FACTORS IN CHANGES
Monthly averages of daily figures. Latest figures are averages of first 19 days in January.

prices also increased somewhat, while prices of silk, rubber, and gasoline declined considerably.

Bank Credit. In the four weeks from December 21 to January 18, the stock of monetary gold increased by \$80,000,000 and there was a seasonal decline of \$130,000,000 in the volume of money in circulation—a considerably smaller decline than usual, reflecting a smaller than usual increase for the holiday trade in December and some withdrawal of funds accompanying bank suspensions in the middle of January. The reserve funds arising from these two sources were absorbed in part by a reduction

been in substantial volume for several months, also increased during the period.

Volume of member bank credit continued to decline during December and the first part of January. From the middle of December to January 11, total loans and investments of reporting member banks in leading cities declined by \$165,000,000 to a level about \$350,000,000 above the low point of last summer. The decline was entirely in the banks' loans, while investments showed relatively little change.

Money rates in the open market continued at low levels.

