

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

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

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No. 2

### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Industrial activity of the Twelfth District was about the same in January as in December. This lack of change in the volume of production conforms with the seasonal expectation. Employment and payrolls decreased somewhat and trade activity declined.

Heavier than usual snow and rainfall during January in most parts of the District improved the prospects for adequate irrigation water and soil moisture to meet ordinary needs of agriculture in the coming season. Unusually cold weather together with driving rain storms damaged certain crops, however, principally wheat in the Pacific Northwest and citrus fruits in southern California. Livestock generally were kept in good condition by the use of supplemental feeds, but the growth of early lambs in California was hampered to some extent by poor feeding conditions resulting from freezing temperatures. The volume of agricultural products marketed was smaller in January, 1933, than a year earlier and prices were much lower.

Crude oil production, after decreasing considerably in late January and the first few days of February, increased in the two weeks ending February 18. New orders for lumber continued larger than production and output of lumber declined less than seasonally during January. The value of engineering contracts awarded increased greatly during January, reflecting principally construction to be undertaken by the Metropolitan Water District of Southern California. Building permits also increased in value because of the inclusion of permits for construction on the Golden Gate Bridge, contracts for which were awarded last November. Electric power production, which affords a measure of activity in a wide variety of industries in the Twelfth District, is estimated to have changed little during January, after seasonal adjustment.

Considerably more than the usual post-Christmas drop in department store sales took place in January this year. Loadings of freight on District railroads did not change, but inter-

coastal traffic declined, allowance being made for seasonal factors.

Several District banks failed during the last half of January and the first half of February, the most important of which were in California. These suspensions were accompanied by a substantial increase in demand for currency, especially during the week ended January 25, when banks found it necessary to increase their use of Reserve bank credit considerably. In the following three weeks local banks recalled fairly large amounts of balances previously kept on deposit in New York. This inflow of funds enabled banks not only to meet additional withdrawals of currency and to reduce their borrowings from the Federal Reserve Bank of San Francisco, but also permitted them to build up their reserve deposits to the highest level in more than a year.

#### Agriculture

Heavy rains during January brought total rainfall for the season since July 1 approximately up to the long-time average throughout the seven western states, except in northern California and western Nevada. Frequent storms in the mountain areas resulted in an accumulation of snow which should be sufficient to furnish adequate irrigation water during the forthcoming agricultural season.

At the beginning of December, the United States Department of Agriculture estimated that approximately 3,832,000 acres had been sown to winter wheat in California and the Pacific Northwest during the autumn of 1932. This total represented an increase of about 5 per cent over the area sown in the autumn of 1931 when prolonged dryness had made sowing conditions unsatisfactory. Considerable damage to winter wheat resulted from freezing temperatures during December and January. Part of the damaged acreage will doubtless be replanted in the spring months, at which time it will be possible to determine more accurately the probable acreage to be harvested in the District this year.

The volume of agricultural products marketed continues to be somewhat less than a year ago. Partly because marketing is seasonally small in volume during the first quarter of the year, but also because of the low level of prices, current returns to farmers are smaller than at any time during the post-War period.

As a result of winds and rain storms in southern California, estimates of the Navel orange crop were reduced from 14,992,000 boxes on December 1, to 14,602,000 boxes on February 1.

RAINFALL—Twelfth District  
(In inches)

	January			July 1-February 1		
	1933	1932	Normal	1932-1933	1931-1932	Normal
Arizona						
Flagstaff .....	2.2	1.7	2.2	14.7	15.8	14.1
Phoenix .....	2.3	0.1	1.3	7.0	6.1	6.4
California						
Eureka .....	7.7	4.3	8.7	18.8	20.0	23.7
Fresno .....	4.0	1.6	2.0	5.2	8.8	5.3
Los Angeles .....	8.4	0.9	3.2	10.3	9.1	8.7
Red Bluff .....	4.0	2.7	5.2	7.4	13.5	13.9
Sacramento .....	2.8	1.2	4.1	5.3	9.2	9.8
San Diego .....	4.3	0.9	2.4	7.9	6.4	5.2
San Francisco .....	4.6	3.3	5.6	9.5	15.7	12.9
Nevada						
Reno .....	2.2	1.1	1.9	2.6	5.3	5.0
Idaho						
Boise .....	1.0	1.3	1.9	4.5	5.0	6.7
Oregon						
Baker .....	1.9	1.4	1.6	4.4	5.6	6.5
Portland .....	9.0	5.8	7.7	29.2	24.3	26.1
Roseburg .....	8.5	4.2	6.1	19.0	16.6	19.5
Utah						
Salt Lake City ...	2.1	0.9	1.5	7.6	6.9	7.8
Washington						
Seattle .....	5.5	3.8	5.5	25.4	18.1	20.7
Spokane .....	1.0	1.8	1.9	7.2	10.3	8.9

Source: Weather Bureau, United States Department of Agriculture.

The estimated production of the 1932-1933 lemon crop was reduced from 6,508,000 boxes to 6,453,300 boxes.

Pacific Coast production and stocks of butter and eggs are smaller at the present time than they were a year ago. Nevertheless, egg prices declined 50 per cent during January, a decrease somewhat greater than is customary during that month, and butter quotations decreased about 15 per cent.

### Agricultural Marketing Activity—

	January		Season to Date	
	1933	1932	1933	1932
Carlott Shipments				
Apples and Pears ..	3,848	4,035	45,195	49,595
Citrus Fruits .....	4,448	4,853	14,081	15,325
Vegetables .....	5,291	6,426	16,885	21,755
Exports				
Wheat (bu.) .....	479,500	1,291,007	2,500,900	17,530,190
Barley (bu.) .....	952,389	107,566	5,293,139	3,859,857
Receipts				
Cattle* .....	44,146	53,252	44,146	53,252
Hogs* .....	202,259	216,014	202,259	216,014
Sheep* .....	158,539	222,940	158,539	222,940
Eggs (cases) .....	123,302	148,231	123,302	148,231
Butter (lb.) .....	6,250,605	6,409,205	6,250,605	6,409,205
Wheat (carlots) ...	2,664	4,082	29,365	37,086
Storage Holdings (end of month)				
Wheat (bu.) .....	2,891,000	2,880,000		
Beans (bags) .....	1,650,984	2,074,353		
Butter (lb.) .....	715,064	873,959		
Eggs (cases) .....	777	2,132		

\*Receipts at Los Angeles not included.

Although snowstorms and subnormal temperatures during January and February did some harm to cattle and sheep on winter ranges, the use of supplemental feeds kept livestock generally in good condition. Young lambs have not gained as rapidly as usual, however, the growth of new feed having been retarded by freezing temperatures. Shed lambing is progressing satisfactorily in Idaho. Forage on summer feeding grounds is expected to be plentiful this year, the outlook being favored by current rains and by the heavy snowpack in higher altitudes.

LIVESTOCK ON FARMS AND RANGES—Twelfth District  
(In thousands)

	Number January 1	Dairy Cows*	Other Cattle**	Sheep	Hogs
1933					
1932					
1931					
1930					
1929					
1928					
1927					
1926					
Value January 1					
1933					
1932					
1931					
1930					
1929					
1928					
1927					
1926					

\*Cows and heifers two years old or over kept for milk. \*\*Obtained by subtracting number and value of dairy cows two years old or over from total of all cattle and calves.

The aggregate value of livestock on farms and ranges of the District declined 24 per cent during 1932, according to the United States Department of Agriculture. The number of sheep and lambs decreased 9 per cent, while the number of cattle and hogs showed no change between January 1, 1932, and January 1, 1933.

### Industry—

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

	1933	1932			1931		
General	Jan.	Dec.	Nov.	Oct.	Jan.	Dec.	Nov.
Carloadings—Industrial..	36	36	40	42	44	45	51
Electric Pwr. Production..	..	143	141	137	141	156	152
<b>Manufactures</b>							
Lumber .....	35	32	33	36	41	38	36
Refined Mineral Oils†...	..	129	128	131	138	136	136
Flour .....	75	83	78	75	107	116	115
Slaughter of Livestock..	..	79	81	88	83	87	92
Cement .....	37	42	40	41	42	57	56
Wool Consumption† ....	..	87	120	139	96	113	132
<b>Minerals</b>							
Petroleum (California)†.	71½	71	71	72	76	76	76
Lead (United States)†...	45	40	45	38	59	64	58
Silver (United States)†.	36	30	37	36	38	48	40
<b>Building and Construction§</b>							
Total .....	64	44	42	28	40	45	42
Building Permits—Value							
Larger Cities .....	10	9	10	10	19	21	24
Smaller Cities .....	12	15	13	13	23	26	28
<b>Engineering Contracts</b>							
Awarded—Value							
Total .....	145	87	83	52	73	76	69
Excluding Buildings.281	162	150	91	120	123	104	

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

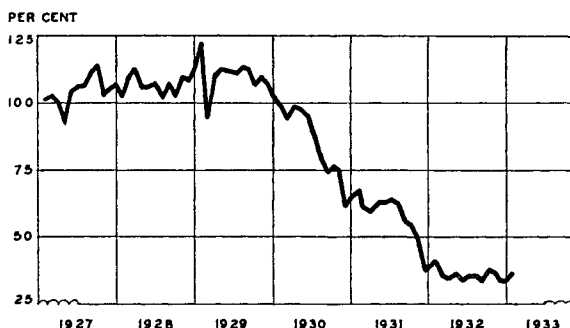
## Industry

Twelfth District industry showed little change from December to January, after allowance for seasonal factors. As compared with a year ago, the decline in production was one of the smallest in about three years. Unemployment was somewhat greater in January than in December, according to reports from the seven states of the District. Some increase in unemployment is ordinarily expected during January.

California petroleum output averaged substantially lower between mid-January and mid-February than in the preceding four-week period. Reductions were greatest in late January when producers in the Kettleman Hills field voluntarily agreed to curtail output by an additional 10 per cent in an effort to maintain existing proration schedules and purchasing prices for crude oil. Some curtailment followed in other important fields with the result that daily average output dropped to 457,900 barrels in the week ending February 4, as compared with a proration allowable of 440,000 barrels. Part of this reduction was offset by increases in the following two weeks, however, during which period some of the voluntary restrictions on output at Kettleman Hills were discontinued. Accompanying the decline in production, the quantity of crude oil run to refinery stills was also reduced considerably. Notwithstanding this decrease in refinery activity, gasoline inventories increased slightly.

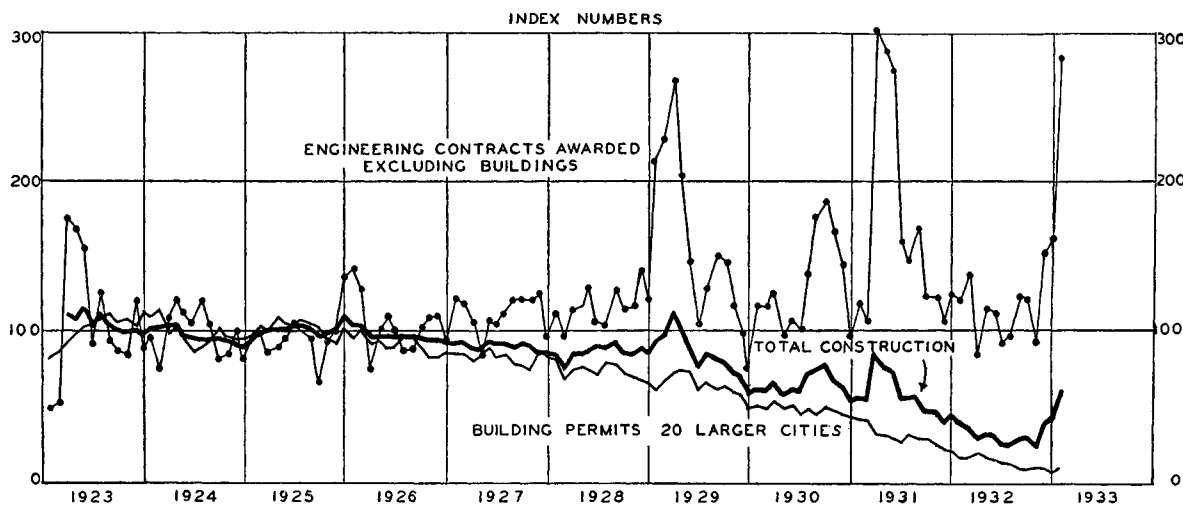
The January decline in lumber production was smaller than has been recorded in that month in most other recent years and this Bank's adjusted index advanced from 32 to 36 per cent of the 1923-1925 average. At that level, the index is approximately the same as the monthly average during 1932 and only 5 points

below the figure for January of that year. The volume of lumber orders, despite some increase during the month, was considerably smaller than in January, 1932. Orders continued to exceed production by a small margin, however, as has been the case during most of the past year.



LUMBER PRODUCTION—Twelfth District  
Index adjusted for seasonal variations (1923-1925 average=100).

A sharp rise in the value of construction during January may be accounted for almost entirely by greatly enlarged public works undertakings, including 33 million dollars of contracts awarded on projects of the Metropolitan Water District of Southern California and about 12 million dollars of building permits issued for the Golden Gate Bridge. Altogether, the value of engineering contracts awarded and building permits issued totaled 52 million dollars, the largest amount in any month since March, 1931, when Hoover Dam contracts were awarded. Of this amount 12 million dollars of permits reported for the Golden Gate Bridge appeared in engineering contract awards in November. Consequently the value of construction included in the January total and not



BUILDING AND CONSTRUCTION—Twelfth District

Indexes of building permits issued, engineering contracts awarded, and total building and construction, adjusted for seasonal variations (1923-1925 average=100). Original data were smoothed by a three-month moving average.

previously reported approximated 40 rather than 52 million dollars. This duplication has been eliminated in the computation of this Bank's indexes. Construction initiated by the Federal Government was maintained during January at the relatively high level of other recent months, but commercial, industrial, and residential building remained at exceptionally low levels.

At the present time, stocks of raw materials in the United States are considerably larger than in 1929, while inventories of manufactured goods are about 20 per cent smaller than at the middle of that year, according to figures collected by the United States Department of Commerce. Of individual products important in the Twelfth District, estimated stocks of copper accumulated rapidly to record high levels during 1932, since when they have been reduced only slightly, despite widespread production curtailment, including the complete shutdown of many mines. Increases have also taken place in stocks of lead, silver, and zinc. On the other hand, California petroleum stocks have been reduced by about 10 per cent during the past three years. Increases in lumber stocks during 1930 and the first half of 1931 have been more than offset by decreases during the last year and a half, and inventories are now approximately 30 per cent lower than at the beginning of 1929. World supplies of coffee, sugar, rubber, and silk, which play an important part in the economic life of the Twelfth District, but which are produced principally outside the United States, were much larger in December, 1932, than at the end

of 1929. Although reductions were recently reported in world stocks of wheat and cotton, they continue to be more than double the 1923-1925 average.

## Trade

Department store sales receded more than seasonally during January of this year and were 27 per cent smaller than in January, 1932. The decline from last year represented in part lower retail prices. As compared with Decem-

### RETAIL TRADE—Twelfth District Percentage changes in value of sales and stocks with no adjustment for price changes

	— 1933 compared with 1932 —	
	NET SALES January	STOCKS January
Department Stores .....	-26.8 ( 70)	-20.0 (52)
Los Angeles .....	-27.6 ( 9)	-19.0 ( 9)
Other Southern California .....	-21.8 ( 8)	-22.6 ( 5)
Oakland .....	-33.2 ( 4)	-23.1 ( 4)
San Francisco .....	-26.0 ( 7)	-17.6 ( 7)
Bay Region .....	-27.8 (15)	-19.1 (15)
Central California .....	-27.3 ( 6)	- 8.1 ( 6)
Portland† .....	-28.8 ( 8)	-27.1 ( 8)
Seattle .....	-21.5 ( 5)	-29.1 ( 4)
Spokane .....	-29.9 ( 4)	-11.5 ( 4)
Salt Lake City .....	-18.7 ( 4)	-14.0 ( 3)
Apparel Stores .....	-28.8 (26)	-23.9 (15)
Furniture Stores .....	-38.3 (35)	-28.7 (27)
All Stores .....	-28.3 (131)	-21.5 (94)

†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.

ber, sales decreased most sharply in Los Angeles, San Francisco, and Salt Lake City, the January decline reported by stores in Oakland, Spokane, and Seattle having been of approximately seasonal proportions. Inventories decreased slightly, as is customary in January.

Freight carloadings declined seasonally during January, and this Bank's adjusted index

## Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees Jan., 1933	No. of Employees Jan., 1932	No. of Firms	No. of Employees Jan., 1933	No. of Employees Jan., 1932
All Industries* .....	1,187	111,185	121,069	114	12,621	12,931
Stone, Clay, and Glass Products .....	53	3,305	4,353	..	...	...
(—8.2)						
Lumber and Wood Manufactures ..	122	10,245	13,055	39	6,130	6,018
(—24.1)						
Textiles .....	14	1,342	1,524	8	1,195	1,071
(—11.9)						
Clothing, Millinery, and Laundering ..	156	9,839	11,524	5†	173	188
(—14.6)						
Food, Beverages, and Tobacco...	301	25,197	26,250	34	1,183	1,277
(—4.0)						
Public Utilities ..	46	46,419	50,702	..	...	...
(—8.4)						
Other Industries† ..	488	54,554	58,678	..	...	...
(—7.0)						
Miscellaneous ....	53	6,703	5,685	28	3,940	4,377
(17.9)						
Wholesale and Retail .....	208	30,767	33,452	..	...	...
(—8.2)						

\*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.

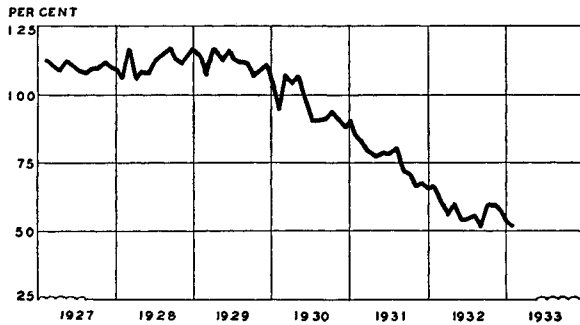
Figures in parentheses indicate percentage change from January, 1932.

## Distribution and Trade—

	1933 Jan.	1932				1931	
		Jan.	Dec.	Nov.	Oct.	Jan.	Dec.
Indexes adjusted for seasonal variations (1923-1925 average=100)							
Carloadings‡							
Total .....	54	54	58	59	66	65	67
Merchandise .....	67	68	74	72	81	80	82
Foreign Trade*							
Total† .....	..	43	43	46	56	55	58
Imports† .....	..	43	41	39	51	51	53
Exports .....	..	44	45	50	59	57	61
Intercoastal Trade							
Total .....	51	56	60	62	51	65	56
Westbound .....	56	58	66	70	80	77	74
Eastbound .....	48	56	57	58	42	63	51
Retail Trade							
Automobile Sales‡							
Total .....	..	35	32	28	48	62	45
Passenger .....	..	32	30	26	45	57	41
Commercial .....	..	62	52	50	84	115	86
Department Store							
Sales§ .....	60	68	63	75	84	85	92
Stocks§ .....	60	61	63	61	78	81	82
Collections#							
Regular .....	42.6	40.7	41.8	43.3	42.5	41.0	41.9
Installment ...	14.1	12.8	13.4	14.7	14.6	13.3	13.9

‡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.

remained at 54 per cent of the 1923-1925 average, a point slightly above the record low figure of last August. Carloadings advanced sharply last September and continued at the higher



CARLOADINGS—Twelfth District

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

level during October, since when declines have been reported each month. January, 1933, loadings were about 20 per cent below loadings in January, 1932.

The value of wholesale sales decreased 13 per cent during January and was 20 per cent smaller

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

	January, 1933 (compared with)	
	Dec., 1932	Jan., 1932
Agricultural Implements .....	— 3.1	—47.2
Automobile Supplies .....	—18.8	—12.8
Drugs .....	— 5.4	—10.6
Dry Goods .....	—10.7	—16.4
Electrical Supplies .....	—34.7	—24.7
Furniture .....	— 0.8	—28.6
Groceries .....	— 6.1	—19.7
Hardware .....	—22.3	—23.8
Shoes .....	—32.9	—26.2
Paper and Stationery .....	—12.0	—22.1
All Lines .....	—12.7	—20.1

Note: These figures take no account of operating costs.

than in the corresponding month a year earlier. As compared with December, activity in all reporting lines decreased, although sales of agricultural implement, drug, dry goods, grocery, and shoe firms ordinarily increase from Decem-

ber to January. Of the lines customarily showing declines in sales during January, automobile supplies and electrical supplies dealers reported more than the usual contraction, paper and stationery sales decreased by about the seasonal amount, and furniture houses reported less than the usual decrease. In the past, hardware firms have reported January sales about equal to sales during December, but this year a decrease of 22 per cent was recorded.

Intercoastal traffic decreased, contrary to the usual tendency during January, but was approximately the same as in the corresponding month a year earlier. Cargo transported from the Atlantic to the Pacific Coast was considerably smaller in January, 1933, than in January, 1932, but eastbound traffic through the Panama Canal—consistently larger in volume than westbound tonnage—increased, in part reflecting larger petroleum shipments in the later year.

### Prices

A sharp decline in commodity prices was recorded during January. Although the downward movement was general throughout most commodity groups, the larger reductions occurred in farm products and foods. The Bureau of Labor Statistics' monthly index of wholesale prices was 61.0 (1926=100) in January as compared with 62.6 in December and 67.3 in January, 1932. Most weekly price indexes were comparatively stable during the first three weeks of February.

Contract wheat prices at Chicago advanced by a small amount during January. California barley, rice, potato, and bean prices remained relatively stable at low levels, while hay prices declined. Apples, oranges, and lemons—practically the only fresh fruits now being marketed from this region—sold lower at the end of January than at the beginning of the month. Quotations for dried fruits advanced slightly in January. Canned fruit prices remained unchanged during January, but declined in Febru-

### Commodity Prices—

	Unit	January			
		1930	1931	1932	1933
Wheat ..... No. 1 Western White, Seattle, Washington.....	bushel	\$ 1.23	\$ .68	\$ .64	\$ .57
Barley ..... Cash shipping, San Francisco.....	bushel	1.50	1.10	1.25	.70
Oranges ..... Weighted average f.o.b. California.....	box	4.08	2.04	1.53	1.67
Apples ..... California Newtons, San Francisco.....	box	2.60	1.75	1.75	1.35
Cattle ..... Good grade steers, San Francisco.....	cwt.	11.50	9.10	6.25	4.80
Lambs ..... Light weight, San Francisco.....	cwt.	12.80	7.60	5.50	5.45
Wool ..... Fairchild average price, domestic wool, scoured.....	pound	.80	.60	.49	.40
Butter ..... 92 Score, San Francisco.....	pound	.36	.26	.24	.21
Eggs ..... Cash, Extras No. 1, San Francisco.....	dozen	.36	.23	.20	.22
Prunes ..... 40/50's in 25 pound boxes, f.o.b. California.....	pound	.115	.06	.475	.425
Flour ..... Patent, Portland, Oregon.....	barrel	6.866	4.876	4.677	4.239
Canned Peaches ..... Choice grade, No. 2½s, f.o.b. California.....	dozen	2.45	1.65	1.55	1.25
Canned Salmon ..... Alaska Red, No. 1 tall, f.o.b. Pacific Northwest.....	dozen	2.85	2.92	2.22	1.40
Sugar ..... Beet, f.o.b. San Francisco.....	cwt.	5.20	4.70	4.15	3.75
Petroleum ..... Crude, California.....	barrel	.85	.88	.65	.69
Gasoline ..... Refinery, California.....	gallon	.069	.071	.058	.053
Copper ..... Electrolytic, spot, New York.....	pound	.18	.10	.0725	.05
Lumber ..... Common timbers, Pacific Northwest.....	1000 ft. B. M.	20.00	15.50	15.00	10.50
Newsprint ..... New York and vicinity.....	cwt.	3.10	3.10	2.65	2.25
Cement ..... Portland, composite Pacific Coast.....	barrel	1.576	1.578	1.321	1.426

ary, reflecting a few forced sales to liquidate certain stocks of canned goods. Cattle and lamb prices strengthened during January as the number of good quality stock reaching market decreased. Quotations for hogs showed practically no change at Pacific Coast markets.

Scattered reductions in the retail prices of gasoline were reported during January and the first half of February. Quotations for crude oil remained unchanged.

Sales of non-ferrous metals continued small during January and no important changes in quotations were reported. Wool, hides, sugar, lumber, cement, and rubber changed little in price during January.

### Credit Situation

The principal credit developments of the Twelfth District between mid-January and mid-February were those associated with the failure of several banks. These failures, of which the most important were in northern California, were accompanied by large withdrawals of currency and an increase in borrowing at the Federal Reserve Bank of San Francisco. Subsequently, however, a substantial volume of bankers' deposits was recalled from New York, and member banks were enabled to reduce their use of reserve bank credit and to build up their reserve deposits.

There were 21 bank failures in the Twelfth District during January and 8 during the first 15 days in February. Thirteen of the banks

closed were in California, 6 were in Washington, and 5 each were in Oregon and Idaho. These suspensions were accompanied by runs on other banks and a rapid payment of currency to the public. During the week ending January 25, when failures were most numerous, the demand for currency increased 21 million dollars. A slight decrease in the following week was considerably more than offset by increases in the two weeks ending February 15.

### SUPPLY OF AND DEMAND FOR FUNDS USED AS BANKING RESERVES—Twelfth District

Changes in millions of dollars during the weeks indicated

		SOURCES OF FUNDS			
Week Ending 1933		Monetary Gold Stock	Treasury Operations	Reserve Bank Credit	Total Supply
January 4.....	2.9		.2	3.1	6.2
January 11.....	7.4		4.2	4.7	7.9
January 18.....	9.0		4.0	1.4	3.6
January 25.....	.2		2.2	11.0	13.4
February 1.....	2.7		.6	4.6	2.5
February 8.....	16.8		6.4	—12.1	11.1
February 15.....	20.4		—9.1	2.7	14.0

		USES OF FUNDS			
Week Ending 1933		Demand for Currency	Member Bank Reserve Deposits	Unexp'd Capital Funds, etc.	Total Dem'd
January 4.....	3.3	2.4	.5		6.2
January 11.....	7.9	1.3	—1.3		7.9
January 18.....	4.7	.9	.2		3.6
January 25.....	21.2	—7.7	—1		13.4
February 1.....	2.2	2.5	2.2		2.5
February 8.....	4.4	6.6	.1		11.1
February 15.....	7.3	6.4	.3		14.0

As is usual when any sudden need for additional reserve funds arises, the increased demand for currency was met for the time being by a corresponding increase in member bank borrowings from the Reserve Bank. During the first half of February, however, local banks recalled a considerable part of the balances which they had on deposit in New York. This inflow of funds was used to some extent to reduce borrowings and to provide for additional currency expansion, the remainder accumulating as excess reserves of member banks. As a result of these transactions, total reserves of the Federal Reserve Bank of San Francisco were higher in February than in any month since September, 1931, and reserve deposits reached their highest level since December, 1931. The withdrawal of bankers' balances from eastern money markets, reflected both a reduction from  $\frac{1}{2}$  per cent to  $\frac{1}{4}$  per cent in rates paid by New York banks on balances of out-of-town correspondents and a desire on the part of District banks to increase their balances at the Reserve Bank. Banks in San Francisco and Los Angeles accounted for most of the decrease in balances held outside the District and, consequently, it was the reserve accounts of banks in those cities that showed the principal increases.

District banks participated as usual in the Treasury financing operations of February 1. These banks were allotted 15 million dollars of

### Bank Debits\*—

	Jan., 1933	Jan., 1932
Arizona		
Phoenix .....	\$ 17,311	\$ 27,297
California		
Bakersfield .....	6,512	8,778
Berkeley .....	12,225	19,474
Fresno .....	13,174	19,486
Long Beach .....	22,715	34,577
Los Angeles .....	508,214	692,777
Oakland .....	189,101	203,346
Pasadena .....	19,018	29,991
Sacramento .....	37,317	48,206
San Bernardino .....	5,541	8,482
San Diego .....	31,344	45,212
San Francisco .....	602,942	764,507
San Jose .....	13,650	21,048
Santa Barbara .....	8,160	12,341
Stockton .....	10,640	16,110
Idaho		
Boise .....	9,505	13,017
Nevada		
Reno .....	4,165	8,212
Oregon		
Eugene .....	2,611	4,467
Portland .....	81,619	107,215
Utah		
Ogden .....	7,976	10,906
Salt Lake City .....	44,834	60,384
Washington		
Bellingham .....	3,596	5,111
Everett .....	4,240	6,864
Seattle .....	101,108	146,470
Spokane .....	21,232	32,010
Tacoma .....	15,910	25,941
Yakima .....	5,878	8,755
Total .....	\$1,800,538	\$2,380,984

\*In thousands of dollars.

2½ per cent Treasury notes maturing in 1938, 11 million dollars of which were paid for with deposit credit. During the first two weeks in February the Treasurer drew checks on a substantial part of the Government deposits, but when these checks were redeposited they reduced the rate of decline in individual deposits. Although part of the allotment of Treasury notes to District banks was sold in national markets for cash, total holdings of United States securities by reporting member banks increased 8 million dollars between January 18 and February 15.

Despite the continuance of bank failures and the high level of currency circulation in the District, the credit situation is less strained than at this time last year. In January and Feb-

ruary, 1932, there was a large outflow of funds to other districts in contrast with an inward movement of funds thus far during 1933. On February 17, 1932, borrowings from the Reserve Bank were 135 million dollars, compared with 34 million dollars on February 15, 1933. In January, 1932, 43 per cent of all member banks borrowed from the Reserve Bank, while in January of this year only 38 per cent of such banks were borrowers.

Loans of city banks continued to decline between January 18 and February 15, but invest-

ment holdings increased and total loans and investments changed little. Net demand deposits were stable, while time deposits declined from the relatively high level reached at the beginning of the year. Country banks reduced their deposits with reserve city banks during this period, but these latter banks more than offset this movement by recalling large amounts from their New York correspondents. Thus, while reporting member banks had a larger amount on deposit with correspondents between January 18 and February 1 than they carried for other banks, the usual relationship was restored in the following two weeks, when city banks reported a larger amount due to banks than due from banks.

Recent bank suspensions in this District

#### FEDERAL RESERVE BANK OF SAN FRANCISCO

(In millions of dollars)

	Condition			
	Feb. 15, 1933	Feb. 8, 1933	Jan. 18, 1933	Feb. 17, 1932
Total Bills and Securities .....	156	150	145	204
Bills Discounted .....	34	28	25	135
Bills Bought .....	2	2	2	19
United States Securities .....	119	119	118	48
Total Reserves .....	282	265	243	217
Total Deposits .....	171	157	154	162
Federal Reserve Notes in Circulation .....	247	241	221	246
Ratio of Total Reserves to Deposit and Note Liabilities Combined .....	67.3	66.5	65.0	53.4

#### REPORTING MEMBER BANKS—Twelfth District

(In millions of dollars)

	Condition			
	Feb. 15, 1933	Feb. 8, 1933	Jan. 18, 1933	Feb. 17, 1932
Loans and Investments—Total..	1,698	1,703	1,706	1,813
Loans—Total .....	943	945	958	1,079
On Securities .....	233	235	237	297
All Other .....	710	710	721	782
Investments—Total .....	755	758	748	734
United States Securities ..	425	427	417	401
Other Securities .....	330	331	331	333
Reserve with Reserve Bank....	89	91	89	89
Net Demand Deposits .....	574	569	568	597
Time Deposits .....	907	911	919	880
Due from Banks .....	164	172	209	93
Due to Banks .....	181	185	204	143
Borrowings at Reserve Bank....	26	20	17	115

have been confined entirely to country areas. As a result, the comparability of the banking figures included in the weekly report of city banks has not been affected. In relation to the total of all banking operations in the District, however, the representation of those banks has increased. More than 50 per cent of the total loans and investments of all banks, national and state, are now included in the weekly report in comparison with approximately 40 per cent during 1929.

### SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Volume of industrial production increased in January by less than the usual seasonal amount and factory employment and payrolls continued to decline. Prices of commodities at wholesale, which declined further in January, showed relatively little change in the first three weeks of February.

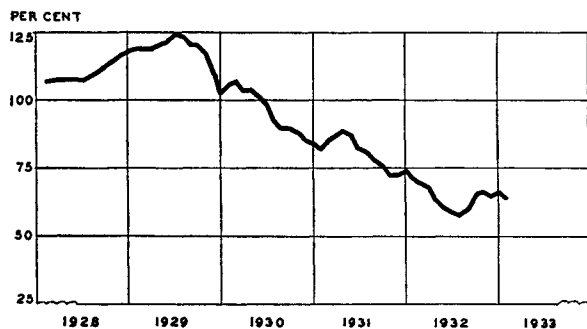
**Production and Employment.** Industrial activity, as measured by the Board's index, which makes allowance for usual seasonal changes, declined from 66 per cent of the 1923-1925 average in December to 64 per cent in January, which compares with a low level of 58 per cent last July. Output of coal declined considerably, contrary to the usual seasonal tendency. In-

creases in activity in the cotton and silk industries were somewhat less than seasonal in amount, and there was a slight decline in production at woolen mills. Output of shoes increased seasonally. Activity in the steel industry showed a seasonal increase during January, and little change during the first three weeks of February. Automobile production, which had increased substantially in December, showed a further slight increase in January.

Factory employment declined between the middle of December and the middle of January by considerably more than the seasonal amount. Decreases were reported in most lines except in the cotton, wool, and silk industries, where

employment showed little change, and in the automobile and shoe industries, where employment increased.

Construction contracts awarded were in about the same volume in January as in December, according to the F. W. Dodge Corporation; in the first half of February the value of awards showed a decline.



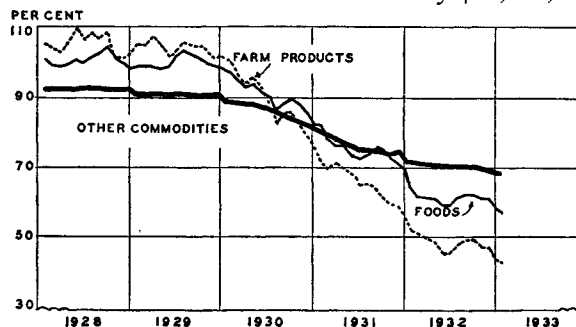
INDUSTRIAL PRODUCTION

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

**Distribution.** Volume of freight traffic was somewhat smaller in January than in December, reflecting a reduction in shipments of coal. Sales by department stores decreased after Christmas by more than the usual seasonal amount.

**Wholesale Prices.** The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined further from 62.6 per cent of the 1926 average in December to 61.0 per cent in Janu-

try, and a decrease of \$64,000,000 in the country's stock of monetary gold. These demands were met by member banks in part by the use of their balances at the reserve banks, which declined by \$243,000,000 during the period, but continued to be considerably above legal requirements. Reserve bank holdings of United States securities declined by \$88,000,000

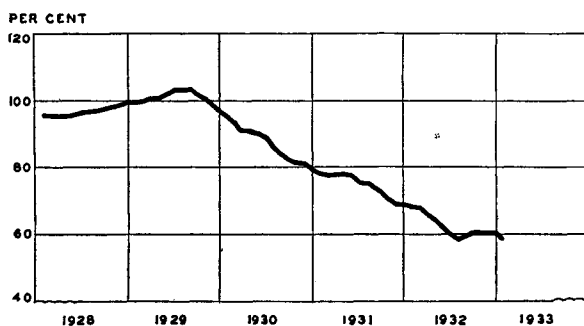


WHOLESALE PRICES

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

between January 4 and February 1, but increased by \$70,000,000 during the following three weeks; their holdings of acceptances increased by \$141,000,000 and discounts for member banks increased by \$76,000,000.

Loans and investments of reporting member banks in leading cities declined by about \$100,000,000 during the five weeks ending February 15. The banks' net demand deposits declined by \$390,000,000, reflecting largely reductions in bankers' balances, and time deposits

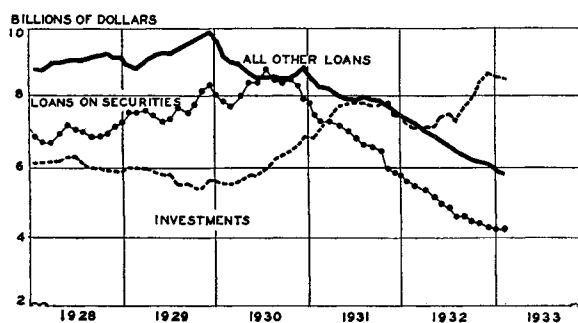


FACTORY EMPLOYMENT

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

ary, reflecting substantial reductions in the prices of crude petroleum, gasoline, textiles, and dairy and poultry products. Prevailing prices for wheat, cotton, and hogs in January and the first three weeks of February were somewhat above the low levels reached in December.

**Bank Credit.** Between January 4 and February 21 there was an increase of \$319,000,000 in the demand for currency, accompanying banking disturbances in different parts of the coun-



MEMBER BANK CREDIT

Monthly averages of weekly figures for reporting member banks in leading cities. Latest figures are averages of first three weeks in February.

showed a decrease of \$93,000,000 for the period.

Money rates in the open market were slightly firmer during the first half of February. Open-market rates on 90-day bankers' acceptances, which had been  $\frac{1}{4}$  per cent, had increased to  $\frac{5}{8}$  per cent by February 20. Rates on prime commercial paper and on stock exchange loans remained unchanged. The minimum buying rate on bills at the Federal Reserve Banks of Boston, New York, and Chicago was reduced from 1 per cent to  $\frac{1}{2}$  per cent.