

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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Federal Reserve Bank of San Francisco

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Banking developments in the Twelfth District, as in the United States generally, were of dominant importance during late February and the first half of March. No outstanding changes in the general business or financial situation had been apparent during the first six weeks of the year, although the failure of two rather large and several smaller banks in January had been followed by withdrawals of deposits from other banks. About the time that the force of this adverse influence appeared to be coming to an end, however, widespread publicity given to the Michigan banking moratorium and to other unfavorable banking situations began to have an effect in the Twelfth District, and immediately following announcement of banking holidays or restrictions in other eastern states on February 25 a substantial run on California banks developed. This relatively heavy run lasted for three days—February 27, February 28, and March 1—when it was brought to an end by a proclamation of the Governor of California closing all banks in that State for a three-day period. This action in California was followed by runs on banks in other Far Western states and by March 3 emergency banking restrictions had been placed in effect in all Twelfth District states. Withdrawal of currency during the week ending March 1, while at a record rate, was so short-lived that its effect upon District bank deposits was relatively small. Currency payments by banks to depositors were about 30 million dollars during the week ending March 1, compared with deposits in those banks of considerably more than three billion dollars at the beginning of this year. Banks met the unusual demand for currency by borrowing from the Federal Reserve Bank of San Francisco and by drawing upon their reserve balances, which had been built up during the first half of February through transfers of funds from other parts of the United States.

Reopening of banks under licenses issued by the Secretary of the Treasury and by state authorities commenced on March 13 and pro-

ceeded rapidly after that date. By March 20 most Twelfth District banks had resumed customary operations, although a good many were either in the hands of conservators or had been closed for liquidation. Currency which had been withdrawn prior to the closing of banks on March 2 was redeposited in large amounts between March 13 and March 20 and considerably more gold coin was turned in to the Federal Reserve Bank of San Francisco than had been withdrawn from January 1 to March 4, 1933. Redeposited currency provided banks with funds to meet demands for transfers to other parts of the United States.

Volume of production was slightly smaller in February than in January. Department store sales and intercoastal traffic through the Panama Canal increased, but the number of cars of freight loaded on District railroads during the month decreased. Other trade measures changed little. Petroleum production during February approximated that of the preceding month. The cut of lumber declined contrary to the seasonal movement and the volume of engineering construction decreased sharply. Employment conditions remained about the same in February as in January. Commodity prices declined slightly during February, but advanced considerably during and immediately following the banking holiday in March. Non-statistical reports indicate that the banking restrictions during the first half of March reduced business activity, particularly retail sales volume.

Agriculture

Weather conditions in the Twelfth District during February were less satisfactory than is usual in that month and in certain regions growing crops and livestock were adversely affected. Snow on winter ranges resulted in some losses of sheep and cattle and necessitated continued feeding of hay and grain. Vegetable crops in California were injured by mid-February frosts and the growth of range

feed was retarded by scant rainfall and sub-normal temperatures.

The volume of agricultural products marketed this year to March 1 was smaller than in the corresponding period of 1932. Early in March the volume of crops and animal products marketed was further reduced by credit restrictions resulting from the bank holidays. With the exception of the grain exchanges in the Pacific Northwest, however, most central markets for agricultural products on the Pacific Coast remained open for business during the period in which all banks were closed.

RAINFALL—Twelfth District

	February			Season to March 1		
	1933	1932	Normal	1933	1932	Normal
Arizona						
Flagstaff	0.9	5.4	3.4	15.6	21.2	17.5
Phoenix	0.1	2.2	0.9	7.1	8.3	7.3
California						
Eureka	2.3	4.1	6.7	21.1	24.4	24.6
Fresno	0.4	1.8	1.5	5.6	10.6	6.8
Los Angeles	0.0	7.3	3.3	10.3	16.4	12.0
Red Bluff	1.1	0.6	4.0	8.5	14.1	17.9
Sacramento	0.9	2.0	3.3	6.2	11.2	13.1
San Diego	0.0	5.7	2.1	7.9	12.1	7.3
San Francisco	1.2	3.9	4.0	10.7	19.6	16.9
Idaho						
Boise	1.8	0.9	1.6	6.3	5.9	8.3
Nevada						
Reno	0.1	1.4	1.2	2.9	6.8	6.2
Utah						
Salt Lake City...	1.1	1.4	1.5	8.7	8.3	9.3
Washington						
Seattle	1.7	1.6	3.9	27.1	19.7	24.6
Spokane	0.7	1.1	1.8	7.9	11.4	10.7
Oregon						
Baker	1.5	1.0	1.2	5.9	6.6	7.7
Portland	4.0	2.1	5.6	33.2	26.4	31.7
Roseburg	2.3	2.4	4.6	21.3	19.0	24.1

Practically no change in the Navel orange crop in California was reported during February and on March 1 estimated production was 14,692,000 boxes, about the same as a month earlier. The estimate of the 1932-1933 lemon crop, at 6,449,000 boxes, was also about the same as at the beginning of February. Prices received for oranges and lemons during February were lower than in any other month during the current marketing season.

Agricultural Marketing Activity—

	February		Season to Date	
	1933	1932	1933	1932
Carlot Shipments				
Apples and Pears.	3,596	4,181	48,791	53,776
Citrus Fruit	4,468	5,704	18,549	21,029
Vegetables	6,475	6,744	23,360	28,499
Exports				
Wheat (bu.)	40,988	1,073,153	2,541,888	18,603,343
Barley (bu.)	568,875	96,958	5,862,014	3,956,815
Receipts				
Cattle*	33,746	48,332	77,892	101,584
Hogs*	162,290	214,007	364,549	430,021
Sheep*	119,622	174,417	278,161	397,357
Eggs (cases)	125,151	133,972	248,453	282,203
Butter (lb.)	5,290,341	5,558,757	11,540,946	11,967,962
Wheat (carlots) ..	1,984	4,534	31,349	41,620
Storage Holdings (end of month)				
Wheat (bu.)	2,563,000	3,195,000	.....	.....
Beans (bags)	1,432,448	1,755,127	.....	.....
Butter (lb.)	461,889	645,468	.....	.....
Eggs (cases)	16,890	6,495	.....	.....

*Receipts at Los Angeles not included.

As measured by receipts at Pacific Coast markets, butter production declined during February, while egg production increased, as is usual at this time of year. After remaining relatively stable throughout February, butter and egg prices at Pacific Coast markets increased slightly during the first half of March.

Although there was considerable snow on livestock ranges in the higher altitudes of the District during February and feed on ranges in the lower valleys was in poor condition, losses of livestock were relatively small during the month. As in the three preceding months, the feeding of hay and grain kept livestock generally in good condition despite the lack of range forage.

The principal livestock markets in the District remained open for business during the bank holiday period in early March, but the number of animals received was smaller than is usual at this season.

Industry

Industrial activity declined moderately during February, although some expansion of operations usually commences in that month and continues during March and April. While evidence now available is only fragmentary, the lack of banking facilities during much of the first half of March apparently had little immediate effect upon physical volume of production.

Almost no net change in District employment was apparent during February. In accordance with the seasonal experience of other recent years, the number of industrial employees in California remained approximately

Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees		No. of Firms	No. of Employees	
		Feb., 1933	Feb., 1932		Feb., 1933	Feb., 1932
All Industries*	1,183	114,959	122,582	114	12,697	13,041
Stone, Clay, and Glass Products.	57	3,631	4,227	..	..	..
Lumber and Wood Manufactures ..	122	10,163	12,284	46	6,215	6,288
Textiles	16	1,244	1,734	8	1,126	996
Clothing, Millinery, and Laundering.	155	9,972	11,495	5‡	174	184
Food, Beverages, and Tobacco...	290	26,148	25,976	25	1,085	1,179
Public Utilities ..	49	46,283	50,660	..	..	..
Other Industries†.	492	55,919	60,217	..	..	..
Miscellaneous	51	7,882	6,649	30	4,097	4,394
Wholesale and Retail	212	27,975	30,318	..	..	..

*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 February, 1932.

the same in February as in January. The reduction of California employment from the corresponding month a year earlier was reported to be 6.2 per cent, a figure appreciably smaller than in any month of the past three years, except October, 1932. Reports from other parts of the District indicate that demand for labor in the principal lines of activity was considerably lower in February, 1933, than in February, 1932.

California production of crude oil averaged 468,000 barrels daily during the three weeks ended March 11, which was slightly higher than in the preceding four weeks, but decreased to 413,800 barrels in the week ended March 18 as a result of shutdowns made as a precaution against fire following the earthquake in the Los Angeles area. On March 5, purchasing prices for crude oil, posted by leading producers, were reduced 15 to 25 per cent. The basic price of 27° gravity crude oil at Signal Hill field was lowered from \$1.00 per barrel to \$.75 per barrel. Present quotations approximate the scale in effect immediately prior to June 26, 1932, when an advance had accompanied an agreement to hold production within a proration allowable of 476,700 barrels daily. Beginning October 1, it was considered desirable to reduce that production allowable to 440,000 barrels, and, while output consistently exceeded the schedule, crude oil prices were maintained at the higher level until the reduction at the beginning of this month. Although output of crude petroleum has not changed greatly during recent weeks, runs to refinery stills have decreased considerably since late January, thus tending to expand stocks of crude. The reduction in refinery activity contributed to a decrease in gasoline inventories. On March 18, quoted prices of gasoline

were increased about 5 cents per gallon in the Pacific Northwest.

Construction contracts awarded and building permits issued amounted to 9 million dollars in February, as compared with 40 million dollars in January. The sharp decline is attributable principally to the fact that contracts for the Metropolitan Water District of Southern California had greatly enlarged totals in the earlier month. This Bank's index, computed from an average of the last three months and adjusted for seasonal variations, also declined sharply, but remained higher in February, 1933, than in December, 1932. The value of permits issued for residential, commercial, and industrial building remained exceedingly small.

The volume of lumber cut decreased further during February, 1933, and was 15 per cent smaller than in February, 1932. This Bank's adjusted index, which allows for some increase instead of a reduction from January to February, declined from 35 to 29 per cent of the 1923-1925 average, a new low point for the depression. Lumber shipments were larger in February than in January, but new orders declined, thereby reducing the amount of unfilled orders on hand.

Trade

Department store sales increased in value during February, whereas a slight decline is usually reported during that month. The largest increase in the adjusted indexes of sales was in Los Angeles, although stores in San Francisco and Oakland also reported substantial increases

Industry —

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

	1933-1932				1932-1931		
	Feb.	Jan.	Dec.	Nov.	Feb.	Jan.	Dec.
General							
Carloadings—Industrial...	36	36	40	37	44	45	
Electric Pwr. Production...	138	137	138	145	146	151	
Manufactures							
Lumber	29	35	32	33	35	40	40
Refined Mineral Oils†	122	129	128	131	138	136	
Flour	81	75	83	78	110	107	116
Slaughter of Livestock...	80	79	81	90	83	87	
Cement	40	37	42	40	35	42	57
Wool Consumption†			87	120	108	96	113
Minerals							
Petroleum (California)† ..	71	71	71	71	76	76	76
Lead (United States)‡ ..	40	45	40	45	54	59	64
Silver (United States)‡ ..	30	36	30	37	31	38	48
Building and Construction§							
Total	47	64	44	42	38	40	45
Building Permits—Value							
Larger Cities	10	10	9	10	19	19	21
Smaller Cities	12	12	15	13	20	23	26
Engineering Contracts							
Awarded—Value							
Total	93	145	87	83	69	73	76
Excluding Buildings...	230	281	162	150	137	120	123

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

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

	1933 compared with 1932		
	NET SALES		STOCKS
	February	January 1 to end of February	February
Department Stores	-25.7 (67)	-26.3 (67)	-21.9 (50)
Los Angeles	-25.9 (9)	-26.7 (9)	-21.0 (9)
Other Sou. Calif.	-24.8 (6)	-23.0 (6)	-17.7 (3)
Oakland	-28.5 (4)	-30.9 (4)	-25.4 (4)
San Francisco	-21.8 (7)	-23.9 (7)	-20.3 (7)
Bay Region	-23.6 (15)	-25.8 (15)	-21.6 (15)
Central California...	-28.5 (6)	-27.9 (6)	-10.6 (6)
Portland†	-26.0 (7)	-27.2 (7)	-25.7 (7)
Seattle	-29.7 (4)	-25.7 (4)	-29.9 (4)
Spokane	-28.7 (4)	-29.3 (4)	-12.4 (4)
Salt Lake City.....	-27.5 (4)	-25.2 (4)	-16.2 (3)
Apparel Stores	-21.6 (26)	-25.0 (26)	-27.6 (16)
Furniture Stores	-39.6 (25)	-38.8 (25)	-25.7 (18)
All Stores	-26.8 (118)	-27.3 (118)	-22.7 (84)

†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.

in sales after seasonal allowance. Adjusted indexes for Seattle, Spokane and Salt Lake City decreased slightly. District sales were 25 per cent lower in value in February, 1933, than in February, 1932, as compared with a year-period decrease of 29 per cent in January. The number of net sales transactions decreased 11 per cent

over the year period. Fairchild's index of retail prices of commodities sold at department stores was 70 (January, 1931=100) on March 1, 1933, as compared with 71 on February 1, 1933, and 80 on March 1, 1932.

A decrease of 6 per cent in wholesale trade from January to February was of about seasonal proportions. Drug, dry goods, shoe, and paper wholesalers reported more than the usual January-February decline in trade. Sales of groceries and electrical supplies held up fairly well in relation to the customary movements during February, while sales of agricultural im-

more sharply during the month, although west-bound traffic also increased.

Prices

Commodity prices declined less rapidly in February than in January. During the first half of March there was a moderate upturn in prices of speculative commodities with the result that by mid-March weekly indexes approximated the levels of a month earlier.

WHOLESALE PRICES—REPRESENTATIVE QUOTATIONS OF COMMODITIES IMPORTANT IN THE TWELFTH DISTRICT

Commodity	Unit	Mar. 20, 1933	Feb. 28, 1933	Jan. 31, 1933	Mar. 15, 1932
Wheat	bu.	\$.49	\$.43	\$.445	\$.57
Barley	bu.	.70	.60	.65	1.15
Oranges	box	2.55	2.80	3.00	2.75
Apples	bu.	1.15	1.15	1.15	1.50
Cotton	lb.	.068	.0582	.0588	.0683
Beans, Lima	cwt.	4.10	3.40	3.50	3.45
Cattle	cwt.	5.30	4.87	4.87	6.87
Lambs	cwt.	5.50	5.45	5.63	6.25
Butter	lb.	.19	.20	.19	.23
Eggs	doz.	.155	.155	.165	.165
Prunes	lb.	.0475	.045	.0437	.0375
Canned Peaches	doz.	1.00	1.00	1.20	1.55
Sugar, Beet	cwt.	4.00	3.80	3.80	3.90
Copper	lb.	.0575	.05	.05	.06
Silver	oz.	.27375	.265	.25875	.2975
Coffee	lb.	.095	.091	.098	.089
Rubber	lb.	.031	.029	.030	.033

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

	February, 1933 compared with		1933 compared with 1932
	Jan., 1933	Feb., 1932	
Agricultural Implements	18.1	-45.3	-46.8
Automobile Supplies	2.7	-18.7	-16.3
Drugs	-9.6	-23.3	-20.3
Dry Goods	-14.0	-24.1	-19.9
Electrical Supplies	-3.4	-31.5	-28.2
Furniture	-2.4	-27.5	-30.9
Groceries	-4.9	-19.0	-19.1
Hardware	0.6	-22.6	-23.2
Shoes	-7.4	-17.6	-20.3
Paper and Stationery	-17.0	-29.1	-25.3
All Lines	-6.0	-22.8	-21.7

Note: These figures take no account of operating costs.

plements, automobile equipment, and hardware increased somewhat. Although furniture sales usually increase in February, a small decline was reported in that month of this year. As compared with February, 1932, the reduction in sales of all reporting lines was 23 per cent.

The volume of intercoastal traffic was larger in February, 1933, than in either January, 1933, or February, 1932. Shipments from the Pacific Coast, which are customarily larger than are shipments from the Atlantic Coast, increased

When Twelfth District grain exchanges reopened following the banking holiday in the first part of March, wheat prices were approximately 6 cents per bushel higher than at the end of February. Quotations for barley in California also increased during March, probably reflecting in part anticipation of the passage of legislation permitting the manufacture of beer.

Bank Debits*

	February, 1933	February, 1932	First two months, 1933	First two months, 1932
Arizona				
Phoenix	\$ 14,464	\$ 22,302	\$ 31,775	\$ 49,599
California				
Bakersfield	5,747	7,081	12,259	15,859
Berkeley	11,048	15,383	23,273	34,857
Fresno	10,578	15,216	23,752	34,702
Long Beach	20,237	28,369	42,952	62,946
Los Angeles	488,080	580,371	996,294	1,273,148
Oakland	150,686	181,522	339,787	384,868
Pasadena	18,697	24,748	37,715	54,739
Sacramento	30,375	37,685	67,692	85,891
San Bernardino	5,716	6,125	11,257	14,607
San Diego	26,374	33,936	57,718	79,148
San Francisco	562,297	646,700	1,165,239	1,411,207
San Jose	11,335	15,686	24,985	36,734
Santa Barbara	6,067	9,151	14,227	21,492
Stockton	8,814	12,381	19,454	28,491
Idaho				
Boise	7,105	9,160	16,610	22,177
Nevada				
Reno	3,635	6,733	7,800	14,945
Oregon				
Eugene	2,302	3,817	4,913	8,284
Portland	76,191	99,822	157,810	207,037
Utah				
Ogden	5,687	8,017	13,663	18,923
Salt Lake City	30,267	44,202	75,101	104,586
Washington				
Bellingham	3,127	4,339	6,723	9,450
Everett	3,223	5,421	7,463	12,285
Seattle	90,878	120,539	191,986	267,009
Spokane	18,565	27,085	39,797	59,095
Tacoma	13,723	21,026	29,633	46,967
Yakima	5,525	6,776	11,403	15,531
Total	\$1,630,743	\$1,993,593	\$3,431,281	\$4,374,577

*In thousands of dollars.

Distribution and Trade—

	1933-1932			1932-1931		
	Feb.	Jan.	Dec.	Feb.	Jan.	Dec.
Indexes adjusted for seasonal variations (1923-1925 average=100)						
Carloadings‡						
Total	54	54	58	59	66	65
Merchandise	67	68	74	76	81	80
Foreign Trade*						
Total†	43	43	43	55	56	55
Imports‡	42	43	41	53	51	51
Exports	44	44	44	57	59	57
Intercoastal Trade						
Total	58	51	56	60	55	65
Westbound	58	56	58	66	80	77
Eastbound	59	48	56	57	48	63
Retail Trade						
Automobile Sales‡						
Total	35	40	35	32	34	62
Passenger	34	38	32	30	31	45
Commercial	42	62	62	52	58	115
Department Store						
Sales‡	65	60	68	63	85	84
Stocks§	58	61	61	63	76	81
Collections#						
Regular	41.1	42.6	40.7	41.8	40.4	42.5
Installment	13.7	14.1	12.8	13.4	14.6	13.3

‡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.

Cotton sold at sharply higher prices on March 16. Hay, potato, bean, and apple prices showed no change during this period. California orange prices declined as a result of increased competition from Florida oranges, and lemon prices also decreased. Quotations on dried and canned fruits declined. Prices for cattle and hogs were higher in mid-March than a month earlier, while lamb prices tended lower.

Activity at non-ferrous metals markets increased considerably during the first half of March and prices for copper, lead, zinc, tin, and silver advanced sharply.

Credit Situation

Prior to February 21, this year's demands upon Twelfth District banks had not been of unusual proportions and of themselves offered little indication of an impending money panic. Many commercial banks were carrying large excess reserves and the use of Reserve Bank credit was low in relation to the amounts employed during most of the past year and a half. Although there had been a steady withdrawal of bank deposits after the failure in January of large Sacramento Valley banks (currency

previously mentioned demands of depositors for currency, and in part were left as excess reserve deposits at the Federal Reserve Bank of San Francisco.

Withdrawals of deposits from local banks increased somewhat on February 23, 24, and 25. On February 25, several eastern states placed emergency restrictions upon banking, and on February 27 a relatively heavy run on the commercial banking system in California began. The Federal Reserve Bank of San Francisco was called upon to furnish about 36 million dollars additional currency in the three days ending March 1, almost entirely to California banks which immediately paid the bulk of it to uneasy depositors. Demand for gold coin in place of other forms of money was relatively large during this period. On the night of March 1, the Governor of California declared a three-day banking holiday in that State. Payments of deposits by California banks were thus effectively discontinued on March 2, although subsequently the Federal Reserve Bank of San Francisco paid out through those banks a considerable amount of currency to individuals and business concerns having credits in New York and requesting their immediate transfer to local points in the form of currency. The transfers were, of course, completed promptly through the customary Reserve System facilities.

Following the closing of banks in California, withdrawals of deposits increased substantially in other Twelfth District states, and by March 3 banking holidays or restrictions were effective in all states of the District. The national banking holiday proclaimed by President Roosevelt effective March 6 placed all banks completely under the supervision of the Federal Government and subsequent operations of District banks were in accordance with instructions from the Secretary of the Treasury.

The following table relates the principal changes in the sources and uses of banking funds in the Twelfth District prior to, during, and immediately following the period of heavy withdrawals of deposits.

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	Reserve Bank Credit	Commercial and Financial Transactions	Treasury Operations	Total Supply
February 1	4.6	-2.7	.6	2.5
February 8	-12.1	16.8	6.4	11.1
February 15	2.7	20.4	-9.1	14.0
February 22	8.4	-.3	-.9	7.2
March 1	21.3	.5	2.7	24.5
March 8	17.5	22.8	1.0	41.3
March 15	.9	7.2	-1.5	6.6
March 22	-1.2	-59.2	-8.7	-69.1

USES OF FUNDS				
Week Ending 1933	Demand for Currency	Member Bank Reserve Deposits	Unexp'd Capital Funds, etc.	Total Dem'd
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
February 22	6.2	.0	1.0	7.2
March 1	41.9	-20.8	3.4	24.5
March 8	40.9	-.7	1.1	41.3
March 15	.8	8.5	-1.1	6.6
March 22	-74.0	1.0	3.9	-69.1

and gold coin were paid to individuals in the Twelfth District at the rate of about a million dollars a day during the first three weeks of February), the withdrawals had not been sufficiently large nor widespread to reveal more than a moderate uneasiness on the part of depositors. Only a slight increase in that feeling was evident in the week immediately following declaration of a state banking holiday in Michigan on February 14. During this period, however, District banks did recall substantial amounts of deposits they had been carrying in eastern cities. The funds thus transferred to this area were used in part to meet the pre-

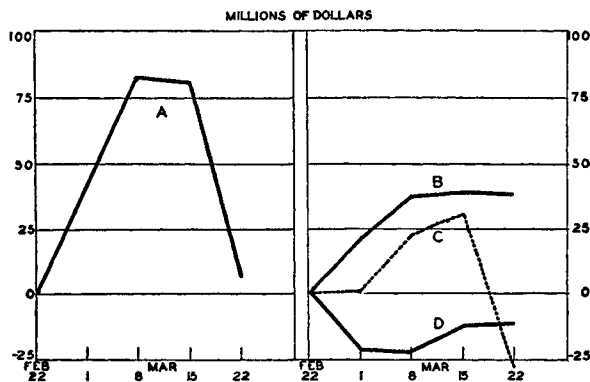
PRINCIPAL CHANGES IN SOURCES AND USES OF FUNDS
Twelfth District
February 2-March 22, 1933 (in millions of dollars)

	Feb. 2-21	Feb. 23-Mar. 1	Mar. 2-8	Mar. 9-22
Demand for currency by banks and individuals...	18	42*	41	-75
Reserve deposits of member banks	13	-21	-1	10
Net transfers of funds into or out of the District excluding Treasury operations	36	0	23	-52
Reserve Bank credit extended to Twelfth District	-1	21	18	0

*\$36,000,000 of this increase occurred on February 27, February 28, and March 1.

Demand for currency (net changes in money outside the Federal reserve banks and the

United States Treasury) increased 18 million dollars from February 1 to February 21, the funds used in obtaining the cash coming from transfers into this District. After meeting the currency demands, a substantial amount of those transfers remained in the form of deposits to the account of member banks at the Reserve Bank. In the week ending March 1, demand for currency increased 42 million dollars. Banks met this demand by withdrawing 21 million dollars from their deposit accounts at the Reserve Bank and by borrowing an additional 21 million dollars from that Bank. From March 2 to March 8, additional net currency payments by the Reserve Bank totaled 41 million dollars, part of which represented transfers into the District on March 2 and 3 by agencies which drew upon deposits outside the District on those days when most local banks were closed and part of which was borrowed from the Reserve Bank.



PRINCIPAL SOURCES AND USES OF BANKING RESERVES—Twelfth District
Changes culminated from February 22, 1933

- A. Demand for Currency.
B. Reserve Bank Credit.
C. Net Commercial and Financial Transfers into and out of the District (excluding United States Treasury transfers.)
D. Member Bank Reserve Deposits.

Member banks met the sharp increase in demand for currency (Curve A) between February 22 and March 8 by borrowing from the Reserve Bank (Curve B), by transferring funds into this District from other parts of the United States (Curve C), and by drawing down their reserves at the Reserve Bank (Curve D).

The rapid reduction in demand for currency (Curve A) between March 15 and March 22 supplied banks with funds which were transferred out of the District (Curve C) during that week.

At no time during the period under review did the reserves of the Federal Reserve Bank of San Francisco or of the member banks as a whole fall below their legal requirements. Aggregate reserves in excess of legal requirements were carried by member banks at the time of closing, and reserves of the Federal Reserve Bank of San Francisco fluctuated around 50 per cent of total deposit and note liabilities combined, or well about the legal requirements (35 per cent against deposits and 40 per cent against Federal Reserve Notes in actual circulation). Both commercial and Federal reserve banks are permitted by law to maintain reserves of less than the usual legal requirements, sub-

ject to certain penalties, and had it been considered desirable to do so, substantial additional amounts of currency could have been paid to the public.

Commercial banking operations during the week ending March 11 were largely confined to cashing of checks in limited amounts for necessary purposes, and to preparations for reopening under authority of the Secretary of the Treasury. Additional currency was obtained from the Reserve Bank by commercial bankers who wished to be fortified with extra vault cash against possible renewals of runs upon reopening.

The reopening of District banks proceeded in an orderly manner, and in accordance with the schedule set forth by the Secretary of the Treasury. On March 13, banks in San Francisco, the Federal reserve city of the Twelfth District, opened for business without restriction other than that currency should not be paid out for hoarding and gold coin and certificates should not be paid out for any purpose. Banks in the larger clearing house cities outside San Francisco opened on March 14, and other banks opened on March 15 or as soon thereafter as routine work preliminary to the granting of licenses could be completed. A number of banks were placed in the hands of conservators, agents of the Comptroller of the Currency, provided for in the banking legislation of March 9. Several banks, mostly in country areas, were closed for liquidation. In relation to the total number of banks in operation at the time the banking holidays were proclaimed, however, the number which failed to reopen was small.

NUMBER OF BANKS—Twelfth District

	Banks in Operation				Banks Licensed to Reopen	
	June 30, 1930	March 1, 1933		Mar. 13-22, 1933*		
	Non-Member	Member	Non-Member	Member	Non-Member	
Arizona	12	16	8	7	4	
California	216	208	164	153	138	
Idaho	58	79	37	59	44	
Nevada	10	25	7	6	6	
Oregon	119	107	78	74	72	
Utah	41	61	32	42	39	
Washington ...	143	189	110	137	123	
Twelfth District.	599	685	436	478	426	

*Includes banks licensed to reopen either with or without restrictions. Figures subject to revision.

When the banks actually reopened, redeposits of cash exceeded withdrawals by substantial amounts. As a result, banks were able almost immediately to commence returning to the Reserve Bank the redeposited currency as well as part of the emergency supplies that had been placed in their vaults a few days earlier. The peak of currency outstanding was reached on March 13. On March 14 and on each succeeding day to March 20, inclusive, currency returned to the Reserve Bank exceeded the amount paid out, the net return during the seven-day period totaling 72 million dollars.

Up to March 20, the Federal Reserve Bank of San Francisco had issued none of the Federal reserve bank notes authorized by the amendment to the Federal Reserve Act on March 9.

Gold coin was also being returned to the Federal Reserve Bank during this period. From March 6 to March 20, inclusive, gold coin turned in to the Bank totaled 24 million dollars. Between January 1 and March 4 of this year the Reserve Bank had paid out 9 million dollars in gold coin.

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

	Condition				
	Mar. 22, 1933	Mar. 15, 1933	Mar. 1, 1933	Feb. 21, 1933	Mar. 23, 1932
Total bills and securities..	253	266	240	181	178
Bills Discounted	78	87	59	39	119
Bills Bought	50	54	56	17	11
United States Securities..	125	125	125	125	48
Total Reserves	213	259	213	258	218
Total Deposits	164	156	148	169	151
Federal Reserve Notes in Circulation	293	344	287	252	226
Ratio of Total Reserves to Deposit and Note Liabil- ities Combined	46.5	51.9	49.1	61.3	57.8

The Reserve Bank of San Francisco not only extended a large amount of credit to the Twelfth District during February but also participated in the System's purchases of bills in the New York market. Bill holdings increased 58 million dollars between February 15 and March 8, practically all of which represented

credit extended to other districts. Banks in the Twelfth District continued to hold exceptionally small inventories of bills (12 million dollars), bought almost no new paper, and did little accepting of new documents. The Reserve System's buying rates on bills were increased sharply toward the close of February and during early March as open market money rates advanced, but these rates were only nominal as affecting the Twelfth District due to the absence of local purchases. Money rates to customers for the week ending March 18 were quoted higher than in mid-February but these rates, also, were almost nominal, since credit was sharply restricted.

On March 13, the United States Treasury allotted 34 million dollars of certificates of indebtedness to District banks equally divided between the 4 per cent and 4¼ per cent issues, maturing August 15 and December 15, 1933, respectively. Subscribing banks tendered 12 million dollars of maturing securities in payment and gave book credit of 20 million dollars as Government deposits. The remaining 2 million dollars was paid in cash. Although these securities immediately sold in the market at a premium, the bulk of them were retained by local banks or their customers as investments or were pledged to secure the Government deposits created by the subscriptions.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

The course of business in the latter part of February and the first half of March was largely influenced by the development of a crisis in banking, culminating in the proclamation on March 6 of a national banking holiday by the President of the United States. Production and distribution of commodities declined by a substantial amount during this period, but showed some increase after banking operations were resumed in the middle of March.

Production and Employment. Volume of output at factories and mines, which usually increases at this season, showed little change from January to February, and declined considerably in the first half of March. In the steel and automobile industries output decreased between the middle of February and the middle of March; subsequently some of the automobile plants which had been closed resumed operations, while activity at steel mills showed little change. In February output at cotton and woolen mills continued at the level prevailing in January, while at silk mills activity declined. Shoe production increased by more than the usual seasonal amount.

Reports from important industrial states in-

dicating that factory employment increased between the middle of January and the middle of February, as is usual at this season.

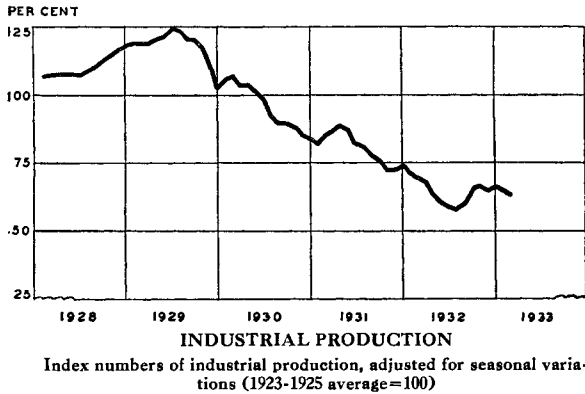
Construction contracts awarded up to March 15, as reported by the F. W. Dodge Corporation, indicate that for the first quarter of the year the total value of contracts will show a considerable decline from the fourth quarter of 1932.

Distribution. Freight traffic, which usually increases at this season, showed little change from January to February, on a daily average basis, and declined considerably in the first two weeks of March. Department store sales in the country as a whole were at about the same rate in February as in January, but were substantially smaller in areas affected by suspension of banking operations; early in March sales were sharply reduced but with the reopening of banks showed some increase.

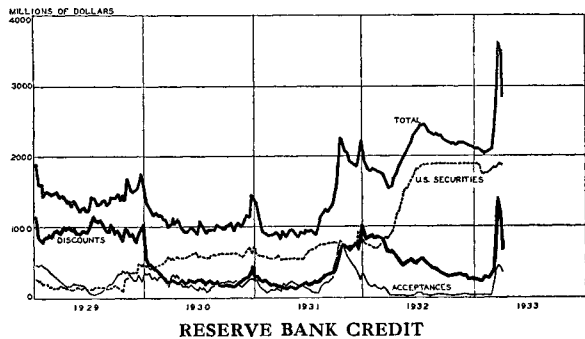
Wholesale Prices. Wholesale commodity prices declined somewhat further in February. In the early part of March the commodity exchanges were closed; when they reopened on March 15 and 16, prices of grains, cotton, silk, nonferrous metals, hides, and sugar were sub-

stantially above those prevailing at the beginning of the month; subsequently prices of many of these commodities declined somewhat.

Bank Credit. During February member banks in leading cities were subjected to withdrawals of deposits on a large scale reflecting in part withdrawals of balances by interior banks from their city correspondents and in part withdrawals of currency by the public. As



a consequence, net demand deposits of these banks declined by \$1,306,000,000 during the month, and their time deposits by \$360,000,000. In order to meet these withdrawals the banks reduced their loans by \$539,000,000, partly through the sale of acceptances to the Federal reserve banks, and their investments by \$363,000,000. They also increased considerably their borrowings at the reserve banks. March figures for member banks are incomplete.

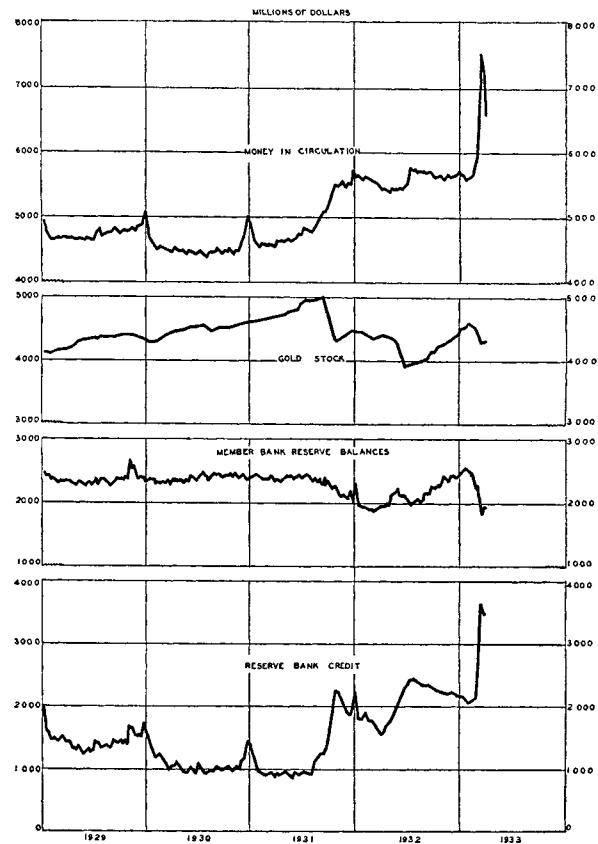


Wednesday figures. Latest figures are for March 22.

At the Federal reserve banks the banking crisis manifested itself between February 1 and March 4 in a domestic demand for \$1,833,000,000 of currency, including about \$300,000,000 of gold and gold certificates, and in a foreign demand for about \$300,000,000 of gold. As a consequence, the reserve ratio of the Federal reserve banks declined from 65.6 per cent to 45.0 per cent. This reflected a loss of \$655,000,000 in reserves and an increase of \$1,436,000,000 in Federal reserve note circulation, offset in part by a decrease of \$486,000,000 in deposit liabilities.

Between March 4 and March 22, there was a return flow to the reserve banks of \$558,000,000 of gold coin and gold certificates and of \$319,000,000 of other currency, and the reserve ratio advanced to 55.5 per cent. Discounts for member banks, which had increased to \$1,432,000,000 by March 4, declined to \$671,000,000 on March 22.

Money rates in the open market advanced during the banking crisis, and on the resumption of business after the banking holiday, rates were at considerably higher levels than those prevailing on March 3. Subsequently, rates declined as more funds became available to the market. On March 3 the discount rate of the



Wednesday figures. Latest figures are for March 22.

Federal Reserve Bank of New York was raised from 2½ to 3½ per cent, and on March 4 there was a similar increase at the Federal Reserve Bank of Chicago. The New York Reserve Bank's buying rate on bills was raised by successive steps from ½ per cent on February 26, for bills of the shorter maturities, to ¾ per cent on March 3. On March 13 the rate for these maturities was raised to 3½ per cent; subsequently the rate was reduced and on March 22 was 2 per cent.