

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

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

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### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District industry and trade continued to expand sharply during July, and activity in practically every important line of production and distribution was higher than in July, 1932. Employment conditions improved substantially during the month. Aggregate wage payments also increased, and for the first time since the autumn of 1929 industrial payrolls in California exceeded those in the corresponding month of the preceding year.

Harvests of the district's field, grain, and fruit crops are expected to be smaller in the aggregate this year than in 1932. Estimates of the output of most field and grain crops increased from July 1 to August 1, but production forecasts for several important fruit crops declined. Marketing prospects are more favorable than a year earlier. Most of the July advance in farm products prices was cancelled by declines toward the end of that month, and at the middle of August prices averaged about the same as at the close of June.

Consumption of electrical energy increased considerably more than is customarily expected in July. Daily average petroleum production advanced further during July and the first two weeks of August, reaching about 500,000 barrels for the first time since the spring of 1932. Lumber mill operations, stimulated by substantial unfilled orders, continued to expand during July, but declined during the first part of August. New orders for lumber fell off considerably during July, following rapid increases in April, May, and June. Value of engineering contracts awarded was extremely small during July, but building permits issued increased somewhat further.

Daily average sales of department stores increased approximately 6 per cent in value during July, although a moderate decline is customary during that month. The seasonally adjusted index of freight carloadings also advanced. Intercoastal traffic, however, increased less than is usual from June to July, reflecting smaller eastbound petroleum shipments. Sales of new automobiles remained comparatively

high, although the adjusted index was lower than in June.

Twelfth District banking funds were reduced as a result of Treasury operations and commercial transactions with other districts during the four weeks ending August 16, notwithstanding which total reserve deposits of member banks increased. In order to obtain funds for these purposes member banks borrowed additional amounts from the Federal Reserve Bank of San Francisco. Demand for currency decreased in the early part of this period, but increased slightly in the first half of August.

Neither net demand deposits nor time deposits of reporting member banks changed appreciably from July 19 to August 16. Loans for commercial purposes and on securities expanded slightly during this period. District banks and individuals were allotted 55½ million dollars of United States securities at the time of the August 15 financing. As usual, these allotments were accompanied by increases in city bank investments and in Government deposits at those banks.

#### Agriculture

Weather conditions during July and the first half of August were not favorable for the growth of crops in the Twelfth District. Abnormal temperatures resulted in declines in production estimates of some fruit crops, and, although the expected volume of production of several other crops increased somewhat, their quality was unfavorably affected. It now seems probable that aggregate crop production will be smaller this year than in 1932, in which year considerable amounts of crops were unharvested because of unsatisfactory marketing conditions. Market prospects are somewhat better this year, however, with farm prices for nearly all crops currently higher than in 1932.

Estimates of wheat production in the district were revised upward during July, harvesting of the winter wheat crop having indicated that the yield will be greater than was anticipated earlier in the season. The August 1 forecast of

the 1933 barley crop was larger than that for July 1, but smaller than the 1932 harvest. Production estimates of all field crops except rice were increased from July 1 to August 1. Harvesting of some of these crops is now under way.

Estimates of deciduous fruit production in the Pacific Northwest were about the same on August 1 as on July 1. In California, estimates of the grape and peach crops were reduced because of damage from insects and hot weather during July.

#### DECIDUOUS FRUITS AND NUTS—PRODUCTION

	Unit	Forecast		1932
		Aug. 1, 1933	July 1, 1933	
(In thousands)				
<b>California</b>				
Apples*	bu.	9,275	9,275	9,045
Apricots	tons	251	251	270
Cherries	tons	23	23	19
Grapes	tons	1,548	1,650	1,926
Raisin	tons	924	1,013	1,221
Table	tons	257	270	317
Wine	tons	367	367	388
Peaches	tons	534	563	547
Clingstone	tons	343	365	340
Freestone	tons	191	198	207
Pears	tons	241	241	238
Plums	tons	59	59	68
Prunes	tons	186	186	172
Almonds	tons	12	12	14
Walnuts	tons	33	33	46
<b>Oregon</b>				
Apples*	bu.	3,965	4,030	4,950
Cherries	tons	12	12	12
Pears	bu.	3,034	2,812	2,808
Prunes (dried)	tons	22	20	20
Prunes (fresh)	tons	20	20	36
<b>Washington</b>				
Apples*	bu.	30,960	30,530	30,960
Cherries	tons	16	13	16
Pears	bu.	4,368	4,316	3,723
Peaches	bu.	304	352	1,320
Prunes (fresh)	tons	20	21	22
<b>Idaho</b>				
Apples*	bu.	5,520	5,658	4,200
Prunes (fresh)	tons	5	4	26
<b>United States</b>				
Apples*	bu.	146,831	149,598	140,775
Pears	bu.	22,281	21,805	22,050
Peaches	bu.	45,553	45,113	42,443

\*Total crop.

Source: United States Department of Agriculture.

The current crops of lemons and Valencia oranges in California are larger than in 1932. The proration plan adopted by marketing organizations limits the volume of oranges to be shipped this year. Probably as a result of this marketing control plan, orange shipments from California during May, June, and July were 5 per cent smaller than during the corresponding months a year ago. Lemon marketings increased 9 per cent between these two periods.

#### LAMB AND WOOL PRODUCTION

	Lambs Docked		Wool Production	
	(In thousands)		(In thousands of pounds)	
	1933	1932	1933	1932
Arizona	502	521	4,988	5,220
California	1,942	2,106	22,825	24,219
Idaho	1,489	1,555	16,125	16,500
Nevada	410	410	5,967	6,705
Oregon	1,556	1,648	19,720	18,630
Utah	1,178	1,151	17,890	18,160
Washington	525	567	5,640	5,506
Twelfth District	7,602	7,958	93,155	94,940
United States	28,998	29,727	348,194	344,354

Forage and water on district cattle and sheep ranges, excepting those in the higher altitudes, continue inadequate. Prospective feed condi-

tions on fall and winter ranges are not as satisfactory this year as they were a year ago. Cattle are generally in better condition than sheep, but the number of both feeder cattle and lambs in marketings this fall will be relatively greater than was the case last year. A scarcity of hay for supplemental feeding is also anticipated this autumn, although grain is expected to be available in ample quantities. The 1933 lamb crop in the district was 5 per cent smaller, and this season's wool clip 2 per cent smaller than in 1932.

#### GRAIN AND FIELD CROPS—PRODUCTION

	Forecast		
	Aug. 1, 1933	July 1, 1933	1932
(In thousands)			
<b>Cotton (bales)</b>			
Arizona, California	256	.....	198
United States	12,314	.....	13,002
<b>Beans (bags)</b>			
California, Idaho	4,197	4,131	3,544
United States	9,365	10,154	10,164
<b>Tame Hay (tons)</b>			
Twelfth District	11,481	11,356	12,481
United States	64,910	66,047	69,794
<b>Hops (pounds)</b>			
California, Oregon, Washington	35,518	32,596	24,120
<b>Potatoes (bushels)</b>			
Twelfth District	37,827	36,781	40,429
United States	292,668	306,423	357,679
<b>Rice (bushels)</b>			
California	6,042	6,042	7,040
United States	34,203	33,927	39,356
<b>Sugar Beets (tons)</b>			
California, Idaho, Utah	2,807	2,791	2,811
United States	9,955	9,682	8,991
<b>Oats (bushels)</b>			
Twelfth District	25,165	24,507	24,705
United States	666,745	698,941	1,238,231
<b>Barley (bushels)</b>			
Twelfth District	36,791	34,550	52,232
United States	157,634	169,951	299,950
<b>Wheat (bushels)</b>			
Twelfth District	96,359	91,759	112,695
United States	499,671	495,681	726,831

Source: United States Department of Agriculture.

Although receipts of butter and eggs during July were smaller than in June, they were larger than a year ago. Storage holdings of both these products increased rapidly during the later month and on August 1 were larger than a year earlier. Prices for dairy and poultry products did not increase in June and July as rapidly as did prices for other agricultural products, although grains for poultry feeding nearly doubled in price during these months.

#### Industry

Twelfth District industrial activity increased considerably further during July, reaching the highest level since late in 1931. Consumption of electrical energy increased more than seasonally, showing for the first time in two years an increase over figures of a year earlier.

The number of industrial employees in California industries rose 7 per cent further from June to July, and was 8 per cent larger than in July, 1932. In June, employment was about 4 per cent above that of a year earlier, while in March of this year there was a year-period decline of 12 per cent, indicating that unemploy-

ment has been reduced considerably as a result of the recent rise in general industrial activity. There was a sharp seasonal expansion in employment at canneries during July. Further enlargement of motion picture forces brought employment in that industry to a level 67 per cent higher than in the preceding year. The number employed in miscellaneous industries also continued to expand. Aggregate wage payments increased 3 per cent from June to July and for the first time since late 1929 were greater than in the corresponding month of the preceding year. Improvement in employment conditions was more marked in Oregon than in California. The number of employees reported by firms in each industrial group was larger than in July, 1932, and in the lumber, textile, and food industries the year-to-year increase in employment was approximately 50 per cent.

California production of crude oil averaged 488,000 barrels daily in July, compared with 478,000 barrels in June, 1933, and 472,000 barrels in July, 1932. Operations were further expanded to 507,000 barrels daily during the first two weeks of August, following another advance in proration schedules from 452,500 barrels to 459,600 barrels daily. Most of the increase in production as well as in allotments was recorded for the Huntington Beach field, where new producing wells caused potential output to rise. Refineries were somewhat more active in July and the first half of August than in June, and operations approximated those of a year earlier. Inventories of gasoline did not change appreciably during these weeks.

Activity at lumber mills increased further during July, although ordinarily considerable decline is recorded in that month. This bank's seasonally adjusted index of lumber production

showed another marked rise from 53 to 62 per cent of the 1923-1925 average. The later figure is nearly double that for July, 1932, and approximately at the level of July, 1931. New orders received by the mills fell off sharply during the month, but shipments continued to increase, reflecting deliveries on orders already received. Although unfilled orders remained relatively large during the first half of August, production slackened somewhat.

The value of engineering contracts awarded during July was extremely small, amounting to 5 million dollars as compared with a monthly average of more than 20 million dollars in the first half of the year. Actual operations, however, were fairly well sustained by work on previously awarded contracts. Building permits issued, which ordinarily reflect construction to be undertaken almost immediately, were slightly larger in value in July than in either June, 1933, or July, 1932.

Flour milling was more active in July than in June. Millers' inventories of flour remained practically unchanged, but stocks of wheat continued to increase, reaching the highest levels in more than three years. Slaughter of livestock decreased by about the seasonal amount during July. Preliminary estimates indicate that the size of the Alaskan salmon pack this year will approximate that of the 1932 pack of 5,260,000 cases.

## Trade

Lumber shipments on railroads in the Pacific Northwest, which usually fall off sharply during July, changed little in that month this year, with the result that the seasonally adjusted index of total carloadings as well as the

## Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees July, 1933	No. of Employees July, 1932	No. of Firms	No. of Employees July, 1933	No. of Employees July, 1932
All Industries*	1,163	133,853	123,855	116	18,736	13,635
		(+8.1)			(+37.4)	
Stone, Clay, and Glass Products..	52	3,960	3,384	..	..	..
		(+17.0)				
Lumber and Wood Manufactures ..	122	12,306	11,608	38	10,463	6,900
		(+6.0)			(+51.6)	
Textiles .....	15	1,497	1,190	8	1,337	885
		(+25.8)			(+51.1)	
Clothing, Millinery, and Laundering.	141	9,706	8,973	7‡	211	202
		(+8.2)			(+4.5)	
Food, Beverages, and Tobacco...	289	37,244	35,172	33	2,837	1,949
		(+5.9)			(+45.6)	
Public Utilities ...	47	43,266	46,785	..	..	..
		(-7.5)				
Other Industries†	491	63,317	59,758	..	..	..
		(+6.0)				
Miscellaneous ....	53	5,823	3,770	30	3,888	3,699
		(+54.5)			(+5.1)	
Wholesale and Retail .....	236	26,558	26,262	..	..	..
		(+1.1)				

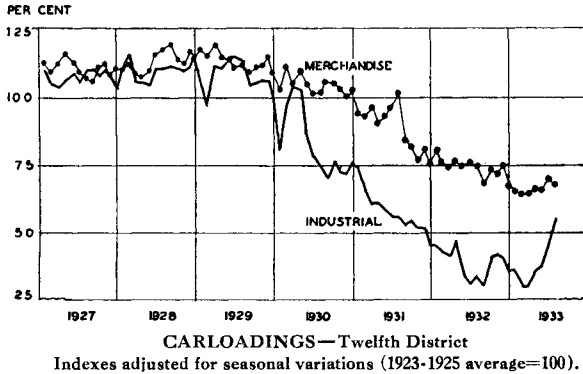
\*Public utilities and wholesale and retail figures not included in this total. †Includes the following industries: Metals, machinery, and conveyances; leather and rubber goods; oils and paints; printing and paper goods. ‡Laundering only. Figures in parentheses indicate percentage change from July, 1932.

## Industry—

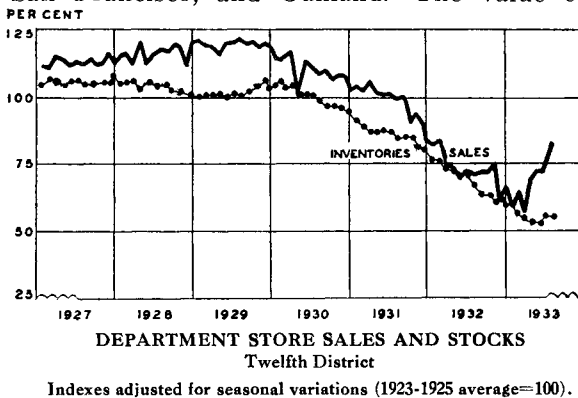
General	Indexes of daily average production, adjusted for seasonal variations (1923-1925 daily average=100)				1932		
	July	June	May	Apr.	July	June	May
Carloadings—Industrial..	55	45	37	35	34	32	34
Electric Pwr. Production. 140¶	136	133	135	135	134	137	139
<b>Manufactures</b>							
Lumber .....	62	53	38	29	34	34	32
Refined Mineral Oils†...	144	127	133	131	144	144	137
Flour .....	123	115	127	105	85	103	100
Slaughter of Livestock...	91	91	85	87	90	83	83
Cement .....	54	47	52	42	53	45	56
Wool Consumption†	93	96	93	79	82	108	55
<b>Minerals</b>							
Petroleum (California)†	74¶	72	72	72	72	71	76
Lead (United States)‡	36	41	37	45	31	49	59
Silver (United States)‡	..	..	36	36	40	41	49
<b>Building and Construction§</b>							
Total .....	28	52	43	47	29	29	33
Building Permits—Value							
Larger Cities .....	14	11	10	10	12	13	17
Smaller Cities .....	13	12	13	13	14	14	15
Engineering Contracts							
Awarded—Value							
Total .....	50	108	90	97	53	49	53
Excluding Buildings.	83	214	198	223	96	92	111

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

index of industrial loadings in the district increased. Merchandise shipments decreased slightly after allowing for seasonal movements. California loadings showed no change during the month. The volume of traffic in the district was about 10 per cent larger in July, 1933, than in July, 1932.



For the fourth consecutive month, seasonally adjusted department store sales increased during July, the index advancing to 82 per cent of the 1923-1925 average as compared with 72 in June. In March, 1933, the adjusted index was 57, the lowest point reached since the beginning of 1919. Sales ordinarily decrease during May, June, and July, followed by expansion during the autumn months, but during the current year more than the seasonal rise took place from March to April, since when daily average sales have shown little net change. This improvement has been general throughout the district, although most evident in Los Angeles, San Francisco, and Oakland. The value of



July, 1933, sales exceeded that of July, 1932, by 13 per cent, in contrast with a year-period reduction of 15 per cent during the first half of the year. The number of sales transactions during July was 3 per cent greater than a year earlier. According to the Fairchild index, retail prices of department store goods increased 5 per cent from July 1 to August 1 and were slightly higher than in August, 1932. Inventories at the end of July were the same in value as at the end of June. After allowance for sea-

sonal factors, this represented an increase of 5 per cent from the figures for April and May.

Automobile registrations were the same in July as in June, although there is usually a moderate increase during the later month. Thus, the seasonally adjusted index declined from 64 to 57 per cent of the 1923-1925 average. Even so, registrations remained at a high level as compared with any month in 1932 or the first four months of 1933.

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

	1933 compared with 1932		STOCKS
	NET SALES		
	July	January 1 to end of July	
Department Stores . . .	12.5 ( 64)	-12.0 ( 63)	-11.2 (47)
Los Angeles . . . . .	19.0 ( 7)	-10.7 ( 7)	-10.8 ( 7)
Other Southern Calif. . . . .	12.3 ( 6)	-12.7 ( 6)	5.8 ( 4)
Oakland . . . . .	4.4 ( 4)	-15.9 ( 4)	-14.2 ( 4)
San Francisco . . . . .	14.5 ( 7)	-9.0 ( 7)	-9.3 ( 7)
Bay Region . . . . .	11.7 ( 15)	-10.9 ( 15)	-10.1 ( 15)
Central California . . . . .	6.1 ( 6)	-12.9 ( 6)	1.3 ( 5)
Portland† . . . . .	-7.3 ( 8)	-16.9 ( 7)	-19.2 ( 8)
Seattle . . . . .	7.0 ( 4)	-15.8 ( 4)	-21.1 ( 4)
Spokane . . . . .	-4.0 ( 4)	-21.9 ( 3)	-15.2 ( 4)
Salt Lake City . . . . .	6.0 ( 4)	-9.5 ( 4)	7.3 ( 3)
Apparel Stores . . . . .	17.4 ( 25)	-10.1 ( 24)	-3.1 ( 15)
Furniture Stores . . . . .	59.7 ( 25)	-13.5 ( 32)	-27.8 ( 21)
All Stores . . . . .	18.0 ( 114)	-12.0 ( 119)	-13.1 ( 83)

†Includes six apparel stores which are not included in District department store total.  
Figures in parentheses indicate number of stores reporting.

Wholesale trade increased slightly further during July, bringing the gain over the corresponding month last year to 21 per cent. Most lines of activity either decreased less than is customary from June to July or else showed an increase. Furniture and shoe wholesalers experienced a sharp expansion in business, contrary to seasonal expectations, and more than the usual increase in sales of dry goods and paper and stationery wholesalers was reported. Purchases of wholesalers during July were more than enough to make up for the increased amount of goods turned over to retailers and at the end of July wholesale stocks were larger than at the end of June.

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

	July, 1933 compared with		Cumulative 1933 compared with 1932
	June, 1933	July, 1932	
Agricultural Implements . . . . .	0.3	29.1	-21.0
Automobile Supplies . . . . .	-1.5	14.4	-10.5
Drugs . . . . .	-3.6	8.2	-14.7
Dry Goods . . . . .	17.9	93.5	11.8
Electrical Supplies . . . . .	1.9	35.9	-4.8
Furniture . . . . .	66.0	166.9	9.0
Groceries . . . . .	-0.8	1.1	-7.7
Hardware . . . . .	-5.0	37.8	-3.5
Shoes . . . . .	21.0	76.3	-1.3
Paper and Stationery . . . . .	8.1	17.6	-12.3
All Lines . . . . .	2.2	21.4	-7.0

Intercoastal traffic increased by a smaller volume during July than has been recorded in most other recent years, although total tonnage exceeded that of both July, 1932, and July, 1931.

Foreign trade of Pacific Coast Ports improved slightly in the second quarter of the year, low points having been reached in February for exports and in April for imports.

**Prices**

Commodity prices, as indicated by the various weekly indexes, moved downward moderately during the last week of July, but changed little during the first half of August. Prices of a number of agricultural products important in the Twelfth District were lower at the middle of August than a month earlier, quotations for commodities in this group having declined more rapidly during late July than prices for other raw materials.

The price of wheat on the Chicago market fluctuated considerably during the four weeks under review, although certain limitations on price movements were in effect during that period. The September contract sold for \$.86 1/8 per bushel on August 21, compared with a range from \$.90 to \$1.08 per bushel on July 20, \$1.20 on July 18 (the highest point for that contract since September, 1929), and \$.79 1/4 per bushel on June 20, 1933. Prices for grains on the Pacific Coast fluctuated about the same as did Chicago prices during this period. In mid-August, extra fancy Japan rice (grown in California) was quoted at \$3.35 to \$3.50 per hundredweight at San Francisco, the highest price received since October, 1931. Cotton prices declined sharply during the latter part of July and in mid-August were about the same as in late June. Prices for other field crops—potatoes, beans, hay, and hops—were about the same in the middle of August as a month earlier. Returns for deciduous and citrus fruits sold in eastern markets during August were about the same as in August, 1932.

Cattle and hogs sold at Pacific Coast markets in mid-August brought prices which were generally lower than in late June and early July, but quotations for good to choice grade

lambs reached the highest levels attained since July, 1931.

California dried fruit prices declined slightly during the first two weeks of August, following advances during July. Spot prices for canned pears did not change during July or the first half of August, while prices for canned apricots were revised upward in mid-July and again in mid-August. A maximum and a minimum price for canned peaches was set under the marketing agreement for peach growers and canners. Choice grade yellow cling peaches in No. 2 1/2 size cans are to be sold by the canner at from \$1.30 to \$1.55 per dozen cans. These prices are higher than were received for canned peaches in 1932 and 1931. Opening prices for the 1933 pack of canned peaches announced on August 18 were the same as prices that had prevailed for several preceding weeks. Canned salmon prices were advanced during July. Movements of flour prices closely followed changes in the wheat market. The price of a representative grade of flour at San Francisco was about 12 per cent lower in mid-August than a month earlier.

Prices for lead, zinc, and copper rose slightly throughout July and were stable during the early part of August. Silver quotations, which had also advanced up to mid-July, declined in the last half of that month to June levels. There was practically no change in silver prices during the first half of August.

Crude oil prices in California did not change during July or the first two weeks of August.

**Distribution and Trade—**

	1933				1932		
	July	June	May	Apr.	July	June	May
	Indexes adjusted for seasonal variations (1923-1925 average=100)						
<b>Carloadings†</b>							
Total	62	58	53	52	57	55	55
Merchandise	68	70	67	67	74	75	74
<b>Foreign Trade*</b>							
Total†		39	38	37	45	45	46
Imports†		35	34	36	39	42	41
Exports		42	39	38	48	47	49
<b>Intercoastal Trade</b>							
Total	63	72	68	60	45	51	54
Westbound	100	79	61	60	72	57	66
Eastbound	55	69	70	60	39	50	59
<b>Retail Trade</b>							
<b>Automobile Sales‡</b>							
Total	57	64	48	37	30	47	32
Passenger	53	59	46	36	28	45	30
Commercial	98	110	70	48	50	71	59
<b>Department Store</b>							
Sales‡	82	72	72	69	72	74	70
Stocks§	57	57	54	54	67	70	72
<b>Collections#</b>	Actual Figures						
Regular	42.9	43.5	44.7	41.4	39.2	39.8	41.3
Installment	16.1	14.9	15.3	13.9	13.2	13.4	13.7

†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.

**Bank Debits\*—**

	July, 1933	July, 1932	First 7 Months—	
			1933†	1932
<b>Arizona</b>				
Phoenix	\$ 18,380	\$ 17,555	\$ 123,015	\$ 153,830
<b>California</b>				
Bakersfield	7,081	7,112	46,924	53,271
Berkeley	12,621	13,275	80,601	105,039
Fresno	12,964	13,392	81,695	109,087
Long Beach	25,429	24,999	156,360	194,905
Los Angeles	598,552	528,140	3,485,368	4,055,111
Oakland	160,777	161,971	1,122,779	1,185,521
Pasadena	20,119	17,884	127,558	160,483
Sacramento	25,997	38,374	191,664	277,788
San Bernardino	4,671	4,346	32,000	44,526
San Diego	31,737	33,186	200,490	250,290
San Francisco	738,445	662,814	4,209,243	4,696,527
San Jose	13,996	15,817	89,049	114,684
Santa Barbara	7,645	8,548	48,551	67,662
Stockton	12,840	13,325	72,455	93,563
<b>Idaho</b>				
Boise	10,497	10,569	58,128	72,265
<b>Nevada</b>				
Reno	6,385	8,551	31,565	54,256
<b>Oregon</b>				
Eugene	3,237	3,396	19,503	28,112
Portland	112,436	92,012	664,072	709,768
<b>Utah</b>				
Ogden	11,334	9,432	58,510	61,607
Salt Lake City	42,526	39,912	266,970	306,133
<b>Washington</b>				
Bellingham	4,464	4,649	26,490	33,361
Everett	5,328	5,357	30,664	39,828
Seattle	132,325	122,438	782,932	929,641
Spokane	23,409	25,679	136,408	200,212
Tacoma	19,866	19,161	121,075	154,677
Yakima	6,814	7,571	42,411	54,913
<b>Total</b>	\$2,069,875	\$1,909,465	\$12,306,480	\$14,207,060

\*In thousands of dollars. †Includes banking holiday period.

Lumber prices continued to rise during July and by the end of the month quotations had reached the levels of late 1930. Miscellaneous commodities of importance in the Twelfth District which showed price increases from July to August were sugar, wool, steel, and hides, while raw silk and tin prices declined. Rubber and coffee prices were unchanged.

### The Credit Situation

Banks in the Twelfth District increased their use of reserve bank credit considerably during the four weeks ending August 16. During the spring months, borrowings of member banks at the Federal Reserve Bank of San Francisco declined rapidly from the comparatively high figure of 87 million dollars in March to 8 million dollars in the second week of July, the lowest point in two years. During the remainder of July and the first ten days of August, a small expansion in the need for reserve bank credit resulted from commercial transfers of funds out of this district to other parts of the country. In the third week of August, however, a sharp increase in borrowings at the reserve bank took place, reflecting largely the fact that the United States Treasury withdrew funds from local markets by collecting considerably more than it disbursed in this area.

#### SOURCES AND USES OF BANKING RESERVES Twelfth District Changes in millions of dollars during the weeks indicated

Week Ending 1933	SOURCES OF FUNDS				Total Supply
	Reserve Bank Credit	Commercial Operations	Treasury Operations		
July 5.....	+10.6	- 9.0	- 4.2		-2.6
July 12.....	-10.7	+ 9.0	- .2		-1.9
July 19.....	+ .9	-18.4	+ 9.1		-8.4
July 26.....	+ 3.9	- 7.9	- .7		-4.7
August 2.....	+ 2.7	- 1.3	+ 2.6		+4.0
August 9.....	- .4	- 5.6	+10.0		+4.0
August 16.....	+10.3	+ 8.4	-13.9		+4.8

Week Ending 1933	USES OF FUNDS				Total Dem'd
	Demand for Currency	Member Reserve Deposits	Non- member Deposits	Unexp'd Capital Funds	
July 5.....	+ 9.7	-12.1	*	- .2	-2.6
July 12.....	-10.7	+ 8.7	+ .1	* .2	-1.9
July 19.....	- 3.8	- 5.8	+1.2	* .2	-8.4
July 26.....	- 5.1	- .2	+ .4	+ .2	-4.7
August 2.....	+ 1.5	+ 1.8	+ .7	*	+4.0
August 9.....	+ .6	+ 4.4	-1.0	*	+4.0
August 16.....	- .1	+ 5.0	- .2	+ .1	+4.8

\*Change smaller than \$50,000.

The increase in reserve bank credit during this period was accompanied by an increase in member bank reserve deposits notwithstanding the fact that many banks already had reserves in excess of legal requirements. Reserve accounts of country member banks increased by a small amount as a result of transfers of balances from city correspondents to the Federal Reserve Bank of San Francisco, but most of the expansion took place in reserves of banks in the larger cities of the district, principally San Francisco. In interdistrict or local trans-

fers of funds during any given period, it is almost invariably the case that some of the banks show net gains while others lose more deposits than they receive. If banks having excess reserves experience net losses of deposits, it is likely that they will draw upon those reserves instead of borrowing from the reserve bank; if those banks have net gains from their transfers, it is probable that the funds received will accumulate as additional excess reserves. If, on the other hand, banks having no excess reserves sustain a loss on balance due to commercial or financial transfers, they are likely to secure needed funds by borrowing from the reserve bank. Conversely, a borrowing bank gaining deposits locally or from other districts would ordinarily reduce indebtedness in preference to building up reserves. The combination of such circumstances may, as it did during the period from July 19 to August 16, result in an addition to the aggregate excess reserves of member banks at the same time that total borrowings of those banks increase. Those banks having more reserves than were required experienced a net receipt of funds. On the other hand, those discounting at the reserve bank were called upon to furnish funds for transfer to other districts or to other banks within the district, or for deposit in the United States Treasurer's account at the reserve bank.

Changes in the demand for currency had relatively little effect upon banking reserves during the period under review. Small amounts of currency continued to be returned to banks during most of July. During the first half of August, however, currency circulation increased slightly, as is not unusual at that time of year. The increase was confined almost entirely to currency of the smaller denominations.

For the first time in more than three years loans of commercial banks have recently shown some evidence of stability. After allowing for certain changes which appeared as a decrease in reporting member bank figures, but which did not actually reduce the amount of credit outstanding, loans of reporting member banks have shown no net decline in three months. Investment holdings have decreased moderately since mid-year, however, and total credit extended by city banks declined to the low point of early March. Neither time nor net demand deposits have varied appreciably in recent weeks. A slight downward tendency in time deposits since the beginning of May has been more than offset by increased demand deposits and their total is currently at a level approximating that of the last half of 1932.

Government securities amounting to 55½ million dollars were allotted to Twelfth District banks and individuals on August 15 as a result of the Treasury financing of that date. Maturing securities to the amount of 9 million dollars

were tendered toward payment for these securities, 42 million dollars was paid by crediting Government deposit accounts at subscribing banks, and the remaining 4½ million dollars was paid in cash. A large part of the recently acquired securities was sold for cash locally and in eastern markets by subscribing institutions. These transactions were reflected in the condition of city member banks which, during the week ending August 16, reported increases of only 12 million dollars in holdings of United States securities.

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

	Condition			
	Aug. 16, 1933	Aug. 9, 1933	July 19, 1933	Aug. 17, 1932
Loans and Investments—Total..	1,675	1,662	1,670	1,688
Loans—Total .....	882	879	875	973
On Securities .....	222	222	219	239
All Other .....	660	657	656	734
Investments—Total .....	793	783	795	715
United States Securities....	478	466	476	391
Other Securities .....	315	317	319	324
Reserve with Reserve Bank....	97	92	87	82
Net Demand Deposits.....	555	548	554	539
Time Deposits .....	868	870	871	866
Due from Banks.....	132	133	133	135
Due to Banks.....	130	133	143	157
Borrowings at Reserve Bank....	20	10	4	58

District banks accepted a larger amount of bills during July than in any month since May, 1932. Purchases of acceptances also increased more than seasonally, and the amount held at the end of July was higher than at any other time during the past year. The volume of bills accepted and purchases by banks reached the lowest level in several years during June, probably resulting from the exceedingly small vol-

ume of exports at that time. The rise during July reflected principally the movement of California fruits and other seasonal products to foreign markets.

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

	Condition			
	Aug. 16, 1933	Aug. 9, 1933	July 19, 1933	Aug. 17, 1932
Total Bills and Securities .....	167	156	148	206
Bills Discounted .....	26	16	10	79
Bills Bought .....	1	1	1	3
United States Securities.....	140	139	137	123
Total Gold Reserves and Other				
Cash .....	261	265	270	213
Total Deposits .....	180	174	167	144
Federal Reserve Notes in				
Circulation .....	218	217	222	250
Federal Reserve Bank Notes in				
Circulation .....	4	4	4	..
Ratio of Total Gold Reserves and Other Cash to Deposit and Federal Reserve Note Liabilities Combined .....	65.6	67.8	69.5	53.9

At the end of March, 740 banks in this district were operating on an unrestricted basis, and 158 district banks were unlicensed. By the end of July the number of licensed banks had increased to 758 while the number of unlicensed banks had declined to 107. Thus, there was a decrease of 33 in the total number of banks, licensed and unlicensed. The principal factors accounting for the decrease during this period were the closing of 10 banks and the rapid extension of branch banking. This spread of branch banking took place chiefly in Washington and Oregon, where several small unit banks were absorbed by other institutions, thereby reducing the number of operating banks without curtailing the number of banking offices.

## SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Industrial production increased further from June to July, contrary to the seasonal tendency, and in recent weeks has continued at a relatively high level. Since the middle of July there have been reductions in wholesale prices of leading raw materials, while prices of many other products have advanced.

**Production and Employment.** Volume of industrial output, as measured by the Board's seasonally adjusted index, advanced from 91 per cent of the 1923-1925 average in June to 98 per cent in July, which compares with 60 per cent in March. The principal increase in July was at steel plants, where activity advanced from 46 per cent of capacity to 59 per cent. Production in the lumber and coal industries was also in larger volume and daily average output of automobiles showed none of the usual seasonal decline. Output at shoe factories and woolen mills continued at an unusually high rate, while consumption of cotton by domestic

mills decreased somewhat. Cigarette production declined sharply from the high level of May and June. Since the middle of July a decrease has been reported in the output of steel.

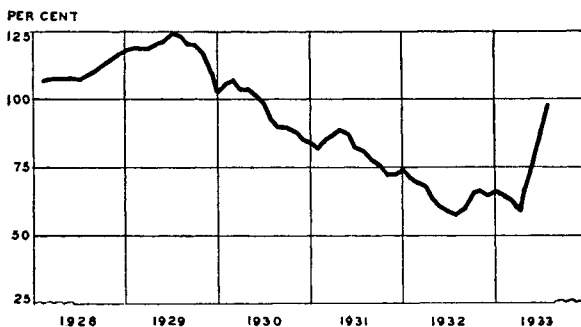
Working forces and payrolls at factories increased considerably between the middle of June and the middle of July. As in other recent months, the largest increases were generally at establishments fabricating raw materials into semi-finished products.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a decline in July, followed by an increase in the first half of August. Total awards during the six weeks were in about the same volume as in the preceding six weeks and in larger volume than in earlier periods this year.

Department of Agriculture estimates as of August 1 indicate harvests generally smaller than a year ago. The cotton crop is forecast at 12,314,000 bales, a reduction of 700,000 bales

from last season, reflecting curtailment in acreage as a part of the program of the Agricultural Adjustment Administration, offset in large part by an unusually high yield per acre. The wheat crop is estimated at 500,000,000 bushels, a reduction of 225,000,000 bushels from last year's small harvest, and feed crops are expected to be unusually small.

**Distribution.** Freight traffic increased further from June to July by a substantial amount, but in recent weeks shipments, particularly of miscellaneous freight and grains, have been somewhat smaller. Department store sales declined

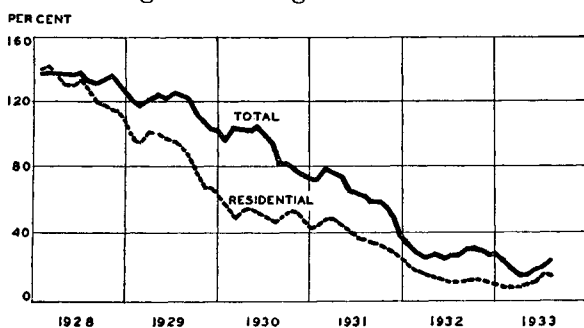


INDUSTRIAL PRODUCTION

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

in July by about the usual seasonal amount; they were larger than a year ago, however, and trade reports for the first half of August indicate an increase in sales.

**Wholesale Prices.** Wholesale prices of commodities increased further during the first three weeks of July and, according to the index of the Bureau of Labor Statistics, there has been little change in their general level since that



VALUE OF BUILDING CONTRACTS AWARDED

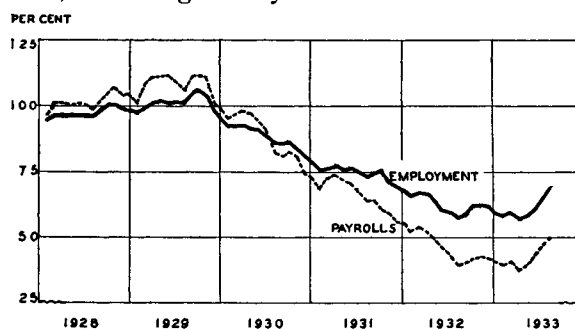
Indexes based on three-month moving averages of F. W. Dodge data for 37 Eastern states, adjusted for seasonal variations (1923-1925 average=100).

time. Prices of grains, cotton, and many imported raw materials, however, were considerably lower in the third week of August than in the middle of July, while prices of textiles were higher, reflecting in part the application of the processing tax on cotton. Prices of leather and coal also advanced during this period.

**Foreign Exchange.** In the exchange market

the value of the dollar in terms of the French franc advanced from a low of 69 per cent of its gold parity on July 18 to 75 per cent at the beginning of August and since that time has fluctuated between 73 and 75 per cent.

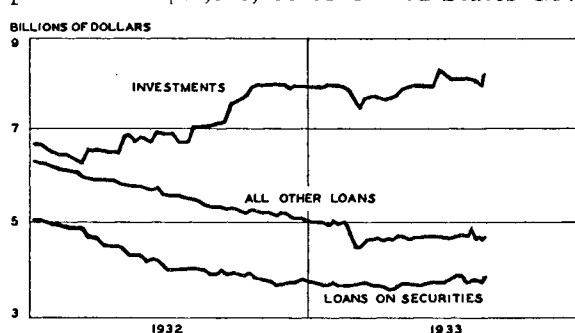
**Bank Credit.** Net demand deposits of weekly reporting member banks in 90 cities declined between the middle of July and the middle of August, owing in large part to further withdrawals of bankers' balances from banks in New York City and elsewhere. The banks' loans decreased by \$71,000,000 during the period, reflecting chiefly a reduction in loans to



FACTORY EMPLOYMENT AND PAYROLLS

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

brokers and dealers in securities. Their holdings of United States Government securities, after declining between July 19 and August 9, increased during the week ending August 16 in connection with Treasury financing at that time. Total reserves of all member banks increased by \$81,000,000 during the four week period ending August 16, reflecting chiefly the purchase of \$42,000,000 of United States Gov-



MEMBER BANK CREDIT

Wednesday figures for reporting member banks in 90 cities. Latest figures are for Wednesday, August 16.

ernment securities by the reserve banks and a return of \$23,000,000 of currency from circulation. The growth in member bank reserves occurring at a time when reserve requirements were being reduced in consequence of a decline in their deposits, brought their excess reserves to a level above \$550,000,000. Money rates in the open market generally continued at low levels.