

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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

Vol. XVII

San Francisco, California, September 20, 1933

No. 9

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District industry and trade showed mixed tendencies in August but, on the whole, activity retained most of its previous gains and continued higher than a year earlier. Industrial employment increased substantially more than is usual at this season, and there was considerable expansion in payrolls.

Harvesting of most grain and field crops progressed satisfactorily during August and the first half of September. Deciduous fruit crops were damaged to some extent by insects and high temperatures, however, and are expected to be smaller in the aggregate than in 1932. September 1 forecasts continued to indicate larger citrus fruit crops than in 1932. Condition of both ranges and livestock became poorer during the month. Although farm products prices decreased somewhat during August, they were considerably higher in mid-September than a year earlier.

Electric power production changed little from July to August, whereas a slight decline is ordinarily expected. Activity at lumber mills did not increase as much as is usual from July to August, although production continued at a relatively high level. New orders for lumber fell off somewhat further during the month. California output of crude oil averaged higher during August and the first part of September than in July, but was reduced considerably in the week ending September 16 to 489,000 barrels daily. That was the first full week of production under the new Federal code allotments. Operations at canneries expanded seasonally, despite the restrictive influence of strikes among fruit pickers. Non-ferrous metal mining was slightly more active in August than in July.

The seasonally adjusted index of department store sales was lower in August than in July, entirely as a result of decreases in California, where a 2½ per cent sales tax became effective on August 1. Railroad freight carloadings and wholesale trade increased slightly less than is customary from July to August but continued substantially higher than a year ago. As is usual, registrations of new automobiles during August

were about the same in number as during July. Intercoastal traffic expanded sharply, reflecting the highest eastbound tonnage in nearly three years.

Banking and credit conditions in the Twelfth District continued to improve during the five weeks ending September 20. Commercial loans of reporting member banks tended upward during this period, particularly during September. At the same time interest rates charged customers by the city banks were reduced. Net demand deposits increased, while time deposits showed little net change. Investment holdings averaged slightly lower than in the preceding month. Member banks reduced borrowings from the Reserve Bank with funds received from commercial transactions with other districts and from net United States Treasury disbursements in excess of collections in this area. Most of the currency withdrawn in early September to meet demands over the Labor Day holiday was returned by the middle of that month. Seasonally increasing needs of trade normally call for an expanding circulation through the remainder of the year.

Agriculture

Weather conditions were favorable for the harvesting of many grain and field crops during August and the first half of September but continued high temperatures caused considerable damage to some fruits and dry-farm crops not yet ready for harvest. The condition of both ranges and livestock declined during the month. Prospects for livestock feeding during the autumn are distinctly unsatisfactory.

August marked the beginning of the important marketing season for a large part of the agricultural production of this area. In that month, prices being paid farmers, as represented by the United States Department of Agriculture's price index, were 22 per cent above those of August, 1932. It seems almost certain that higher prices will more than offset the influence of decreases in production and that this year's agricultural income will be above that of last

year. Estimates of farm income made so early in the marketing season are, of course, subject to considerable revision.

Marketing prospects for wheat in the Pacific Northwest are less satisfactory than for some other crops. Large stored stocks of wheat—30 to 35 million bushels—have congested terminal and country warehouses in Oregon and Wash-

ington. Negotiations are currently under way between the wheat interests and the Agricultural Adjustment Administration to provide for the disposal of part or all of this surplus in export markets.

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

	August				Annual Average 1913
	1933	1932	1929	1921	
All Groups	72	59	143	116	100
Grains	81	43	129	103	92
Fruits and Vegetables.....	120	79	160	178	92
Cotton and Cottonseed.....	71	51	146	91	97
Meat Animals	63	69	165	112	108
Dairy Products	72	65	137	138	100
Poultry Products	67	75	151	143	101

Source: United States Department of Agriculture.

As the harvesting of grain and field crops neared completion in early September it became evident that yields would be larger than had been anticipated earlier in the season. Most crops will, however, probably be smaller than in 1932. Production of hops, the harvesting of which is progressing favorably, was estimated on September 1 to be 35,515,000 pounds, compared with 24,120,000 pounds in 1932.

Grape production in California was estimated on September 1 to be 1,483,000 tons compared with 1,926,000 tons in 1932 and 1,320,000 tons in 1931, in which year the grape crop was the smallest since 1921. Estimates of other deciduous fruit crops declined during August because of damage from insects and hot weather. Harvesting of a large Bartlett pear crop is nearly completed. The commercial apple crop in the Pacific Northwest is now being harvested. It is expected to be slightly smaller this year than last.

APPLE PRODUCTION—Commercial Crop
(In thousands of bushels)

	Forecast	Harvest		1930
	Sept. 1, 1933	1932	1931	
California	5,670	5,211	4,647	6,522
Idaho	4,752	4,026	3,969	4,650
Oregon	2,505	3,150	2,079	4,470
Utah	246	591	210	945
Washington	23,100	23,760	25,893	33,597
Total	36,273	36,738	36,798	50,184
United States	84,252	85,935	103,776	100,587

Although estimates of the Valencia orange crop declined from 19,092,000 boxes on July 1 to 17,933,000 boxes on September 1, this year's production is still expected to be larger than in any previous year with the possible exception of 1929. Carlot shipments of oranges during August were smaller than in July, but about the same as in August, 1932. Shipments of lemons

CONDITION OF RANGES, CATTLE, AND SHEEP

Twelfth District
(100%=Normal)

Ranges	Ariz.	Calif.	Ore.	Wash.	Idaho	Utah	Nev.
September 1, 1933....	74	62	72	77	70	82	67
August 1, 1933....	78	64	82	83	79	88	77
September 1, 1932....	90	77	87	88	88	95	96
10-year average	88	75	83	82	82	88	84
Cattle							
September 1, 1933....	80	78	84	82	80	90	85
August 1, 1933....	82	79	87	86	89	93	91
September 1, 1932....	90	88	90	85	91	97	100
10-year average	90	88	90	89	90	92	92
Sheep							
September 1, 1933....	86	82	83	85	80	89	84
August 1, 1933....	85	83	87	86	86	89	90
September 1, 1932....	90	91	89	88	89	97	98
10-year average	90	90	91	92	91	93	92

the eleven years that such records have been maintained. The number of cattle in the district has increased steadily during the past three years and is now the largest since 1924. Because of the large number of cattle, and also because the outlook for fall and winter feeding is unusually poor, marketings of cattle are likely to be heavy during the next few months, notwithstanding an unusually widespread desire of producers to hold stock for higher prices. Commitments for lambs for autumn and winter feeding have been limited.

Receipts of eggs were smaller during August than in either July, 1933, or August, 1932. Butter receipts were smaller than in the preceding months, but were larger than last August. Although reports indicate an increase in butter consumption during the latter part of August, production was sufficiently in excess of consumption to bring about an increase in storage holdings, which were 14 per cent larger on September 1 than on August 1 and 55 per cent higher than a year ago. Present storage holdings

Agricultural Marketing Activity—

	August		Season to Date	
	1933	1932	1933	1932
Carlot Shipments				
Deciduous Fruits.....	15,607	17,021	22,156	31,292
Citrus Fruits	5,978	5,799	60,039	65,894
Vegetables	4,811	5,440	40,170	45,553
Exports				
Wheat (bu.)	0	1,108,731	1,766	1,210,913
Barley (bu.)	425,749	556,999	923,957	1,073,752
Receipts				
Cattle	78,983	68,304	564,327	576,504
Hogs	208,598	201,859	1,873,333	2,064,395
Sheep	715,215	678,210	3,040,420	3,290,557
Eggs (cases)	115,710	121,616	1,215,735	1,203,057
Butter (lb.)	7,614,781	6,274,826	56,975,339	56,078,186
Wheat (carlots) ..	6,475	6,068	12,593	8,681
Barley (carlots) ..	608	674	1,221	1,268
Storage Holdings (end of month)				
Wheat (bu.).....	6,254,000	2,034,000		
Beans (bags).....	246,063	703,242		
Butter (lb.).....	10,869,537	7,009,853		
Eggs (cases).....	557,707	576,192		

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Supplement

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SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

The general level of industrial production declined in August and the early part of September, reflecting reductions in activity of industries in which there had been a rapid rise in previous months. Employment and wage payments were larger in August than in July.

Production and Employment. The Federal Reserve Board's seasonally adjusted index of industrial production, which had been rising rapidly for several months, declined from 100 per cent of the 1923-1925 average in July to 92 per cent in August. The principal decreases were in the primary textile industries, in flour milling, and in output of steel ingots, which declined from 59 per cent of capacity in July to 49 per cent in August. Average daily output of automobiles declined somewhat from the level of July. There were increases during the month in production of petroleum, non-ferrous metals, and cigarettes; and output of lumber and coal increased seasonally.

During September, reports indicate further reductions in output of steel and flour; petroleum production slackened under new restrictions, and output of lumber decreased.

Increases in employment between the middle of July and the middle of August, the latest date for which figures are available, were general in most lines of industry, and there were numer-

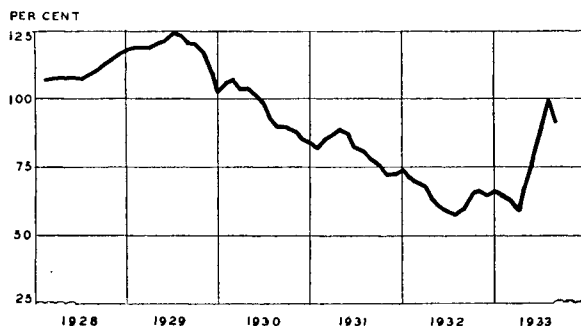
ous increases in wage rates and reductions in working hours. Compared with the low point of last spring there has been an estimated increase of 2,200,000 in number of industrial wage workers.

Value of construction contracts awarded, as reported to the F. W. Dodge Corporation, increased in August owing to awards for public works, particularly highways and bridges; contracts for other types of construction were in smaller volume than in July.

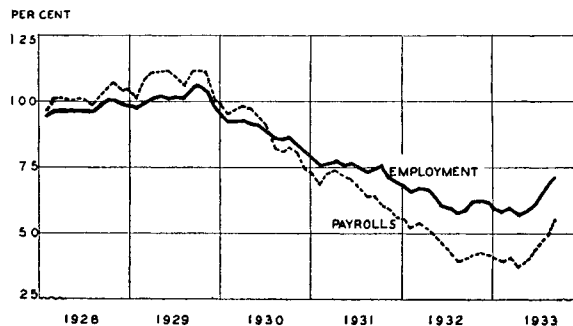
An increase of \$1,000,000,000 in gross income of farmers for the year 1933 is indicated by estimates of the United States Department of Agriculture, primarily as a result of higher prices for certain farm products, notwithstanding small crops of grains, hay, and potatoes.

Distribution. Sales by department stores increased in August, and the Board's index, which is adjusted for seasonal variations, advanced from 71 to 75 per cent of the 1923-1925 average, the highest level since the spring of 1932. The recent increase in dollar sales reflects to a large extent advancing prices.

The volume of freight shipped by rail declined slightly during August, on an average daily basis, although an increase is usual at this time of year.

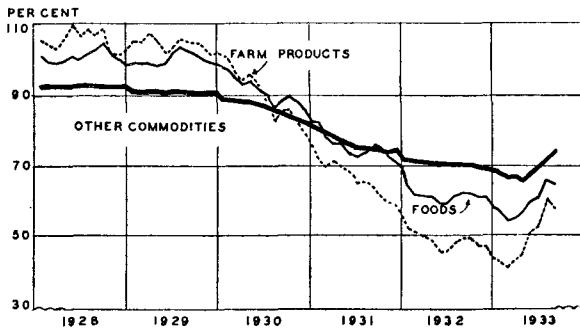


Index numbers of industrial production, adjusted for seasonal variations (1923-1925 average=100).



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

Commodity Prices. The general average of wholesale commodity prices fluctuated within a narrow range during August and early September at a level about 17 per cent above the low point of last spring. Prices of individual commodities showed divergent movements, decreases being reported for prices of domestic agricultural products, while prices of many



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

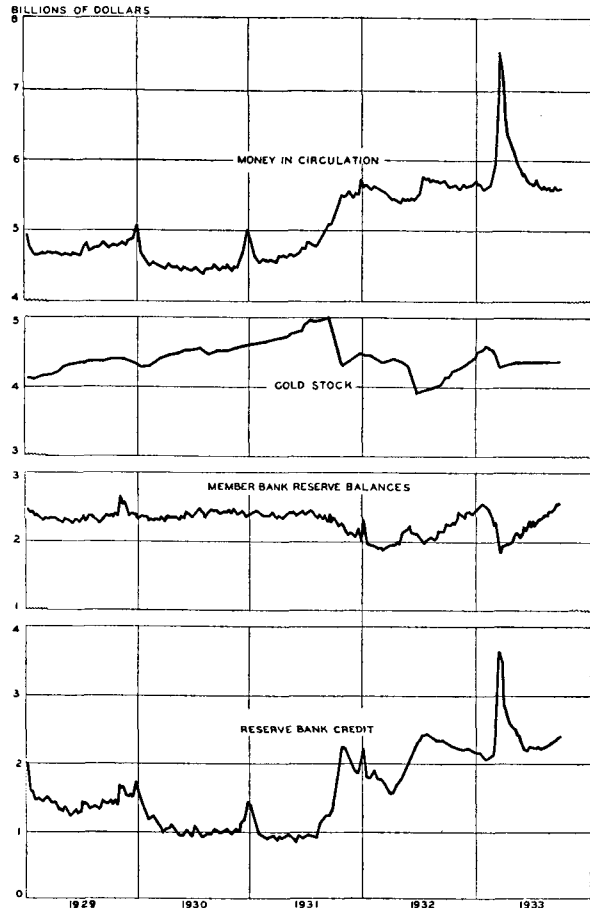
manufactured goods, of coal, petroleum, and other industrial raw materials, increased. During the second and third weeks of September, prices of commodities in organized markets advanced considerably.

Retail prices of food continued to advance.

Foreign Exchange. In the foreign exchange markets, the value of the dollar in terms of the French franc declined from 75 per cent of its gold parity on August 15 to 65 per cent on September 22.

Bank Credit. At member banks in 90 leading cities, there was a growth of \$200,000,000 in net demand deposits in the four weeks ending September 13, following a decline of \$800,000,000 between the middle of June and the middle of August. More than half of the recent increase reflected a return of bankers' balances to New York City banks. The banks gradually reduced their holdings of United States Government securities following an increase in the week ending August 16, when a new issue of Treasury bonds was sold, and on September 13 their holdings were in about the same volume as in early August. There was some increase in commercial loans, both at member banks in New York City and in other leading cities.

Member bank balances at the reserve banks continued to increase during August and the first three weeks of September, and excess reserves of member banks reached \$700,000,000. This increase reflected primarily additional purchases of Government securities by the Federal reserve banks, which have averaged \$35,000,000 a week since August 16. Money in circula-



RESERVE BANK CREDIT AND PRINCIPAL FACTORS IN CHANGES

Wednesday figures. Latest figures are for September 20.

tion, which usually increases at this season, has shown little change in the past month, indicating a continued return from hoards.

Money rates in the open market showed a renewed decline during August and the first half of September.

of butter both on the Pacific Coast and in the entire United States are the largest on record. Butter prices changed little during the period under review. Quotations on eggs, after remaining comparatively stable during August and the first week in September, advanced moderately around the middle of the later month.

Industry

Industrial activity increased slightly less than is customary during August, but remained higher than in August, 1932. Consumption of electrical energy continued to increase moderately and employment conditions improved markedly further during the month. Production in some important industries, however, was at a lower rate than in July.

In California an increase of 21 per cent from July to August brought the number of industrial employees to a level 15 per cent higher than in August, 1932. In Los Angeles and San Francisco counties, employment increased by considerably more than the seasonal expectation, and there was also a sharp expansion in employment in the less diversified industrial regions throughout the remainder of the state. Canneries enlarged working forces by about the seasonal amount, despite the occurrence of labor disputes among fruit pickers which temporarily restricted operations. Further substantial additions to the number employed in the motion picture, furniture, and miscellaneous manufacturing industries were reported. Employment in the construction industry also increased, exceeding that of the corresponding month a year earlier for the first time since collection of those figures was started in June, 1932.

The California figures also showed an increase of 8 per cent in aggregate wage payments during August as compared with a year ago. From July to August aggregate wage payments increased

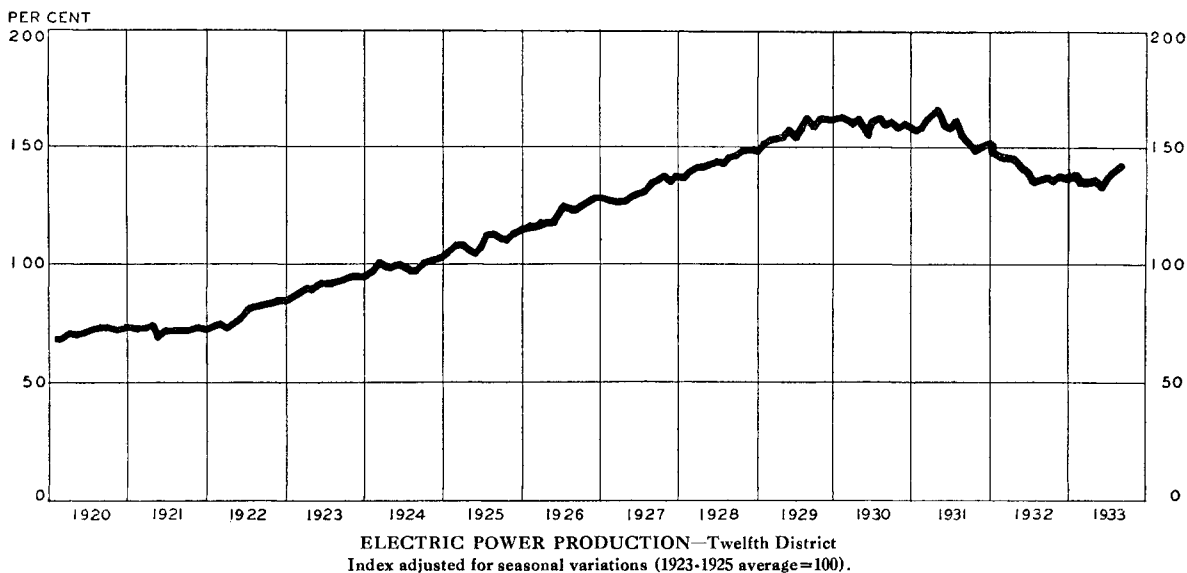
15 per cent, or somewhat less than the number employed, and average weekly earnings decreased. Some decrease in the average wage rate is customary at this time of year when the canning industry, with its large number of relatively low paid workers, is most active.

The number of industrial workers employed in Oregon increased slightly more than seasonally during August and was higher than at any time in more than two years.

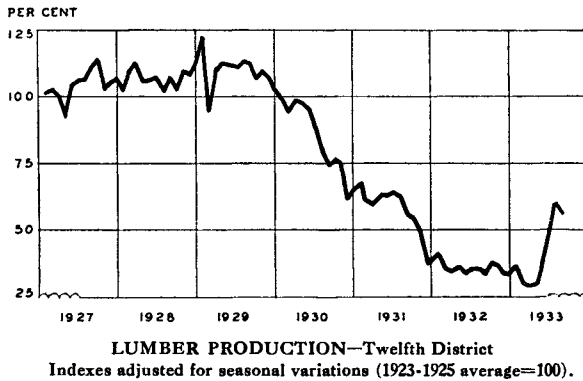
Crude oil production averaged slightly over 500,000 barrels daily during August, as compared with an average daily production of 488,000 barrels in July. Output expanded further in early September, but was reduced substantially to 489,000 barrels daily during the week ending September 16, the first week under provisions of the recently adopted Federal code of fair competition setting allotted California output at 480,000 barrels a day. Although refinery operations did not change appreciably from July to August, gasoline inventories increased slightly. On September 6, crude oil prices were advanced 15 cents over the scale set last June 26, to \$1.00 per barrel for 27-27.9 degree gravity oil at Signal Hill field. Proportionate increases were announced for other grades of crudes. Gasoline prices at the service station also were increased one cent per gallon in most parts of the district.

Value of engineering contracts awarded, although fluctuating considerably from month to month, has averaged moderately higher during the past three months than in the quarter ending in July. Initiation of work on streets and roads increased during August and the value of lettings for industrial buildings was the highest since last October. Measures of other types of building and construction activity, principally residential permits, did not change appreciably from July to August.

Although lumber mill operations increased



somewhat less than is ordinarily expected during August, actual output was at the highest level in two years. New orders increased slightly during the second half of the month, but they are still considerably lower than in June and early July. For the year to date, however, volume of new business has been more than 20 per cent higher than in 1932. During most of this period shipments have been in excess of production and mill inventories have been reduced.



Production of copper increased moderately during August, but remained considerably lower than shipments into consumption, with the result that domestic inventories continued to decrease. From the beginning of May to the end of August, stocks declined 110,000 tons. Although production of lead and zinc has remained at a low level during recent months, shipments of those metals have been the largest in more than two years. Silver production has remained practically unchanged.

Output of flour decreased contrary to the seasonal tendency during August, offsetting an

increase in the preceding month. Millers' inventories of both flour and wheat increased further to relatively high levels. Slaughter of livestock remained about the same in August as in July, after allowance for seasonal factors.

Practically complete figures show the Alaskan pack of canned salmon to be 5,067,500 cases this year, compared with 5,260,000 cases packed in 1932. Carry-over stocks of salmon were substantially less on July 1, 1933, than on July 1, 1932, contributing to higher opening prices. The canned asparagus pack totaled 2,134,943 cases this year, as compared with 1,313,231 cases last year and a five-year average from 1926-1930 of slightly over 2,000,000 cases.

Trade

Further increases in department store sales were reported in Portland, Seattle, Spokane, and Salt Lake City during August, but sharp decreases occurred in California cities, where considerable expansion in sales had taken place in May, June, and July. The August decline in retail trade in California was the result in part of a retail sales tax of 2½ per cent which became effective in that state on August 1. Notwithstanding the decreases in California cities, total Twelfth District department store sales were 2 per cent larger in value in August, 1933, than in August, 1932. Number of sales transactions, however, was 4 per cent smaller than a year earlier, indicating that the larger aggregate value was the result of higher prices. The Fairchild index of retail prices of department store goods increased from 76 (January, 1931=100) on August 1 to 83 on September 1, at which figure it was 12 per cent higher than on September 1, 1932. Stocks of merchandise, reported at the retail selling price, increased by some-

Employment—

Industries	California No. of Firms		No. of Employees		Oregon No. of Firms		No. of Employees	
	1933	Aug., 1932	1933	Aug., 1932	1933	1932	1933	1932
All Industries*	1,140	1,140	158,292	137,588	114	20,072	14,269	
Stone, Clay, and Glass Products.	57	4,673	3,985	4	132	43		
Lumber and Wood Manufactures ..	128	14,718	11,716	39	11,337	7,372		
Textiles	14	1,367	976	7	1,215	795		
Clothing, Millinery, and Laundering	148	10,709	9,955	6‡	196	197		
Food, Beverages, and Tobacco...	274	60,729	54,469	32	2,871	1,801		
Public Utilities ..	45	40,048	43,828		
Other Industries†.	475	60,017	52,004		
Miscellaneous ...	44	6,079	4,483	26	4,321	4,061		
Wholesale and Retail	221	29,724	27,445		

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

Industry —

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

General	1933				1932		
	Aug.	July	June	May	Aug.	July	June
Carloadings—Industrial .	48	55	45	37	31	34	32
Electric Pwr. Production	143¶	140	137	133	136	134	137
Manufactures							
Lumber	56	61	53	38	32	34	34
Refined Mineral Oilst...	..	136	144	127	131	131	144
Flour	109¶	123	115	127	109	85	103
Slaughter of Livestock..	96	92	91	91	94	87	90
Cement	46	54	47	52	46	53	45
Wool Consumption†....	104¶	95	96	93	128	82	108
Minerals							
Petroleum (California)†.	76¶	74	72	72	73	72	71
Lead (United States)‡..	36	36	41	37	33	31	49
Silver (United States)‡..	..	34	29	36	41	40	41
Building and Construction§							
Total	33	28	52	43	32	29	29
Building Permits—Value							
Larger Cities	14	14	11	10	10	12	13
Smaller Cities	13	13	12	13	13	14	14
Engineering Contracts Awarded—Value							
Total	61	50	108	90	63	53	49
Excluding Buildings	113	83	214	198	123	96	92

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

what more than the seasonal amount during August, and were almost as large as in August, 1932. The ratio of collections to outstanding accounts continued higher than last year. Credit sales represented half of total sales during the month. This proportion, which has remained about the same since last March, is slightly higher than in most months of 1932.

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		
	August	January 1 to end of August	August
Department Stores.....	1.8 (66)	-10.3 (66)	-1.2 (49)
Los Angeles.....	0.1 (7)	-9.2 (7)	0.5 (7)
Other Southern Calif.....	0.8 (7)	-12.0 (7)	13.2 (5)
Oakland.....	0.7 (4)	-13.7 (4)	0.2 (4)
San Francisco.....	1.9 (7)	-8.0 (7)	-2.0 (7)
Bay Region.....	1.0 (15)	-9.6 (15)	-1.1 (15)
Central California.....	0.5 (6)	-11.5 (6)	14.2 (6)
Portland†.....	5.7 (8)	-14.4 (7)	-1.7 (7)
Seattle.....	11.2 (4)	-12.6 (4)	-9.1 (4)
Spokane.....	8.3 (4)	-18.4 (4)	-14.1 (4)
Salt Lake City.....	23.7 (4)	-6.0 (4)	17.3 (3)
Apparel Stores.....	16.3 (28)	-7.0 (26)	-1.1 (16)
Furniture Stores.....	-12.9 (32)	-13.0 (29)	-17.6 (24)
All Stores.....	1.1 (126)	-10.2 (121)	-3.4 (89)

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

Daily average sales of new automobiles were well maintained during August at the highest levels of the past two years, there being practically no change from the preceding month in the seasonally adjusted figure.

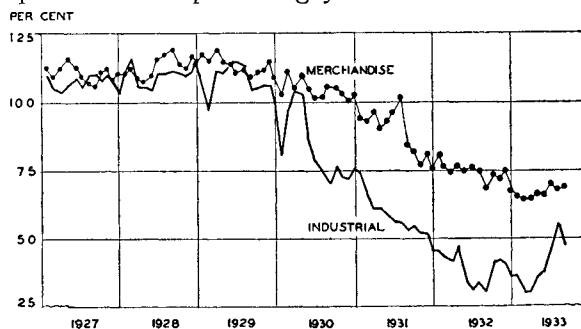
Increases in wholesale trade during August were of seasonal proportions in a majority of reporting lines. Sales of dry goods and furniture did not show the usual large increases from July to August, although they continued at the relatively high levels attained in July. Sharp expansion in the business of shoe wholesalers continued during the month. Aggregate value of sales of all reporting concerns was 17 per cent larger than in August, 1932, as compared with a year-to-year increase of 21 per cent in July.

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

	August, 1933 compared with		Cumulative 1933 compared with 1932
	July, 1933	Aug., 1932	
Agricultural Implements.....	-20.6	27.9	-16.1
Automobile Supplies.....	5.2	11.8	-7.1
Drugs.....	4.2	1.3	-12.9
Dry Goods.....	-2.9	23.4	13.6
Electrical Supplies.....	3.4	36.8	-0.2
Furniture.....	1.5	113.9	21.2
Groceries.....	5.0	6.7	-5.9
Hardware.....	1.8	33.2	0.8
Shoes.....	50.4	33.2	5.9
Paper and Stationery.....	22.3	11.3	-8.6
All Lines.....	4.8	16.5	-4.0

Seasonally adjusted freight carloadings for California increased somewhat further during August, but Pacific Northwest loadings expanded by less than the usual amount and adjusted figures of total loadings decreased slightly. Reversing the situation in the preceding month, shipments of industrial freight increased less than seasonally, while merchandise load-

ings increased more than is usual between July and August and, for the first time since early 1929, were larger than in the corresponding period of the preceding year.



CARLOADINGS—Twelfth District
Indexes adjusted for seasonal variations (1923-1925 average=100).

Volume of intercoastal trade increased from 646,000 tons in July to 759,000 tons in August, the largest cargo transported in any month since October, 1930. Most of the increase was in petroleum shipments from Pacific to Atlantic ports, although general cargo moving in that direction also increased somewhat.

Prices

Averages of wholesale commodity prices fluctuated within a narrow range during August and early September at a level approximately the same as that reached in mid-July. Prices for manufactured articles continued to rise moderately during this period, while food prices were unchanged, and quotations on farm products declined. In the third week of September, however, prices for agricultural products and other raw materials advanced.

Wheat prices were relatively stable at district as well as at national markets between the

Distribution and Trade—

	1933				1932		
	Aug.	July	June	May	Aug.	July	June
Indexes adjusted for seasonal variations (1923-1925 average=100)							
Carloadings†	61	62	58	53	52	57	55
Total.....	69	68	70	67	68	74	75
Merchandise.....							
Foreign Trade*			39	38	46	45	45
Total†.....							
Imports†.....			35	34	40	39	42
Exports.....			42	39	49	48	47
Intercoastal Trade							
Total.....	76	63	72	68	49	45	51
Westbound.....	92	100	79	61	61	72	57
Eastbound.....	73	55	69	70	47	39	50
Retail Trade							
Automobile Sales‡							
Total.....	55	57	64	48	29	30	47
Passenger.....	52	53	59	46	28	28	45
Commercial.....	86	98	110	70	48	50	71
Department Store							
Sales‡.....	74	82	72	72	73	72	74
Stocks§.....	61	57	57	54	63	67	70
Collections#	Actual Figures						
Regular.....	42.5	42.9	43.5	44.7	38.2	39.2	39.8
Installment.....	17.0	16.1	14.9	15.3	14.0	13.2	13.4

†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.

middle of August and September 16, after which quotations advanced considerably to levels about the same as those of early July. Quotations on both rice and barley at San Francisco were slightly lower in mid-September than a month earlier. Cotton prices showed little net change between mid-August and mid-September, but rose appreciably in the following week. Potato prices declined somewhat during the last half of August, but are currently about twice as high as a year ago. All varieties of beans sold lower in mid-September than a month earlier. Hay prices tended lower during this period despite the increasing evidence that the requirements for supplemental feed for livestock will be unusually large during coming months because of inadequate range forage. Orange prices were moderately higher in August than in July, while lemon prices were lower.

Prices for canned and dried fruits advanced during the period under review. Although quotations for nearly all canned fruits are now higher than at any time in the past year, they are still low in comparison with those for other years prior to 1932.

Prices of copper and lead were stationary between mid-August and mid-September, while zinc sold somewhat lower. The spot quotation on silver advanced during this period, and on September 20 was back to the high point reached in the middle of July. During August lumber prices continued the advance begun in April, but the rate of increase was somewhat less rapid than in former months.

Bank Debits*—

	August, 1933	August, 1932	First 8 Months 1933†	
			1933	1932
Arizona				
Phoenix	\$ 15,845	\$ 14,792	\$ 138,860	\$ 168,622
California				
Bakersfield	6,430	6,390	53,354	59,661
Berkeley	11,428	11,144	92,029	116,183
Fresno	13,016	11,855	94,711	120,942
Long Beach	22,875	21,732	179,235	216,637
Los Angeles	502,154	504,934	3,987,522	4,560,045
Oakland	147,317	136,968	1,270,096	1,322,489
Pasadena	16,307	17,029	143,865	177,512
Sacramento	24,882	34,626	216,546	312,414
San Bernardino	4,451	4,907	36,451	49,433
San Diego	28,269	29,210	228,759	279,500
San Francisco	636,005	630,539	4,845,248	5,327,066
San Jose	14,765	13,877	103,814	128,561
Santa Barbara	7,107	7,238	55,658	74,900
Stockton	11,298	11,676	83,753	105,239
Idaho				
Boise	9,069	9,913	67,197	82,178
Nevada				
Reno	5,648	7,339	37,213	61,595
Oregon				
Eugene	3,332	3,131	22,835	31,243
Portland	110,337	88,893	774,409	798,661
Utah				
Ogden	10,606	7,990	69,116	69,597
Salt Lake City	39,116	34,962	306,086	341,095
Washington				
Bellingham	4,586	4,283	31,076	37,644
Everett	5,254	4,498	35,918	44,326
Seattle	141,275	122,175	924,207	1,051,816
Spokane	23,195	24,397	159,603	224,609
Tacoma	20,129	17,753	141,204	172,430
Yakima	6,077	5,968	48,488	60,881
Total	\$1,840,773	\$1,788,219	\$14,147,253	\$15,995,279

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

The Credit Situation

The credit situation in the Twelfth District during the five weeks ended September 20 was marked by increases in commercial loans and deposits of reporting member banks, declining interest rates charged customers, the existence of a substantial and increasing volume of excess reserves, and a reduction in the volume of borrowing at the Federal Reserve Bank of San Francisco.

Commercial loans of reporting member banks increased by small amounts between mid-August and mid-September, but investments declined when those banks disposed of part of the United States securities acquired at the time of the August 15 Treasury financing. Time deposits continued to decrease, while net demand deposits increased. There was a further redistribution of bankers' deposits during this period.

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

	Condition			
	Sept. 20, 1933	Sept. 13, 1933	Aug. 23, 1933	Sept. 20, 1932
Loans and Investments—Total ..	1,676	1,660	1,665	1,695
Loans—Total	895	884	880	967
On Securities	221	219	221	236
All Other	674	665	659	731
Investments—Total	781	776	785	728
United States Securities	464	462	470	405
Other Securities	317	314	315	323
Reserve with Reserve Bank	94	95	93	83
Net Demand Deposits	564	564	550	537
Time Deposits	864	858	867	867
Due from Banks	132	129	128	145
Due to Banks	127	129	123	164
Borrowings at Reserve Bank	1	1	10	41

Deposits of district city banks with other banks approximated the amount of bankers' balances deposited in the city institutions by outside banks. This is an unusual relationship, since deposits of outside banks with the city banks of this district have almost always been in excess of the city bank balances placed elsewhere.

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

	Condition			
	Sept. 20, 1933	Sept. 13, 1933	Aug. 23, 1933	Sept. 20, 1932
Total Bills and Securities	159	157	159	185
Bills Discounted	6	6	16	59
Bills Bought	1	1	1	3
United States Securities	152	150	142	123
Total Gold Reserves and Other				
Cash	262	270	262	218
Total Deposits	175	179	174	146
Federal Reserve Notes in				
Circulation	217	218	217	235
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	66.8	68.1	67.0	57.3

The amount of borrowing from the Reserve Bank decreased 20 million dollars between August 16 and September 20. At 6 million dollars on the later date, discounts approximated those of mid-1931, the lowest level since the early days of the Federal Reserve System. Funds for reducing indebtedness were obtained by local banks as a result of net gains through

transfers of funds incident to commercial transactions with other districts. Treasury disbursements in excess of local collections continued to add to the banking reserves of the district.

An increasing supply of banking reserves during recent months has been indicated by the steady reduction in the number of banks borrowing from the Federal Reserve Bank of San Francisco. Ordinarily, the number of borrowing banks begins to increase in March and continues until a peak for the year is reached in July. The usual advance took place in March of this year, but the number dropped steadily during the following months until July, when only 81 banks borrowed from the Federal Reserve Bank of San Francisco, the smallest number since the War. This number remained practically unchanged in August, only 82 borrowing in that month, compared with 233 during August, 1932, and 128 in August, 1931. The chart at the bottom of this page shows the number of banks borrowing from the Federal Reserve Bank of San Francisco during each month since January, 1921.

An important factor in bringing about the recent reduction in the number of borrowing banks, as well as in the total amount of discounts, has been the credit extended to banks by the Reconstruction Finance Corporation. Funds received from that source have represented a substantial part of the net United States Treasury disbursements in the Twelfth District during the past year and a half.

Changes in the amount of currency in circulation during the five weeks ending September 20 were dominated by holiday needs. Following inconsequential declines in the latter part of August, there was an increase of 7½ million dollars during the week including Labor Day.

Most of these withdrawals remained outside of the Reserve Bank over the next week-end, which included a legal holiday in California. Seasonally increasing needs of trade normally call for an expanding circulation through the remainder of the year.

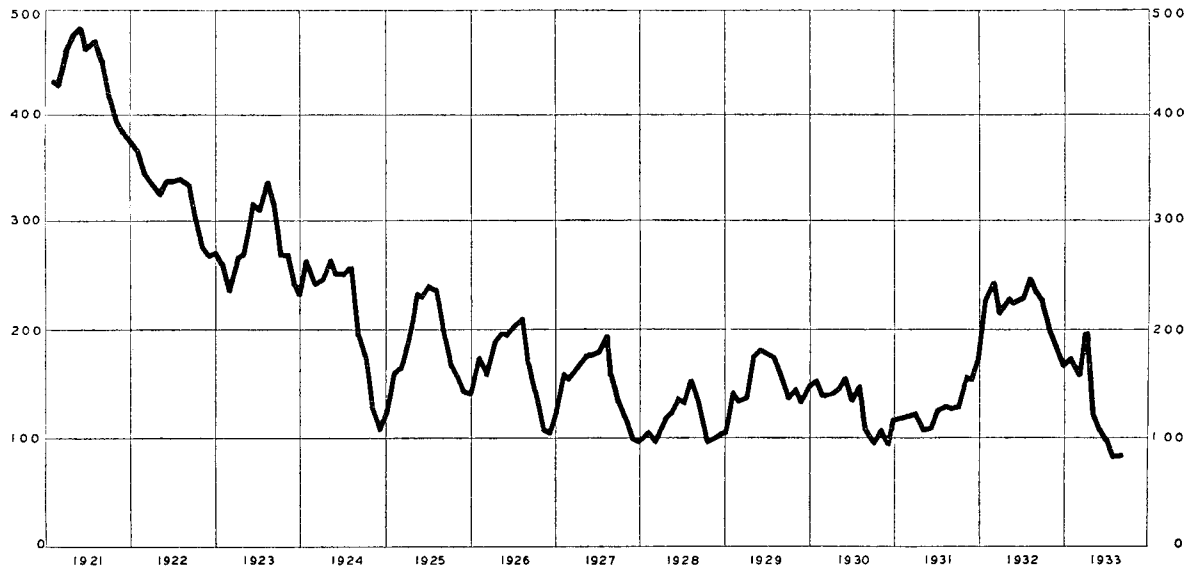
SOURCES AND USES OF BANKING RESERVES
Twelfth District
Changes in millions of dollars during the weeks indicated

SOURCES OF FUNDS					
Week Ending 1933	Reserve Bank Credit	Commercial Operations	Treasury Operations	Total Supply	
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	
August 23.....	-10.3	+ 2.4	+ 1.7	-6.2	
August 30.....	- 1.1	+ 5.6	- 2.0	+2.5	
September 6.....	- 2.6	+ 1.4	+ 3.8	+2.6	
September 13.....	- 6.0	+ 3.1	+ 3.7	+ .8	
September 20.....	+ .1	- 2.4	- 1.6	-3.9	

USES OF FUNDS					
Week Ending 1933	Demand for Currency	Member Bank Reserve Deposits	Non-member Deposits	Unexp'd Capital Funds	Total Dem'd
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
August 23..	- .9	- 4.9	- .2	- .2	-6.2
August 30..	+ 1.5	- 4.7	+8.5	+ .2	+2.5
September 6	+ 7.4	+ .7	-5.6	+ .1	+2.6
September 13	- 4.1	+ 7.4	-2.6	+ .1	+ .8
September 20	*	- 3.3	- .6		-3.9

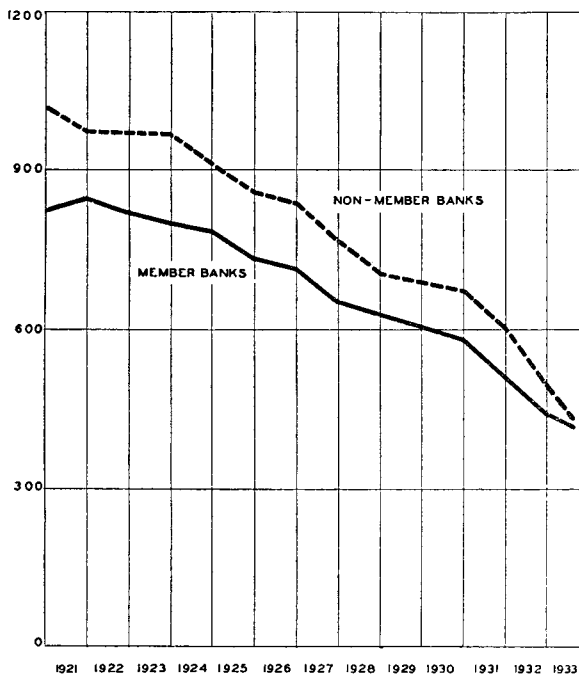
*Change smaller than \$50,000.

There were 7 bank failures in August and one bank closed during the first 20 days of September, making a total of 65 banks closed in the Twelfth District to date in 1933, compared with 98 for the corresponding period of 1932. On August 31, 748 licensed banks and 100 unlicensed banks were in operation in this district. On that date, the total was divided almost equally between member and non-member banks. The present total of 848 banks compares with the record number of 1858 operating



NUMBER OF BANKS BORROWING FROM THE FEDERAL RESERVE BANK OF SAN FRANCISCO
Monthly Totals

banks in this district at the end of January, 1921. The reduction has come about largely through failures and consolidations (voluntary liquidations and the establishment of new banks have had only a minor effect upon the figures). Failures (suspensions less reopenings) and consolidations have been of approximately equal importance in reducing the number of non-member banks in operation, while mergers have been slightly more important than have failures in reducing the number of member institutions.



NUMBER OF BANKS IN OPERATION—Twelfth District
End of year figures. Latest figures are for August, 1933.

The rapid expansion of branch banking in California and Arizona a few years ago and in other states within recent months has been important in promoting mergers and consolidations.

Gold

United States Treasury regulations announced at the end of August giving gold producers in the United States the benefit of the world price for gold, will have an important influence upon that industry in the Twelfth District. During recent years gold production in this district and in Alaska has averaged about \$30,000,000 annually or between 60 per cent and 70 per cent of the total for the United States. With the suspension of gold payments in March, apparent gold output (sales to the United States mints and to refineries) decreased, since domestic producers received only the statutory price of \$20.67 per ounce of fine gold, notwithstanding the fact that the world price of gold converted to terms of this country's cur-

rency was considerably higher. Estimated production decreased from \$5,200,000 in March, 1933, to \$2,900,000 in June, 1933. Sales of gold to mint service institutions in the Twelfth District, most of which represent locally mined gold, decreased from a weekly average of approximately \$900,000 in March and April to an average of about \$400,000 per week in the succeeding four months.

Since large amounts of new capital have been invested in Western gold mining and since many new and old properties have been opened or explored preparatory to operation during recent months, it seems unlikely that actual production has followed the tendencies indicated by published data. A more plausible explanation is that many mines have carried larger inventories of concentrates than formerly in anticipation of receiving a higher price for their metal, and have marketed only a sufficient amount to pay operating expenses.

The Treasury regulation of August 12 permitting export of unrefined gold did not stimulate a large outward movement, only \$70,000 having been shipped from the Twelfth District under Treasury license during the remainder of that month. Following the executive order of August 29, by which producers were enabled to sell in foreign markets through the Federal reserve banks as agents of the Treasury, substantial quantities of new gold were deposited at the United States mints, on consignment for sale at the world price, daily announcement of which was commenced by the Treasury on September 8. At the San Francisco Mint, which receives the bulk of the gold produced in the Twelfth District and Alaska, deposits increased from approximately 2,000 ounces daily in the last week of August to about 4,000 ounces daily by mid-September. The price received for this gold had advanced to \$32.28 per ounce on September 20, compared with the statutory price of \$20.67 per ounce.

Trading on district exchanges in mining shares, principally those of gold producers, has risen sharply since March. The monthly average market value of shares traded during the period from April to August, inclusive, was more than four times the monthly average for 1932. This increase in speculation took place when, as discussed above, apparent production was declining, indicating that there must have been a fairly widespread expectation of higher prices for gold.

A 50 per cent increase in the price of gold as a commodity will not markedly influence the economy of the Twelfth District, inasmuch as the gold mining industry of itself contributes a rather small fraction of the district's total economic output. Such an increase would, however, add appreciably to the annual income of gold producers in this district.