

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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

Vol. XVIII

San Francisco, California, February 20, 1934

No. 2

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

A slight expansion in Twelfth District business was indicated during January by seasonally adjusted measures of industry and trade. Employment by public agencies continued to offset decreases which ordinarily occur in other fields of work at this time of year. New construction contracted for totaled about the same as in the preceding month.

Unusually mild temperatures favored the growth of crops during January and permitted greater use of livestock ranges than is ordinarily possible at this season. Rain and snowfall had been less than normal in most parts of the district up to February 15. Prices of farm products increased further during January and the first half of February, these increases accompanying greater activity in marketing of crops and livestock than in January, 1933.

Consumption of electric power, which affords a measure of activity in a wide variety of industries, was about the same in January as in December. Stimulated by rising orders, lumbering changed little during January, although considerable decline ordinarily occurs during that month. The daily average volume of petroleum production was the smallest since last March, but it remained in excess of Federal allotments. Seasonally adjusted indexes of both flour milling and slaughter of livestock were higher in January than in December.

Sales of department stores decreased from December to January more than seasonally but, on a daily average basis, were 13 per cent larger in value than in January, 1933. Daily average freight carloadings were the same in January as in December, resulting in an advance of 3 points in the adjusted index to 67 per cent of the 1923-1925 average. Wholesale trade was maintained at about the same level as in December.

Disbursements by the United States Treasury, including payments for gold coin and newly mined gold, exceeded Government collections in this area during the five weeks ending February 21. Funds entering the district

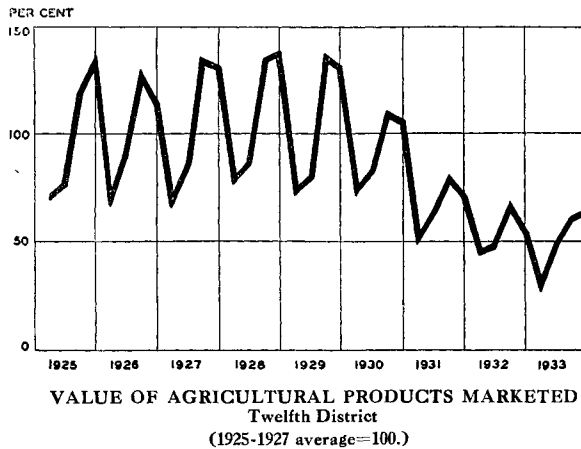
banking structure from this source were about equal to an outflow through inter-district commercial transactions. There was a slight decline in demand for currency and in reserve bank credit in local use. Time deposits at reporting member banks did not change during this period, but net demand deposits rose slightly as Treasury funds were disbursed. District banks and other purchasers were allotted \$125,000,000 of new United States Government securities during these five weeks. As usual, most of these purchases were paid for by banks with deposit credit, resulting in substantial increases in Government deposits and in investment holdings of United States securities. Total loans of reporting member banks remained practically unchanged during this period. On February 16 the discount rate of the Federal Reserve Bank of San Francisco was set at 2 per cent, superseding the rate of 2½ per cent which had been in effect since November 3, 1933.

Agriculture

Mild weather conditions prevailed in most parts of the Twelfth District during January and the first half of February and rainfall and snowpacks continued below normal. The mild winter has favored the livestock industry and growing crops, but its effect upon the prospective supply of water for irrigation purposes during the forthcoming season has been unfavorable.

The volume of most agricultural products marketed during January, 1934, was greater than a year ago. Increased marketings were accompanied by advancing prices during the month. Reflecting an increased volume of marketing as well as higher prices for products sold, this bank's index of the value of agricultural marketings advanced from 60 per cent of the 1925-1927 average during the third quarter of 1933 to 64 per cent during the fourth quarter of the year, at which level it was 19 per cent higher than in the last quarter of 1932. As is

shown in the accompanying chart, increases in this index, which covers the period from 1925 to date, have occurred between the third and fourth quarters but twice heretofore.



Winter wheat was in fairly good condition in the Pacific Northwest at the beginning of February, although the usual protective covering of snow was lacking. It is probable that the proportion of winter wheat acreage abandoned will be smaller this year than in 1933, when about half the acreage planted was killed by freezing weather. Surplus wheat stocks in the Pacific Northwest were further reduced during January and February by export sales through the North Pacific Emergency Export Corporation. Such sales totaled slightly more than 16,000,000 bushels to February 20.

The estimated yield of the California Navel orange crop was increased 4 per cent between January 1 and February 1, reflecting an appreciable increase in the average size of the fruit as a result of favorable weather conditions. This season's crop is still expected to be about 10 per cent smaller than the 1932-1933 crop. Heavy shipments of Florida oranges contributed to a decline in orange prices during January. The 1933-1934 lemon crop was estimated

to be 6,578,940 boxes on February 1, compared with an estimate of 6,734,148 boxes on January 1, and production of 6,413,988 boxes last season. Lemon prices increased during December and January and aggregate returns to growers during January, 1934, were higher than in January, 1933.

Receipts of butter at Pacific Coast markets during January, 1934, were 18 per cent smaller than in the previous month and 4 per cent smaller than in January, 1933. This apparent decrease in production was reflected in an advance from 17 cents per pound in early January to 24 cents per pound in the second week in February in the price of 92 score butter in the San Francisco market. Prices ranged from 18 to 20 cents per pound during the first half of February a year ago. Storage holdings of butter at the principal Pacific Coast markets were reduced from 8,508,000 pounds on January 1, 1934, to 4,054,000 on February 17. This was the largest decrease recorded in any period of similar length. About half of the decrease resulted from withdrawal of Government-owned butter to be used for relief purposes. The number of eggs received at Portland, Los Angeles, and San Francisco during January was larger than in any other January since figures first became available in 1925. Eastern shipments of eggs from the Twelfth District were 2 per cent larger in January of this year than in January, 1933, but 28 per cent smaller than the January five-year average. The price of No. 1 eggs in San Francisco declined about 25 per cent during January and February, but on February 20 was approximately 20 per cent higher than in February, 1933.

Livestock growers have benefited from the mild winter, comparatively light snow permitting more than the usual amount of grazing. Although rainfall was less than normal during December, January, and the first half of February, range forage was fairly good, and less than the ordinary amount of supplemental feeding was necessary in most areas. As a result of these conditions, losses have been comparatively light and cattle and sheep are now in fair to good condition. Early lambs in California and Arizona are developing well, particularly in areas where feed is plentiful. In Utah and Arizona, rains are needed to replenish stock water and to stimulate the growth of feed on desert ranges.

Receipts of livestock at Pacific Coast markets during January, 1934, were slightly larger than in January, 1933. Cattle and hog receipts were also greater than in December, 1933, while receipts of sheep decreased seasonally. Notwithstanding increasing receipts, cattle and hog prices in San Francisco and Los Angeles increased from 6 to 15 per cent during the first six weeks of the year, while lamb prices ad-

Agricultural Marketing Activity—

	January		Season to Date	
	1934	1933	1934	1933
Carlot Shipments				
Apples and Pears.....	4,499	3,875	26,302	31,154
Citrus Fruits.....	4,377	4,448	13,361	14,278
Vegetables.....	8,222	6,539	37,903	32,706
Exports				
Wheat (bu.).....	2,734,255	41,821	7,733,590	2,047,142
Barley (bu.).....	407,583	952,540	3,610,434	4,900,246
Receipts				
Cattle.....	97,735	76,110	97,735	76,110
Hogs.....	331,236	303,353	331,236	303,353
Sheep.....	254,314	237,469	254,314	237,469
Eggs (cases).....	160,548	122,817	160,548	122,817
Butter (lb.).....	5,577,867	5,801,774	5,577,867	5,801,774
Wheat (carlots) ..	5,606	2,664	35,077	29,372
Barley (carlots) ..	490	607	3,982	4,425
Storage Holdings (end of month)				
Wheat (bu.).....	5,927,000	2,891,000	.....	.....
Beans (bags).....	1,932,904	1,650,984	.....	.....
Butter (lb.).....	6,067,000	663,000	.....	.....
Eggs (cases).....	3,000	8,000	.....	.....

vanced approximately 15 per cent from quotations of December, 1933. All three kinds of livestock sold well above the low levels of January and February, 1933, increases as high as 35 per cent being recorded.

LIVESTOCK ON FARMS AND RANGES—Twelfth District

Number (in thousands)	Dairy				Hogs
	January 1	Cows*	Cattle†	Sheep	
1926	1,390	4,156	12,545	1,235	
1927	1,403	3,991	13,217	1,465	
1928	1,420	4,124	13,673	1,653	
1929	1,461	3,952	14,335	1,501	
1930	1,496	3,944	14,109	1,314	
1931	1,524	4,071	14,598	1,334	
1932	1,549	4,084	13,803	1,591	
1933	1,569	4,170	12,759	1,574	
1934	1,586	4,230	12,625	1,393	

Value (in thousands of dollars)	Dairy				All Livestock
	January 1	Cows*	Cattle†	Sheep	
1926	97,000	134,000	141,000	18,400	390,400
1927	102,000	135,000	139,000	23,900	399,900
1928	111,000	153,000	116,000	22,100	402,100
1929	134,000	192,000	161,000	18,500	505,500
1930	131,000	175,000	130,000	16,600	452,600
1931	108,000	139,000	86,000	14,800	347,800
1932	74,000	91,000	51,000	9,800	225,800
1933	55,000	71,000	39,000	6,500	171,500
1934	46,000	64,000	51,000	5,600	166,600

*Cows and heifers two years old or over kept for milk. †Obtained by subtracting number and value of dairy cows two years old or over from total of all cattle and calves.
Source: United States Department of Agriculture.

On January 1, 1934, the total value of livestock on farms and ranges of the district was 3 per cent less than on January 1, 1933. Notwithstanding decreasing numbers, the value of sheep increased approximately 30 per cent, but did not offset the lower value of cattle and hogs. Cattle numbers increased slightly during 1933, but the value per head declined by such a large amount that the total value on January 1, 1934, was 13 per cent lower than on January 1, 1933. Both the total value and the number of hogs were lower than a year earlier.

Industry

Most industries for which data are available in the Twelfth District customarily experience some decline during January. Increases or smaller than usual decreases were the predominant influences in January of this year, however, and industrial activity advanced slightly, approaching the levels of last July when Twelfth District production was the highest since the latter part of 1931. Practically every important industry excepting petroleum was substantially more active than in January, 1933. Changes in employment of about the customary proportions were reported throughout the district.

A 2 per cent reduction in the number employed in California industries during January was slightly less than has been reported for that month in most recent years. Employment in the food industries decreased seasonally from December to January. Moderate increases were reported in the motion picture, textile, and stone, clay, and glass industries. Changes in other industrial groups were comparatively small. Total industrial payrolls declined less than 2 per cent from December to January, and were 26 per cent larger than in January, 1933. Average weekly earnings per worker exceeded those of a year earlier for the first time since February, 1930. Employment was 24 per cent higher in January, 1934, than in January, 1933, exclusive of work given through Governmental relief agencies.

Daily average petroleum production in California was reduced to 457,000 barrels during January, a figure somewhat larger than the allotment of 437,600 barrels. With the exception of March, 1933, however, production was lower

Industry —

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

General	1934		1933			1932	
	Jan.	Dec.	Nov.	Oct.	Jan.	Dec.	Nov.
Carloadings—Industrial	48	42	53	49	36	36	40
Electric Pwr. Production	141¶	141	143	140	138	137	138
Manufactures							
Lumber	53	46	48	47	35	32	33
Refined Mineral Oil†	..	116	129	124	122	129	128
Flour	101¶	89	84	70	74	81	81
Slaughter of Livestock	113	106	107	108	102	103	103
Cement	85	85	67	57	37	42	40
Wool Consumption†	94	97	93	105	96	87	120
Minerals							
Petroleum (California)†	69	72	70	72	71	71	71
Lead (United States)†	..	67	71	64	45	39	45
Silver (United States)†	38¶	29	33	33	36	30	37
Building and Construction§							
Total	33	37	38	34	64	44	42
Building Permits—Value							
Larger Cities	9	11	12	13	10	9	10
Smaller Cities	11	11	12	13	12	15	13
Engineering Contracts							
Awarded—Value							
Total	73	71	75	62	145	87	83
Excluding Buildings	127	125	131	106	281	162	150

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

Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees— Jan. 1934 Jan. 1933	No. of Firms	No. of Employees— Jan. 1934 Jan. 1933
All Industries*	1,169	140,599 113,881	118	15,520 12,590
Stone, Clay, and Glass Products	61	5,442 3,820	3	98 20
Lumber and Wood Manufactures	128	13,114 10,462	42	7,812 6,177
Textiles	13	1,387 1,095	7	1,535 1,190
Clothing, Millinery, and Laundering	140	9,169 9,033	7‡	206 216
Food, Beverages, and Tobacco	285	32,104 24,956	31	1,179 1,025
Public Utilities	47	43,091 44,751	..	....
Other Industries†	492	67,943 56,591	..	....
Miscellaneous	50	11,440 7,924	28	4,690 3,962
Wholesale and Retail	219	29,926 27,064	..	....

*Public utilities and wholesale and retail figures not included in this total. †Includes the following industries: Metals, machinery, and conveyances; leather and rubber goods; oils and paints; printing and paper goods. ‡Laundering only. Figures in parentheses indicate percentage change from January, 1933.

in January than in any month since October, 1922. Output during the first half of February averaged 455,000 barrels daily. Production allotments for February are the same as the schedule set for January, but March allotments have been increased to 453,900 barrels daily. Refining activity did not change during the first six weeks of the year. Stocks of crude and fuel oils were reduced somewhat further during this period, however, as a result of continued large shipments to the Atlantic Coast.

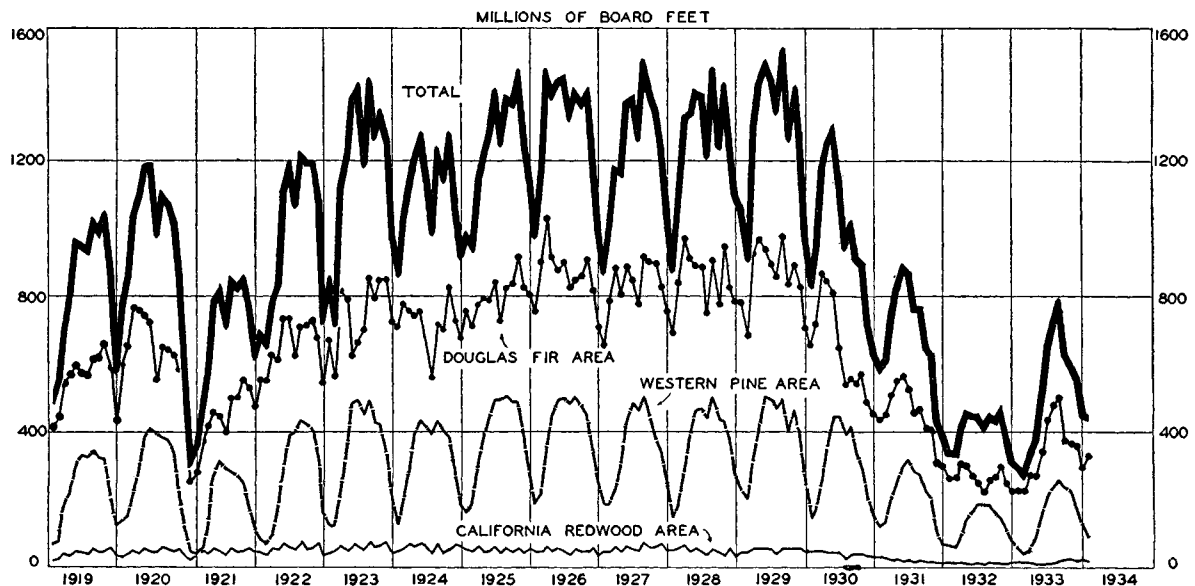
Lumber mill operations did not show the customary sharp curtailment during January and this bank's adjusted index rose from 46 to 53 per cent of the 1923-1925 average. This compared with 35 in January of last year. New orders, which had fallen to low levels following the spurt last November, increased substantially during January. Shipments continued to be smaller than production, resulting in some inventory increases.

The chart below shows estimated monthly output of lumber since 1919 for each of the principal producing areas in the Twelfth District. Lumber production reached lower levels during 1932 than at any time in more than twenty-five years. During the first quarter of 1933 activity was lower than at any time during 1932. From May to July, however, all producing regions participated in a substantial upturn, and since mid-1933 production has fluctuated irregularly at levels considerably higher than a year earlier. Although the percentage increase in output was larger in the western pine region, the Douglas fir area accounted for most of the increase in terms of board feet. Inventories of lumber, particularly at retail yards,

were unusually small at the beginning of 1933. This situation and the general increase in business activity were important factors in the substantial increases in lumber prices recorded during 1933.

Contract awards for engineering construction totaled about 12 million dollars in January, compared with 11 million dollars in December and 18 million dollars in November. Some reduction in the work to be undertaken is customary during the winter, although the seasonal decline in the Twelfth District is not so great as in the United States as a whole. As in other recent months, the bulk of contracts let during January was for public works of various types, a large proportion of which represented Federal Government projects. Awards by the Federal Government during the last four months have been larger than for any other four-month period on record, excepting early 1931 when Boulder Dam contracts were let. Residential, commercial, and industrial building showed no material change during January.

Available data indicate that production of copper increased by more than the seasonal amount between December and January. Throughout 1933, monthly output of copper from domestic mines remained at the lowest level since the last half of 1921. On an annual basis, however, United States copper production was lower last year than at any time since 1896. Comparing 1933 with 1932, the major curtailment in mine output occurred in Arizona. For Utah and Nevada, on the other hand, an actual increase in output is reported, the former succeeding Montana as the second



LUMBER PRODUCTION

Total monthly output in the Twelfth District and in each association area.

largest copper producing state in the United States. Consumption of new refined copper during the year increased 28 per cent but still remained well below the pre-depression figure.

MINE OUTPUT OF RECOVERABLE COPPER
(In short tons, 000 omitted)

	Arizona	Utah	Nevada	California	Twelfth District*	United States
1921	93	15	5	6	120	233
1922	200	48	12	11	273	482
1923	309	111	34	14	471	739
1924	339	121	37	26	525	803
1925	357	118	40	23	540	839
1926	362	129	51	17	560	863
1927	341	128	60	14	545	825
1928	366	147	79	13	607	905
1929	415	159	70	17	664	997
1930	288	90	55	14	449	705
1931	201	76	36	6	320	529
1932	91	32	15	1	140	239
1933	56	36	19	1	112	196

*The entire state of Arizona is included in this figure.
Source: United States Bureau of Mines.

Copper mining, unlike most other industries, has experienced practically no recovery since the first quarter of 1933, doubtless due in large part to the excessive inventories of the metal. Stocks of refined and blister copper in the United States were reduced somewhat during 1933 from the record level at the beginning of the year, but remained approximately twice as large as the average for the period from 1925 to 1929 and somewhat in excess of total consumption over the past two years.

The quoted price of electrolytic copper at New York was 5 cents per pound from January, 1933, through the first week of March, 1933. A gradual advance carried the price to 9 cents per pound in the second week of July. It remained at approximately that figure for two months, but gradually declined thereafter, closing the year at 8¼ cents per pound.

Output of silver was considerably higher in January than in December, the increase in production probably reflecting the higher price for newly mined silver. Volume of production was also slightly larger than in January, 1933.

Distribution and Trade—

	1934 Jan.	1933				1932	
		Dec.	Nov.	Oct.	Jan.	Dec.	Nov.
Indexes adjusted for seasonal variations (1923-1925 average=100)							
Carloadings‡							
Total	67	64	68	60	54	54	58
Merchandise	80	81	82	69	67	68	74
Intercoastal Trade							
Total	72	83	85	86	51	56	60
Westbound	73	69	77	91	56	58	66
Eastbound	69	89	85	81	48	56	57
Retail Trade							
Automobile Sales‡							
Total	..	47	60	53	39	35	32
Passenger	..	44	56	49	37	32	30
Commercial	..	80	99	85	61	62	52
Department Store							
Sales‡	68	77	65	67	60	68	63
Stocks§	65	65	69	69	61	61	63
Collections#							
Regular	46.9	44.5	44.8	46.1	42.6	41.6	41.7
Installment	18.1	15.6	16.0	17.0	14.5	12.5	13.7

‡Daily average. §At end of month. #Per cent of collections during month to amount outstanding at first of month.

Trade

Sales of department stores declined by more than the seasonal amount during January and this bank's adjusted index decreased from 77 to 68 per cent of the 1923-1925 average. The reduction did not, however, entirely cancel the sharp advance in December. Daily average sales remained 13 per cent higher in value than a year earlier. Number of sales transactions per day, which indicates volume as contrasted

RETAIL TRADE—Twelfth District
Percentage changes in value of sales and stocks

	1934 compared with 1933	
	NET SALES	STOCKS
Department Stores	17.2 (67)	5.2 (49)
Los Angeles	17.7 (7)	10.3 (7)
Other Southern California	9.5 (7)	3.0 (5)
Oakland	9.9 (4)	0.7 (4)
San Francisco	19.8 (8)	6.9 (7)
Bay Region	17.4 (16)	5.0 (15)
Central California	20.5 (6)	6.3 (6)
Portland†	17.4 (7)	0.6 (5)
Seattle	4.6 (4)	0.2 (4)
Spokane	37.8 (4)	9.6 (4)
Salt Lake City	23.1 (4)	38.9 (3)
Apparel Stores	30.7 (28)	17.6 (14)
Furniture Stores	27.4 (30)	3.5 (22)
All Stores	19.2 (125)	5.2 (85)

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

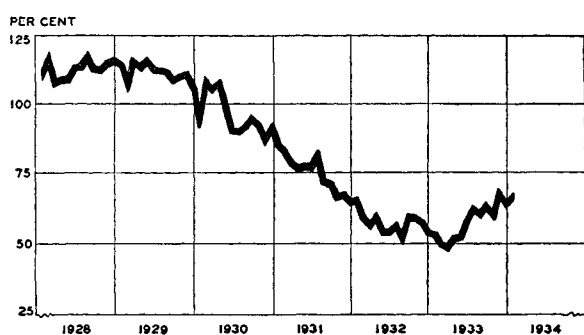
with value, was 2 per cent larger this January than last, the first increase over a year-period since July, 1933. The Fairchild index of retail prices of department store goods stood at 89 (January, 1931 = 100) on February 1, compared with 88 on January 1, 1934, and 71 on February 1, 1933.

Bank Debits*—

	January, 1934	January, 1933
Arizona		
Phoenix	\$ 22,909	\$ 17,311
California		
Bakersfield	9,145	6,512
Berkeley	23,847	12,225
Fresno	17,503	13,174
Long Beach	22,632	22,715
Los Angeles	545,559	508,214
Oakland	151,133	189,101
Pasadena	19,031	19,018
Sacramento	28,046	37,317
San Bernardino	5,639	5,541
San Diego	31,665	31,344
San Francisco	721,591	602,942
San Jose	15,513	13,650
Santa Barbara	8,586	8,160
Stockton	13,450	10,640
Idaho		
Boise	11,503	9,505
Nevada		
Reno	6,121	4,165
Oregon		
Eugene	3,242	2,611
Portland	106,995	81,619
Utah		
Ogden	11,829	7,976
Salt Lake City	46,552	44,834
Washington		
Bellingham	4,368	3,596
Everett	4,789	4,240
Seattle	129,468	101,108
Spokane	24,889	21,232
Tacoma	20,643	15,910
Walla Walla	3,393	3,133
Yakima	9,409	5,878
Total	\$2,019,450	\$1,803,671

*In thousands of dollars.

Volume of freight moved on district railroads was sustained at December levels during January by a contra-seasonal increase in Pacific Northwest loadings, there being little change in California loadings. The increase in Pacific Northwest loadings resulted principally from larger loadings of merchandise and miscellaneous commodities, although shipments of lumber also showed a non-seasonal increase. After seasonal adjustment, this bank's index of total loadings increased from 64 to 67 per cent of the 1923-1925 average. Since the index was 54 in January, 1933, the year-period increase amounted to 24 per cent, the largest since figures were first compiled in 1923.



CARLOADINGS—Twelfth District

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

Although showing a decrease of 1 per cent from December to January, wholesale sales were 37 per cent larger than in January, 1933. The increase over the year-period was partly the result of higher prices but, so far as can be determined from available data, resulted principally from sales of a larger volume of goods. This was particularly true in the case of such important lines as drugs, groceries, hardware, and paper and stationery.

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

	January, 1934 compared with	
	Dec., 1933	Jan., 1933
Agricultural Implements	0.1	118.3
Automobile Supplies	7.5	24.0
Drugs	-12.6	38.5
Dry Goods	14.5	27.3
Electrical Supplies	-24.0	43.2
Furniture	10.0	62.2
Groceries	13.5	26.3
Hardware	-12.7	57.2
Shoes	4.5	46.0
Paper and Stationery	7.3	38.8
All Lines	-1.4	36.7

As a result of smaller eastbound tonnage, intercoastal traffic declined during January from the comparatively high level of the last quarter of 1933. Reduced lumber and petroleum shipments entirely accounted for the decline, there having been a slight increase in general cargo shipped from the Pacific Coast. Shipments from Atlantic to Pacific Coast ports tended upward during the month, whereas some decline is customarily expected.

Prices

Wholesale commodity prices advanced during the first six weeks of this year to the highest level reached since the spring of 1931. Although the upward movement was general, the larger increases were in the farm products and foods groups both of which are of major importance to the Twelfth District.

WHOLESALE COMMODITY PRICES
Expressed as percentages of prices in February, 1926

	Feb., 1929	Feb., 1933	July, 1933	Jan. 20, 1934	Feb. 20, 1934
Wheat	81	28	45	46	45
Barley	111	41	83	71	63
Rice	52	46	45	54	54
Cotton	98	29	51	56	60
Lima Beans	120	35	58	48	51
Cattle	124	54	66	62	60
Lambs	122	42	35	54	63
Wool	97	36	63	74	74
Eggs	96	58	75	71	67
Butter	104	39	55	40	55
Apples	97	40	74	91	95
Prunes	101	50	64	71	74
Canned Peaches	78	51	55	64	64
Canned Salmon	71	38	45	46	44
Sugar	91	70	85	79	81
Copper	126	36	64	60	57
Silver	84	39	58	66	70
Lead	75	33	50	44	44
Coffee	103	40	39	45	49
Rubber	39	5	11	15	17

Wheat futures in Chicago fluctuated irregularly but were higher in mid-February than in the previous month. Rice prices remained unchanged but quotations for oats and barley declined during the period under review. Beans, potatoes, cotton, and sugar sold higher than at the beginning of the year, while hay prices declined moderately and at present are 15 to 20 per cent lower than a year ago.

Dried fruit quotations advanced during January and early February. Canned fruit prices remained unchanged during this period and were well above prices in effect a year ago.

Silver advanced to 46¾ cents per ounce in New York on February 19, the highest price since January, 1930. The Government price of 64½ cents per ounce for newly mined silver produced in the United States and possessions continued in effect. Quotations for copper and lead changed little during January and the first half of February. District gasoline and crude oil prices remained steady except for minor changes in retail gasoline prices in the Los Angeles area.

Prices of miscellaneous commodities such as wool, hides, rubber, and coffee strengthened during January and February, while lumber, cement, and newsprint prices changed little.

The Credit Situation

The principal changes in the Twelfth District credit situation during the five weeks ending February 21 resulted from United States Treasury financing and other Federal Government operations. Sales of newly mined and

other gold to the United States Treasury added substantially to district banking reserves. Net demand deposits of reporting member banks increased although total loans changed little. Interest rates were practically the same in mid-February as a month earlier.

The most important factor supplying funds to the district banking structure during the five weeks ending February 21 was the purchase of gold coin and newly mined and foreign gold by the United States Treasury.

There was a moderate outflow of funds to other districts from commercial and financial transactions between January 17 and February 21. This unfavorable balance of commercial payments with other Federal reserve districts persisted in four of the five weeks under review. In the several days following January 29, however, sales of newly acquired Government securities in New York resulted in a heavy inflow from the New York district. The net reduction in banking reserves through all commercial transactions with other districts was more than offset by Treasury payments for gold, mentioned above.

Disbursements by the United States Treasury approximately equalled local collections during the five weeks ending February 21. Disbursements for Civil Works Administration and for other emergency purposes continued to be important throughout the district, while payments for naval maintenance in Los Angeles and Seattle and army expenditures in San Francisco and Portland were large. Collections were derived principally from borrow-

ings during this period although income tax receipts were fairly important.

Banks, other institutions, and individuals in this district were allotted 125 million dollars from new issues of United States Government securities during the period under review. All but 29 million dollars of this total was paid for by giving the Treasury deposit credit. Banks in the nine principal cities of the district added 71 million dollars in Government securities to their investment holdings during the five weeks ended February 21. Some of the securities allotted to banks were sold in other districts, but the bulk of the remainder (54 million dollars) was left in the possession of banks outside the larger cities and of investors other than banks.

Total credit extended by member banks increased during the first seven weeks of 1934 as a result of the large purchases of Government securities. Loans for commercial purposes and on real estate decreased slightly and loans secured by stocks and bonds changed little. Banks accepted more bills during January than in any month since February, 1933. They also bought substantial amounts to replace maturing paper, and acceptance holdings at the end of January were the same as at the beginning of the month.

January market value of securities sold on the stock exchanges of the district was nearly double that of December and was greatly in excess of monthly average sales during the last quarter of 1933. Trading continued active during February.

SOURCES AND USES OF BANKING RESERVES Twelfth District

Changes in millions of dollars during the weeks indicated

Week Ending 1934	SOURCES OF FUNDS				Total Supply
	Reserve Bank Credit	Commercial Operations	Treas. and Nat'l Bank Currency†		
January 3.....	+ 6.0	- 4.9	+ 1.3	+ 2.4	
January 10.....	+ 7.4	+ 7.4	- 1.9	- 1.9	
January 17.....	+ 2	- 3.5	- 1.7	- 5.0	
January 24.....	- 1.5	-11.1	+ .8	-11.8	
January 31.....	- 1.4	+ 4.2	- .3	+ 2.5	
February 7.....	- .5	+26.3	- 1.8	+24.0	
February 14.....	*	+ 3.2	+ .5	- 2.7	
February 21.....	- 1.2	-13.3	- .4	-14.9	

Week Ending 1934	USES OF FUNDS				Total Demand
	Demand for Currency	Member Bank Reserve Deposits	Treasury Cash and Deposits at F.R.B.†	Other F.R.B. Accounts‡	
January 3.....	+ .3	-2.8	+ 4.3	+ .6	+ 2.4
January 10.....	-11.2	+5.2	+ 8.5	- 4.4	- 1.9
January 17.....	- 6.2	+4.6	- 1.1	- 2.3	- 5.0
January 24.....	- 6.9	-8.4	+ 2.6	+ .9	-11.8
January 31.....	- 1.0	-1.9	+ 4.5	+ .9	+ 2.5
February 7.....	+ 4.8	+9.9	+ 9.0	+ .3	+24.0
February 14.....	- .4	+8.1	- 9.0	- 1.4	- 2.7
February 21.....	- 1.2	-6.7	- 8.2	+ 1.2	-14.9

*Change less than \$50,000. †These items were previously shown in combination under Sources of Funds as "Treasury Operations," which was derived by deducting changes in "Treasury cash and deposits with the Federal Reserve Bank of San Francisco" from changes in "Treasury and National bank currency." ‡This is a combination of the two items formerly designated as "Non-member deposits" and "Unexpended Capital Funds."

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

	Condition			
	Feb. 21, 1934	Feb. 14, 1934	Jan. 17, 1934	Feb. 21, 1933
Total Bills and Securities.....	177	178	185	181
Bills Discounted.....	2	2	2	39
Bills Bought.....	9	10	17	17
United States Securities.....	166	166	166	125
Total Reserves.....	271	270	259	265
Total Deposits.....	218	218	210	169
Federal Reserve Notes in Circulation.....	197	198	201	252
Federal Reserve Bank Notes in Circulation.....	13	13	15	..
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined..	65.4	65.0	63.1	62.9

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

	Condition			
	Feb. 21, 1934	Feb. 14, 1934	Jan. 17, 1934	Feb. 21, 1933
Loans and Investments—Total.....	1,760	1,730	1,701	1,654
Loans—Total.....	883	878	886	915
On Securities.....	219	215	215	225
All Other.....	664	663	671	690
Investments—Total.....	877	852	815	739
United States Securities.....	560	540	502	415
Other Securities.....	317	312	313	324
Reserve with Reserve Bank.....	107	113	107	84
Net Demand Deposits.....	600	612	592	535
Time Deposits.....	886	879	887	893
Due from Banks.....	162	169	150	137
Due to Banks.....	156	162	148	159
Borrowings at Reserve Bank...	1	...	...	28

Construction in the Twelfth Federal Reserve District

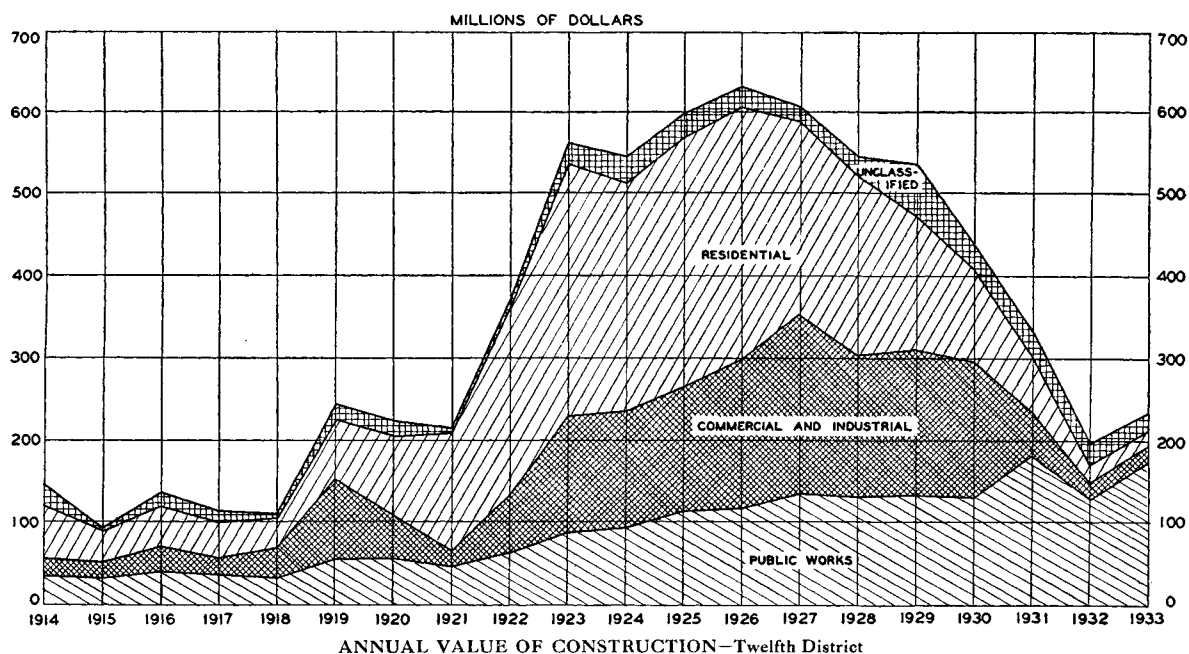
The construction industry is a major influence in the general business situation because of its size, its extreme diversification, and the many industries vitally concerned directly or indirectly in the production of building materials.

The annual value of construction for which contracts were awarded or permits issued is shown in the accompanying chart for major types of construction since 1914. These data do not represent the actual amount of work in progress at any given time, since the contract or permit ordinarily is let for the entire job prior to the start of operations. Neither do they reflect the total value of construction, since building in small towns and in country areas and engineering contracts below certain amounts are excluded. Despite these omissions the figures do cover most of the work for which contracts are awarded or permits issued. This is indicated by the fact that in 1929 they amounted to 88 per cent of all contract business done, as measured by the census taken in that year. In addition to the contracted construction, however, there is a considerable amount of work performed by the forces of industrial concerns, public utilities, common carriers, and agencies of local, state, and Federal governments without a contract. Data on this construction are not available.

During the World War, when emphasis was being placed on the production of immediately necessary articles of food, clothing, and war supplies, a considerable deficiency accumulated in all types of construction, which, upon the ending of the war in 1918, furnished the stimu-

lus for a marked expansion in the industry lasting until 1926. This post-War building shortage, together with a rapid increase in population, particularly in the Los Angeles area, brought an extremely active demand for residential building, the value of building permits rising by 1926 to a level several times as high as in the pre-War period. After the depression of 1921, commercial and industrial building also increased sharply and public works were enlarged. Total as well as residential construction reached a peak in 1926, followed a year later by a peak in commercial and industrial building, while public works continued to increase after those years. The unprecedented rate of construction during the period from 1923 to 1929, inclusive, was responsible for a large excess of residential, commercial, and industrial building. As shown on the chart, this excess was followed by a marked decline in building activity and in 1932 private construction was markedly smaller in volume than in any of the preceding thirteen years.

The chart shows, further, that total construction contracts turned upward during 1933, following a recession of major proportions since 1926. This improvement reflects the award of a record volume of public works, which, in large part, were initiated directly by the Federal Government or made possible through Federal loans and grants. Residential building increased slightly during the last half of 1933, after a decline of more than six years' duration. Activity in the field of commercial and industrial building remained unchanged, however, at levels about the same as in 1914.



MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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

Supplement

San Francisco, California, February 20, 1934

Vol. XVIII No. 2

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Volume of industrial production increased by more than the usual seasonal amount in January and the early part of February. The general level of wholesale commodity prices, after showing relatively little change during the last five months of 1933, advanced considerably after the turn of the year.

Production and Employment. Output of factories and mines, as measured by the Federal Reserve Board's seasonally adjusted index of industrial production, advanced from 75 per cent of the 1923-1925 average in December to 78 per cent in January. This compared with a recent low level of 72 per cent in November and a level of 65 per cent in January, 1933. The January advance reflected chiefly increases of more than the usual seasonal amount in the textile, meat packing, automobile and anthracite coal industries. Activity at cotton mills, which had reached an unusually high level in the summer of 1933 and had declined sharply in the latter part of the year, showed a substantial increase in January. Output of automobiles also increased by more than the usual seasonal amount, while activity in the steel industry showed little change, following a non-seasonal increase in December. In the first half of February there was a further growth in out-

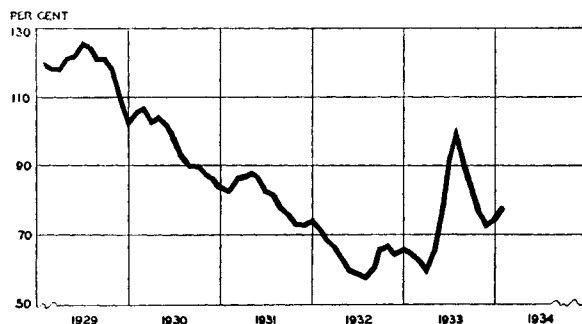
put at automobile factories and activity at steel mills showed a substantial increase.

Factory payrolls, which usually decline considerably at this season, showed little change between the middle of December and the middle of January, while factory employment declined by about the usual seasonal amount. There were substantial increases in employment and payrolls in the automobile, hardware, shoe and women's clothing industries, while decreases, partly of a seasonal character, were reported for the hosiery, tobacco, furniture and lumber industries.

Value of construction contracts, as reported by the F. W. Dodge Corporation, showed a decline in January and the first half of February, following substantial increase in the latter part of 1933. As in other recent months, public works made up a large part of the total.

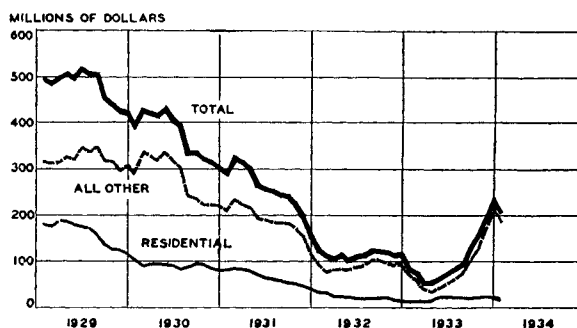
Distribution. Freight traffic increased in January by more than the usual seasonal amount, reflecting larger shipments of coal and merchandise. Sales by department stores showed the usual seasonal decline after the holiday trade.

Dollar Exchange. The foreign exchange value of the dollar in relation to gold currencies, which in January had fluctuated around



INDUSTRIAL PRODUCTION

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



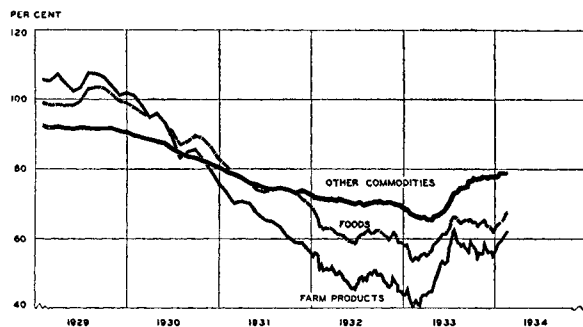
VALUE OF CONSTRUCTION CONTRACTS AWARDED

Three-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variations. Latest figure based on data for December and January and estimate for February.

63 per cent of par, declined after January 31 to slightly above its new parity of 59.06 per cent.

Prices. Wholesale commodity prices showed a general increase between the third week of December and the third week of February and the weekly index of the Bureau of Labor Statistics advanced from 70.4 per cent of the 1926

holdings of the reserve banks, member bank reserve balances increased moderately during this period, reflecting gold imports, a return of currency from circulation, and a reduction in United States Government deposits with the reserve banks. In the middle of February these balances were more than \$900,000,000 above legal reserve requirements.



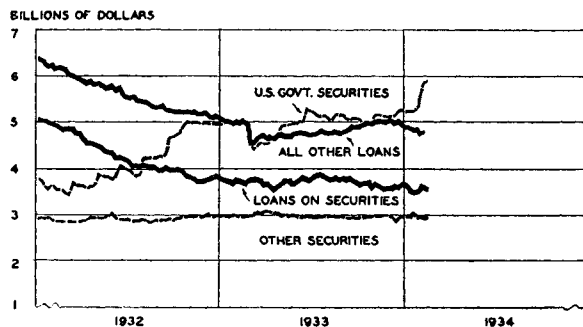
WHOLESALE PRICES

Indexes of the United States Bureau of Labor Statistics.
By months 1929 to 1931; by weeks 1932 to date. (1926=100.)

average to 73.7 per cent. There were substantial increases in livestock prices; wool continued to advance and cotton reached a level higher than at any other time since 1930. Scrap steel advanced to about the level prevailing in the summer of 1933.

Bank Credit. As a consequence of the reduction on January 31 of the weight of the gold dollar, together with subsequent imports of gold from abroad, the dollar amount of the country's stock of monetary gold increased from \$4,035,000,000 on January 17 to \$7,089,000,000 on February 14. About \$3,000,000,000 of this increase was reflected in a growth of the cash held by the Treasury, which includes gold bullion.

Notwithstanding a further reduction in discounts for member banks and in acceptance



MEMBER BANK CREDIT

Wednesday figures for reporting member banks in 90 leading cities.
Latest figures are for February 14.

At reporting member banks there was a growth between January 17 and February 14 of more than \$600,000,000 in holdings of United States Government securities and of more than \$500,000,000 in United States Government deposits, reflecting Treasury financing. Loans on securities and all other loans increased slightly and bankers' balances showed a substantial growth.

Short-term money rates in the open market remained at low levels. On February 2, the Federal Reserve Bank of New York reduced its discount rate from 2 per cent to 1½ per cent and during the succeeding two weeks reductions of ½ per cent were made at the Federal Reserve Banks of Cleveland, Boston, St. Louis, Dallas, Richmond, Kansas City, Atlanta and San Francisco.