

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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

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No. 3

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business activity increased further during February. Increases in output of most industries required additions to working forces which partly offset reductions in employment by Federal Government agencies. New construction awards were larger than in any month since last June.

Rain and snowfall continued to be somewhat less than normal during February, but mild temperatures aided new crop plantings and improved the condition of growing crops and livestock ranges. Increases in crop marketings as compared with February, 1933, were accompanied by substantially higher prices. Farmers' cash income was further increased by Government payments for wheat acreage reduction.

Lumber cut expanded about seasonally, accompanied by a further rise in new orders and in shipments. Crude oil production averaged slightly lower in February than in January, but remained above Federal allotments. Slight gains in non-ferrous metals mining were evident. There was a sharp increase in both foreign and domestic shipments of refined copper, resulting in further reductions in copper inventories. Activity in the flour milling and meat packing industries remained at a comparatively high level.

After allowance for seasonal factors and for changes in the number of trading days, the value of department store sales increased during February. Wholesale sales were seasonally smaller than in January, but were 45 per cent larger than in February, 1933. Following a decline in January, automobile registrations increased considerably during February, this bank's adjusted index for that month standing at 54 per cent of the 1923-1925 average, compared with 36 per cent in January. Freight carloadings expanded by approximately the seasonal amount. Intercoastal traffic was substantially larger in February than in January.

Federal Government disbursements in this district exceeded local collections by 36 million dollars during the four weeks ending March 21.

The resulting gain in banking reserves was more than offset by transfers out of the district aggregating 41 million dollars, and member banks reduced their deposits at the Federal Reserve Bank of San Francisco moderately. Holdings of Government securities by city banks increased further during this period and, for the first time since last September, investments in securities other than those of the United States Government increased by an appreciable amount. Loans did not change during this period. Exchange allotments of Government securities by the Treasury financing of March 15 had little effect on district banks since they held but a small amount of the maturing issue.

Agriculture

Weather conditions during February and the first half of March continued favorable for spring planting and for the growth of range forage and of crops previously seeded. Snowpacks have been comparatively light in most mountain areas this season. It is now expected that irrigation water will be scant during 1934 and considerably less plentiful than in the 1933 season when snowpacks were unusually heavy.

The volume of Twelfth District crops and livestock marketed during February, 1934, was larger than in February, 1933, and prices received by farmers averaged substantially higher than a year ago. Farmers' cash income from crops sold during January and February was supplemented by Government payments for acreage reductions of the 1934 wheat crop. Such payments in this district are estimated to have totaled about 9 million dollars prior to the end of February.

In the Pacific Northwest, the Emergency Export Corporation continued to sell wheat for export, sales totaling 22,300,000 bushels up to March 15. This leaves about 13,000,000 bushels of surplus wheat to be sold abroad, on the basis of the estimate made last December that around 35,000,000 bushels would be sold by the Export Corporation. Wheat planted last autumn is in

good condition in most sections of the district.

Estimates of this season's California Navel orange crop remained unchanged during February at 12,771,000 boxes. Extremely warm weather caused a slight decline in the quality of the fruit during the month. Shipments of California oranges, made in accordance with the Agricultural Adjustment Administration marketing agreement, continued smaller than a year ago. From November 1, 1933, to March 1, 1934, shipments were 12 per cent less than in the corresponding period last season, and 19 per cent smaller than average shipments during those months of the five preceding years. Prices were lower than in January, reflecting extremely cold weather in eastern markets and heavy shipments of Florida oranges. Oranges continued to sell higher than a year ago, but the increase was not sufficient to offset the reduced volume of shipments and producers' income was lower than in 1933. Although it is too early to estimate production of the 1934 Valencia orange crop with much accuracy, current reports indicate that the crop will be both smaller than last year and of unusually good quality. Lemon shipments were smaller in February than in January but about 30 per cent larger than in February, 1933. Prices also were well above those of February, 1933.

Deciduous fruit orchards are reported to be in good condition this year. Apricot, prune, plum, peach, and almond trees are blooming from two to four weeks earlier than usual throughout California and the Pacific Northwest, although the set of some fruits is reported to be unusually light.

RAINFALL—Twelfth District

	February			Season to March 1		
	1934	1933	Normal	1934	1933	Normal
Arizona						
Flagstaff	0.8	0.9	3.4	11.1	15.6	17.5
Phoenix	1.0	0.1	0.9	4.7	7.1	7.3
California						
Eureka	2.3	2.3	6.7	15.9	21.1	24.6
Fresno	1.8	0.4	1.5	4.4	5.6	6.8
Los Angeles	2.0	0.0	3.3	14.1	10.3	12.0
Red Bluff	3.0	1.1	4.0	13.8	8.5	17.9
Sacramento	3.0	0.9	3.3	10.7	6.2	13.1
San Diego	1.9	0.0	2.1	3.5	7.9	7.3
San Francisco	4.7	1.2	4.0	11.5	10.7	16.9
Idaho						
Boise	1.5	1.8	1.6	5.2	6.3	8.3
Nevada						
Reno	0.3	0.1	1.2	5.6	2.9	6.2
Utah						
Salt Lake City	2.2	1.1	1.5	5.8	8.7	9.3
Washington						
Seattle	1.3	1.7	3.9	35.2	27.1	24.6
Spokane	0.3	0.7	1.8	12.7	7.9	10.7
Oregon						
Baker	0.6	1.5	1.2	5.8	5.9	7.7
Portland	1.4	4.0	5.6	35.8	33.2	31.7
Roseburg	1.2	2.3	4.6	13.6	21.3	24.1

Early spring plantings of truck crops in California were materially benefited by rains and warm weather in February and March, and most crops were in good condition on March 15.

Receipts of butter at Pacific Coast markets

declined during February and storage holdings continued to be reduced. The price of butter remained steady during the first half of March after fluctuating slightly during February. Notwithstanding a decrease in receipts of eggs during February, prices of eggs declined and in March were the same as a year ago.

Grazing conditions were good in most sections of the district during February, and expense for supplemental feeding of livestock was comparatively light. Losses of stock remained small. Cattle and calves continued to gain in most parts of the district during February and are now in good condition. Marketing of cattle was more active in February than a year ago. Cattle quotations at district markets advanced during February and are currently about 14 per cent above the low levels of March, 1933.

CONDITION OF RANGES, CATTLE, AND SHEEP Twelfth District

(In per cent of normal)

	RANGES			CATTLE			SHEEP		
	March 1		10-Yr. Av.	March 1		10-Yr. Av.	March 1		10-Yr. Av.
	1933	1934		1933	1934		1933	1934	
Arizona	85	75	84	83	78	85	85	90	89
California	55	86	78	72	84	84	75	90	86
Idaho	85	89	89	89	89	92	89	91	93
Nevada	88	85	85	96	93	90	91	94	89
Oregon	71	95	85	85	91	90	80	94	91
Utah	85	79	83	91	89	89	90	89	89
Washington ..	81	90	85	85	87	88	86	91	92

Reflecting in part unusually light winter losses, the early spring lamb crop is larger than in 1933, notwithstanding a decrease in the number of sheep on district ranges between January 1, 1933, and January 1, 1934. Spring lambs throughout the entire district have developed more rapidly than last year and shipments to markets are expected to begin earlier than in 1933. With higher lamb prices now in effect and with wool quotations above those of a year ago (when wool sold at double the prices received in 1932) sheep growers are in a relatively favorable position.

Agricultural Marketing Activity—

	February		Season to Date	
	1934	1933	1934	1933
Carlot Shipments				
Apples and Pears ..	3,266	3,518	29,568	34,672
Citrus Fruits	3,682	4,468	17,043	18,746
Vegetables	7,924	6,851	45,827	39,557
Exports				
Wheat (bu.)	2,743,934	833	10,477,524	2,047,975
Barley (bu.)	460,178	568,874	4,065,821	5,469,120
Receipts				
Cattle	84,359	60,475	181,808	136,585
Hogs	251,201	246,910	582,437	550,263
Sheep	169,685	189,116	423,999	426,585
Eggs (cases)	148,203	123,082	308,751	245,899
Butter (lbs.)	5,418,278	5,060,062	10,996,145	10,861,836
Wheat (carlots) ..	5,580	1,984	40,657	31,356
Barley (carlots) ..	489	366	4,472	4,791
Storage Holdings (end of month)				
Wheat (bu.)	5,962,000	5,927,000	2,563,000	2,891,000
Beans (bags)	1,596,000	1,933,000	1,432,000	1,651,000
Butter (lbs.)	3,530,000	6,067,000	354,000	663,000
Eggs (cases)	30,000	3,000	29,000	8,000

Industry

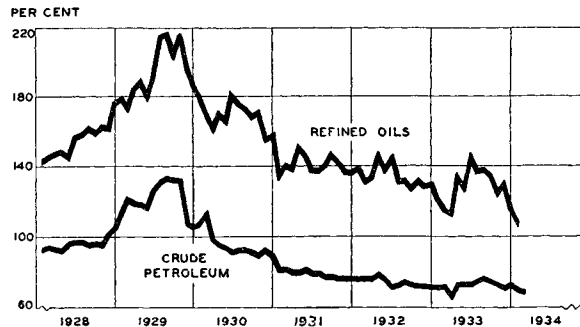
Twelfth District industry was seasonally more active in February than in January. Gains over a year ago were especially marked, since production was near the lowest level of the depression in February, 1933. Further improvement in industrial employment was reported from most parts of the district.

Following seasonal reductions in the four preceding months, the number employed in California and Oregon industries increased 3 per cent during February, compared with the usual seasonal increase of about 1 per cent. Forces were enlarged in practically all important industries except the foods group, which showed a small decline. As in other recent months, there was a considerable growth in the number employed in the manufacture of beverages. Employment in the textile industry turned upward sharply during February, while the usual slight increase was reported for lumbering. In California the number of employees at automobile tire factories increased sharply, and motion picture producers also made large additions to their forces. Manufacture of structural iron and steel and of automobiles (principally assembling) continued to require more than twice as many employees in California as at this time a year ago. Total industrial employment in both states was 27 per cent higher than in February, 1933.

Industrial wage payments in California increased more than seasonally during February and were 30 per cent larger than in February, 1933. In Oregon, payrolls were more than 50 per cent above those of February last year, reflecting largely an increase in lumber

payrolls to nearly double those of a year ago. Average weekly earnings per worker continued to advance in both states.

Daily average crude oil production in California, at 450,000 barrels during February, was slightly lower than in January. Although authorized schedules were increased from a daily average of 437,600 barrels in February to



CRUDE AND REFINED OIL PRODUCTION—California
Index numbers, without adjustment for seasonal variation.
(1923-1925 average=100).

453,900 barrels in March, actual daily output during the first half of the later month averaged 477,000 barrels. In some fields, operators have more recently followed the practice of producing the bulk of their allotment early in the month. For this reason, output has tended to decline during the latter part of each month since August, 1933. Activity at refineries changed little in the six-week period ending in mid-March, but gasoline inventories increased somewhat. Gasoline prices were reduced sharply throughout the Pacific Coast states during March. Crude and fuel oil in storage declined further during February to the lowest volume since January, 1929.

Employment—

Industries	California— No. of Firms		No. of Employees— Feb., 1933		Oregon— No. of Firms		No. of Employees— Feb., 1933	
	1934	1933	1934	1933	1934	1933	1934	1933
All Industries*	1,152	143,564	113,400	116	15,925	12,550		
		(+26.6)			(+26.9)			
Stone, Clay, and Glass Products.	57	5,128	3,726	3	45	20		
		(+37.6)			(+125.0)			
Lumber and Wood Manufactures	126	13,820	10,602	41	8,037	6,088		
		(+30.4)			(+32.0)			
Textiles	11	1,131	927	7	1,604	1,120		
		(+22.0)			(+43.2)			
Clothing, Millinery, and Laundering	137	9,584	8,900	5‡	119	128		
		(+7.7)			(-7.0)			
Food, Beverages, and Tobacco	285	31,540	25,729	32	1,308	1,109		
		(+22.6)			(+17.9)			
Public Utilities	48	43,611	44,548	..	..	..
		(-2.1)						
Other Industries†	487	69,391	56,256	..	..	..
		(+23.3)						
Miscellaneous	49	12,970	7,260	28	4,812	4,085		
		(+78.7)			(+17.8)			
Wholesale and Retail	224	29,472	26,309	..	..	..
		(+12.0)						

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

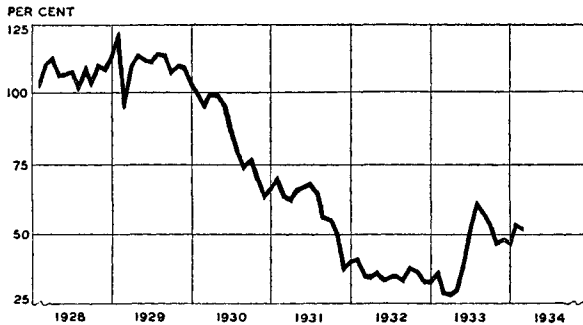
Industry—

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

General	1934-1933				1933-1932		
	Feb.	Jan.	Dec.	Nov.	Feb.	Jan.	Dec.
Carloadings—Industrial.	49	48	42	55	30	36	36
Elec. Power Production	145¶	144	141	143	135	138	137
Manufactures							
Lumber	52	53	46	48	29	35	32
Refined Mineral Oils†	107	107	116	129	115	122	129
Flour	99¶	99	89	84	80	74	81
Slaughter of Livestock.	111	113	106	107	103	102	103
Cement	75	85	85	67	40	37	42
Wool Consumption†	103¶	94	95	93	122	96	87
Minerals							
Petroleum (California)†	68	69	72	70	71	71	71
Lead (United States)‡	64	64	67	71	40	45	39
Silver (United States)‡	..	37	29	33	30	36	30
Building and Construction§							
Total	33	33	37	38	47	64	44
Building Permits—Value							
Larger Cities	10	9	11	12	10	10	9
Smaller Cities	14	11	11	12	12	12	15
Engineering Contracts Awarded—Value							
Total	69	73	71	75	93	145	87
Excluding Buildings	145	127	125	131	230	281	162

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

Lumber production increased by about the seasonal amount during February, and was nearly twice as large as in February, 1933. As is usual at this time of year, when lumbering is relatively inactive, both shipments and new orders exceeded production, and inventories declined.



LUMBER PRODUCTION—Twelfth District

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

Contracts awarded for engineering construction increased from 12 million dollars in January to 19 million dollars in February, the largest monthly total since last June. There was a sharp increase in awards for waterworks as additional contracts on the Metropolitan Water District of Southern California amounting to nearly 5 million dollars were let, but most other types of public works showed some decline from the preceding month. Under the impetus of a contract awarded for a three million dollar housing project in San Francisco to be financed by the Federal Emergency Housing Corporation, prospective building increased sharply. Exclusive of this large contract, residential, commercial, and industrial building aggregated somewhat higher in February than in January.

Distribution and Trade—

	1934-1933				1933-1932		
	Feb.	Jan.	Dec.	Nov.	Feb.	Jan.	Dec.
Indexes adjusted for seasonal variations (1923-1925 average=100)							
Carloadings‡							
Total	66	67	64	68	50	54	54
Merchandise ...	78	80	81	82	64	67	68
Intercoastal Trade							
Total	91	72	83	85	58	51	56
Westbound	71	73	69	77	58	56	58
Eastbound	99	69	89	85	59	48	56
Retail Trade							
Automobile Sales‡							
Total	54‡	36	47	60	33	39	35
Passenger ...	50‡	31	44	56	32	37	32
Commercial ..	103‡	87	80	99	40	61	62
Department Store							
Sales‡	72	68	77	65	64	60	68
Stocks§	64	65	65	69	58	61	61
Collections#							
Regular	43.6	46.9	44.5	44.8	39.0	42.7	41.6
Installment.	16.9	18.1	15.6	16.0	13.4	15.9	12.5

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

Trade

Sales of district department stores were 6 per cent larger in February than in January, after seasonal allowance. Adjusted indexes for Los Angeles, Seattle, and Salt Lake City increased substantially while changes in other cities approximated the customary seasonal movements. In comparison with February, 1933, value of sales of all reporting department stores increased 14 per cent. The number of sales transactions was 2 per cent higher than last year, the same increase as in January. Value of department store inventories continued the gradual decrease begun last December. Fairchild's index of retail prices of department store goods increased from 89 (January, 1931 = 100) on February 1, to 90 on March 1. On March 1, 1933, the index was 70.

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

	1934 compared with 1933		STOCKS February
	February	Jan. 1 to end of February	
Department Stores ..	14.4 (65)	15.9 (65)	10.1 (49)
Los Angeles	12.1 (7)	14.9 (7)	13.9 (7)
Other So. California	6.1 (6)	8.1 (6)	9.4 (4)
Oakland	4.8 (4)	7.3 (4)	1.9 (4)
San Francisco	9.9 (7)	14.9 (7)	12.9 (7)
Bay Region	8.9 (15)	13.2 (15)	9.8 (15)
Central California..	17.8 (6)	19.1 (6)	9.4 (6)
Portland†	17.3 (7)	17.4 (7)	1.6 (6)
Seattle	28.2 (4)	15.1 (4)	4.6 (4)
Spokane	37.9 (4)	37.9 (4)	— 5.2 (4)
Salt Lake City	27.8 (4)	25.4 (4)	33.9 (3)
Apparel Stores	20.0 (30)	26.7 (30)	27.6 (17)
Furniture Stores.....	27.5 (32)	26.7 (31)	9.3 (24)
All Stores	16.2 (127)	17.8 (126)	11.2 (90)

†Includes five apparel stores which are not included in district department store total.

Figures in parentheses indicate number of stores reporting.

Registrations of new automobiles—especially of passenger cars—increased sharply during February, more than making up for the poor showing in January. Commercial vehicles also participated in the rise, continuing the expansion begun last month. Total registrations were 64 per cent larger than in February of last year.

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

	February, 1934 compared with		Cumulative 1934 compared with 1933
	Jan., 1934	Feb., 1933	
Agricultural Implements	90.4	246.3	186.6
Automobile Supplies	10.0	22.3	17.8
Drugs	—10.7	36.3	34.6
Dry Goods	— 3.3	46.3	35.0
Electrical Supplies	7.5	59.0	50.9
Furniture	23.8	103.5	82.7
Groceries	—11.2	29.9	27.6
Hardware	1.3	58.8	57.7
Shoes	31.8	63.9	56.7
Paper and Stationery.....	—14.1	43.3	41.1
All Lines	— 3.8	45.4	39.8

A 4 per cent decline in value of wholesale trade during February was about equal to the usual seasonal decrease in that month. Value of sales was 45 per cent larger than in February, 1933, much the largest year-to-year increase in wholesale trade since early in 1920. Although price advances since February, 1933,

made up part of this extraordinary increase, volume of goods distributed was substantially larger than a year ago. Wholesale trade activity was at the lowest level of the depression in February, 1933.

A larger than seasonal increase in industrial carloadings during February offset a small decrease in merchandise and miscellaneous traffic with the result that total loadings of freight did not change. The number of cars loaded was 33 per cent higher than in February, 1933, when total freight movement was only 50 per cent of the 1923-1925 average.

A sharp contra-seasonal rise in intercoastal traffic during February was entirely the result of increased shipments from the Pacific to the Atlantic Coast. Eastbound petroleum shipments increased markedly during February, almost equalling the total for July, 1930, when they were larger than in any month since October, 1927. Lumber shipments increased by a small amount, while other eastbound cargo did not change during the month.

Value of the district's foreign trade totaled about the same in 1933 as in 1932. Both imports and exports reached a low point during the first quarter of 1933, following which a considerable improvement was recorded.

Prices

After declining in the last half of February, wholesale commodity prices resumed their upward movement and in mid-March were higher

than in mid-February, when they had been higher than at any time since April, 1931. The recent increase is attributable chiefly to advances in prices in the farm products and foods groups. Retail food prices increased in most cities of the district during this period.

RETAIL FOOD PRICES—Twelfth District
Expressed as percentages of average prices in 1926

	Los Angeles	Portland	Salt Lake City	San Francisco	Seattle
1929 (12 mos.)	100	102	100	100	102
1933					
January	63	64	61	67	64
February	59	61	58	64	61
March	60	61	58	64	61
April	58	60	59	64	63
May	59	63	61	66	66
June	61	64	65	67	68
July	64	68	68	70	70
August	69	68	68	72	71
September	70	69	67	72	71
October	70	68	67	72	70
November	69	67	68	72	70
December	66	67	67	70	69
1934					
January 30	63	67	67	70	69
February 27	62	69	69	72	71

Prices of most agricultural products of importance in the Twelfth District remained comparatively stable during the period under review. Wheat prices in Portland increased slightly during March, while oat and barley prices declined. Quotations on alfalfa hay and potatoes were lower in mid-March than a month earlier. Prices of other field crops, such as cotton, rice, and beans remained steady.

On March 1, increases were announced in prices of some grades of canned pineapple. Other canned fruit prices remained unchanged. Prices of dried prunes and apricots advanced during February and early March.

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

	March, 1929	March, 1933	July, 1933	Feb. 20, 1934	March 20, 1934
Wheat	80	32	47	47	48
Barley	113	45	83	63	56
Rice	51	32	45	53	53
Cotton	109	33	55	64	64
Lima Beans	124	38	60	53	56
Cattle	140	58	69	63	66
Lambs	135	43	38	67	70
Wool	103	39	62	80	80
Eggs	94	60	73	66	58
Butter	105	45	59	57	57
Apples	114	47	78	101	99
Prunes	101	50	64	75	81
Flour	81	49	80	77	77
Canned Peaches	77	50	55	64	64
Canned Salmon	75	38	45	44	45
Sugar	91	78	88	84	84
Copper	153	37	65	58	58
Silver	86	42	59	71	69
Lead	88	37	53	47	47
Coffee	107	41	40	51	51
Rubber	42	5	12	18	19

The spot price of foreign silver at New York declined in mid-March, but the change did not alter the United States Treasury's price of 64½ cents per ounce for newly mined domestic silver. Other non-ferrous metals prices remained stationary during the last half of February and the first half of March.

Prices of building materials in the district showed little change during February.

Bank Debits*—

	February 1934	February 1933	First two months 1934	First two months 1933
Arizona				
Phoenix	\$ 21,564	\$ 14,464	\$ 44,473	\$ 31,775
California				
Bakersfield	7,641	5,747	16,786	12,259
Berkeley	20,326	11,048	44,173	23,273
Fresno	15,578	10,578	33,081	23,752
Long Beach	19,811	20,237	42,443	42,952
Los Angeles	506,600	488,080	1,052,159	996,294
Oakland	141,781	150,686	292,914	339,787
Pasadena	17,884	18,697	36,915	37,715
Sacramento	35,247	30,375	63,293	67,692
San Bernardino	4,332	5,716	10,471	11,257
San Diego	27,027	26,374	58,692	57,718
San Francisco	589,820	562,297	1,311,411	1,165,239
San Jose	13,223	11,335	28,736	24,985
Santa Barbara	6,905	6,067	15,491	14,227
Stockton	11,428	8,814	24,878	19,454
Idaho				
Boise	9,129	7,105	20,632	16,610
Nevada				
Reno	4,994	3,635	11,115	7,800
Oregon				
Eugene	2,966	2,302	6,208	4,913
Portland	100,543	76,191	207,538	157,810
Utah				
Ogden	7,480	5,687	19,309	13,663
Salt Lake City	37,595	30,267	84,147	75,101
Washington				
Bellingham	3,658	3,127	8,026	6,723
Everett	4,052	3,223	8,841	7,463
Seattle	109,809	90,878	239,277	191,986
Spokane	21,002	18,565	45,891	39,797
Tacoma	18,178	13,723	38,821	29,633
Walla Walla	3,998	2,118	7,391	5,251
Yakima	7,942	5,525	17,351	11,403
Total	\$1,771,013	\$1,632,861	\$3,790,463	\$3,436,532

*In thousands of dollars.

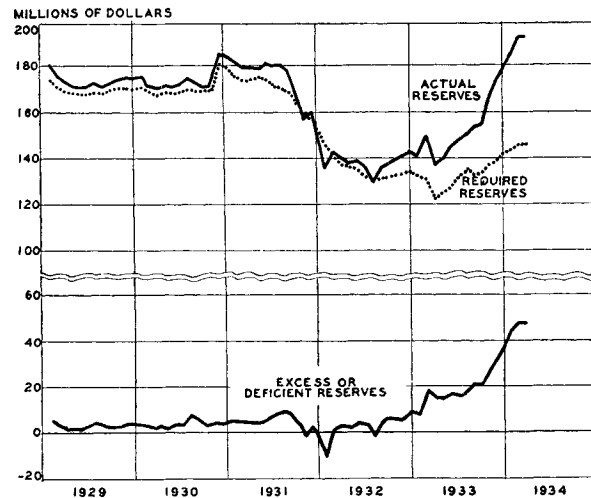
The Credit Situation

During February and the first three weeks of March, member bank reserves fluctuated around the highest levels on record and were far in excess of legal requirements. In addition to maintaining extraordinary reserves, banks built up their balances with correspondents in eastern cities during this period.

The principal source of additional banking reserves continued to be the United States Government, which disbursed 36 million dollars more than it collected in this area between February 21 and March 21. These Government funds were either deposited directly in banks by those individuals and business houses to whom they were disbursed or entered the banking structure promptly in the form of deposits to the credit of others after having been spent by the original recipients. The amount of reserves thus gained by banks was more than offset by transfers of funds out of this district. A substantial portion of such transfers represented surplus funds which were used to buy United States Government securities and to build up bankers' balances in eastern cities.

Due to the existing large volume of excess reserves, member banks have been using but a negligible amount of reserve bank credit. This has been true most of the time since last August, even when inter-district transactions or Treasury operations at times have resulted in sizable reductions in available banking funds. On the other hand, gains in banking reserves during this period have not appreciably decreased reserve bank credit in use locally, since its total

has been so small that its complete elimination would have had little effect on banking reserves. Since August, 1933, therefore, the level of Twelfth District bank reserves has depended almost entirely upon United States Treasury operations, transfers of funds to or from other districts, and changes in local demand for cur-



MEMBER BANK RESERVES—Twelfth District
(Monthly averages of daily amounts. March figures preliminary.)

rency. The first two of these three factors have been of predominant importance during the past six months. During the four weeks after Christmas, however, the return of currency from circulation, amounting to about 26 million dollars contributed materially to the building up of reserves.

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 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
February 28	+ .1	-16.2	+ .6		-15.5
March 7	- 1.2	- 2.3	+ .2		- 3.3
March 14	- .8	- 6.8	- .5		- 8.1
March 21	- 1.2	-15.8	+ 1.3		-15.7

USES OF FUNDS

Week Ending 1934	Demand for Currency	RESERVE BANK CREDIT			Total Demand
		Member Bank Deposits	Treasury Cash and Deposits at F.R.B.	Other F.R.B. Accounts	
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
February 28	+ 1.6	-12.2	- 5.4	+ .5	-15.5
March 7	+ 2.5	+ 8.2	-15.0	+ 1.0	- 3.3
March 14	- 4.3	+10.4	-14.2	*	- 8.1
March 21	- 2.2	- 9.5	- 1.1	- 2.9	-15.7

*Change less than \$50,000.

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

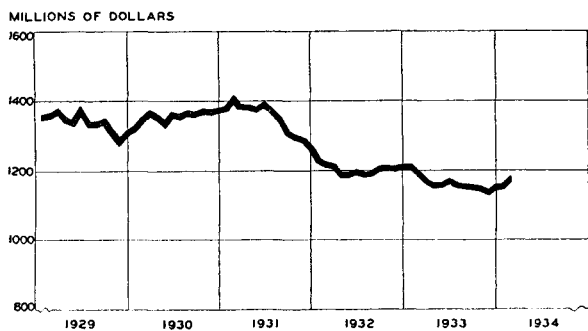
	Condition			
	Mar. 21, 1934	Mar. 14, 1934	Feb. 21, 1934	Mar. 22, 1933
Total Bills and Securities	170	172	177	253
Bills Discounted	1	1	2	78
Bills Bought	3	5	9	50
United States Securities	166	166	166	125
Total Reserves	267	279	271	229
Total Deposits	209	221	218	164
Federal Reserve Notes in Circulation	196	199	197	293
Federal Reserve Bank Notes in Circulation	9	10	13	...
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined	65.8	66.6	65.4	50.2

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

	Condition			
	Mar. 21, 1934	Mar. 14, 1934	Feb. 21, 1934	Mar. 22, 1933
Loans and Investments—Total	1,780	1,766	1,760	1,654
Loans—Total	881	883	883	916
On Securities	218	220	219	220
All Other	663	663	664	696
Investments—Total	899	883	877	738
United States Securities	570	556	560	413
Other Securities	329	327	317	325
Reserve with Reserve Bank	109	114	107	82
Net Demand Deposits	605	603	600	507
Time Deposits	901	900	886	872
Due from Banks	173	192	162	118
Due to Banks	171	172	156	135
Borrowings at Reserve Bank	...	...	1	66

Loans of Twelfth District banks showed practically no change during the four weeks ending March 21. Time deposits reported by city banks increased 15 million dollars between February 21 and March 7. This is in accordance with the movement shown in savings deposits of all the important savings institutions in the seven leading cities of the district, which increased 18 million dollars between the end of January and the end of February. Net demand deposits increased moderately during

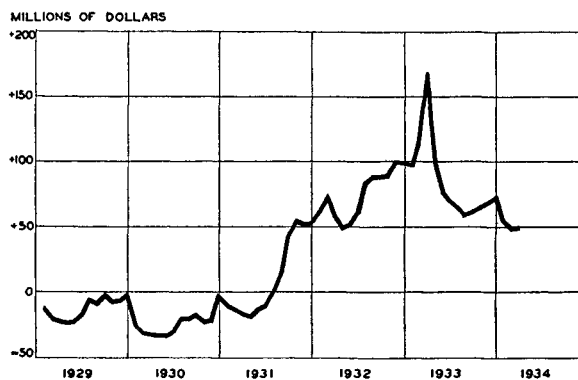
remained near the highest level on record. As measured by Federal reserve note clearings, more currency is ordinarily carried from the Twelfth District than is carried into it by travelers. During the past seven weeks, however, 6½ million dollars of Federal reserve notes of other banks have been returned by the Federal Reserve Bank of San Francisco to issuing banks, while other reserve banks have returned only 3½ million dollars of local notes to San Francisco.



SAVINGS DEPOSITS—Twelfth District
Principal banks in seven larger cities (end of month figures).

the first half of March. Government deposits in commercial banks of the district were the highest on record during March.

Government financing of March 15 was restricted entirely to exchanges for maturing issues. The amount of exchanges in this area was small, however, since local banks seldom hold a large percentage of their Government securities until maturity but sell them for cash outside the district. Holdings of previously allotted United States Government securities



CURRENCY CIRCULATION—Twelfth District
(Changes cumulated from January 2, 1929.) Monthly averages.
Latest figure is an average of first 21 days in March.

During January and February, 11 unlicensed Twelfth District banks were placed in liquidation. Several others were consolidated with licensed banks and 10 institutions were authorized to resume operations on an unrestricted basis. As a result of these changes, the number of unlicensed banks had been reduced to 40 at the end of February.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Volume of industrial activity increased in February for the third consecutive month and there was a considerable growth in factory employment and payrolls. Wholesale commodity prices, after advancing for two months, showed little change between the middle of February and the middle of March.

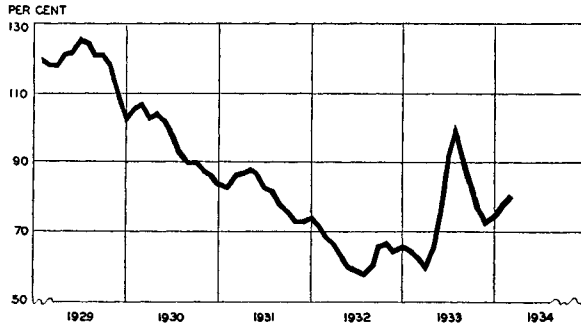
Production and Employment. Output of manufactures and minerals, as measured by the Board's seasonally adjusted index of industrial production, increased from 78 per cent of the 1923-1925 average in January to 81 per cent in February. The advance reflected chiefly increases of considerably more than the usual seasonal amount in the output of steel and automobiles, while activity at meat packing establishments declined. Activity at textile mills, which in January had increased from the low level prevailing at the end of the year, showed a

further moderate increase in February, partly of seasonal character. In the first week of March, steel production showed a further increase and in the following two weeks remained unchanged.

Factory employment and payrolls increased substantially between the middle of January and the middle of February to a level higher, on a seasonally adjusted basis, than at any other time since the summer of 1931. Working forces on railroads also showed an increase, while at mines there was little change in the volume of employment. The number on the payrolls of the Civil Works Administration declined from about 4,000,000 in January to about 2,900,000 in the week ending March 1. At automobile factories there was a large increase in the number employed to approximately the level prevailing four years ago. Substantial increases were re-

ported also for the textile, clothing, shoe, and tobacco industries.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a decline in February, followed by an increase in the first half of March. The total volume indicated for the first quarter is somewhat smaller than in the last quarter of 1933 but considerably larger than in the first quarters of 1932 and 1933.

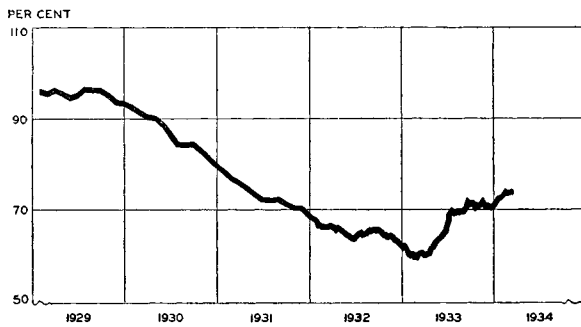


INDUSTRIAL PRODUCTION

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

Distribution. Freight traffic increased seasonally during February and the early part of March. Dollar volume of department store sales on a daily average basis showed little change in February.

Dollar Exchange. The foreign exchange value of the dollar in relation to gold currencies declined in the second week of February to within two per cent of its new parity and in the latter part of February and the first three weeks of March showed a further slight decline.

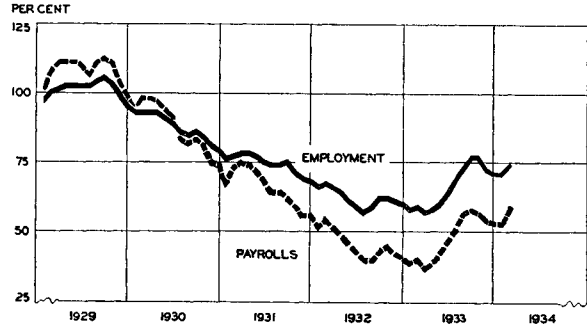


WHOLESALE PRICES

Indexes of the United States Bureau of Labor Statistics. By months 1929 to 1931; by weeks 1932 to date. (1926=100.) Latest figure is for week ending March 17.

Commodity Prices. Wholesale prices of commodities showed little change from the middle of February to the middle of March, after a considerable increase earlier in the year. The index of the Bureau of Labor Statistics for the week ending March 17 was 73.7 (1926 average = 100) compared with 73.8 the week before and 72.4 at the end of January.

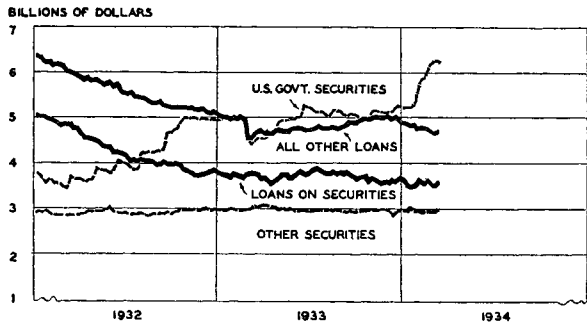
Bank Credit. Between the middle of February and the third week of March, imports of gold from abroad resulted in a growth of about \$550,000,000 in the country's monetary gold stock. Funds arising from these imports of gold and from expenditure by the Treasury of about \$140,000,000 of its cash and deposits with the Federal reserve banks were for the most part added to the reserves of member banks, which consequently increased by \$600,000,000



FACTORY EMPLOYMENT AND PAYROLLS

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

during the four-week period. At the close of the period member bank reserves were nearly \$1,500,000,000 in excess of legal requirements. Total deposits of reporting member banks increased by about \$1,000,000,000 between the middle of February and the middle of March, reflecting the imports of gold, purchases by the banks of United States Government and other securities, and a growth of bankers' balances. During March, open market money rates declined further. Rates on 90-day bankers' ac-



MEMBER BANK CREDIT

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

ceptances were reduced from $\frac{1}{2}$ per cent to $\frac{1}{4}$ per cent, and rates on prime commercial paper were reduced by $\frac{1}{4}$ per cent to a range of 1- $\frac{1}{4}$ per cent. Yields on United States Government securities also declined considerably. On March 16, the Federal Reserve Bank of Minneapolis reduced its discount rate from 3 $\frac{1}{2}$ to 3 per cent.