

# 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. 5

### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District industrial output increased slightly less than the estimated seasonal amount during April. Industrial employment continued to expand.

Failure of the industrial production index to advance the full seasonal amount resulted mainly from a smaller than usual increase in lumber output, although production of flour and cement also declined. There was little change in petroleum production or refining. The value of building permits issued was lower in April than in March. New contracts for engineering projects were lower in April than in any other month this year, although general reports indicate that construction activity on jobs for which contracts had been let previously continued to expand. A substantial increase in electric power consumption during April represented largely, if not entirely, the increased use of electricity for pumping irrigation water in California necessitated by a shortage of rainfall and stored irrigation water.

Reports of trade activity during April show considerable irregularity. Department store sales declined, even after giving consideration to the fact that Easter shopping came in March this year. Intercoastal shipment of goods through the Panama Canal also decreased. On the other hand, freight carloadings, perhaps the most comprehensive single indicator of distribution, increased by moderately more than the usual amount and check payments by individuals also expanded. Sales of new automobiles increased seasonally, while wholesale trade declined moderately as is customary during April.

While rainfall was inadequate in most parts of the district during April, the shortage was not generally harmful to the immediate condition of crops or livestock ranges, except in certain scattered areas where dryness was particularly acute. Although the continuation of extremely mild weather hastened crop maturity, it also stimulated infestation by insects in some cases. There was a slight decline in prices of farm products during April, but quotations

tended upward in the first two weeks of May.

Excess reserves of member banks were at record high levels during the entire four weeks ending May 16. Additions to surplus funds were made possible by the continued excess of the Federal Government's disbursements over its collections in this district. During the period under review this excess was about 10 million dollars larger than a net outflow resulting from the settlement of commercial and financial balances with other districts. Government deposits were reduced, but as the Treasury disbursed the funds they were converted into deposits of individuals and corporations. Investment holdings of reporting member banks increased, while total loans changed little.

#### Agriculture

Weather conditions in the Twelfth District generally continued favorable for the growth of crops and livestock and for farm field work during April. Rainfall was below normal, but not seriously so except in small areas in Utah, central Oregon, southern Idaho, and the San Joaquin Valley in California, where lack of moisture is retarding crops and drying up ranges. Light rains in northern California early in May, while beneficial to range grass and late grain crops, caused considerable damage to strawberries, cherries, and cut hay.

Snow surveys in the higher mountains show that, although the moisture content of snow yet remaining on the ground is unusually high, the run-off may be as low as 20 per cent of normal during the remainder of the season in some places. So large a reduction in the flow of streams definitely foreshadows a shortage of irrigation water during the summer months which is likely to offset the beneficial effects of the unusually mild winter and favorable growing weather of the spring.

Although condition estimates declined during April, winter wheat is currently in much better condition than a year ago in the important wheat producing states of the district.

Considerable damage by aphid and Hessian fly in wheat fields in Oregon is reported, however, as a result of unusually warm weather. Spring wheat made rapid advances during April and is now in good condition except in dry areas. May 1 condition figures indicate a California barley crop of 649,000 tons according to the California Cooperative Crop Reporting Service. This compares with 587,000 tons produced last year, and with the unusually heavy outturn of 942,000 tons in 1932. Average output for the years 1926-1930 was 665,000 tons.

Growth of most field crops was aided by warm weather during April. In California, cotton is well advanced for this time of year in the Imperial Valley and is now being planted in the San Joaquin Valley. Under the recently enacted Bankhead cotton control bill the untaxed marketing of cotton grown in 1934 in California and Arizona is limited to 200,000 bales and 73,000 bales, respectively. Last year's crop amounted to 217,000 bales in California and 96,000 bales in Arizona. Early plantings of sugar beets made good progress throughout the district during April. The seeding of rice in California was completed under favorable conditions in early May. Hops have shown an irregular growth this season and downy mildew has been reported in some California and Oregon yards.

Marketing of California Navel oranges extended into May. Quality of the fruit continued good and prices were above those of last year. This year's California Valencia orange crop is expected to be one of the largest on record. Some early export shipments were reported during April. Lemon shipments were larger than a year ago, and average prices received by growers in April were higher than in the corresponding month of each of the three preceding years.

The condition of maturing truck crops in California improved under favorable weather conditions in the latter part of April and shipments to market were of fairly good quality. Imperial Valley cantaloupe shipments during April totaled more than 500 cars, the heaviest early season movement in several years. Plantings of cantaloupes in California are in excellent condition and are unusually advanced in growth.

Mild winter weather throughout the district has resulted in an early season for deciduous fruit and nut crops, but a heavy infestation of insect pests and plant diseases has occurred. No reliable estimates of production of deciduous fruits in the Pacific Northwest are yet available, although the set of fruit was fairly heavy. Maturing from two to three weeks earlier than usual, California peaches, plums, and apricots reached the market in fairly large early season volume beginning with the first

week of May. The California cherry crop was estimated at 16,000 tons on May 1, compared with production of 25,000 tons last year and an average annual production of 19,000 tons from 1928 through 1932. Shipments of cherries through the last two weeks of April were 78 cars. No cherries were shipped during that period last year. Although the quality of cherries is only fair this year, prices for canning fruit are reported to average nearly double those of a year ago. The apricot crop, the condition of which is reported to be 39 per cent of a full crop, will be the smallest in many years. The present outlook for other California deciduous fruits indicates that production of most crops should approximate that of 1933. The outturn of late maturing fruits will no doubt be adversely affected by lack of irrigation water later in the season.

Indicated production of eggs in Pacific Coast states was smaller in April than in March. At the same time, demand for eggs for storage increased. Reflecting these factors, egg prices advanced moderately and at present are only slightly below prices in effect a year ago.

Butter receipts at Pacific Coast markets were unusually large in April and some addition was made to storage holdings. The price of butter fluctuated irregularly and in mid-May was slightly lower than a month earlier.

The condition of ranges declined in most parts of the district during April, reflecting the general lack of moisture and relatively high temperatures. Warm weather favored late lambing and losses were light. Shipments of early spring lambs from the San Joaquin Valley in California were finished in early May. This season's movement had amounted to about 369,000 head by May 14, compared with 289,000 head shipped during the corresponding period of 1933 and 346,000 in 1932. Prices for lambs shipped this year averaged about 50 per cent higher than in the spring of 1933. Sheep shearing is progressing satisfactorily throughout the

#### Agricultural Marketing Activity—

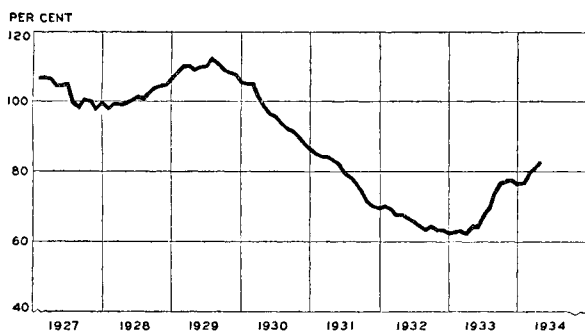
	April		Season to Date	
	1934	1933	1934	1933
<b>Carlot Shipments</b>				
Apples and pears.	1,535	1,891	33,676	39,600
Citrus fruits.....	6,270	6,310	30,123	30,608
Vegetables .....	9,347	8,692	64,840	55,301
<b>Exports</b>				
Wheat (bu.) ....	4,148,224	2,499	17,867,371	2,104,406
Barley (bu.) ....	269,750	259,791	4,985,973	6,511,410
<b>Receipts</b>				
Cattle .....	85,636	68,025	359,010	271,221
Hogs .....	190,247	218,849	971,398	1,018,862
Sheep .....	347,702	307,249	960,968	924,486
Eggs (cases) ....	189,414	193,614	705,229	630,144
Butter (lbs.) ...	7,682,287	5,891,449	25,159,861	23,194,776
Wheat (carlots)..	3,950	3,817	50,466	37,804
Barley (carlots)..	518	411	5,513	5,955
<b>Storage Holdings</b>				
(end of month)				
	1934		1933	
	April	March	April	March
Wheat (bu.) ....	4,303,000	5,964,000	2,387,000	2,360,000
Beans (bags) ....	1,276,000	1,441,000	840,000	1,107,000
Butter (lbs.) ....	1,630,000	1,298,000	659,000	171,000
Eggs (cases) ....	459,000	234,000	453,000	238,000

district with a considerable part of the wool being shipped on consignment. Condition of cattle changed little in April except on the drier ranges of the district. Calf crop prospects are generally favorable and early calves are making good gains. Except in the north San Joaquin and Sacramento Valleys where range forage is abundant, supplemental feeding will be necessary to finish grass-fattened beef cattle for market.

**Industry**

After expanding gradually since last October, Twelfth District industrial activity changed little during April. Industrial employment continued to increase.

This bank's seasonally adjusted index of employment in California (which excludes canning activity) advanced from 81 (1926 = 100) in March to 83 in April, the highest for any month in three years.\* Including workers at canneries, the number of which had increased substantially in March as a result of an early season for canning spinach and asparagus, total number of employed in California showed a rise of but 3 per cent instead of the usual seasonal



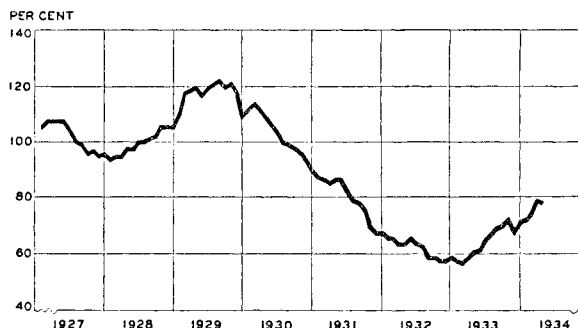
**INDUSTRIAL EMPLOYMENT—California\***  
Index adjusted for seasonal variation. Excludes canning and preserving industry. (1923-1925 average=100).

increase of about 6 per cent during April. In practically all other major industries, the number of wage earners increased moderately further during April. Motion picture producers added substantially to their forces, offsetting a decline in the previous month. Manufacture of aircraft and aircraft parts also required a much larger number of employees in April than in March, reflecting a continuation of the improvement in this industry during recent months. Employment in a representative group of iron and steel industries remained unchanged during the month at levels approximating those of late 1931. Industrial payrolls in California changed little during April, following increases in the four preceding months. Average weekly earnings were slightly lower than in the preceding

\*In the industrial employment chart on page 26 of the Monthly Review for April 20, 1934, the index number for September, 1933, was shown as 88. It should have been 77.

month, but 6 per cent higher than a year earlier.

As indicated by the accompanying chart, steady expansion has taken place since March, 1933, in employment in iron and steel industries of California, where the bulk of this type of manufacturing in the Twelfth District is located. Increases in the number employed in the fabrication and assembling of structural iron and steel have been especially sharp, re-



**EMPLOYMENT IN THE METALS PRODUCTS INDUSTRIES—California**

Index of the California State Division of Labor Statistics and Law Enforcement, converted to a 1923-1925 base=100. Not adjusted for seasonal variation.

flecting principally increased requirements for construction of several large engineering projects, although the manufacture of other finished products of rolling mills and forging presses has required substantial additions to working forces. The number engaged in manufacturing and assembling automobiles and parts declined in the latter part of 1933, but has advanced sharply since that time. Employment at foundries also increased more than the average of total employment. Aggregate employment

**Employment—**

Industries	California		Oregon	
	No. of Firms	No. of Employees April, 1934	No. of Firms	No. of Employees April, 1933
All Industries*	1,146	160,964	116	18,131
		(+24.6)		(+36.4)
Stone, Clay and Glass Products.	59	6,049	3	69
		(+36.2)		(+200.0)
Lumber and Wood Manufactures ..	122	15,090	41	9,865
		(+43.0)		(+44.1)
Textiles .....	11	1,556	7	1,793
		(+48.5)		(+59.8)
Clothing, Millinery, and Laundering.	139	10,435	6‡	142
		(+3.1)		(-1.4)
Food, Beverages, and Tobacco ..	284	40,612	30	1,354
		(+5.9)		(+31.8)
Public Utilities...	47	44,343	..	....
		(- .6)		....
Other Industries†.	478	71,848	..	....
		(+23.8)		....
Miscellaneous ....	53	15,374	29	4,908
		(+130.0)		(+18.9)
Wholesale and Retail .....	228	32,270	..	....
		(+12.1)		....

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

in this group of industries was 30 per cent larger in April, 1934, than in April, 1933.

Crude oil production increased slightly to a daily average rate of 482,000 barrels during April. Although output continued to exceed proration allotments, the margin of excess was smaller than in March, allowables having been increased 9,000 barrels daily to 462,500 barrels in April. Quotas for May were set at 466,000 barrels daily, while actual production during the first three weeks of that month averaged 487,000 barrels daily.

Oil refining, as indicated by the amount of crude oil run to stills, was more active in April than in March. Despite increased production, some withdrawals of gasoline from storage were necessary. Prices of gasoline fluctuated in some parts of the district, but showed little net change between mid-April and mid-May, remaining at the lower levels established in March.

Lumber mill operations usually expand during April, but no change was recorded in that month this year, and this bank's seasonally adjusted index decreased from 55 per cent of the 1923-1925 average in March to 51 per cent. Shipments, although larger in April than in March, remained below production, resulting in further additions to inventories at the mill. Late in the month, however, the amount of new orders received increased substantially.

The value of new construction undertaken declined during April to the smallest monthly total this year. Most of this decline was the result of a reduction in the amount of contracts awarded for public works. During recent months public works have been comprised almost entirely of projects made possible by loans and grants from Federal Government

agencies. A survey shows that, while allotments under the Federal public works program now approximate the total amount thus far authorized to be expended in the Twelfth District, many contracts, especially for non-Federal work, have not yet been awarded. Much of the work for which contracts have already been awarded, however, is now well under way or about to be started. Only a small proportion of the projects for which allotments have been made was reported to have been completed. Commercial and industrial building awards also were smaller in April than in March, while residential construction showed slight further improvement.

Flour production during April was the lowest since last September. Domestic shipments continued to increase, however, necessitating substantial withdrawals from inventories. Millers reported a reduction in their stocks of wheat. After declining in April, Pacific Coast prices of flour advanced in May, stimulated to some extent by increased buying from Atlantic seaboard markets.

## Trade

Daily average sales of department stores were smaller in April than in March. This decrease, which is contrary to the usual movement between those months, resulted in part from the early occurrence of Easter this year. Although the seasonally adjusted index of department store sales allows for changes in the date of Easter, it declined from 78 in March to 71 in April, offsetting the advance in the preceding month. Year-period comparisons for March and April are likely to be misleading unless evaluated in the light of special developments. Thus, sales during March, 1933, were especially low, showing some influence of the banking holiday in that month. In the following month, sales increased markedly, even after allowance for the late Easter in 1933. The situa-

## Industry —

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

General	1934				1933		
	Apr.	Mar.	Feb.	Jan.	Apr.	Mar.	Feb.
Carloadings—Industrial.	49	47	49	48	35	30	30
Elec. Power Production	150	147	145	144	136	136	136
<b>Manufactures</b>							
Lumber	51	55	52	53	29	28	29
Refined Mineral Oils†	128	107	107	107	133	113	115
Flour	101	106	95	99	102	92	80
Slaughter of Livestock.	104	103	111	113	107	103	103
Cement	73	76	75	85	42	52	40
Wool Consumption†	71	107	94	79	80	122	
<b>Minerals</b>							
Petroleum (California)†	73	72	68	69	72	66	71
Lead (United States)‡	64	64	45	45	45	45	40
Silver (United States)‡	37	37	36	44	30		
<b>Building and Construction§</b>							
Total	29	34	33	33	47	40	47
Building Permits—Value							
Larger Cities	10	11	10	9	10	10	10
Smaller Cities	19	18	14	11	13	11	12
Engineering Contracts							
Awarded—Value							
Total	61	66	69	73	97	73	93
Excluding Buildings	114	136	145	127	223	178	230

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

## Distribution and Trade—

	1934				1933		
	Apr.	Mar.	Feb.	Jan.	Apr.	Mar.	Feb.
Indexes adjusted for seasonal variation (1923-1925 average=100)							
<b>Carloadings‡</b>							
Total	65	64	66	67	52	48	50
Merchandise	79	79	78	80	67	65	64
<b>Intercoastal Trade</b>							
Total	86	95	91	72	60	59	58
Westbound	88	81	71	73	60	57	58
Eastbound	86	105	99	69	60	63	59
<b>Retail Trade</b>							
<b>Automobile Sales‡</b>							
Total	60	60	52	36	37	27	33
Passenger	55	55	48	31	36	27	32
Commercial	112	112	99	87	48	33	40
<b>Department Store</b>							
Sales‡	71	78	72	68	69	57	64
Stocks§	64	62	64	65	54	56	58
<b>Collections#</b>							
Regular	45.1	46.7	43.6	46.9	41.0	38.6	39.0
Installment.	17.5	17.6	16.9	18.1	14.0	13.4	13.4

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

tion was reversed in practically every respect in 1934; sales during March were at comparatively high levels, partly because of Easter shopping, while April sales were comparatively low. The 40 per cent year-period gain in March is not therefore directly comparable with the 2 per cent gain in April. When sales for March and April are combined, they show an increase in value of 19 per cent in 1934 over these two months in 1933. Inventories of department store goods expanded by more than the seasonal amount during April, and were 19 per cent larger than a year earlier.

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

	—1934 compared with 1933—			
	NET SALES			STOCKS
	April	March and April	Jan. 1 to end of April	April
Department Stores ..	1.6 ( 67)	19.3	17.7	18.5 (49)
Los Angeles .....	2.8 ( 7)	15.0	15.0	24.7 ( 7)
Other So. California	3.5 ( 7)	28.8	18.4	7.2 ( 4)
Oakland .....	7.1 ( 4)	12.4	10.1	14.4 ( 4)
San Francisco .....	3.2 ( 8)	19.8	17.6	17.1 ( 7)
Bay Region .....	0.8 ( 16)	18.2	15.9	16.1 (15)
Central California..	4.1 ( 6)	17.4	18.1	14.3 ( 6)
Portland† .....	5.0 ( 7)	20.3	19.1	5.8 ( 6)
Seattle .....	11.5 ( 4)	26.7	21.7	15.8 ( 4)
Spokane .....	16.3 ( 4)	39.6	38.9	7.3 ( 4)
Salt Lake City .....	1.0 ( 4)	16.8	20.5	39.9 ( 3)
Apparel Stores .....	2.2 ( 33)	22.0	24.6	37.3 (20)
Furniture Stores .....	21.1 ( 34)	31.8	30.1	15.3 (26)
All Stores .....	3.4 (134)	20.7	19.5	19.6 (95)

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

After a large expansion in March, wholesale sales receded moderately during April, but the decline in that month was no larger than is ordinarily expected for April. In general, sales in those lines which had shown the most pronounced increases in the preceding month decreased by the largest amount. Sales of electrical supplies, however, expanded sharply further, and the more moderate rise in automobile supplies and hardware also continued. The year-period increase in aggregate wholesale trade was 30 per cent. The Bureau of Labor

**WHOLESALE TRADE—Twelfth District**  
Percentage changes in value of sales

	April, 1934		Cumulative 1934 compared with 1933
	— compared with —	— compared with —	
	Mar., 1934	Apr., 1933	
Agricultural Implements .....	—30.6	71.4	146.4
Automobile Supplies .....	10.9	21.6	22.8
Drugs .....	—15.9	28.0	38.0
Dry Goods .....	—10.0	29.3	42.2
Electrical Supplies .....	19.3	73.5	60.0
Furniture .....	—10.6	19.6	62.3
Groceries .....	—13.5	6.8	21.5
Hardware .....	3.6	50.3	58.0
Shoes .....	—28.8	16.7	51.2
Paper and Stationery .....	—25.0	20.3	42.0
All Lines .....	— 8.3	29.8	40.3

Statistics' index of wholesale prices of finished products stood at 77 per cent of the 1926 average during April, the same as in March. This compared with an index of 66 in April, 1933.

The number of new automobiles sold during April was 8 per cent larger than in March, which is about the customary amount of increase between totals for those two months.

April sales were larger than in any other month since July, 1931. Registrations of passenger cars were 50 per cent larger than in April, 1933, while sales of commercial vehicles were more than double those of a year earlier.

Freight moved on district railways increased by slightly more than the usual seasonal amount during April. Since the sharp advance last November, this bank's adjusted index of carloadings has shown very little change. Both industrial loadings and merchandise and miscellaneous shipments have been relatively stable during this period. Carloadings originating in California have tended upward slightly during the past four months, offsetting a decline of about the same amount in Pacific Northwest loadings.

Cargo moving through the Panama Canal between Atlantic and Pacific Coasts of the United States was smaller in tonnage during April than in March, but remained above January and February levels. The decline for the month was entirely the result of a decrease in eastbound tonnage, which had risen sharply in the three preceding months. Westbound traffic expanded considerably further during April.

**Prices**

Prices of Twelfth District agricultural products showed little net change during the six weeks ending in mid-May, gains in the first half of May offsetting losses in the last half of

**Bank Debits\*—**

	April 1934	April 1933	First four months	
			1934	1933†
Arizona				
Phoenix .....	\$ 23,448	\$ 17,818	\$ 93,643	\$ 63,705
California				
Bakersfield .....	8,680	7,002	33,890	25,031
Berkeley .....	18,807	11,393	88,740	44,754
Fresno .....	16,252	10,940	66,493	44,613
Long Beach .....	23,880	21,171	90,275	82,610
Los Angeles .....	545,071	463,775	2,177,827	1,874,808
Oakland .....	162,848	174,781	618,064	642,974
Pasadena .....	19,595	16,912	76,820	71,037
Sacramento .....	52,971	21,498	184,587	118,565
San Bernardino .....	5,677	3,748	22,814	18,501
San Diego .....	32,541	29,121	122,559	112,021
San Francisco .....	714,405	537,300	2,774,940	2,234,470
San Jose .....	15,965	12,881	60,831	49,086
Santa Barbara .....	8,179	6,494	31,608	26,984
Stockton .....	12,930	10,131	51,684	37,503
Idaho				
Boise .....	11,119	7,205	42,386	30,774
Nevada				
Reno .....	6,753	3,988	25,157	15,531
Oregon				
Eugene .....	4,144	2,717	14,407	9,850
Portland .....	121,044	91,169	474,905	326,983
Utah				
Ogden .....	17,324	8,361	45,830	27,841
Salt Lake City..	43,972	35,937	173,699	145,326
Washington				
Bellingham .....	4,829	3,423	17,507	13,700
Everett .....	5,607	3,831	20,123	14,939
Seattle .....	133,747	102,542	517,191	397,371
Spokane .....	26,692	16,980	102,348	70,251
Tacoma .....	22,819	16,044	85,772	61,947
Walla Walla .....	3,642	2,599	15,317	9,922
Yakima .....	8,435	5,586	36,158	22,183
Total .....	\$2,071,376	\$1,645,347	\$8,065,575	\$6,593,280

\*In thousands of dollars. †March, 1933, figures were incomplete for some cities during the banking holiday period.

April. Contract prices for wheat at Chicago advanced, and on May 21 were the highest since February. In the Pacific Northwest, the Emergency Export Corporation cash wheat price reached 80 cents per bushel in the third week of May, the highest price paid since that organization commenced operations last autumn. Cash prices for barley and oats changed little, and quotations on rice, hops, hay, potatoes, and beans were relatively stable. Cotton quotations rose moderately in May, but were lower in the middle of that month than a month earlier.

Except for a slight increase in canned pear quotations, canned fruit prices remained unchanged during April and the first half of May. Dried apple prices declined during this period while dried apricot prices continued to advance. Dried prune and raisin prices changed little.

Quotations on copper produced in accordance with the provisions of the new code for that metal remained at 8½ cents per pound in New York. Spot prices for silver fluctuated considerably, but showed little net change between mid-April and mid-May. Lead prices were steady, while zinc prices declined slightly.

Lumber quotations remained about the same in April as in March while Pacific Coast prices for cement declined slightly.

### The Credit Situation

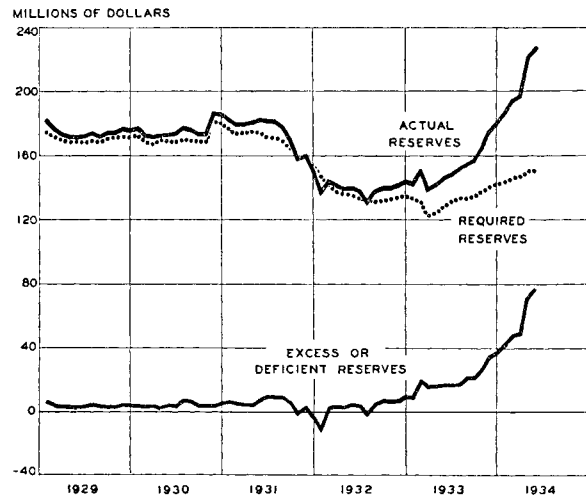
Deposits and investments of city member banks increased during the four weeks ending May 16. Excess reserves expanded further as net Government disbursements continued to bring funds into the district. Numerous small imports of gold from the Orient were deposited with the San Francisco Mint. These imports, plus sales of locally produced gold, were valued at 5 million dollars.

The balance of payments with other districts was unfavorable to the Twelfth District during late April and the first half of May, the bulk of the outward movement going to New York. Funds moved into this area from most other Federal reserve districts. The net outflow was more than offset by United States Treasury disbursements in excess of local collections. The Government, having offered no large issues of securities to banks during the four weeks, drew upon its deposits with commercial banks, reducing them from 95 million dollars on April 18 to 79 millions on May 16. This spending reduced Government deposits and increased individual deposits, both time and net demand deposits showing some rise. The amount of bankers' balances held by city banks, especially in San Francisco, was larger than a month earlier.

Investments of city member banks increased 18 million dollars during the four weeks ending May 16. Total loans remained unchanged, a slight increase in open market loans in New

York being offset by decreases in commercial and real estate loans.

Excess reserves of member banks increased further to an average of about 75 million dollars during the entire period under review. This excess, which is 50 per cent of required reserves of 150 million dollars, was divided between city and country banks approximately in proportion to the reserve requirements of each group.



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

Banks in the Twelfth District have not, in the past, carried large amounts of excess reserves. As in the United States as a whole, Twelfth District banks formerly used practically all of the surplus funds available and, consequently, the average of reserves carried was usually only moderately higher than requirements. In late 1931 an outflow of funds to other districts necessitated increased borrowings from the Reserve Bank, and from that time until the banking crisis of March, 1933, Twelfth District banks carried smaller excess reserves than at any time in several years. Gains of funds by banks as a result of United States Treasury disbursements in excess of collections were substantial during this period, but the continued outflow of commercial funds and reductions in borrowings from other institutions resulted in the use by banks of nearly all such funds at their disposal. After March, 1933, however, the return of currency from circulation and the additions to banking funds due to net United States Treasury expenditures enabled banks to reduce their indebtedness to the lowest levels since the first year or two of operation of the Federal Reserve System. The reduction of indebtedness had largely eliminated discounts at the Reserve Bank by the autumn of 1933, and was accompanied by the accumulation of substantial amounts of excess reserves. This tendency has continued steadily to the present time.

**SUMMARY OF NATIONAL CONDITIONS**

Prepared by the Federal Reserve Board

Volume of manufacturing production increased during April, while the output of mines declined. Employment and payrolls continued to increase. The general level of commodity prices remained substantially unchanged during April and the first three weeks in May, although prices of individual commodities showed considerable change.

**Production and Employment.** Production of manufactures which had increased continuously since last November, showed a further advance in April, according to the Board's seasonally adjusted index, while output of mines was smaller in April than in March. The Board's combined index of industrial production remained practically unchanged at 85 per cent of the 1923-1925 average. The growth in manufacturing reflected increases in iron and steel, automobiles, and meat packing. Lumber production declined in April, and activity at wool and silk mills was considerably reduced, while cotton consumption by mills showed little

change. Crude petroleum output continued to increase, but there was a more than seasonal decline at the beginning of April in the mining of both anthracite and bituminous coal. During the first two weeks of May steel operations increased further, but declined somewhat in the third week. Output of automobiles decreased considerably in May.

Volume of employment and wage payments continued to increase in April and employment in factories, according to the new index of the Bureau of Labor Statistics, was larger than at any time since the end of 1930. There was a substantial seasonal increase in the number of workers employed in private construction as well as in those engaged in projects financed by the Public Works Administration. Employment on railroads, in metal mining and quarrying, and in various service activities also increased further, while in coal mining there was a considerable decrease.

Construction contracts awarded during April,

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

	Condition			
	May 16, 1934	May 9, 1934	Apr. 18, 1934	May 17, 1933
Total Bills and Securities.....	167	168	168	176
Bills Discounted .....	1	1	1	39
Bills Bought .....	1	1	1	12
United States Securities .....	166	166	166	125
Total Reserves .....	296	299	296	257
Total Deposits .....	248	250	248	166
Federal Reserve Notes in Circulation .....	200	201	200	241
Federal Reserve Bank Notes in Circulation .....	...	...	4	...
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined...	66.1	66.3	66.2	63.2

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

	Condition			
	May 16, 1934	May 9, 1934	Apr. 18, 1934	May 17, 1933
Loans and Investments—Total.....	1,777	1,774	1,762	1,690
Loans—Total .....	874	877	876	901
On Securities .....	223	225	219	213
All Other .....	651	652	657	688
Investments—Total .....	903	897	886	789
United States Securities.....	572	565	557	462
Other Securities .....	331	332	329	327
Reserve with Reserve Bank.....	140	135	132	90
Net Demand Deposits .....	623	603	621	536
Time Deposits .....	927	929	904	890
Due from Banks .....	171	164	182	149
Due to Banks .....	183	181	184	154
Borrowings at Reserve Bank.....	...	...	...	32

**SOURCES AND USES OF BANKING RESERVES IN THE TWELFTH FEDERAL RESERVE DISTRICT**  
Changes in millions of dollars during the weeks indicated

SOURCES OF FUNDS					USES OF FUNDS				
Week Ending 1934	Reserve Bank Credit	Commercial Operations	Treasury Operations	Total Supply	Week Ending 1934	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
February 7.....	— .5	+26.3	—10.8	+15.0	February 7.....	+4.8	+ 9.9	+ .3	+15.0
February 14.....	*	— 3.2	+ 9.5	+ 6.3	February 14.....	— .4	+ 8.0	— 1.3	+ 6.3
February 21.....	—1.2	—13.3	+ 7.8	— 6.7	February 21.....	—1.2	— 6.7	+ 1.2	— 6.7
February 28.....	+ .1	—16.2	+ 6.0	—10.1	February 28.....	+1.6	—12.2	+ .5	—10.1
March 7.....	—1.2	— 2.2	+15.2	+11.8	March 7.....	—2.5	+ 8.2	+ 1.1	+11.8
March 14.....	— .8	— 6.8	+13.6	+ 6.0	March 14.....	—4.3	+10.4	— .1	+ 6.0
March 21.....	—1.2	—15.8	+ 2.4	—14.6	March 21.....	—2.2	— 9.5	— 2.9	—14.6
March 28.....	— .1	+12.7	+ 3.2	+15.8	March 28.....	— .1	+14.5	+ 1.4	+15.8
April 4.....	— .2	+ 3.2	— 4.4	— 1.4	April 4.....	+5.4	— 6.0	— .8	— 1.4
April 11.....	— .7	+ 9.5	+14.6	+23.4	April 11.....	—1.1	+24.7	— .2	+23.4
April 18.....	+4.1	—13.1	+ 1.2	— 7.8	April 18.....	— .7	— 1.2	— 5.9	— 7.8
April 25.....	—2.9	+ 1.4	+ 3.0	+ 1.5	April 25.....	—3.9	+ 2.5	+ 2.9	+ 1.5
May 2.....	+ .2	+ 3.6	+ 6.7	+ 3.3	May 2.....	+1.3	— 2.8	+ 4.3	+ 3.3
May 9.....	— .2	— 2.7	+ 3.1	+ .2	May 9.....	+2.5	+ 3.2	— 5.5	+ .2
May 16.....	— .4	— 4.1	+ 6.3	+ 1.8	May 16.....	— .7	+ 2.0	+ .5	+ 1.8

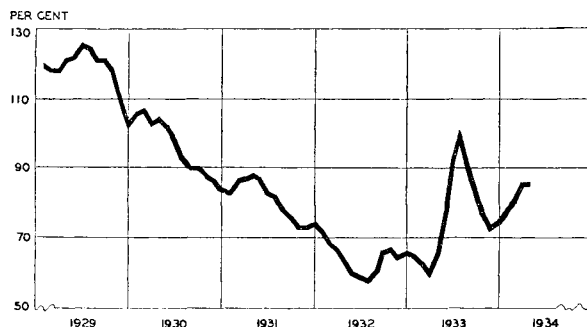
\*Change less than \$50,000.

Note—Beginning this month the demand factor "Treasury cash and deposits at the Federal Reserve Bank of San Francisco" has been combined with the supply factor "Treasury and National bank currency" to make the supply factor "Treasury Operations." Under this arrangement decreases in the item formerly shown as "Treasury cash and deposits at the Federal Reserve Bank of San Francisco" which decrease the demand for banking reserves, will appear as increases in the supply of banking funds and increases in that item will have the opposite effect. This will be the same tabular arrangement as was used prior to dollar devaluation on February 1, 1934.

as reported by the F. W. Dodge Corporation, were smaller in value than during March. There was a substantial decline in public works contracts, while contracts for privately financed projects showed a slight increase in April.

Following extended drought in important grain areas, the Department of Agriculture forecast of the winter wheat crop was reduced from 492,000,000 bushels on April 1 to 461,000,000 bushels on May 1. This compares with

silver, which declined sharply in April, rose during the first three weeks of May. Rubber prices advanced sharply until early in May but subsequently declined somewhat, and prices of textile products declined during recent weeks. Steel scrap has declined since March, while finished steel products, automobiles, non-ferrous metals, and building materials advanced. Cattle and beef prices rose during April and the early part of May while prices of hogs declined.

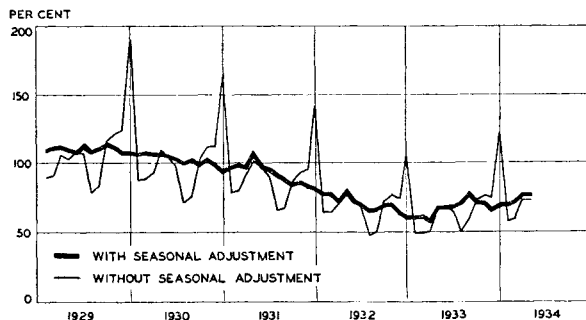


**INDUSTRIAL PRODUCTION**

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

a five-year average for 1927-1931 of 632,000,000 bushels. The condition of rye, hay, and pastures has also been adversely affected by the drought.

**Distribution.** Railroad freight carloadings declined in April as compared with March, and in the first half of May there was a smaller than seasonal increase in total loadings. The April decline was largely the result of a substantial decrease in coal shipments from the relatively large volume of March. Department store sales

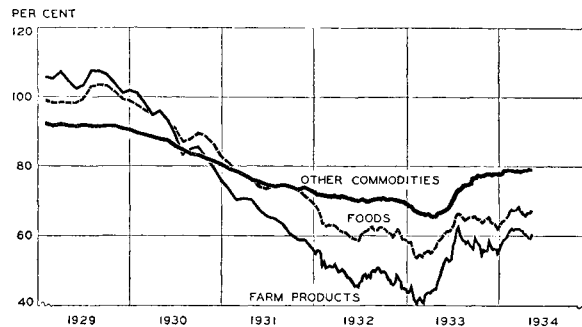


**DEPARTMENT STORE SALES**

Indexes of daily average value of sales. (1923-1925=100).

showed little change from March to April, after allowance is made for differences in the number of business days, for usual seasonal changes, and for changes in the date of Easter. Sales continued larger than a year ago.

**Commodity Prices.** The general level of wholesale commodity prices, as measured by the Bureau of Labor Statistics' index, has shown little change during the past three months. Prices of grains, cotton, silk, and

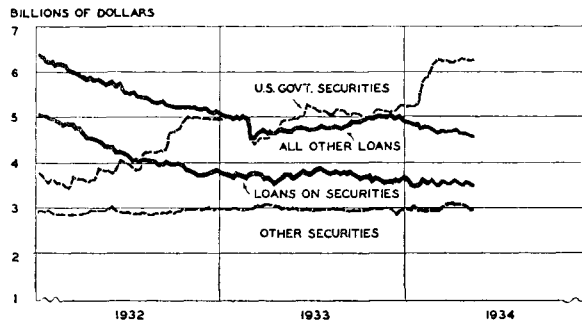


**WHOLESALE PRICES**

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

**Bank Credit.** Excess reserves of member banks remained at a level of about \$1,600,000,000 between the middle of April and the middle of May. There were no considerable changes in monetary gold stock or in money in circulation. The total volume of reserve bank credit also showed little change.

At reporting member banks in leading cities in the five weeks ending May 16 there were decreases of about \$240,000,000 in loans and of



**MEMBER BANK CREDIT**

Wednesday figures for reporting member banks in 90 leading cities. Latest figures are for May 16.

\$80,000,000 in investments, the latter reflecting a decrease in holdings of securities other than those of the United States Government. Net demand and time deposits increased by nearly \$200,000,000, while United States Government deposits were reduced by about \$300,000,000. Short term money rates in the open market continued at low levels during May and yields on United States Treasury bonds declined further to the lowest levels of the post-war period.