

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

Federal Reserve Agent
Federal Reserve Bank of San Francisco

Vol. XVIII

San Francisco, California, August 20, 1934

No. 8

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business records showed greater fluctuation from June to July than is customary in one month, and the movements were more diverse than usual. Sharp declines in certain measures of industry and trade were accompanied by equally sharp advances in others, making it difficult to determine if there was any concerted movement upward or downward. Industrial employment appears to have decreased fairly definitely, but even in that field increases in the important canning and preserving and motion picture industries were more than seasonal. Employment in most other large industries declined, however, as did total employment after allowance for seasonal factors. The marine workers' strike and other labor disputes associated with it doubtless had a significant influence upon employment reports for the month.

Although lumber mill operations declined for July as a whole, they were stimulated by announcement late in the month that the long-shoremen's controversy had been submitted to arbitration. By mid-August, production, shipments, and orders had been restored almost to the levels prevailing in early May prior to the strike. Crude oil produced and run to refineries continued to increase during July, reaching a peak for the year. Electric power production also averaged higher than in the preceding month. Including large awards on the Grand Coulee Dam project in Washington, contracts for public works construction expanded sharply to the highest level for any month since April 1933, when San Francisco Bay Bridge contracts were let. Privately financed building remained about as low as at any time in recent years.

Retail trade at department stores decreased considerably during July in several parts of the district, notably the San Francisco Bay region and principal ports of the Pacific Northwest. These declines were offset by gains in Los Angeles and at interior cities with the result that total sales, adjusted for seasonal variation, increased slightly from the level of the preceding month. Sales of new automobiles increased less

than is usual during July, but were larger than in any other month of this year. Water-borne commerce through the Panama Canal was restricted substantially further, but freight car-loadings continued to expand, although there is ordinarily some decrease during July.

Compared with the United States as a whole, the agricultural outlook in this district continued good. Prospective returns from the marketing of farm products were improved by price advances during the first half of August. Weather conditions were favorable for harvesting during July, and there was no material change from earlier production forecasts, which indicate that most crops will be but little smaller than the average of other recent years. Although livestock ranges in the lower altitudes are in poorer condition than at any time on record, it has been possible to move animals to higher ranges or to secure sufficient supplemental feed to keep them in fair condition.

There was little net change in the credit situation from mid-July to mid-August. The Federal Government continued to disburse substantially more than it collected in this area. Funds derived from this source were used by banks to purchase investments in eastern markets and for the partial settlement of other commercial and financial balances with areas outside the Twelfth District. In order to help settle the adverse balance of payments, member banks reduced their deposits with the Federal Reserve Bank, but the amount of reserves in excess of requirements remained near the highest levels on record. Interest rates moved downward further, with rates on some types of loans declining to new low levels. Deposits of reporting member banks expanded moderately during the period under review, and both loans and investments also increased.

Agriculture

Warm, dry weather during July and early August favored the harvesting of grains and of some field crops and the maturing, harvesting, and drying of fruits. Dry weather was detri-

mental to ranges and livestock and to feed and water supplies throughout most of the district, however, and during July and the first half of August several additional counties in the Twelfth District were listed in the drought areas by the Farm Credit Administration. For the most part these additions to the official list of drought-stricken counties are primarily livestock regions located in Arizona, Utah, Nevada, southern Idaho, eastern Oregon, and southern California. Crop production in this district is expected to be only moderately smaller this year than last, when the volume of crops harvested totaled about 5 per cent less than the average of the preceding five years.

CROP PRODUCTION—Twelfth District
(In thousands)

	Average 1927-1931	1933	Forecast 1934
Wheat (bu.)	113,196	100,969	80,447
Barley (bu.)	35,648	36,539	31,090
Oats (bu.)	24,018	27,982	20,528
Cotton (bales)	325	313	324
Beans (bags)	5,020	5,234	4,605
Tame Hay (tons)	11,617	11,303	10,180
Hops (pounds)	29,331	39,500	35,272
Potatoes (bu.)	45,128	46,175	41,125
Rice (bu.)	7,823	6,042	6,930
Sugar Beets (tons)	1,667	3,367	1,815
Apples (bu.)	53,423	47,720	48,099
Apricots (tons)	215	268	132
Cherries (tons)	45	62	48
Grapes (tons)*	2,020	1,660	1,654
Raisin	1,206	970	962
Table	379	270	249
Wine	435	420	443
Peaches (bu.)*	23,294	22,335	21,752
Clingstone	15,460	14,876	14,418
Freestone	7,834	7,459	7,334
Pears (bu.)	15,208	16,334	16,619
Plums (tons)	62	57	61
Prunes (tons)	236	199	227
Almonds (tons)	12	13	11
Walnuts (tons)	35	33	40

*California only.

Source: United States Department of Agriculture.

Twelfth District production estimates of most grains and field crops decreased slightly during July, but few if any sections of this district will experience anything like a crop failure this year. Expected harvests are compared with production in previous years in the preceding table. Harvesting of grain crops progressed satisfactorily during the month throughout most of the district. Cash and future wheat prices in the Pacific Northwest advanced considerably, accompanying predictions of the smallest crop in the United States since 1893 and moderate world supplies of wheat.

Cotton continued in good to excellent condition during July and early August except in restricted sections of the San Joaquin and Imperial Valleys where water for irrigation is inadequate. August 1 estimates of the California and Arizona cotton crop indicate a total production of 324,000 bales, compared with 313,000 bales harvested in 1933 and an average annual output of 325,000 bales for the years 1927-1931. Prices for cotton advanced during

the first half of August to the highest level since June 1930. Sugar beets in Utah and southeastern Idaho have deteriorated considerably because of hot weather and lack of water, but a moderate-sized crop of good quality and high sugar content is being harvested in California. The hay crop is expected to be about 25 per cent smaller than last year. That factor, together with improved demand for supplemental feed, was responsible for a sharp advance in alfalfa hay prices in both the San Francisco and Los Angeles markets during July and August. The California rice crop was reported to be in excellent condition on August 1, and production of 6,930,000 bushels was forecast, an amount 15 per cent larger than in 1933 but approximately 10 per cent below the average crop during the period 1927-1931. The price of Japan extra fancy California rice in the San Francisco market remained steady at \$3.85 per hundred pounds.

Although production estimates of most California deciduous fruit crops changed little during July, grapes were damaged slightly by excessive temperatures and lack of moisture, and in some districts peaches matured before they had attained full size. The picking and drying of peaches, prunes, and raisin grapes began in July and continued into August. Through the organization of surplus control and marketing agreements with the Agricultural Adjustment Administration it is hoped that marketing of these crops will be more effective and that growers will be paid higher prices. Producers of other early deciduous fruits have had a fairly satisfactory season, both the volume of eastern shipments and prices averaging slightly higher than a year ago.

In the Pacific Northwest, the harvesting of apples, pears, peaches, and prunes was well under way in early August and most fruit was of good quality. Notwithstanding the prospect of smaller European markets, the outlook for

Agricultural Marketing Activity—

	July		Season to Date	
	1934	1933	1934	1933
Carlot Shipments				
Deciduous Fruit...	11,766	4,537	18,119	7,086
Citrus Fruit	7,899	6,948	55,375	54,061
Vegetables	8,599	12,649	94,793	85,957
Exports				
Wheat (bu.)	545,763	1,768	545,763	1,768
Barley (bu.)	147,708	498,208	147,708	498,208
Receipts				
Cattle*	58,666	40,355	586,577	454,231
Hogs*	129,009	126,045	1,501,291	1,592,092
Sheep*	482,308	470,934	2,399,735	2,245,890
Eggs (cases)	140,174	116,705	1,194,512	1,069,784
Butter (lbs.)	6,944,902	7,249,733	49,027,145	45,681,940
Wheat (carlots)	4,416	6,119	4,416	6,119
Barley (carlots)	564	613	564	613
Storage Holdings (end of month)				
July		June	July	June
Wheat (bu.)	3,638,000	3,610,000	4,028,000	2,024,000
Beans (bags)	744,000	937,000	364,000	529,000
Butter (lbs.)	8,051,000	7,062,000	10,268,000	7,542,000
Eggs (cases)	722,000	735,000	788,000	779,000

*Excluding receipts at Los Angeles during July.

apple growers in the Pacific Northwest is favorable, since production is expected to be larger than last year and approximately the same as average annual production of the last few years, while total United States production is estimated to be the smallest since 1921.

Production estimates of the current California Valencia orange crop and of the 1934 lemon crop were about the same at the beginning of August as a month earlier. Output is expected to be moderately larger than last year. Eastern shipments of oranges during July were slightly smaller than in that month last year, but total returns to growers were larger because of the higher prices received. Extremely hot weather in other parts of the United States created a good demand for lemons. Eastern shipments were larger and prices paid during the month considerably higher than in July 1933. The serious lack of irrigation water in the Imperial Valley has damaged the grapefruit crop which was estimated to be 69 per cent of a full crop on August 1. Condition of that fruit on comparable dates in previous years was 76 in 1933, 73 in 1932, 87 in 1931, and 86 in 1930.

Pastures and ranges in most areas of the district deteriorated during July. Winter range feed prospects are poor and inasmuch as this year's hay crop will be light, feed prices generally are advancing. Although this favors hay and feed producers, it has an unsatisfactory bearing upon the outlook for the livestock industry. During the past six weeks, cattle in the drought-stricken areas of the district have been moved to new feed, maintained on supplemental feed, or bought by the Government to

be slaughtered for relief purposes. The condition of cattle in all states in the Twelfth District on August 1 was reported lower than a year ago and considerably below the 10-year average condition at the beginning of August. There was little net change in cattle prices in most district markets from mid-July to mid-August, with only a small number of choice grade cattle received.

The total United States 1934 wool clip was estimated to be slightly smaller than last year, but 1934 wool production in this district was approximately the same as in 1933. As compared with a year ago, however, the decline in the number of head shorn was relatively larger in the Twelfth District than in the United States as a whole. Lamb prices have declined seasonally. Most current sales from northern California, Oregon, and Nevada are for California markets.

Industry

Twelfth District industrial production declined by more than the usual seasonal amount during July. The reduction in operations reflected increased difficulties in connection with local labor disputes as well as the indirect influence of the general decline in business throughout the nation as a whole.

While the total number employed in California industries increased 5 per cent from mid-June to mid-July, the gain was smaller than that which usually has been caused by the employment of large numbers of additional cannery workers at this season. This bank's seasonally adjusted index, which excludes canning and preserving of fruits and vegetables, decreased from 83.4 to 80.5 per cent of the 1923-1925 average. Declines were quite general throughout the state. In Los Angeles county, the motion picture industry was the only one of consequence to report more employment than a month earlier. The number of employed in San Francisco decreased considerably, reflecting in part the effects of strike conditions which prevailed in that city in mid-July. Although employment reports refer to conditions immediately prior to the middle of the month, whereas the general strike of union labor in the San Francisco Bay area took place on July 16, 17, and 18, figures of the number of workers employed were doubtless influenced by the disturbed labor conditions then prevailing.

Despite larger aggregate employment than in June, there was a 4 per cent decrease in payrolls, and average weekly earnings declined 9 per cent. These declines reflected not only the fact that some workers received smaller weekly wages but also the increase in the relative proportion of low-wage cannery employees.

Employment—

Industries	California— No. of			Oregon— No. of		
	Firms	July 1934	July 1933	Firms	July 1934	July 1933
All Industries*	1,127	158,834 (+19.9)	132,507	112	17,470 (-8.9)	19,182
Stone, Clay, and Glass Products.	57	6,318 (+23.1)	5,131	3	69 (+38.0)	50
Lumber and Wood Manufactures ..	111	13,991 (+16.2)	12,040	42	9,818 (-11.8)	11,126
Textiles	10	1,034 (-9.3)	1,140	8	1,292 (-3.4)	1,337
Clothing, Millinery, and Laundering.	146	9,949 (-4.8)	10,452	6‡	145 (0)	145
Food, Beverages, and Tobacco ...	275	47,430 (+31.0)	36,212	26	1,525 (-30.4)	2,190
Other Industries†.	477	67,995 (+14.5)	59,397	..	....	....
Miscellaneous	51	12,117 (+48.9)	8,135	27	4,621 (+6.6)	4,334
Public Utilities ..	48	44,545 (+2.5)	43,465	..	....	....
Wholesale and Retail	215	28,074 (+8.4)	25,903	..	....	....

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

Employment in Oregon, after allowance for seasonal tendencies, showed a somewhat greater decline than was recorded in California.

Daily average crude oil production in California increased from 515,000 barrels in June to 518,000 barrels in July. Production in the later month represented an average daily excess of 9,000 barrels over proration allowables, as compared with an average excess of about 16,000 barrels daily since September 8, 1933, when the oil code became effective. Under strict interpretation of the code, excess production is supposed to be charged against future allotments. A recent order of the oil administrator provides, however, that the amount of excess production up to June 3, 1934 may be placed in a suspense account if producers adhere to proration agreements and other code regulations thereafter. Proration schedules have been reduced from 509,000 barrels for July to 490,000 barrels for August in an attempt to reduce inventories at refineries. Production during the first three weeks of August averaged 508,000 barrels daily.

Activity at oil refineries, as indicated by the amount of crude oil run to refinery stills, continued to increase during July, despite sharp curtailment in the second and third weeks of that month when strike conditions made it difficult to maintain marketing facilities on the Pacific Coast. Reflecting in part the increase in refinery output and in part the effect of reduced consumption during the period when strikes prevented gasoline delivery in the San Francisco Bay region and in Portland, inventories of gasoline were higher at the end of July than at its beginning, reversing the declining tendency of other recent months. Gasoline prices remained unchanged during the period under review.

Industry —

General	1934				1933		
	July	June	May	Apr.	July	June	May
Carloadings—Industrial.	50¶	42	44	49	55	45	37
Elec. Power Production	152¶	147	155	154	141	139	135
Manufactures							
Lumber	37¶	40	49	51	61	51	37
Refined Mineral Oils† ..	130	130	131	136	144	127	
Flour	89	97	98	124	112	117	
Slaughter of Livestock.	110	110	111	105	113	115	120
Cement	58	61	74	73	54	47	52
Wool Consumption	85¶	84	101	89	95	96	93
Minerals							
Petroleum (California)†	78	78	74	73	74	72	72
Lead (United States)† ..	56	66	56	36	41	37	
Silver (United States)† ..	45	44	45	34	24	30	
Building and Construction#							
Total	64	39	29	29	28	52	43
Building Permits—Value							
Larger Cities	10	9	10	10	14	11	10
Smaller Cities	16	15	19	19	13	12	13
Engineering Contracts							
Awarded—Value							
Total	69	77	56	61	50	108	90
Excluding Buildings	234	151	114	114	83	214	198

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

After seasonal allowance, lumber output in the Douglas fir regions of the Pacific Northwest remained unchanged during July at the record low level of the preceding month. Output of lumber in the western pine area declined during July, causing total district lumber production to recede further. This bank's adjusted index, at 37 per cent of the 1923-1925 average, was 3 points lower than in the previous month and only about two-thirds as high as in July 1933, when, however, it was higher than at any time since the latter part of 1931. New orders and shipments reached a low point for the year in mid-July, but recovered sharply late in the month. In mid-August, both shipments and orders were as large as in early May, prior to the beginning of the longshoremen's strike.

Due to the letting of contracts amounting to 29 million dollars on the Grand Coulee Dam project in Washington during July, there was a further large increase in contract awards for public works, including those financed entirely or in part by the Federal Government and those financed by private capital entirely. Excluding the Grand Coulee project, the amount of construction undertaken was smaller than in June, but approximated the average for other months during the past year. Federal Government projects exclusively were larger than in any other month since March 1931, when contracts for Boulder Dam were awarded. Non-Federal work for which loans and grants were authorized under the Public Works Administration has been slower in getting under way than that financed wholly by the Federal Government, but more recently has increased in volume and in July was larger than at any time since the program was initiated. Up to July 11, allotments for this type of work in states of the Twelfth District aggregated 67 million dollars, 27 million dollars of the total being for utilities construction, 17 million dollars for public build-

Distribution and Trade —

	1934				1933		
	July	June	May	Apr.	July	June	May
Carloadings‡							
Total	74¶	67	66	65	62	58	53
Merchandise	93¶	90	85	79	68	70	67
Intercoastal Trade							
Total	48	64	79	86	63	72	68
Westbound	75	67	73	88	100	79	61
Eastbound	41	62	82	86	55	69	70
Retail Trade							
Automobile Sales‡							
Total	66	74	62	60	57	64	48
Passenger	62	69	57	55	53	59	46
Commercial ..	110	120	121	112	98	110	70
Department Store							
Sales‡	72	72	71	71	82	72	72
Stocks§	62	65	66	64	57	57	54
Collections#							
Regular	44.6	47.1	47.8	45.1	41.9	42.8	43.3
Installment.	17.2	17.3	17.5	17.5	16.0	14.8	15.0

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

ings, 6 million dollars for railroad projects, 6 million dollars for waterworks, and 11 million dollars for streets, roads, and other types of construction. Only a small proportion of this work actually has been completed, although contracts have been awarded for a considerable part of it.

The accompanying tabulation of building permits issued in 11 of the larger cities in the district indicates the small amount of private building that is currently being undertaken as compared with 1929. All types of building activity, including alterations and repairs of existing structures, tended sharply downward from 1929 through 1932. Practically no improvement has taken place in total private building since then, although more recently the decline appears to have been arrested. Permits

PRIVATE BUILDING ACTIVITY IN ELEVEN LARGE CITIES OF THE TWELFTH DISTRICT
(In millions of dollars)

	New Residential	New Non-Residential†	Alterations and Repairs	Total
1929	112	92	34	238
1930	78	81	24	183
1931	47	47	18	112
1932	17	24	11	52
1933	13	16	16	45
1934	5*	7*	8*	20*

*First six months, partly estimated. †Since 1930, includes some public works, although most buildings of this type do not require permits.
Source: Bureau of Labor Statistics.

issued for alterations and repairs, however, which ordinarily constitute but a minor part of total construction, advanced in 1933 and accounted for a larger proportion of the total for that year than did either residential or non-residential building. This tendency, which had been growing in the four preceding years because of the relatively greater declines in the amount of new building, continued during the first half of 1934, with alterations and repairs amounting to 40 per cent of the total.

Trade

Total sales of department stores decreased by slightly less than the seasonal amount during July, this bank's adjusted index advancing from 72 per cent to 73 per cent of the 1923-1925 average. Larger declines than are customary occurred in San Francisco and Oakland, areas affected particularly by the tie-up of shipping and other trade facilities incident to labor difficulties in May, June, and July and in which purchasing power consequently was diminished. These decreases were offset by increases, after seasonal allowance, in sales in Los Angeles and Spokane. As compared with a year earlier, sales were 8 per cent smaller in value, the first year-period decline since last October. Part of this decrease over the year-period may be attributed, however, to the exceptionally high value of sales of California stores in July last year,

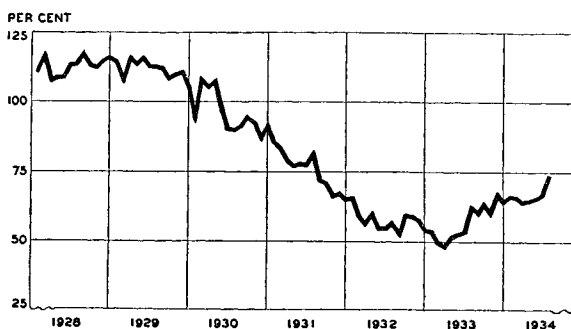
immediately prior to the effective date of the retail sales tax in California. Retail prices of department store commodities continued to decline in July. Department store inventories were reduced to the lowest level recorded this year.

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

	1934 compared with 1933		
	NET SALES	Jan. 1 to end of July	STOCKS
	July		End of July
Department Stores	-7.9 (71)	8.7	9.8 (53)
Los Angeles	-13.1 (7)	4.4	8.5 (7)
Other So. California	2.5 (7)	10.7	-9.5 (5)
Oakland	-10.1 (5)	4.2	13.3 (5)
San Francisco	-18.3 (8)	6.4	10.6 (7)
Bay Region	-14.7 (18)	6.4	10.7 (16)
Central California	5.4 (6)	13.0	-2.1 (6)
Portland†	3.2 (8)	11.5	11.7 (8)
Seattle	2.5 (4)	13.8	12.5 (4)
Spokane	25.1 (5)	31.7	10.4 (5)
Salt Lake City	9.4 (4)	16.1	16.9 (3)
Apparel Stores	-9.3 (34)	13.5	16.5 (23)
Furniture Stores	-33.3 (36)	8.2	9.8 (27)
All Stores	-12.2 (141)	9.1	9.6 (103)

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

An increase in freight carloadings during a month in which there is ordinarily a decline resulted in this bank's seasonally adjusted index rising from 67 (1923-1925 = 100) in June to 74 in July. The latter figure is the highest since mid-1931. Continued diversion of traffic from water to rail shipment, the early agricultural season, and the unusual movement of livestock from drought areas were the principal factors contributing to this increased volume. Merchandise and miscellaneous loadings



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

remained comparatively large and a decline in industrial loadings was smaller than is usual from June to July. California carloadings increased substantially, although there is usually little change in July, and loadings in the Pacific Northwest remained unchanged, although a sharp decline is customary in that area in July. New automobile registrations increased further during July and were only slightly below those recorded in the corresponding month in 1931. Sales during July were larger than in any previous month of 1934, but the increase over June was less than seasonal and the ad-

justed index declined from 74 per cent of the 1923-1925 average to 66 per cent.

No doubt reflecting restricted purchases of retailers because of the labor situation, wholesale trade decreased by moderately more than the seasonal amount during July and, for the first time since April 1933, was smaller than a year earlier. Sales of groceries and furniture declined less than is usual during July. Drug,

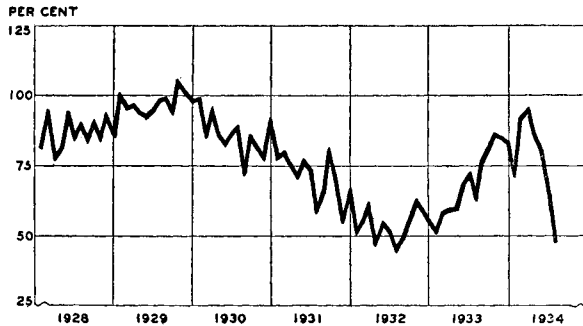
WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

	July 1934		Cumulative 1934 compared with 1933
	compared with June 1934	July 1933	
Agricultural Implements....	-22.7	6.1	80.2
Automobile Supplies	2.8	0.1	13.2
Drugs	6.3	9.5	27.5
Dry Goods	5.3	-32.2	12.9
Electrical Supplies	7.6	20.5	47.1
Furniture	-15.2	-47.9	13.5
Groceries	5.6	12.1	15.0
Hardware	-14.4	-1.8	33.9
Shoes	-14.5	-11.1	24.9
Paper and Stationery	8.2	1.2	28.0
All Lines	8.8	-1.6	25.0

electrical supplies, and automobile equipment wholesalers reported about the customary changes in business. Sales of dry goods and paper and stationery houses, which ordinarily increase from June to July, declined this year. Decreases in sales of hardware, agricultural implements, and shoes were greater than is usual during July.

Intercoastal traffic declined sharply from June to July, reflecting the direct influence

of the marine workers' strike upon West Coast shipping. Although shipments passing through the Panama Canal from the Atlantic to the Pacific actually increased during the month, eastbound cargoes, which represent the bulk of traffic, reached levels below any recorded previously during the depression, seasonal factors allowed for. This bank's adjusted index of eastbound shipments has declined steadily from a seven-year high point of 105 (1923-1925 average=100) in March to a twelve-year low point of 41 in July. Except for petroleum cargoes,



INTERCOASTAL WATER-BORNE SHIPMENTS
Index adjusted for seasonal variation (1923-1925 average=100).

which held up fairly well because they are transported in tankers loaded by pipe line, all eastbound water-borne commerce was negligible. Lumber shipments, at 3,000 tons, were only 2 per cent of the average of recent years.

Bank Debits*—

	July 1934	July 1933	First seven months 1934	1933†
Arizona				
Phoenix	\$ 27,231	\$ 18,380	\$ 177,986	\$ 123,015
California				
Bakersfield	8,179	7,081	58,524	46,924
Berkeley	16,615	12,621	136,002	80,601
Fresno	15,496	12,964	113,598	81,695
Long Beach	23,703	25,429	157,516	156,360
Los Angeles	538,326	598,552	3,788,202	3,485,368
Oakland	151,204	160,777	1,110,067	1,122,779
Pasadena	17,189	20,119	130,466	127,558
Sacramento	60,132	25,997	365,895	191,664
San Bernardino..	5,790	4,671	40,086	32,000
San Diego	28,777	31,737	208,254	200,490
San Francisco...	657,647	738,445	4,760,275	4,209,243
San Jose	17,544	13,996	108,121	89,049
Santa Barbara...	8,547	7,645	55,756	48,551
Stockton	14,559	12,840	93,652	72,455
Idaho				
Boise	13,100	10,497	77,760	58,128
Nevada				
Reno	8,087	6,385	50,126	31,565
Oregon				
Eugene	3,858	3,237	26,716	19,503
Portland	114,984	112,436	825,911	664,072
Utah				
Ogden	11,204	11,334	79,328	58,510
Salt Lake City..	46,264	42,526	322,265	266,970
Washington				
Bellingham	4,474	4,464	31,409	26,490
Everett	4,644	5,328	35,601	30,664
Seattle	134,130	132,325	935,341	782,932
Spokane	29,874	23,409	199,743	136,408
Tacoma	20,745	19,866	153,169	121,075
Walla Walla....	4,651	3,658	27,719	19,587
Yakima	8,965	6,814	63,629	42,411
Total.....	\$1,995,919	\$2,073,533	\$14,133,117	\$12,326,067

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

Prices

Most wholesale commodity prices for which quotations are available in the Twelfth District increased moderately from mid-July to mid-August.

On August 10, contract wheat prices at Chicago reached the highest point since July 1933, but declined several cents per bushel in the third week of the month. Cash wheat quotations at Portland moved about the same as prices at the Chicago market, but at a slightly lower level. In San Francisco, all cash grain prices advanced sharply and in mid-August they were higher than in August 1933, when the peak for 1933 was reached. Bean quotations were slightly higher in mid-August than a month earlier.

The dried fruit market showed little change except in quotations for prunes, which continued to decline. Canned fruit prices tended upward. The principal advance was in prices of canned apricots.

Copper and zinc prices remained unchanged during July and the first half of August, while lead quotations declined slightly. By a presidential proclamation issued August 9, silver was nationalized and the Federal buying price fixed at 50.01 cents per ounce for all silver

bullion. Silver mined from natural deposits in the United States or any place subject to the jurisdiction thereof after December 21, 1933 was exempted from this order and is still being purchased by the United States Treasury at 62½ cents per ounce.

Among other commodities important in the Twelfth District, rubber, sugar, and coffee increased slightly in price, while lumber quotations showed small reductions during the period under review.

The Credit Situation

Loans made by Twelfth District city banks increased during the four weeks ended August 15. These banks also added to their investment holdings as new deposits became available through Federal Government expenditures in excess of local collections. Excess reserves of member banks continued at a high level and interest rates charged customers again declined sharply. Activity on district stock exchanges was lower than at any time thus far this year.

There was a reversal of the downtrend of loans at city banks in mid-July, loans other than those on securities showing steady expansion from that time to August 15. Total loans on securities at the middle of August were about the same as a month earlier, notwithstanding reductions in loans to brokers and dealers in securities. Banks added to their holdings of Government bonds and other securities through open market purchases, since but a small part of the new issues of recent weeks was allotted by the Treasury to banks

in this district. Less than 2 million dollars of the 3 per cent Federal Farm Mortgage Corporation bonds dated August 1 and less than 6 million dollars of the three series of Home Owners' Loan Corporation bonds dated August 15 were allotted to this area. Only small amounts of Treasury bills offered between mid-July and mid-August were secured by local bidders.

An outflow of funds from this district due to purchases of securities in eastern markets and to an unfavorable balance of other commercial and financial transactions was larger in amount than the funds gained through United States Government disbursements in excess of collections in this area. As a result, both member bank reserve balances and non-member bank deposits at the Reserve Bank declined moderately. While excess reserves decreased appreciably from their large volume in mid-July, they continued to fluctuate around the high level that has prevailed since early April.

Banks accepted a moderate amount of bills during July, but holdings of this class of paper at the end of the month were smaller than at the end of June. Forward purchases and sales of foreign exchange have also been reduced during the past two months and in addition, foreign banks have lowered their deposits with local institutions. Local dealers are keeping unusually small deposits with foreign correspondents.

Trading on the principal stock exchanges of the district decreased sharply during July and August, to the lowest total this year. Prices of securities also declined.

SOURCES AND USES OF BANKING RESERVES					FEDERAL RESERVE BANK OF SAN FRANCISCO					
Twelfth District					(In millions of dollars)					
Changes in millions of dollars during the weeks indicated					Condition					
SOURCES OF FUNDS					Aug. 15 1934	Aug. 8 1934	July 18 1934	Aug. 16 1933		
Week Ending 1934	Reserve Bank Credit	Commercial Operations	Treasury Operations	Total Supply						
June 6.....	+ 3	+10.1	+ 5.5	+15.9	Total Bills and Securities.....	167	167	168	167	
June 13.....	+ 3	+ 5	+ 3.1	+ 3.3	Bills Discounted.....	...	...	2	26	
June 20.....	+ 9	+ 7.0	+ 2.8	+ 8.9	Bills Bought.....	...	...	...	1	
June 27.....	+ 7	+20.0	+12.6	+ 6.7	United States Securities.....	166	166	166	140	
July 4.....	+ 4.9	+ 1	+ 9.5	+14.5	Total Reserves.....	309	299	326	261	
July 11.....	+ 5.1	+12.5	+22.1	+ 4.5	Total Deposits.....	250	242	266	180	
July 18.....	+ 8	+ 5.4	+ 8.5	+13.1	Federal Reserve Notes in Circulation.....	209	209	212	218	
July 25.....	+ 1.7	+20.0	+ 3.3	+18.4	Federal Reserve Bank Notes in Circulation.....	...	...	...	4	
August 1.....	+ 2	+14.9	+ 1.4	+13.3	Ratio of Total Reserves to Deposits and Federal Reserve Note Liabilities Combined...	67.2	66.4	68.3	65.6	
August 8.....	+ 1.1	+ 5.0	+ 9.3	+ 5.4						
August 15.....	+ .1	+ 4.0	+ 5.0	+ 9.1						
USES OF FUNDS					REPORTING MEMBER BANKS—Twelfth District					
					(In millions of dollars)					
					Condition					
Week Ending 1934	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand	Aug. 15 1934	Aug. 8 1934	July 18 1934	Aug. 16 1933		
June 6.....	+ 4.9	+ 9.8	+ 1.2	+15.9	Loans and Investments—Total..	1,874	1,852	1,836	1,675	
June 13.....	+ 1.0	+ 7.6	+ 3.3	+ 3.3	Loans—Total.....	880	875	869	882	
June 20.....	+ 4.4	+11.7	+ 1.6	+ 8.9	On Securities.....	223	224	222	222	
June 27.....	+ 1.4	+12.7	+ 7.4	+ 6.7	All Other.....	657	651	647	660	
July 4.....	+11.2	+10.5	+ 7.2	+14.5	Investments—Total.....	994	977	967	793	
July 11.....	+ 5.2	+ 8.5	+ 1.2	+ 4.5	United States Securities....	627	614	608	478	
July 18.....	+ 4.1	+ 3.1	+ 5.9	+13.1	Other Securities.....	367	363	359	315	
July 25.....	+ 7.7	+10.0	+ 7	+18.4	Reserve with Reserve Bank....	130	127	132	97	
August 1.....	+ 1.2	+ 9.2	+ 5.3	+13.3	Net Demand Deposits.....	660	648	640	555	
August 8.....	+ 3.5	+ 2.0	+ 1	+ 5.4	Time Deposits.....	945	939	946	868	
August 15.....	+ .9	+ 9.4	+ 1.2	+ 9.1	Due from Banks.....	177	176	180	132	
					Due to Banks.....	197	186	188	130	
					Borrowings at Reserve Bank...	...	...	...	20	

Turnover of Member Bank Reserve Deposits

Member bank reserve deposits have increased steadily during the past year. Demand for banking accommodations has remained comparatively low. Reserves in excess of legal requirements have accumulated to an unusual extent, and the rate of turnover of these reserve deposits has decreased.

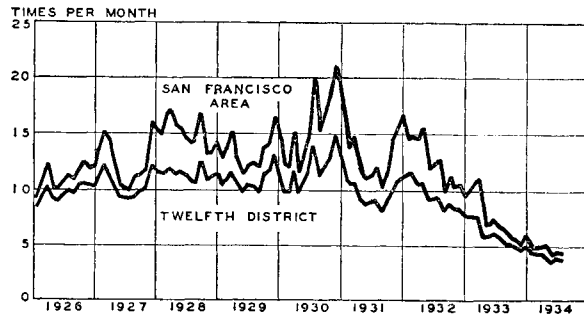
Member bank reserve deposits are subject to withdrawal by check much as are individual deposits with a commercial bank. Debits to reserve accounts arise chiefly through the withdrawals of currency, repayment of discounts, liquidation of Government deposits, payments for United States securities, settlement of clearing house balances, or telegraphic transfers. Banks build up their reserve deposits by similar transactions but with payments in the opposite direction. The turnover of the deposits is therefore largely a measure of the movement of funds between banks and thus reflects inter-banking activity.

A high rate of turnover indicates that banks are active in utilizing their funds. It indicates that payments between banks are relatively large and indirectly reflects substantial exchanges of commodities and services between individuals. Ordinarily there would be no appreciable accumulation of excess reserves during such a period.

Between 1926 and 1930 the monthly turnover of reserve deposits—that is, the ratios of total checks drawn on the accounts each month to their daily average balance—increased from 10 times to approximately 13 times. This increase resulted entirely from inter-district transactions, the turnover of reserves due to debits arising from local transfers having changed little during this period. Turnover due to inter-district payments and transfers was abnormally high during 1930 and early 1931 due to the daily transfers of large amounts of "Federal" funds between the Pacific Coast and eastern money centers. Since 1931 the decline has been fairly steady, although the actual volume of transactions has increased since mid-1933. Low money rates and the smaller volume of credit used by national money markets have steadily reduced the interchange of funds between districts. The turnover due to local forces was high during 1932 when many banks were borrowing heavily at the Reserve Bank and using their reserves to the best possible advantage.

After declining up to the middle of 1931, turnover of member bank reserves arising from transactions within the district advanced sharply until early 1932. This increase, which took place at a time when business activity was declining substantially, was caused by a

strained banking condition and was accompanied by heavy withdrawals of currency and pronounced expansion of borrowings. Because of the unusual need for funds, banks found it necessary to use their reserves to the fullest extent possible. Banking conditions in the Twelfth District improved temporarily after February 1932 and the turnover of deposits due to local transfers began a rapid decline which has lasted to the present time.



TURNOVER OF MEMBER BANK RESERVE DEPOSITS
Federal Reserve Bank of San Francisco

Turnover of reserves in the San Francisco area has been at a more rapid rate than for the entire district continuously during the period under review. This greater turnover in the largest banking center is to be expected, not only because of the large amount of settlements made for depositors in other states who bank in San Francisco but also because of the heavy turnover of bankers' balances from other parts of the district. As might also be expected, the decline in activity of reserve accounts in that territory since 1930 has been sharper than in other parts of the district, the rate decreasing from 21 times per month at the end of 1930 to 4 times at present.

The large amount of excess reserves now available has contributed to the reduction in turnover of deposits during the past year and a half. While this has been an important factor, however, the continued decline in intra-district banking activity has also reduced the rate of turnover further.

A part of the current unusually low rate of turnover of reserve deposits at this time may be due to the usual seasonal summer decline. The principal influences, however, continued to be the large excess reserves and the quiet state of banking and finance. In comparison with pre-depression years, other important factors are the small volume of trade and the lower level of general prices, including commodities, wages and salaries, securities, and other goods and services, the exchange of which is settled in terms of money values.

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

Federal Reserve Agent
Federal Reserve Bank of San Francisco

Supplement

San Francisco, California, August 20, 1934

Vol. XVIII No. 8

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Industrial production declined in July. Factory employment and payrolls also decreased. Diminished output of steel was the chief factor in the decline of industrial activity, which was larger than is usual at this season of the year. The general level of wholesale commodity prices showed little net change for July and advanced in the first three weeks of August.

Production and Employment. Volume of industrial output, as measured by the Board's seasonally adjusted index, decreased from 83 per cent of the 1923-1925 average in June to 76 per cent in July. This decline reflected chiefly a sharp reduction in the output of steel, due in part to previous accumulation of stocks by consumers; and there was a further decline in steel operations during the first three weeks in August. Activity in the automobile industry decreased and there were considerable reductions in the output of pig iron and anthracite. At textile mills, where operations had been at a low level in June, activity showed little change in July. Output of shoes showed a seasonal increase. Accompanying heavy marketings of cattle from drought areas there was a considerable increase in activity at meat packing establishments.

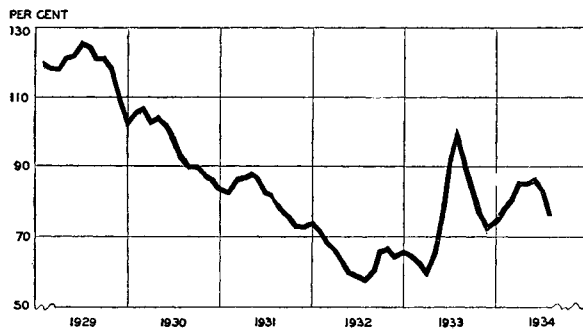
Factory employment decreased between the

middle of June and the middle of July by 3 per cent, an amount larger than is usual at this season. There were reductions in many industries producing durable manufactures, such as iron and steel products and building materials, and also at establishments producing knit goods and women's clothing. At canning establishments, the number of employees increased by less than the usual seasonal amount. Employment on public projects increased further in July.

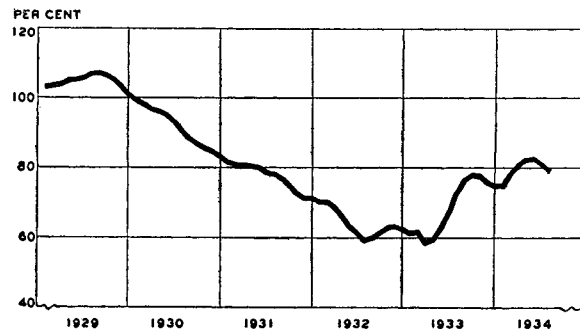
Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in July as in June.

Department of Agriculture estimates, based on August 1 conditions, indicate that yields per acre for principal crops are 22 per cent smaller than the ten-year average, reflecting the effects of the drought. The wheat crop is estimated at 491,000,000 bushels, 37,000,000 bushels less than last year's small harvest, and the corn crop at 1,607,000,000 bushels as compared with a five-year average of 2,516,000,000 bushels. The cotton crop estimate is 9,195,000 bales, about 4,000,000 bales less than last season and smaller than in any other year since 1921.

Distribution. Total volume of freight carloadings declined in July, reflecting chiefly a



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



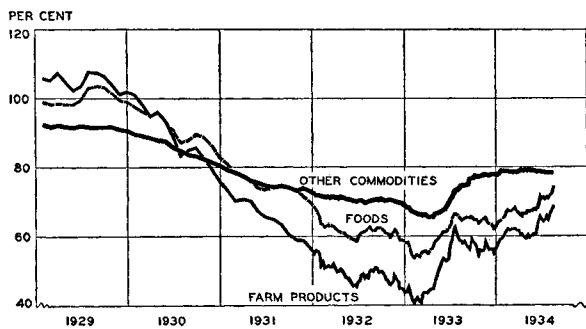
FACTORY EMPLOYMENT
Federal Reserve Board's index of factory employment with adjustment for seasonal variation (1923-1925 average=100).

reduction in miscellaneous freight, including steel shipments, offset in part by an increase in shipments of livestock. Department store sales showed a decrease of somewhat more than the estimated seasonal amount.

Commodity Prices. Wholesale prices of farm products, after fluctuating widely in July, advanced considerably in the first three weeks

volume of reserve bank credit showed little change.

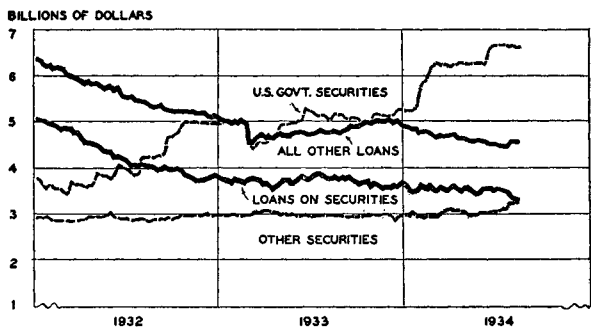
In the four weeks ending August 15, loans and investments of New York City banks decreased by \$141,000,000, while those of weekly reporting banks in other leading cities increased by \$116,000,000. The decrease at New York banks reflected a reduction of nearly



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

of August. Between the beginning of July and the third week of August, cotton, wheat, and hog prices showed substantial increases, while cattle prices declined somewhat. During this period prices of commodities other than farm products and foods as a group showed little change.

Bank Credit. Member bank reserve balances increased further between the middle of July and the middle of August and on August 15 were about \$1,900,000,000 in excess of legal requirements. The increase in reserve balances reflected principally a further growth in monetary gold stock, offset in part during the first half of August by a seasonal increase in the total volume of money in circulation. The



MEMBER BANK CREDIT
 Wednesday figures for reporting member banks in 90 leading cities.
 Latest figures are for August 15.

\$200,000,000 in loans to brokers and dealers in securities, following a sharp decline in security prices in the latter part of July, and a decline of \$52,000,000 in holdings of United States Government securities. All other loans and holdings of securities other than United States Government obligations increased substantially at New York banks and at banks outside New York City. At outside banks, holdings of United States Government securities also increased.

Average rates of discount on United States Treasury bills issued rose from .07 per cent in July to .23 per cent on August 22. Other open market money rates remained unchanged at low levels.

