

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

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### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business fluctuated during 1934 around averages of the last half of 1933, following sharp recovery from the lowest point of the depression reached in March 1933. On an annual basis, operations in practically all industries were considerably higher than in either 1933 or 1932, and in some cases exceeded 1931 levels. All measures of trade continued the upward movement begun in the preceding year, with improvement especially evident in rural areas. Employment was higher than at any time in three years.

Increased employment was particularly pronounced in industrial activities, large gains over 1933 having been reported by nearly all states in the district for both manufacturing and mining. There was some increase in the number of workers at retail and wholesale establishments, but employment by public utilities was about the same as a year earlier. Average weekly earnings of workers advanced during 1934, with the result that total payrolls expanded more rapidly than employment. Early in the year, marked impetus was temporarily given employment by the Civil Works Administration. Activities of this agency were superseded in April by a more permanent form of work relief under state supervision. A substantial additional number of workers was employed during 1934 on Federal and non-Federal construction projects authorized under allotments from the Public Works Administration.

Contracts awarded for public works construction during 1934 were the largest on record, but privately financed new construction was only slightly above the extreme low of 1933. Alterations and repair work expanded further. Revival of construction activity contributed to improvement in output of lumber, iron and steel, and cement. Stimulated by rising prices for gold and silver, there was a sharp increase in non-ferrous metals mining from the small 1933 output. Petroleum production changed little from the curtailed output of 1933, but both crude and refined oil inventories were reduced substantially. Activity in the principal food industries—canning, meat packing, and flour milling—

was substantially higher in 1934 than in 1933. Production of beer and wine in this district increased sharply after the repeal of prohibition.

Department stores reported an increase in sales over the preceding year for the first time since 1929. This increase was especially marked in agricultural centers. All lines of wholesale trade reported substantial gains in sales in 1934 over 1933. Both passenger and commercial automobile sales expanded sharply and total registrations of new cars approximated those of 1931. There was a large increase in freight carloadings. Despite reduced shipments during the longshoremen's strike, intercoastal water-borne tonnage was larger than in any of the three preceding years. Aggregate check payments increased 14 percent during 1934, whereas there had been substantial declines in preceding years since 1929.

Agricultural income was much larger in 1934 than in 1933. Sharply higher prices for farm products and benefit and relief payments of the Federal Government accounted for the entire increase, actual production having been somewhat smaller than a year earlier or the average for other recent years. Increased prices resulted largely from reduced surpluses and short crops occasioned by drought conditions, which restricted production more in other agricultural sections of the United States than in this district. Marketing agreements of the Agricultural Adjustment Administration also helped growers to receive better prices during the season. Ranges and livestock were in poorer condition than at any time in recent years, but returns to livestock producers were augmented by Government purchases of animals in drought-affected areas.

Following considerable rehabilitation in the last three quarters of 1933, the position of Twelfth District banks was strengthened further throughout 1934 by increased banking reserves, greater liquidity of assets, and Federal insurance of deposits. These conditions were brought about predominantly by policies of the Federal Government. Treasury disbursements in this area became increasingly large during

the year, exceeding collections by a record amount. Mint purchases of a greatly expanded local output of gold and silver at the higher prices provided for by national legislation contributed appreciably to the funds available to the Twelfth District. Most of the funds received from these sources was used to buy securities in national markets or to settle other financial and commercial balances with other districts, but a substantial amount was retained as banking reserves. Reserves of district member banks in excess of legal requirements were larger than ever before, and interest charges to local borrowers were reduced. There was little change in the amount of bank loans, but investment holdings, principally in United States securities, expanded to record levels. The increased extension of bank credit through local purchases of securities by banks and the inflow of Treasury funds resulted in a large expansion of bank deposits. Both time and net demand deposits of member banks increased sharply throughout 1934 and at the end of the year total deposits were the highest since 1931.

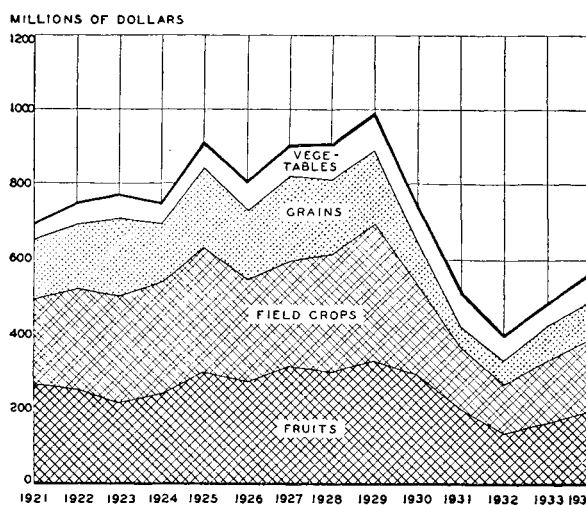
Available measures of industry and trade improved considerably during December and in most cases were higher than a year earlier. Output of lumber tended upward slightly, after seasonal adjustment, and petroleum production also increased. Consumption of electric power declined slightly, although there is usually little change at this season. Employment was maintained at the relatively high level of other recent months. Department store sales expanded more than seasonally in all reporting cities, except San Francisco where a substantial increase had taken place in November. Freight carloadings did not decline by the usual large amount in December, and this bank's seasonally adjusted index advanced. Automobile sales and wholesale trade changed little, after allowance for seasonal factors. Building permits issued and contract awards for construction held up somewhat better than usual for December.

A large return of currency from circulation in late December and the first half of January combined with continued disbursements by the United States Treasury in excess of local collections to increase reserves of district banks to new record levels. These changes also added further to individual deposits and to excess reserves of member banks.

### Agriculture

The volume of crops produced in the Twelfth District during 1934 declined 5 percent as compared with 1933, but the estimated farm value of crops increased 16 percent over the preceding year. Drought reduced output to some extent throughout the district, but only in Oregon, Utah, and Nevada was total farm

value lower than in 1933. Government regulation of and assistance to Twelfth District agriculture was of more significance in 1934 than in any previous year. Marketing agreements for several important crops under the Agricultural Prorate Act of California and the Agricultural Adjustment Act helped to increase immediate returns to growers. In addition, Government rental payments for cotton, wheat, and corn-hog reductions totaled over \$18,800,000 during the season to December 1, 1934. The Farm Credit Administration continued to refinance debt burdened farmers and to assist in financing the marketing of farm products through its different facilities.



VALUE OF FARM PRODUCTS—Twelfth District

Although the winter of 1933-34 was unusually warm and rain and snowfall were below normal, weather conditions during the growing and maturing seasons were very favorable and the harvesting season was from two to five weeks earlier than in 1933 for most crops. As a result of the early season, a large part of the crops were matured before the adverse effects of

### Agricultural Marketing Activity—

|                          | December  |           | Season to Date |            |
|--------------------------|-----------|-----------|----------------|------------|
|                          | 1934      | 1933      | 1934           | 1933       |
| <b>Carlot Shipments</b>  |           |           |                |            |
| Apples and Pears         | 3,884     | 4,977     | 41,358         | 34,561     |
| Citrus Fruits ...        | 5,469     | 4,113     | 10,149         | 8,984      |
| Vegetables .....         | 8,036     | 8,288     | 65,883         | 66,409     |
| <b>Exports</b>           |           |           |                |            |
| Wheat (bu.) ...          | 10,833    | 4,200,396 | 2,778,077      | 4,999,335  |
| Barley (bu.) ...         | 470,583   | 341,083   | 3,132,870      | 3,202,851  |
| <b>Receipts*</b>         |           |           |                |            |
| Cattle .....             | 106,932   | 77,829    | 1,318,643      | 869,411    |
| Hogs .....               | 214,914   | 253,110   | 2,425,499      | 2,713,692  |
| Sheep .....              | 215,542   | 277,443   | 4,546,272      | 4,498,973  |
| Eggs (cases) ...         | 153,250   | 142,817   | 1,826,619      | 1,668,023  |
| Butter (lbs.) ...        | 4,882,469 | 6,833,970 | 75,203,375     | 76,332,219 |
| Wheat (carlots) .        | 3,526     | 4,739     | 31,868         | 29,472     |
| Barley (carlots) .       | 509       | 490       | 5,509          | 3,506      |
| <b>Storage Holdings*</b> |           |           |                |            |
| (end of month)           |           |           |                |            |
| Wheat (bu.) ...          | 4,628,000 | 4,905,000 | 6,645,000      | 7,420,000  |
| Beans (bags) ...         | 2,287,000 | 2,548,000 | 2,254,000      | 2,550,000  |
| Butter (lbs.) ...        | 1,519,000 | 2,530,000 | 8,508,000      | 9,567,000  |
| Eggs (cases) ...         | 6,000     | 119,000   | 26,000         | 138,000    |

\*At principal district markets.

drought became serious. Livestock ranges were damaged considerably, however, and stock water was reduced in some areas. Widespread rains late in the year conditioned the soil for fall and winter planting and started the growth of new feed on ranges and pastures.

In the Pacific Northwest, the 1934 wheat crop was 11 percent smaller than that of 1933, largely because of insect damage and a reduction in planted acreage. Based on December 1 prices received by farmers, however, the farm value of wheat was estimated to be 12 percent higher in 1934 than in 1933. Despite large supplies, prices have remained fairly high with the result that both domestic and foreign sales have been restricted. Acreage sown in the fall of 1934 increased by about 13 percent compared with the previous year, and growing conditions so far this winter have been more favorable than a year ago. The value of pears and apples produced in the Pacific Northwest during 1934 was estimated at 32 percent and 49 percent, respectively, more than in 1933. Higher pear prices more than offset a decline of 7 percent in output. Commercial apple production increased 25 percent in volume.

In California and Arizona, total harvested acreage of grain and field crops was about the same as in 1933, but production declined approximately 5 percent. Marked increases in the yield per acre of rice and cotton were exceptions. Prices received by growers in 1934 were higher than a year ago for most grain and field crops, and the estimated farm value of these crops increased by \$23,117,000 or 20 percent to \$138,311,000. The estimated value of citrus fruit crops increased 31 percent, although production declined 13 percent from 1933 to 1934. A somewhat smaller tonnage of California deciduous fruits and nuts was marketed in 1934 than in 1933, but with prices averaging considerably higher, the estimated total value increased 7 percent. Apples and wine grapes were marketed at lower prices than a year earlier, while prices for other fruits increased, with apricot, table grape, cling peach, and pear prices showing the largest gains. Almond and walnut prices were lower in 1934 than in 1933.

The effects of the drought were severe in Utah and Nevada, where total crop production was cut in half, and estimated value decreased considerably in 1934 as compared with 1933. These two states ordinarily account for about 5 percent of the district's production of crops.

Pacific Coast market receipts of eggs originating in Twelfth District states were 10 percent larger in 1934 than in 1933. Carlot shipments of eggs to eastern markets were about equal in both years. Butter production approximated 1933 output. Year-end storage holdings of butter, while less than one-fifth the

size of the unusually large stocks held on January 1, 1934, were about equal to the average inventories of recent years.

Government aid in purchasing and removing cattle and sheep in drought-stricken areas benefited livestock growers. Payments up to December 1, 1934, totaled slightly over \$4,000,000 for cattle removal and \$925,000 for sheep bought. By the end of 1934 the drought and Government purchases had severely reduced the number of cattle and sheep, and prices had advanced considerably over those of a year earlier.

### Industry

In the Twelfth District, industrial production averaged considerably higher in 1934 than in 1933. The higher level was almost entirely a result of year-to-year gains in January, February, and March which caused available statistical measures to stand out boldly in comparison with the first quarter of 1933, when the depression reached its lowest levels in this area. In March 1934, industrial recovery reached a peak from which it receded sharply to a low point in mid-year. Some of the recession during this period may be attributed to labor difficulties in connection with a widespread strike of longshoremen on the Pacific Coast which culminated in a general strike in San Francisco in mid-July. With the termination of strikes and the advent of an early fruit canning season, industrial activity increased again in late July and August. Production indexes changed little during the last few months of the year. Some evidence of further recovery was recorded in December, and the general level was about the same at the close of the year as at its beginning.

Industrial employment statistics, which cover a somewhat broader range of industries than is included in statistics of production, moved upward with the latter during the first quarter. This advance of employment continued a steady expansion begun in March 1933, and, unlike production, carried through April 1934, to a level which was maintained fairly well throughout the year. In California, the average of the year-to-year increases for each month of 1934 in the number employed in manufacturing was 19 percent, compared with 10 percent in the preceding year. Similar gains were reported in Oregon and Washington.

In addition to the increased employment in private enterprises, a large number of persons was given work by public agencies. Of these, the Civil Works Administration was of most importance early in the year. Activities of that organization were practically abandoned during March, however, and a work relief program, administered by relatively permanent state organizations with the funds again largely

supplied by the Federal Government, was instituted in April. Work relief expenditures under this program have been gradually superseding those made for direct relief.

Contract awards for public works construction reached a record total of 210 million dollars during 1934, compared with 191 million dollars in 1933 and a ten-year average of 146 million dollars. Undertakings of the Federal Government totaled 84 million dollars, or 40 percent of the total. This proportion was exceeded only in 1931, when contracts for Boulder Dam were awarded. In most past years the proportion has been less than 15 percent. A large part of public works contracts other than Federal undertakings was financed through Federal loans and grants.

The value of privately financed construction increased moderately in 1934 as compared with 1933, the lowest of recent years. New residential building turned upward in the last half of 1934, somewhat more than offsetting declines earlier in the year, and non-residential building, under the impetus of new construction for breweries and wineries showed a slight upturn. Continued expansion in alteration and repair work reflected in part the modernization campaign of the Federal Housing Administration which became active in late summer.

The volume of lumber cut in 1934 was 10 percent larger than in 1933 and exceeded the 1932 cut by nearly 50 percent, but remained considerably below output of earlier years. The increase over 1933 was due largely to gains in the first quarter of the year. A sharp contraction in May and June, when shipments were restricted by the longshoremen's strike, re-

duced operations below those of the preceding year, where they remained, despite subsequent recovery, during most of the last half of 1934. A substantial increase in cement production during the year reflected requirements principally for several large engineering projects now under way in the district. Fabrication and manufacture of structural steel and reinforcing bars for use on these projects contributed materially to expansion in the iron and steel industries on the Pacific Coast during the year. Activity in stone quarries, brickyards, and tile plants also turned upward in 1934, for the first time since 1927.

Reflecting in no small degree the increase in the statutory price for gold and the Presidential proclamation of December 18, 1933, providing for the purchase of all newly mined silver at 64.5 cents per ounce, activity in non-ferrous metals mining, which had shown practically no recovery in 1933, increased considerably in 1934. For the year as a whole, output of silver in Twelfth District states amounted to 22,033,000 fine ounces, 32 percent more than in 1933. Gold production increased from 990,686 fine ounces to 1,264,400 fine ounces. According to preliminary reports released by the United States Bureau of Mines, smelter production of copper in the Twelfth District aggregated 153,757 tons, 41 percent larger than in 1933, when it was the smallest for any year since 1921. Principal increases were at mines in Arizona and Nevada, where copper occurs in relatively large quantities in ore containing the precious metals. Output of lead and zinc increased slightly, chiefly because of the reopening of mines in Nevada, containing ores also bearing profitable quantities of silver.

California oilfields produced 180 million barrels of crude oil during 1934, an amount ap-

### Employment—

| Industries*                              | California   |  |         | Oregon       |  |        |
|--|--------------|--|---------|--------------|--|--------|
|  | No. of Firms | No. of Employees<br>Dec. 1933<br>Dec. 1934 |         | No. of Firms | No. of Employees<br>Dec. 1933<br>Dec. 1934 |        |
| All Industries* . . .                    | 1,024        | 126,827<br>(+5.9)                          | 119,790 | 115          | 16,161<br>(-9.3)                           | 17,816 |
| Stone, Clay, and Glass Products. 46      |              | 4,959<br>(+21.2)                           | 4,091   | 3            | 109<br>(-5.2)                              | 115    |
| Lumber and Wood Manufactures . . .       | 100          | 10,692<br>(+5.2)                           | 10,163  | 42           | 8,247<br>(-16.5)                           | 9,873  |
| Textiles . . . . .                       | 13           | 1,407<br>(+14.5)                           | 1,229   | 7            | 1,375<br>(-2.7)                            | 1,413  |
| Clothing, Millinery, and Laundering. 135 |              | 9,180<br>(+8.9)                            | 8,431   | 61           | 190<br>(+1.6)                              | 187    |
| Food, Beverages, and Tobacco . . .       | 271          | 30,480<br>(-2.8)                           | 31,346  | 28           | 1,374<br>(+3.5)                            | 1,327  |
| Public Utilities . . .                   | 44           | 41,733<br>(+1.8)                           | 40,995  | ..           | ....                                       | ....   |
| Other Industries†. 422                   |              | 61,198<br>(+6.2)                           | 57,600  | ..           | ....                                       | ....   |
| Miscellaneous . . .                      | 37           | 8,911<br>(+28.6)                           | 6,930   | 29           | 4,866<br>(-0.7)                            | 4,901  |
| Wholesale and Retail . . . . .           | 215          | 41,605<br>(+7.8)                           | 38,598  | ..           | ....                                       | ....   |

\*Public utilities, 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. ‡Laundry only. Figures in parentheses indicate percentage change from December 1933.

### Industry—

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

| General                             | 1934     |      |      |      | 1933 |          |
|-------------------------------------|----------|------|------|------|------|----------|
|                                     | Yr's Av. | Dec. | Nov. | Oct. | Dec. | Yr's Av. |
| Carloadings—Industrial . . . . .    | 48       | 50   | 50   | 52   | 42   | 43       |
| Electric Power Production . . . . . | 149¶     | 146¶ | 149¶ | 149  | 141  | 139      |
| <b>Manufactures</b>                 |          |      |      |      |      |          |
| Lumber* . . . . .                   | 51¶      | 48¶  | 46   | 53   | 53   | 46       |
| Refined Mineral Oils†. . . . .      | 123¶     | 127¶ | 121  | 121  | 116  | 127      |
| Flour . . . . .                     | 97¶      | 92¶  | 94   | 93   | 89   | 89       |
| Cement . . . . .                    | 65       | 62   | 54   | 58   | 85   | 53       |
| Wool Consumption† . . . . .         | 85¶      | 87¶  | 113¶ | 94   | 119  | 96       |
| <b>Minerals</b>                     |          |      |      |      |      |          |
| Petroleum (California)†. . . . .    | 73       | 73   | 72   | 71   | 72   | 72       |
| Lead (United States)‡. . . . .      | 57¶      | ..   | 55   | 56   | 67   | 49       |
| Silver (United States)‡. . . . .    | 40¶      | ..   | 35   | 39   | 29   | 33       |
| <b>Building and Construction§</b>   |          |      |      |      |      |          |
| Total . . . . .                     | 41       | 45   | 39   | 30   | 37   | 41       |
| Building Permits—Value              |          |      |      |      |      |          |
| Larger Cities . . . . .             | 11       | 14   | 13   | 13   | 11   | 12       |
| Smaller Cities . . . . .            | 17       | 20   | 20   | 18   | 11   | 12       |
| Engineering Contracts               |          |      |      |      |      |          |
| Awarded—Value                       |          |      |      |      |      |          |
| Total . . . . .                     | 78       | 84   | 76   | 55   | 71   | 81       |
| Excluding Buildings . . . . .       | 156      | 150  | 125  | 88   | 125  | 163      |

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

proximating the volume of each of the two preceding years. Output exceeded code allotments in every month of the year, the average excess amounting to 14,000 barrels daily. Crude inventories decreased steadily throughout the year, however, reflecting record large shipments to the Atlantic seaboard, and at the year end were 19 percent lower than at the end of 1933. Annual output of refineries was reduced further to the lowest levels since 1925.

Legalization of the sale of 3.2 percent beer and wines in April 1933 and of the sale of all alcoholic beverages and liquors in the following December re-established two old and important California industries. In anticipation of repeal, California wineries produced 56 million gallons of wine in 1933. Although vintage was reduced to about 45 million gallons during 1934, the average annual output was larger in 1933-1934 than in most pre-prohibition years. Since the legalization of beer in April 1933, output of that product has expanded rapidly. Sales of the 31 California breweries reached a seasonal peak of 7,620,503 gallons in July 1934, more than twice as large as a year earlier, when there were only 13 breweries in that state.

The position of the food industries, output of which has been well maintained during the entire period since 1929, improved during 1934. Canneries were considerably more active than in the preceding year. The California pack of canned fruits was reduced 10 percent during 1934, reflecting decreases in pack of every important fruit, except pears, which was the largest on record. This reduction was more than offset by sharp increases in output of canned vegetables during the year, however, and the total pack of canned fruits and vegetables was the largest since 1930. The available supply of California canned fruits except pears, as indicated by the pack plus carryover was materially smaller than the average for the past three years. Unsold stocks in the hands of California canners on January 1, 1935, were substantially smaller than a year ago, but total stocks, the more basic figure, showed a somewhat smaller decrease and some of the reported declines were: peaches, 11 percent; cherries, 48 percent; and apricots, 19 percent. These declines were offset by an increase of 100 percent in stocks of canned pears. Prices for most canned fruits and vegetables increased substantially during the year. Canned packs of both salmon and tuna fish were the largest on record during 1934.

Activity in the meat packing industry of the Twelfth District expanded to record high levels as a result of the slaughtering of cattle and sheep purchased by the Government in drought-stricken areas. Flour milling was also more active in 1934 than in 1933, approaching levels of 1931.

## Trade

Trade activity in the Twelfth District tended irregularly upward during 1934. Annual averages or totals of all trade records available were substantially higher than in 1933.

Department store sales, after adjustment for seasonal changes, fluctuated considerably during the first half of the year, but tended upward steadily after July and at the year end were higher than at any time since early 1932. Christmas buying was the largest in three years. Total sales averaged 11 percent higher in value in

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

|                            | 1934 compared with 1933 |                           |                 |
|----------------------------|-------------------------|---------------------------|-----------------|
|                            | NET SALES               |                           | STOCKS          |
|                            | December                | Jan. 1 to end of December | End of December |
| Department Stores....      | 11.5 ( 73)              | 10.3                      | — 6.6 (51)      |
| Los Angeles .....          | 8.4 ( 6)                | 6.8                       | —17.1 ( 6)      |
| Other So. California ..... | 17.8 ( 9)               | 12.1                      | —15.5 ( 4)      |
| Oakland .....              | 14.7 ( 5)               | 8.2                       | 4.5 ( 5)        |
| San Francisco .....        | 7.0 ( 8)                | 8.2                       | — 3.5 ( 7)      |
| Bay Region .....           | 9.6 ( 18)               | 8.7                       | — 1.5 (16)      |
| Central California ..      | 15.8 ( 6)               | 15.3                      | — 3.1 ( 6)      |
| Portland† .....            | 24.5 ( 8)               | 14.1                      | — 0.9 ( 7)      |
| Seattle .....              | 17.6 ( 4)               | 13.7                      | 8.9 ( 4)        |
| Spokane .....              | 25.3 ( 5)               | 28.1                      | 8.0 ( 5)        |
| Salt Lake City.....        | 10.8 ( 4)               | 14.0                      | — 7.3 ( 3)      |
| Apparel Stores .....       | 13.1 ( 35)              | 13.7                      | — 8.1 (24)      |
| Furniture Stores ....      | 20.9 ( 31)              | 13.9                      | —13.5 (22)      |
| All Stores .....           | 12.4 (139)              | 11.0                      | — 7.5 (97)      |

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

Figures in parentheses indicate number of stores reporting.

1934 than in 1933. This upturn, which was about equally participated in by California and Pacific Northwest stores, represented in part an increased volume of goods moved, particularly in the last half of the year, when the price level was about the same as in the corresponding period of 1933. (Earlier in the year, higher prices had been the principal cause for the rise in value of department store trade.) After seasonal allowance, value of department store inventories was reduced sharply in later months of the year and at the year end was smaller than a year earlier.

From a low point for the year in January, new automobile sales expanded steadily to a three-year peak in August. Sales ordinarily reach a high point in June, then decline throughout the remainder of the year. Not only was the peak reached later this year, but subsequent recession in October, November, and December was somewhat less than seasonal. Total new car registrations were nearly one-third larger in 1934 than in 1933 and almost double those in 1932. Sales of passenger cars approximately equalled those in 1931, and commercial vehicle sales were the largest since 1929.

Nearly all reporting lines of wholesale trade showed substantial expansion over a year earlier in practically every month of 1934. Sales were only moderately lower than in 1931. Increases in sales of agricultural implements,

drugs, electrical supplies, hardware, and paper and stationery were especially pronounced, although there were considerable gains also in sales of automobile supply, dry goods, grocery, and shoe dealers. Sales of furniture stores, which had shown a large increase in 1933, failed to improve materially.

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

|                              | December 1934<br>compared with |           | Cumulative<br>1934<br>compared<br>with 1933 |
|------------------------------|--------------------------------|-----------|---|
|                              | Nov. 1934                      | Dec. 1933 |   |
| Agricultural Implements..... | — 5.5                          | 59.7      | 66.9  |
| Automobile Supplies.....     | —15.0                          | 8.3       | 10.5  |
| Drugs.....                   | — 1.6                          | —12.9     | 20.7  |
| Dry Goods.....               | —30.3                          | 10.5      | 14.5  |
| Electrical Supplies.....     | 11.1                           | 28.4      | 35.6  |
| Furniture.....               | 0.3                            | 63.1      | 4.7   |
| Groceries.....               | — 8.0                          | 17.2      | 16.1  |
| Hardware.....                | — 2.6                          | 5.8       | 23.9  |
| Shoes.....                   | —14.8                          | 1.3       | 13.1  |
| Paper and Stationery.....    | — 5.7                          | 21.1      | 21.5  |
| All Lines.....               | — 5.4                          | 11.5      | 20.2  |

Freight carloadings were 15 percent larger in 1934 than in 1933. Considerably more than the usual marked expansion occurred from January through July, reflecting in part traffic diverted from water to rail shipment during the longshoremen's strike. As a result of an early agricultural season and unusually large shipments of livestock from drought-stricken areas, loadings reached a seasonal peak earlier in 1934 than usual, but the average for the last half of the year was higher than in 1933. Merchandise and miscellaneous loadings averaged 17 percent, and industrial loadings 13 percent higher in 1934 than in 1933.

Intercoastal water-borne traffic, after advancing sharply to a seven-year high point of nearly 900,000 tons in March, declined during the longshoremen's strike which was effective from May 9 through most of July. For the year as a whole, eastbound traffic increased, a decline in lumber shipments being more than offset by large petroleum shipments and larger general

cargo. Atlantic to Pacific cargo also expanded moderately, primarily as a result of increased iron and steel shipments.

### Prices

Wholesale commodity prices in the United States continued to advance during 1934, but at a slower rate than during the first few months of the upward movement in the spring and early summer of 1933. The increase in 1934 reflected principally sharp advances in the prices of farm products and foods during the period from June through September. Participating in the national movement, prices of practically all important Twelfth District agricultural products increased substantially. Locally produced industrial commodities showed no concerted price movement during the year, but averaged higher than in 1933, although the average increases over the preceding year were smaller on the whole than the gains in agricultural prices.

The cost of living for wage earners and small salaried workers in the larger cities of the district, as measured by the Bureau of Labor Statistics' index, increased during the year, and in November was moderately higher than in December 1933. Except for a period of stability during the spring of 1934, retail food prices, which have a weight of about one-third in the cost of living index, advanced steadily during the year, and in December were about 12 per-

### Bank Debits\*—

|                     | December<br>1934   | December<br>1933   | Twelve months<br>1934 | 1933†               |
|---------------------|--------------------|--------------------|-----------------------|---------------------|
| <b>Arizona</b>      |                    |                    |                       |                     |
| Phoenix.....        | \$ 30,769          | \$ 23,840          | \$ 307,553            | \$ 218,711          |
| <b>California</b>   |                    |                    |                       |                     |
| Bakersfield.....    | 13,971             | 13,501             | 121,435               | 93,084              |
| Berkeley.....       | 14,887             | 18,477             | 212,870               | 149,361             |
| Fresno.....         | 23,829             | 21,206             | 226,655               | 171,378             |
| Long Beach.....     | 28,440             | 21,984             | 279,114               | 262,495             |
| Los Angeles.....    | 644,349            | 552,575            | 6,487,260             | 6,005,101           |
| Oakland.....        | 173,639            | 186,539            | 1,966,161             | 1,910,412           |
| Pasadena.....       | 21,254             | 18,305             | 218,095               | 213,917             |
| Sacramento.....     | 69,295             | 30,497             | 737,020               | 320,464             |
| San Bernardino..... | 7,710              | 5,565              | 69,987                | 55,294              |
| San Diego.....      | 36,069             | 32,715             | 360,300               | 342,155             |
| San Francisco.....  | 748,410            | 682,741            | 8,180,813             | 7,431,020           |
| San Jose.....       | 18,872             | 17,510             | 204,850               | 171,937             |
| Santa Barbara.....  | 10,720             | 9,202              | 99,732                | 86,680              |
| Stockton.....       | 15,839             | 13,777             | 169,799               | 133,766             |
| <b>Idaho</b>        |                    |                    |                       |                     |
| Boise.....          | 15,442             | 11,829             | 146,562               | 111,243             |
| <b>Nevada</b>       |                    |                    |                       |                     |
| Reno.....           | 9,145              | 6,395              | 92,305                | 58,972              |
| <b>Oregon</b>       |                    |                    |                       |                     |
| Eugene.....         | 4,130              | 3,729              | 47,874                | 37,086              |
| Portland.....       | 132,135            | 114,191            | 1,478,076             | 1,219,859           |
| <b>Utah</b>         |                    |                    |                       |                     |
| Ogden.....          | 13,352             | 16,312             | 152,239               | 121,756             |
| Salt Lake City..    | 62,777             | 56,308             | 587,643               | 491,735             |
| <b>Washington</b>   |                    |                    |                       |                     |
| Bellingham.....     | 4,851              | 4,430              | 55,481                | 48,656              |
| Everett.....        | 6,464              | 5,441              | 63,156                | 56,302              |
| Seattle.....        | 153,157            | 134,793            | 1,652,485             | 1,440,438           |
| Spokane.....        | 36,803             | 27,976             | 366,959               | 257,725             |
| Tacoma.....         | 24,337             | 23,296             | 264,845               | 225,241             |
| Walla Walla.....    | 4,361              | 3,691              | 49,690                | 38,265              |
| Yakima.....         | 12,449             | 10,730             | 127,672               | 86,809              |
| <b>Total.....</b>   | <b>\$2,337,456</b> | <b>\$2,067,555</b> | <b>\$24,726,631</b>   | <b>\$21,759,862</b> |

‡Daily average. \$At end of month. #Percent of collections during month to amount outstanding at first of month.

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

### Distribution and Trade—

|  | 1934          |      |      |      | 1933 |               |
|--|---------------|------|------|------|------|---------------|
|  | Year's<br>Av. | Dec. | Nov. | Oct. | Dec. | Year's<br>Av. |
| Indexes adjusted for seasonal variation<br>(1923-1925 average=100) |               |      |      |      |      |               |
| <b>Carloadings‡</b>  |               |      |      |      |      |               |
| Total.....   | 66            | 69   | 65   | 62   | 64   | 58            |
| Merchandise.....   | 81            | 83   | 79   | 70   | 81   | 70            |
| <b>Intercoastal Trade</b>  |               |      |      |      |      |               |
| Total.....   | 76            | 77   | 79   | 78   | 83   | 70            |
| Westbound.....   | 78            | 81   | 87   | 94   | 69   | 75            |
| Eastbound.....   | 76            | 77   | 76   | 71   | 89   | 69            |
| <b>Retail Trade</b>  |               |      |      |      |      |               |
| <b>Automobile Sales‡</b>   |               |      |      |      |      |               |
| Total.....   | 63            | 73   | 71   | 71   | 45   | 48            |
| Passenger.....   | 58            | 66   | 66   | 63   | 43   | 46            |
| Commercial.....  | 121           | 142  | 124  | 148  | 69   | 75            |
| <b>Department Store</b>  |               |      |      |      |      |               |
| Sales‡.....  | 77            | 83   | 81   | 78   | 76   | 71            |
| Stocks§.....   | 63            | 60   | 62   | 61   | 65   | 61            |
| <b>Collections#</b>  |               |      |      |      |      |               |
| Regular.....   | 46.5          | 47.0 | 48.3 | 49.3 | 43.2 | 42.0          |
| Installment.....   | 17.7          | 17.3 | 18.0 | 18.4 | 15.4 | 15.3          |

cent higher than a year earlier. Although prices for most foods increased during 1934, gains in quotations on meat, lard, butter, eggs, and some cereals were outstanding.

Prices of grains tended irregularly higher during 1934, and prices paid farmers during the fall marketing season were substantially above those in the preceding year. Quotations on wheat increased about 15 percent during the year. Field crops also fluctuated considerably in price during 1934. Prices were as high as or higher than in 1933, however, for all crops in this group, except hops and potatoes. Many deciduous fruits sold in the fresh market and to canners at prices considerably above those received in 1933. The United States Department of Agriculture farm price index for fruit averaged 35 percent higher last year than a year earlier. Average orange and lemon prices received by growers were 43 and 8 percent higher, respectively, than in 1933.

Butter prices averaged almost 20 percent higher during 1934 than in 1933. Egg prices advanced less sharply, but averaged 7 percent higher than in 1933.

Average prices paid during 1934 for cattle, hogs, and lambs were moderately above those in effect in 1933. Wool sold at declining prices during 1934, but the average for the year was markedly higher than in 1933.

The establishment of codes of fair competition influenced the price structure of many industrial products, lumber and copper being two of the most important Twelfth District products affected. Code quotations on lumber remained unchanged after they were fixed in late 1933, but averaged substantially higher than prices prior to that time. Copper prices were advanced during the first half of the year, since when no change has been made in the quotations on Blue Eagle copper (for domestic consumption), and export copper prices, although somewhat lower, fluctuated with little net change. Both lead and zinc prices decreased in the last half of the year.

### **The Credit Situation**

Most of the important changes in credit conditions in the Twelfth District during 1934 resulted directly or indirectly from Federal banking and monetary policies. The principal effects of these policies were: (1) an increase in bank reserves to a point farther beyond legal requirements than at any time in the past; (2) a continued downward trend in interest rates; (3) increased public confidence in banks, engendered by the deposit guarantee law and an improvement in the quality of bank assets which placed banks generally in a more liquid condition than at any time in recent years; and (4) a large increase in deposits.

It would no doubt be difficult to name any one factor as being that of most fundamental importance to commercial users of banking facilities during 1934, although the tendency to reduce interest rates or the large increase in deposits might be mentioned. The increase in bank reserves, however, was of outstanding importance in its influence upon the condition of banks. As has been the case since early in 1933, the chief factor in this increase was the continued excess of United States Treasury expenditures over collections in the Twelfth District. Treasury purchases of locally produced gold and silver and small imports of those metals also contributed somewhat to the increase of bank reserves. Government funds were disbursed through normal governmental activities, through relief channels, through public works activities, and through the lending operations of various governmental agencies. These expenditures, which were made by checks payable through the Treasury account at the Reserve Bank, quickly found their way into commercial banks as deposits to individual accounts. When the banks presented these Government checks (or Treasury warrants) to the Reserve Bank, reserve balances of member banks or non-member deposits were built up. At the end of 1934 excess reserves of member banks aggregated 83 million dollars, having increased 56 million dollars to these record proportions during the year.

Not all the funds made available to banks because of Federal disbursements in excess of Federal collections (taxes, loan repayments, borrowings, etc.) remained as reserve deposits, a large proportion of them having been offset by an adverse balance of commercial and financial payments with other districts. The existence of large reserve funds served to reduce Reserve Bank credit extended to the Twelfth District to even more negligible proportions at the close of the year than it was at the end of 1933. Little direct borrowing from the Federal Reserve Bank of San Francisco was necessary. The small discounts of country banks were gradually reduced as the year progressed until at the close, normally a time of seasonal strain and needs for currency, banks were practically out of debt to that institution. The Reserve Bank held no locally purchased bankers' bills during the last six months of 1934. Toward the end of the year there was some expansion of direct loans to industry or commitments to make such advances, but the actual amounts involved were of little importance in the banking situation as a whole.

As in the case of banking reserves, the condition of banks changed largely because of Treasury disbursements in excess of local collections. Not only did these funds increase

deposits directly, but they also enabled banks to make substantial purchases of securities in national markets. The increase in deposits of member banks approximated \$600 million dollars during the year. This gain took place principally in demand deposits, although time deposits also increased substantially and Government deposits were somewhat larger. Savings deposits of city banks increased about 100 million dollars, the first annual increase since 1930, accounting for the bulk of the gain in time deposits of member banks.

The most important direct factor increasing deposits during 1934 was an expansion of \$10 million dollars in banks' investment holdings. Most of this increase was in investments in United States securities. To the extent that these securities were purchased in national markets, local deposits were not expanded, since there was a corresponding payment of deposits to the areas where the securities were bought. It seems probable, however, that Treasury disbursements in excess of local collections were equally as important as increased investments in causing the expansion of deposits.

With most of the gain in banks' assets taking place in holdings of United States obligations, the rate of return on all earning assets declined because of the low yield to be obtained from such securities. Earnings of banks were reduced also by lower interest rates charged customers on loans. The reduction in rates on loans, ranging from  $\frac{1}{2}$  to 1 percent in San Francisco and from  $\frac{1}{4}$  to  $\frac{1}{2}$  percent in other reserve cities of the district, was unusually large for

this region. Rates charged customers by country banks were only slightly reduced. In general, rates to borrowers of large amounts approached the wholesale rates of the open market, while charges on small loans were lowered but little.

Despite the reduced rates of return on loans and investments, estimates indicate that net earnings of banks increased in 1934. Earning assets were larger in amount than in 1933, and losses on loans and securities were smaller than in immediately preceding years. In addition, member banks and most non-member state banks were prohibited legally from paying interest on demand deposits, and rates paid on savings and other time deposits were reduced by banks in all reserve cities in the Twelfth District.

Trading on the organized securities exchanges of the district was fairly active at the beginning of 1934, but declined gradually until September, the lowest month of the year, when shares having a total value of less than 7 million dollars changed hands. There was little improvement in trading during the last quarter of the year. Excepting western mining issues registered under the Securities Act of 1933, as amended, there were practically no private securities floated during the year, but numerous public offerings of relief and public works bonds were readily absorbed. Municipal, state, and public utility security prices were weak prior to the November elections in California. State and municipal securities recovered in price late in the year, however, but prices of utilities remained low.

#### SOURCES AND USES OF BANKING RESERVES Twelfth District

Changes in millions of dollars during the weeks indicated

##### SOURCES OF FUNDS

| Week Ending         | Reserve Bank Credit | Commercial Operations | Treasury Operations | Total Supply |
|---------------------|---------------------|-----------------------|---------------------|--------------|
| November 14, 1934   | + 1.6               | - 6.4                 | + 7.2               | + 2.4        |
| November 21, 1934   | + .1                | -17.1                 | + 7.0               | -10.0        |
| November 28, 1934   | + .1                | - 8.5                 | + 1.6               | - 6.8        |
| December 5, 1934    | - 2.0               | + 6.4                 | +12.3               | +16.7        |
| December 12, 1934   | - .2                | -10.9                 | +14.7               | + 3.6        |
| December 19, 1934   | + 5.3               | -11.7                 | - 7.4               | -13.8        |
| December 26, 1934   | - 2.2               | - 5.5                 | + 6.5               | - 1.2        |
| January 2, 1935...  | - 1.8               | -12.1                 | +11.9               | - 2.0        |
| January 9, 1935...  | + 3.3               | - 8.4                 | +12.8               | + 7.7        |
| January 16, 1935... | - .4                | - 1.2                 | +11.9               | +10.3        |

##### USES OF FUNDS

| Week Ending         | Demand for Currency | Member Bank Reserve Deposits | Other F.R.B. Accounts | Total Demand |
|---------------------|---------------------|------------------------------|-----------------------|--------------|
| November 14, 1934   | - 3.1               | + 5.7                        | - .2                  | + 2.4        |
| November 21, 1934   | - 2.7               | - 8.4                        | + 1.1                 | -10.0        |
| November 28, 1934   | - 1.6               | - 5.8                        | + .6                  | - 6.8        |
| December 5, 1934    | + 3.9               | +11.4                        | + 1.4                 | +16.7        |
| December 12, 1934   | + 3.7               | + 5.8                        | + 1.5                 | + 3.6        |
| December 19, 1934   | + 1.9               | -15.4                        | - .3                  | -13.8        |
| December 26, 1934   | + 2.8               | - 4.6                        | + .6                  | - 1.2        |
| January 2, 1935...  | - 5.3               | + 8.9                        | - 5.6                 | - 2.0        |
| January 9, 1935...  | -10.0               | +17.6                        | + .1                  | + 7.7        |
| January 16, 1935... | - 7.0               | + 8.6                        | + 8.7                 | +10.3        |

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

|   | Condition    |             |              |              |
|---|--------------|-------------|--------------|--------------|
|   | Jan. 16 1935 | Jan. 9 1935 | Dec. 19 1934 | Jan. 17 1934 |
| Total Bills and Securities.....   | 167          | 167         | 167          | 185          |
| Bills Discounted .....  | ...          | ...         | ...          | 2            |
| Bills Bought .....  | ...          | ...         | ...          | 17           |
| United States Securities .....  | 166          | 166         | 166          | 166          |
| Total Reserves .....  | 345          | 333         | 331          | 259          |
| Total Deposits .....  | 301          | 283         | 275          | 210          |
| Federal Reserve Notes in Circulation .....  | 200          | 205         | 212          | 202          |
| Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined .. | 69.0         | 68.2        | 68.0         | 63.1         |

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

|                              | Condition    |             |              |              |
|------------------------------|--------------|-------------|--------------|--------------|
|                              | Jan. 16 1935 | Jan. 9 1935 | Dec. 19 1934 | Jan. 17 1934 |
| Loans and Investments—Total. | 1,928        | 1,933       | 1,946        | 1,701        |
| Loans—Total .....            | 880          | 884         | 899          | 886          |
| On Securities .....          | 206          | 209         | 220          | 215          |
| All Other .....              | 674          | 675         | 679          | 671          |
| Investments—Total .....      | 1,048        | 1,049       | 1,047        | 815          |
| United States Securities ..  | 672          | 675         | 668          | 502          |
| Other Securities .....       | 376          | 374         | 379          | 313          |
| Reserve with Reserve Bank... | 180          | 171         | 155          | 107          |
| Net Demand Deposits .....    | 744          | 733         | 734          | 592          |
| Time Deposits .....          | 950          | 952         | 946          | 887          |
| Due from Banks .....         | 220          | 205         | 212          | 150          |
| Due to Banks .....           | 216          | 207         | 209          | 148          |
| Borrowings at Reserve Bank.. | ...          | ...         | ...          | ...          |



# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

Federal Reserve Agent  
Federal Reserve Bank of San Francisco

Supplement

San Francisco, California, January 21, 1935

Vol. XIX No. 1

### SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

In December the Federal Reserve Board's seasonally adjusted indexes of industrial production and factory employment increased sharply. Wholesale prices of farm products and foods showed a considerable advance in the latter part of the month and in the early part of January, while prices of other commodities as a group showed little change.

**Production and Employment.** Output of basic industrial products increased in December, when it usually declines, and the Federal Reserve Board's index, which makes allowance for the usual seasonal variations, increased from 74 percent of the 1923-1925 average in November to 85 percent in December. Activity at steel mills increased, contrary to the usual seasonal tendency, and output at automobile factories rose rapidly. In both of these industries there were further sharp increases in activity in the first three weeks of January. At woolen mills and silk mills activity increased in December, contrary to seasonal tendency, and at cotton mills and tobacco factories it declined by less than the usual seasonal amount. Output of petroleum increased somewhat in December and the first half of January.

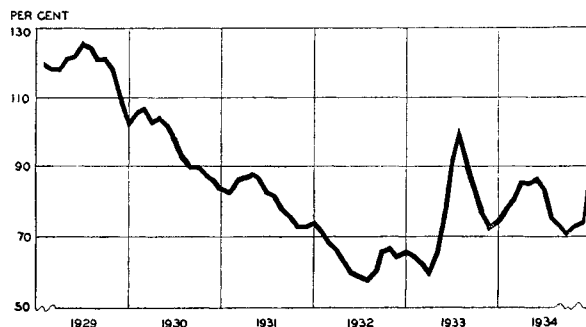
Factory employment increased between the middle of November and the middle of December, contrary to seasonal tendency, and there

was a considerable growth in factory payrolls. Substantial increases were reported for the automobile, textile, shoe, and tire industries, while in the meat packing industry there was a further decline from recent high levels. Employment in retail trade showed an increase largely of a seasonal character.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a decline in December, partly seasonal in nature, followed by an increase in the first half of January. For the fourth quarter as a whole the value of contracts for privately-financed projects was about the same as in the corresponding period of 1933, while the volume of publicly-financed projects was considerably smaller than last year.

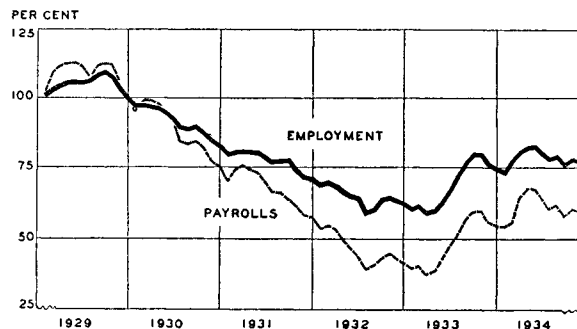
**Distribution.** Volume of freight carloadings declined less in December than is usual at that season. Sales of merchandise by department stores showed an increase of more than the estimated seasonal amount and were approximately 11 percent larger than in the corresponding month a year earlier.

**Commodity Prices.** The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced considerably during the latter part of December and the early part of January, re-



INDUSTRIAL PRODUCTION

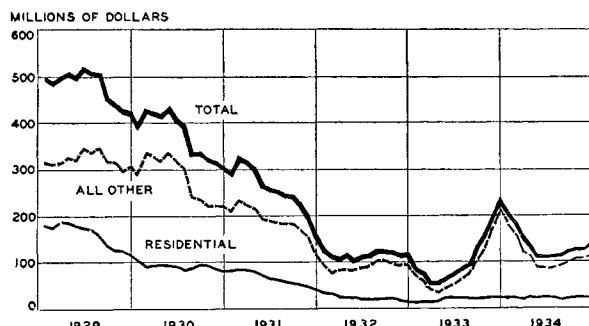
Index numbers of industrial production, adjusted for seasonal variation (1923-1925 average=100).



FACTORY EMPLOYMENT AND PAYROLLS

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

flecting chiefly marked increases in the prices of farm products and foods. Scrap steel prices also increased. In the third week of January prices of grains, cotton, hides, and rubber showed a decline from the level of the preceding week. Currently, wholesale prices are 9 percent higher than a year ago, reflecting an increase of 30 percent for farm products, an increase of 24 percent for foods, and little change for other commodities.



#### VALUE OF CONSTRUCTION CONTRACTS AWARDED

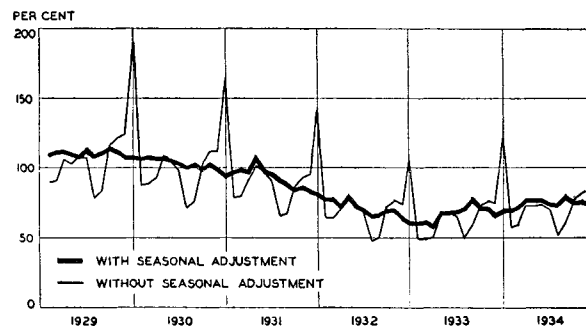
Three-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation. Latest figure based on data for November and December and estimate for January.

Retail prices of foods, as reported by the Bureau of Labor Statistics, increased considerably in the latter part of December, following three months of gradual decline.

**Bank Credit.** During the six weeks ending January 23 seasonal return flow of currency from circulation, further imports of gold, and disbursement by the Treasury of funds previously held as cash or on deposit with the reserve banks were reflected in a growth of member bank balances with the reserve banks to \$4,500,000,000, the highest figure on record, and in an increase of their excess reserves to the high level of \$2,160,000,000.

Loans and investments of reporting member banks in leading cities increased by \$350,000,000 in the five weeks ended January 16. Holdings of United States Government obligations rose \$420,000,000 during this period and an increase was reported also in holdings of obligations guaranteed by the Government and in other security holdings, while loans declined by \$130,000,000.

Commercial paper rates, which had been re-



#### DEPARTMENT STORE SALES

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

ported at a range of  $\frac{3}{4}$ -1 percent since June, declined to a general level of  $\frac{3}{4}$  percent early in January. Other short-term open market money rates showed little change, while yields on long-term United States Treasury bonds declined from 3 to  $2\frac{3}{4}$  percent.

In December and January discount rates were lowered from 3 to  $2\frac{1}{2}$  percent at the Federal Reserve Banks of Richmond, Minneapolis, Kansas City, and Dallas, and from  $2\frac{1}{2}$  to 2 percent at Philadelphia, Chicago, and St. Louis. At the Federal Reserve Bank of Atlanta the discount rate was lowered to  $2\frac{1}{2}$  percent in December and to 2 percent in January.