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BUSINESS CONDITIONS

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business was more active in February than in January, continuing the improvement of the two preceding months. Slightly more than the usual seasonal gains were reported in private employment in most parts of the district.

Practically all lines of manufacturing for which data are available expanded during February, with activity at a materially higher level than in February 1934. The principal expansion from January came in the lumber industry, in which a considerable volume of unfilled orders has accumulated during recent weeks. Output of petroleum was about the same in February as in January, but both petroleum producing and refining were considerably more active than in February a year ago. Following a decrease in January, cement production increased by less than the seasonal amount in February. Manufacture of iron and steel continued to increase moderately. Contract awards for new building and construction were smaller than in the previous month. Renovation and repair work on homes continued relatively more active than most other divisions of building.

Principally because of a sharp increase in lumber shipments, freight carloadings continued to expand during February, the seasonally adjusted index advancing from 70 percent of the 1923-1925 average in January to 74 in February, the highest point in any month since mid-1931. Daily average department store sales increased slightly during February, and their value was 7 percent higher than a year ago. Automobile sales increased sharply whereas they usually decline during February. The total number of new cars sold was larger than in any February since 1930.

Rainfall in the early part of March gave added assurance to earlier predictions that irrigation water for the coming crop season would be sufficient in most parts of the district. Cold weather retarded the growth of fruits, while some vegetables were damaged by frosts. The outlook generally, however, is that crop growth

this year will be somewhat earlier than in most seasons, although it will be later than in 1934. Livestock ranges improved during February and early March, and cattle and lambs are now reported to be in good condition in most sections. Crop marketing declined somewhat during February, as is usual in that month. Prices of farm products increased slightly further from mid-February to mid-March, according to the United States Department of Agriculture, and are now higher in relation to the 1926 average than are prices of non-agricultural commodities.

The principal change between February 20 and March 20 in the supply of Twelfth District banking reserves came during the last few days of that period, when a number of national banks used some of their excess reserves to retire their national bank note liability. This resulted also in building up the cash balance of the United States Treasury, which assumed liability for the notes when the issuing banks deposited the funds for their full redemption. Another factor which helped reduce reserves of member banks was the collection by the Treasury of the first installment of income taxes. The volume of excess reserves of Twelfth District banks continued substantial, however, notwithstanding some net transfer of funds to other districts in settlement of commercial transactions.

Loans, investments, and deposits of city banks in the Twelfth District showed relatively little net change between February 20 and March 20.

Agriculture

Although rainfall during February was less than normal throughout a large part of the district, widespread rain storms during the first half of March were of material benefit. Precipitation for the season to March 1 approximated or exceeded normal in most of the district except in parts of Nevada, Utah, eastern Oregon, and southern Idaho. Snowpacks at the middle of March confirmed earlier indications

that stored supplies of irrigation water are more favorable than a year ago and will be adequate during the 1935 growing season. Frosts during the month caused considerable damage to winter vegetables in some localities and necessitated the use of heaters in California citrus orchards.

RAINFALL—Twelfth District

(In inches)

	February			Season to March 1		
	1935	1934	Normal	1935	1934	Normal
Arizona						
Flagstaff	1.57	0.80	2.06	13.61	12.11	16.81
Phoenix	3.21	0.99	.78	8.34	4.92	6.19
California						
Eureka	2.73	2.31	6.30	28.35	15.85	28.68
Fresno	2.07	1.80	1.41	11.57	4.35	6.34
Los Angeles	2.23	2.04	2.97	14.13	14.13	10.88
Red Bluff	4.02	2.97	3.89	19.31	13.75	17.83
Sacramento	1.97	2.97	2.83	12.35	10.73	12.95
San Diego	4.54	1.88	1.90	12.64	3.52	7.41
San Francisco	2.38	4.68	3.65	17.45	11.53	16.29
Idaho						
Boise	0.96	1.59	1.43	6.73	5.23	8.48
Nevada						
Reno	0.52	0.31	1.12	3.68	5.55	5.11
Oregon						
Baker	0.49	0.57	1.23	4.55	5.08	7.41
Portland	3.17	1.40	5.36	34.90	35.83	31.76
Roseburg	2.84	1.20	4.49	24.75	13.58	24.43
Utah						
Salt Lake City...	0.68	2.24	1.47	9.31	5.79	9.34
Washington						
Seattle	1.92	1.29	3.66	29.63	35.21	25.18
Spokane	0.48	0.27	1.75	10.59	12.77	11.48

Marketing of most important district farm products was seasonally less active in February than in January. Farm prices, as measured by the United States Department of Agriculture index for the United States as a whole, advanced 4 percent from mid-January to mid-February when the index reached 111 percent of the 1910-1914 base, and was 34 percent higher than a year earlier. Truck crops, meat animals, and dairy products groups were chiefly responsible for the January-February gain, while prices in nearly all groups of commodities were substantially higher than a year ago.

There has been practically no winter killing of fall-sown wheat in the Pacific Northwest

Agricultural Marketing Activity—

	February		Season to Date	
	1935	1934	1935	1934
Carlot Shipments				
Apples and Pears	4,312	3,115	50,275	43,193
Citrus Fruits	6,316	3,682	23,037	17,043
Vegetables	8,787	8,766	85,330	85,139
Exports				
Wheat (bu.)	833	2,743,934	2,789,158	10,477,524
Barley (bu.)	165,291	450,458	3,549,661	4,056,100
Receipts*				
Cattle	70,515	73,765	167,848	159,185
Hogs	155,868	229,305	332,092	527,674
Sheep	182,510	144,050	414,837	365,329
Eggs (cases)	156,219	148,203	315,157	308,751
Butter (lbs.)	4,641,399	5,418,278	9,366,359	10,996,145
Wheat (carlots)	2,642	5,580	37,327	40,658
Barley (carlots)	475	489	6,549	4,485
Storage Holdings*				
(end of month)				
Wheat (bu.)	2,913,000	3,953,000	5,962,000	5,927,000
Beans (bags)	1,562,000	1,927,000	1,596,000	1,933,000
Butter (lbs.)	73,000	355,000	3,088,000	5,990,000
Eggs (cases)			31,000	3,000

*At principal district markets.

this winter, and the crop is now in good condition. Trade factors estimate that there are in that area from 10 to 15 million bushels of wheat available for market in excess of the amount which can be marketed in the usual channels before the beginning of the next crop year. According to a recent announcement of the Agricultural Adjustment Administration, the North Pacific Emergency Export Corporation is likely to be authorized to ship some of this wheat to the Atlantic seaboard and to the mid-western drought areas where it can be used for feeding purposes, as well as to foreign markets. Under the proposed plan, wheat farmers would be paid more for their wheat than it actually sold for in the market, the difference coming from funds collected through processing taxes. Pending the closing of this agreement, trading has been slack.

The commercial apple crop was about 25 percent larger in 1934 than in 1933 in the Pacific Northwest, while in the United States it was about the same in both years. During the current marketing season to March 2, apple growers in the Pacific Northwest shipped about 20 percent more apples to domestic markets, chiefly in the eastern part of the United States, than in the 1933-1934 season (33,220 carloads compared with 27,639 carloads). Despite this gain in marketings, Pacific Northwest cold storage holdings of apples were, on March 1, approximately 23 percent larger than a year ago. The increase in the local crop was no doubt partly responsible for the heavier storage holdings, but a severe decline in exports almost equal to the increase in domestic shipments was an equally important factor. The enforcement of tariffs, quotas, and other restrictions against imports of apples on the part of nations formerly importing large quantities of Twelfth District apples has been an important factor reducing the export market for that fruit. Prices received by apple growers during the marketing year to date have averaged about the same as last season.

This season's California Navel orange crop is still expected to be unusually large, estimates placing it about 40 percent in excess of last year's crop. Shipments are running considerably heavier than a year ago and prices have been higher than last year, indicating a substantial gain in income of orange growers.

The lemon crop is also unusually large this season. A record volume of shipments during recent months has been accompanied by a marked decline in prices, however, and current gross returns to growers probably do not differ materially from those of last year.

Deciduous fruit orchards in California appear at present to be in good condition. Weather has been somewhat colder this winter than it

was a year ago, and the growth of crops probably will not advance as rapidly this year as it did in 1934, although the season is likely to be earlier than in most years. Present studies and plans now being formulated by growers and producers indicate that more of this district's deciduous fruit crops will be marketed under Agricultural Adjustment Administration or state prorate agreements this year than last.

Favorable weather conditions in the last half of February improved the condition of most California spring truck crops.

Although receipts of butter at leading Pacific Coast markets were relatively small during February, prices declined considerably from the peak reached early in the month. Shipments of butter increased during March and prices declined further, reaching 28 cents per pound for 92 score butter at San Francisco. At that level the quotation is still 4 cents higher than a year ago. Receipts of eggs continued in large volume during February. The seasonal movement of eggs into storage, which is ordinarily light during February, was unusually small in amount this year and stored stocks were negligible on March 1. The usual decline in egg prices was reported during February and the first half of March. In San Francisco the price of United States No. 1 Extras declined from 24 cents per dozen in early February to 21½ cents per dozen in mid-March. Last March the same grade of eggs sold in that market for 15½ cents per dozen.

Moisture during February improved range feed prospects in almost all parts of the district. California and Arizona ranges were in excellent condition on March 1, while ranges varied from fair to good in other states of the district. Shortages of hay and feeds are reported only from eastern Idaho, southeastern Oregon, and parts of Utah and Nevada.

Cattle on district ranges are in fair to excellent condition. Losses have been small because of the mild winter weather which has also permitted the use of open ranges, with some saving of feed. Growers in grass-beef sections of California expect to finish and market their cattle earlier than usual. Although the volume of these shipments to local markets is expected to exceed the average of the past five years, the supply of marketable beef cattle available to Twelfth District markets is not excessive. Average prices paid for cattle at district farms in mid-February were 20 percent higher than a month earlier, 50 percent higher than in mid-December, and 83 percent higher than a year ago. The early spring lamb crop in the district is slightly larger this year than in 1934. Weather conditions during the past winter were generally favorable in all states and feed was ample. In California, early lambs

developed rapidly and first shipments reached district markets late in February. Prices paid growers were slightly lower than those in effect at this time last year.

Industry

Industrial production in the Twelfth District expanded somewhat more than is usual during February, continuing the upturn of the preceding month. Operations in most industries exceeded those in February of both of the two preceding years.

The number of workers employed by reporting industrial establishments in California, Oregon, and Washington increased slightly more than seasonally during February, while a decrease in employment in manufacturing concerns in Utah was smaller than in February of any of the preceding three years. Employment increased in practically all lines for which data are available, both in comparison with January of this year and in relation to employment in February 1934. One of the largest increases in employment was reported by the lumber industry, while manufacturers of iron, steel, and other metal products also added considerably to working forces. Motion picture producers in California retained the comparatively high schedules of January. There was little change in employment in the food manufacturing industry during February, but a seasonal increase in vegetable canning activity was reported in March.

Total wage payments by the industries reporting employment data in California, Oregon, Washington, and Utah increased during February. The increases in payrolls were larger

Employment—

Industries	No. of Firms	California No. of Employees		Oregon No. of Employees	
		Feb. 1935	Feb. 1934	Feb. 1935	Feb. 1934
All Industries*	1,002	131,011	125,533	116	17,080
		(+4.4)		(+7.7)	
Stone, Clay, and Glass Products.	53	5,474	5,085	3	109
		(+7.6)		(+142.2)	45
Lumber and Wood Manufactures ..	94	10,722	10,075	40	8,882
		(+6.4)		(+12.5)	7,893
Textiles	10	1,312	1,283	7	1,733
		(+2.3)		(+8.0)	1,604
Clothing, Millinery, and Laundering.	123	9,106	8,898	6†	198
		(+2.3)		(+7.0)	185
Food, Beverages, and Tobacco...	262	27,259	27,517	31	1,443
		(— .9)		(+11.3)	1,296
Public Utilities...	44	42,178	42,845	..	....
		(—1.6)			
Other Industries†.	418	65,208	61,929	29	4,715
		(+5.3)		(—2.4)	4,830
Miscellaneous	42	11,930	10,746	..	....
		(+11.0)			
Wholesale and Retail	213	34,083	31,270	..	....
		(+9.0)			

*Public utilities and wholesale and retail figures not included in this total. †Includes the following industries: Metals, machinery, and conveyances; leather and rubber goods; oils and paints; printing and paper goods. ‡Laundering only. Figures in parentheses indicate percentage change from February 1934.

than the increases in employment, showing a further rise in average weekly earnings per worker.

Contract awards for public works construction were smaller in February than in January, but the aggregate for the two months was about the same as in the first two months of 1934. Work on previously awarded contracts continued more active than a year earlier. Contracts have now been let on most of the projects for which funds have been allotted by the Public Works Administration. Plans for a large number of additional projects, however, have been submitted for consideration under a new program of public works now pending before Congress. Permits issued for industrial and commercial building were in smaller volume in February than in the previous month. Permits for residential building were the same as in January. As in other recent months, work on alterations and repairs was fairly active.

Lumber production expanded sharply, the seasonally adjusted index rising from 53 percent of the 1923-1925 average in January to 62 percent in February, a point higher than in any month, with the exception of last March, since May 1931. Expansion in operations, though general throughout the district, was particularly pronounced in western pine regions, where lumbering had been relatively less active in the two preceding months. New orders for lumber continued to accumulate more rapidly than they were filled, adding to a volume of unshipped orders already larger than is usual for this time of year. Shipments of lumber, which currently exceed those of February 1934 or 1933, have been running ahead of production.

Activity in the petroleum industry changed little during February.

Industry—

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

General	1935-1934				1934-1933		
	Feb.	Jan.	Dec.	Nov.	Feb.	Jan.	Dec.
Carloadings—Industrial.	54	50	50	50	49	48	42
Electric Pwr. Production	154¶	154¶	149	149	145	144	141
Manufactures							
Lumber	62	53	47	46	61	56	53
Refined Mineral Oils†..	..	120	120	121	107	107	116
Flour	91¶	102	92	94	95	99	89
Cement	53	56	81	87	75	85	85
Wool Consumption†....	..	132	87	113	107	94	95
Slaughter of Livestock..	97¶	101	118	118	111	113	106
Minerals							
Petroleum (California)†	69¶	76	73	72	68	69	72
Lead (United States)†..	..	..	60	55	64	64	67
Silver (United States)†.	..	..	53	35	36	37	29
Building and Construction#							
Total	42	53	45	39	33	33	37
Building Permits—Value							
Larger Cities.....	17	13	14	13	10	9	11
Smaller Cities.....	19	20	20	20	14	11	11
Engineering Contracts							
Awarded—Value							
Total	80	118	84	76	69	73	71
Excluding Buildings	167	207	150	125	145	127	125

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

Trade

Freight carloadings expanded considerably more than is usual in February, after having been maintained at a higher level than is customarily expected in the three preceding months. The rise in the seasonally adjusted index during February amounted to 4 points, bringing it to 74 percent of the 1923-1925 average. In October 1934, the index stood at 62, the low point for that year. Most of the rise in the index since that low point was recorded has taken place in shipments of merchandise and miscellaneous commodities in less than carload lots, but more recently bulk traffic, particularly forest products, has contributed materially to the increase. Total loadings were 12 percent larger in February than a year ago.

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

	1935 compared with 1934—		
	NET SALES		STOCKS
	February	Jan. 1 to end of February	February
Department Stores ...	7.3 (73)	8.9	— 2.3 (54)
Los Angeles.....	7.3 (6)	8.0	—12.1 (6)
Other So. California	17.8 (9)	14.6	0.3 (7)
Oakland	7.9 (5)	11.9	9.9 (5)
San Francisco	4.3 (8)	5.5	— 1.8 (7)
Bay Region	5.5 (18)	7.5	1.1 (16)
Central California..	16.2 (6)	18.4	1.6 (6)
Portland†	13.4 (8)	13.9	12.2 (7)
Seattle	6.6 (4)	11.7	12.9 (4)
Spokane	6.6 (5)	12.1	10.5 (5)
Salt Lake City.....	3.6 (4)	5.4	— 1.5 (3)
Apparel Stores	14.0 (31)	13.4	— 5.6 (19)
Furniture Stores.....	8.3 (32)	10.8	—12.3 (24)
All Stores	8.0 (136)	9.6	— 4.0 (97)

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

Figures in parentheses indicate number of stores reporting.

The value of daily average department store sales is ordinarily about the same in February as in January, but this year it increased somewhat and this bank's seasonally adjusted index rose from 79 to 80 percent of the 1923-1925 average. Last year in February, the index was 74, and two years ago it was 65. Increases in sales from January to February this year were rather general throughout the Twelfth District. As compared with a year earlier, the largest expansion in sales continues to be reported from rural areas. Increased sales generally reflected larger volumes of goods sold rather than higher prices. Inventories of department store goods were increased about as much as is usual during February.

Marked expansion in sales of new automobiles during February was in contrast with the usual tendency during that month, and the seasonally adjusted index rose from 69 to 103 percent of the 1923-1925 average. The index for the later month is higher than at any time since April 1930. Sales of both passenger and commercial cars increased sharply. The number of new cars sold was twice as large as in February 1934 and over three times as large as

the low for the depression reached in February 1933.

A decrease of 2 percent in aggregate sales of reporting wholesalers during February was smaller than ordinarily takes place at this sea-

lantic to Pacific traffic increased during the month. Iron, steel, and tinplate shipments held up fairly well, and the tonnage of other classes of cargo increased considerably.

WHOLESALE TRADE—Twelfth District Percentage changes in value of sales

	February 1935 compared with—		Cumulative 1935 compared with 1934
	Jan. 1935	Feb. 1934	
Agricultural Implements	39.7	30.0	47.3
Automobile Supplies	2.1	4.6	8.5
Drugs	— 9.4	1.9	1.1
Dry Goods	— 4.9	8.7	10.0
Electrical Supplies	16.8	32.5	28.3
Furniture	5.9	16.5	31.3
Groceries	— 7.4	16.6	14.0
Hardware	6.6	17.2	14.6
Shoes	21.2	1.5	2.8
Paper and Stationery	— 9.5	9.3	7.5
All Lines	— 1.5	13.3	12.3

son. Increases in sales of agricultural implements, electrical supplies, furniture, and shoes exceeded seasonal expectations and expansion in sales of hardware and automobile supplies was in contrast with the usual tendency during the month. Decreases reported in sales of drug, dry goods, and grocery wholesalers were no larger than is customary in February. As compared with February 1934, total sales increased 13 percent, or by a somewhat larger amount than in the preceding month. Wholesale prices of finished goods remained practically unchanged at 81 percent of the 1926 average during the month, according to figures of the United States Bureau of Labor. A year ago, the index was 77.

Volume of intercoastal water-borne commerce declined by an additional 80,000 tons in February to 543,000 tons, the smallest volume of cargo for any month since April 1933. The decrease was confined to eastbound traffic through the Panama Canal. Eastbound lumber shipments were reduced from the relatively high level of the two preceding months, and petroleum cargo declined sharply further. At-

Distribution and Trade—

	1935-1934				1934-1933		
	Feb.	Jan.	Dec.	Nov.	Feb.	Jan.	Dec.
Indexes adjusted for seasonal variation (1923-1925 average=100)							
Carloadings†							
Total	74	70	69	65	66	67	64
Merchandise	89	85	84	80	78	80	81
Intercoastal Trade							
Total	65	68	77	79	91	72	83
Westbound	81	79	81	87	71	73	69
Eastbound	61	63	77	76	99	69	89
Retail Trade							
Automobile Sales‡							
Total	104	69	73	71	52	35	45
Passenger	97	65	66	66	49	31	43
Commercial	229	128	142	124	113	82	69
Department Store							
Sales‡	80	79	83	81	74	72	76
Stocks§	62	61	60	62	64	65	65
Collections#							
Regular	45.2	48.2	47.0	48.3	43.5	46.4	43.2
Installment	16.8	18.7	17.3	18.0	16.6	17.9	15.4

†Daily average. §At end of month. #Percent of collections during month to amount outstanding at first of month.

Prices

Wholesale prices, which had been advancing steadily since November, did not change much on the average during late February and early March, and some slight recession was reported in the second and third weeks of March.

Substantial increases in wholesale prices over the past year have been accounted for entirely by advances in the farm products and food groups. The index of all other commodities was lower in mid-March than at any time since January 1934, although substantial advances in the prices of many commodities in this general group had taken place in 1933. Between February 1934 and February 1935, however, average prices of farm products advanced 29 percent, while prices of foods increased 22 percent. The advance in prices of commodities in these groups occurred principally after the severity of the drought was realized in late summer of 1934, but the conscious prosecution of a national program to establish a better balance between farm and industrial prices was also effective. Measured by group averages, this objective of the administration was attained to a considerable degree and in the 1934

Bank Debits*—

	February 1935	February 1934	First two months 1935	First two months 1934
Arizona				
Phoenix	\$ 25,623	\$ 21,564	\$ 56,588	\$ 44,473
California				
Bakersfield	9,788	7,641	21,907	16,786
Berkeley	13,645	20,326	29,061	44,173
Fresno	17,688	15,578	38,755	33,081
Long Beach	24,400	19,811	51,234	42,443
Los Angeles	567,535	506,600	1,186,892	1,052,159
Oakland	129,570	141,781	280,690	292,914
Pasadena	19,365	17,884	40,353	36,915
Sacramento	76,241	35,247	148,771	63,293
San Bernardino	6,078	4,832	13,435	10,471
San Diego	33,219	27,027	67,492	58,692
San Francisco	671,077	589,820	1,370,133	1,311,411
San Jose	14,852	13,223	33,057	28,736
Santa Barbara	8,300	6,905	17,656	15,491
Santa Rosa	2,967	2,535	6,437	5,700
Stockton	12,416	11,428	27,410	24,878
Idaho				
Boise	11,384	9,129	26,520	20,632
Nevada				
Reno	6,643	4,994	14,675	11,115
Oregon				
Eugene	3,445	2,966	7,173	6,208
Portland	109,810	100,543	229,156	207,538
Salem	9,558	7,766	20,850	16,988
Utah				
Ogden	11,403	7,480	25,808	19,309
Salt Lake City	45,297	37,595	101,275	84,147
Washington				
Bellingham	3,859	3,658	8,332	8,026
Everett	4,603	4,052	9,744	8,841
Seattle	123,095	109,809	258,903	239,277
Spokane	27,885	21,002	60,488	45,891
Tacoma	20,143	18,178	43,079	38,821
Walla Walla	3,844	3,998	7,565	7,391
Yakima	9,059	7,942	18,731	17,351
Total	\$2,022,792	\$1,781,314	\$4,222,170	\$3,813,151

*In thousands of dollars.

marketing season, those farmers with crops to harvest benefited materially from high prices. In recent weeks, the advance in agricultural prices has been checked, and wholesale food prices have tended to decline since the week ending February 23.

Retail food prices in the United States were approximately 13 percent higher in February than a year ago. Increases over the year-period in Los Angeles and Salt Lake City were 22 percent and 17 percent, respectively, and those for Portland, Seattle, and San Francisco approximated the average of 13 percent for the United States as a whole. Although retail food prices continued to rise in the last two weeks of February, the rate of increase was slower than in the two preceding months.

Most dried fruit prices were slightly lower in mid-March than a month earlier. Quotations on canned apricots and peaches were reduced on some sizes and grades but the reductions were not general. Despite large stocks, canned pear prices remained unchanged.

Spot foreign silver prices advanced to 59½ cents per ounce on March 15, the highest quotation for refined silver since August 1928. Zinc prices tended to improve, while those for lead and for copper in both the domestic and foreign market showed little or no change.

The Credit Situation

Although some relatively large fluctuations were recorded in demand deposits, the condition of city banks in the Twelfth District showed little net change between February 20

and March 20. Investments in securities other than those of the United States Government continued to increase moderately. Considering the district as a whole, there was a net outward movement of funds in payment of commercial and financial accounts during the four weeks under review. The Twelfth District paid more into the United States Treasury than the Treasury disbursed in the Twelfth District, reflecting partly the influence of income tax collections as well as deposits of funds with the Treasury by several national banks for redemption of their circulating notes. As a result of the commercial transfers of funds out of the district and the Treasury's excess of collections over disbursements, member bank reserve balances and nonmember bank deposits at the Reserve Bank were reduced.

On March 11, the Secretary of the Treasury announced plans for retiring national bank notes. The retirement is to be effected by the redemption of all bonds bearing the circulation privilege except those bonds which bear that privilege by virtue of special provisions which expire on July 22, 1935. Notes secured by those latter bonds will of necessity be retired in July. Actual withdrawal of the notes from circulation will take considerable time, but the liability for their payment is to be transferred from national banks to the United States Treasury by August 1 of this year. National banks in the Twelfth District had a note liability of \$121,337,000 on December 31, 1934. This total was 18.5 percent of the note liability of all national banks in the United States, although

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
1935—January 16..	— .4	— 1.2	+11.9	+10.3
January 23..	— 2.7	—14.2	+ 6.9	—10.0
January 30..	— .7	—16.2	+ .1	—16.8
February 6..	+ 2.7	+11.4	+ 4.3	+18.4
February 13..	+ 3.0	+ .1	+ 9.0	+ 6.1
February 20..	— 1.9	—17.1	+ 8.5	—10.5
February 27..	+ 2.4	— 1.8	+ 1.9	+ 2.5
March 6..	+ .8	+ 6.1	+ 8.4	+15.3
March 13..	— 2.0	+ .8	+ 5.1	+ 3.9
March 20..	+ 4.0	—15.4	—18.5	—29.9

USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1935—January 16..	— 7.0	+ 8.6	+ 8.7	+10.3
January 23..	— 4.9	+ 7.2	+ 2.1	—10.0
January 30..	— 2.0	—10.6	— 4.2	—16.8
February 6..	+ 6.0	+12.5	— .1	+18.4
February 13..	+ 2.3	+ 3.7	+ .1	+ 6.1
February 20..	— .9	—11.9	+ 2.3	—10.5
February 27..	*	+ 1.0	+ 1.5	+ 2.5
March 6..	+ 5.9	+11.5	— 2.1	+15.3
March 13..	— 2.0	+ 6.4	— .5	+ 3.9
March 20..	+ 1.4	—27.0	— 4.3	—29.9

*Change less than \$50,000.

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

	Condition			
	Mar. 20 1935	Mar. 13 1935	Feb. 20 1935	Mar. 21 1934
Total Bills and Securities	168	167	167	170
Bills Discounted	1	..	..	1
Bills Bought .....	..	..	..	3
United States Securities	166	166	166	166
Total Reserves	343	359	341	267
Total Deposits	294	306	290	209
Federal Reserve Notes in Circulation	202	201	199	196
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined	69.2	70.8	69.6	65.8

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

	Condition			
	Mar. 20 1935	Mar. 13 1935	Feb. 20 1935	Mar. 21 1934
Loans and Investments—Total..	1,955	1,942	1,952	1,780
Loans—Total	878	878	876	881
On Securities	203	205	204	218
All Other	675	673	672	663
Investments—Total	1,077	1,064	1,076	899
United States Securities	673	663	689	570
Other Securities	404	401	387	329
Reserve with Reserve Bank	154	176	161	109
Net Demand Deposits	737	729	737	605
Time Deposits	969	970	966	901
Due from Banks	201	202	211	173
Due to Banks	209	213	206	171
Borrowings at Reserve Bank	1	..	..	..

national banks in the Twelfth District had only 12.7 percent of total assets of all national banks.

In this district, the net effect of the final retirement of national bank notes will be to release to the national banks approximately \$6,000,000 now being held in the 5 percent redemption fund by the Treasury, thus increasing member bank reserves by that amount. In substance, the national banks turn in to the United States Treasury the bonds held as security against their national bank note liabilities, and in turn the liability for these notes is assumed by the Treasury.* The latter also refunds to the banks the 5 percent redemption fund which national banks are required by law to maintain against note liabilities. As the national bank notes are actually taken out of circulation and redeemed by the Treasury, Treasury cash and deposits will be drawn down, the total amount ultimately being equal to the sum of the face value of the notes for which liability has been assumed. In the long run, Federal reserve note circulation will increase, as a result of the transactions, by an amount approximately equivalent to the retired national bank obligations. More immediately, the effect of the move to retire the notes by redeeming the bonds securing the issues will be to reduce reserve balances of district national

* Some national bank notes are secured by bonds which have not been called, but which will not be eligible as collateral for note issues after July 22, 1935. Different handling of the relatively small amount of notes secured by these bonds makes no material difference in the general effects of retiring the notes under the plan announced.

banks to the extent that those banks elect to deposit funds with the Treasury to liquidate their note liability in advance of the actual redemption date for bonds having the circulation privilege.

Information on the condition of all Twelfth District city banks shows that there was but little change in the volume of their total loans during the first eleven weeks of 1935. Loans on securities and on real estate declined slightly, decreases being reported from most cities. Commercial loans on the other hand, expanded moderately, almost the entire increase taking place at San Francisco banks. Holdings of Government securities changed little but there was some increase in holdings of securities which are guaranteed as to interest and principal by the United States Government. Investments in all other securities remained substantially unchanged. Demand deposits of banks increased slightly during this period, and time deposits increased considerably.

For the most part, these changes during the first eleven weeks of 1935 were in keeping with changes in condition of all Twelfth District member banks between October 17, 1934 and December 31, 1934, for which call date complete figures have recently become available. Between those call report dates, deposits increased 181 million dollars, the increase being about equally divided between demand deposits of governmental agencies and savings deposits. An increase of 121 million dollars in total loans and investments represented entirely growth in security holdings since only a small change was recorded in total loans.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

In February, industrial production increased by less than the usual seasonal amount, following sharp advances in December and January. Wholesale prices of many leading commodities showed little change in February and declined in the early part of March. Prices of livestock and meats, however, advanced further in February and continued at relatively high levels during the first three weeks of March.

Production and Employment. Daily average output of basic industrial commodities increased in February by an amount smaller than is usual at this season and the Federal Reserve Board's index, which makes allowance for seasonal variations, declined from 91 percent of the 1923-1925 average in January to 89 percent in February. At steel mills, activity increased further during the early part of February; later in the month and in the first three weeks of March, however, activity declined, contrary to seasonal

tendency. In the automobile industry production continued to increase and the output indicated for the first quarter is larger than in the corresponding period of any other year since 1929. Lumber production remained at a low level. At textile mills, activity in February declined somewhat from the relatively high rate of the preceding month. In the meat packing industry output continued to decline.

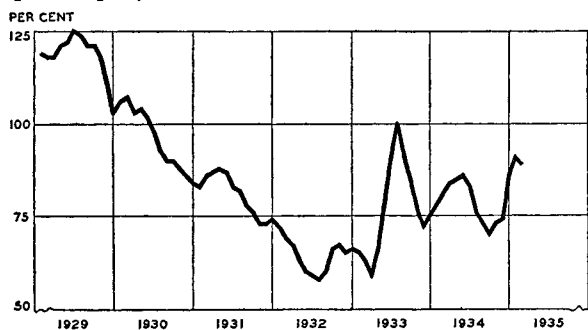
Factory employment increased between the middle of January and the middle of February by more than the usual seasonal amount, reflecting substantial increases in working forces in the automobile, machinery, iron and steel, and wearing apparel industries and smaller increases in many other lines. At meat packing establishments, employment continued to decline and at tobacco factories it showed less than the usual seasonal growth. Payrolls at manufacturing establishments also increased

considerably in February. In non-manufacturing industries employment and payrolls showed little change.

Total value of construction contracts awarded in the period from January 1 to March 15, as reported by the F. W. Dodge Corporation, was smaller than in the corresponding period last year, reflecting a reduction in the volume of public projects. The value of contracts awarded

tin were considerably lower than at the beginning of February, while prices of livestock, meats, and sugar were higher.

Bank Credit. During the four weeks ended March 20 member bank reserve balances declined by \$280,000,000, principally in consequence of an increase in Treasury deposits with Federal reserve banks built up in connection with March 15 fiscal operations. Excess re-

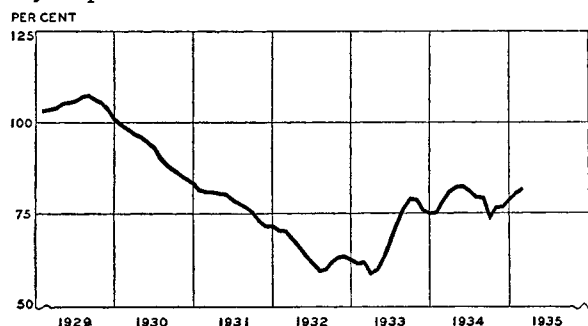


INDUSTRIAL PRODUCTION

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

for residential building during this period showed a slight increase over the low level of a year ago.

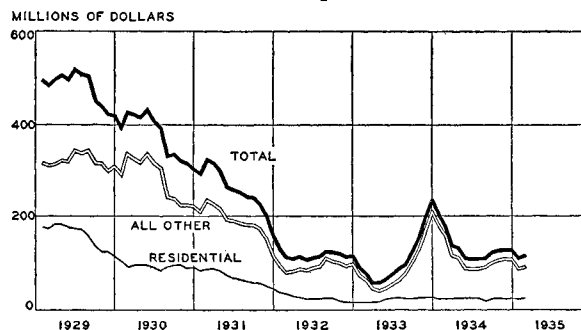
Distribution. Daily average volume of revenue freight carloadings showed a seasonal increase in February and little change in the first half of March. Department store sales increased in February, a month when there is usually little change, and the combined total for the first two months of the year was larger than a year ago by 5 percent.



FACTORY EMPLOYMENT

Index of factory employment, adjusted for seasonal variation (1923-1925 average=100).

Wholesale Commodity Prices. During the period from the beginning of February to the middle of March there were wide movements in prices of many individual commodities, while the general level of wholesale prices, as measured by the Bureau of Labor Statistics' index, showed little change. In the third week of March, prices of cotton and other textiles, grains other than wheat, coffee, rubber and tires, scrap steel, and

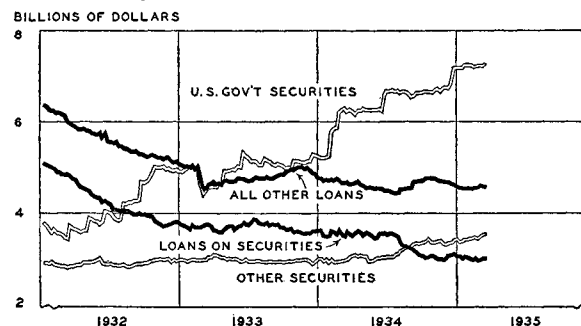


VALUE OF CONSTRUCTION CONTRACTS AWARDED

Three-month moving averages of F. W. Dodge data for 37 Eastern states, adjusted for seasonal variation. Latest figures based on data for January and February and estimate for March.

serves of member banks declined to about \$1,950,000,000.

Demand deposits (net) of weekly reporting member banks in leading cities increased further by \$380,000,000 during the four weeks ended March 13. The balances of other banks with reporting banks increased by \$100,000,000 while Government deposits declined, reflecting the withdrawal of funds from depository banks. Loans and investments of reporting banks increased by \$275,000,000. There was a further



MEMBER BANK CREDIT

Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for March 13.

growth of \$85,000,000 in holdings of direct obligations of the United States Government and a smaller increase in obligations guaranteed by the Government. Loans to brokers and dealers in securities increased by \$130,000,000, while other loans showed little change.

Yields on United States Government obligations declined slightly further, and open-market money rates continued at a low level.