

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

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### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business showed no marked change during April. Industrial activity expanded less than seasonally, but measures of trade advanced by more than the usual amounts at this time of the year. Industrial employment increased somewhat more than is customary in April, reflecting a marked expansion in canner operations. Building activity showed further expansion.

Excluding the canning industry, which experienced a delayed seasonal rise of large proportions, aggregate manufacturing activity was about the same in April as in March, whereas some expansion is customary. Crude oil production declined rather substantially but refinery operations increased seasonally. Expansion in lumber production was slightly less than is usual for April. A noticeable increase in orders and shipments of lumber, particularly during the last half of the month, is reported to have been stimulated in part by the prospect of labor difficulties. The strike of mill and logging camp employees came too late to have a direct effect upon production statistics for the month, but by mid-May practically all mills in the Douglas fir region were closed. All classes of private building activity showed further substantial improvement during April, and public works contracts doubled in value from the preceding month. Non-ferrous metals mining was stimulated by a sharp increase in the price of silver. Slaughter of livestock increased moderately.

Department store sales increased more than is customary during April in all parts of the district except Salt Lake City, and this bank's seasonally adjusted index, which also makes allowance for the influence of Easter buying, advanced from 79 to 83 percent of the 1923-1925 average. This increase was larger than the decline from February to March. For March and April combined, sales were 7 percent larger than in those months of 1934. New automobile sales increased by about the customary amount in April. More than the usual gain took place in freight carloadings during the month. A sharp decline in intercoastal

traffic reflected mainly reductions in petroleum cargoes, a result of the strike of tanker seamen.

The growth of forage on livestock ranges and of planted crops was favored in April by more than the usual rainfall for this time of year in most parts of the district. Excessive moisture and low temperatures tended to retard soil preparation and the seeding of late crops, however, and were unfavorable for sheep shearing and farm work generally. Prices of farm products tended slightly downward during late April.

Influences exerted by low money rates were evident in changes in the Twelfth District banking situation during the four weeks ending May 15. Demand for currency at the Federal Reserve Bank was increased by withdrawal of public funds in cash by treasurers of local governmental units in California, upon which some banks were unwilling longer to pay the mandatory rate of 2 percent interest. Early in May, a number of banks in the district, principally in California, returned to the United States Treasurer substantial amounts of postal savings deposits upon which interest of  $2\frac{1}{2}$  percent is required, a circumstance reflected in a slight reduction in time deposits of member banks. This surrender of postal savings, together with additional deposits with the Treasury of funds by national banks to retire liability for circulating notes, increased United States Treasury collections in the district. Despite this circumstance, total United States Treasury collections during the period under review were substantially exceeded by disbursements. The net inflow of funds from this source and from commercial and financial transactions with other districts further increased member bank reserve balances. Moderate expansion in commercial and real estate loans continued. Open market loans on securities were reduced, causing a slight decrease in total loans of Twelfth District city banks. Investments of member banks declined moderately because of smaller holdings of United States Government securities. Holdings of Government guaranteed obligations and other stocks and bonds increased.

## Agriculture

Snow and rainfall continued in excess of normal in most of the Twelfth District during April. Many growing crops were benefited and supplies of water were further increased, but rain and the accompanying cloudy weather had some unfavorable effects upon development of grains and fruits. It also delayed seeding of some late crops and wool clipping. Damage by frost was reported in some parts of the Pacific Northwest in April and early May.

Although estimates of the total United States winter wheat crop were reduced by about 4 million bushels during the month, probable production in the Twelfth District was set at 72,396,000 bushels on May 1, 7,640,000 bushels or 12 percent more than was estimated a month earlier. This latest forecast exceeds last year's harvest by nearly 50 percent, and is only slightly less than average annual production of winter wheat in the district during the five years 1928 through 1932. Abandonment of seeded acreage in Twelfth District states was about 4 percent this year, compared with 31 percent for the entire country. Last year, 15 percent of the acreage sown to winter wheat in the Twelfth District was not harvested. Spring wheat was in good condition on May 1 in Oregon, Washington, and Idaho, although early growth was delayed by cold weather. There is practically no spring wheat grown in other district states.

California rice growers had only 10 to 15 percent of their intended acreage seeded by the second week in May, notwithstanding favorable winds and higher temperatures which dried the soil and aided the seeding of the new crop. Planting was 80 to 85 percent completed at this time last year. Growers are reported to be using a more rapidly maturing and somewhat less prolific variety of rice than that pre-

dominantly sown heretofore in an attempt to produce a mature crop before the fall rains set in. In view of the uncertainty of the new crop and an increased volume of orders, the San Francisco price of extra fancy Japan grade California rice advanced 10 cents to \$4.15 per hundred pounds in early May.

Cotton planting, although retarded by rain and cool weather during most of April, was practically completed in Arizona and California by the middle of May. The spring rains have supplied sufficient moisture so that the usual pre-seeding irrigation was omitted in the San Joaquin Valley. Weather conditions during the first half of May favored the rapid growth of plantings. According to the United States Department of Agriculture, average prices paid growers advanced 1 cent to 13.6 cents per pound in Arizona, and remained steady at 11.4 cents per pound in California from mid-March to mid-April. In April 1934 prices paid for cotton were 13.7 cents and 12.0 cents per pound, in those states respectively.

Harvesting of California's newest commercial crop—flaxseed—began in the southern part of the State during the second week of the month. Last year 242,000 bushels were produced on 11,000 acres. The yield of 22 bushels per acre in California compared with an average United States yield of only 5.4 bushels per acre. This year 48,000 acres have been planted to flaxseed in the Imperial, San Joaquin, and Sacramento valleys, whereas all production in 1934 was in the Imperial Valley.

Estimates of the current California Valencia orange crop were increased 10 percent during the month to 24,200,000 boxes on May 1. The rising trend of Valencia orange bearing acreage and favorable weather during the past winter are the chief factors making this year's probable production moderately larger than any previous crop. The present estimate is 40 percent larger than Valencia orange production in 1934. Shipments of oranges during April exceeded those of April last year by over 50 percent, and for the season from November through April were 34 percent above those for the same period last year. Average prices received by growers for their fruit were somewhat higher in April than in March and considerably above those in effect a year ago.

A large majority of California lemon growers have agreed to regulate the marketing of their record 1935 crop under the terms of the California Agricultural Prorate Act. Shipments have been exceeding those of last season by a large margin but prices have been lower and financial returns to growers have been smaller than last year.

Because of the late season it is still too early

### Agricultural Marketing Activity—

	April		Season to Date	
	1935	1934	1935	1934
<b>Carlot Shipments</b>				
Apples and Pears . . .	2,171	1,540	53,699	47,297
Citrus Fruits . . . .	9,723	6,270	39,948	30,123
Vegetables . . . . .	9,070	9,225	50,156	51,466
<b>Exports</b>				
Wheat (bu.) . . . .	11,200	4,148,224	2,801,193	17,857,541
Barley (bu.) . . . .	71,000	269,750	3,733,827	4,985,973
<b>Receipts*</b>				
Cattle . . . . .	73,769	74,785	317,430	315,343
Hogs . . . . .	145,787	174,516	601,316	886,363
Sheep . . . . .	321,016	321,943	934,465	846,152
Eggs (cases) . . . .	205,831	189,414	707,335	705,229
Butter (lbs.) . . . .	7,472,973	7,682,287	22,937,089	25,159,861
Wheat (carlots) . .	3,721	3,949	44,061	50,466
Barley (carlots) . .	353	518	7,275	5,527
<b>Storage Holdings*</b>	1935		1934	
(end of month)	April	March	April	March
Wheat (bu.) . . . .	2,426,000	3,171,000	4,303,000	5,964,000
Beans (bags) . . . .	1,111,000	1,351,000	1,276,000	1,441,000
Butter (lbs.) . . . .	436,000	44,000	1,652,000	1,298,000
Eggs (cases) . . . .	391,000	176,000	459,000	234,000

\*At principal district markets.

to estimate the probable tonnages of nearly all of the various deciduous fruit crops, but it seems likely that total production will approximate that of recent years. Damage by insect and disease pests has not been as prevalent as last year.

Receipts of butter at Los Angeles, San Francisco, and Portland increased seasonally from March to April, but there was little of the usual movement into storage. Stocks in storage on May 1 were the lowest in the last decade for that date. Prices in the latter part of April and the first half of May declined moderately.

Notwithstanding a moderate increase in receipts of eggs at leading district markets during April and early May, prices advanced about 18 percent during that period to a level more than 60 percent higher than a year ago.

The condition of Twelfth District ranges improved during April and on May 1 was estimated to be fair to excellent. District-wide rains aided the growth of feed and added to stock water. Although the cold weather was unfavorable for the calf crop and cattle are thin in some areas, losses were about average except in the Pacific Northwest, where they were a little above normal. Cattle growers were paid less for their stock in April than in March, but farm prices were still considerably higher than in any year since 1930. Local demand for California grass-fat cattle has been good and they have been moving to local and mid-Western markets in large number.

Sheep and lambs are in good to excellent condition, according to May 1 estimates, in all states of the district except Utah, where their condition is only fair. In Oregon, Washington, and southeastern Idaho, the lamb crop is smaller than a year ago, but excellent conditions in California, Arizona, and Nevada are expected to offset this decline. In California, the average weight of lambs this season has been higher than the average for recent years and abundant feed and water has allowed growers to hold back shipments. Total shipments from that State to mid-Western and Eastern markets numbered 397,438 head for the season through May 18, compared with 396,572 head for the same period in 1934. Prices declined slightly from March to April and in the later month were somewhat below those in effect last April.

Shearing spread throughout the entire district during the month, although rains caused some delay. Sales of wool were reported in several sections of the district, but there has been a tendency for growers to hold for higher prices or to market through cooperatives on a consignment basis.

## Industry

Industrial activity increased somewhat less than seasonally during April. An increase in lumber production was not quite as large as is usual in that month. Crude oil output was reduced. Operations in the highly seasonal vegetable canning industry were retarded in late March and early April, but subsequently advanced sharply more than usual. Activity in the motion picture industry and in canning and packing of fish in California declined, as is customary in April. Assembling of automobiles expanded further. Contract awards for public construction were double those in the relatively inactive months of February and March, and private construction, particularly of residential properties, continued the rather marked improvement evident in recent months. Interest and activity in non-ferrous metals mining was further stimulated by a substantial increase in the Government buying price of newly mined domestic silver.

Excluding vegetable canning, industrial employment and payrolls in California were practically the same in April as in March, although a small increase is customary at this time of year. Increases of 10 percent during the month and 6 percent as compared with a year ago in the number of employees were reported for all industries, including canning. The number of workers employed in Oregon industries increased less than seasonally, while payrolls increased by about the usual amount for April.

Lumber production expanded by less than the usual amount during April, but shipments and orders increased rather substantially, par-

## Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees April 1935	April 1934	No. of Firms	No. of Employees April 1935	April 1934
All Industries* . . .	1,093	155,561	146,783	114	17,844	17,768
		(+6.0)			(+0.4)	
Stone, Clay, and Glass Products . .	56	5,431	4,869	3	135	69
		(+11.5)			(+95.7)	
Lumber and Wood Manufactures . .	98	11,332	10,913	38	9,499	9,381
		(+3.8)			(+1.3)	
Textiles . . . . .	14	2,097	1,894	8	1,720	1,794
		(+10.7)			(-4.1)	
Clothing, Millinery, and Laundering . .	141	10,714	10,636	5‡	124	122
		(+.7)			(+1.6)	
Food, Beverages, and Tobacco . .	275	44,350	39,146	32	1,465	1,506
		(+13.3)			(-2.7)	
Public Utilities . .	47	44,151	44,726	..	....	....
		(-1.3)				
Other Industries†	461	69,208	66,429	..	....	....
		(+4.2)				
Miscellaneous . . .	48	12,429	12,896	28	4,901	4,896
		(-3.6)			(+0.1)	
Wholesale and Retail . . . . .	231	37,311	34,196	..	....	....
		(+9.1)				

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

ticularly during the last two weeks of the month. Developments in the lumber industry were reported to have been influenced in part by prospects of labor difficulties which became more and more acute as the month progressed. May 6 was the final date set by the newly organized union workers for mill and logging camp operators to accede to their demands or submit to a strike. Prior to this date, however, several mills were forced to cease activity and, spreading rapidly, the strike resulted in almost complete cessation of operations in the Douglas fir producing areas by mid-May. Operators in the western pine and California redwood areas thus far have not been affected directly. Although most firms are reported to have adequate supplies of lumber to draw upon for some time, inventories have been reduced in the past few months as lumber production has been running well under shipments.

Private construction showed a marked rise during April. Permits issued for non-residential building increased substantially. New residential building and modernization and renovation work continued the improvement which has been evident in the past few months.

Reflecting substantial increases in all major classes of works, contract awards for public construction were twice as large in April as in March or February, months in which only a small amount of new work was undertaken. Projects awarded included some for which allotments of funds previously had been made by the Public Works Administration. No allotments have yet been made under new appropriations for work relief.

Daily average crude oil production in California declined from 498,000 barrels in March

to 472,000 barrels in April. At this figure daily output averaged 18,000 barrels below proration allowables for the month. The decline is in part attributable to an order of the State oil administrator, issued early in the month, requiring output of each well rather than each property, in the Kettleman Hills field, to conform to allotments. Since a number of wells were not in condition to operate immediately and since an allotment could not be transferred to other producing units on the same property, total output was affected in this field. A large portion of the oil produced in the Ventura Avenue field is moved to refineries by tankers, and continuance of the tanker seamen's strike is reported to have caused a reduction in output of that field. Although operations at refineries increased, gasoline inventories declined.

Canneries were active packing spinach and asparagus during April, and employment at fruit and vegetable canneries more than trebled between mid-March and mid-April. Opening prices on canned spinach were set slightly above those of a year earlier, while canned asparagus was quoted generally higher this year than last, the advance ranging from 10 to 20 cents per dozen No. 2½ square cans.

Automobile assembling plants in California, where operations in this district are chiefly centered, have been unusually active in recent months. As in the United States as a whole, production has increased sharply since last November, reflecting the most active demand for cars in five years. In the first four months of this year, the number of workers averaged almost as high as in the first four months of the preceding two years combined.

Further stimulus was given to activity at silver producing properties by the substantial advance in the price of that metal during April. On April 10, the United States Government's buying price of newly mined domestic silver was raised from 64.64 cents to 71.11 cents per ounce, and on April 24 the price was further increased to 77.57 cents. New York quotations for foreign silver advanced proportionately. Trade statistics indicate that mine production of copper has increased moderately since the first of this year and domestic consumption has shown considerable improvement. An international copper agreement was signed on March 28, to become effective June 1, under which foreign producers agreed to curtail output 240,000 tons annually for a period of three years, a reduction of about a third in their present output. Following signing of that agreement, New York quotations for export copper, c.i.f. European ports, advanced from 7.20-7.32 cents per pound on March 28 to 8.20-8.30 cents per pound on May 18.

### Industry —

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

	1935				1934		
	Apr.	Mar.	Feb.	Jan.	Apr.	Mar.	Feb.
<b>General</b>							
Carloadings—Industrial.	55	50	54	50	49	47	49
Elec. Power Production.	142¶	151¶	153	154	154	149	145
<b>Manufactures</b>							
Lumber .....	53¶	54	61	54	54	63	61
Refined Mineral Oils†..	130¶	126	127	120	131	128	107
Flour .....	116¶	107	93	102	98	106	95
Cement .....	64	58	53	56	73	76	75
Wool Consumption†...	..	98	132	132	89	71	107
Slaughter of Livestock..	93¶	91	97	101	105	103	111
<b>Minerals</b>							
Petroleum (California)†	72¶	75	76	76	73	72	68
Lead (United States)†..	..	55	50	50	56	57	64
Silver (United States)†..	..	50	65	50	45	47	36
<b>Building and Construction#</b>							
Total .....	36	37	42	53	29	34	33
Building Permits—Value							
Larger Cities .....	21	18	17	13	10	11	10
Smaller Cities .....	25	23	21	20	19	19	14
Engineering Contracts							
Awarded—Value							
Total .....	60	61	80	118	61	66	69
Excluding Buildings	104	121	167	207	114	136	145

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

## Trade

Unusually large shipments of lumber, particularly from the Pacific Northwest, were responsible for more than a seasonal rise in bulk loadings of railway freight during April. Merchandise and miscellaneous shipments also increased. After seasonal adjustment, total freight carloadings increased from 68 to 73 percent of the 1923-1925 average, at which level they were 12 percent higher than in April 1934.

RETAIL TRADE—Twelfth District				
Percentage changes in value of sales and stocks				
1935 compared with 1934				
NET SALES		STOCKS		
April*	March and April	Jan. 1 to end of April	April	
Department Stores...	21.1 ( 71)	6.6	7.6	— 4.0 ( 52)
Los Angeles .....	23.5 ( 6)	8.0	8.0	—10.8 ( 6)
Other So. California	31.2 ( 9)	10.6	12.5	4.2 ( 6)
Oakland .....	21.1 ( 5)	8.1	9.8	8.0 ( 5)
San Francisco.....	15.4 ( 8)	2.5	3.8	— 4.1 ( 7)
Bay Region .....	17.2 ( 18)	4.3	5.7	— 0.5 ( 16)
Central California..	28.9 ( 5)	11.5	13.7	4.0 ( 5)
Portland† .....	15.0 ( 8)	4.9	8.6	7.5 ( 7)
Seattle .....	22.6 ( 4)	4.9	7.7	3.2 ( 4)
Spokane .....	33.5 ( 5)	15.7	14.2	7.2 ( 5)
Tacoma† .....	34.6 ( 7)	...	15.6	3.6 ( 6)
Salt Lake City....	9.1 ( 4)	0.4	2.6	— 7.1 ( 3)
Apparel Stores .....	28.1 ( 41)	11.6	12.3	— 4.3 ( 26)
Furniture Stores .....	21.0 ( 33)	15.5	13.9	—10.6 ( 27)
All Stores .....	21.8 (145)	8.0	8.8	— 5.0 (105)

\*April 1935 had one more trading day than April 1934. †Includes five apparel stores each in Portland and Tacoma which are not included in district department store total. Figures in parentheses indicate number of stores reporting.

In contrast with the United States as a whole, a rise in Twelfth District department store sales during April exceeded seasonal expectations in all major trading areas except Salt Lake City. Even after allowance for the customary seasonal movements and for the late date of Easter this year, this bank's index increased 5 percent from March to April and was equal to the three-year high of last December. Sales were 21 percent larger in April of this year than last, compared with a slight year-period decrease in March, in which month most

## Distribution and Trade—

	1935			1934		
	Apr.	Mar.	Feb.	Jan.	Apr.	Mar.
Indexes adjusted for seasonal variation (1923-1925 average=100)						
Carloadings‡						
Total .....	73	68	74	70	65	64
Merchandise .....	89	85	89	85	79	79
Intercoastal Trade						
Total .....	60	78	65	68	86	95
Westbound .....	81	105	81	79	88	81
Eastbound .....	52	73	61	63	86	105
Retail Trade						
Automobile Sales‡						
Total .....	108	107	104	69	60	61
Passenger .....	103	102	97	65	56	55
Commercial .....	161	154	229	128	118	112
Department Store						
Sales‡ .....	83	79	80	79	74	79
Stocks§ .....	61	62	62	61	64	62
Collections#						
Regular .....	47.6	48.1	45.2	48.2	44.9	46.2
Installment .....	17.7	18.6	16.8	18.7	17.5	17.6

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

of the Easter trading occurred last year. The value of department store inventories was the same at the end as at the beginning of April, whereas some expansion is customary. The Fairchild index of retail prices of department store goods did not change from April 1 to May 1, and was 3.5 percent lower than on May 1, 1934.

Sales of new automobiles, which rose to the highest levels in five years during the first quarter of this year, increased by about the seasonal amount during April.

## WHOLESALE TRADE—Twelfth District

Percentage changes in value of sales			
April 1935 compared with			
Mar. 1935	Apr. 1934	Cumulative 1935 compared with 1934	
Agricultural Implements .....	— 1.7	90.0	44.7
Automobile Supplies .....	17.4	11.8	8.7
Drugs .....	— 1.0	12.1	2.8
Dry Goods .....	1.7	7.0	4.9
Electrical Supplies .....	9.7	18.7	25.8
Furniture .....	3.2	27.2	23.0
Groceries .....	2.8	25.4	13.9
Hardware .....	6.1	8.6	10.4
Shoes .....	5.2	10.9	— 6.1
Paper and Stationery .....	—14.0	18.4	8.3
All Lines .....	2.3	16.9	11.2

Most lines of wholesale trade expanded further during April, whereas reductions ordinarily predominate during that month.

Intercoastal shipments through the Panama Canal declined sharply during April, approximately offsetting an increase in the previous

## Bank Debits\*—

	April 1935	April 1934	First four months 1935	First four months 1934
Arizona				
Phoenix .....	\$ 30,880	\$ 23,448	\$ 118,061	\$ 93,643
California				
Bakersfield .....	11,285	8,680	44,152	33,890
Berkeley .....	13,409	18,807	56,004	88,740
Fresno .....	19,506	16,252	78,620	66,493
Long Beach .....	31,318	23,880	112,917	90,275
Los Angeles .....	663,553	545,071	2,501,719	2,177,827
Oakland .....	169,827	162,848	612,798	618,064
Pasadena .....	20,969	19,595	83,726	76,820
Sacramento .....	103,713	52,971	331,860	184,587
San Bernardino .....	7,569	5,677	29,078	22,814
San Diego .....	44,416	32,541	150,303	122,559
San Francisco .....	775,510	714,405	2,921,459	2,774,940
San Jose .....	17,582	15,965	68,990	60,831
Santa Barbara .....	9,750	8,179	37,372	31,608
Santa Rosa .....	3,653	3,015	13,513	11,997
Stockton .....	15,420	12,930	57,211	51,684
Idaho				
Boise .....	14,429	11,119	53,715	42,386
Nevada				
Reno .....	7,293	6,753	29,726	25,157
Oregon				
Eugene .....	4,769	4,144	16,587	14,407
Portland .....	128,554	121,044	510,796	474,905
Salem .....	13,262	10,002	45,713	37,717
Utah				
Ogden .....	10,327	17,324	47,463	45,830
Salt Lake City..	51,762	43,972	205,743	173,699
Washington				
Bellingham .....	5,185	4,829	18,500	17,507
Everett .....	5,856	5,607	21,229	20,123
Seattle .....	150,601	133,747	561,733	517,191
Spokane .....	34,982	26,692	129,638	102,348
Tacoma .....	24,862	22,819	92,663	85,772
Walla Walla .....	4,281	3,642	16,267	15,317
Yakima .....	11,254	8,435	41,945	36,158
Total .....	\$2,405,777	\$2,084,393	\$9,009,501	\$8,115,289

\* In thousands of dollars.

month. Cargoes from the Pacific Coast were smaller chiefly because of a reduction in petroleum shipments, while a decline in traffic originating on the Atlantic Coast came mostly in iron and steel shipments. Total intercoastal shipments were considerably under levels of a year ago in each of the first four months of 1935.

### Prices

Wholesale commodity prices, as measured by the index of the United States Bureau of Labor Statistics, showed little net change between mid-April and mid-May. In the week ending April 20 prices of farm products and of foods continued to increase sharply but thereafter declined moderately. It has been these commodity groups that have accounted, almost entirely, for the substantial advance in the price index over the past year. In the week ending May 18, the foods index was 25 percent higher than a year earlier. Prices of hides and leather products continued to advance in the period under review and building materials tended higher.

Prices of food at retail in important Twelfth District cities continued to increase during April after a slight recession in March, but the rate of increase was more moderate than in other recent months.

Pacific Coast quotations for canned pears and apricots moved lower during April and May. Except for increases in dried apple prices, quotations for dried fruits showed little change. Late in April sugar prices were advanced to \$5.15 per hundred pounds. A year ago sugar

was sold for \$4.10 per hundred pounds. After declining 2 cents per gallon in early April, California refinery quotations for gasoline increased, and on May 20 were only ½ cent per gallon lower than at the beginning of April.

### The Credit Situation

Interest rates in the Twelfth District decreased during late April and early May. Rates charged customers on most classes of bank loans were reduced, continuing the trend of recent months. Security brokers reduced rates charged their customers on debit balances, effective on April accounts, from 4¼ to 4 percent on eastern securities and from 5 to 4½ percent on locally listed securities. Rates on bank loans to customers on securities were also reduced and are now slightly higher than 4½ percent in San Francisco and Los Angeles. The same banks charge 3½ percent on loans made to brokers. Spokane banks announced that, effective July 1, the rate of interest paid on savings deposits would be reduced from 2½ to 2 percent. This action will bring rates paid on regular savings deposits to 2 percent in all of the larger cities of the district outside of California. Banks in San Francisco and Los Angeles have not announced a change from the 2½ percent rate on savings deposits which now prevails. Banks in most reserve cities of this district continue to pay ½ percent on time deposits of correspondent banks, notwithstanding discontinuance of interest on such deposits by New York City clearing house banks.

#### 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—March 6...	+ .8	+ 6.1	+ 8.4	+15.3
March 13...	— 2.0	+ .8	+ 2.2	+ 1.0
March 20...	+ 4.0	—15.4	—18.5	—29.9
March 27...	— 3.3	+11.3	— 5.4	+ 2.6
April 3...	+ .2	— 3.5	+ .7	— 2.6
April 10...	+ 1.2	+ 8.3	+ 6.1	+15.6
April 17...	+ 1.7	+ 9.9	+ 2.1	+13.7
April 24...	— 3.1	—14.0	+15.8	— 1.3
May 1...	+ 1.6	— 3.6	+ 7.2	+ 5.2
May 8...	— 2.8	+15.7	— 6.4	+ 6.5
May 15...	+ 3.6	+ 8.6	+ 3.3	+15.5

##### USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1935—March 6...	+ 5.9	+11.5	— 2.1	+15.3
March 13...	— 4.9	+ 6.4	— .5	+ 1.0
March 20...	+ 1.4	—27.0	— 4.3	—29.9
March 27...	— 2.0	+ 4.2	+ .4	+ 2.6
April 3...	+ 4.6	— 7.8	+ .6	— 2.6
April 10...	— .2	+16.7	— .9	+15.6
April 17...	+ 4.0	+ 9.8	— .1	+13.7
April 24...	+ .6	— 5.3	+ 3.4	— 1.3
May 1...	+12.0	— 7.0	+ .2	+ 5.2
May 8...	+ 4.4	+ 4.0	— 1.9	+ 6.5
May 15...	— 4.0	+18.9	+ .6	+15.5

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

	Condition			
	May 15 1935	May 8 1935	Apr. 17 1935	May 16 1934
Total Bills and Securities .....	201	195	195	167
Bills Discounted .....	..	..	..	1
Bills Bought .....	..	..	..	..
United States Securities .....	199	193	193	166
Total Reserves .....	349	339	336	296
Total Deposits .....	311	289	307	248
Federal Reserve Notes in Circulation .....	221	226	208	200
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined..	65.5	65.9	65.2	66.1

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

	Condition			
	May 15 1935	May 8 1935	Apr. 17 1935	May 16 1934
Loans and Investments—Total..	1,932	1,938	1,952	1,777
Loans—Total .....	868	872	875	874
On Securities .....	177	177	195	223
All Other .....	691	695	680	651
Investments—Total .....	1,064	1,066	1,077	903
United States Securities ..	638	637	654	572
Other Securities .....	426	429	423	331
Reserve with Reserve Bank....	180	163	167	140
Net Demand Deposits .....	806	777	781	623
Time Deposits .....	962	961	969	927
Due from Banks .....	211	200	202	171
Due to Banks .....	211	203	210	183
Borrowings at Reserve Bank....	...	...	...	...

The tendency toward lower money rates was accompanied by the return to the United States Treasurer on May 2 of more than 18 million dollars of postal savings funds, principally by banks in California, and by the release of substantial amounts of public deposits in several California banks during late April and early May. These deposits were surrendered because the banks concerned were unwilling longer to pay required rates of interest upon them. In the case of postal savings placed on deposit with banks, a  $2\frac{1}{2}$  percent interest rate is required by the Government, and in the case of public deposits of local governmental units in California, a minimum of 2 percent is mandatory by statute.

As a result of the surrender of public deposits by banks in California, demand for currency at the Federal Reserve Bank of San Francisco was increased. This took place because city and county treasurers, when unable to deposit the funds at interest, had no immediate option but to withdraw them in cash, which was stored in vaults. Thus, no increase in public use of currency was indicated by the rise in demand for Federal Reserve notes; in fact, there appears to have been some decline in public use of currency during recent weeks, a movement customary at this time of year.

Security loans by Twelfth District banks to brokers and dealers in New York were reduced from  $20\frac{1}{2}$  million dollars to  $2\frac{1}{2}$  million dollars in April. This decrease followed the reduction in call money rates in New York from 1 to  $\frac{1}{2}$  and then to  $\frac{1}{4}$  percent. The commission charged by New York banks for placing loans for correspondents is the same as the new rate on call money, and Twelfth District banks apparently preferred to place the funds on deposit with their correspondents at no interest rather than

leave them in the call loan market at no return.

Commercial and real estate loans by city banks expanded slightly between April 17 and May 15. Investments declined because of reduced holdings of United States Government securities. Government guaranteed obligations and other stocks and bonds owned by banks increased.

Usual Federal Government revenues continued to be augmented during these four weeks by receipts of funds from national banks for the purpose of transferring their liability for circulating notes to the United States Treasury. These receipts amounted to \$11,238,250, bringing the total since March 11, when the Treasury announced plans for eliminating national bank notes from the currency system of the United States, to \$75,858,750. This total represented somewhat more than 60 percent of note liability of Twelfth District national banks at the beginning of this year.

Despite the unusual receipts because of national bank note retirement and because of the return of postal savings, Federal Government disbursements in the Twelfth District continued in excess of collections, thus adding to reserve funds of banks. Sales to the Mint of locally produced gold and net transfers of funds into this district because of commercial and financial transactions also added small sums to banking reserves.

Value of shares traded on stock exchanges of the district was fifty percent larger in April than in March. There was also a substantial increase in number of shares traded. Market prices advanced steadily during the last half of April and the first half of May. Trading on mining exchanges was also more active during this period, encouraged perhaps by rising prices for newly mined domestic silver.

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## SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Factory production and employment showed little change in April, while output at mines declined. Residential construction showed a further increase.

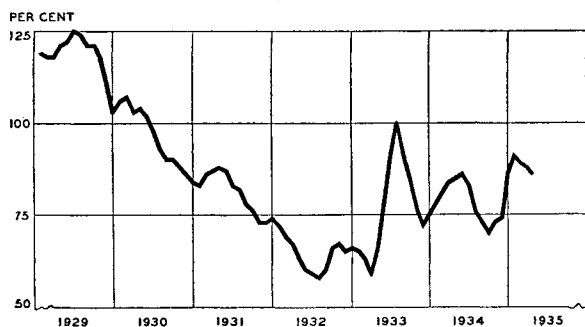
**Production and Employment.** Combined output of factories and mines, as measured by the Federal Reserve Board's seasonally adjusted index of industrial production, declined from 88 percent of the 1923-1925 average in March to 86 percent in April. This downward movement reflected chiefly decreases in the output of steel, cotton and silk textiles, and bituminous coal, offset in part by increased mill consumption of wool, and larger output of anthracite. At steel mills output declined from 49 percent

of capacity in March to 45 percent in April and, according to trade reports, showed a further slight decline in the first three weeks of May. In the automobile industry there was a further increase in production during April, followed by a decline in the early part of May, partly as a consequence of labor disputes. In the tobacco industry activity was maintained at recent high levels. Output of bituminous coal declined sharply at the beginning of April following a period of relatively high production earlier in the year. The total number employed in factories was about the same in the middle of April as a month earlier and factory payrolls also showed little change. Declines

in employment were reported for railroad repair shops and textile mills, while in the machinery industries employment continued to increase and in the men's clothing industry it showed none of the usual seasonal decline. In agriculture and in the building industry employment increased seasonally. Total value of construction contracts of all kinds, as reported by the F. W. Dodge Corporation, showed little change from March to April. A further increase in residential projects was offset in the

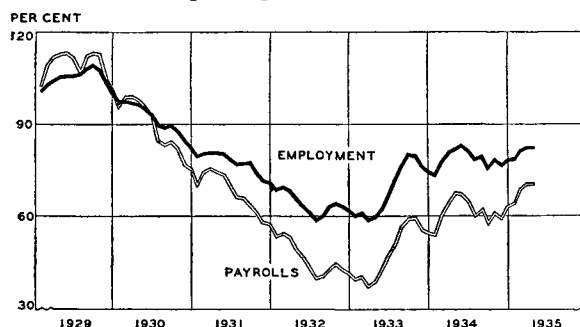
ferrous metals increased somewhat, while grains and butter declined. In the following week there were further increases in the prices of hogs and of lead, while prices of wheat decreased further.

**Bank Credit.** During the five weeks ended May 22 member bank balances with the Federal Reserve banks increased to \$4,820,000,000, the highest figure on record, and excess reserves rose to a new high level of over \$2,350,000,000. The principal factors in the increase



INDUSTRIAL PRODUCTION

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



FACTORY EMPLOYMENT AND PAYROLLS

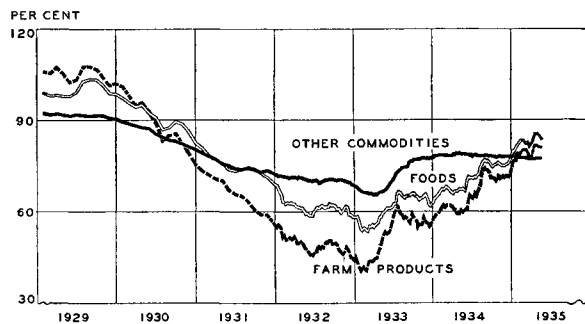
Indexes of factory employment and payrolls, without adjustment for seasonal variation (1923-1925 average=100). Indexes compiled by the United States Bureau of Labor Statistics.

total by a decline in contracts for other types of construction.

**Distribution.** Total freight carloadings declined in April, contrary to seasonal tendency, chiefly as a consequence of a large decrease in shipments of bituminous coal. Department store sales, which had shown a sharp increase in March, increased by considerably less than the estimated seasonal amount in April.

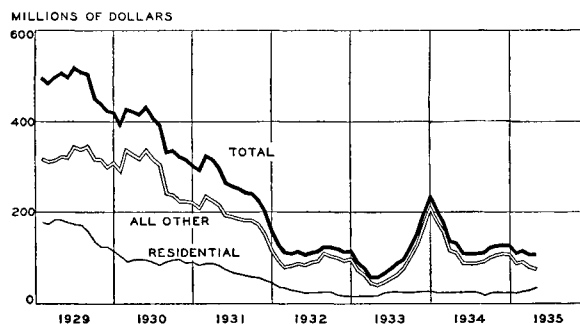
of member bank reserve balances were the disbursement by the Treasury of \$240,000,000 of funds previously held in the form of cash or on deposit with the Federal Reserve banks and further gold imports of \$90,000,000.

Deposits of reporting banks in leading cities increased further during the four-week period ended May 15, reflecting chiefly disbursements by the United States Treasury.



WHOLESALE PRICES

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



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 March and April and estimate for May.

**Commodity Prices.** The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, has shown little change since the middle of April, following an increase in the early part of the month, and in the week ending May 18 was at 80.0 percent of the 1926 average as compared with 79.9 percent in the week ending April 13. For this period the prices of cotton, hogs, hides, and non-

Yields on short-term open-market money rates remained at low levels. The discount rate was reduced from 2 percent to 1½ percent at the Federal Reserve Bank of Cleveland and from 2½ percent to 2 percent at the Richmond, Minneapolis, Kansas City and Dallas banks. Rates are now 1½ percent at New York and Cleveland, and 2 percent at all the other reserve banks.