

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business was somewhat less active in May than in April. Industrial output declined and measures of trade turned downward during the month. Residential building continued to rise, although permits and awards for other types of construction declined.

In the Pacific Northwest, industrial operations were sharply curtailed by the strike of lumber mill workers and loggers in the Douglas fir area. Despite an increased output of lumber in the western pine region, this bank's seasonally adjusted index of lumber production for the district declined between April and May from 53 percent to 39 percent of the 1923-1925 average. Dependent industries were adversely affected. In other sections of the district, after allowance for a more than seasonal decline in vegetable canning which followed unusual activity in April, no material change in output of other industries was indicated by available data. Operations at automobile assembly plants and tire factories were reduced moderately. On the other hand, output of both crude oil and refined petroleum products was somewhat greater than in the preceding month. Activities at motion picture studios were expanded and work on non-ferrous metals properties was well maintained.

Reflecting in part a large decline in lumber shipments, industrial freight carloadings decreased, whereas a moderate expansion is customary in May. Merchandise and miscellaneous loadings also declined. Recession in department store sales was larger than usual, particularly in the Pacific Northwest where a marked improvement was recorded in the preceding month. Sales of new automobiles declined substantially from the relatively high levels of April. An increase in intercoastal traffic during May approximately offset a sharp decline in April, associated with the recent strike of tanker seamen. Eastbound petroleum shipments were double those for April.

Excepting slight damage by frosts and some shortage in rainfall in the Pacific Northwest, weather conditions favored the growth of crops during May. Although current estimates are

subject to considerable revision as the season progresses, the present outlook is for larger grain and field crops than in 1934. The supply of citrus fruits is expected to be unusually large, but forecasts indicate a smaller output of deciduous fruits this year than last. Forage on livestock ranges was plentiful during May, while there was a smaller number of animals grazing than in most other recent years. Prices of farm products fluctuated with little net change from mid-May to mid-June at levels considerably higher than a year earlier.

Interest rates charged customers by banks and security brokers declined further in the five weeks ending June 19. Most banks in San Francisco and Los Angeles announced a reduction in the rate of interest paid on savings deposits effective July 1. For several months, rates paid in most other reserve cities of the district have been at the 2 percent rate which will be effective after July 1 in all of the larger cities of this region except Portland, where the rate will be 1½ percent.

Loans and investments of district banks showed little change during the five week period, but a moderate decline in deposits occurred. This circumstance reflects, in part, a substantial net transfer of funds out of the district for the account of banks and their customers which was only partially offset by Treasury disbursements in excess of collections in the district. United States Treasury collections were unusually large because of a return by banks of additional postal savings funds and because of further deposits by national banks to retire liability for their circulating notes.

Agriculture

Weather conditions were generally favorable throughout most of the district during May, although additional rainfall would have been beneficial to growing crops in the Pacific Northwest. Summer and fall livestock ranges are in fair to good condition and feed and water supplies are considered adequate.

Production estimates for both the current Valencia orange crop and the 1934-1935 lemon crop in California changed little during May. The market supply of oranges and lemons between now and next November, when new crops begin to mature, is expected to be larger by a considerable amount than in any previous year. Prices received by growers for oranges have approximated those of last year despite heavy shipments. Lemon prices are now less than half as high as in May 1934.

The condition of winter wheat in Oregon and Washington declined during May due chiefly to lack of rainfall, and the forecast of Twelfth District production was reduced by 3,000,000 bushels. No reports have been issued as to production of spring wheat, but condition estimates made on June 1, although better than a year ago are considerably below the ten-year average for that date. Trade reports estimate that there will be a carryover of 15 million bushels of wheat, mostly of export varieties, in the Pacific Northwest on July 1. District wheat markets have been inactive with farmers holding remaining stocks for better prices. Following the Chicago market, prices declined steadily during May and early June.

Although cold weather during the early part of May delayed seeding and necessitated the reseeded of some bean acreage in California, planting was practically completed by mid-June. Early planted beans grew well during the last half of May and early June and were generally in good condition. A weighted average price, f.o.b. country shipping points, of the eleven principal varieties grown in California declined slightly during May but at \$4.82 per hundred pounds at the end of the month it remained 20 percent higher than a year earlier. Movement of California beans into trade channels continued to exceed that of last year. Stocks of beans, which amounted to 1,111,337 bags on May 1 were reduced by 262,755 bags during May. A year ago, 168,195 bags were sold during May, reducing total stocks to 1,107,431 bags on June 1, 1934. Marketings during May of the past five years have averaged 204,121 bags.

Seeding of the California rice crop, delayed because of wet soil conditions, advanced rapidly during late May and was completed by mid-June. The total planted acreage is expected to be well below last year's harvested acreage. During the first week of June a large proportion of the total supply of rice remaining in growers' hands at the beginning of the month was sold at maximum prices provided under the Agricultural Adjustment Administration marketing agreement.

The California barley crop, usually comprising about 70 percent of the district's total, was

grown under excellent weather conditions this year, and production is expected to be about 891,000 tons. This is over 60 percent larger than last year's crop and 40 percent more than average annual production during the last five years. Trade in the San Francisco market in 1934 crop barley was slow and prices declined considerably during May and early June.

Growing hops are in good to excellent condition. The hop market has been inactive, with growers awaiting the outcome of the proposed hop marketing agreement which has been submitted to them for approval.

Although most deciduous fruits made favorable growth in California during May, total production will be moderately smaller than last year and below the average annual output of recent years according to June 1 estimates. Due to cold damp weather during the spring most fruits will mature from four to six weeks later than last year and about two weeks later than normal. The peach crop was estimated on June 1 to be 416,000 tons, compared with 495,000 tons last year. Early table varieties are now being shipped to market. The pear crop in California, where more than one-third of the total United States crop is ordinarily grown, has been damaged by scab infestation and heavy fruit drop. At present the production forecast is 182,000 tons, the smallest since 1927. This estimate is 22 percent below production in 1934 and 20 percent less than the annual average outturn from 1928 through 1932.

Conditions have been more favorable for deciduous fruit growers in the Pacific Northwest than in California. Notwithstanding a probable decline of 8 percent in the district's pear production as compared with 1934, output in the Pacific Northwest is expected to exceed that of last year by 12 percent. The apple crop is reported to be in good condition in all of the important commercial production areas.

Receipts of eggs at principal district mar-

Agricultural Marketing Activity—

	May		Season to Date—	
	1935	1934	1935	1934
Carlot Shipments				
Apples and Pears.	752	1,011	56,451	48,396
Citrus Fruits	9,921	8,158	49,869	38,281
Vegetables	11,080	13,033	61,236	64,495
Exports				
Wheat (bu.)		1,086,766	2,801,193	18,944,301
Barley (bu.)	65,500	344,958	3,799,327	5,330,931
Receipts*				
Cattle	69,707	75,631	376,740	389,971
Hogs	121,915	173,695	707,933	1,060,051
Sheep	551,320	510,959	1,475,940	1,357,111
Eggs (cases)	212,918	189,485	920,253	894,711
Butter (lbs.)	8,753,905	8,378,726	31,690,994	33,538,581
Wheat (carlots)	3,191	3,150	47,252	53,621
Barley (carlots)	397	594	7,672	6,111
Storage Holdings*	—1935—		—1934—	
(end of month)	May	April	May	April
Wheat (bu.)	1,808,000	2,426,000	3,455,000	4,303,000
Beans (bags)	849,000	1,111,000	1,107,000	1,276,000
Butter (lbs.)	3,988,000	436,000	4,820,000	1,652,000
Eggs (cases)	557,000	391,000	658,000	459,000

*At principal district markets.

kets increased from 206,000 cases in April to 213,000 cases in May. Receipts during the year to date have been heavier than in any year since 1930. The price of United States extras in San Francisco advanced from 24½ cents per dozen on the first of May to 26½ cents at the end of the month and was unchanged during the first two weeks of June. Movement into storage has been slow in starting this year and on June 1 storage stocks were less than on that date in any of the last five years.

Butter receipts in Los Angeles, San Francisco, and Portland increased as is usual during May, but receipts for the year to date were 6 percent less than last year and about the same as the average for these months during the five-year period 1929-1933.

District ranges were in good to excellent condition on June 1 and approximately the same as or above the ten-year average in all states except Oregon and Washington, where rain is needed. Late ranges and fall feed are expected to be good throughout the district. Heavier than usual snowpacks on the higher ranges assure adequate forage and stock water. Cattle made good gains during May, but progress was held back in some areas because of cold wet weather. There is a good supply of grass-fat cattle in California and Arizona and growers have been receiving the highest prices since 1930 for their stock. Local and mid-western markets are taking large amounts of these cattle.

Sheep throughout the district are generally in good condition and this season's lambing and shearing operations have been practically finished. The lamb crop was below average except in Arizona and California where it was better than normal. About 551,000 California lambs, both live and dressed, were shipped east this year, approximately 27,000 head less than were shipped in the peak year of 1929. Both the percentage and the actual number of fat lambs shipped were larger than in any previous year. Prices received by growers, although moderately lower than last year, were higher than in any year since 1930.

Wool prices advanced sharply during the latter part of May. As is usual prevailing field prices vary considerably in the district, ranging from 14 to 28 cents per pound, depending upon the location and quality of the wool.

Industry

Industrial activity in the Twelfth District, except in those areas affected by the strike of lumber mill workers and loggers, showed, with minor exceptions, about the usual seasonal changes from April to May. In the Douglas fir region, however, lumber production and ship-

ments were substantially reduced and dependent industries were adversely affected. These conditions were reflected in a sharp reduction in employment and payrolls in the Pacific Northwest.

A moderate reduction in total industrial employment was reported for California. Excluding the extremely irregular fruit and vegetable canning industry, however, this bank's seasonally adjusted index of employment in California industries advanced 1.7 percent to 79 percent of the 1923-1925 average. At this point the index for May is as high as in any month since June 1931. Substantial increases in employment were reported for wood manufactures and for the canning and packing of fish. Employment at motion picture studios, which declined during March and April from the relatively high levels of the two preceding months, increased moderately in May. Total industrial payrolls declined slightly from April to May.

Crude oil production in California averaged 495,000 barrels daily during May, an increase of 22,000 barrels over the preceding month. At this rate, output was about the same as the Federal agency allowable of 494,200 barrels daily. The United States Supreme Court decision declaring the National Industrial Recovery Act unconstitutional had a noticeable effect on the oil industry in California during the first half of June. California has no state legislation for limiting petroleum output, and with the withdrawal of Federal regulation a voluntary curtailment agreement was adopted placing the June allowable at 512,700 barrels daily. Despite this action, crude oil production averaged 561,300 and 575,200 barrels daily in the

Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees May 1935	May 1934	No. of Firms	No. of Employees May 1935	May 1934
All Industries* . . .	1,060	145,095	140,654	112	18,739	18,184
		(+3.2)			(+3.1)	
Stone, Clay, and Glass Products . . .	54	6,274	5,908	3	170	152
		(+6.2)			(+11.8)	
Lumber and Wood Manufactures . . .	100	12,670	11,634	37	9,887**	9,370
		(+8.9)			(+5.5)	
Textiles	14	1,880	1,619	8	1,952	1,745
		(+16.1)			(+11.9)	
Clothing, Millinery, and Laundering . . .	130	9,772	9,784	5‡	179	159
		(-1)			(+12.6)	
Food, Beverages, and Tobacco . . .	267	35,240	37,013	31	1,576	1,824
		(-4.8)			(-13.6)	
Public Utilities . . .	46	44,529	44,648	..	....	....
		(-3)				
Other Industries† . . .	451	68,470	65,023	..	....	....
		(+5.3)				
Miscellaneous	44	10,789	9,673	28	4,975	4,934
		(+11.5)			(+0.8)	
Wholesale and Retail	221	35,074	33,253	..	....	....
		(+5.5)				

*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. **Includes some of the workers on strike. Figures in parentheses indicate percentage change from May 1934.

weeks ending the eighth and fifteenth of June, respectively. Few changes, however, were reported in the crude oil price structure. Almost immediately after the abandonment of the Federal code came announcement of the dissolution of the Pacific Coast Agency Marketing Agreement and this was followed by rather substantial reductions in retail gasoline prices in southern and central California.

While sharply curtailing total lumber output in the district, the effect of the strike of mill workers and loggers has not been uniform in the several producing areas. The disturbance has been restricted to the Douglas fir region, where production for the month was reduced to less than half that for April. In the western pine district, however, output has been markedly stimulated.

**UNADJUSTED INDEXES OF LUMBER PRODUCTION
BY AREAS—Twelfth District
(1923-1925 average=100)**

Area	1935		
	May	April	March
Douglas fir	26	61	57
Western pine	81¶	52	37
Redwood	51¶	48	43
Total	44¶	58	50

¶ Preliminary.

Contracts let for public works amounted to 12 million dollars during May, somewhat smaller than in April, but about the same as the average for the first five months of this year. Contracts awarded for this type of construction work have not been as great thus far this year as in corresponding months of last year, when Federal awards were being made on a larger scale. Value of permits issued for private construction, while remaining substantially above that for a year earlier, declined between April and May. The entire re-

duction occurred in non-residential permits since residential building continued to increase in May, reaching the highest levels of the year.

Demand for most building materials has been more active thus far during 1935 than in other recent years. Despite the disturbing influence of the lumber strike, shipments and orders reported by representative groups of mills in the Pacific Northwest during the first five months of this year were approximately 20 percent larger than during the corresponding period of 1934. Output, however, was moderately lower, the reduction resulting entirely from restricted operations during May. Brick and tile plants, planing mills, and sash and door factories experienced the most active five months since 1931 and manufacture of paints and varnishes has also shown some expansion. Structural steel, used for the most part in heavy engineering construction, has not been produced locally in as large quantities this year as last. Activity at district cement plants, although below that in 1934 when large shipments were being made for the concrete work on Boulder Dam, the San Francisco Bay bridges, and the Los Angeles Metropolitan Water District project, has expanded more than seasonally since February.

Unfavorable weather delayed operations at vegetable canneries this season and resulted in an unusually high level of activity in California during April. Thus the decline in canning activity during May represented a seasonal slackening of operations after packing of early vegetables, although it was later this year than is usual. The spinach pack was completed early in May, but asparagus canning continued active throughout that month and early June.

The carryover of California canned fruits held by local packers, as of June 1, was about the same as a year ago. Moderate reductions in carryovers of peaches and cherries were approximately offset by increases in inventories

Industry —

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

General	1935				1934		
	May	Apr.	Mar.	Feb.	May	Apr.	Mar.
Carloadings—Industrial.	42¶	55	50	54	44	49	47
Elec. Power Production	153¶	148¶	152	154	155	154	149
Manufactures							
Lumber	39¶	53	54	61	53	54	63
Refined Mineral Oils†..	..	124	126	127	130	131	128
Flour	117¶	114	107	93	97	98	106
Cement	59	64	58	53	74	73	76
Wool Consumption†....	132¶	139	98	132	101	89	71
Slaughter of Livestock.	100¶	94	91	97	111	105	103
Minerals							
Petroleum (California)†	75	72	75	76	74	73	72
Lead (United States)†	..	58	55	50	66	56	57
Silver (United States)†.	..	51	50	65	44	45	47
Building and Construction#							
Total	37	36	37	42	29	29	34
Building Permits—Value							
Larger Cities	21	21	18	17	10	10	11
Smaller Cities	28	25	23	21	19	19	19
Engineering Contracts							
Awarded—Value							
Total	61	60	61	80	56	61	66
Excluding Buildings..	109	104	121	167	114	114	136

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

Distribution and Trade —

	1935				1934		
	May	Apr.	Mar.	Feb.	May	Apr.	Mar.
Indexes adjusted for seasonal variation (1923-1925 average=100)							
Carloadings‡							
Total	64	73	68	74	66	65	64
Merchandise	84	89	85	89	85	79	79
Intercoastal Trade							
Total	76	60	78	65	79	86	95
Westbound	93	81	105	81	73	88	81
Eastbound	71	52	73	61	82	86	105
Retail Trade							
Automobile Sales‡							
Total	95	108	107	104	61	60	61
Passenger	87	103	102	97	55	56	55
Commercial	184	161	154	229	125	118	112
Department Store							
Sales‡	80	83	79	80	73	74	79
Stocks§	62	61	62	62	66	64	62
Collections#							
Regular	48.9	47.6	48.1	45.2	47.4	44.9	46.2
Installment	18.0	17.7	18.6	16.8	17.5	17.5	17.6

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

of apricots and pears. Prices of all major canned fruits were generally unchanged between mid-May and mid-June.

Schedules at fish canneries increased sharply during May, with employment requirements nearly double those of April. Flour milling was maintained at the levels of the two preceding months, although recession is customary at this time of year. Slaughtering of livestock expanded further during May but continued substantially below that of a year ago.

Trade

Freight carloadings declined in contrast with the usual tendency for May, causing a drop in the seasonally adjusted index from 73 to 64 percent of the 1923-1925 average. The decline was due principally to unusually small lumber shipments from the Pacific Northwest, where strike conditions prevailed, although California loadings failed to expand as much as is usual in May. Movement of industrial loadings was the smallest since May 1933, and merchandise and miscellaneous shipments were slightly under those of a year earlier, as were also total loadings.

RETAIL TRADE—Twelfth District
Percentage changes in value of sales and stocks
— 1935 compared with 1934 —

	NET SALES		STOCKS
	May*	Jan. 1 to end of May	
Department Stores...	9.1 (73)	8.0	- 3.9 (52)
Los Angeles	10.5 (6)	8.5	-11.6 (6)
Other So. California	14.3 (9)	12.9	2.0 (6)
Oakland	6.4 (5)	9.0	2.6 (5)
San Francisco	10.8 (8)	5.3	- 2.5 (7)
Bay Region	10.0 (18)	6.6	- 0.8 (16)
Central California..	18.6 (6)	15.2	4.9 (5)
Portland†	16.6 (8)	10.2	2.4 (7)
Seattle	- 3.6 (4)	5.2	2.5 (4)
Spokane	0.3 (5)	11.0	9.2 (5)
Tacoma†	- 4.1 (7)	10.7	10.5 (6)
Salt Lake City	5.2 (4)	4.1	-10.4 (3)
Apparel Stores	15.5 (39)	13.0	- 3.3 (27)
Furniture Stores	28.1 (32)	16.8	-10.5 (25)
All Stores	11.6 (144)	9.4	- 4.7 (104)

*May 1935 had the same number of trading days as May 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.

Although department store sales receded by more than the usual amount during May, the decline of three points in the seasonally adjusted index to 80 percent of the 1923-1925 average did not wholly offset a gain in the preceding month. In California, sales were only moderately below those of April, but sharp recession was reported in the Pacific Northwest, where the lumber strike and imposition of a retail sales tax in Washington appear to have had a noticeable effect on purchases. Sales in Salt Lake City showed more than the usual expansion. Total sales were 9 percent higher in May of this year than in May a year earlier, and for the year to date the gain was 8 percent. The Fairchild index of retail prices of depart-

ment store goods was fractionally lower on June 1 than on May 1 and 3 percent lower than on June 1, 1934.

Sales of new passenger automobiles declined substantially during May, following expansion in preceding months of this year. Sales of new commercial vehicles continued to increase. Although total sales declined more than is customary in May, the year-period comparison continued exceptionally favorable.

Sales at wholesale were about the same in May as in April, but were 14 percent larger than a year earlier.

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

	May 1935 compared with		Cumulative 1935 compared with 1934
	Apr. 1935	May 1934	
Agricultural Implements	1.5	131.6	52.9
Automobile Supplies	- 5.7	7.8	8.5
Drugs	- 4.2	5.0	3.2
Dry Goods	1.9	7.0	5.3
Electrical Supplies	4.3	22.5	25.0
Furniture	-33.5	2.9	20.3
Groceries	- 1.0	10.7	13.3
Hardware	3.4	13.1	11.3
Shoes	-13.4	- 3.9	- 4.2
Paper and Stationery	5.2	19.2	10.2
All Lines	- 0.6	13.5	11.6

Intercoastal traffic through the Panama Canal expanded during May. That rise, as well as the decline in April, came in eastbound petroleum cargoes which were affected by the strike of tanker seamen. There was considerable expansion in westbound iron, steel, and tin plate shipments.

Bank Debits*—

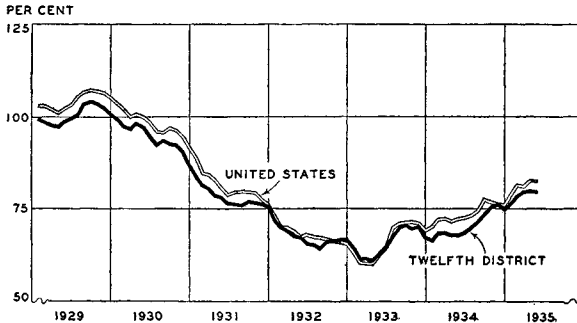
	May 1935	May 1934	First five months 1935	First five months 1934
Arizona				
Phoenix	\$ 31,286	\$ 29,419	\$ 149,347	\$ 123,062
California				
Bakersfield	10,387	8,095	54,539	41,985
Berkeley	14,905	14,652	70,909	103,392
Fresno	18,651	15,371	97,271	81,864
Long Beach	27,770	21,423	140,687	111,698
Los Angeles	672,908	521,129	3,174,627	2,698,956
Oakland	166,179	169,104	778,977	787,168
Pasadena	20,286	18,427	104,012	95,247
Sacramento	106,489	53,258	438,349	237,845
San Bernardino	7,363	5,559	36,441	28,373
San Diego	41,316	27,773	191,619	150,332
San Francisco	752,545	626,954	3,674,004	3,401,894
San Jose	16,495	14,537	85,485	75,368
Santa Barbara	8,708	7,773	46,080	39,381
Santa Rosa	3,667	2,885	17,180	14,882
Stockton	15,433	13,289	72,644	64,973
Idaho				
Boise	14,311	10,907	68,026	53,293
Nevada				
Reno	7,921	8,745	37,647	33,902
Oregon				
Eugene	4,803	4,016	21,392	18,423
Portland	132,667	116,876	643,463	591,781
Salem	12,432	10,864	58,145	48,581
Utah				
Ogden	12,875	11,485	60,338	57,315
Salt Lake City	50,063	52,197	255,806	225,896
Washington				
Bellingham	4,758	4,547	23,258	22,054
Everett	5,744	5,128	26,973	25,251
Seattle	168,843	139,390	730,576	656,581
Spokane	37,045	30,110	166,683	132,458
Tacoma	25,445	23,790	118,108	109,562
Walla Walla	4,292	3,587	20,559	18,904
Yakima	10,625	8,513	52,570	44,671
Total	\$2,406,214	\$1,979,803	\$11,415,715	\$10,095,092

*In thousands of dollars.

Prices

Wholesale commodity prices as measured by the index of the United States Bureau of Labor Statistics showed little net change between May 18 and June 15. Slight declines in average prices of farm products and foods were approximately balanced by increases in other commodity classifications.

Prices of food at retail declined slightly during May in the principal district population centers, after having advanced since the beginning of the year.



RETAIL FOOD PRICES—Index Numbers (1926=100)
 Index for United States is that of Bureau of Labor Statistics. Index for Twelfth District is an average of Bureau of Labor Statistics indexes for six district population centers, weighted according to population in 1930.

Non-ferrous metals markets experienced an upward price trend in the last part of May which was offset to a considerable extent by a decline during the first two weeks in June. Although the price of 9 cents per pound for copper which prevailed under the code appears to

have been well maintained by primary producers, unofficial sources have reported that some tonnage previously impounded under the code has been sold for domestic use below this quotation. Export copper prices have weakened substantially and on June 20 quotations were 7.40-7.50 cents per pound c.i.f. European base ports. Lead and zinc prices improved slightly in the period under review, but spot foreign silver declined from 76 cents per ounce, New York, on May 20 to 72 cents per ounce on June 20.

The Credit Situation

Further reductions in interest rates charged by city banks in the Twelfth District were made between May 15 and June 19, notwithstanding a moderate decrease in banking reserves. Additional decreases in rates charged by security brokers to their customers were also reported during that period. Most banks in San Francisco and Los Angeles announced that, effective July 1, interest paid upon savings deposits would be reduced to a 2 percent rate, the same as the rate scheduled to be in effect after July 1 in other cities of the district except Portland, where it will be 1½ percent.

The decrease in banking reserves which accompanied the reduction in interest rates was largely the result of voluntary action by banks in using part of their excess funds, rather than of action by depositors. There was a fairly large net movement of funds out of this district in settlement of commercial and financial payments, but that has been customary in re-

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—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
May 22.....	- 8.0	-12.9	+ 9.4	-11.5
May 29.....	+ 5.2	- 7.5	- 1.2	- 3.5
June 5.....	+ .5	+ 7.7	-16.0	- 7.8
June 12.....	+ .1	-12.0	+ 8.6	- 3.3
June 19.....	+ 3.7	-19.3	+ 5.6	-10.0

USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1935—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
May 22.....	- 2.2	-13.4	+ 4.1	-11.5
May 29.....	- 4.3	+ 4.4	- 3.6	- 3.5
June 5.....	+ .4	- 9.6	+ 1.4	- 7.8
June 12.....	- 2.8	- 4.9	+ 4.4	- 3.3
June 19.....	+ .3	- 5.2	- 5.1	-10.0

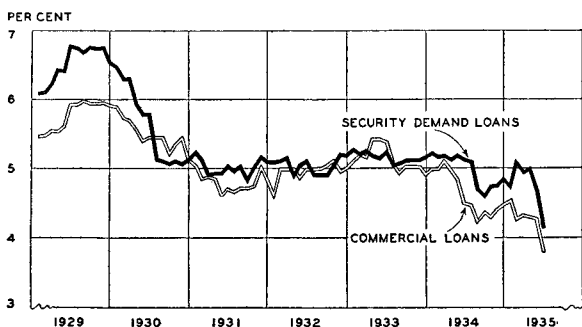
FEDERAL RESERVE BANK OF SAN FRANCISCO
 (In millions of dollars)

	Condition			
	June 19 1935	June 12 1935	May 15 1935	June 20 1934
Total Bills and Securities.....	201	201	201	167
Bills Discounted .....	...	...	...	1
Bills Bought .....	...	...	...	...
United States Securities	199	199	199	166
Total Reserves	315	327	349	307
Total Deposits	283	292	311	253
Federal Reserve Notes in Circulation	218	216	221	204
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined...	62.9	64.3	65.5	67.1

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

	Condition			
	June 19 1935	June 12 1935	May 15 1935	June 20 1934
Loans and Investments—Total..	1,941	1,924	1,932	1,827
Loans—Total	866	866	868	876
On Securities	177	178	177	221
All Other	689	688	691	655
Investments—Total	1,075	1,058	1,064	951
United States Securities...	636	632	638	600
Other Securities	439	426	426	351
Reserve with Reserve Bank...	154	158	180	139
Net Demand Deposits	772	776	806	627
Time Deposits	963	958	962	939
Due from Banks	199	205	211	158
Due to Banks	211	212	211	173
Borrowings at Reserve Bank...	...	...	...	...

cent years. No material change took place in the amount of reserve bank credit in use, and a small decline in demand for currency furnished banks with additional funds. The explanation of the decrease in member bank reserve de-

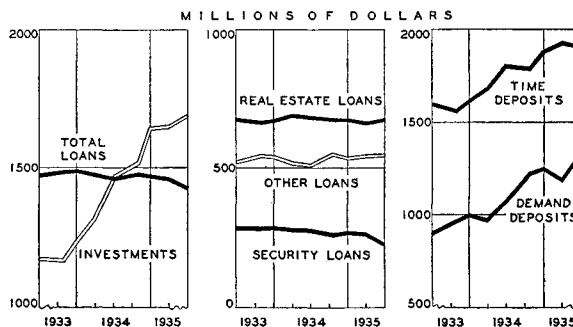


INTEREST RATES CHARGED BY SAN FRANCISCO BANKS
Weighted averages of mid-month figures.

posits is to be found in United States Treasury operations which, contrary to the usual circumstance, contributed only a slight sum to district banking reserves during the five weeks. The fact that the Treasury disbursed only \$6,400,000 more than was collected in the Twelfth District during this period reflected unusually large collections because of the return by banks of about 12 million dollars in postal savings funds, because of deposits by national banks of about 11 million dollars to retire liability for circulating notes, and because of substantial income tax collections.

Reductions in interest rates were not accom-

panied by an expansion in bank loans during April, May, and the first half of June. As is shown in the following chart, no large change in the volume of real estate or commercial loans of Twelfth District member banks has taken place since June 1933, while loans on securities have been declining slowly throughout this period. Although loans of member banks have been comparatively stable during the past two years, investments have increased sharply. This expansion in investments of banks has been responsible for a considerable part of the sharp rise in bank deposits, although net disburse-



CONDITION OF ALL MEMBER BANKS—Twelfth District

Figures from June 30, 1933 to March 4, 1935 are from call reports.
June 1935 figures estimated for all member banks on basis of weekly reports from banks in leading cities.

ments by the United States Treasury and payments for newly mined, imported, and reclaimed gold have also entered district banks in the form of deposits.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

There was a further slight decline in industrial production in May and factory employment and payrolls also showed a decrease. Activity in residential construction continued to be above the level of a year ago.

Production and Employment. Volume of industrial production, as measured by the Board's seasonally adjusted index, declined from 86 percent of the 1923-1925 average in April to 85 percent in May, which was the fourth consecutive month of gradual decline from the recent high level of 90 in January. At steel mills output declined somewhat in May and the first three weeks of June, as is usual at this season. In the automobile industry, where output this spring has been at a level substantially higher than in other recent years, production showed a marked decline in May, reflecting in part the effects of a strike. At cotton mills there was little change in activity, while at woolen mills production increased further, contrary to seasonal tendency. Production of shoes declined seasonally. Output

of coal, which has fluctuated widely in recent months reflecting partly developments in the labor situation, showed a marked increase during May and the early part of June.

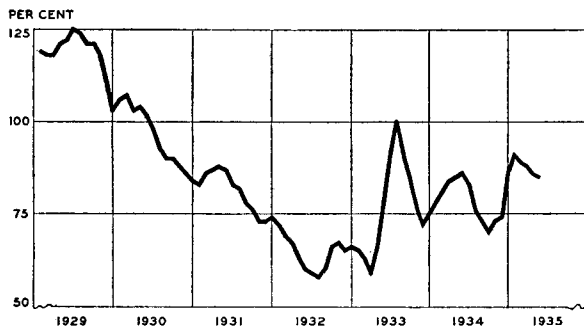
Factory employment and payrolls declined between the middle of April and the middle of May. Decreases in employment were reported for the automobile, radio, lumber, clothing, cotton, silk, and shoe industries, while at woolen mills employment increased and in many other lines little change was reported.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in May as in April. Residential work continued in excess of a year ago, while the volume of contracts for public projects was smaller than in the corresponding month of 1934.

Department of Agriculture estimates based on June 1 reports indicate that conditions for wheat, oats, barley, rye, hay, and pastures were at the ten-year average for 1923-1932, in contrast with conditions a year ago, which were

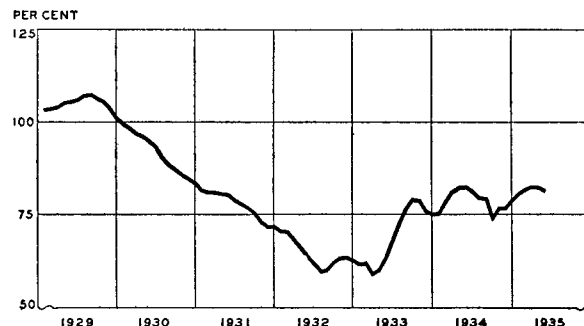
unusually poor as a consequence of a prolonged drought. The winter wheat crop this year is estimated to be somewhat larger than last year and, with a considerable increase indicated for spring wheat, present conditions, according to the Department of Agriculture, suggest a total

after a sharp decline at the end of May and a subsequent increase, also were lower in the middle of June than at the beginning of May. Prices of commodities other than farm products and foods as a group advanced slightly during this period.



INDUSTRIAL PRODUCTION

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



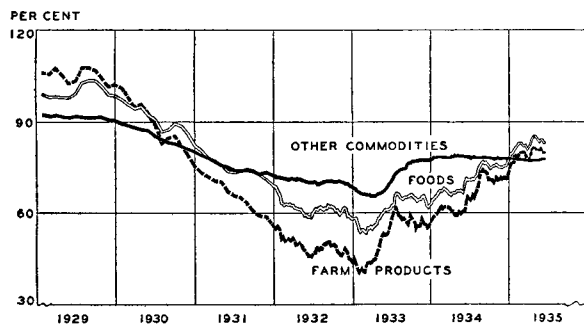
FACTORY EMPLOYMENT

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

crop of about 670,000,000 bushels as compared with 496,000,000 bushels last season and a ten-year average of 828,000,000 bushels. Domestic stocks of wheat have been materially reduced this season.

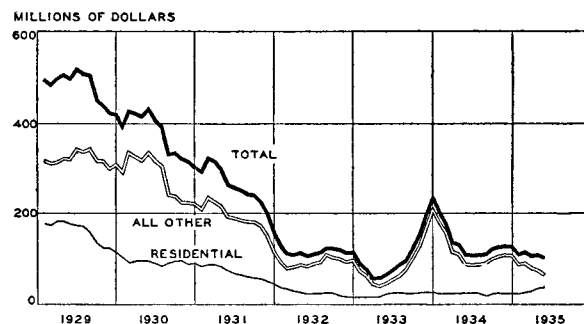
Distribution. Total volume of freight-car loadings increased in May by about the usual seasonal amount. Coal shipments showed a

Bank Credit. During the five weeks ending June 19 reserve balances of member banks increased by \$175,000,000 as a result of gold imports, offset in part by an increase in Treasury cash and deposits with the reserve banks. Excess reserves of member banks on June 12 were above \$2,500,000,000 for the first time, but declined somewhat in the following week.



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 April and May and estimate for June.

marked increase, while loadings of miscellaneous freight declined. Department store sales, as measured by the Board's seasonally adjusted index, increased from 73 percent of the 1923-1925 average in April to 76 percent in May and were at approximately the same level as a year ago.

Commodity Prices. The general level of wholesale prices, which was 80.3 percent of the 1926 average at the end of April and also in the week ending May 25, had declined to 79.8 percent by the week ending June 15, according to the index of the Bureau of Labor Statistics. Grain prices decreased considerably during May and the first half of June. Cotton prices,

At reporting member banks in leading cities there was an increase of \$540,000,000 in net demand deposits in the four weeks ending June 12, due in part to gold imports. Time deposits declined by \$150,000,000 of which \$70,000,000 represented a decline at New York City banks consequent upon a ruling of the New York Clearing House in May prohibiting the payment of interest on new time deposits maturing in less than six months. Total loans and investments of reporting banks showed no important changes.

Short-term open-market interest rates continued at low levels in May and the first half of June.