

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

Federal Reserve Agent  
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### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Industrial operations in the Twelfth District were about the same in June as in May, and general trade activity was well maintained. In contrast with the continued expansion in the United States as a whole, residential building permits issued in the Twelfth District were slightly lower in value during June than in May, whereas a fairly substantial expansion had taken place in each of the four preceding months. Value of permits issued, however, remained much larger than a year earlier. Other classes of construction did not change appreciably.

In the Pacific Northwest, conditions continued to be depressed by the strike of lumber mill workers and loggers which also affected related industries. Although during the course of the month operations were resumed in various localities, and output recovered substantially, lumber production in the Douglas fir area averaged below that for May. This decline contrasted with another sharp gain in operations in the western pine area, however, and total output of lumber showed little change from May. Orders and shipments of lumber increased late in June but for the entire month totaled less than in May. Removal of code restrictions was followed by a larger production of crude petroleum than in many months. Activities at fruit and at fish canneries increased sharply, as is customary at this season. Following an upturn in April and May, meat packing expanded by less than the seasonal amount and flour milling decreased somewhat. Only small changes took place in other major industries during the month.

Although substantial declines are customary at this season, department store sales were maintained at the May level in most reporting cities. Automobile sales increased from May to June by the usual amount and continued markedly higher than a year earlier. Freight carloadings increased slightly more than seasonally in California but declined further in the Pacific Northwest.

Crops and livestock ranges are in decidedly better condition than last year at this time

when the effects of high temperatures and drought were apparent, and are more satisfactory than in other recent years. Production estimates of most crops were higher on July 1 than on June 1. The condition of livestock improved further and, in view of plentiful forage, growers were able to retain their animals at little cost, whereas last year distress sales of animals were heavy. Prices of farm products declined during June but increased during the first part of July.

Twelfth District banking and credit conditions were temporarily affected over the month-end by unusually large corporate security refunding operations, by United States Treasury calls for payment of deposits, and by the July 4 holiday demand for currency. In the week ending July 3, a substantial net inflow of funds from eastern financial centers resulted from corporate refunding activities and from a favorable balance of other commercial and financial transactions. These gains of funds enabled banks to meet Treasury calls for payment of deposits, to meet substantial withdrawals of currency for July 4 holiday requirements, and at the same time to increase their reserve balances at the Federal Reserve Bank of San Francisco. In the subsequent two weeks a large proportion of the currency withdrawn for holiday use was returned from circulation and, although the Treasury received substantial payments for new securities sold to local banks, United States Treasury disbursements exceeded collections in the district. Funds thus gained by banks between July 4 and 17 largely enabled them to meet a substantial movement of funds out of the district during those two weeks.

Total loans and investments of Twelfth District city banks declined during the four-week period under review, the reduction occurring almost entirely in holdings of United States Government securities. While time deposits declined slightly, net demand deposits increased further. Debits to deposit accounts increased sharply as a result of the transactions outlined in the preceding paragraph.

## Agriculture

Conditions affecting the growth of crops and livestock in the Twelfth District continue to be much more favorable this season than last. Drought and unusually hot weather last year caused a reduction in crops and a shortage of range feed for livestock, whereas cooler weather and above-normal precipitation this year have brought about good to excellent range conditions and have resulted in a favorable outlook at present for crop production.

Rains in June improved the condition of the wheat crop in the Pacific Northwest, although some wheat acreage in central and northeastern Oregon is still in poor condition because of rainfall shortages earlier this year. Wheat harvesting was late in starting this year, but was well under way by July 20. Production of all wheat in the Pacific Northwest is expected to total 73,859,000 bushels this year, compared with the small harvest of 68,986,000 bushels last year, and a 1928-1932 annual average of 91,115,000 bushels. Carryover of old crop wheat in the Pacific Northwest is estimated to have been in excess of 15,000,000 bushels on July 1. Most of this wheat is of export varieties, reflecting the negligible movement of wheat to foreign markets during the July 1934-June 1935 marketing season.

Barley production in the district as well as in the United States is expected to be of near-record proportions this year. Harvesting of barley in California where the bulk of this district's commercial crop is grown, has progressed rapidly and by mid-July was estimated to be more than 75 percent completed. Yields have been heavy and of good quality. Carryover of 1934 barley on July 1, 1935 was small, but the district's total available supply (carryover plus this year's crop) is considerably greater than a year ago. These conditions have been reflected in a relatively inactive market.

### Agricultural Marketing Activity—

	June		Season to Date	
	1935	1934	1935	1934
<b>Carlot Shipments</b>				
Deciduous fruits...	2,208	3,264	2,472	4,080
Citrus fruits.....	8,711	9,195	58,580	47,476
Vegetables .....	13,001	12,597	49,479	54,753
<b>Exports</b>				
Wheat (bu.) .....	.....	.....	2,801,193	18,944,307
Barley (bu.) .....	33,750	59,667	3,833,077	5,390,598
<b>Receipts*</b>				
Cattle .....	67,981	72,225	444,721	462,199
Hogs .....	105,562	185,085	813,495	1,245,143
Sheep .....	410,190	396,944	1,886,130	1,754,055
Eggs (cases) .....	175,840	159,624	1,096,093	1,054,338
Butter (lbs.) .....	8,279,103	8,543,656	39,970,097	42,082,243
Wheat (carlots) ..	2,372	2,916	49,624	56,542
Barley (carlots) ..	378	710	8,050	6,821
<b>Storage Holdings*</b>	1935		1934	
(end of month)	June	May	June	May
Wheat (bu.) .....	950,000	1,808,000	3,610,000	3,455,000
Beans (bags) .....	698,000	849,000	937,000	1,107,000
Butter (lbs.) .....	7,815,000	3,988,000	7,062,000	4,820,000
Eggs (cases) .....	666,000	577,000	735,000	658,000

\*At principal district markets.

The rice crop in California made good progress during June, but because of delays in planting the harvest will be two to three weeks later than usual. The crop is expected to be about 25 percent smaller than last year. Most of last year's crop has been sold by growers.

Condition of the hop crop is good in Washington and California but only fair in Oregon. Growers are still holding large amounts of last year's crop, market demand for which is relatively inactive at present. Commercial production of hops in the United States is confined to the three Pacific Coast states.

The cotton crop in Arizona and California is reported to be in excellent condition. Acreage under cultivation is slightly larger than at this time a year ago. Sugar beets in Idaho, Utah, and California are in good to excellent condition, and a crop about 17 percent larger than in 1934 and 30 percent over 1928-1932 average annual production is forecast. Reflecting increased acreage and improved growing conditions, production of beans in California and Idaho is expected to exceed that of last year by about 9 percent.

CROP PRODUCTION—Twelfth District  
(In thousands)

	Production		
	Average 1928-1932	1934	Indicated 1935
<b>Grains</b>			
Wheat (bu.) .....	108,695	81,787	94,452
Barley (bu.) .....	39,357	32,980	48,170
Oats (bu.) .....	24,361	20,612	24,472
<b>Field Crops</b>			
Cotton (bales) .....	328	376	.....
Beans (bags) .....	4,956	5,140	5,594
Tame Hay (tons) .....	11,682	10,445	11,923
Hops (pounds) .....	28,011	41,195	49,406
Potatoes (bu.) .....	42,817	42,660	44,335
Rice (bu.) .....	7,527	7,665	5,696
Sugar Beets (tons) .....	1,930	2,123	2,489
<b>Fruit Crops</b>			
Apples (bu.) .....	54,748	48,245	52,851
Apricots (tons) .....	227	139	191
Cherries (tons) .....	50	47	46
Grapes (tons)* .....	1,924	1,700	1,874
Raisin .....	1,161	878	1,037
Table .....	345	346	352
Wine .....	418	476	485
Peaches (bu.)* .....	23,844	20,627	17,335
Clingstone .....	15,610	13,501	11,376
Freestone .....	8,234	7,126	5,959
Pears (bu.) .....	16,178	16,401	14,129
Plums (tons) .....	64	62	42
Prunes (tons) .....	226	200	254
Almonds (tons) .....	12	11	9
Walnuts (tons)* .....	34	43	48

\*California only.

Source: United States Department of Agriculture.

The Valencia orange harvest in California is meeting expectations of a record crop. Prices declined further from May to June and averaged about 40 percent under those of a year ago. Prices for the large lemon crop advanced from May to June, but continued well below prices in other recent years.

There was little or no change in production estimates of most California deciduous fruit and nut crops during June. Eastern shipments have been smaller thus far this year than last, reflecting principally the lateness of the grow-

ing season. Apricot production is higher than last year but well below normal. Growers of that fruit are reported to be drying a larger proportion of the crop than is usual, with canneries taking a smaller part of the crop than is customary. Prices are well below those in effect last year. The season's first estimates of grape production set the total crop at 1,874,000 tons, 10 percent larger than last year's crop and only slightly smaller than average annual production from 1928 through 1932. Small quantities of grapes started moving to eastern markets early in July.

Although rain, hail, and late frosts caused some damage to deciduous fruits in the Pacific Northwest, present crop prospects are fair to good. Apple production is expected to be about equal to last year's crop, which was of normal size.

Butter receipts at principal Pacific Coast markets declined slightly from May to June, indicating some decrease in district production. Receipts of eggs also declined during the month, a tendency customary during June.

Range conditions declined seasonally during June, but on July 1 were generally good to excellent for that time of year. Cattle continued to gain weight satisfactorily and are in good condition in most parts of the district, in contrast with poor condition at this time last year. Sales of grass-fat cattle have been fairly heavy, but growers are able to avoid shipping in excess of market demands because of excellent forage conditions. Prices received by growers continue at the relatively high level of the past six months.

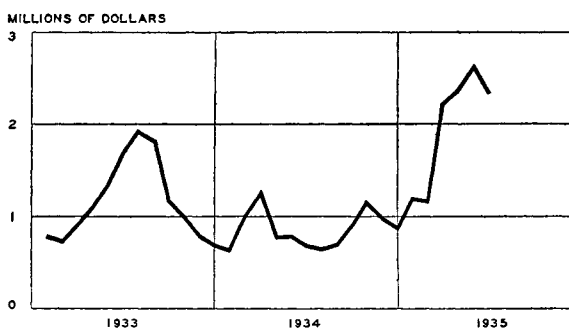
Sheep and lambs are in good condition this year except in parts of Oregon and Washington where ranges are rather dry. Shearing had been completed by mid-July in most of the district. Prices for wool sold recently have been somewhat above those paid early in the season. In contrast with the three preceding years, a large proportion of the wool clip is reported to have been sold by mid-July.

### Industry

Industrial activity in the Twelfth District averaged somewhat higher in the first half of 1935 than in the first half of the preceding year. The increase in average production was accompanied by some gain in employment during this period. Expansion in payrolls was more marked than in employment, reflecting in part longer average working time per employee. Increases in the volume of production during the first four months of the year moderately exceeded the usual upturn for that period. The margin of improvement for the first six months as a whole was reduced, however, because of a recession in May occasioned principally by labor difficulties in the Pacific Northwest. Out-

put during June increased from the reduced May level by about the seasonal amount.

Up until May, production of lumber was only slightly less than last year, but shipments and orders exceeded those for any corresponding period since 1930. In the Douglas fir region the cut of lumber was sharply curtailed during May by the strike of mill workers and loggers. Operations were resumed in various localities during June, and although output recovered substantially it averaged below that for May. Production increased materially in the western pine region but not sufficiently to offset this decline. Demand for other materials used in the construction of residential, commercial, and industrial buildings showed marked revival during the first half of this year, but requirements for cement and structural steel on heavy engineering projects did not come up to those of last year.



RESIDENTIAL CONSTRUCTION—Twelfth District  
Monthly totals of residential permits issued in twenty larger cities.

Residential building activity increased steadily during the first half of 1935, continuing an upturn apparent after mid-1934. Permits issued

### Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees June 1935	No. of Employees June 1934	No. of Firms	No. of Employees June 1935	No. of Employees June 1934
All Industries* . . .	1,096	147,483	143,201	109	19,111	18,940
		(+3.0)			(+0.9)	
Stone, Clay, and Glass Products . .	54	6,217	6,289	3	220	134
		(-1.1)			(+64.2)	
Lumber and Wood Manufactures . .	98	13,543	12,219	39	9,361	9,889
		(+10.8)			(-5.3)	
Textiles . . . . .	13	1,555	1,467	8	1,953	1,529
		(+6.0)			(+27.7)	
Clothing, Millinery, and Laundering . .	126	8,849	8,449	5†	180	159
		(+4.7)			(+13.2)	
Food, Beverages, and Tobacco . .	275	38,301	40,498	28	2,684	2,431
		(-5.4)			(+10.4)	
Public Utilities . .	48	45,756	45,902	..	....	....
		(-0.3)				
Other Industries† . .	479	65,799	62,294	..	....	....
		(+5.6)				
Miscellaneous . . .	51	13,219	11,985	26	4,713	4,798
		(+10.3)			(-1.8)	
Wholesale and Retail . . . . .	221	35,999	32,664	..	....	....
		(+10.2)				

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

for this type of construction were nearly twice as large as in the first half of 1934. Other private construction was also higher than in the preceding year. Although contract awards for public works were about 20 percent smaller in the first half of 1935 than in the comparable period of 1934, actual work being done in that field, including that done on previously awarded contracts, required nearly as many employees as in the earlier half year.

The increased mint price of gold and rising prices for silver continued to stimulate production of those metals during the first half of 1935. Few changes in mine schedules occurred on major base metal producing properties, although demand for copper is reported to have shown definite improvement during the period.

Crude oil production fluctuated with little net change during the first five months of the year, but rose rapidly in June upon abandonment of the petroleum code. Output in that month averaged 557,000 barrels daily, 45,000 barrels over the voluntary proration allowables which were established. Inventories of crude oil did not change appreciably, however, and the price structure was well maintained. Output of refined oils increased during June, continuing the expansion recorded in earlier months of this year. Retail prices of gasoline, which were reduced in southern California and in the San Joaquin Valley early in June, were later restored, but a reduction of one cent per gallon was made effective on July 1 in southern California.

Fish canning in California increased more sharply than is customary in May and June. May operations reflected an unusually large pack of mackerel, while in June an excep-

tionally heavy run of tuna took place. More than 1,870,000 cases of California sardines or pilchards were canned during the season ending March 31. At this figure the pack was only slightly below that of the preceding season. Sardine reduction plants in California, many of which are conducted in conjunction with canneries and represent a much more profitable undertaking than sardine canning, experienced an unusually successful season principally because of a relaxation in the severity of the restrictions imposed by State authorities limiting the extent of their activities. The pack of Alaska red salmon will be substantially lower during 1935 than in other recent years, partly because of restrictions by the Department of Commerce upon commercial fishing in Bristol Bay. The output of California canned asparagus, limited by agreement to 2,250,000 cases, was completed about June 21. This pack compared with 1,914,208 cases last season and, although considerably smaller than the average for the years 1927-1929, is the largest pack since 1930. Spring spinach canning in California was somewhat restricted by weather. The cherry pack, largely completed in June, was about the same size as the 1934 pack, which was considerably smaller than in most other recent years.

Augmented by an increase of 10 percent in June, employment at motion picture studios was nearly as high as at any time on record.

## Trade

District trade measures showed improvement over the preceding year in each month of 1935, with activity generally at the highest level since 1931.

Department store sales were nearly 9 percent larger in the first half of 1935 than in the first half of 1934. The usual spring upturn in sales, although somewhat delayed because of

## Industry—

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

	1935				1934			
	Six Mos. Av.	June	May	Apr.	June	May	Apr.	Six Mos. Av.
General								
Carloadings—Industrial.	48	40	42	55	42	44	47	
Elec. Power Production	153	155¶	153	148	147	155	149	
Manufactures								
Lumber .....	50	37¶	38	53	40	53	55	
Refined Mineral Oils†	129	142	135	124	130	130	122	
Flour .....	107	109¶	117	114	89	97	97	
Cement .....	56	49	59	64	61	74	74	
Wool Consumption†	122	101¶	134	139	84	101	91	
Slaughter of Livestock.	96	93¶	100	94	110	111	109	
Minerals								
Petroleum (California)†	76	84	75	72	78	74	72	
Lead (United States)‡	55*	..	63	58	56	66	61	
Silver (United States)‡	53*	..	51	49	45	44	42	
Building and Construction#								
Total .....	42	39	38	37	39	29	33	
Building Permits—Value								
Larger Cities .....	18	19	21	21	9	10	10	
Smaller Cities .....	25	31	28	25	15	19	16	
Engineering Contracts								
Awarded—Value								
Total .....	74	63	61	60	77	56	67	
Excluding Buildings..	86	108	116	114	151	114	131	

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

## Distribution and Trade—

	1935				1934			
	Six Mos. Av.	June	May	Apr.	June	May	Apr.	Six Mos. Av.
Indexes adjusted for seasonal variation (1923-1925 average=100)								
Carloadings‡								
Total .....	69	62	64	73	67	66	66	
Merchandise .....	85	82	84	89	90	85	82	
Intercoastal Trade								
Total .....	68	63	76	60	64	79	81	
Westbound .....	88	89	93	81	67	73	75	
Eastbound .....	62	54	71	52	62	82	84	
Retail Trade								
Automobile Sales‡								
Total .....	97	94	95	108	62	61	55	
Passenger .....	90	87	87	103	58	55	51	
Commercial .....	172	175	184	161	105	125	109	
Department Store								
Sales‡ .....	81	86	80	83	74	73	74	
Stocks§ .....	62	63	62	61	65	66	64	
Collections#								
Regular .....	47.7	48.2	48.9	47.6	46.7	47.4	45.9	
Installment .....	17.8	16.7	17.7	17.7	15.3	17.5	17.1	

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

cold wet weather and the late date of Easter this year, was larger than in the comparable period of any of the three preceding years. As was the case in 1934, trade in the smaller agricultural centers showed greater increases than in larger cities of the district. Sales in most parts of the district were well maintained during June, whereas considerable recession is customary. Department store inventories were

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

	1935 compared with 1934		
	NET SALES		STOCKS
	June*	Jan. 1 to end of June	June
Department Stores...	11.7 ( 73)	8.6	— 2.8 ( 54)
Los Angeles .....	12.5 ( 6)	9.2	—10.2 ( 6)
Other So. California .....	21.7 ( 9)	14.3	2.3 ( 6)
Oakland .....	11.9 ( 5)	9.5	5.8 ( 5)
San Francisco .....	12.0 ( 8)	6.4	— 2.9 ( 7)
Bay Region .....	12.2 ( 18)	7.5	— 0.4 ( 16)
Central California..	23.6 ( 6)	16.6	5.8 ( 6)
Portland† .....	7.9 ( 8)	9.9	2.7 ( 7)
Seattle .....	3.4 ( 4)	4.8	4.7 ( 4)
Spokane .....	10.2 ( 5)	10.9	7.2 ( 5)
Tacoma† .....	— 1.5 ( 8)	8.3	11.8 ( 7)
Salt Lake City ....	12.5 ( 4)	5.5	— 5.4 ( 3)
Apparel Stores .....	17.9 ( 42)	13.6	0.5 ( 29)
Furniture Stores .....	32.6 ( 30)	19.8	— 5.0 ( 23)
All Stores .....	14.6 (145)	10.3	— 2.8 (106)

\*June 1935 had one less trading day than June 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.

smaller in value at the end of June than a year earlier, in part reflecting lower prices at which merchandise was held.

Value of sales of reporting wholesale firms was 2 percent smaller in June than in May. Sales were 11 percent larger than in June 1934.

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

	June 1935 compared with		Cumulative 1935 compared with 1934
	May 1935	June 1934	
Agricultural Implements .....	— 6.2	82.3	56.3
Automobile Supplies .....	0.3	6.6	8.1
Drugs .....	— 3.1	3.7	3.3
Dry Goods .....	—17.5	4.8	5.3
Electrical Supplies .....	1.2	42.0	28.1
Furniture .....	37.7	33.8	22.2
Groceries .....	— 0.9	— 1.0	10.6
Hardware .....	— 5.1	12.1	11.4
Shoes .....	—14.9	—12.5	— 5.5
Paper and Stationery .....	10.0	12.2	10.4
All Lines .....	— 2.1	10.6	11.4

This bank's seasonally adjusted index of freight carloadings moved upward steadily from a low of 62 (1923-1925=100) in October of last year to a peak of 74 in February of the current year, since when it has fluctuated irregularly downward to 62 in June. A marked decline in the adjusted index of loadings during May resulted principally from reduced shipments of lumber in the Pacific Northwest, and a further moderate decline during June may be attributed to the same influence.

After showing less than the usual recession in the last three months of 1934, new automobile sales expanded by markedly more than the customary amount up to April of this year,

causing a rise in the seasonally adjusted index of more than 60 percent. Sales receded somewhat in May, but increased by the customary amount during June. Total sales for the first six months of the year were 72 percent larger than in the first six months of 1934, reflecting increases of 76 percent in sales of passenger cars and 54 percent in sales of commercial vehicles.

**INTERCOASTAL WATER-BORNE TONNAGE**  
(In thousands of cargo tons)

	First Half 1935	First Half 1934	First Half 1933
Eastbound, total .....	2,527	3,380	2,485
Petroleum .....	669	1,971	1,024
Lumber .....	634	398	543
Other classes .....	1,224	1,011	918
Westbound, total .....	1,144	970	797
Iron and steel .....	446	286	160
Tin plate .....	76	45	8
Other classes .....	622	639	629
Total .....	3,671	4,350	3,282

As indicated in the accompanying table, a substantial decline in petroleum shipments from the Pacific Coast was responsible for a decline in total intercoastal water-borne traffic in the first half of 1935 as compared with the first half of 1934. Lumber shipments, despite a sharp decline in June, averaged considerably higher than a year earlier, and other cargo showed some increase. Steel and tin plate shipments from the Atlantic Coast were the largest for this period since 1930, while the aggregate

**Bank Debits\*—**

	June 1935	June 1934	First six months 1935	First six months 1934
Arizona .....				
Phoenix .....	\$ 31,912	\$ 27,693	\$ 181,259	\$ 150,755
California .....				
Bakersfield .....	11,069	8,360	65,608	50,345
Berkeley .....	16,584	15,995	87,493	119,387
Fresno .....	19,317	16,238	116,588	98,102
Long Beach .....	29,023	22,115	169,710	133,813
Los Angeles .....	651,637	550,920	3,826,264	3,249,876
Oakland .....	176,263	171,695	955,240	958,863
Pasadena .....	19,477	18,030	123,489	113,277
Sacramento .....	126,767	67,918	565,116	305,763
San Bernardino .....	8,167	5,923	44,608	34,296
San Diego .....	45,245	29,145	236,864	179,477
San Francisco .....	824,060	700,734	4,498,044	4,102,628
San Jose .....	18,218	15,209	103,703	90,577
Santa Barbara .....	10,555	7,828	56,635	47,209
Santa Rosa .....	4,012	2,797	21,192	17,679
Stockton .....	16,814	14,120	89,458	79,093
Idaho .....				
Boise .....	14,578	11,367	82,604	64,660
Nevada .....				
Reno .....	9,476	8,137	47,123	42,039
Oregon .....				
Eugene .....	5,157	4,435	26,549	22,858
Portland .....	138,622	119,146	782,085	710,927
Salem .....	12,313	11,578	70,458	60,159
Utah .....				
Ogden .....	11,134	10,809	71,472	68,124
Salt Lake City..	50,475	50,105	306,281	276,001
Washington .....				
Bellingham .....	4,616	4,881	27,874	26,935
Everett .....	4,988	5,706	31,961	30,957
Seattle .....	148,900	144,630	879,476	801,211
Spokane .....	37,078	37,411	203,761	169,869
Tacoma .....	23,033	22,862	141,141	132,424
Walla Walla .....	4,419	4,164	24,978	23,068
Yakima .....	10,364	9,993	62,934	54,664
Total .....	\$2,484,273	\$2,119,944	\$13,899,968	\$12,215,036

\*In thousands of dollars.

volume of other westbound shipments was the same as in the first half of each of the two preceding years.

### Prices

After declining throughout June, wholesale commodity prices tended upward during the first two weeks of July. The United States Bureau of Labor Statistics' index of wholesale prices declined from 80.2 percent of the 1926 average in the week ending June 1, to 78.9 percent in the week ending June 29. Thereafter the index recovered slightly to 79.2 in the week ending July 13. The fluctuations during the period were the result principally of changes in prices of farm products and foods.

Wholesale commodity price changes in the Twelfth District generally followed those in national markets. Several lines of canned fruits showed minor price recessions and at present are about the same as a year ago or slightly lower. Most dried fruit quotations continued the downward trend of the past few months and are now markedly below those in effect last July.

Non-ferrous metals quotations fluctuated irregularly. Copper for domestic use declined one cent to 8 cents per pound on June 27 and thereafter remained unchanged, while the price of export copper strengthened slightly. Lead prices improved and zinc quotations remained steady. While the United States Government buying price for newly mined silver has remained unchanged at 77.57 cents per ounce since April 24, spot foreign silver continued to decline during the period under review and

was quoted at 67¾ cents per ounce on July 20.

Consumers in the principal cities of the district paid less for their food in June and in the first half of July than in March, April, or May. In California, a revision in the retail sales tax, effective July 1, accentuated this downward tendency. Prior to July a 2½ percent rate was assessed in that State on purchases of most commodities at retail, but after that date practically all foods were exempted and the rate on purchases of other commodities was raised to 3 percent.

### The Credit Situation

Underlying factors in the banking and credit situation showed no material change between the middle of June and July 17, although some unusually large movements of funds occurred early in July in connection with refunding operations of Pacific Coast public utilities and transactions of the United States Treasury. These transfers of funds resulted in a temporary increase in bank deposits and in an acceleration of district deposit turnover.

During the week ending July 3, there was a net gain by this district of about \$50,000,000 because of transfers from other areas. Most of this net gain represented an inflow of funds derived from sales of refunding securities. The immediate effect of the net transfers of funds to this district was an increase of 31 million dollars in demand deposits of individuals and business concerns at city banks. Absence of further expansion in district bank deposits reflected Federal Treasury withdrawals from depository banks and other Treasury collections

#### 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—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
June 26.....	+ 4.0	+ .5	+ 9.8	+ 5.3
July 3.....	+ .7	+50.2	+15.3	+35.6
July 10.....	+ .1	+19.7	+11.0	+ 8.6
July 17.....	+ .2	+11.3	+ .2	+11.3

#### USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1935—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
June 26.....	+ 1.4	+ 7.6	+ .9	+ 5.3
July 3.....	+13.4	+23.3	+ 1.1	+35.6
July 10.....	+ 5.0	+ 3.8	+ .2	+ 8.6
July 17.....	+ 3.8	+ 5.3	+ 2.2	+11.3

#### FEDERAL RESERVE BANK OF SAN FRANCISCO

(In millions of dollars)

	Condition			
	July 17 1935	July 10 1935	June 19 1935	July 18 1934
Total Bills and Securities .....	201	201	201	168
Bills Discounted .....	...	...	...	1
Bills Bought .....	...	...	...	...
United States Securities .....	199	199	199	166
Total Reserves .....	348	362	315	326
Total Deposits .....	306	317	283	266
Federal Reserve Notes in Circulation .....	226	229	218	212
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined...	65.5	66.3	62.9	68.2

#### REPORTING MEMBER BANKS—Twelfth District

(In millions of dollars)

	Condition			
	July 17 1935	July 10 1935	June 19 1935	July 18 1934
Loans and Investments—Total..	1,920	1,901	1,941	1,836
Loans—Total .....	864	867	866	869
On Securities .....	175	182	177	222
All Other .....	689	685	689	647
Investments—Total .....	1,056	1,034	1,075	967
United States Securities ...	616	598	636	608
Other Securities .....	440	436	439	359
Reserve with Reserve Bank ....	173	177	154	132
Net Demand Deposits .....	806	802	730	640
Time Deposits .....	950	955	963	946
Due from Banks .....	214	203	199	180
Due to Banks .....	215	219	211	188
Borrowings at Reserve Bank ...	...	...	...	...

because of securities sales and ordinary revenues, which in the aggregate were 15 million dollars larger during the week than total Treasury disbursements. The usual increase in public demand for currency over the July 4 holiday also resulted in some reduction in deposits, and time deposits were decreased when banks returned about \$7,000,000 of postal savings funds on July 1. Banks are required to pay  $2\frac{1}{2}$  percent on postal savings, compared with prevailing rates of  $1\frac{1}{2}$  and 2 percent paid on individual savings deposits in most of the larger cities.

**ANNUAL RATE OF TURNOVER OF BANK DEPOSITS  
DURING MONTHS OR WEEKS INDICATED**

Principal cities in Twelfth District

1934	Demand	Time	Bankers
September .....	25.4	.8	29.5
October .....	24.6	.8	30.2
November .....	23.9	.7	27.6
December .....	25.4	.8	27.8
1935			
January .....	25.1	1.0	29.0
February .....	25.0	.7	25.9
March .....	28.0	.8	28.1
April .....	26.2	.9	26.8
May .....	25.6	1.0	29.3
June .....	25.7	.9	27.3
Week ending July 3.....	32.4	1.6	34.3
Week ending July 10.....	23.2	1.4	26.5
Week ending July 17.....	26.7	1.0	32.5

The Treasury operations, the currency demands, and the turnover of investment funds, some of which were checked out several times in rapid succession, resulted in a sharp increase in bank debits in individual, Government, and bankers' accounts.

In the week following these special influences, part of the currency that had been withdrawn prior to July 4 was redeposited in banks, and the United States Treasury disbursed 11 million dollars more than it collected in the Twelfth District, thus increasing bank deposits. These increases were more than offset

by a net movement of funds out of the district totaling nearly 20 million dollars, and representing in part transfers of the investment funds which had come into the district in the preceding week. These transfers were met by banks with only a slight reduction in their reserve accounts.

Although district banks purchased for cash 8 million dollars of new United States Government securities on July 15, for the week as a whole the Treasury collected approximately as much as it disbursed in this district. At the same time, transfers of funds out of the district for the accounts of banks and their customers continued with a net loss of 11 million dollars. This outward movement of funds more than offset a seasonal return of currency from circulation, and member bank reserve balances declined \$5,400,000.

During the four-week period June 19-July 17, Treasury disbursements in the Twelfth District, exclusive of gold purchases and public debt redemptions, totaled 79 million dollars. Some of the principal agencies making these disbursements and their amounts were: Veterans Administration, 5 million dollars; Department of Agriculture, 7 million dollars; Federal Emergency Administration of Public Works, 7 million dollars; Post Office Department, 15 million dollars. Purchases of gold, principally from local production, by the San Francisco Mint totaled 6 million dollars during this period.

The number of shares of stocks traded on district exchanges was smaller during June than in the previous month. Market prices of most issues, however, continued to advance through mid-July. Some issues were stricken from the list at that time for failure to meet listing requirements of the Securities and Exchange Commission.

## SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Factory production declined seasonally in June, while output of mines increased. Employment and payrolls at factories showed more than seasonal declines. There was little change in the average level of wholesale prices, and a decrease in retail food prices.

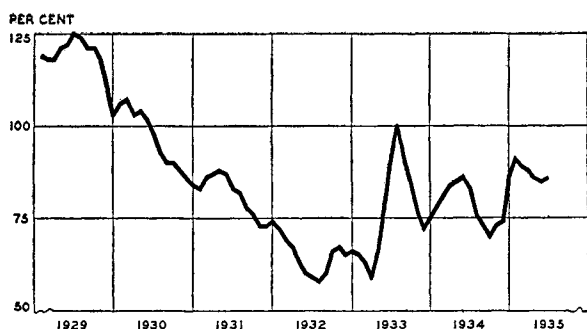
**Production and Employment.** Daily average output at factories, according to the Federal Reserve Board's production index, declined by about the usual seasonal amount during June. Output of mines increased, and the Board's combined index of industrial production, which is adjusted for usual seasonal changes, advanced from 85 percent of the 1923-1925 average in May to 86 percent in June. Daily average output of automobiles and lumber increased in

June, while activity at cotton mills, shoe factories, and meat packing establishments declined. Activity at steel mills declined seasonally during June, but, according to trade reports, increased after the first week of July. There were sharp increases in the production of anthracite and bituminous coal during June and output of crude petroleum was also larger than in May.

Factory employment and payrolls decreased between the middle of May and the middle of June. More than seasonal declines in employment were reported by producers of automobiles, clothing, shoes, and cotton fabrics, and employment at lumber mills also decreased, while the number of workers at woolen mills

increased. In most other manufacturing industries changes in employment from May to June were largely seasonal in character. Employment and payrolls at mines increased considerably.

Daily average construction contracts awarded, according to reports of the F. W. Dodge Corporation, were larger in value in June and the first half of July than in May. Awards of residential building contracts were twice as large as a year ago, while contracts for public projects continued smaller than last year.

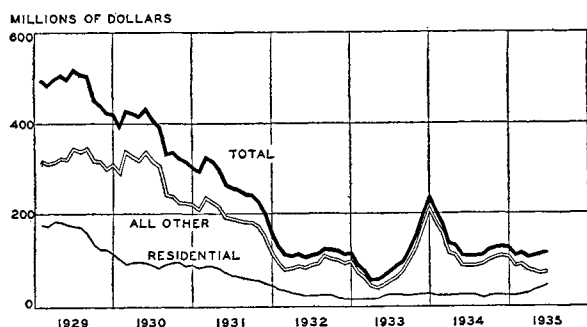


INDUSTRIAL PRODUCTION

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

The Department of Agriculture July 1 estimates forecast corn and wheat crops larger than a year ago, but smaller than the five-year average for 1928-1932. Acreage of cotton in cultivation on July 1 was reported as about 5 percent larger than at the same time last year.

**Distribution.** Daily average loadings of freight on railroads increased during June, reflecting larger shipments of coal. Daily aver-



VALUE OF CONSTRUCTION CONTRACTS AWARDED

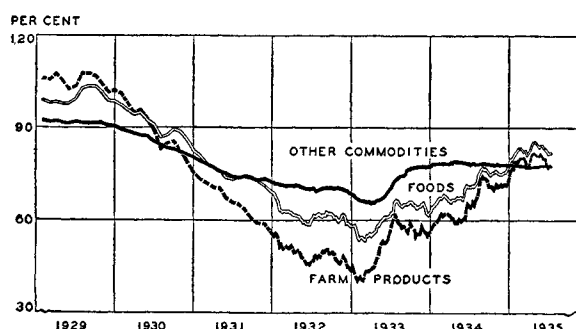
Three-month moving averages of F. W. Dodge data for 37 Eastern states, adjusted for seasonal variation. Latest figures based on data for May and June and estimate for July.

age value of department store sales showed little change from May to June, when a decline is usual, and the Board's seasonally adjusted index advanced from 76 percent of the 1923-1925 average to 80 percent.

**Commodity Prices.** Wholesale prices of farm products and foods declined during June, while the prices of other commodities as a group showed little change. Retail prices of food,

which had increased sharply in the two years ending last April, according to the index of the Bureau of Labor Statistics, declined somewhat in May and June.

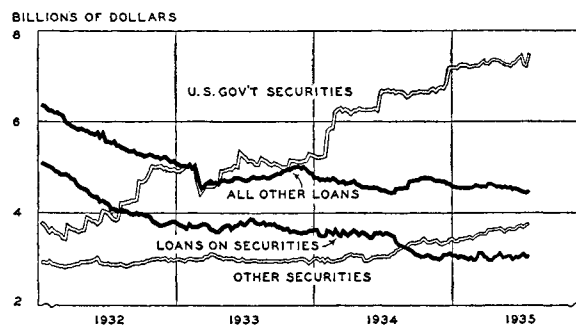
**Bank Credit.** Member bank reserve balances with the Federal Reserve banks and excess reserves showed declines for the four weeks ending July 17, reflecting in large measure an increase in the balance of the Treasury with the Federal Reserve banks following a sale of Treasury notes.



WHOLESALE PRICES

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

Total loans and investments of reporting banks in leading cities increased by \$260,000,000 during the five-week period ended July 17. Subscriptions by reporting banks to new security offerings by the Treasury exceeded retirement of bonds held by these banks, and consequently their holdings of direct obligations of the United States increased by \$200,000,000. Holdings of other securities increased by



MEMBER BANK CREDIT

Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for July 17.

\$125,000,000, while loans declined by \$60,000,000. Government deposits with these banks were reduced by over \$200,000,000, while other deposits, exclusive of interbank balances, showed an increase of a similar amount.

Yields on Government securities declined slightly during this period, while other short-term open-market money rates remained at low levels.