

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District industrial production expanded moderately during July, and factory employment increased more than seasonally. Permits for new residential building and for other private construction increased considerably during the month, while the value of contracts awarded for public works was practically unchanged from June.

Improvement in industrial production reflects principally sharp recovery in lumber output in the Douglas fir region, accompanying settlement of the strike which started in May, and seasonal expansion at fruit, vegetable, and fish canneries. Livestock slaughter was also considerably larger than in June. Following a substantial expansion in June, crude oil output increased only slightly in July. Somewhat less than the customary decrease took place in production of textiles and of leather and rubber goods, as indicated by employment in those industries. Changes in output of most other industries for which information is available were approximately of seasonal proportions.

District freight carloadings, which in most recent years have been lower in July than in June, increased moderately in July this year. The advance took place chiefly in shipments of forest products in the Pacific Northwest, although shipments of merchandise and miscellaneous commodities increased by the customary seasonal amount. Following a rise of 8 percent in June, the adjusted index of daily average department store sales declined by 4 percent during July. New automobile sales decreased less than seasonally during July. Intercoastal traffic was smaller in July than in June, the decrease resulting mainly from smaller eastbound cargoes.

District crops were favored by warm weather during July. Forecasts of crop production indicate moderately larger harvests this season than last. Crop marketings during July were about equal in volume to those of July 1934, and prices averaged higher. In most parts of the district livestock ranges are in exceptionally good condition for this time of year. Livestock marketings were smaller in

number but of much better quality than in July 1934, when animals were affected by the drought. Current prices paid growers for cattle are about 50 to 60 percent higher than a year ago, while prices for lambs are 10 to 20 percent higher.

Loans and investments of Twelfth District city banks were unusually steady in the aggregate between July 17 and August 21. Actual demand deposits fluctuated rather widely but at the end of the period were above the levels of early July. The decline in time deposits was somewhat smaller than the return of postal savings (classified as time deposits) by banks to the Treasury, thus indicating an increase in individual time deposits.

Over the period as a whole, there was a moderate outflow of funds to other districts because of commercial and financial transactions, and currency circulation increased as is frequently the case at this season of the year. These demands upon local banking reserves were more than offset by substantial United States Treasury disbursements in excess of collections in the district, and member bank reserve balances increased further.

Elimination of national bank notes from circulation was actively undertaken after August 1, the date for redemption of the final issue of bonds carrying the note circulation privilege. All fit as well as unfit national bank notes received at the Federal Reserve banks are now being withdrawn permanently from circulation. During the first three weeks of August retirement of these notes in the Twelfth District totaled \$9,224,000.

Agriculture

Favorable weather conditions in most parts of the Twelfth District resulted in further improvement during July in the outlook for crop production, which is now expected to be moderately larger than in 1934.

Receipts of farmers from sales of crops and livestock were 18 percent larger during the first half of 1935 than in the corresponding part of 1934, the gain resulting largely from

higher returns from livestock and livestock products. Marketing of this season's farm products increased seasonally during July, and appears to have been equal in volume to marketing during July 1934, notwithstanding the fact that crops matured later this season than last. Prices paid farmers were 15 to 25 percent higher than in July 1934 or 1933, and were about 60 percent higher than in July 1932, according to Department of Agriculture data for the country as a whole.

Hot weather during July was accompanied by increased demand for the largest Valencia orange crop yet produced in California, and both shipments and prices advanced. Shipments exceeded those of any previous July. An increase in the volume of lemons marketed was accompanied by a sharp advance in prices, which averaged \$4.45 per box, f.o.b. California shipping points, compared with \$2.25 per box in June 1935 and \$4.19 in July 1934.

Production of most deciduous fruits in California and the Pacific Northwest is relatively large and of generally good quality this year. Damage to Washington apples because of hail and wind during July was not extensive and the crop is expected to be the largest since 1930. The cling peach, pear, and plum crops are the only important deciduous fruit crops which are smaller this year than last. Canning of California cling peaches was begun late in July, with prices to growers averaging about \$30 per ton, the same as last year. Canning of pears is also under way. Notwithstanding a decrease in pear production, prices paid by canners are but \$30 to \$35 per ton this year, compared with \$40 in 1934.

Although estimates of wheat production in the entire United States were reduced sharply during July, forecasts of that crop in the Pacific Northwest were increased and it is now expected that the harvest in that section will be well above 76,000,000 bushels, an increase of

11 percent over last year. That figure is still about 15 percent below average production from 1928 through 1932. Wheat markets have improved during recent weeks and prices paid in the Twelfth District advanced moderately, although less than in the Chicago market.

All of the major Twelfth District field crops except cotton and rice are expected to be larger this year than last, and all except rice are expected to exceed 1928-1932 average annual production.

The first official cotton report of the year forecasts a district crop of 335,000 bales, compared with the 1934 crop of 376,000 bales. Last year's crop was favored by a warm dry spring, while cool weather during the early growing season gave this year's crop a late start. High temperatures during July favored growth.

Beans growing in California made good progress during July and early August. The crop is now in good condition but, because of late seeding, yields will be more than usually dependent upon favorable weather during the autumn. The Idaho bean crop is in only fair condition, trade reports indicating considerable damage from blight. Bean markets were seasonally dull during July and early August and average prices declined to the lowest point of the year.

With hop production of near-record proportions this year, cash prices paid growers have declined to a range of from 5 to 9 cents per pound. Last year spot prices ranged from 15 to 25 cents per pound, and two years ago growers received as high as 72½ cents per pound. Since a considerable part of the crop is covered by sales contracts which were made when prices were higher than now, it is probable that present spot prices are well below average returns.

Beet sugar refineries commenced operations early in August in California, but harvesting of beets in Utah and Idaho will not begin for several weeks. The beet crop in California is expected to be slightly smaller than in 1934, while production in both Idaho and Utah is more than double that of last year, when unusually small sugar beet crops were harvested in those states.

Receipts of butter in leading district markets declined as is usual during July. Production continued at a comparatively high level, however, and prices declined to a level only moderately higher than a year ago. Storage stocks at Pacific Coast markets increased considerably during July and on August 1 were about 14 percent larger than a year earlier. Production of eggs has been well maintained during recent months and, because of relatively high local prices, an unusually large part of district production has been shipped to Pacific Coast markets for sale. Prices paid for eggs

Agricultural Marketing Activity—

	July		Season to Date—	
	1935	1934	1935	1934
Carlot Shipments				
Deciduous Fruits.	3,670	11,222	6,142	15,302
Citrus Fruits	10,872	7,899	69,452	55,375
Vegetables	12,359	8,321	61,838	63,074
Exports				
Wheat (bu.)	166	545,763	166	545,763
Barley (bu.)	532,749	147,708	532,749	147,708
Receipts*				
Cattle	77,751	86,146	522,472	548,345
Hogs	104,961	167,960	918,456	1,413,103
Sheep	590,173	523,133	2,476,303	2,277,188
Eggs (cases)	161,620	140,174	1,257,713	1,194,512
Butter (lbs.)	7,538,162	6,944,902	47,508,259	49,027,145
Wheat (carlots) . .	3,645	4,416	3,645	4,416
Barley (carlots) . .	553	564	553	564
Storage Holdings*	1935		1934	
(end of month)	July	June	July	June
Wheat (bu.)	1,127,000	950,000	3,638,000	3,610,000
Beans (bags)	565,000	698,000	744,000	937,000
Butter (lbs.)	10,477,000	7,815,000	8,137,000	7,062,000
Eggs (cases)	671,000	666,000	730,000	735,000

*At principal district markets.

on district farms in July were higher than in the corresponding month of any year since 1929.

District ranges continue to be in much better condition than in any recent year, although seasonal declines because of hot weather and lack of rains are apparent on so-called desert ranges. Supplemental feeds are ample in most sections. Cattle and calves are in excellent condition and are moving to market in moderate volume. There is a minimum of distress selling of stock this year and, although prices have declined slightly since mid-spring, growers are being paid more for their stock than at any time since 1931.

Twelfth District sheep growers are experiencing a favorable year. The 1935 wool clip, which was a little larger than the 1934 clip, was marketed at prices slightly lower than a year ago but higher than in any of the preceding three years. The number of lambs raised this year has been somewhat smaller than in 1934, but prices have been equal to those of last season and considerably higher than in 1932 or 1933. Late lambs are in the best condition in several years, and feed conditions are such as to permit most growers to sell in accordance with market demand.

Industry

Industrial production in the Twelfth District was moderately higher in July than in June. The increase resulted largely from seasonal expansion in the food processing industries and from increased output of lumber which recovered substantially from the severely curtailed levels of May and June when

strike conditions had prevailed. Accompanying the recovery in lumber output, industrial employment in the Pacific Northwest increased considerably. In California, somewhat more than the usual seasonal increase in factory employment was recorded during July, almost entirely as a result of a larger than seasonal increase in employment at canneries.

A sharp upturn in lumber production during July practically offset the recession which had taken place in May and June, and output for the month was substantially higher than a year earlier when activity was curtailed because of difficulties in moving cargoes during the longshoremen's strike. The current increase came principally in the Douglas fir region, settlement of the strike in various localities resulting in the resumption of activity in practically all mills and logging camps in that district. In addition, output in the western pine area continued to increase and was larger than at any time since 1931. During the period of inactivity of loggers and mill workers, lumber stocks in the Northwest were reduced to a point where mills found some difficulty in making immediate shipments on all specifications, and the volume of unfilled orders increased sharply. At the end of July these unfilled orders were approximately 10 percent larger than a year earlier.

Temporarily interrupted during June, expansion which had taken place since the first of this year in value of residential building permits was resumed during July. Permits issued for residential construction in the twenty larger cities of the district approximated 2½ million dollars in that month, nearly double the figure for July 1934. Commercial and industrial building undertakings exceeded those

Employment—

Industries	No. of Firms	California		Oregon	
		No. of Employees	No. of Employees	No. of Employees	No. of Employees
All Industries*	1,043	151,066	148,120	113	20,599
		(+2.0)		(+16.2)	
Stone, Clay, and Glass Products.	54	6,118	6,054	3	202
		(+1.1)		(+192.8)	69
Lumber and Wood Manufactures ..	98	13,900	12,368	39	10,852
		(+12.4)		(+12.3)	9,664
Textiles	11	1,088	920	8	1,661
		(+18.3)		(+28.6)	1,292
Clothing, Millinery, and Laundering.	117	7,825	7,406	7‡	223
		(+5.7)		(+7.7)	207
Food, Beverages, and Tobacco...	255	45,383	48,130	29	2,708
		(-5.7)		(+50.9)	1,794
Public Utilities ..	46	45,859	45,196	..	....
		(+1.5)			
Other Industries†.	464	64,289	61,752	..	....
		(+4.1)			
Miscellaneous	44	12,463	11,490	27	4,953
		(+8.5)		(+5.3)	4,703
Wholesale and Retail	187	30,156	27,303	..	....
		(+10.4)			

*Public utilities, wholesale and retail figures not included in this total. †Laundering 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 July 1934.

Industry—

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

	1935				1934		
	July	June	May	Apr.	July	June	May
General							
Carloadings—Industrial.	56	40	42	55	47	42	44
Elec. Power Production	150‡	159	154	148	149	147	155
Manufactures							
Lumber	49‡	35	38	53	38	40	53
Refined Mineral Oils†..	142	142	135	124	131	130	130
Flour	106‡	106	117	114	95	89	97
Cement	51	49	59	64	58	61	74
Wool Consumption†....	185‡	105	134	139	80	84	101
Slaughter of Livestock..	103‡	93‡	100	94	118	110	111
Minerals							
Petroleum (California)†.	85	84	75	72	78	78	74
Lead (United States)†..	..	55	63	58	53	56	66
Silver (United States)†.	..	47	51	49	40	45	44
Building and Construction#							
Total	40‡	40	39	38	64	39	29
Building Permits—Value							
Larger Cities.....	23‡	21	22	23	10	9	10
Smaller Cities.....	35	30	28	25	16	15	19
Engineering Contracts							
Awarded—Value							
Total	58	63	61	60	69	77	56
Excluding Buildings	98	108	116	114	263	151	114

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

in any other month this year and permits issued for modernization and repair of existing structures of all types were also larger than in any earlier month of this year. Public works contracts remained substantially unchanged from levels of the preceding month. Up to August 13, no contracts had been awarded in this district on projects contemplated under the Works Progress Administration nor had allotments of funds been made except in the case of highways and roads.

Daily average crude oil output in California amounted to 562,000 barrels in July, slightly larger than in June when considerable expansion occurred after the withdrawal of Federal Code restrictions. Refinery output of oils and gasoline was about the same as in June. Inventories of both crude and refined oils were reduced during the month.

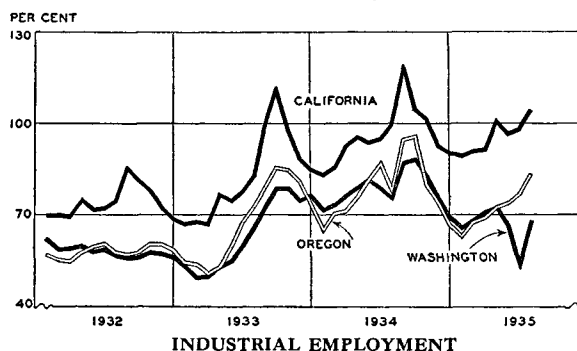
Seasonal expansion in manufacture of food products was recorded during July and early August. In California, the pack of canned apricots, reported by the trade to be slightly larger than last year, was completed during July, and canning of peaches and pears commenced about August 1. In the Pacific Northwest, canneries were putting up the largest pack of peas yet produced in this district, estimated at from 1,700,000 cases to more than 2,000,000 cases. Although Bristol Bay in Alaska was reopened to commercial fishing early in July, the pack of salmon in that area was estimated at the close of the season to have been only 240,000 cases. That amount is less than 15 percent of the 1934 pack in Bristol Bay. Since the bulk of all Alaska red salmon is canned in Bristol Bay, there will be a relative shortage of this variety during the coming year, and quotations have been increased sharply.

Refining of beet sugar commenced in California in August. Production in the district this year is expected to exceed that of 1934 considerably, forecasts of the beet crop this year being about 30 percent above the 1934 crop. Output of flour mills was about the same in July as in June, after allowance for a small seasonal decline. Seasonally adjusted figures of livestock slaughter increased sharply during July, offsetting a decrease in the preceding month.

California wine production for the current vintage has been forecast at approximately 50 million gallons. Of this total, 35 million gallons is expected to be of the sweet or fortified varieties and 15 millions of the dry or natural varieties. In 1934, wine production in California totaled 48,557,000 gallons.

The accompanying chart indicates changes in industrial employment in the Pacific Coast states by months during the past three and one-half years. Data used in construction of this chart are not adjusted for customary seasonal changes and thus indicate the actual month-to-

month labor requirements in manufacturing establishments as well as the trend of employment during the period covered. In California, employment is subject to somewhat extreme seasonal fluctuations. These wide movements largely reflect changes in the number of persons engaged in processing seasonal and relatively perishable agricultural commodities, such as the canning and preserving of fruits and vegetables and the refining of beet sugar. In Oregon and Washington, the unadjusted indexes of employment are influenced predominantly by conditions in the lumber industry. In that industry as in nearly all others seasonal fluctuations are important. In addition, several highly seasonal activities such as fruit, vegetable, and fish canning are important in that region.



Indexes not adjusted for seasonal variation. Based upon reports of United States Bureau of Labor Statistics. July figures for Oregon and Washington preliminary. (1923-1925 average=100).

Employment in California tended definitely upward during 1933 and 1934. Increases during the first seven months of 1935 were of about seasonal proportions, although the number of workers averaged 4 percent higher than in the comparable period of 1934. Industrial payrolls in the first seven months of 1935 averaged 12 percent higher than in the corresponding months of 1934, a result in part of longer average working time per employee. In Washington and Oregon, industrial employment increased substantially during 1933 and showed further gains in 1934. A sharp reduction took place after September 1934, however, and indexes of employment in those states declined below the levels of the preceding winter. Some improvement took place in the early spring of 1935, but this tendency was curbed by the strike of lumber mill workers and loggers in May and June. The strike did not cause a net decrease in total employment in Oregon, since activity in the western pine region was stimulated by the decreased output of Douglas fir. In Washington, the effects of the strike in the Douglas fir area were more apparent in the record of total industrial employment. In both states, a sharp increase during July in the number of workers employed in reporting industries is indicated by preliminary statistics.

Trade

The number of freight cars loaded on Twelfth District railroads increased during July, whereas a substantial decline usually occurs in that month. As a result of the increase this year, the seasonally adjusted index advanced from 62 to 70 percent of the 1923-1925 average. The expansion in total loadings during July was a reflection principally of recovery in lumber shipments from the restricted levels of the two preceding months, although other industrial freight shipments increased and shipments of merchandise increased by the customary amount in July. Total loadings were slightly lower than in July 1934, when shipments by rail were stimulated by the long-shoremen's strike.

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

	1935 compared with 1934		
	NET SALES		STOCKS
	July*	Jan. 1 to end of July	July
Department Stores	18.0 (73)	9.8	— 1.3 (54)
Los Angeles	15.6 (6)	10.0	— 7.2 (6)
Other So. California ..	28.4 (9)	16.0	2.7 (5)
Oakland	22.6 (5)	11.1	7.9 (5)
San Francisco	24.4 (8)	8.5	0.1 (7)
Bay Region	22.9 (18)	9.4	2.3 (16)
Central California	16.0 (6)	15.8	3.9 (6)
Portland†	24.3 (8)	11.7	— 0.8 (7)
Seattle	12.3 (4)	5.8	4.5 (4)
Spokane	17.1 (5)	11.7	6.7 (5)
Tacoma†	14.0 (8)	8.9	10.8 (7)
Salt Lake City	11.4 (4)	6.2	— 7.8 (4)
Apparel Stores	24.5 (43)	14.8	— 2.3 (29)
Furniture Stores	42.6 (34)	23.7	— 0.4 (26)
All Stores	21.7 (150)	11.8	— 1.2 (109)

*July 1935 had one more trading day than July 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.

Daily average department store sales were about 10 percent smaller in July than in June, a decrease somewhat greater than has been customary in July. The seasonally adjusted index declined moderately from 86 percent of the 1923-1925 average in June, a figure higher than in any month since February 1932, to 83 per-

Distribution and Trade—

	1935				1934			
	July	June	May	Apr.	July	June	May	Apr.
Indexes adjusted for seasonal variation (1923-1925 average=100)								
Carloadings‡	70	62	64	73	72	67	66	66
Total	70	62	64	73	72	67	66	66
Merchandise	82	82	84	89	92	90	85	85
Intercoastal Trade	47	63	76	60	48	64	79	79
Total	47	63	76	60	48	64	79	79
Westbound	88	89	93	81	75	67	73	73
Eastbound	37	54	71	52	41	62	82	82
Retail Trade	47	63	76	60	48	64	79	79
Automobile Sales‡	105	94	95	108	71	62	61	61
Total	105	94	95	108	71	62	61	61
Passenger	92	87	87	103	63	58	55	55
Commercial	198	175	184	161	128	105	125	125
Department Store	83	86	80	83	73	74	73	73
Sales‡	83	86	80	83	73	74	73	73
Stocks§	62	63	62	61	63	65	66	66
Collections#	47.1	48.2	48.9	47.6	44.6	46.7	47.4	47.4
Regular	17.6	16.7	17.7	17.7	17.3	15.3	17.5	17.5
Installment	17.6	16.7	17.7	17.7	17.3	15.3	17.5	17.5

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

cent in July. Decreases in adjusted sales were concentrated in San Francisco and Oakland, although there was a small decline in Spokane. Indexes for all other major cities of the district remained unchanged or advanced slightly. Sales were 18 percent larger this July than in July 1934, although retail prices of department store goods, as measured by the Fairchild index, were 3 percent lower. Inventories of district department stores decreased a little more than seasonally during July and at the end of the month were slightly smaller in value than a year earlier, partly because of price reductions.

Sales of new passenger automobiles decreased during July but the reduction from the June level was smaller than is customary. Sales of commercial vehicles increased slightly further during the month. Total new car registrations were 42 percent larger than in July 1934.

Intercoastal shipments through the Panama Canal amounted to 481,000 tons in July. This total was 70,000 tons smaller than in June and was lower than in any other month this year. Traffic is ordinarily at relatively high levels in July, but this year lumber and petroleum shipments to the Atlantic Coast were much smaller than usual and other eastbound cargo also declined. Shipments from the Atlantic to the Pacific Coast were fairly well maintained during the month. The relatively small total of intercoastal cargo during July this year was about equal to that of July 1934,

Bank Debits*—

	July 1935	July 1934	First seven months 1935	First seven months 1934
Arizona				
Phoenix	\$ 30,586	\$ 27,231	\$ 211,845	\$ 177,986
California				
Bakersfield	11,142	8,179	76,750	58,524
Berkeley	16,764	16,615	104,257	136,002
Fresno	20,243	15,496	136,831	113,598
Long Beach	32,128	23,703	201,838	157,516
Los Angeles	699,389	538,326	4,525,653	3,788,202
Oakland	177,652	151,204	1,132,892	1,110,067
Pasadena	22,463	17,189	145,952	130,466
Sacramento	108,464	60,132	673,580	365,895
San Bernardino	7,238	5,790	51,846	40,086
San Diego	45,386	28,777	282,250	208,254
San Francisco	859,085	657,647	5,357,149	4,760,275
San Jose	19,864	17,544	123,567	108,121
Santa Barbara	10,332	8,547	66,967	55,756
Santa Rosa	4,131	2,955	25,323	20,634
Stockton	16,203	14,559	105,661	93,652
Idaho				
Boise	16,040	13,100	98,644	77,760
Nevada				
Reno	9,430	8,087	56,553	50,126
Oregon				
Eugene	5,237	3,858	31,786	26,716
Portland	143,837	114,984	925,922	825,911
Salem	15,022	12,132	85,480	72,291
Utah				
Ogden	13,388	11,204	84,860	79,328
Salt Lake City ..	53,629	46,264	359,910	322,265
Washington				
Bellingham	4,842	4,474	32,716	31,409
Everett	4,626	4,644	36,587	35,601
Seattle	151,782	134,130	1,031,258	935,341
Spokane	37,531	29,874	241,292	199,743
Tacoma	22,949	20,745	164,090	153,169
Walla Walla	5,385	4,651	30,363	27,719
Yakima	10,363	8,965	73,297	63,629
Total	\$2,575,131	\$2,011,006	\$16,475,119	\$14,226,042

*In thousands of dollars.

when shipments were restricted by the long-shoremen's strike.

Value of wholesale sales increased 2 percent during July. Decreases in sales of agricultural implements, electrical supplies, and hardware were in accordance with the usual tendency in

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

	July 1935 compared with		Cumulative 1935 compared with 1934
	June 1935	July 1934	
Agricultural Implements....	-19.5	77.3	66.9
Automobile Supplies	3.4	13.4	8.9
Drugs	2.6	14.2	4.9
Dry Goods	9.4	19.1	7.1
Electrical Supplies	-4.2	46.4	30.7
Furniture	2.7	62.6	26.1
Groceries	7.9	13.4	11.0
Hardware	-3.3	26.4	13.3
Shoes	0.4	4.6	-4.5
Paper and Stationery	3.8	25.8	12.5
All Lines	1.8	22.8	13.3

that month. Sales of automobile supplies, drugs, furniture, and groceries expanded in contrast with seasonal expectations. Seasonal increases were reported by wholesalers of dry goods, shoes, and paper and stationery. As compared with a year earlier, total sales increased 23 percent, the largest year-period increase in any month since April 1934. Wholesale prices of finished goods, according to the United States Bureau of Labor index, were 5 percent higher in July this year than last.

Prices

After fluctuating with little net change during July, wholesale commodity prices advanced slightly in the first half of August. As in other

recent months, the increase took place principally in prices of farm products and foods.

Packers' opening prices on dried apricots, announced in mid-July at 13 cents per pound, were approximately 3 cents lower than in 1934. After declining from the opening, quotations for this product recovered and in mid-August were slightly higher than a month earlier. Quotations on all other major California dried fruits declined further from mid-July to mid-August.

Domestic copper quotations in New York remained steady during July and early August at 8 cents per pound but advanced to 8½ cents on August 19. Export prices advanced slightly to 8.15-8.20 cents per pound on August 20. Lead and zinc prices increased fractionally. The spot price for silver, other than that representing new domestic production, was steady at 67¾ cents per ounce for several weeks but on August 13 declined sharply and on August 20 was quoted at 65¾ cents per ounce. Newly mined domestic silver continues to be purchased by the Mint at 77.57 cents per fine ounce.

Prices of food at retail in the larger population centers of the district averaged slightly lower at the end of July than in the latter part of June. In the four weeks ending July 30, Bureau of Labor Statistics' retail food price indexes for Seattle and Salt Lake City declined approximately 2 percent. Indexes for Los Angeles and Portland were practically unchanged, while the index for San Francisco-Oakland advanced fractionally.

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—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
July 24.....	- .1	+ 7.7	+ .7	+ 8.3
July 31.....	- .5	-10.2	+ 3.8	- 6.9
August 7.....	+ 1.8	- 7.6	+ 4.5	- 1.3
August 14.....	- 2.0	- 2.2	+14.6	+10.4
August 21.....	+ .4	- 2.6	+ 1.9	- 0.3

USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1935—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
July 24.....	- 2.9	+11.2	*	+ 8.3
July 31.....	+ .6	- 7.5	*	- 6.9
August 7.....	+ 4.7	- 5.9	- .1	- 1.3
August 14.....	+ 1.9	+ 8.7	- .2	+10.4
August 21.....	- 1.0	+ 3.5	- 2.8	- 0.3

*Change less than \$50,000.

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

	Condition			
	Aug. 21 1935	Aug. 14 1935	July 17 1935	Aug. 22 1934
Total Bills and Securities.....	201	201	201	167
Bills Discounted.....	...	...	...	...
Bills Bought.....	...	...	...	...
United States Securities.....	199	199	199	166
Total Reserves.....	365	361	348	319
Total Deposits.....	308	304	306	257
Federal Reserve Notes in Circulation	240	238	226	210
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined...	66.7%	66.5%	65.5%	68.2%

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

	Condition			
	Aug. 21 1935	Aug. 14 1935	July 17 1935	Aug. 22 1934
Loans and Investments—Total..	1,925	1,915	1,920	1,874
Loans—Total	868	862	864	884
On Securities.....	171	170	175	224
All Other.....	697	692	689	660
Investments—Total	1,057	1,053	1,056	990
United States Securities....	606	604	616	622
Other Securities.....	451	449	440	368
Reserve with Reserve Bank....	179	176	173	133
Net Demand Deposits.....	824	829	806	657
Time Deposits.....	943	945	950	951
Due from Banks.....	207	220	214	178
Due to Banks.....	227	222	215	195
Borrowings at Reserve Bank....	...	...	...	...

The Credit Situation

Total loans and total investments of Twelfth District city banks remained practically unchanged in volume between July 17 and August 21. Loans on securities declined slightly to the lowest point of the year, notwithstanding increases in activity and prices on district stock exchanges. This decrease in security loans was offset by a small expansion in all other loans. Holdings of United States Government securities continued to decrease but, as in other recent months, investments in securities guaranteed as to principal and interest by the Federal Government advanced. Other securities, representing largely corporate bonds, increased somewhat during the period under review. The reduction in Government securities resulted from sales outside the Twelfth District.

Demand deposits of city banks, which had been increased temporarily early in July by a substantial transfer of funds into the district in connection with a large corporate refunding transaction, declined in the latter half of the month and the first week of August. A sharp increase in demand deposits on August 14 was caused only in part by an unusual check clearing situation following the legal holiday in California on Tuesday, August 13. Expansion in demand deposits of city banks during that week was sufficient to bring them to the highest point recorded this year, near which level they remained on August 21. Time deposits decreased somewhat during July and August, but the net decline was smaller than the amount of time deposits voluntarily returned by banks to the

Postal Savings System, indicating that time deposits of individuals increased further.

Part of the increase in bank deposits during the five weeks ending August 21 resulted from the fact that the United States Treasury disbursed 26 million dollars more in the Twelfth District than it collected in taxes and borrowings. This net contribution of the Federal Government to local funds represented, in addition to the usual Government services, substantial payments in connection with the emergency relief and public works program. Such payments entered district banks almost immediately in the form of deposits. At the same time, however, deposits were drawn down by the usual tendency for this district to pay more to other districts than it receives through commercial transactions, a result of the fact that the Twelfth District as a whole purchases more goods, investments, and services from other districts than it sells to them. In addition to the net movement of funds to other districts, local demand for currency for circulation increased \$3,300,000, thus taking that amount of deposits out of district banks. An increase in demand for currency, confined to the smaller denominations, is customary at this season, and reflects mainly requirements for wage payments and general trade.

The total of the factors withdrawing funds from district banks was less than the net disbursement of Treasury funds, and balances carried by district banks with the Federal Reserve Bank of San Francisco increased to the highest point on record.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Factory employment and output were maintained in July at the June level, though usually there is a considerable decline at this season. Activity at mines showed a substantial decrease, reflecting a sharp reduction in output of coal.

Production and Employment. The Federal Reserve Board's seasonally adjusted index of manufactures showed an increase in July, while the index of mineral production showed a marked decline with the consequence that the index of industrial production remained unchanged at 86 percent of the 1923-1925 average. For the first seven months of the year, industrial output was 6 percent larger than a year ago. Activity at steel mills, which had declined during June, advanced considerably during July and the first three weeks of August and there was also a substantial increase in the out-

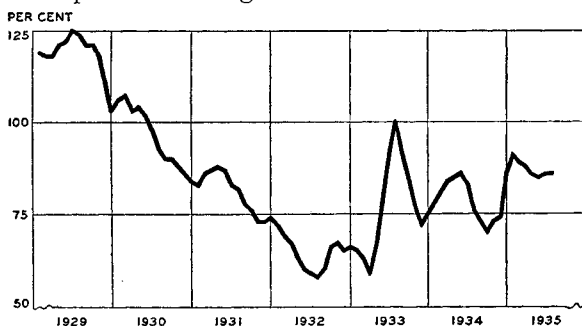
put of lumber. Automobile production showed a decrease from the high level prevailing earlier in the year, reflecting in part seasonal developments. Output of textiles increased somewhat in July, owing chiefly to increased activity at silk mills. In the woolen industry, the recent high rate of activity continued, while at cotton mills daily average output declined by about the usual seasonal amount. Meat packing remained at an unusually low level. At mines, output of bituminous coal decreased sharply in July, following an advance in the preceding month, and there was also a sharp reduction in output of anthracite.

Factory employment, which usually declines at this season, showed little change from the middle of June to the middle of July. Employment increased somewhat in the machinery, lumber, furniture, and silk industries and there

was a large seasonal increase in the canning industry. Decreases of a seasonal character were reported for establishments producing cotton goods and women's clothing, while in the automobile industry employment declined by more than the usual seasonal amount. At coal mines, employment showed a marked decrease in July.

The total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased further in July and the first half of August, reflecting an increase in non-residential projects. Residential building continued in considerably larger volume than a year ago, with increases from last year reported for most sections of the country.

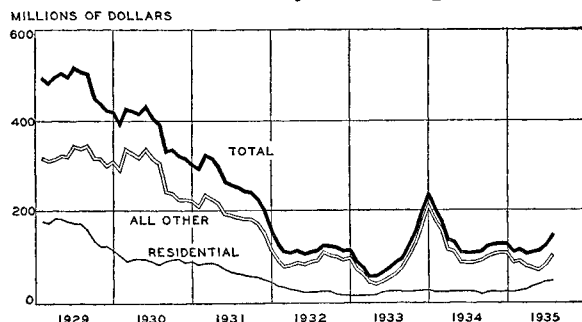
Department of Agriculture estimates as of Au-



INDUSTRIAL PRODUCTION

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

gust 1 indicate a cotton crop of 11,800,000 bales, about 2,200,000 bales larger than the unusually small crop last year. The indicated wheat crop, while larger than a year ago, is considerably smaller than the five-year average for 1928-



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 June and July and estimate for August.

1932. Crops of corn and other feed stuffs are substantially larger than last season.

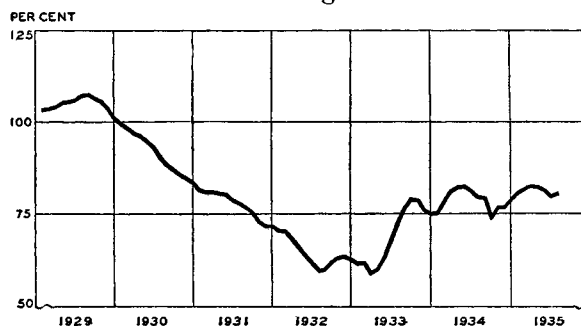
Distribution. Daily average volume of freight-car loadings declined in July, reflecting a marked decrease in shipments of coal. Department store sales showed a seasonal decline and the Board's adjusted index remained unchanged at 80 percent of the 1923-1925 average.

Prices. The general level of wholesale com-

modity prices showed little change during July and advanced slightly in the first three weeks of August. For the seven-week period as a whole there were substantial increases in the prices of hogs, lard, silk, and scrap steel, while cotton declined. Wheat, after advancing considerably during the latter part of July, declined somewhat in the early part of August.

Bank Credit. Excess reserves of member banks increased by \$340,000,000 in the five-week period ended August 21 as a consequence principally of a reduction in the balances held by the Treasury with Federal Reserve banks. There were also moderate imports of gold from abroad.

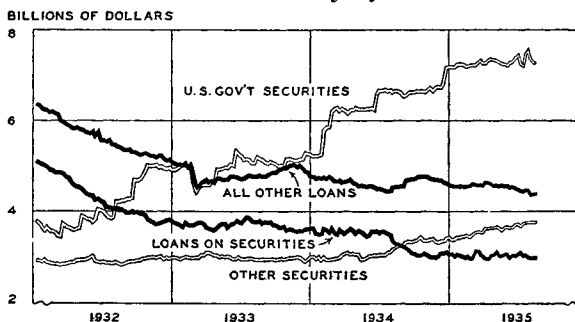
Total loans and investments of reporting member banks in leading cities showed a net



FACTORY EMPLOYMENT

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

decline of \$290,000,000 during the four weeks ended August 14. Holdings of direct obligations of the United States Government decreased by \$220,000,000 following a substantial increase in the middle of July. Loans declined



MEMBER BANK CREDIT

Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for August 14.

by \$180,000,000 in the latter part of July but subsequently advanced by \$40,000,000, while holdings of Government guaranteed and other securities increased by \$70,000,000 in the four-week period.

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