

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

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### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Industrial production and factory employment in the Twelfth District expanded more than usual during August. Value of building permits continued to move upward, a result of a substantial increase in residential construction. Contracts awarded for public works, which fluctuate rather widely from month to month, were twice as large in August as in July.

Sharp gains in the lumber and petroleum industries and more than the usual large expansion in fruit canning operations accounted for most of the rise in industrial production. Manufacture of wood products, notably furniture and fixtures, output of cement, and production of textiles increased moderately. Schedules of motion picture studios were maintained at record levels. On the other hand, flour milling and slaughter of livestock failed to increase by the usual amount from July to August, although both remained at high levels compared with earlier months of this year.

District freight carloadings rose materially more than the seasonal amount in both California and the Pacific Northwest during August, and there was a sharp recovery in inter-coastal traffic. Department store sales increased slightly less than is usual in August. Although new automobile sales decreased somewhat more than seasonally, they maintained a wide margin of increase over last year at this time.

Unexpected rains in northern California caused only slight damage to fruit crops, and agricultural operations throughout the district were favored by weather conditions during August and early September. Harvesting proceeded normally. Aggregate crop production estimates were higher on September 1 than on August 1. Marketing of farm products was not quite as large as in August of last year, when the movement was hastened by drought conditions, but average prices were higher as a result of increased prices for meat animals and poultry products.

Between August 21 and September 11, the usual seasonal increase in currency circulation

took place. Despite this demand upon Twelfth District banking funds, member bank reserve balances increased considerably because of net payments into the district by the United States Treasury and because of a net inflow of funds as a result of commercial and financial transactions with other districts. In the following week, however, third quarter income tax payments and substantial cash receipts from the recent sale of Treasury notes augmented Treasury collections in the district to a point where they exceeded disbursements by a considerable amount, and member bank reserve balances declined slightly.

Member bank credit was increased during the four weeks ending September 18 by a further growth in commercial and real estate loans and by an expansion in investments. The latter reflected principally an increase in holdings of direct obligations of the Federal Government acquired during the last week of the period reviewed. Loans on securities fluctuated with but little net change. Actual demand deposits fluctuated around the highest levels on record.

#### Agriculture

Harvesting of crops was active under generally favorable weather conditions throughout the Twelfth District during August and September. Estimates of production as of September 1 were slightly higher than a month earlier and, in all states except Oregon and Utah, approximated or exceeded the average outturn of recent years.

The marketing season for many Twelfth District crops begins in August. Lateness of the growing season this year resulted in a smaller market movement this August than last, but volume of sales for the entire season will probably exceed that of 1934 because production of crops is generally larger. Average prices being paid currently to farmers for crops produced in this district appear to be slightly below those paid a year ago, while prices paid for livestock are sharply higher. Farm income from all crops and livestock marketed during

the first half of this year is estimated by the United States Department of Agriculture to have been 18 percent larger than income during the first half of 1934.

Rains caused only minor damage to California deciduous fruits during August. Grape production is estimated at 2,039,000 tons, compared with 1,700,000 tons harvested in 1934 and a 1928-1932 average of 1,924,000 tons. Wineries are contracting for grapes at prices slightly lower than were paid last season. Grape shipments to eastern markets commenced early in August, later than usual. Volume of shipments in the opening weeks was heavy, and prices paid in eastern auction markets declined to levels below those of a year ago. Although the prune crop was damaged slightly by rain late in August, production estimates as of September 1 were somewhat higher than a month earlier, reflecting excellent maturing weather. Production is now set at 220,000 tons, 29 percent more than last year's output and the largest crop since 1930. Prices have declined steadily since January and at present are lower than at any time since early in 1933. Carry-over of standard grade prunes by growers and packers has been eliminated this year by the Federal Government's recent purchase of remaining supplies for relief purposes. The 1935 walnut crop in California is estimated to be 49,000 tons, the largest since the record crop of 51,000 tons in 1927. Plans to market this crop under an Agricultural Adjustment Administration marketing agreement are being formulated. Hot dry weather in the Pacific Northwest caused but little damage to fruit crops during August. Production of apples, pears, and prunes in that section is larger than in 1934, and on the whole the crops are of excellent quality.

Production estimates of the 1935 California Valencia orange crop were lowered by about 500,000 boxes during August to 25,800,000

boxes. A crop of this size would be the largest on record by several million boxes. Returns to orange growers have been favorable, with prices holding up well notwithstanding large supplies and heavy shipments. Increased demand for lemons in eastern markets because of hot weather resulted in record August shipments. Although prices for the month averaged slightly lower than in July, they were 23 percent higher than a year ago. Approximately 30 percent of this year's record lemon crop is being diverted to by-products plants to keep burdensome supplies from depressing prices.

Harvesting of wheat had been largely completed by the middle of September. Spring wheat yields were larger than had been anticipated, and estimates of total wheat production in the Pacific Northwest were increased to 78,241,000 bushels on September 1. That figure compares with a harvest of 68,986,000 bushels last year and an average crop of 91,115,000 bushels during the five years 1928-1932. Marketing activity increased during August and September, and several shipments of wheat to mid-western markets took place. Exports of wheat from the Pacific Northwest have been practically non-existent this season.

Picking of cotton in Arizona and California was under way by mid-September. This year's crop will be considerably smaller than 1934 production. Harvesting of sugar beets was progressing throughout the district by the middle of September. Damage from high temperatures and insects during August resulted in a decrease of 262,000 tons (10 percent) in estimated production of sugar beets during the month, but the crop is still expected to be about 18 percent larger than 1934 production.

Production of butter, as indicated by receipts at leading Pacific Coast markets, declined during August, although it was larger than in August 1934. Prices, which had declined during May, June, and July, advanced during August and the first half of September, and currently are slightly higher than a year ago.

Movement of eggs out of storage at Pacific Coast markets was smaller in August than in other recent months. Prices changed little during that month, but advanced sharply during the first half of September to a level approximately 23 percent higher than a year ago.

Twelfth District ranges and pastures carry a good supply of forage, and ample supplies of hay and grain for supplemental feeding are available at prices below those paid last year. Rains in early September replenished stock water in the Pacific Northwest. Cattle and calves are now in good to excellent condition in all states of the district, in marked contrast with the drought-stricken condition experienced last fall. Although many cattlemen are holding some of their young stock to rebuild

### ***Agricultural Marketing Activity—***

	August		Season to Date	
	1935	1934	1935	1934
<b>Carlot Shipments</b>				
Deciduous Fruits	14,917	15,428	21,059	30,730
Citrus Fruits....	8,477	6,775	77,929	62,150
Vegetables .....	6,311	5,068	68,149	68,142
<b>Exports</b>				
Wheat (bu.) ....	10,000	1,956,053	10,166	2,501,816
Barley (bu.) ....	1,832,122	887,707	2,364,871	1,035,415
<b>Receipts*</b>				
Cattle .....	88,034	148,890	610,506	697,235
Hogs .....	87,936	156,465	1,006,392	1,569,568
Sheep .....	777,191	629,183	3,253,494	2,906,371
Eggs (cases) ...	147,128	124,284	1,404,841	1,318,796
Butter (lbs.) ...	6,207,605	6,188,494	53,715,864	55,215,639
Wheat (carlots) .	12,051	11,733	15,696	16,149
Barley (carlots) .	1,314	1,542	1,867	1,986
<b>Storage Holdings*</b>	1935		1934	
(end of month)	August	July	August	July
Wheat (bu.) ....	3,407,000	1,127,000	5,187,000	3,638,000
Beans (bags) ..	413,000	565,000	657,000	744,000
Butter (lbs.) ...	10,114,000	10,477,000	7,155,000	8,137,000
Eggs (cases) ...	612,000	671,000	620,000	730,000

\*At principal district markets.

herds, receipts at principal district markets during August were the highest for that month, excepting last year, since records were inaugurated in 1921. Prices were steady or tended downward slightly during August and the first half of September, but remained about 50 to 60 percent higher than a year ago. September 1 reports indicate that sheep and lambs are in very good condition throughout the district. During August, contracting for feeder lambs increased sharply. This increased buying was accompanied by a considerable advance in prices, which are currently about 20 percent higher than a year ago. The number of hogs marketed during August was much smaller than a year ago, and quotations advanced to over \$12 per hundred pounds, almost double those in effect in August 1934.

### Industry

Industrial production in the Twelfth District increased considerably during August. The increase reflected further expansion in the lumber and canning industries, which were primarily responsible for the advance in July, and also a sharp rise in petroleum output. Activity in other major industries, in general, was slightly higher.

Accompanying the advance in industrial production, factory employment increased slightly more than usual between July and August. Without allowance for seasonal changes, total industrial employment in California rose from 86 to 100 percent of the 1923-1925 average, and this bank's seasonally adjusted index increased 4 percent to 87. Excluding employment in the highly seasonal fruit canning industry, an ad-

vance of 2 percent took place in the adjusted index. In Oregon a small increase in the adjusted index resulted principally from additional employment in the lumber industry, although the number of workers at textile plants advanced sharply. Industrial payrolls also increased during August, but by a smaller amount than employment.

Output of lumber was larger in August than in any month in over four years. In the Douglas fir area it expanded sharply further, approximating the unusually high level of last April, immediately prior to the strike. Output in the western pine region continued to advance, although a decline is customary at this time of year, and in the redwood region production expanded sharply. Despite these increases, total production was exceeded by new orders and shipments, and inventories of lumber continued to decrease during August. Effective August 24, the Interstate Commerce Commission authorized temporary and experimental reductions in the railway freight rate for lumber shipments from western mills to points east of the Illinois-Indiana line. The basic rate set is 72 cents per 100 pounds, which is from 7 to 18 cents lower than previous schedules based upon locality of origin and destination. This reduction places the railroads in a somewhat better competitive position with the intercoastal water carriers. Whether the action will result in larger aggregate sales of western lumber, however, is not yet apparent.

Value of building permits issued in the 20 larger cities of the district during August was substantially higher than in July. The increase took place entirely in residential permits which continued the relatively steady advance which has been in progress since the first of the year. In August, value of residential permits issued was more than four times that of August 1934. Value of permits for modernization and renovation work declined slightly from the unusually high figure for July but continued larger than in other recent months or than in the comparable month last year. The aggregate value of other building permits issued was lower than in July.

Contracts awarded for public works construction amounted to 24 million dollars in August, or more than double the total for July. The increase was caused principally by the award of several additional contracts on the Metropolitan Water District of Southern California and Bonneville Dam projects.

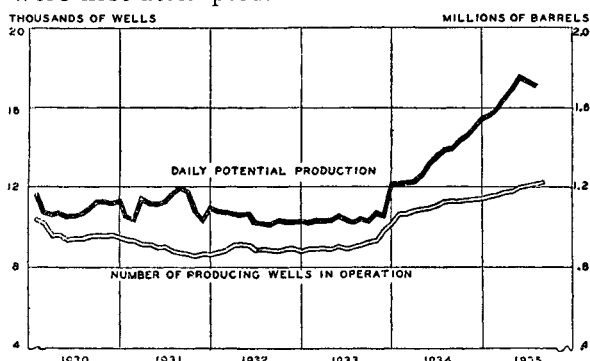
Daily average crude oil production in California expanded from 562,000 barrels in July to about 600,000 barrels in August, the first month in which output has approached this figure since 1930. As a direct result of this further expansion and as a measure designed to bring about a reduction in petroleum output,

### Employment—

Industries	No. of Firms	California— No. of Employees		No. of Firms	Oregon— No. of Employees	
		Aug. 1935	Aug. 1934		Aug. 1935	Aug. 1934
All Industries* . . .	1,011	162,123	160,989	108	21,957	22,477
		(+ .7)			(-2.3)	
Stone, Clay, and Glass Products..	55	6,299	6,027	3	191	195
		(+4.5)			(-2.1)	
Lumber and Wood Manufactures ..	88	13,688	11,606	38	11,874	9,967
		(+17.9)			(+19.1)	
Textiles .....	12	1,628	1,275	8	1,571	1,214
		(+27.7)			(+29.4)	
Clothing, Millinery, and Laundering.	111	8,317	7,933	4‡	112	100
		(+4.8)			(+12.0)	
Food, Beverages, and Tobacco ...	228	60,411	66,224	30	3,395	6,686
		(-8.8)			(-49.2)	
Public Utilities ..	47	44,756	44,334	..	....	....
		(+1.0)				
Other Industries†. .	472	59,133	55,517	..	....	....
		(+6.5)				
Miscellaneous ...	45	12,647	12,407	25	4,814	4,315
		(+1.9)			(+11.6)	
Wholesale and Retail .....	142	24,584	22,302	..	....	....
		(+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 August 1934.

posted prices for 27° gravity crude oil were cut in half in late August. Despite this action, production continued to expand during the first half of September. Reversing a tendency apparent in other recent months, crude oil stocks increased somewhat during August and the first half of September. They remained about 40 percent lower than in 1929, however, when concerted efforts to curtail production were first attempted.



NUMBER AND CAPACITY OF CALIFORNIA OIL WELLS  
(Number of wells estimated for August)

As indicated in the accompanying chart, number of wells in operation is now larger than at any time on record and capacity of these wells is estimated at more than 1,700,000 barrels daily, nearly three times current output of crude oil. This compares with a potential daily output of around 1,400,000 barrels a year ago and 1,000,000 barrels at the end of August 1933, immediately prior to the adoption of Federal code regulations. The large capacity of oil wells at present is a result of a marked revival in drilling activity during the past two years. Discovery of the Mountain View field

and development in the Kettleman Hills and Playa del Rey fields caused potential output to rise sharply in those sections, and there were large additions to capacity in such fields as Dominguez, Huntington Beach, Inglewood, Long Beach, and Elwood-Goleta in southern California. Capacities of wells in the Santa Fe Springs, Seal Beach, and Ventura Avenue areas, however, have shown but little net change in the past two years.

Reflecting unsettlement in the crude oil situation, gasoline prices were reduced generally throughout the district in early September. Operations at refineries, although considerably more active than a year earlier, were only slightly larger than in July and the small increase in gasoline inventories was largely seasonal in character.

Canning of fruits in California was at its height in August and September, as plants throughout the State were active packing peaches and pears. Trade reports indicate that the pack of peaches will be somewhat larger than the 8,600,000 cases canned last year, but output of pears is expected to be smaller than the record 1934 pack. Fish canning was also active on the Pacific Coast during August. Latest estimates place the Alaska output of canned salmon at approximately 5,000,000 cases, materially below the record pack of 7,471,000 cases in 1934 but only moderately smaller than in other recent years. The California mackerel pack to date is about 25 percent ahead of that for the corresponding period last year, and tuna is being caught and packed in substantially larger quantities this year than last. The California sardine or pilchard fishing season opened in mid-August. A definite attempt will be made this year to limit the catch for the season to 400,000 tons, compared with 610,000 tons last year. Of this restricted catch, about 125,000 tons are scheduled to be available for canning, and the remaining 275,000 tons for reduction by land and floating plants.

Output of beet sugar refineries in California during August, the first month of the current season, was substantially larger than in August 1934. Slaughter of livestock and production of flour failed to increase by the full seasonal amount between July and August.

## Industry —

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

	1935				1934		
	Aug.	July	June	May	Aug.	July	June
<b>General</b>							
Carloadings—Industrial.	61	56	40	42	49	47	42
Elec. Power Production	168	158	159	154	152	149	147
<b>Manufactures</b>							
Lumber .....	64	51	35	38	56	38	40
Refined Mineral Oils†..	144	142	142	135	128	131	130
Flour .....	94	106	106	117	111	95	89
Cement .....	..	51	49	59	53	58	61
Wool Consumption†...	..	165	105	134	60	80	84
Slaughter of Livestock.	99	103	93	100	151	118	110
<b>Minerals</b>							
Petroleum (California)†	90	85	84	75	75	78	78
Lead (United States)‡..	..	59	55	63	44	53	56
Silver (United States)‡.	..	73	47	51	39	40	45
<b>Building and Construction#</b>							
Total .....	49	40	40	39	64	64	39
Building Permits—Value							
Larger Cities .....	24	23	21	22	10	10	9
Smaller Cities .....	33	35	30	28	15	16	15
Engineering Contracts							
Awarded—Value							
Total .....	79	58	63	61	140	69	77
Excluding Buildings	147	98	108	116	286	263	151

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

## Trade

Continued sharp expansion in lumber shipments during August and considerable rise in shipments of merchandise and miscellaneous commodities in less than carload lots were responsible for an increase of four points in this bank's seasonally adjusted index of railroad freight carloadings to 74 percent of the 1923-1925 average. In only one other month since July 1931 has the index been as high as 74.

Sales of department stores increased in all parts of the Twelfth District during August, but in the aggregate the expansion was somewhat less than is usual in that month. More than the seasonal expansion took place in San Francisco, Seattle, and Spokane, while less than the customary gain was recorded for Oakland, Los Angeles, and Salt Lake City. Compared with last year, large increases in value

A rise of 10 percent in wholesale sales from July to August, though much smaller than a year earlier, approximated the average increase during the later month in the last ten years. Sales of dry goods and shoes expanded much more than is customary in August and the increase in hardware trade was somewhat larger than usual. Sales of automobile supplies

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

	1935 compared with 1934		
	NET SALES	Jan. 1 to end of August	STOCKS
	August*	August	August
Department Stores.....	8.3 ( 73)	9.6	1.1 ( 56)
Los Angeles .....	5.3 ( 6)	9.3	-2.1 ( 6)
Other So. California..	23.4 ( 9)	17.1	4.1 ( 7)
Oakland .....	8.0 ( 5)	10.6	1.6 ( 5)
San Francisco .....	10.4 ( 8)	8.8	2.6 ( 7)
Bay Region .....	9.7 ( 18)	9.4	2.5 ( 16)
Central California...	12.2 ( 6)	15.4	5.3 ( 6)
Portland† .....	2.9 ( 8)	10.5	-1.5 ( 7)
Seattle .....	10.6 ( 4)	6.5	3.5 ( 4)
Spokane .....	4.7 ( 5)	10.7	7.8 ( 5)
Tacoma† .....	6.6 ( 7)	8.7	6.9 ( 6)
Salt Lake City .....	8.5 ( 4)	6.4	-1.1 ( 4)
Apparel Stores .....	12.2 ( 41)	14.6	5.8 ( 28)
Furniture Stores .....	30.3 ( 30)	24.6	-5.0 ( 24)
All Stores .....	11.1 (144)	11.7	0.8 (108)

†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.

\*August 1935 had the same number of trading days as August 1934.

of sales continued in nearly all parts of the district. The largest percentage gains were reported from rural areas, such as San Joaquin and Sacramento Valley cities, southern California cities outside of Los Angeles, and agricultural centers in southern Idaho. Retail prices of goods sold by department stores are reported to be somewhat lower than a year ago.

Sales of new automobiles decreased more than seasonally during August. Except for immediately preceding months, however, sales were larger than at any time since the first half of 1930, and were 25 percent larger than in August 1934, which was the best month of that year.

**Distribution and Trade—**

	1935				1934		
	Aug.	July	June	May	Aug.	July	June
	Indexes adjusted for seasonal variation (1923-1925 average=100)						
<b>Carloadings†</b>							
Total .....	74¶	70	62	64	69	72	67
Merchandise .....	85¶	82	82	84	83	92	90
<b>Intercoastal Trade</b>							
Total .....	61	47	63	76	74	48	64
Westbound .....	100	88	89	93	66	75	67
Eastbound .....	51	37	54	71	78	41	62
<b>Retail Trade</b>							
<b>Automobile Sales‡</b>							
Total .....	97	105	94	95	78	71	62
Passenger .....	88	92	87	87	72	63	58
Commercial .....	179	198	175	184	133	128	105
<b>Department Store</b>							
Sales‡ .....	82	83	86	80	76	73	74
Stocks§ .....	62	62	63	62	62	63	65
<b>Collections#</b>							
Regular .....	47.6	47.1	48.2	48.9	45.5	44.6	46.7
Installment .....	18.7	17.6	16.7	17.7	19.3	17.3	15.3

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

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

	August 1935 compared with		Cumulative 1935 compared with 1934
	July 1935	Aug. 1934	
Agricultural Implements....	-15.8	36.4	63.6
Automobile Supplies .....	5.0	9.6	9.0
Drugs .....	4.2	6.7	5.1
Dry Goods .....	47.0	-4.6	4.9
Electrical Supplies .....	-2.2	35.9	31.4
Furniture .....	15.0	16.3	22.3
Groceries .....	6.4	2.6	9.9
Hardware .....	6.1	10.9	12.9
Shoes .....	104.0	3.8	-3.1
Paper and Stationery .....	15.9	14.0	12.6
All Lines .....	9.8	9.0	12.7

and of groceries increased, although no marked seasonal tendency is apparent for those lines of trade. Increases in sales of drugs, furniture, and paper and stationery firms were smaller than has been customary in August. Sales of agricultural implements and of electrical supplies declined.

Intercoastal water-borne traffic increased 125,000 tons during August, more than offsetting a decline to the lowest level of the year in the previous month. Lumber and petro-

**Bank Debits\*—**

	August 1935	August 1934	First eight months 1935	First eight months 1934
<b>Arizona</b>				
Phoenix .....	\$ 25,115	\$ 22,519	\$ 236,960	\$ 200,505
<b>California</b>				
Bakersfield .....	10,292	8,029	87,042	66,553
Berkeley .....	15,985	18,412	120,242	154,414
Fresno .....	20,230	17,194	157,061	130,792
Long Beach .....	30,878	23,675	232,716	181,191
Los Angeles .....	673,817	514,198	5,199,470	4,302,400
Oakland .....	178,323	164,065	1,311,215	1,274,132
Pasadena .....	20,870	16,028	166,822	146,494
Sacramento .....	135,634	91,859	809,214	457,754
San Bernardino .....	7,164	4,601	59,010	44,687
San Diego .....	41,975	27,622	324,225	235,876
San Francisco .....	768,812	680,885	6,125,961	5,441,160
San Jose .....	21,623	19,085	145,190	127,206
Santa Barbara .....	10,002	8,047	76,969	63,803
Santa Rosa .....	4,181	3,356	29,504	23,990
Stockton .....	15,986	15,412	121,647	109,054
<b>Idaho</b>				
Boise .....	15,771	12,531	114,415	90,291
<b>Nevada</b>				
Reno .....	9,329	7,990	65,882	58,116
<b>Oregon</b>				
Eugene .....	5,548	4,252	37,334	30,968
Portland .....	157,383	137,683	1,083,305	963,594
Salem .....	14,068	13,886	99,548	86,177
<b>Utah</b>				
Ogden .....	17,741	15,799	102,601	95,127
Salt Lake City..	54,304	47,807	414,214	370,072
<b>Washington</b>				
Bellingham .....	5,637	5,009	38,353	36,418
Everett .....	5,489	5,212	42,076	40,813
Seattle .....	165,832	143,541	1,197,090	1,078,882
Spokane .....	39,872	32,149	281,164	231,892
Tacoma .....	25,767	22,571	189,857	175,740
Walla Walla .....	6,476	4,996	36,839	32,715
Yakima .....	11,095	12,614	84,392	76,243
<b>Total.....</b>	<b>\$2,515,199</b>	<b>\$2,101,027</b>	<b>\$18,990,318</b>	<b>\$16,327,069</b>

\*In thousands of dollars.

leum shipments to the East Coast, which had been unusually small in July, recovered sharply and other classes of eastbound freight also expanded. Westbound cargo through the Panama Canal increased 26,000 tons in August, whereas no material change is customary in that month. Iron and steel shipments to the Pacific Coast increased 10,000 tons, more than offsetting a seasonal decline in tin plate shipments, and the aggregate of other classes of commodities moving from the Atlantic Coast expanded 23,000 tons. Total traffic was not as large as last year in August, however, when recovery from effects of the longshoremen's strike was evident.

### Prices

Advances in wholesale commodity prices during the five weeks ending August 24 brought the Bureau of Labor Statistics' index to 80.8 percent of the 1926 average, the highest point reached this year. In the following two weeks small decreases in the index were recorded, but in the week ending September 14 a relatively sharp increase took place as a result of advances in prices of farm products and foods. Retail prices of food advanced during August and early September, prices of meats, eggs, butter, and lard showing the largest increases.

Contract wheat prices at Chicago advanced considerably during the first three weeks of September. Cash prices of wheat in district markets moved largely in accordance with changes in the Chicago market. Spot cotton

prices in New York declined one cent per pound during the period under review to 10.95 cents per pound on September 20.

Opening prices for 1935 packs of canned fruit, announced late in August, were generally lower than opening prices in 1934. Quotations have remained fairly steady since opening prices were announced, although canned peaches were reported to have been selling at lower figures. Prices of dried fruits have shown little change since mid-August with the exception of raisin prices which have declined.

### The Credit Situation

During the three weeks ending September 11, district banking funds were augmented by further local disbursements of the United States Treasury in excess of collections. Additional funds also entered the district because of a net inflow of payments from commercial and financial transactions with other areas. Funds coming from these sources were received largely by individuals and corporations and appeared in the district banking structure in the form of increased demand and time deposits. They were also reflected immediately in increased member bank reserve balances with the Federal Reserve Bank, which reached the highest point on record on September 11. Some of the increase in deposits at member banks was cancelled by a seasonal rise in the amount of currency in circulation. Despite this latter influence, demand deposits of district city banks were larger in the week ending Sep-

#### 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—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
Aug. 7.....	+ 1.8	— 7.6	+ 4.5	— 1.3
Aug. 14.....	+ 2.0	— 2.2	+14.6	+10.4
Aug. 21.....	+ .4	— 2.6	+ 1.8	— .4
Aug. 28.....	+ .7	+ 1.5	+ 7.5	+ 9.7
Sept. 4.....	+ .4	+17.7	— 1.1	+17.0
Sept. 11.....	— .6	— 7.2	+16.3	+ 8.5
Sept. 18.....	+ 1.1	— 1.4	— 7.0	— 7.3

#### USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1935—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	— 6.9
Aug. 7.....	+ 4.7	— 5.9	— .1	— 1.3
Aug. 14.....	+ 1.9	+ 8.7	— .2	+10.4
Aug. 21.....	— 1.1	+ 3.5	— 2.8	— .4
Aug. 28.....	— .4	+ 9.5	+ .6	+ 9.7
Sept. 4.....	+ 8.5	+ 6.8	+ 1.7	+17.0
Sept. 11.....	+ 2.1	+ 5.0	+ 1.4	+ 8.5
Sept. 18.....	— 1.1	— 2.9	— 3.3	— 7.3

\*Change less than \$50,000.

#### FEDERAL RESERVE BANK OF SAN FRANCISCO

(In millions of dollars)

	Condition			
	Sept. 18 1935	Sept. 11 1935	Aug. 21 1935	Sept. 19 1934
Total Bills and Securities ...	201	201	201	167
Bills Discounted .....	...	...	...	...
Bills Bought .....	...	...	...	...
United States Securities..	199	199	199	166
Total Reserves .....	404	404	365	317
Total Deposits .....	332	332	308	255
Federal Reserve Notes in Circulation .....	256	254	240	212
Ratio Total Reserves to Deposit and Note Liabilities	68.7%	68.9%	66.7%	67.7%

#### REPORTING MEMBER BANKS—Twelfth District

(In millions of dollars)

	Condition			
	Sept. 18 1935	Sept. 11 1935	Aug. 21 1935	Sept. 19 1934
Loans and Investments—Total..	1,982	1,931	1,925	1,889
Loans—Total .....	886	878	868	904
On Securities .....	170	171	171	216
Acceptances, Com'l Paper..	23	22	19	20
On Real Estate .....	349	346	343	345
All Other .....	344	339	335	323
Investments—Total .....	1,096	1,053	1,057	985
United States Securities ...	641	599	606	603
Securities guaranteed by United States .....	125	123	112	41
Other Securities .....	330	331	339	341
Reserve with Reserve Bank .....	192	194	179	144
Cash in Vault .....	17	18	17	15
Net Demand Deposits .....	861	818	824	699
Time Deposits .....	953	949	943	943
Government Deposits .....	84	47	50	69
Due from Banks .....	228	232	207	174
Due to Banks .....	239	242	227	198
Borrowings at Reserve Bank...	...	...	...	...

tember 11 than at any time in recent years. Time deposits showed but little change, any tendency for such accounts of individuals to advance being offset largely by a further return of postal savings funds to the Treasury by banks unwilling longer to pay the required  $2\frac{1}{2}$  percent rate of interest thereon.

In the week ending September 18, movements of funds were the reverse of the preceding three weeks. The United States Treasury collected substantially more than it disbursed in the district during that week, and there was also a small net outflow of funds to other districts because of commercial and financial transactions for the accounts of banks and their customers. Although partially offset in their effects by a small increase in reserve bank credit during the week and by a return of currency from circulation, the reduction in funds available to banks because of Treasury operations and interdistrict commercial transactions resulted in a decline in both member bank balances and nonmember deposits at the Federal Reserve Bank of San Francisco. While the net excess of Treasury collections reflected in part third quarter income tax payments, individual deposits at city banks were but little influenced by the Treasury's net withdrawal of funds from the district since it was a result entirely of cash collections by the Treasury of \$10,350,000 for subscriptions to the recent issue of  $1\frac{1}{2}$  percent Treasury notes. Inasmuch as these securities were bought principally by banks, payment for them did not affect de-

posits of individuals and businesses. The total allotment of that issue of securities to Twelfth District purchasers was \$49,500,000 of which \$39,150,000 was paid for by deposit credit to the Federal Government.

Total loans and investments of reporting member banks increased moderately during the period under review. Loans to brokers remained unchanged at the comparatively low levels of the preceding month and other loans on securities changed little. Commercial loans advanced moderately further, continuing the steady increase apparent since late May. A small increase in loans on real estate was also recorded during the four weeks, while holdings of acceptances and commercial paper bought in the open market increased slightly between mid-August and mid-September. Investments of city banks advanced considerably, the change taking place almost entirely in holdings of direct obligations of the United States Government as a result of subscriptions to securities issued in the last week of the period under review.

Bankers' balances at city banks, as well as balances carried by those banks with other correspondents, advanced sharply between mid-August and mid-September and are currently higher than at any time on record.

Notwithstanding the increase in demand deposits during late August and the first half of September, rate of turnover of those deposits averaged about the same as in the preceding four weeks, reflecting considerable expansion in the amount of check transactions.

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## SUMMARY OF NATIONAL CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

Total volume of industrial production increased in August by about the usual seasonal amount. Steel output increased more than seasonally, while the output of automobiles and anthracite declined sharply. Factory employment and payrolls increased. Wholesale prices of farm products and metals advanced during August and the first two weeks of September, and prices of wheat and metals increased further in the third week of the month.

**Production and Employment.** Industrial production increased seasonally in August and the Board's index, which is adjusted to allow for usual seasonal variations, remained unchanged at 86 percent of the 1923-1925 average. Activity at steel mills showed a considerable increase from July to August and in the first three weeks of September was at a level higher than in any other month since February. Automobile assemblies declined by about 30 percent in August and showed a further sharp reduction in the early part of September, reflecting

in part preparations for early introduction of new models. At lumber mills output continued to increase in August. Cotton consumption by domestic mills increased slightly from recent relatively low levels and activity at woolen mills was maintained at a high rate. At mines, output of anthracite decreased sharply in August, while output of bituminous coal showed an increase.

Factory employment and payrolls increased between the middle of July and the middle of August by more than the usual seasonal amount. Marked increases in employment were reported for the steel, machinery, lumber, silk, and clothing industries, while at automobile factories employment declined somewhat. The number of wage earners engaged in the production of durable manufactures in August was 6 percent larger than a year earlier, while the volume of employment in other manufacturing industries as a group showed little change. Total factory employ-

ment was 3 percent larger than in August 1934.

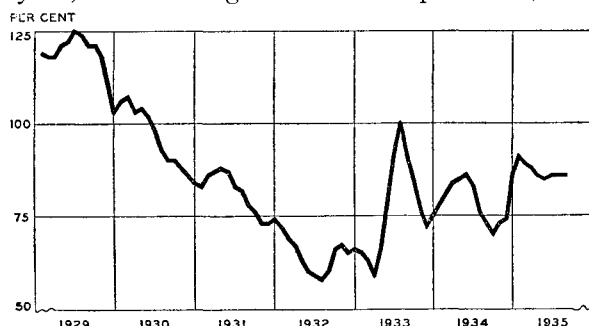
Daily average value of construction contracts, as reported by the F. W. Dodge Corporation, showed little change in August and the first half of September. Contracts for residential building, which earlier in the year had increased considerably, showed a decrease for this period, while the volume of public projects increased.

Department of Agriculture estimates based on September 1 conditions indicate a cotton crop of 11,489,000 bales, as compared with the unusually small crop of 9,636,000 bales last year. The indicated crops of corn, wheat, and other grains are considerably larger than last year, when drought conditions prevailed, and

silk, copper, lead, and zinc advanced further in the third week of the month. Cotton prices declined considerably in August and showed relatively little change in the first three weeks of September.

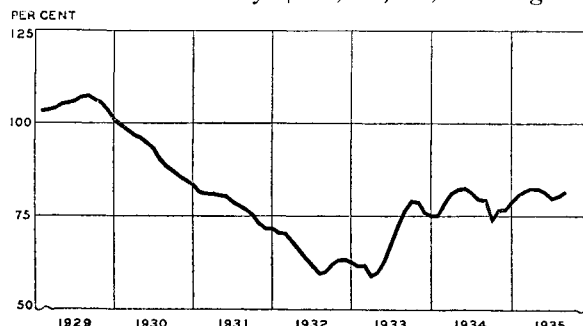
**Bank Credit.** Excess reserves of member banks declined in the five-week period ended September 18, reflecting a temporary increase in the Treasury's total holdings of cash and deposits at Federal Reserve banks and a seasonal increase of money in circulation, which was partly offset by an inflow of gold from abroad.

Total loans and investments of reporting banks in leading cities increased by \$610,000,000 during the five weeks ended September 18. Loans increased by \$100,000,000, holdings of



INDUSTRIAL PRODUCTION

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

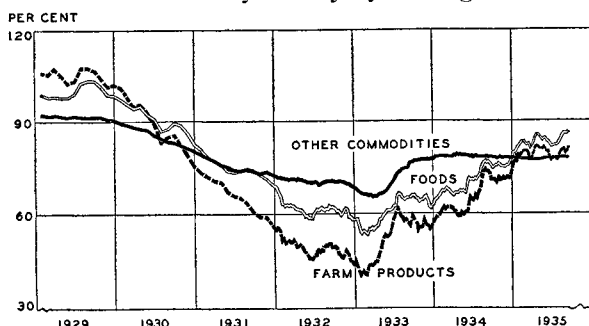


FACTORY EMPLOYMENT

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

the condition of pastures is above the ten-year average.

**Distribution.** Freight carloadings increased considerably in August and the first half of September, partly as a consequence of seasonal factors. Department store sales increased slightly less than seasonally from July to August.

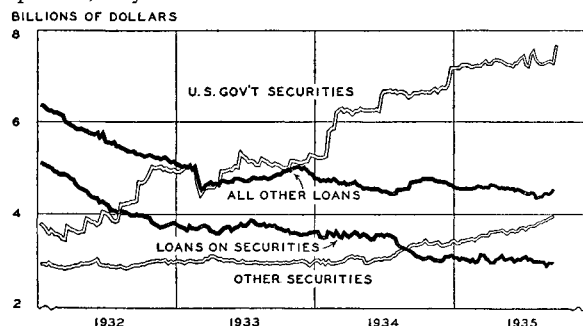


WHOLESALE PRICES

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

**Commodity Prices.** The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced from 79.6 percent of the 1926 average at the beginning of August to 80.8 percent in the second week of September and prices of many leading commodities, including wheat,

United States Government direct obligations by \$390,000,000, holdings of United States guaranteed securities by \$70,000,000, and holdings of other securities by \$50,000,000. Adjusted demand deposits of these banks—that is, demand deposits other than Government and bank deposits, adjusted for collection items—increased



MEMBER BANK CREDIT

Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for September 18.

by \$140,000,000, United States Government deposits by \$160,000,000, and balances due to banks by \$270,000,000.

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