

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

Federal Reserve Agent
Federal Reserve Bank of San Francisco

Vol. XIX

San Francisco, California, October 21, 1935

No. 10

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Improvement in industrial employment and output in the Twelfth District which took place in July and August was well retained during September. Measures of trade were higher on a seasonally adjusted basis. Principally because of a decrease in non-residential permits, total value of building permits declined substantially but continued more than double that of a year earlier. Engineering contract awards excluding buildings were smaller than in August, but exceeded the monthly average for the year.

A reduction in operations at California fruit and vegetable canneries, customary at this time of year, was approximately offset by an increase in activity at plants in the Pacific Northwest. Total lumber production declined by about the usual seasonal amount. Output of crude and refined oils continued to expand and non-ferrous metals mining activity in this district increased slightly further. Employment at motion picture studios and laboratories was but little lower than the record levels of August.

Industrial employment in Oregon advanced sharply, while in California the usual seasonal reduction was reported. Payrolls in Oregon increased less than did employment, and in California total wage payments declined considerably more than employment.

Daily average freight carloadings continued to rise in September, although some decline is customary. Intercoastal traffic increased further. More than the usual increase took place in district department store sales.

Rainstorms in late September and early October caused minor damage to unharvested crops but were beneficial in providing needed moisture on livestock ranges and in preparing the soil for fall planting. Volume of crops marketed in September was larger than in August, and district prices for farm products were, on the whole, somewhat higher than in the preceding month.

Real estate and commercial loans of Twelfth District reporting member banks increased further during the four weeks ending October 16. The aggregate of these loans is now higher than at any time since late 1932. Investments declined slightly, the entire reduction taking place

in holdings of Government bonds. Actual demand deposits reached new high levels and, despite a further return of postal savings funds to the United States Treasury, time deposits also advanced.

District banking reserves continued to increase during the period under review. United States Treasury disbursements exceeded local collections by substantially more than in other recent months. Reflecting relatively large transfers of funds into the district in connection with recent securities refundings of Pacific Coast utilities and a return of bankers' balances held in the East, there was an unusually small net outflow of funds through interdistrict payments for the accounts of banks and their customers. Thus, notwithstanding a further moderate increase in demand for currency and an increase in special deposit accounts at the Federal Reserve Bank, member bank reserve balances expanded considerably further.

Agriculture

Although lack of rain during September delayed fall planting work, it aided maturing and harvesting of late crops. Widespread rainfall on the last day of September and during the first half of October was of material benefit to farmers and livestock growers and, since harvest of most important crops had been completed, caused relatively little damage to crops.

Activity in the marketing of the district's principal agricultural products increased during September and approximated the levels of a year ago. According to the Department of Agriculture's index, prices paid to farmers were about the same as in August, and averaged slightly higher than in September 1934. Increased prices for meat animals, dairy products, and chickens and eggs were entirely responsible for the advance of the index in the year-period. Prices of most crops are lower than a year ago.

Estimates of California orange and lemon crops were not changed materially during September. This year's Valencia orange crop, most of which has been marketed, is estimated at 26,950,000 boxes, the largest on record. Average prices received by growers advanced further

during September, although they were still slightly below those of last year. Preliminary forecasts indicate that the 1935-1936 Navel orange crop will be about 15,200,000 boxes, compared with a crop of 18,990,000 boxes last season. The forthcoming crop is maturing later than normal, and will not reach the market in quantity before mid-November.

California deciduous fruits and nuts now being harvested and marketed include grapes, prunes, walnuts, and almonds. Shipments of grapes to eastern markets continued fairly heavy during September and October, but prices advanced considerably and by mid-October approximated those of a year ago. Demand for grapes by wineries is good, and prices are reported to be only slightly lower than last year. Total production of grapes this year is estimated at 2,053,000 tons, 21 percent larger than production in 1934. Yields of prunes turned out to be larger than expected earlier in the season, and production estimates as of October 1 were increased to 243,000 tons. This figure is 42 percent above that for last year, and 23 percent larger than the 1928-1932 average. The rains of early October are reported to have damaged drying raisins and prunes somewhat. Latest estimates place the almond crop at 9,300 tons, a figure 15 percent below that for last year's crop. Opening prices announced on September 16 were from 29 to 49 percent higher than last year. Opening prices for walnuts were only slightly below those of 1934, although the crop, now estimated at 50,020 tons, is considerably larger. Under terms of a marketing agreement between walnut growers and the Secretary of Agriculture, only 70 percent of this year's crop is to be sold in domestic markets.

In the Pacific Northwest, fruit crops were favored by weather during September. Considerable worm damage to apples has been reported, and, although total production estimates were increased, commercial crop estimates were

reduced. This year's apple crop has matured later than usual and seasonal shipments have been markedly smaller than in most previous years. A large pear crop of excellent quality is being marketed. The increase in production is partly the result of favorable growing conditions and partly the result of increased bearing acreage. Prices received by growers are considerably lower than a year ago.

Latest estimates of wheat production in the Pacific Northwest indicate a 1935 harvest of 81,000,000 bushels compared with a crop of 69,000,000 bushels last year and 1928-1932 average of 91,000,000 bushels. Domestic demand for wheat has been active this year and the proportion of the current crop sold by farmers up to October 1 was considerably larger this year than last. Wheat quotations at Portland advanced sharply during September and the first half of October, and, despite later small declines, were slightly higher in the week ending October 19 than a year ago. Department of Agriculture reports indicate that prices paid farmers were slightly lower in September 1935 than in September 1934.

Harvesting of rice in California was further delayed by rains in late September and the first half of October. The crop was forecast at 2,723,400 bags of 100 pounds as of October 1, compared with 1934 production of 3,449,250 bags. Only a small part of the crop had been harvested up to mid-October, and rice threshed thus far has been of only fair quality. The California rice marketing agreement affecting the 1935 and subsequent crops was terminated on September 13 by the Secretary of Agriculture.

Beans are now being threshed in California and Idaho, the principal producing areas in this district. Due largely to favorable weather at the end of the growing season, the October 1 estimate of Twelfth District production was raised to 5,364,000 bags, compared with 5,140,000 bags harvested last year and an annual average outturn of 4,956,000 bags from 1928 through 1932. The total supply of beans (production plus storage stocks) is about 3 percent smaller this year than last. Prices of beans reached the lowest point of the past 12 months late in August, and, although advancing sharply since then, they are still somewhat lower than a year ago.

Harvesting of cotton in California and Arizona and of sugar beets, potatoes, and other late crops throughout the district progressed satisfactorily during late September and the first half of October, notwithstanding temporary delays because of rains.

Receipts of butter in the principal district markets declined seasonally from August to September but the movement out of storage was considerably larger than usual. Prices advanced 2 cents per pound from mid-September

Agricultural Marketing Activity—

	September		Season to Date	
	1935	1934	1935	1934
Carlot Shipments				
Deciduous Fruits	17,716	18,664	38,775	49,394
Citrus Fruits....	6,578	5,247	84,507	67,397
Vegetables	6,220	6,803	74,369	74,945
Exports				
Wheat (bu.) ...	833	106,581	10,999	2,608,397
Barley (bu.) ...	1,250,123	633,707	3,614,994	1,669,122
Receipts*				
Cattle	98,925	173,463	709,431	870,698
Hogs	87,705	127,376	1,094,097	1,696,944
Sheep	737,858	544,570	3,991,352	3,450,941
Eggs (cases) ...	134,811	105,999	1,539,652	1,424,795
Butter (lbs.) ...	4,990,207	5,192,216	58,706,071	60,407,855
Wheat (carlots) ...	11,143	5,291	26,839	21,440
Barley (carlots) ...	1,342	1,368	3,209	3,354
Storage Holdings*				
(end of month)				
Wheat (bu.)....	5,595,000	3,407,000	6,046,000	5,187,000
Beans (bags) ...	1,061,000	413,000	1,869,000	657,000
Butter (lbs.) ...	7,868,000	10,114,000	5,120,000	7,155,000
Eggs (cases) ...	515,000	612,000	483,000	620,000

*At principal district markets.

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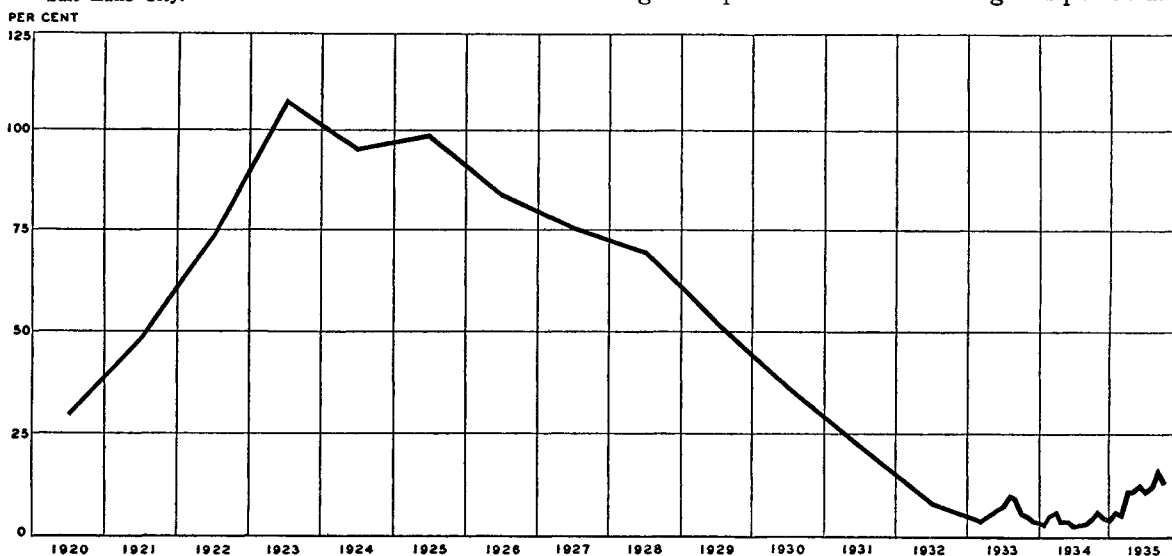
Residential Building Activity—Twelfth Federal Reserve District

Considerable expansion in the value of residential building permits issued in eleven larger cities* of the Twelfth Federal Reserve District has been recorded during 1935. The upward tendency in such building has been practically continuous since the beginning of this year, and the degree of expansion is indicated by the fact that in the first nine months of 1935 residential permits in these eleven cities totaled \$18,442,000 compared with a total of \$6,638,000 in the first nine months of 1934. As is shown by the chart at the bottom of the page, this large and fairly well sustained increase in building of homes contrasts markedly with the uninterrupted decline from 1925 to the end of 1932, and with a small temporary recovery in the summer of 1933. Nevertheless, as is well brought out by the chart, the revival in home building thus far represents but a minor expansion when compared with either the peak or the average level

in the decade from 1920 to 1930. Consequently, the number of workers employed in the building trades is still relatively low, and output of industries engaged in manufacture of materials used extensively in construction of houses remains well below that of pre-depression years.

To compare the present or prospective level of home building in the Twelfth District with that of the post-war decade is to consider it in relation to an unusually high degree of activity which was brought about by a variety of factors. In the first place, this district, like the rest of the United States, experienced a sharp curtailment of building during the war years, and in 1919 some scarcity of residential properties existed. Second, and of dominant importance, a substantial influx of population to the district, particularly to southern California, took place throughout the 1920-1930 decade. Third, these were years of comparative prosperity, and a material improvement in standards of housing resulted. Fourth, promotional building enterprises flourished during this period and

*Includes Berkeley, Long Beach, Los Angeles, Oakland, Pasadena, San Diego, San Francisco, Portland, Seattle, Spokane, and Salt Lake City.



VALUE OF RESIDENTIAL BUILDING PERMITS—Twelfth District

Based upon figures for 11 cities. Annual indexes 1920 to 1932; monthly indexes 1933 to date. (1923-1925 average=100).

were facilitated and supplemented by the readiness with which funds could be obtained to finance such enterprises.

Influenced principally by these factors, accommodations were provided in houses and apartments for approximately 500,000 families in the eleven cities under discussion during the ten years from January 1, 1920 to January 1, 1930. Both value of residential permits and number of families provided for in new dwellings were at record levels in 1923. Although value of permits and number of families provided for declined almost continuously from that year until 1933, the period of most precipitate decline was from the beginning of 1929 to the end of 1932.

Most of the new houses and apartments erected between 1920 and 1930 were required to meet an increase of approximately 400,000 in the number of families in the eleven cities. Other new dwellings replaced structures which were torn down or destroyed during the period. It would appear, however, that some of the building was in excess of demand, since, in the later stages of the period, large vacancies in apartment houses were reported to have existed. There is no adequate information concerning vacancies in single family dwellings, but they appear to have been relatively small in 1929, and in view of the predominance of that type of dwelling it may be said that, at the end of 1929, the total supply of residential accommodations was not greatly in excess of effective demand.

Although some excess of usable housing facilities did exist in 1928 and 1929, the subsequent extreme decline in building activity may be traced principally to the general business depression and to a decrease in population growth. Unemployment and reduced incomes restricted the expenditures that could be made for housing facilities. Concentration of related family groups in one dwelling took place to an

appreciable extent, thereby increasing vacancies and making available either for rental or sale additional properties. There was also a tendency to make use of existing facilities as long as possible, a factor which not only restricted building of new homes but which also reduced repair and alteration work on older structures. Although the number of families in the eleven cities continued to increase, according to estimates based upon Bureau of Census data, housing facilities for the additional families were provided without much new building.

Appearance of real improvement in home building this year followed upon considerable increase in employment during 1933 and 1934. Although statistical evidence is lacking, general observation and reports warrant the statement that there has been a decline in vacancies in dwellings during this period of business recovery. Some evidence of advances in rentals is available, although data from the Bureau of Labor Statistics indicate that such advances have been very slight, and have taken place in principal Pacific Coast cities only since the beginning of 1935. The increase in employment and in aggregate wage payments, the greater confidence in stability of employment and income, the reduction in vacancies, the tendency for rentals to advance, and the liberal loan facilities for new home building give some explanation of why there has been a rise in home building this year. Activity represented by this recovery is still low, however, not only in relation to the unprecedented levels from 1922 to 1928, but also in relation to years of more moderate construction activity. The modest degree of recovery in building thus far may be largely attributed to the fact that purchasing power of the public is still well below pre- or early-depression years, while construction costs are high relative to alternate costs of obtaining accommodations through rental or purchase of existing dwellings.



to mid-October, bringing quotations for 92 score butter in San Francisco to 31 cents per pound, 2½ cents per pound higher than a year ago. Although egg receipts in Portland, San Francisco, and Los Angeles during September were markedly larger this year than last and exceeded the September average of recent years, quotations at these markets advanced 17 percent.

Ranges throughout the district were materially aided by rains in September and early October, and at present are generally in good to excellent condition, although a few sections in the Pacific Northwest need rain. With hay and other feeds plentiful at relatively low prices, the outlook for winter months is promising to livestock growers.

Reports as of October 1 indicate that cattle and calves are in better condition than a year ago or than the average of the last ten years in all states but Oregon and Washington. In those states growers are selling stock freely, taking advantage of existing high prices. In other states of the district where feed and forage are more plentiful, growers are marketing stock more slowly. Local consumption of beef has been maintained at high levels during the first eight months of this year as compared with recent years. Prices paid growers for cattle advanced slightly from August to September and current market quotations show little change from the latter date.

Sheep raisers report that flocks are in good to excellent condition. The number of lambs to be fed during the 1935-1936 feeding season is expected to be moderately smaller than last year. Lamb prices paid growers showed a marked seasonal increase from mid-August to mid-September and market quotations advanced in early October.

Industry

Factory employment and aggregate industrial output in the Twelfth District after adjustment for the usual seasonal influences, were practically unchanged in September following advances in the two preceding months. Value of building permits was substantially below that reported for July and for August. Contracts for engineering construction, which fluctuate sharply from month to month, were lower than in August.

Total industrial employment in California declined by the customary amount in September, largely reflecting a curtailment in labor requirements at fruit and vegetable canneries. Excluding the highly seasonal canning industry, no change was reported in the number of factory workers employed, although a small increase has usually taken place during September. In addition to a reduction of 16 percent in the number of workers at fruit and vegetable canneries, the largest decreases in employment

were reported in the furniture, textiles, and printing industries. Total factory payrolls declined considerably, entirely as a result of decreased payments to workers in the canning industry. In Oregon, more than the usual expansion in industrial employment was reported during September, a result principally of increases in the fruit and vegetable canning and textiles industries.

Value of building permits issued in twenty principal cities in the district aggregated 6 million dollars in September. This amount was 30 percent lower than in August but more than double that for September last year. About half of this total represented permits for residential building, the value of which has been exceeded so far this year only in August. Permits for alterations and repair work totaled nearly 2 million dollars during September. The remainder, a little over a million dollars, covered non-residential building, which decreased considerably to a level only slightly higher than a year earlier.

Third quarter contract awards for public works amounted to approximately 48 million dollars, an increase of 9 million dollars over the preceding three-month period. Last year in the third quarter, about 70 million dollars of contracts were let, this total including 30 million for the Grand Coulee Dam project. At present, actual construction work, including that being done on previously awarded contracts, is at the highest level for the year, according to figures showing the number employed on projects financed by the Public Works Administration. Over 400 million dollars has been assigned to states of the Twelfth District for disbursement in coming months under the Emergency

Employment—

Industries	No. of Firms	California No. of Employees		Oregon No. of Employees		
		Sept. 1935	Sept. 1934	Sept. 1935	Sept. 1934	
All Industries*	1,086	174,630	156,964	112	25,874	22,133
		(+11.3)			(+16.9)	
Stone, Clay, and Glass Products	52	6,567	5,996	3	147	193
		(+9.5)			(-23.8)	
Lumber and Wood Manufactures	94	13,052	11,491	39	11,802	9,623
		(+13.6)			(+22.6)	
Textiles	12	1,450	1,204	8	1,806	1,180
		(+20.4)			(+53.1)	
Clothing, Millinery, and Laundering	119	9,102	8,839	6‡	211	187
		(+3.0)			(+12.8)	
Food, Beverages, and Tobacco	243	63,769	53,549	31	7,095	6,494
		(+19.1)			(+9.3)	
Public Utilities	44	42,100	41,408	..	....	....
		(+1.7)				
Other Industries†	512	63,829	59,960	..	....	....
		(+6.5)				
Miscellaneous	54	16,861	15,925	25	4,813	4,456
		(+5.9)			(+8.0)	
Wholesale and Retail	391	50,065	47,264	..	....	....
		(+5.9)				

*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 September 1934.

Relief Appropriations Act of 1935. Much of this sum has already been allotted to specific projects.

Lumber production in the district declined by about the seasonal amount during September. In the Douglas fir area, the cut increased moderately further, although some recession is customary at this time of year. Output of western pine and particularly of redwood declined by more than the usual amount. Total production during August and September averaged higher than in any month since the early summer of 1931. New orders averaged somewhat less than in the preceding month and were generally exceeded by production. While shipments of Douglas fir were well maintained and continued larger than output, shipments from the western pine area were generally lower than production.

Crude oil production continued to increase rapidly in the first three weeks of September, reaching a level of more than 644,000 barrels daily, the highest for any week in over five years. Output was restricted somewhat in the last week of the month, when a new plan for proration control instituted by independent operators was announced, but during the entire month of September production averaged 640,000 barrels daily, or 7 percent more than in August. In the first half of October, production was in excess of the September average but below the level reached in the third week of that month. Although shipments to the Atlantic Coast held up fairly well, inventories of crude and fuel oil in California increased during September.

Output of oil refineries also expanded during September, although recession is usually experienced at this season. Following a reduction in crude oil prices in late August, retail gasoline prices on the Pacific Coast were reduced sharply

in early September. Further reductions in prices were effected later in the month and in early October.

Activity at fruit and vegetable canneries in California declined slightly in September with completion of the peach pack early in the month. Output of this variety of fruit is estimated by the trade to approach 10,000,000 cases, somewhat larger than the pack last year. Canning of pears in California and the Pacific Northwest reached a seasonal peak during the month and the tomato and tomato products season in California and Utah opened late in August.

For the season to date the California tuna pack not only exceeds output last year by a substantial margin but exceeds the pack in any comparable period in preceding years. California sardine canning and reduction activities increased further during September. Failure of the floating reduction plants to operate under state control threatens the plan to restrict the total catch of sardines to 400,000 tons.

Somewhat less than the usual gain in the meat packing industry took place in September and slaughter was markedly lower than a year earlier, when animals from drought-stricken areas swelled the total. Flour milling increased seasonally in the district but stocks were reported to be somewhat smaller than a month earlier. District output of refined cane and beet sugar was about 18 percent larger in volume in September than a year ago.

Trade

Daily average freight carloadings increased to a new high level for the year in September, whereas a decline from August to September is customary, and this bank's seasonally adjusted index rose from 74 to 78 percent of the 1923-1925 average. This occurrence reflected in part a further rise in lumber shipments by rail and was also influenced by a later than usual movement of agricultural products this year. Bulk loadings were the highest in five years. Mer-

Industry —

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

General	1935				1934		
	Sept.	Aug.	July	June	Sept.	Aug.	July
Carloadings—Industrial.	72	60	56	40	52	49	47
Elec. Power Production	169¶	168¶	159	159	151	152	149
Manufactures							
Lumber	65¶	64¶	51	34	49	56	37
Refined Mineral Oils†..	146¶	146	142	142	116	128	131
Flour	103¶	102	106	106	98	111	95
Cement .....	..	60	51	49	65	53	58
Wool Consumption†..	149¶	159	165	105	38	59	80
Slaughter of Livestock..	95¶	99	103	93	168	151	118
Minerals							
Petroleum (California)†	97	91	85	84	71	75	78
Lead (United States)†..	..	60	59	55	55	44	53
Silver (United States)†..	..	59	73	47	36	39	40
Building and Construction#							
Total	51¶	49	40	40	54	64	64
Building Permits—Value							
Larger Cities	24¶	25¶	23	21	10	10	10
Smaller Cities	36	33	35	30	17	15	16
Engineering Contracts							
Awarded—Value							
Total	82	79	58	63	111	140	69
Excluding Buildings	148	147	98	108	221	286	263

†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.

Distribution and Trade —

	1935				1934		
	Sept.	Aug.	July	June	Sept.	Aug.	July
	Indexes adjusted for seasonal variation (1923-1925 average=100)						
Carloadings‡							
Total	78	74	70	62	67	69	72
Merchandise	83	83	82	82	78	83	92
Intercoastal Trade							
Total	70	61	47	63	80	74	48
Westbound	77	100	88	89	81	66	75
Eastbound	66	51	37	54	78	78	41
Retail Trade							
Automobile Sales‡							
Total	77	97	105	94	68	78	71
Passenger	69	87	92	87	63	72	63
Commercial	157	179	198	175	124	133	128
Department Store							
Sales‡	84	82	83	86	78	76	73
Stocks§	63	62	62	63	63	62	63
Collections#	Actual Figures						
Regular	46.3	47.6	47.1	48.2	45.6	45.5	44.6
Installment	19.3	18.7	17.6	16.7	17.6	19.3	17.3

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

chandise and miscellaneous loadings increased by the full seasonal amount. Total loadings exceeded those of September 1934 by 16 percent.

Department store sales increased by considerably more than the amount reported for other recent years in September. An increase took place in all principal cities of the district except San Francisco, Seattle, and Spokane, which had

those of a year earlier, however, and for the quarter just ended, were larger than in any corresponding three-month period since 1929.

Prices

Average wholesale prices of 784 commodities included in the index of the Bureau of Labor Statistics remained practically unchanged from mid-September to mid-October at a level about 5 percent higher than a year earlier. The rise from last year resulted mainly from higher prices for farm products, foods, and hides.

Cost of food at retail in major cities of the Twelfth District showed little change during September and the first two weeks of October. At present, however, it ranges considerably higher than a year earlier, increases of 1 percent in Los Angeles, 4 percent in San Francisco, 2 percent in Portland, 3 percent in Seattle, and 5 percent in Salt Lake City, having been reported by the Bureau of Labor Statistics. In general, retail prices of meats, eggs, and fats and oils show the largest advances from a year ago.

Except for a slight reduction in peach quotations, canned fruit prices remained unchanged during the period under review. The dried fruit market was firm, with prices of almost all varieties advancing. Prices of dried fruits are generally lower than last year.

After declining slightly in July and August, beet sugar prices advanced in September to \$5.00 per hundred pounds compared with \$4.00 per hundred pounds last October.

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

	1935 compared with 1934		
	NET SALES		STOCKS
	September*	Jan. 1 to end of September	September
Department Stores.....	7.5 (72)	9.3	1.6 (55)
Los Angeles.....	12.2 (6)	9.7	5.3 (6)
Other So. California..	13.0 (9)	16.7	5.9 (7)
Oakland.....	6.1 (5)	10.1	2.2 (5)
San Francisco.....	8.7 (8)	8.8	4.4 (7)
Bay Region.....	7.9 (18)	9.2	4.2 (16)
Central California....	6.0 (5)	14.2	5.1 (4)
Portland†.....	1.0 (8)	8.8	7.3 (7)
Seattle.....	0.8 (4)	5.7	6.4 (4)
Spokane.....	0.4 (5)	9.1	15.8 (5)
Tacoma‡.....	4.6 (7)	8.1	9.2 (6)
Salt Lake City.....	4.2 (4)	6.1	0.1 (4)
Apparel Stores.....	15.3 (40)	14.6	9.1 (28)
Furniture Stores.....	21.2 (33)	24.2	4.0 (25)
All Stores.....	9.8 (145)	11.5	2.6 (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.

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

reported large gains in August. Total sales were 10 percent larger in value than in September 1934, or approximately the same as the average year-period increase for the year to date. Marked improvement over the year-period was evident throughout California and sales were also higher in most parts of the Pacific Northwest, although the total for that area was unchanged from last year.

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

	September 1935 compared with		Cumulative 1935 compared with 1934
	Aug. 1935 Sept. 1934		
	Aug. 1935	Sept. 1934	
Agricultural Implements....	3.0	37.3	61.3
Automobile Supplies.....	1.1	11.5	9.3
Drugs.....	2.0	9.3	5.6
Dry Goods.....	3.4	3.0	4.6
Electrical Supplies.....	1.3	39.1	32.2
Furniture.....	15.1	30.1	23.3
Groceries.....	1.7	8.3	9.7
Hardware.....	0.7	16.7	13.4
Shoes.....	16.3	13.3	1.5
Paper and Stationery.....	6.8	17.6	13.0
All Lines.....	1.2	14.3	12.8

Wholesale sales were about the same in September as in August, but the margin of increase over last year was 14 percent in the later month, compared with 9 percent in August.

More than the usual seasonal decline took place in sales of both passenger and commercial automobiles during September, and the adjusted index declined to 77 percent of the 1923-1925 average, compared with 97 in August. This large decline was no doubt partly caused by the earlier introduction of new models by the automobile industry this year. Sales remained above

Bank Debits*—

	September 1935	September 1934	First nine months 1935	First nine months 1934
Arizona				
Phoenix.....	\$ 25,252	\$ 21,594	\$ 262,212	\$ 222,099
California				
Bakersfield.....	9,571	9,407	96,613	75,960
Berkeley.....	15,488	14,644	135,730	169,058
Fresno.....	21,736	19,630	178,797	150,422
Long Beach.....	26,850	21,983	259,566	203,174
Los Angeles.....	611,411	488,616	5,810,881	4,791,016
Oakland.....	182,143	176,800	1,493,358	1,450,932
Pasadena.....	19,528	15,189	186,350	161,683
Sacramento.....	127,476	71,196	936,690	528,950
San Bernardino.....	6,378	5,594	65,388	50,281
San Diego.....	38,973	27,441	363,198	263,317
San Francisco.....	759,364	650,247	6,885,325	6,091,407
San Jose.....	22,345	19,273	167,535	146,479
Santa Barbara.....	8,963	8,180	85,932	71,983
Santa Rosa.....	4,148	3,019	33,652	27,009
Stockton.....	15,920	14,609	137,567	123,673
Idaho				
Boise.....	14,953	12,760	129,368	103,051
Nevada				
Reno.....	8,410	7,918	74,292	66,188
Oregon				
Eugene.....	5,375	4,532	42,709	35,500
Portland.....	159,524	134,444	1,242,829	1,098,038
Salem.....	13,330	12,583	112,878	98,760
Utah				
Ogden.....	17,032	15,992	119,633	111,119
Salt Lake City..	52,216	47,127	466,430	417,199
Washington				
Bellingham.....	5,566	5,048	43,919	41,466
Everett.....	5,890	5,299	47,966	46,112
Seattle.....	164,407	140,344	1,361,497	1,219,226
Spokane.....	40,466	33,480	321,630	265,372
Tacoma.....	26,262	22,856	216,119	198,596
Walla Walla.....	6,081	4,178	42,920	36,893
Yakima.....	14,577	13,300	98,969	89,543
Total.....	\$2,429,635	\$2,027,283	\$21,419,953	\$18,354,506

*In thousands of dollars.

The Credit Situation

Total loans and investments of Twelfth District reporting member banks increased moderately further in the four weeks ending October 16. The increase took place principally in commercial and real estate loans which are currently higher than at any time since the fall of 1932. Investments declined slightly, the entire reduction taking place in holdings of United States Government bonds.

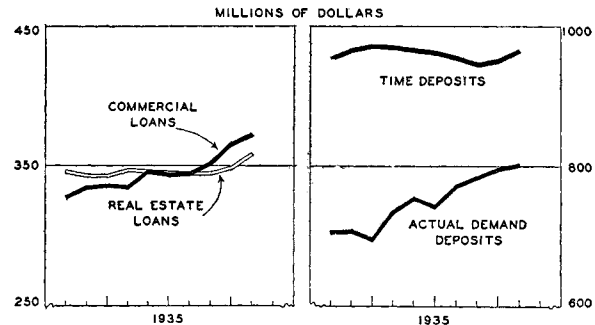
Commercial loans, as measured by all loans of city banks other than those on securities and real estate, have increased substantially since the beginning of this year. Considerable expansion took place between January and May, followed by a period of relatively little change during June and July. From August to October further sharp increases in this class of loans were reported by Twelfth District city banks.

After fluctuating with little net change during the first eight months of the year, real estate loans have recently shown a tendency to increase slightly. A sharp advance from September to October was shown in reported figures, but this increase was principally a result of reclassifying as real estate loans certain loans previously included in the commercial loan category. Loans on securities, which had declined to unusually low levels in recent months, also showed a slight tendency to increase in the four weeks ending October 16.

Changes in real estate and commercial loans and in time and demand deposits of reporting

city banks are shown for the first ten months of this year in the accompanying chart.

During the period from mid-September to mid-October, demand and time deposits of reporting city banks increased further. Demand deposits now approximate the highest levels on record, and time deposits are only slightly lower than the peak reported last March, although they are still considerably below the record figures of 1931. The actual demand deposits referred to here include demand deposits of individuals, partnerships, corporations, states, and municipalities, but not deposits of the Fed-



REPORTING MEMBER BANKS—Twelfth District
Selected condition items. Monthly averages of weekly figures.

eral Government nor of banks. They should not be confused with net demand deposits which are used as a basis for computing reserve requirements. This class of deposits has increased substantially this year, and the increase has been fairly continuous. The expansion is to be explained principally by additions of funds to the

SOURCES AND USES OF BANKING RESERVES
Twelfth District

Changes in millions of dollars during the weeks indicated

Week Ending	SOURCES OF FUNDS				Total Supply
	Reserve Bank Credit	Commercial Operations	Treasury Operations		
1935—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
Sept. 25.....	- .1	-12.5	+ 2.9		- 9.7
Oct. 2.....	- 1.1	+20.7	+10.5		+30.1
Oct. 9.....	- 1.0	-27.4	+25.1		- 3.3
Oct. 16.....	+ 4.3	+15.5	- 1.2		+18.6

Week Ending	USES OF FUNDS				Total Demand
	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts		
1935—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
Sept. 25.....	+ 3.6	- 7.8	+ 1.7		- 9.7
Oct. 2.....	+ 6.7	- 1.9	+25.3		+30.1
Oct. 9.....	+ 2.1	+ 8.6	-14.0		- 3.3
Oct. 16.....	- .3	+26.6	- 7.7		+18.6

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

	Condition			
	Oct. 16 1935	Oct. 9 1935	Sept. 18 1935	Oct. 17 1934
Total Bills and Securities...	201	201	201	167
Bills Discounted .....	...	...	...	...
Bills Bought .....	...	...	...	...
United States Securities...	199	199	199	166
Total Reserves	445	419	404	338
Total Deposits	364	337	332	277
Federal Reserve Notes in Circulation	266	264	256	214
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined	70.6%	69.6%	68.7%	68.9%

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

	Condition			
	Oct. 16 1935	Oct. 9 1935	Sept. 18 1935	Oct. 17 1934
Loans and Investments—Total..	1,994	1,996	1,982	1,880
Loans—Total	903	905	886	900
On Securities	173	174	170	214
Acceptances, Com'l Paper..	25	25	23	24
On Real Estate	358	358	349	344
All Other	347	348	344	318
Investments—Total	1,091	1,091	1,096	980
United States Securities...	627	634	641	598
Securities Guaranteed by United States	126	125	125	28
Other Securities	338	332	330	354
Reserve with Reserve Bank....	212	190	192	161
Cash in Vault	17	18	17	15
Net Demand Deposits	869	856	861	721
Time Deposits	966	965	953	935
Government Deposits	75	84	84	59
Due from Banks	235	230	228	186
Due to Banks	246	237	239	206
Borrowings at Reserve Bank..	...	...	...	...

district as a result of United States Treasury expenditures in excess of local collections, although some rise in deposits has resulted from expansion in loans of banks. Between early March and mid-August total time deposits reported by Twelfth District city banks declined steadily. The reduction was the result entirely of the return to the United States Treasury of postal savings funds, which are included in the time deposit classification, by depository banks. During the four months from March 4 to July 1 approximately 35 million dollars in postal savings funds were received by the Treasury from Twelfth District member banks. From July 1 to October 16, an additional 21 million dollars of postal savings was returned by banks to the Treasury, of which 5½ million dollars was reported in the four weeks under review. Except for the month of July, when withdrawals for the vacation period are likely to take place, savings deposits, as distinguished from total time deposits, have increased steadily since the first of this year.

A decrease in member bank reserve balances during the latter part of September was followed by an increase during the first half of October to the highest point on record. Since there was but little change in reserve requirements, the advance in these balances was accompanied by a corresponding increase in excess reserves of district member banks.

During the period from September 18 to October 16, additions to district banking funds were furnished principally by further substantial United States Government disbursements in excess of local collections. Treasury disbursements in the district, exclusive of public debt redemptions and gold purchases, totaled 93 million dollars during the four weeks. At the same time interdistrict commercial and financial transactions resulted in an unusually small net outflow of funds. This latter circumstance was largely the outcome of substantial transfers of

funds into the district in connection with recent refunding activities of utility companies and of a return of idle bankers' balances that had been held in the East. In one corporate refunding transaction, the funds transferred into the district were deposited in a special account at the Reserve Bank and in the tabulation showing changes in sources and uses of reserve funds, their influence appears in the classification "Other Federal Reserve Bank Accounts." As securities were gradually retired, this account was drawn upon and a large part of the funds then found their way into member bank reserve balances.

In addition to the relatively small demands upon local funds to meet net transfers out of the district occasioned by commercial and financial transactions, and to the temporary impounding of funds in the special account referred to above, there was a further increase in demand for currency. The increased demand for currency at this season is not unusual, and is brought about largely by additional needs for trade activity and for meeting industrial and agricultural payrolls.

Refunding issues of securities marketed by Pacific Coast corporations were unusually large in late September and the first half of October, totaling \$87,000,000. These refunding issues of securities were restricted to public utilities. New issues of municipal bonds of larger Pacific Coast cities amounted to approximately \$5,100,000.

During September and the first half of October, daily average share turnover on Pacific Coast stock exchanges was somewhat lower than in the previous six weeks, but an upward trend was in evidence in October. Following a sharp recession early in the month, average prices rose steadily, reaching the highest levels of the year by mid-October. Averages of corporate bond prices at that time showed little change from a month earlier.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

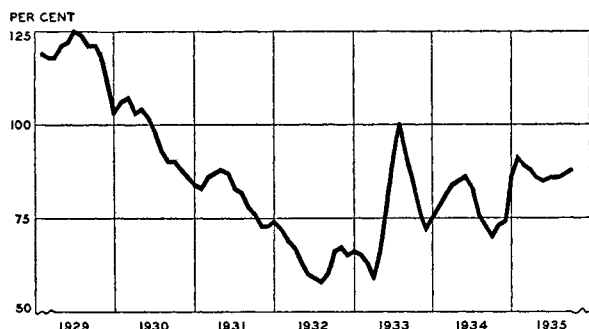
Industrial production and employment increased in September and distribution of commodities to consumers was in larger volume, reflecting in part seasonal influences. The general level of wholesale prices showed little change.

Production and Employment. Output at factories and mines, as measured by the Board's seasonally adjusted index of industrial production, advanced from 87 percent of the 1923-1925 average in August to 88 percent in September, reflecting chiefly increases in the output of iron and steel, lumber, cotton and silk textiles, and anthracite, offset in part in the total by declines

in the production of automobiles and woolen textiles. At steel mills, activity increased from 49 percent of capacity in August to 51 percent in September and during the first three weeks of October continued at about the September level. At automobile factories, a sharp decline in output during September, as preparations were made for new models, was followed in the early part of October by a rapid advance. Lumber production continued to increase in September. In the cotton textile industry, where output had been at a relatively low level since April, activity showed a marked increase in September. There was also an increase in output at

silk mills, while at woolen mills, where activity has been at an exceptionally high level for several months, there was a decline.

Factory employment showed a seasonal increase between the middle of August and the middle of September. The number employed at foundries and in the lumber, non-ferrous metals, and machinery industries increased substantially, while in the automobile industry there was a considerable decline. At cotton mills, employment showed a seasonal increase and at silk and rayon mills there was an increase of more than the usual seasonal amount,



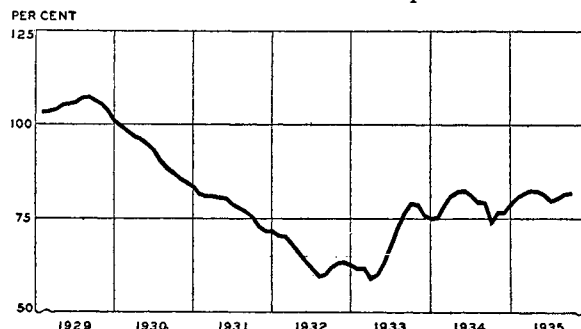
INDUSTRIAL PRODUCTION

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

age as compared with 75 percent a year ago.

Commodity Prices. The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, showed little change during September and the first three weeks of October. Prices of grains decreased in the middle of October, following a considerable advance, while prices of silk, hides, and copper increased throughout the period.

Bank Credit. Reserves of member banks continued to increase during the five weeks ending October 23, reflecting chiefly imports of gold from abroad. At the end of the period reserves

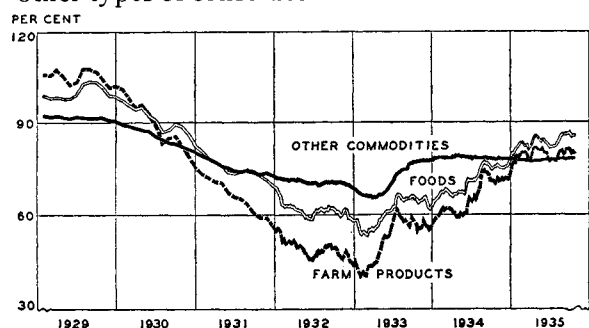


FACTORY EMPLOYMENT

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

while employment at woolen mills and shoe factories declined.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in the six weeks ending October 15 as in the previous six weeks, reflecting an increase in residential building, partly of a seasonal character, and slight decline in other types of construction.



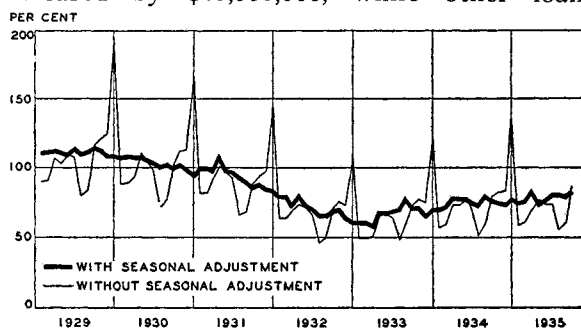
WHOLESALE PRICES

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

Distribution. Freight-carloadings showed an increase of more than the usual seasonal amount in September and increased further in the first half of October. Department store sales also increased by more than the estimated seasonal amount in September, and for the third quarter the average of the Board's seasonally adjusted index was 80 percent of the 1923-1925 aver-

age in excess of legal requirements at \$2,930,000,000 were at the highest level on record.

At weekly reporting member banks in 91 leading cities adjusted demand deposits increased by \$40,000,000 during the four weeks ending October 16, while United States Government deposits declined and inter-bank balances rose to a new high level. Loans on securities decreased by \$40,000,000, while other loans



DEPARTMENT STORE SALES

Indexes of daily average value of sales. (1923-1925=100.)

including commercial credits, increased by \$80,000,000.

Yields on both short-term and long-term Government obligations increased from the last week in August to the first part of October and subsequently declined. Other short-term open-market money rates remained at previous low levels.