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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Allowing for seasonal factors, business activity in the Twelfth Federal Reserve District during December 1935 was at the highest level of the year. Industrial output declined by no more than the usual seasonal amount, while adjusted measures of trade advanced sharply. Value of building permits and construction contracts increased about 25 percent, whereas considerable decline has taken place in December of most recent years.

Maintenance of a comparatively high degree of activity during December followed a year of somewhat irregular but substantial expansion in Twelfth District business. Volume of industrial production was higher in 1935 than in any year since 1930, although output was roughly 35 percent below that of 1929. In the last three months of 1935, rate of output was more than 50 percent above that of the last half of 1932 and early 1933 when the lowest level of the depression was reached. Improvement was evident in nearly all major industries during 1935.

A marked revival in residential building was recorded during 1935, value of permits for structures in that category trebling during the year. Other types of private building also expanded, permits for nonresidential buildings totaling twice as much as in 1934 and permits for alterations and repairs to existing structures increasing 27 percent in value. Public works construction started during the year was slightly under the 1934 record total.

Although the number employed in manufacturing averaged only slightly higher in 1935 than in 1934, available statistics indicate that payrolls increased by 10 to 15 percent as a result of larger earnings per employee.

Distribution of commodities expanded markedly during 1935. Department, apparel, and furniture stores reported combined sales 12 percent in excess of their 1934 total, and number of new automobiles sold increased 65 percent. Wholesale trade increased 14 percent, while volume of railway freight was 9 percent larger. Intercoastal water-borne traffic was lower, because of smaller eastbound petroleum shipments, but foreign trade increased considerably,

value of imports (excluding silk) rising 40 percent to the highest level since 1930, and exports increasing 7 percent.

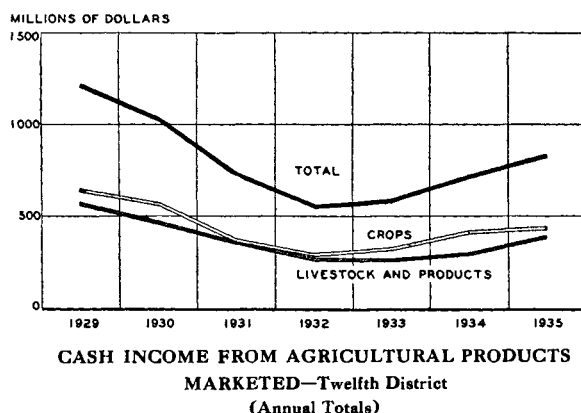
Agricultural income was about 15 percent larger in 1935 than in 1934, and is estimated to have been almost 50 percent greater than in 1932. Contrary to experience during the two preceding years, expansion of income from crop sales reflected increased volume of production, since prices for crops averaged lower during the year. Prices of livestock and livestock products averaged higher, and income from that division of agriculture increased sharply.

District banking reserves were further enlarged during 1935. As in the five preceding years, the principal contribution was made through United States Treasury disbursements which were 207 million dollars in excess of local collections from taxes, sales of securities, and other sources of revenue. Mint payments for gold produced, imported, or reclaimed added 105 million dollars to district funds during the year, the proceeds of such payments being deposited ultimately in banks. Gaps of funds from these sources were largely offset by a net outflow of 259 million dollars to other districts in effecting payments arising from commercial and financial transactions. Another factor withdrawing funds from district banks during the year was an increase of 20 million dollars in currency in circulation. Excess reserves of member banks increased considerably further, however, to the highest point on record.

The influence of improved business conditions, a large supply of idle banking reserves, and unprecedentedly low money rates caused a moderate upturn in commercial loans of member banks during 1935. Some of this increase resulted from loans under Title I of the Federal Housing Act, for repair and alteration of homes and other buildings. The increase in commercial loans was offset to some extent by reduced security loans in the New York call money market. Real estate loans of banks showed little net change during the year. Investments of banks continued to expand, largely because of additional purchases of Government and Government-guaranteed securities. Deposits increased further.

Agriculture

The economic condition of agriculture continued to improve in the Twelfth District during 1935, and this improvement contributed to an expansion in the sales of agricultural implements, automobiles, and other merchandise. Cash receipts from marketing of principal crops and of livestock and livestock products are estimated to have totaled \$819,714,000 during 1935, compared with \$712,795,000 during 1934. Income from crops marketed increased only 4 percent, but returns from sales of livestock and livestock products advanced 30 percent. Farm income was augmented by rental and benefit payments from the Agricultural Adjustment Administration totaling \$32,741,000 in 1935 and \$27,035,000 in 1934.



Expansion in farm income during 1935 resulted from a much larger volume of crop production and from higher prices for livestock and livestock products. Prices of crops averaged somewhat lower than in 1934, and volume of livestock and products marketed was smaller. The 1935 growing season, although delayed by spring storms, was favored by good weather in most sections. Irrigation water was adequate in all districts. A killing freeze in November damaged only a few late-maturing crops. Range conditions were excellent during 1935, although stock water became unusually scarce in sections of the Pacific Northwest late in the summer.

Nineteen thirty-five was a relatively favorable year for the Twelfth District livestock industry. Ranges in almost all areas were in better condition than in any other recent year. Supplemental feeds were cheap. As a result, good to excellent quality stock made up the bulk of marketings during the year. While the total number of cattle and hogs sold was smaller than in 1934, when large numbers of drought-stricken animals were slaughtered, the number approximated that of other recent years. Receipts of lambs and sheep at district markets were 12 percent larger than in 1934. It is estimated that prices received by livestock

producers averaged 50 to 75 percent higher in 1935, and that income of the group was 30 percent larger than in the preceding year.

Production of butter in the Twelfth District declined 6 percent from 1934 to 1935. This decline is partially explained by the sale of large numbers of cows by dairymen as a result of more favorable prices for beef than for dairy products. Prices of butter averaged about 20 percent higher than in 1934, and were higher than in any year since 1930. Relatively high

PRODUCTION AND FARM VALUE OF CROPS

	Twelfth District (In thousands)			Farm Value**	
	Production			1934	1935
	1928-1932 Average	1934	1935		
Wheat (bu.).....	108,695	81,787	101,531	\$59,919	\$71,614
Barley (bu.).....	39,357	32,980	50,034	16,100	19,833
Oats (bu.).....	24,361	20,612	28,652	8,705	9,413
Cotton (bales)....	328	376	330	24,975	20,144
Beans (bags)....	4,956	5,140	5,344	20,397	19,582
Tame Hay (tons)...	11,682	10,445	11,676	98,369	90,050
Hops (pounds)...	28,011	41,195	47,080	5,682	5,018
Potatoes (bu.)....	42,817	42,660	41,870	22,242	25,430
Rice (bu.).....	7,527	7,665	6,664	5,136	3,599
Sugar Beets (tons)	1,930	2,123	2,525	10,721	.....
Apples (bu.)†....	41,355	34,089	31,704	24,779	20,540
Apricots (tons)...	227	139	191	7,430	8,643
Cherries (tons)...	50	47	46	3,680	4,692
Grapes (tons)*....	1,924	1,700	2,065	29,647	24,022
Raisin Table	1,161 345	878 346	1,168 367	14,824 7,802	12,798 5,076
Wine	418	476	530	7,021	6,148
Peaches (tons)*...	572	495	429	11,511	11,509
Clingstone	374	324	281	7,236	7,587
Freestone	198	171	148	4,275	3,922
Pears (bu.).....	16,178	16,401	14,597	11,258	8,870
Plums (tons)....	64	62	48	2,021	1,786
Prunes (tons)....	226	200	280	16,110	16,647
Almonds (tons)...	12	11	9	1,962	2,548
Walnuts (tons)...	35	45	54	8,541	10,222
Grapefruit (boxes)	1,617	2,413	3,407	2,444	3,979
Lemons (boxes)...	7,251	7,295	10,450	17,143	21,109
Oranges (boxes)*.	33,022	28,439	45,390	45,582	72,727
Navel & Misc. ...	15,600	11,974	18,990	14,114	30,215
Valencia	17,422	16,465	26,400	31,468	42,512

**Farm value refers to estimated value of production in the year, as determined by using prices prevailing during the season. Estimated farm value of production during a given year differs from cash income received from crops marketed during the same period, because part of each season's production is not sold until after the end of the calendar year. †Commercial crop. *California only.

Citrus year ends on November 1 of years shown.
Source: United States Department of Agriculture.

Local prices caused shipment of considerable butter into district markets from outside states.

Volume of egg production in Pacific Coast states is estimated to have been somewhat smaller in 1935 than in 1934, continuing a downward tendency evident since 1930. Number of eggs sold in Pacific Coast markets increased during 1935, however, local marketing of district production having increased while shipments to markets outside the district decreased. Prices averaged 15 to 20 percent higher than in 1934. Demand for eggs was stimulated during the year by their use as a substitute for meat, prices of which were relatively high.

In Oregon, Washington, and Idaho, total value of crop production in 1935 was about the same as in the previous year. Grain crops were larger and their value increased 9 percent, notwithstanding somewhat lower prices. Pear pro-

duction was about 14 percent larger than in 1934, but because of lower prices total value of the crop approximated that of 1934. The commercial apple crop in the Pacific Northwest was reduced considerably by cold weather in November. Prices of apples also averaged lower, reflecting a relatively large crop in other parts of the United States, with the result that farm value in 1935 was about 7 percent less than in 1934. Total value of field crops was 6 percent lower than in 1934, despite increased value of the potato crop brought about by sharp price advances after damage from the November freeze. A substantial tonnage of hops was not harvested in Oregon and Washington because of crop damage and low prices. Sales of livestock and livestock products returned about 28 percent more than in the preceding year.

In California, volume of crop production was much larger than in 1934 or other recent years. Prices of all grains and of field crops except potatoes were lower, but farm value was slightly higher than in 1934. Citrus fruit production increased 54 percent over that of 1934 to record totals, and value was estimated at 97 million dollars, compared with 65 million dollars in the preceding season. Tonnage of deciduous fruits marketed was about 17 percent larger in 1935 than in 1934, but farm value was about the same. Almonds, cherries, peaches, and plums sold at higher prices, but quotations for other deciduous fruits, particularly grapes, prunes, and olives, were lower. Average prices of vegetables were slightly higher in 1935, and acreage harvested was also larger, resulting in an increase of about 7 percent in income.

In Utah and Nevada, both volume and value

of crops were considerably larger than in 1934, when severe drought affected those states. Livestock raising is a much more important source of income than is crop production in those states, and receipts from that division of agriculture expanded about 38 percent.

Volume of crop production in Arizona was larger in 1935 than in 1934, but farm value was 10 percent less. Receipts from sales of livestock and livestock products were 22 percent higher than in 1934.

Industry

Expansion in Twelfth District industrial production during 1935 was somewhat broader than in either of the two preceding years. In general, changes in total output of industry in this district were similar in character and extent to changes in the country as a whole. Employment in manufacturing increased somewhat further, while total wage payments rose sharply.

One of the most significant developments in this district during 1935, as in the United States as a whole, was a marked increase in residential building. Total value of building permits issued in twenty principal cities was almost twice as large as in 1934. As indicated in the accompanying tabulation, value of residential permits was three times that of the preceding year. Prior to this marked expansion, residential building had declined almost continuously for eleven years.

**BUILDING PERMITS ISSUED IN TWENTY
PRINCIPAL CITIES—Twelfth District**
(In thousands of dollars)

	1935	1934	Percentage Increase
Residential	30,411	10,333	194
Nonresidential	38,413	17,609	118
Alterations and repairs	22,976	18,025	27
Total	91,800	45,967	100

Value of contracts awarded for public works decreased from 216 million dollars in 1934 to 198 million dollars in 1935, but remained comparatively high in relation to other recent years.

Both building permits and public works contracts in December were at the highest levels of the year.

Output of lumber was approximately 10 percent larger in 1935 than in 1934. Production from January through April moderately exceeded monthly average output in 1934, but early in May a sharp decline occurred as a result of a strike of mill workers and loggers in the important Douglas fir region. This disturbance proved to be rather protracted, and it was not until August that production in the Douglas fir area regained pre-strike levels. The labor difficulties did not extend to mills in the western pine and the California redwood sections, and production expanded steadily in these regions throughout the summer. With settlement

Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees	Dec. 1934	No. of Firms	No. of Employees	Dec. 1934
All Industries*	1,132	141,502	131,720	106	17,687	14,880
		(+7.4)			(+18.9)	
Stone, Clay, and Glass Products	55	6,894	5,828	3	203	109
		(+18.3)			(+86.2)	
Lumber and Wood Manufactures	97	13,634	11,463	36	9,611	7,637
		(+18.9)			(+25.8)	
Textiles	14	1,761	1,722	7	1,362	1,048
		(+2.3)			(+30.0)	
Clothing, Millinery, and Laundering	121	8,725	8,286	6†	152	137
		(+5.3)			(+10.9)	
Food, Beverages, and Tobacco	261	30,237	30,754	30	1,695	1,378
		(-1.7)			(+23.0)	
Public Utilities	44	42,570	40,538	..	..	..
		(+5.0)				
Other Industries†	535	69,236	63,123	..	..	..
		(+9.7)				
Miscellaneous	49	11,015	10,544	24	4,664	4,571
		(+4.5)			(+2.0)	
Wholesale and Retail	367	54,342	51,038	..	..	..
		(+6.5)				

*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 December 1934.

of the strike, total lumber output in August reached the highest point since May 1931. Declines were somewhat less than the customary seasonal amount during the closing months of the year. Although lumber output was greater in 1935 than in 1934, it was exceeded by shipments from the mills, and as a result mill inventories of finished lumber at the beginning of 1936 were slightly lower than a year earlier. Accompanying these circumstances, prices received by mills advanced moderately.

Reflecting increased demand from heavy construction projects, production of cement expanded in the last half of 1935, although output for the entire year was less than in 1934.

Mining and development work on nonferrous metals properties was more active than in 1934 and smelting of ores increased. An impetus was given to silver production by advances in the Government buying price for newly mined domestic metal from 64.11 cents per ounce on April 10, 1935 to 77.57 cents per ounce on April 24. That price remained in effect during the remainder of the year despite a steady decline in New York quotations for foreign silver from 81 cents per ounce on April 26 to 49¾ cents on December 31. Although silver production expanded considerably in both 1934 and 1935, output remained substantially below pre-depression levels, a circumstance to be explained by the fact that in the earlier years silver was produced principally as a by-product on major copper and lead properties, which in the past two years operated far below the rate prevailing in 1929. Mine production of copper was increased moderately during 1935, particularly during the latter half of the year. Several properties in California and Arizona reopened after prolonged shutdowns. Reflecting increased

sales of copper, inventories held at refineries are reported to have declined during the year. District output of gold, lead, and zinc also increased. Not reflected in statistics of production was the rather extensive activity in connection with the reopening of old nonferrous mines, the development of new properties, and the repair, replacement, and purchase of mining and milling equipment.

Crude oil production in California fluctuated with little net change during the first five months of 1935, but with the removal of restraints imposed by the petroleum code, output increased steadily from a daily average of 495,000 barrels in May to 678,000 barrels in December. As a consequence, large additions to inventories took place during the last half of the year. Posted prices for crude oil were cut in half in late August but by the end of the year had been restored almost to their former levels. Refineries were more active in 1935 than in any year since 1930, but the average inventory of gasoline was lower than in 1934, indicating increased consumption of that product.

With the exception of livestock slaughter, district food industries were generally more active in 1935 than in 1934. Output of refined cane sugar increased about 13 percent and beet sugar production increased by approximately 10 percent. Production of flour increased 9 percent. The pack of California canned mackerel, a relatively new commercial product, exceeded the previous record output of 1934 considerably. Tuna production is estimated to have been 25 percent larger in 1935 than in any previous year. Since the opening of the season in August 1935, sardine canning has been running well ahead of the preceding season. Livestock slaughter was 20 percent lower than in 1934, when totals were augmented by large receipts of animals from drought-stricken areas.

Industry —

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

	1935				1934	
	Year's				Year's	
	Av.	Dec.	Nov.	Oct.	Dec.	Av.
General						
Carloadings—Industrial	56	69	67	68	50	48
Electric Power Production	161	172	171	169	141	150
Manufactures						
Lumber	55	65	65	69	46	50
Refined Mineral Oils†	141‡	164‡	157	158	120	123
Flour	103‡	85‡	109	102	92	97
Cement	64	112	83	69	81	67
Wool Consumption†	..	..	138	193	87	85
Slaughter of Livestock	99‡	102‡	107	101	118	123
Minerals						
Petroleum (California)†	86‡	103‡	102	98	73	73
Lead (United States)‡	..	..	67	68	60	57
Silver (United States)‡	..	..	68	75	53	42
Building and Construction#						
Total	48	69	58	56	46	42
Building Permits—Value						
Larger Cities	21	24	22	22	14	11
Smaller Cities	30	38	37	35	20	17
Engineering Contracts						
Awarded—Value						
Total	81	118	99	96	84	78
Excluding Buildings	151	217	173	169	154	162

†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.

OUTPUT OF CANNED FRUITS AND VEGETABLES—California (In thousands of cases)

	1931	1932	1933	1934	1935
Total fruits*	12,670	10,131	15,424	13,762	16,458
Apricots	2,006	1,805	2,416	1,774	3,164
Peaches (cling)	8,349	6,414	10,244	8,258	10,850
Pears	1,809	1,418	1,928	2,663	1,387
Total vegetables*	5,634	6,770	8,516	12,660	12,569
Asparagus	1,747	1,313	2,135	1,914	2,238
Spinach	1,340	817	1,666	1,993	2,178
Tomatoes and tomato products	2,175	4,227	4,256	7,933	7,339

*Includes varieties not listed separately; fruits reduced to the equivalent of cases of 24 No. 2½ cans.
Source: Canners League of California.

The pack of canned fruits and vegetables in California was 10 percent larger in 1935 than in 1934 and was the largest since 1930. The increase took place entirely in canned fruits, output of canned vegetables remaining unchanged from the comparatively large pack of 1934. Production of cling peaches increased 31 percent and the apricot pack was 80 percent above

that of the preceding year. Output of canned pears, however, was sharply reduced from the record 1934 pack. Canning of asparagus and spinach in 1935 was limited by agreements to packs only slightly larger than in the preceding year. Although the tomato canning season was terminated early by unfavorable weather, output was considerably higher than the average of the past five years. Opening prices for major California canned fruits and vegetables were generally lower in 1935 than in 1934.

In the Pacific Northwest, an outstanding development in canning of foods was the increase in the pack of peas from 839,797 cases in 1934 to 1,981,719 cases in 1935. This sharp increase was preceded by large additions to pea canning facilities in the area.

California wineries are estimated to have produced 55 million gallons of fortified and dry wines in 1935, compared with 48 million gallons in 1934 and 56 million gallons in 1933.

Trade

Volume and value of commodities distributed through Twelfth District trade channels increased during 1935, continuing the irregular upward movement that has been apparent since March 1933. Value of retail and wholesale sales and number of freight cars loaded on district railroads totaled more than in any year since 1931, and the number of new automobiles sold was larger than in any year since 1929. Pay-

seasonally adjusted index of department store sales came in the last seven months of the year, the index averaging 9 percent higher for the entire year than in 1934. Sales of apparel and specialty stores increased more sharply than sales of department stores. Retail furniture sales were 27 percent larger than in 1934. The sharp advance in sales to consumers was accompanied by a slight increase in the proportion of sales made on a charge basis, but collections on accounts outstanding at department, apparel, and furniture stores were maintained at a higher ratio in 1935 than in 1934. Retail prices of department store goods averaged about the same in the two years, according to available data.

WHOLESALE TRADE—Twelfth District Percentage changes in value of sales

	December 1935 compared with		Cumulative 1935 compared with 1934
	Nov. 1935	Dec. 1934	
Agricultural Implements.....	4.3	34.1	56.7
Automobile Supplies.....	-21.6	14.6	12.1
Drugs.....	1.0	1.0	6.0
Dry Goods.....	-38.2	8.8	6.9
Electrical Supplies.....	18.7	35.2	32.4
Furniture.....	-12.2	16.5	23.4
Groceries.....	-15.2	9.1	11.2
Hardware.....	-5.7	33.9	17.5
Shoes.....	-18.9	5.7	0.9
Paper and Stationery.....	2.2	11.1	12.7
All Lines.....	-8.0	15.9	14.4

The number of new automobiles sold in the district increased more sharply in 1935 than in any other recent year, with passenger cars showing an increase of 67 percent and commercial vehicles an increase of 48 percent over 1934 totals. Sales during the first half of the year were markedly higher than in 1934, and the usual recession that takes place after June was interrupted in 1935 by introduction of new models in September, two months earlier than has been the case in other recent years. This innovation resulted in a larger volume of sales in the last three months of the year than in any corresponding period on record.

Changes in total railway freight traffic in the district were somewhat irregular during 1935,

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

	1935 compared with 1934		
	NET SALES—		STOCKS
	December*	Jan. 1 to end of December	End of December
Department Stores.....	6.6 (78)	9.3	6.3 (53)
Los Angeles.....	7.1 (6)	9.6	11.1 (6)
Other So. California..	9.7 (8)	15.7	12.4 (4)
Oakland.....	8.8 (5)	10.3	5.4 (5)
San Francisco.....	6.8 (8)	8.6	2.9 (8)
Bay Region.....	7.5 (18)	9.3	3.8 (17)
Central California....	3.0 (6)	11.3	11.0 (5)
Portland†.....	7.7 (8)	9.9	4.8 (7)
Seattle.....	2.7 (4)	5.9	1.4 (4)
Spokane.....	3.0 (5)	9.5	14.9 (5)
Tacoma†.....	9.4 (8)	10.9	7.3 (7)
Salt Lake City.....	9.2 (4)	8.6	0.2 (4)
Apparel Stores.....	14.2 (41)	16.0	16.9 (27)
Furniture Stores.....	33.1 (31)	26.7	12.2 (20)
All Stores.....	9.6 (150)	11.9	7.9 (100)

†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.

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

ments made by checks drawn against accounts of individuals, businesses, and all other agencies except banks increased markedly to the highest point since 1929. Total domestic shipments leaving or reaching the Pacific Coast by way of the Panama Canal were smaller than in either 1934 or 1933. Value of foreign trade increased during 1935.

Expansion in retail trade was evident in all parts of the district. Most of the advance in the

Distribution and Trade—

	1935				1934	
	Year's Av.	Dec.	Nov.	Oct.	Dec.	Year's Av.
Indexes adjusted for seasonal variation (1923-1925 average=100)						
Carloadings‡						
Total.....	72	85	80	73	69	66
Merchandise.....	85	97	95	78	84	81
Intercoastal Trade						
Total.....	66	69	66	71	77	76
Westbound.....	90	89	95	102	81	78
Eastbound.....	59	65	57	61	77	76
Retail Trade						
Automobile Sales†						
Total.....	104‡	206‡	156	83	73	63
Passenger.....	97‡	198‡	153	75	66	58
Commercial.....	179‡	301‡	188	158	142	121
Department Store						
Sales‡.....	84	88	91	86	83	77
Stocks§.....	62	64	64	61	60	63
Collections#						
Regular.....	48.1	48.8	49.9	50.7	47.1	46.3
Installment.....	18.1	17.6	18.1	18.9	17.3	17.5

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

but on the whole a sharp upward movement was recorded. Shipments were reduced during May and June at the time of a strike of lumber workers but subsequently recovered sharply. Partly because of a late agricultural season, and also because of heavy demand for lumber during the fall months, shipments decreased less than usual in November and December.

Intercoastal water-borne tonnage aggregated 7,373,000 tons in 1935, 14 percent below the 1934 total and 6 percent less than in 1933. The decline in 1935 came entirely in petroleum shipments from the Pacific Coast, which were reduced considerably from the high levels of the two preceding years, partly as a result of the tanker seamen's strike and partly because eastern demand for California oils declined following removal of production restrictions in east Texas oil fields. Eastbound lumber shipments increased 40 percent during 1935, offsetting a decline in the previous year. Westbound traffic through the Panama Canal increased 16 percent further during 1935 and exceeded that of any year since 1930. Iron, steel, and tin plate shipments from the Atlantic Coast were the largest since 1930.

Value of the district's foreign trade averaged 18 percent higher in the first eleven months of 1935 than in the corresponding period of 1934. Imports, excluding silk, increased nearly 40 percent to the highest level since 1930, while exports expanded 7 percent further during the period under review. Net excess of exports

over imports was smaller than in 1934, but was large compared with other recent years.

Prices

Wholesale commodity prices, as measured by the index of the United States Bureau of Labor Statistics, tended slightly higher during 1935. In December the index stood at 80.9 percent of the 1926 average, compared with 76.9 percent a year earlier. In February 1933, the index was 59.8, the lowest point reached during the depression. Although considerable irregularity occurred during the year, prices of farm products and foods showed the most pronounced net advances. Average quotations for all other commodities increased slightly.

COST OF LIVING—Twelfth District and United States (December 1926=100)

	June 1920	Dec. 1929	June 1933	Nov. 1934	Oct. 1935
Los Angeles	115	98	73	77	78
Portland	129	97	73	78	80
San Francisco	117	99	78	83	83
Seattle	125	99	78	80	82
Twelfth District*	119	98	75	80	80
United States	119	97	73	77	79

*Weighted average of Pacific Coast cities.

Source: United States Bureau of Labor Statistics.

The cost of living for wage earners and lower salaried workers in leading population centers of the district advanced slightly from November 1934 to October 1935. At the later date the average cost of living in these cities was approximately 7 percent higher than the low point for post-war years reached in June 1933. In all four cities for which data are available, however, living costs for workers in the lower wage group remain appreciably below 1929 levels.

Cost of food to consumers, which is of substantial weight in cost of living measures, has increased somewhat further in all cities of the district since October 1935.

The Credit Situation

The principal influence upon Twelfth District banking conditions during 1935 was the continued large payment of United States Treasury funds into the district in excess of local Treasury collections. These funds were paid out to individuals, corporations, and other agencies, and were deposited ultimately with district banks, thus tending to increase member bank reserve balances. At the beginning of the year, these balances were about 50 percent in excess of legal requirements, and throughout 1935 virtually all banks held larger amounts of idle funds than at any previous time. In December 1935, reserve deposits of city member banks averaged 47 percent in excess of requirements, and similar data for country banks showed an excess of 75 percent.

During 1935, total United States Treasury disbursements for normal and emergency ac-

Bank Debits*—

	December 1935	December 1934	Twelve months 1935	
Arizona				
Phoenix	\$ 36,747	\$ 30,769	\$ 364,176	\$ 307,553
California				
Bakersfield	16,757	13,971	144,652	121,435
Berkeley	17,437	14,887	187,894	212,870
Fresno	32,438	23,829	274,391	226,655
Long Beach	34,916	28,440	353,680	279,114
Los Angeles	818,651	644,349	8,021,018	6,487,260
Oakland	222,696	173,639	2,107,028	1,966,161
Pasadena	25,113	21,254	258,346	218,095
Sacramento	104,834	69,295	1,279,208	737,020
San Bernardino	8,526	7,710	88,276	69,987
San Diego	47,902	36,069	499,980	360,300
San Francisco	925,225	748,410	9,567,859	8,180,813
San Jose	22,725	18,872	240,382	204,850
Santa Barbara	12,881	10,720	119,750	99,732
Santa Rosa	4,640	2,972	47,389	36,407
Stockton	17,570	15,839	191,133	169,799
Idaho				
Boise	16,705	15,442	179,369	146,562
Nevada				
Reno	11,048	9,145	103,538	92,305
Oregon				
Eugene	5,903	4,130	59,713	47,874
Portland	156,167	132,135	1,699,568	1,478,076
Salem	13,002	12,361	152,451	135,505
Utah				
Ogden	15,883	13,352	169,462	152,239
Salt Lake City ..	70,371	62,777	657,967	587,643
Washington				
Bellingham	5,847	4,851	61,625	55,481
Everett	7,339	6,464	67,950	63,156
Seattle	181,801	153,157	1,880,463	1,652,485
Spokane	44,590	36,803	444,581	366,959
Tacoma	29,508	24,337	303,663	264,845
Walla Walla	4,951	4,361	59,167	49,690
Yakima	11,932	12,449	138,539	127,672
Total	\$2,924,105	\$2,352,789	\$29,723,218	\$24,898,543

*In thousands of dollars.

tivities of the Federal Government exceeded collections in the district (including receipts from sale of securities) by 207 million dollars. These disbursements were made by checks drawn upon the Treasury account at the Reserve Bank. The checks were deposited principally in member banks throughout the district and upon presentation at the Reserve Bank were credited to the reserve balances of these banks.

Another important source of funds which built up reserve deposits of banks was the production, importation, and reclamation of gold. Sales of such gold to the Mint and its agencies were valued at 105 million dollars during the year, and the proceeds from those sales were deposited in district banks, subsequently entering reserve balances in the same manner as did Treasury disbursements.

Because of certain offsetting influences, reserve balances of member banks increased by substantially less than the 312 million dollars of net Treasury disbursements and Mint payments for gold. Value of goods, investments, and other services purchased by the public in the Twelfth District in other areas is customarily much larger than sales of such goods and services by the Twelfth District to outside regions. As a result, local banks in 1935 were drawn upon by depositors to pay to other districts considerably larger sums than were received from other districts in settlement of commercial and financial transactions. In addition, banks apparently purchased in outside districts more securities for their own accounts than were sold, and they transferred additional amounts to their accounts with correspondents in eastern cities. The net movement of funds out of the Twelfth District because of these interdistrict clearances was 259 million dollars. Local banks were also called upon to meet a net increase of 20 million dollars in public demand for currency for circulation. Other factors which add to or take from district banking reserves were of minor influence during 1935, and the increase in member bank reserve balances amounted to 32 million dollars.

Credit extended locally by the Federal Reserve Bank of San Francisco remained practically unchanged throughout 1935 and exerted little or no influence upon member bank reserve balances. During most of December, for the first time in post-war years, member banks were entirely out of debt to the Reserve Bank. Member bank borrowings were extremely low throughout the year, reflecting a wide distribution of excess reserve funds. Direct loans to industries and commitments by the Federal Reserve Bank of San Francisco increased 4 million dollars during the year.

Deposits of district banks increased substantially during 1935. Adjusted demand deposits

of all member banks in the district increased 230 million dollars in the first ten months, subsequently fluctuating with but little net change. Savings deposits also increased considerably, although other time accounts declined somewhat because large amounts of postal savings funds (classified as time deposits) were returned to the United States Treasury by banks no longer willing to pay the mandatory 2½ percent interest rate thereon.

Member banks employed their increased funds principally in the purchase of direct and guaranteed obligations of the United States Government, although loans other than those on securities or real estate also advanced considerably. Loans to New York brokers and dealers in securities, which totaled about 20 million dollars in March 1935, were eliminated entirely in the spring months following a reduction in the call loan rate to a figure equal to the charge made by New York banks for placing such loans. After an advance in the New York call loan rate in October, local banks placed about 2 million dollars of loans in that market. Loans to brokers outside New York declined to the lowest point on record during early November but subsequently recovered slightly. Loans on securities to customers other than brokers also declined during most of the year, but tended upward in the last four months. Real estate loans reported by member banks were practically unchanged, new loans in that class having been offset by repayments of loans made earlier, by foreclosures, and by transfer of some loans to the Home Owners' Loan Corporation. All other loans reported by member banks advanced 107 million dollars or 20 percent during the year. Banks participated in financing the increase in building activity, partly by the new loans on real estate, and partly by loans for alterations and repairs to existing structures under Title I of the Federal Housing Act. The latter type of advance is not classified as a real estate loan. Although declining slightly between January and November, investments in direct obligations of the United States Government were moderately higher at the year end than in the comparable period of 1934, largely reflecting participation of local member banks in mid-December Treasury financing. Holdings of issues guaranteed by the Federal Government were considerably more than twice as large at the end of the year as at its beginning.

With idle funds on hand, rates of interest charged by banks tended to decline during 1935. Interest rates paid on savings deposits were also generally reduced throughout the district. During the second half of the year a 2 percent rate was paid on savings deposits by most banks in the larger cities except Portland, where the prevailing rate was 1½ percent.

Early in March the Treasury announced

plans for retiring national bank notes from circulation. Bonds having the permanent note circulation privilege were called for redemption in July and August. The temporary circulation privilege accorded several issues of low interest coupon bonds expired by law on July 22. National banks in the Twelfth District had a note liability of 121 million dollars on December 31, 1934, equivalent to 18.5 percent of the note liability of all national banks in the country.

The net result of the retirement of national bank notes upon banking reserves was negligible. In effect, banks holding Consols and Panama Canal bonds turned these in to the Treasury and were relieved of liability for an equal dollar value in notes. The principal element of change existed in the return to those banks of the 5 percent lawful money redemption fund deposited with the Treasury, a circumstance which tended to increase member bank reserve balances. Some shifting of funds took place, of course, as between the several individual banks. Those banks holding called bonds in excess of their note circulation received a net payment from the Treasury, while those with notes outstanding secured by bonds having only the temporary circulation privilege were called upon for payment to the Treasury. After August 1, both fit and unfit national bank notes were retired from circulation upon being received at the Federal Reserve Bank of San Francisco. During the year a total of 64 million dollars of national bank notes was withdrawn from circulation in the Twelfth District. Additional Federal reserve notes placed in circulation during the year totaled more than the national bank notes retired.

Securities Markets

Volume of trading on Pacific Coast stock exchanges increased steadily during most of 1935. The peak was reached in November, in which month the number of shares changing hands was approximately three times that of January. Trading during December was somewhat less active than in November, although the number of shares exchanged in that month was above the average for the year. The value of shares traded on Twelfth District exchanges bore about the same ratio to value of shares traded on all national securities exchanges in each of the first eleven months of the year. Ratio of sales on local exchanges to sales on all other exchanges outside New York increased from 20 percent in January to 34 percent in November.

Pacific Coast stock price averages were at the highest point of the year on December 31, 1935. Prices showed little change during January, February, and March, but advanced steadily during the last nine months of the year. Averages at the end of the year were from 70 to 100 percent higher than in January. Gains were particularly large for shares of machinery, store, and utility corporations, while the oil and bank stock groups improved least.

At the end of the year, prices of Pacific Coast corporation bonds averaged five to ten points higher than a year earlier. Municipal bond prices also rose, yields dropping more than $\frac{1}{2}$ percent.

New securities distributed during 1935 amounted to about \$450,000,000, with \$70,000,000 of this total representing municipal bonds. In the corporate group, almost all of the issues were public utility refundings.

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—Nov. 13.....	+ .6	— 5.9	+ 9.0	+ 3.7	
Nov. 20.....	+ 1.5	—13.8	+ 3.0	—12.3	
Nov. 27.....	+ 2.8	+12.7	+10.2	+25.7	
Dec. 4.....	+ 1.9	—16.1	+ 7.3	—10.7	
Dec. 11.....	— .7	—28.7	+15.6	—13.8	
Dec. 18.....	+ 2.1	— 7.6	—20.4	—25.9	
Dec. 25.....	+ 2.1	+16.5	—11.3	+ 7.3	
1936—Jan. 1.....	+ .4	—14.4	+ 8.3	— 6.5	
Jan. 8.....	+ .9	+ .9	+13.7	+13.7	
Jan. 15.....	— .1	—15.2	+13.3	— 2.0	

USES OF FUNDS					
Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand	
1935—Nov. 13.....	— .3	+ 3.7	+ .3	+ 3.7	
Nov. 20.....	— 3.2	— 8.9	— .2	—12.3	
Nov. 27.....	+ 1.3	+25.2	— .8	+25.7	
Dec. 4.....	+ 3.6	—14.5	+ .2	—10.7	
Dec. 11.....	— 1.6	—11.7	— .5	—13.8	
Dec. 18.....	+ 1.7	—27.7	+ .1	—25.9	
Dec. 25.....	+ 6.1	+ .9	+ .3	+ 7.3	
1936—Jan. 1.....	— 8.8	+ 1.8	+ .5	— 6.5	
Jan. 8.....	— 5.3	+18.4	+ .6	+13.7	
Jan. 15.....	— 8.3	+ 6.3		— 2.0	

*Change less than \$50,000.

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

	Condition			
	Jan. 15 1936	Jan. 8 1936	Dec. 18 1935	Jan. 16 1935
Total Bills and Securities...	201	201	201	167
Bills Discounted.....	...	...	...	...
Bills Bought.....	...	...	...	...
United States Securities...	199	199	199	166
Total Reserves.....	421	421	422	345
Total Deposits.....	334	328	326	301
Reserve Note Circulation...	273	279	280	200
Ratio—Reserves to Deposit and Note Liabilities.....	69.3%	69.3%	69.6%	69.0%

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

	Condition			
	Jan. 15 1936	Jan. 8 1936	Dec. 18 1935	Jan. 16 1935
Loans and Investments—Total..	2,133	2,137	2,164	1,971
Loans to Brokers and Dealers...	13	13	13	30
Loans on Securities to Others (except banks).....	166	164	170	177
Acceptances and Com'l Paper...	25	25	24	19
Loans on Real Estate.....	370	369	368	362
Loans to Banks.....	1	1	1	1
Other Loans.....	357	364	361	309
U. S. Gov. Direct Obligations...	704	707	736	683
Obligations Guaranteed by U. S.	140	138	135	43
Other Securities.....	357	356	356	347
Reserve with F. R. Bank.....	201	192	177	180
Due from Domestic Banks.....	245	224	225	220
Demand Deposits—Adjusted...	788	773	786	687
Time Deposits.....	1,032	1,031	1,024	977
U. S. Gov. Deposits.....	103	103	103	103
Deposits of Other Banks.....	275	267	277	239
Borrowings.....

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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Federal Reserve Bank of San Francisco

Supplement

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Vol. XX No. 1

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

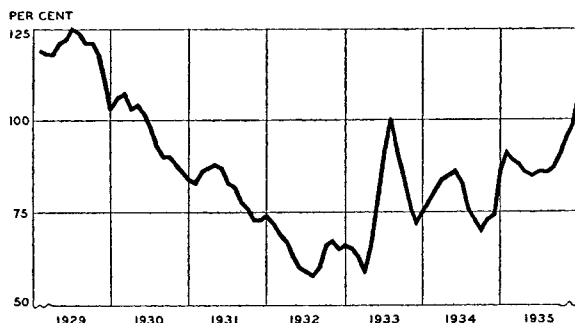
Industrial production and employment showed a further increase in December, when allowance is made for the usual seasonal changes, and distribution of commodities to consumers was in increased volume.

Production and Employment. The Board's seasonally adjusted index of industrial production, which takes account of the considerable decline that usually occurs in December, advanced from 98 percent of the 1923-1925 average in November to 103 percent in December, the highest level reached by this index since the spring of 1930. As in other months during the last half of 1935, the rise in the index was due in large part to increases in output of durable manufactures, particularly iron and steel and automobiles. During the first half of January, production of steel and automobiles increased somewhat, following declines in the holiday period. Output at mines was also larger in December than in November. Activity at cotton and silk textile mills declined less than is usual in December, while at woolen mills there was a more than seasonal decrease in operation. Output at shoe factories increased.

Factory employment showed little change between the middle of November and the middle of December, when a slight decline is customary. The number employed continued to increase at steel mills, automobile factories, foundries and machine shops, and at railroad car building plants. There was also an increase in employment at shoe factories. Seasonal declines were reported by many other important industries. Factory payrolls were larger in the middle of December than a month earlier.

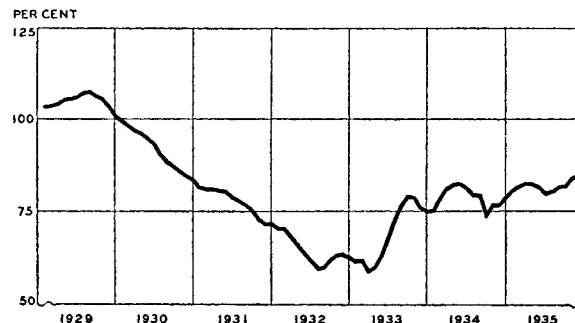
The value of construction contracts awarded increased sharply in December, according to figures of the F. W. Dodge Corporation, although a decline is usual in that month. There was a further substantial growth in the volume of awards for publicly-financed projects and residential building also increased.

Distribution. Sales at department stores and variety stores, as well as sales by chain stores and mail order houses serving rural areas, showed larger increases than are usual in December. Freight-car loadings decreased by less than the usual seasonal amount in December, and the Board's adjusted index increased from



INDUSTRIAL PRODUCTION

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



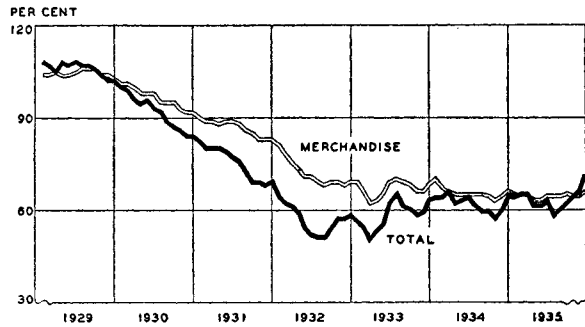
FACTORY EMPLOYMENT

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

66 percent of the 1923-1925 average in November to 71 percent, continuing the advance begun last August.

Commodity Prices. The general level of wholesale prices showed little change during December. In the first three weeks of January there was some decline in the general index, reflecting in part lower prices for cotton gray

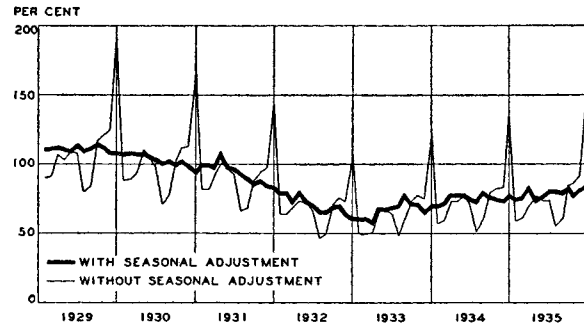
third week of December, increased by \$320,000,000 during the following five weeks, reflecting the usual seasonal return flow of currency from circulation, a decline in Treasury balances with the Federal reserve banks, and a small increase in monetary gold stock. On January 22, excess reserves totaled \$3,030,000,000, as compared with the peak of \$3,300,000,000 on December 11, 1935.



RAILROAD FREIGHT-CAR LOADINGS
Indexes of daily average number of cars loaded, adjusted
for seasonal variation (1923-1925 average=100).

goods, flour, pork, and silk. Prices of hogs, rubber, and petroleum increased.

Bank Credit. Excess reserves of member banks, which declined by \$600,000,000 in the



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

Changes in the condition of reporting member banks in leading cities between December 18 and January 15 reflected largely the influences of seasonal factors.