

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

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### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Twelfth District business activity expanded seasonally during March. Practically all measures of production, trade, employment, and pay rolls were substantially higher than in March 1935.

Increased activity in building, particularly of houses, has contributed materially to expansion in business during the past year. Building permits value continued to increase during March, the total for 90 district cities exceeding the February figure by 33 percent. This increase was principally the outcome of continued rapid expansion in residential building, although nonresidential construction and alteration and repair work also increased. Contract awards for public works, however, declined further during March.

Output of lumber expanded sharply in accordance with the seasonal tendency for the month, but no appreciable reduction was effected in the large accumulated supply of orders. Cement output was larger than in any March since 1929. Although daily average crude oil output was much lower in March than in February, the decline reflected conformance to voluntary curtailment agreements. Activity at refineries remained practically unchanged. Vegetable canning, flour milling, and livestock slaughter increased as is customary during March. Industrial employment advanced by about the usual seasonal amount.

Seasonal expansion in daily average sales value of department stores was reported from all parts of the district during March. Aggregate sales were 12 percent larger than a year ago. Preliminary figures of new automobile sales increased sharply in March, following decreases in January and February. Railway carloadings and intercoastal freight traffic through the Panama Canal increased seasonally.

Condition of crops and livestock continued generally satisfactory during March and early April, although frosts toward the end of this period caused some slight damage to crops and delayed normal growth of early lambs. Volume of marketing was larger than in March of

last year. Prices of farm products remained unchanged from mid-March to mid-April.

District banking reserves were greatly enlarged between March 18 and April 15. At the end of the period they were considerably above the previous high level reached in early March before quarterly income tax payments and Treasury financing operations temporarily reduced them. The supply of funds was augmented during the period by a substantial excess of Treasury disbursements over collections and by the temporary deposit with district banks of proceeds of several large refunding issues.

The temporary deposit of funds because of refunding operations also was reflected in the moderate increase in adjusted demand deposits of district banks during the four-week period ending April 15. Little net change occurred in time deposits or in the various classifications of earning assets during the period, total loans and investments remaining near the relatively high level to which they had risen in mid-March.

#### Agriculture

Seeding and development of grains and field crops proceeded satisfactorily during March and early April, although weather conditions were not uniformly favorable. There was little or no rainfall during most of March, but soil moisture except on some livestock ranges was adequate. Rain and snow storms were widespread during late March and early April.

Low temperatures and dust storms caused some damage to the wheat crop in the Pacific Northwest during March, and the condition on April 1 was below that of a year ago. Soil moisture is satisfactory, however, and the production outlook at present is reported to be fairly good.

Weather conditions in California were favorable for the planting and growth of grain and field crops during March and the first half of April. Cold weather is reported to have damaged deciduous fruits and nuts slightly, but

no important reduction in output is expected to result.

Volume of Twelfth District agricultural products marketed during March was about the same as in February and somewhat larger than in March 1935. Prices paid farmers advanced slightly from mid-February to mid-March and averaged from 5 to 10 percent higher than a year earlier. The increase reflected higher livestock and livestock product quotations, since most crop prices were slightly lower than last year. These data indicate that farm income during March continued to be somewhat higher than a year ago. The latest report from the United States Department of Agriculture covers January and February and shows that Twelfth District farm income from crops during those months was 2 percent higher than a year ago, while income from livestock and livestock products was 14 percent larger than a year ago. Deciduous fruit growers are now attempting to secure adoption of an agreement under provisions of the Agricultural Adjustment Act to control marketing of fresh fruits, except apples, during the forthcoming season.

Navel orange shipments continued smaller than a year ago during March. This was partly the result of a smaller crop this year, partly a result of disrupted transportation facilities in the East, and partly because shipments of oranges from Florida were heavier than in March 1935. Prices continued to average higher than a year ago, although some decline took place in relation to February. The forthcoming Valencia orange crop is estimated to be 20,335,000 boxes, 23 percent smaller than the record 1935 crop but 17 percent larger than average output from 1928 through 1932. Although the crop is expected to ripen somewhat later this year than last, export shipments, usually comparatively small in amount, have commenced earlier than in 1935. Canada and the United

Kingdom are the chief export markets for California oranges. Both prices and shipments of lemons from California increased from February to March. Prices averaged \$3.95 per box during March compared with \$1.82 per box a year ago, and shipments were 25 percent larger than in March 1935.

Production of grapefruit in Arizona and California during the current season is estimated at 4,365,000 boxes, or 24 percent of the United States crop, and the farm value of grapefruit grown in those two states is expected to total about \$5,300,000. Only in recent years has the raising of grapefruit in Arizona and California been an important source of farm income. During the five years 1924-1928, the average grapefruit harvest in these states was 822,000 boxes, or 8 percent of total United States production. Since 1928, the number of bearing trees and average yield per tree in Arizona and California have increased more rapidly than in the United States as a whole. This increased production has been sold largely in Pacific Coast and midwestern markets. In both Pacific and midwestern markets, Twelfth District grapefruit has been in active competition with the product of Florida and Texas, the only other states producing grapefruit commercially.

Ranges were in good to excellent condition on April 1 in all states of the district except Washington. Snow and rain over the month end relieved dryness in that State, and prospects for satisfactory spring range forage are good throughout the district.

Storms in late March and early April caused some loss of weight in cattle and death losses of early calves in the Pacific Northwest. Stock in other parts of the district are in fairly good condition, although grass-fat beef in California are reaching satisfactory market weight somewhat later than in 1935. Farm prices of cattle, which have declined slightly since the beginning of 1936, ranged from 6 to 22 percent lower on March 15 than a year earlier.

Cold weather in the Pacific Northwest reduced the early lamb crop in that section. The early drying up of range forage has retarded the development of spring lambs in California, and during the first ten days of April eastern shipments included a relatively large proportion of lambs which will be fattened in midwestern and eastern yards before slaughter. Range conditions in both the Pacific Northwest and in California were improved by rainfall at the end of March.

Spring lambs are currently selling somewhat higher than in April 1935. Last year, however, a large volume of spring lambs had been sold on contract early in the season at prices well above those prevailing in April. This year, early contracting for lambs was negligible, and

### Agricultural Marketing Activity—

	March		Season to Date	
	1936	1935	1936	1935
<b>Carlot Shipments</b>				
Apples and Pears..	3,590	3,265	33,430	39,223
Citrus Fruits ....	6,657	7,188	25,791	30,225
Vegetables .....	9,507	7,281	50,849	50,518
<b>Exports</b>				
Wheat (bu.) .....		835	50,161	2,789,993
Barley (bu.) .....	357,791	113,166	7,598,238	3,662,827
<b>Receipts*</b>				
Cattle .....	85,414	73,712	265,453	244,088
Hogs .....	163,314	133,758	471,560	444,480
Sheep .....	204,440	193,431	628,294	617,196
Eggs (cases) ...	214,422	186,347	557,951	501,504
Butter (lbs.) ...	6,504,754	6,097,757	16,989,834	15,464,116
Wheat (carlots)..	3,358	3,113	52,749	40,340
Barley (carlots)..	559	373	7,454	7,261
<b>Storage Holdings*</b>				
(end of month)				
	1936		1935	
	March	February	March	February
Wheat (bu.) ....	5,086,000	5,497,000	3,171,000	2,913,000
Beans (bags) ....	1,470,000	1,562,000	1,351,000	1,562,000
Eggs (cases) ....	146,000	.....	176,000	.....
Butter (lbs.) ....	77,000	230,000	44,000	75,000

\*At principal district markets.

most shipments are therefore being made at current prices. The number of lambs to be marketed from California and Arizona this spring is expected to be somewhat larger than a year ago, but the average weight will be below last year's unusually high figure.

**Industry**

Twelfth District industrial production increased by about the usual seasonal amount during March. The customary advance in the number of employed also took place in industry, but pay rolls were more than seasonally higher. Value of building permits, particularly for residential construction, increased sharply further during March. Output of practically all industries for which data are available was substantially higher than in March 1935.

Industrial employment in California and Oregon increased seasonally from mid-February to mid-March. Moderate gains were reported in most groups of industries in California, although a considerable decline took place in the number employed at fish canning and packing plants coincident with the close of the sardine fishing season in northern California at the end of February. In Oregon, a substantial increase in numbers of workers was reported in the important lumber and wood manufactures industries and in the metals and metals products group. Declines occurred in the food products industry and in the stone, clay, and glass products group. Compared with March 1935, employment in identical reporting firms in California was 5 percent and in Oregon 13 percent higher. Total industrial pay rolls in both California and Oregon were considerably higher in

March than in February, and were substantially above the totals reported for March 1935.

Value of building permits in 90 Twelfth District cities increased from 14.0 million dollars in February to 18.6 million dollars in March, the highest figure reported for any month in the last five years. In most of the 20 larger cities for which segregated data are available the value of permits for residential building increased sharply and in the aggregate advanced 55 percent. In these same cities a rise of 10 percent occurred in nonresidential permits, while alteration and repair work increased 22 percent.

Contract awards for public works amounted to 11 million dollars during March. During the first quarter of this year, awards totaled 73 million dollars, an amount more than twice as large as in the first quarter of 1935. Unusually large awards in January accounted for the higher quarterly total this year. Practically no new Twelfth District projects have been initiated directly by the Federal Government since January.

District lumber production expanded sharply as is usual during March. Output was 21 percent larger than in February and 29 percent larger than in March last year. New orders increased considerably during the month. Accumulated orders remained at a high level, while inventories are reported to be in need of replenishment at many mills. Reflecting the improvement in demand, lumber prices in recent months have been appreciably higher than a year earlier. During February, Douglas fir quotations, f. o. b. mill, averaged approximately 25 percent higher than in February 1935. Trade sources indicate a slight decline in the mill price of Douglas fir during March.

Petroleum output in California continued to

**Employment—**

Industries	California		Oregon	
	No. of Firms	No. of Employees	No. of Firms	No. of Employees
All Industries*	1,386	147,671	106	18,580
		(+5.2)		(+13.5)
Stone, Clay, and Glass Products.	63	6,698	3	110
		(+16.0)		(-16.0)
Lumber and Wood Manufactures	114	13,609	36	10,195
		(+6.9)		(+19.8)
Textiles	18	2,091	8	1,853
		(-10.9)		(+7.5)
Clothing, Millinery, and Laundering	156	11,463	7‡	227
		(+6.0)		(+6.6)
Food, Beverages, and Tobacco	293	30,190	29	1,202
		(+2.3)		(-6.5)
Public Utilities	53	44,946	..	..
		(+4.8)		..
Other Industries†	688	71,289	..	..
		(+4.6)		..
Miscellaneous	54	12,331	23	4,993
		(+11.7)		(+10.9)
Wholesale and Retail	342	44,800	..	..
		(+2.4)		..

\*Public utilities, wholesale and retail figures not included in this total. †Laundering only. ‡Includes the following industries: Metals, machinery, and conveyances; leather and rubber goods; oils and paints; printing and paper goods. Figures in parentheses indicate percentage change from March 1935.

**Industry —**

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

	1936-1935			1935		
	Mar.	Feb.	Jan. Dec.	Mar.	Feb.	Jan.
<b>General</b>						
Carloadings—Industrial.	63	77	68	50	54	50
Electric Pwr. Production	176¶	179¶	179	152	154	154
<b>Manufactures</b>						
Lumber	67¶	70	75	72	53	60
Refined Mineral Oils†	156¶	156	152	157	125	127
Flour	108¶	101	101	93	107	93
Cement	97	87	120	112	58	53
Wool Consumption†	..	128	112	110	98	132
Slaughter of Livestock.	104	101	98	99	91	97
<b>Minerals</b>						
Petroleum (California)†	86¶	89	103	103	75	75
Lead (United States)†	..	..	63	70	55	50
Silver (United States)†	..	97	95	68	50	65
<b>Building and Construction#</b>						
Total	76	88	90	69	40	44
Building Permits—Value						
Larger Cities	30	29	25	24	20	17
Smaller Cities	54	50	44	38	23	21
Engineering Contracts						
Awarded—Value						
Total	127	167	182	118	61	80
Excluding Buildings	273	374	337	217	132	176

¶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.

be reduced under the voluntary curtailment agreement from a daily average of 587,000 barrels in February to 566,000 barrels in March. The later figure was still in excess of the limit of 538,800 barrels daily which it was desired to attain for March, but all except a few of the larger independent producers had conformed to schedules. Despite reduced output of crude oil, refinery production remained relatively high and an upturn in consumption of gasoline did not result in any reduction in inventories. Nevertheless, gasoline quotations were raised  $2\frac{1}{2}$  cents per gallon on April 2, thus cancelling the reduction on March 3, and on April 14 another advance of 2 cents per gallon was announced. Quotations have now been restored to the level prevailing last August. An advance in fuel oil prices was also announced during March.

Output of copper during the first quarter of 1936 was at a higher rate than in the second half of 1935, according to reports from copper producers in the district. Mining and smelting of copper during the first quarter of 1936 was also substantially more active than in the first three months of 1935, when operations were restricted. Corresponding changes have taken place in employment at copper mines and smelters. Although there has been considerable expansion during the past year, output of copper is still low in relation to the years 1922-1930. A rise in the rate of shipments during recent months has been accompanied by a reduction in refinery inventories and a gradual strengthening in prices of copper. In mid-April, the prevailing quotation on domestic copper was  $9\frac{1}{2}$  cents per pound, the highest since April 1931.

District output of silver, lead, and zinc was also greater in the first quarter of 1936 than in the first quarter of 1935 and above the level prevailing in the last half of 1935. Exploration work to develop ore bodies containing a high silver ratio continues active under the stimulus of the Federal Government's price of 77.57 cents a fine ounce for newly mined domestic silver. On April 20, this figure was 31.82 cents higher than the open market price in New York for all other silver. Increased output of silver has been an influence in stimulating larger lead and zinc production, but demand for these latter metals has improved considerably in the past few months and quotations have tended upward. Present quotations for lead are the highest since January 1931, and for zinc, the highest since April 1930; both are approximately 25 percent above the level prevailing at this time last year.

Tin can factories in the district have expanded operations since the first of this year and were more active in March than a year earlier. Part of the increase over the year

period may be attributed to earlier deliveries to vegetable canners this year than last, when the season was retarded somewhat. Total requirements for early vegetable canning are expected to approximate those of a year ago. Fish canneries have been using a much larger number of cans than in 1935, reflecting increases in packs of tuna, sardines, and mackerel. Output of general line cans has been increasing during recent months and is considerably larger than a year ago. This expansion has resulted from increased demand for various established uses, such as for coffee, paints and varnishes, and petroleum products. Introduction of beer cans has provided some stimulus to output during the past year, and has resulted in additions to plant capacity on the Pacific Coast. Prices of tin cans have remained practically unchanged since early 1934, when they were advanced approximately to the 1929 level.

Canning of spinach was commenced during March, but slight delays were caused by rains late in the month. Asparagus canning became active in early April. No marked change from last year is expected in the pack of either of these vegetables and the carryovers are reported to be low. Opening prices for both vegetables this year are slightly higher than for the 1935 pack. Sardine canning in the southern California area increased considerably in the last six weeks of the season which ended on March 31. Preliminary statistics indicate that the total California pack was considerably larger than in the preceding season. Sales have been large, however, and there was a moderate rise in prices in March. Deliveries of tuna to canneries were also larger than in February.

## Trade

Department store sales value increased seasonally during March. Since Easter Sunday came on April 12, March sales figures probably included but little Easter buying. Sales of all

### Distribution and Trade—

	1936-1935				1935		
	Mar.	Feb.	Jan.	Dec.	Mar.	Feb.	Jan.
	Indexes adjusted for seasonal variation (1923-1925 average=100)						
<b>Carloadings†</b>							
Total .....	78¶	79	85	85	68	74	70
Merchandise .....	..	89	92	97	85	89	85
<b>Intercoastal Trade</b>							
Total .....	76	75	65	69	78	65	68
Westbound .....	118	96	99	89	105	81	79
Eastbound .....	66	69	54	65	73	61	63
<b>Retail Trade</b>							
Automobile Sales‡							
Total .....	..	121	106	208	107	104	69
Passenger .....	..	117	103	200	102	97	65
Commercial .....	..	210	155	236	154	229	128
Department Store							
Sales‡ .....	85	85	84	88	79	80	79
Stocks§ .....	65	65	65	64	62	62	61
Collections#							
Regular .....	49.0	48.1	49.3	48.8	48.1	45.3	48.0
Installment .....	18.4	18.0	18.4	17.6	18.5	16.8	18.7

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

reporting department stores were 12 percent larger than in March 1935. In Utah and southern Idaho, the increase was 1 percent; in the Pacific Northwest, 10 percent; and in California and Arizona, 13 percent. Sales of apparel and furniture stores continued to expand, increases of 24 and 32 percent, respectively, being recorded in comparison with sales in March 1935.

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

	1936 compared with 1935		
	NET SALES		STOCKS
	March*	Jan. 1 to end of March	March
Department Stores . . .	11.9 ( 82)	10.3	4.0 ( 57)
Los Angeles . . . . .	14.2 ( 6)	12.0	4.1 ( 6)
Other So. California . . .	11.8 ( 9)	9.7	4.5 ( 6)
Oakland . . . . .	12.5 ( 5)	10.9	4.7 ( 5)
San Francisco . . . . .	14.1 ( 8)	11.0	3.0 ( 7)
Bay Region . . . . .	13.7 ( 18)	10.9	4.0 ( 16)
Central California . . . .	2.4 ( 6)	4.1	9.0 ( 6)
Portland† . . . . .	15.5 ( 9)	13.0	1.9 ( 8)
Seattle . . . . .	9.5 ( 4)	7.2	2.7 ( 4)
Spokane . . . . .	11.4 ( 6)	5.9	10.3 ( 6)
Tacoma† . . . . .	5.3 ( 7)	7.8	16.2 ( 5)
Salt Lake City . . . . .	1.9 ( 4)	7.6	— 2.7 ( 4)
Apparel Stores . . . . .	24.0 ( 41)	19.4	14.3 ( 27)
Furniture Stores . . . . .	31.5 ( 35)	35.6	11.2 ( 25)
All Stores . . . . .	15.4 (158)	14.2	6.1 (109)

†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.  
\*March 1936 had the same number of trading days as March 1935.

Charge sales of department, apparel, and furniture stores increased somewhat more than did cash sales, but the ratio of collections to accounts outstanding continued higher than a year ago.

The 13 percent increase in daily average railway carloadings in the district during March approximated seasonal expectations. Loadings were 18 percent larger than in March 1935. In part because of difficulties experienced in making deliveries in the Midwest and East where unusually severe weather and flood conditions prevailed, lumber shipments by rail did not increase by the full seasonal amount. In view of the predominant influence of lumber shipments, Pacific Northwest loadings did not advance as much as usual, but in California the rise was of full seasonal proportions.

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

	March 1936 compared with		Cumulative 1936 compared with 1935
	Feb. 1936	Mar. 1935	
Agricultural Implements . . . .	63.8	59.3	48.0
Automobile Supplies . . . . .	15.5	19.4	12.7
Drugs . . . . .	2.5	8.3	9.7
Dry Goods . . . . .	24.2	11.5	4.7
Electrical Supplies . . . . .	36.2	49.1	39.5
Furniture . . . . .	1.2	—10.8	— 0.8
Groceries . . . . .	12.7	9.6	7.6
Hardware . . . . .	18.0	21.0	23.9
Shoes . . . . .	36.8	22.7	10.8
Paper and Stationery . . . . .	9.3	3.6	13.0
All Lines . . . . .	16.7	16.9	15.3

A rise of 17 percent in the value of wholesale sales from February to March was larger than the average increase between those months. All reporting lines showed increases over the previous month, the expansion in sales of electrical

supplies being the largest February-March increase for that line since figures were first collected in 1924. Total sales were 17 percent greater than in March 1935, all lines with the exception of furniture reporting increased business.

Intercoastal water-borne tonnage increased seasonally from 625,000 tons to 704,000 tons in March, bringing the total for the first quarter of this year to 1,922,000 tons, slightly larger than in the first quarter of 1935. The rise for the month came entirely in shipments from the Atlantic Coast and reflected chiefly larger iron and steel shipments. Eastbound traffic remained unchanged, a reduction in lumber shipments being offset by increased petroleum and other cargo. During the first three months of this year, shipments of petroleum and iron and steel were smaller than in the first quarter of 1935, but the movement of lumber and of general cargo increased sharply.

**Prices**

Wholesale commodity prices changed little during March and the first two weeks of April, according to the Bureau of Labor Statistics' index. In mid-April, prices of farm products and foods were 5 percent lower than a year earlier, whereas the index for all commodities was about the same.

Cost of living for wage earners and lower-salaried workers in larger Pacific Coast cities

**Bank Debits\*—**

	March 1936	March 1935	First three months—	
			1936	1935
Arizona				
Phoenix . . . . .	\$ 35,292	\$ 30,593	\$ 105,098	\$ 87,181
California				
Bakersfield . . . . .	12,458	10,960	38,710	32,867
Berkeley . . . . .	17,266	13,534	54,030	42,595
Fresno . . . . .	22,490	20,359	71,208	59,114
Long Beach . . . . .	31,545	30,365	97,667	81,599
Los Angeles . . . . .	789,274	651,274	2,346,306	1,838,166
Oakland . . . . .	85,143	66,784	248,152	190,520
Pasadena . . . . .	25,597	22,404	77,677	62,757
Sacramento . . . . .	101,380	79,376	314,641	228,147
San Bernardino . . . . .	8,171	8,074	24,297	21,509
San Diego . . . . .	44,233	38,395	133,547	105,887
San Francisco . . . . .	941,736	775,816	2,640,176	2,145,949
San Jose . . . . .	19,916	18,351	63,287	51,408
Santa Barbara . . . . .	11,641	9,966	34,022	27,622
Santa Rosa . . . . .	3,961	3,423	11,471	9,860
Stockton . . . . .	16,789	14,381	48,468	41,791
Idaho				
Boise . . . . .	14,169	12,766	43,840	39,286
Nevada				
Reno . . . . .	8,800	7,758	26,152	22,433
Oregon				
Eugene . . . . .	6,069	4,645	15,971	11,818
Portland . . . . .	174,671	153,086	456,230	382,242
Salem . . . . .	15,074	11,306	37,882	30,597
Utah				
Ogden . . . . .	15,162	11,328	41,881	37,136
Salt Lake City . . . . .	59,178	52,706	174,165	153,981
Washington				
Bellingham . . . . .	5,341	4,983	15,407	13,315
Everett . . . . .	6,644	5,629	19,044	15,373
Seattle . . . . .	191,084	152,229	517,457	411,132
Spokane . . . . .	41,362	34,168	114,829	94,656
Tacoma . . . . .	30,032	24,722	85,062	67,801
Yakima Walla . . . . .	5,136	4,421	12,792	11,986
Walla . . . . .	11,610	11,960	31,730	30,691
<b>Total . . . . .</b>	<b>\$2,751,224</b>	<b>\$2,285,762</b>	<b>\$7,903,199</b>	<b>\$6,349,419</b>

\*In thousands of dollars.

increased approximately 1 percent during the three months ending January 15, 1936. This advance reflected primarily increases in food prices, although slight increases in rent and fuel and light costs were also factors in the rise. Since mid-January retail food prices have declined and living costs in mid-March are estimated to have been about the same as a year earlier or only slightly higher.

Wholesale quotations for canned and dried fruits showed no concerted change during March and early April. Both rubber and coffee prices declined somewhat, while refined sugar quotations continued the advance begun early in March.

### The Credit Situation

On April 15, reserve balances of Twelfth District member banks reached a new all-time high level. A considerable portion of the rise in reserves during the past few weeks, however, occurred in connection with special financial transactions. Part of the proceeds of several large refunding operations were transferred from New York City to this district and temporarily deposited with local banks. Practically all of these funds immediately became a part of the supply of member bank reserves. A portion of the balances was subsequently withdrawn and further large reductions will take place within the next few weeks as payments are made in connection with the redemption of maturing securities.

After allowance for the gain, more or less temporary, from these special transactions,

member bank reserve balances increased moderately during the four weeks to a level only slightly higher than that recorded immediately prior to the mid-March financial operations of the United States Treasury. Aside from the funds gained in connection with refunding operations, interdistrict commercial and financial payments resulted in a small net loss in district bank reserves between March 18 and April 15. The United States Treasury added 37 million dollars, net, to local bank reserves during the four weeks, however, as a result of disbursements in excess of collections. Gains from that source plus the special transactions discussed previously were principally responsible for a net increase of 65 million dollars in reserve deposits of member banks during the four weeks.

Although reporting member bank reserve deposits and balances carried with other banks increased between March 18 and April 15, earning assets showed no significant change. Investments in direct obligations of the United States Government were reduced moderately, but changes in other security holdings and in loans were negligible. The only major change in liabilities of the banks was a sharp rise in adjusted demand deposits, which resulted largely from the temporary deposit of the proceeds of refunding operations.

### Securities Markets

The Board of Governors of the Federal Reserve System announced on March 25 that margin requirements for customers' accounts

#### 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
1936—Feb. 12.....	+ 2.4	— .8	+ 2.7	+ 4.3
Feb. 19.....	— 1.0	— 5.0	+ 8.9	+ 2.9
Feb. 26.....	— 3.0	— 5.4	+10.9	+ 2.5
Mar. 4.....	+ 2.0	— 7.4	+ 5.3	— .1
Mar. 11.....	— 1.1	— 4.3	+18.9	+13.5
Mar. 18.....	+ 4.2	+26.6	—48.1	—17.3
Mar. 25.....	— 5.9	+19.3	— 1.9	+11.5
Apr. 1.....	+ 4.4	+18.0	+ 9.5	+31.9
Apr. 8.....	— 4.3	+ 4.5	+19.1	+19.3
Apr. 15.....	+ 2.2	— 3.6	+10.6	+ 9.2

#### USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F. R. B. Accounts	Total Demand
1936—Feb. 12.....	+ 2.9	+ .9	+ .5	+ 4.3
Feb. 19.....	— 1.7	+ 5.9	— 1.3	+ 2.9
Feb. 26.....	— .5	+ 3.0	*	+ 2.5
Mar. 4.....	+ 6.7	— 6.6	— .2	— .1
Mar. 11.....	— 1.3	+14.5	+ .3	+13.5
Mar. 18.....	— 2.3	—15.2	+ .2	—17.3
Mar. 25.....	— 3.0	+ 7.6	+ 6.9	+11.5
Apr. 1.....	+ 3.9	+30.3	— 2.3	+31.9
Apr. 8.....	+ 5.8	+13.4	+ .1	+19.3
Apr. 15.....	— 4.1	+13.9	— .6	+ 9.2

\*Change less than \$50,000.

#### CONDITION OF FEDERAL RESERVE BANK OF SAN FRANCISCO

(Amounts in millions of dollars)

	April 15 1936	April 8 1936	Mar. 18 1936	April 17 1935
Total Bills and Securities...	201	201	201	195
Bills Discounted .....	...	...	...	...
Bills Bought .....	...	...	...	...
United States Securities..	199	199	199	193
Total Reserves .....	510	497	458	336
Total Deposits .....	409	390	363	307
Reserve Note Circulation...	285	288	282	208
Ratio—Reserves to Deposit and Note Liabilities .....	73.5%	73.3%	71.0%	65.2%

#### CONDITION OF REPORTING MEMBER BANKS

Twelfth District

(Amounts in millions of dollars)

	April 15 1936	April 8 1936	Mar. 18 1936	April 17 1935
Loans and Investments—Total..	2,141	2,137	2,155	1,995
Loans to Brokers and Dealers..	22	21	19	27
Loans on Securities to Others (except banks) .....	169	170	168	169
Acceptances and Com'l Paper..	23	23	26	20
Loans on Real Estate.....	367	367	367	363
Loans to Banks .....	1	1	2	1
Other Loans .....	360	361	358	313
U. S. Gov. Direct Obligations..	696	692	711	665
Obligations Guaranteed by U. S.	138	138	137	70
Other Securities .....	365	364	367	367
Reserve with F. R. Bank .....	239	228	181	167
Due from Domestic Banks .....	249	234	218	202
Demand Deposits—Adjusted .....	818	792	761	713
Time Deposits .....	1,031	1,028	1,031	992
U. S. Gov. Deposits .....	115	118	117	83
Deposits of Other Banks .....	275	262	267	238
Borrowings .....	...	...	...	...

with brokers and dealers, as prescribed by Regulation T, would be changed effective April 1. Under the new provisions, the maximum loan value of registered securities is 45 percent of the current market value. Registered securities pledged by brokers or dealers with other brokers or dealers in connection with loans for the purpose of enabling the borrower to carry customers' accounts are given a maximum loan value of 60 percent of the current market value instead of 80 percent which had previously been applicable. The maximum loan value of registered securities securing a loan to another broker or dealer for the purpose of underwriting or distributing a security is left at 80 percent.

At the same time, the Board announced its Regulation U, effective May 1, relating to loans by banks for the purpose of purchasing or carrying registered stocks. Under this regulation, the maximum loan value of any stock is 45 percent of the current market value, except that loans to brokers or dealers on securities carried for the account of customers are subject to a special maximum loan value of 60 percent of the current market value for registered stock. Loans to brokers and dealers

for distributing purposes are exempted from the provisions of the regulation.

The volume of trading on Pacific Coast stock exchanges during the five weeks ending April 20 continued to decline and was smaller than at any time since October 1935. Averages of share prices fluctuated within a narrow range during most of the period. A decline in the last few days resulted in a slight net loss for the five weeks.

Price trends of Pacific Coast corporation bonds were mixed, gains approximately offsetting losses. The decline in yields on high-grade long-term issues was checked. Prices of municipal bonds advanced, following declines in mid-March. Yields nearly reached the previous record low point established in late February. Offerings of new municipal bonds were small, totaling approximately \$3,250,000. New corporate bond issues, however, were relatively large. The total was \$137,000,000 including \$90,000,000 Pacific Gas and Electric Company 3¾% First and Refunding Bonds, Series H, due in 1961, the largest issue registered to date with the Securities and Exchange Commission. There were also two stock offerings aggregating approximately \$3,750,000.

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## SUMMARY OF NATIONAL CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

Production and employment at factories increased from February to March, while output of minerals declined. There was considerable expansion in retail trade.

**Production and Employment.** The Board's combined index of industrial production, which includes both manufacturing and mining and makes allowance for seasonal changes, remained unchanged in March at the February figure of 94 percent of the 1923-1925 average. Production of automobiles rose sharply in March to a total of 425,000 passenger cars and trucks and continued to increase during April. There was a seasonal increase in output of steel in March, followed in the first three weeks of April by a rapid rise in activity. Estimates of the rate of production in that period averaged around 67 percent of capacity as compared with the rate of 59 percent reported for March. Production of cement and lumber increased more than seasonally from February to March, and activity at meatpacking estab-

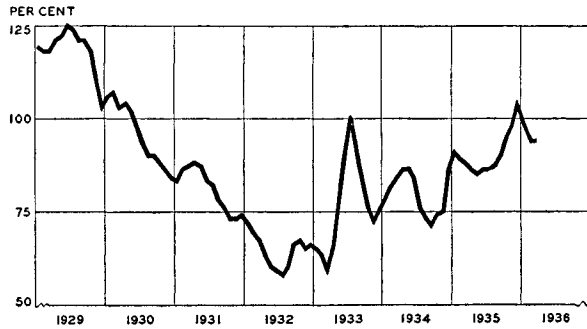
lishments and at silk mills also increased, although a decline is usual in these industries at this time of the year. There was little change in output at cotton textile mills, while at woolen mills activity decreased by more than the usual amount. Production of anthracite and bituminous coal showed a substantial reduction from the relatively high level of February and this decrease accounted for the decline in total output at mines.

Factory employment increased by more than the usual seasonal amount from the middle of February to the middle of March, and pay rolls showed a larger increase. Employment increased in the machinery industries, at saw mills, and at establishments producing wearing apparel. There was a decrease in the number of workers at plants producing rubber tires and tubes, where a strike was in progress in the middle of March. At automobile factories the number employed declined slightly, while pay rolls showed a considerable increase.

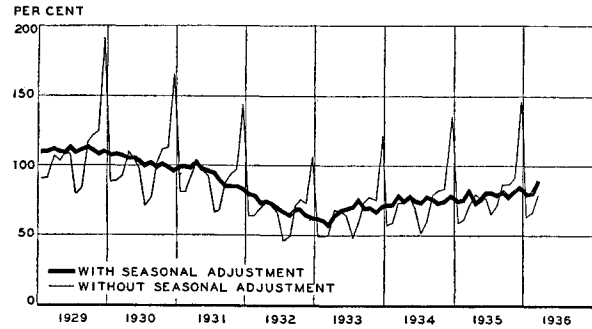
The value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, showed a seasonal increase from February to March. Awards for residential building increased seasonally and contracts for other private construction advanced to the highest point since 1931. Value of awards for publicly-owned projects continued considerably smaller than in December and January, when the dollar volume of such contracts was relatively high.

and the middle of March, showed relatively little change in the following four weeks. Retail prices of foods declined during March.

**Bank Credit.** Excess reserves of member banks, after declining sharply in the last half of March, increased by about \$300,000,000 in the first three weeks of April to a total of \$2,640,000,000. This increase, like the preceding decline, was due chiefly to operations of the Treasury. After the middle of March Treasury



**INDUSTRIAL PRODUCTION**  
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to March 1936.



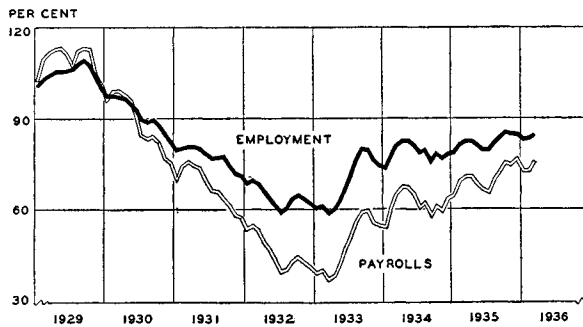
**DEPARTMENT STORE SALES**  
Indexes of value of sales, 1923-1925 average=100. By months, January 1929 to March 1936.

**Distribution.** Retail trade, which had been reduced in January and February by unusually severe weather, increased considerably in March. Sales at department and variety stores and by mail order houses serving rural areas showed a more than seasonal increase. The number of new automobiles sold was also larger than in February.

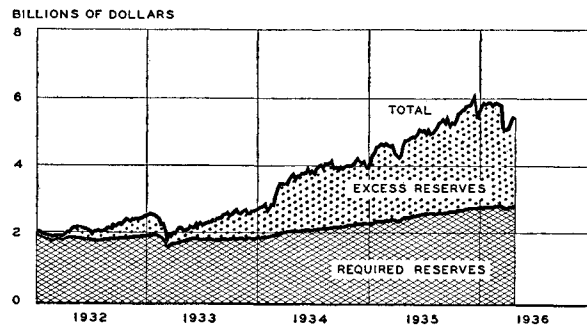
balances at the Federal Reserve banks were built up through the collection of taxes and receipts from the sale of new securities, and in April these balances were drawn upon to meet expenditures.

Partly as a result of these expenditures, deposits at reporting member banks in leading cities, which had declined in March, increased in the first half of April, when total loans and

Freight carloadings of most classes of com-



**FACTORY EMPLOYMENT AND PAY ROLLS**  
Indexes of number employed and pay rolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 to March 1936. Indexes compiled by the United States Bureau of Labor Statistics.



**MEMBER BANK REQUIRED AND EXCESS RESERVES**  
Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 6, 1932 to April 22, 1936.

modities increased from February to March by more than the usual seasonal amount. Total loadings declined somewhat from the relatively high level of the three preceding months, however, reflecting a sharp reduction in shipments of coal.

**Commodity Prices.** The general level of wholesale commodity prices, which had declined somewhat between the third week of February

investments of these banks also increased. From February 26 to April 15 total loans and investments of reporting member banks showed an increase of about \$800,000,000, reflecting increases of \$380,000,000 in investments, of \$180,000,000 in loans to brokers and dealers in securities, and of \$240,000,000 in so-called "other" loans, which include loans for commercial, industrial, and agricultural purposes.