

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Industrial output in the Twelfth District was somewhat higher during May than in the preceding month. Factory employment and pay rolls, except in the highly seasonal fruit and vegetable canning industry, also increased. District measures of the distribution of goods declined during May, however, after seasonal adjustment. Total value of building permits was about the same as in April, and contracts awarded for engineering construction declined.

District lumber production continued to expand during May, and operations in the steel and cement industries remained near the high levels which have prevailed in the past few months. Although gasoline production exceeded deliveries, crude oil output showed little change and crude inventories

Asparagus canning was seasonally active in May, but the spinach pack was completed early in that month. Canning of cherries in California commenced about the end of May and continued until the middle of June. Operations in the fish canning industry increased with the start of salmon packing and an expansion in schedules at tuna and mackerel canneries.

The value of department store sales declined slightly on a seasonally adjusted basis, as did new automobile sales. Intercoastal trade also was lower than in April and daily average freight carloadings remained unchanged whereas there is usually an increase during May.

Principally because of the purchase of new Government securities issued on June 15, total loans and investments of district city banks increased 45 million dollars during the four-week period ending June 17. Adjusted demand and time deposits declined slightly.

Member bank reserve balances decreased 60 million dollars between May 20 and June 17. Transfer of funds out of the district in connection with corporate security redemptions together with a net outflow of funds arising from other commercial and financial transactions was the principal factor tending to reduce district banking funds during the first three weeks of the period. During the week ending June 17, large cash payments for new United States

Government securities and second quarter income tax collections as well as an increase in demand for currency contributed to a further decrease in reserve balances. A considerable portion of the reduction may be regarded as temporary in character, since cashing by veterans of their Adjusted Service Certificate checks will tend to restore to banks the reserve funds which were paid into the Treasury on June 15 for the new Government securities.

Agriculture

Weather conditions during May generally favored the growth of crops, except in certain localities where early maturing fruits were damaged by rains. Current estimates, which are subject to considerable revision, indicate a slightly larger output of deciduous fruit in California this year than in 1935, but point toward lower yields in the Northwest. Prices paid farmers for their products averaged about the same in mid-May as a year ago. The growing season has advanced more rapidly this year than last, however, and early fruit and field crops have been marketed in larger volume than a year ago so that the cash income of district farmers in May was estimated to be somewhat higher than in May 1935. Range forage and the condition of livestock improved during the month and the present outlook for summer grazing is good.

The condition of spring sown wheat in the Pacific Northwest was greatly improved by rains in May and June. On June 1 the crop was in better condition than a year ago, although it was below the long time average condition on that date. The production forecast of fall-sown wheat in Washington, Oregon, and Idaho as of June 1 was 39,542,000 bushels, compared with a harvest of 50,386,000 bushels last year and an annual average crop of 58,901,000 bushels from 1928 through 1932. Some improvement in the condition of the crop has been reported since June 1. Growth of hops, beans, potatoes, and other field crops in the Pacific Northwest was satisfactory during May and early June.

The apple crop, which is a major source of agricultural income in the Pacific Northwest, was below average condition on June 1. This condition is attributed to low temperatures last winter and to unfavorable weather during the blossoming period this spring. Although early estimates place pear production in Oregon and Washington about 3 percent below last year's record crop, output is expected to be about 25 percent larger than the 1928-1932 average.

In California, deciduous fruit and nut crops, except cherries which were damaged by rain, developed satisfactorily during May. Total production of deciduous fruits and nuts in California will probably be slightly larger than in 1935, but somewhat below the average of recent years. Present estimates are subject to considerable change, but the apricot, cherry, peach, pear, and plum crops are now expected to be larger than in 1935, while the grape, prune, apple, and almond crops are expected to be smaller.

Most California field crops benefited from May rains and were generally in good condition at the end of the month. Planting of rice, beans, and cotton was completed early in June. An estimated 127,000 acres has been seeded to rice this year, compared with 98,000 acres harvested last year. Current acreage is the largest since 1928. Reflecting a shortage of 1935 crop potatoes and the poor condition of early potatoes in southern states, growers in the early producing sections of California recently have been receiving prices for their product markedly higher than at any time in several years. Carry-over stocks of most field crops produced in California approximate the average June 1 stocks of recent years or are somewhat smaller.

The 1935-1936 California navel orange crop, marketing of which was completed last month, is estimated to have totaled 14,559,000 boxes. That estimate is about 20 percent smaller than last year's large crop and is below average

annual output of recent years. While f. o. b. prices received during the 1935-1936 season were considerably higher than a year earlier, gross returns to growers were about 10 percent smaller than in the 1934-1935 shipping season because of the reduced volume of fruit produced. The outlook for California Valencia orange growers, whose crop travels to market from May or June to November, is favorable. Output is estimated at 19,754,000 boxes, compared with last year's record crop of 27,096,000 boxes and an annual average of 17,422,000 boxes harvested during the period 1928-1932. Competition from Florida oranges and early deciduous fruits will not be as great as in the summer of 1935. Out-of-state shipments of lemons were almost twice as large in May as in April and were larger in volume than in any previous May. Prices averaged 39 percent higher than in April. During the shipping season from November 1 through May 31, carlot shipments of lemons out of California were exceeded only by last year's record movement, and returns to growers were estimated to be more than 85 percent above returns during a comparable period last year when prices reached the lowest point since before the war.

Drying of lower ranges in Utah, Nevada, and southern Idaho during May was followed by rainfall in early June. Higher ranges throughout the district are in good condition and summer forage and water are expected to be ample in most sections. Cattle were in good to excellent condition on June 1.

The bulk of the early California lamb crop had been marketed by mid-June. The volume of shipments for the three months ending June 15 (that period covers the marketing season for

Agricultural Marketing Activity—

	May		Season to Date	
	1936	1935	1936	1935
Carlot Shipments				
Deciduous Fruits..	2,367	881	39,471	42,531
Citrus Fruits	8,751	9,921	42,059	49,869
Vegetables	11,328	8,922	52,092	47,135
Exports				
Wheat (bu.).....	3,349	0	53,510	2,801,193
Barley (bu.).....	292,208	65,500	8,636,945	3,799,327
Receipts*				
Cattle	76,672	70,707	423,585	378,167
Hogs	119,453	121,915	734,651	696,884
Sheep	519,625	551,320	1,438,202	1,479,687
Eggs (cases)	202,485	212,918	989,531	920,253
Butter (lbs.)	7,567,566	8,753,905	31,689,496	31,690,994
Wheat (carlots)..	2,458	3,191	57,364	47,252
Barley (carlots)..	725	397	8,652	8,131
Storage Holdings*				
(end of month)				
Wheat (bu.)	3,224,000	3,805,000	1,808,000	2,497,000
Beans (bags)	988,000	1,235,000	849,000	1,111,000
Eggs (cases).....	548,000	352,000	556,000	389,000
Butter (lbs.)....	2,688,000	242,000	3,995,000	451,000

*At principal district markets.

Employment—

Industries	No. of Firms	California No. of Employees		Oregon No. of Employees	
		May 1936	May 1935	May 1936	May 1935
All Industries* . . .	1,447	161,147 (+6.0)	152,013	107 (+10.4)	18,098
Stone, Clay, and Glass Products.	69	7,541 (+19.3)	6,320	3 (+7.6)	170
Lumber and Wood Manufactures ..	105	14,109 (+5.2)	13,413	37 (+17.4)	9,680
Textiles	18	1,808 (-9.7)	2,002	8 (-14.0)	1,952
Clothing, Millinery, and Laundering	160	11,685 (+5.6)	11,068	4† (+11.5)	104
Food, Beverages, and Tobacco ...	300	36,509 (-0.4)	36,656	31 (-0.2)	1,497
Public Utilities ..	53	46,693 (+6.5)	43,824	..	..
Other Industries†.	744	80,665 (+6.7)	75,568	..	..
Miscellaneous ...	51	8,830 (+26.4)	6,986	24 (+9.6)	4,695
Wholesale and Retail	420	55,640 (+6.6)	52,190	..	..

*Public utilities, wholesale and retail figures not included in the total. †Includes the following industries: Metals, machinery and conveyances; leather and rubber goods; oils and paints printing and paper goods. ‡Laundering only.

Figures in parentheses indicate percentage change from May 1935.

early California lambs) was 10 percent smaller than in 1935, but well above the average of recent years. Slaughter of lambs in the eight leading district markets from January 1 to June 1 was 8 percent larger than a year ago.

A large part of the spring wool clip had been completed by June 1. Most of this year's clip is reported to have been marketed by June 1 at prices averaging 22-27 cents per pound to the grower. This year's prices are considerably higher than in 1935 and are approximately the same as the relatively high levels of 1934.

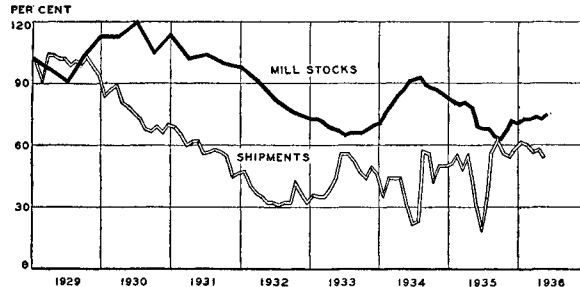
Industry

Industrial output in the Twelfth District increased moderately during May. Excluding the fruit and vegetable canning industry, a small rise in both factory employment and pay rolls accompanied the advance in production.

Industrial employment and pay rolls in California, excluding the fruit and vegetable canning industry which is subject to erratic fluctuations from month to month, increased somewhat more than seasonally in May. Employment at fruit and vegetable canneries declined sharply during the month. The number of workers engaged in packing and canning fish more than doubled between mid-April and mid-May and considerable increases were reported in lumbering and in the leather and rubber goods industries. Industrial employment in Oregon increased less than seasonally, principally because of conditions in the important lumber industry, but pay rolls rose by the usual seasonal amount.

The spring rise in lumber production this year continued through May and total output during the month was 11 percent larger than in April. In the Douglas fir region, output rose 3 percent, notwithstanding the fact that orders

and shipments declined during May and for the month as a whole averaged lower than production. Consequently, inventories of finished lumber at mills in this area increased, particularly in relation to the volume of current shipments. As will be seen in the accompanying chart, mill inventories of lumber in the Douglas



LUMBER SHIPMENTS AND INVENTORIES
Douglas fir region

Total monthly shipments, adjusted for seasonal variation.
Total mill inventory at end of month, without adjustment for seasonal variation (1929 averages=100).

fir region have increased steadily since August 1935, while shipments have tended to decline, bringing about a less satisfactory relationship than had existed in the late summer of 1935. An advance of about 27 percent in lumber output in the western pine region during May was accompanied by a somewhat smaller rise in shipments, and inventories increased for the second consecutive month. Mill stocks in the western pine region usually increase in May.

District production of steel and cement continued active during May. Output in the steel industry has remained close to effective capacity during the past few months and in May was substantially higher than during the early summer of 1935. Cement production during the month amounted to 1,642 thousand barrels, a total double that of May 1935 and the largest since September 1928.

Value of residential building permits issued in 20 large Twelfth District cities totaled 5.9 million dollars in May, a figure approximating the April total of 6.1 million dollars. A rise in nonresidential permits in the same cities from 3.7 million dollars to 4.4 million dollars reflected largely the issuance of permits in San Francisco, Los Angeles, and Spokane for a few large projects. The value of total permits awarded in 67 smaller cities increased from 4.8 million dollars to 5.2 million dollars. Contracts awarded for public works amounted to 13 million dollars during May, a figure somewhat lower than in April and about the same as in May a year ago.

Output of gasoline increased 5 percent during May. Demand for gasoline declined 12 percent, however, and inventories rose 504,000 barrels to the highest level since April 1934. Crude oil output showed little change, averaging 576,000 barrels daily in May, compared with

Industry —

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

	1936				1935		
	May	Apr.	Mar.	Feb.	May	Apr.	Mar.
General							
Carloadings—Industrial	55¶	63	60	63	42	55	50
Electric Pwr. Production	179¶	172¶	175	179	154	148	152
Manufactures							
Lumber	69¶	65	68	70	37	52	53
Refined Mineral Oils†	158¶	147	153	156	135	124	125
Flour	96¶	105	117	101	117	114	107
Cement	121	115	97	87	59	64	58
Wool Consumption†	..	91	100	105r	112r	118r	79r
Slaughter of Livestock..	106	111	110	105	100	94	91
Minerals							
Petroleum (California)†	87¶	87	86	89	75	72	75
Lead (United States)‡	75	70	59	62	63	58	55
Silver (United States)‡	..	96	90	97	51	49	50
Building and Construction#							
Total	52	54	76	88	39	38	40
Building Permits—Value							
Larger Cities	34	33	30	29	22	23	20
Smaller Cities	53	53	54	50	28	25	23
Engineering Contracts							
Awarded—Value							
Total	65	79	127	167	61	60	61
Excluding Buildings	125	144	273	374	116	114	132

†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. rRevised.

573,000 barrels in April. Demand for crude oil exceeded output, reflecting increased refinery activity, and stocks declined 460,000 barrels.

Canning of spinach was completed early in May, and asparagus canning was reduced following high seasonal activity early in the month. Cherry canning in California was started near the end of the month and continued for about two weeks. It is estimated by the trade that the 1936 cherry pack in California will approximate the 1935 total of 133,323 cases. Preliminary opening prices, at \$2.15 to \$2.25 per dozen No. 2½ cans of choice grade Royal Anne cherries, were somewhat lower than last year.

Canners' stocks of California canned peaches on June 1 were 10 percent higher and supplies of canned apricots were substantially larger than on the same date a year ago. Stocks of canned pears, on the other hand, were reduced more than 50 percent and canned cherry inventories were about the same as a year ago.

CANNERS' STOCKS OF MAJOR CALIFORNIA CANNED FRUITS

(In thousands of cases of 24 No. 2½ size cans or their equivalent)

	June 1, 1936			June 1, 1935			Pack—	
	Sold	Unsold	Total	Sold	Unsold	Total	1935	1934
Peaches	606	1,436	2,042	308	1,548	1,856	11,216	8,259
Apricots	103	741	844	39	188	227	3,164	1,774
Pears	45	236	281	125	526	651	1,387	2,663
Cherries	4	17	21	5	17	22	133	160

Source: Canners League of California.

Operations at fish canneries expanded substantially during May. Salmon packing was started during that month in the Columbia River and central Alaska regions. Fishing conditions were unfavorable, however, and output was much lower than in May 1935. More mackerel was canned in May than in April, but output continued low in relation to 1935. Tuna packing in California was maintained at a high rate during May.

Production of butter and sugar advanced slightly during May while livestock slaughter and flour milling decreased by more than the customary seasonal amount.

Distribution and Trade—

	1936				1935		
	May	Apr.	Mar.	Feb.	May	Apr.	Mar.
Indexes adjusted for seasonal variation (1923-1925 average=100)							
Carloadings‡							
Total	76¶	80	79	79	64	73	68
Merchandise	95¶	95	96	89	84	89	85
Intercoastal Trade							
Total	76	79	76	75	76	60	78
Westbound	110	115	118	96	93	81	105
Eastbound	65	66	66	69	71	52	73
Retail Trade							
Automobile Sales‡							
Total	132¶	140¶	144	121	95	107	107
Passenger	124¶	131¶	131	117	87	103	102
Commercial	216¶	244¶	270	210	184	161	154
Department Store							
Sales‡	87	89	85	85	80	83	79
Stocks‡	65	67	65	65	62	61	62
Collections‡							
Regular	49.3	48.8	49.0	48.1	49.0	47.7	48.1
Installment	17.3	17.6	18.4	18.0	18.1	17.8	18.5

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

Trade

The expansion in Twelfth District industrial output in May was not accompanied by a corresponding rise in the movement of goods through distribution channels.

The value of district department store sales

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

	1936 compared with 1935		
	NET SALES		STOCKS
	May*	Jan. 1 to end of May	May
Department Stores	6.5 (83)	8.8	5.0 (59)
Los Angeles	6.3 (6)	9.9	4.4 (6)
Other So. California	2.4 (9)	7.4	8.0 (6)
Oakland	5.6 (5)	9.6	3.8 (5)
San Francisco	4.0 (8)	8.6	5.0 (7)
Bay Region	4.0 (18)	8.8	4.6 (16)
Central California	1.3 (6)	4.6	3.9 (6)
Portland†	12.4 (9)	13.7	3.4 (8)
Seattle	13.8 (5)	7.4	4.9 (4)
Spokane	18.3 (6)	6.3	17.5 (6)
Tacoma†	13.1 (7)	7.0	7.0 (6)
Salt Lake City	11.2 (4)	8.1	4.8 (4)
Apparel Stores	13.2 (42)	16.8	18.4 (29)
Furniture Stores	18.5 (33)	29.1	12.8 (24)
All Stores	8.5 (158)	11.9	7.4 (112)

†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.

*May 1936 had one less trading day than May 1935.

was somewhat lower in May than in April, although usually little or no change is reported at this time of year. After adjustment for seasonal influences, sales declined in San Francisco, Oakland, and Seattle, while the adjusted indexes for Los Angeles, Spokane, and Salt Lake City advanced. Daily average district sales were 9 percent higher than in May 1935.

New motor vehicle registrations in the Twelfth District were 9 percent smaller in May than in April, a somewhat larger decline than has occurred in most recent years. Sales of both new passenger cars and commercial vehicles

WHOLESALE TRADE—Twelfth District Percentage changes in value of sales

	May 1936 compared with		Cumulative 1936 compared with 1935
	April 1936	May 1935	
Agricultural Implements	— 0.8	28.8	43.3
Automobile Supplies	— 2.5	11.2	11.3
Drugs	— 9.6	1.9	8.0
Dry Goods	— 5.0	— 1.4	3.5
Electrical Supplies	— 4.4	27.7	36.8
Furniture	— 8.4	30.3	2.4
Groceries	— 2.8	4.3	6.7
Hardware	— 2.1	14.9	21.5
Shoes	— 12.8	5.2	8.7
Paper and Stationery	— 2.4	7.9	12.7
All Lines	— 4.2	9.9	14.2

were lower than in April. Total registrations in the district during the first five months of this year were 34 percent higher than in the same period in 1935.

Daily average freight carloadings during May remained near the April level, whereas an increase is customary at this time of year. A small rise in total carloadings in California resulted largely from the customary movement of spring lambs and slightly higher shipments of miscellaneous freight. In the Pacific Northwest total carloadings declined, although an

crease has been reported in most recent years. Intercoastal traffic through the Panama Canal declined from 711,000 tons in April to 7,000 tons in May. Although eastbound lumber shipments totaled the same in May as in April and petroleum cargoes were somewhat larger, a substantial decrease occurred in other classifications. Little change occurred in total eastbound cargo shipments, whereas an increase generally occurs in May.

Cost of Living

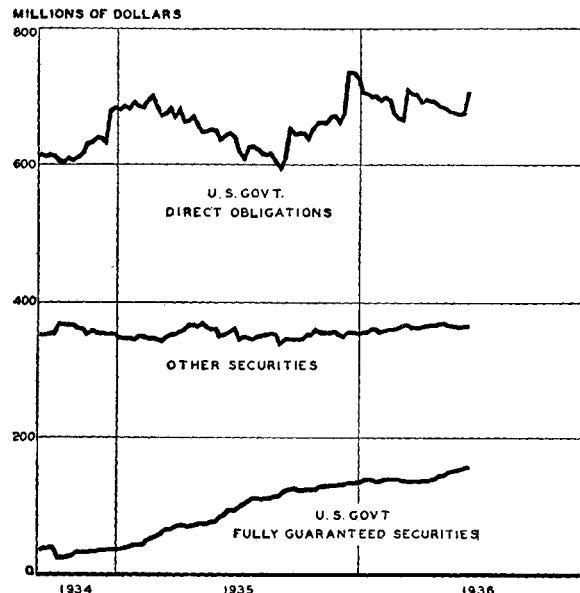
Consumers paid slightly higher prices for food in the principal district cities during early June than a month earlier. The cost of living for families of wage earners and lower-salaried workers in Los Angeles, Portland, San Francisco, and Seattle, declined slightly during the three months ending April 15, 1936, the latest date for which this information is available. Moderate declines in food costs more than offset small advances in rents and house furnishing goods prices. Living costs in these Twelfth District cities were about 1 percent below the 1923-1925 average.

Credit Situation

Total loans and investments of Twelfth District reporting member banks showed no net change in the three weeks ending June 10, reflecting the purchase of United States Treasury bonds and notes issued on June 15, how-

ever, they increased 45 million dollars in the succeeding week. Investments in United States Government guaranteed obligations increased moderately further during the four-week period.

As will be seen in the accompanying chart, the sharp rise in holdings of Government securities in mid-June brought investments of reporting city banks in Government direct obligations approximately to the point reached at the time of the regular quarterly financing in March. Fluctuations in Twelfth District bank holdings of Government securities have been



REPORTING MEMBER BANKS—Twelfth District
Investments classified by types

Bank Debits*

Location	May 1936	May 1935	First five months	
	\$	\$	1936	1935
Phoenix	35,682	31,286	177,022	149,347
California				
Bakersfield	12,624	10,387	65,019	54,539
Berkeley	18,441	14,905	91,008	70,909
Fresno	21,054	18,651	114,855	97,271
Long Beach	31,639	27,770	163,479	140,687
Los Angeles	810,611	672,908	4,017,542	3,174,627
Oakland	86,211	67,725	428,047	326,642
Pasadena	22,804	20,286	125,427	104,012
Sacramento	90,431	106,489	488,866	438,349
San Bernardino	8,591	7,363	41,804	36,441
San Diego	43,404	41,316	227,631	191,619
San Francisco	781,737	752,548	4,359,526	3,674,004
San Jose	18,853	16,495	103,112	85,485
Santa Barbara	10,233	8,708	55,992	46,080
Santa Rosa	4,090	3,667	20,080	17,180
Stockton	18,060	15,433	85,493	72,644
Idaho				
Boise	16,228	14,311	74,934	68,026
Utah				
Provo	8,923	7,921	43,933	37,647
Oregon				
Eugene	5,692	4,805	27,551	21,392
Portland	145,585	132,667	754,159	643,463
Salem	11,661	11,379	63,791	53,646
Washington				
Ogden	12,239	12,875	66,680	60,338
Salt Lake City	57,351	50,063	292,827	255,806
Shelton				
Bellingham	6,213	4,758	27,591	23,258
Everett	7,243	5,744	33,960	26,973
Seattle	179,857	168,843	884,356	730,576
Spokane	39,990	37,045	195,241	166,683
Tacoma	32,957	25,445	149,453	118,108
Walla Walla	5,013	4,292	22,511	20,559
Wakima	11,265	10,625	54,311	52,570
Total	\$2,554,682	\$2,306,707	\$13,256,201	\$10,958,881

*In thousands of dollars.

irregular during the past two years. A sharp increase late in 1934, reflecting largely the purchase of new securities issued by the Treasury in December of that year, was followed by a further rise during the first two months of 1935. Holdings subsequently declined almost continuously until the beginning of September, partly as a result of the sale or redemption of bonds that had served as collateral for circulating national bank notes.

In September 1935, Twelfth District banks participated heavily in new Treasury financing. Following moderate additional acquisitions of Governments between September and December, reporting member banks purchased more than 61 million dollars of the new Government securities issued by the Treasury on December 15, and on December 18 their holdings of Government direct obligations reached a record peak of 736 million dollars.

Between December 1935 and early March 1936, city banks disposed of a somewhat larger volume of Governments than had been acquired in the December Treasury financing. A similar reduction in Government security holdings fol-

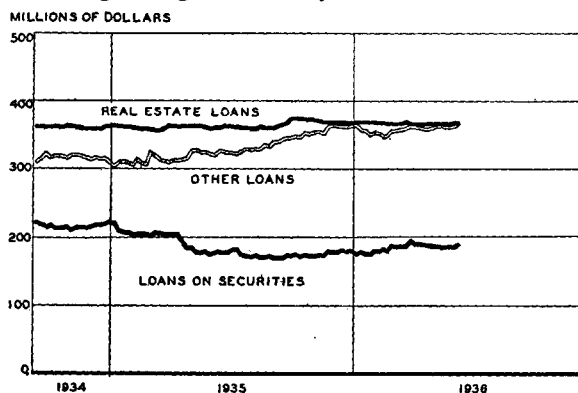
lowed acquisition of more than 45 million dollars of Government direct obligations by city member banks in mid-March. The mid-June purchase of more than 33 million dollars of Government securities by district reporting member banks restored total holdings of such securities to the amount reached last March.

During the four weeks ending June 17, reporting member banks increased their investments in Government fully guaranteed obligations to the highest point on record. Investments in this class of earning assets have increased almost continuously during the past two years, in marked contrast with the irregular fluctuations in holdings of United States Government direct obligations.

Investments of reporting member banks in all securities other than United States Government direct or fully guaranteed obligations have fluctuated within relatively narrow limits since September 1934, and at present total about the same as at the beginning of the period.

Although the principal changes during the past two years in earning assets of Twelfth District city banks have occurred in their investments, some expansion has also taken place in loans. Fluctuations in the volume of loans in each classification for which figures are available have been minor since the beginning of this year. During 1935, however, loans other than on real estate and securities increased considerably, following some expansion in the latter part of 1934. Loans in this category represent largely advances for commercial purposes, but during the past year a consider-

able part of the rise in such loans has reflected advances for the repair and alteration of buildings under Title I of the Federal Housing Act and for other types of consumer installment financing. Loans on securities including loans to brokers, have tended to increase since late 1935 but are still considerably lower than at the beginning of that year. Loans on real



REPORTING MEMBER BANKS—Twelfth District
Loans classified by types

estate, which increased slightly during 1935, have changed little since the beginning of 1936.

Adjusted demand deposits of reporting member banks, which fluctuate considerably from week to week, showed a small net decline between May 20 and June 17. A decline of 40 million dollars was reported in the week ending June 3. This change was in part the result of substantial withdrawals of deposits and their transfer to eastern money markets to meet

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—April 15....	+ 2.2	— 3.6	+10.6	+ 9.2
April 22....	— .7	— 2.9	+16.5	+12.9
April 29....	— .6	—32.6	+11.7	—21.5
May 6.....	+ .8	—12.2	+19.2	+ 7.8
May 13....	— 5.3	— .4	+17.7	+12.0
May 20....	+ 5.3	—19.0	+15.4	+ 1.7
May 27....	— .1	—14.3	+11.3	— 3.1
June 3....	+ .3	—31.8	+ 8.1	—23.4
June 10....	— .2	— .5	+ 9.5	+ 8.8
June 17....	+ 3.5	+12.0	—41.3	—25.8

USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1936—April 15....	— 4.1	+13.9	— .6	+ 9.2
April 22....	— .1	+14.9	— 1.9	+12.9
April 29....	— 2.2	—18.3	— 1.0	—21.5
May 6.....	+10.6	— 2.9	+ .1	+ 7.8
May 13....	— 3.9	+17.3	— 1.4	+12.0
May 20....	+ .4	+ .3	+ 1.0	+ 1.7
May 27....	— .1	— 3.3	+ .3	— 3.1
June 3....	+ 7.0	—28.8	— 1.6	—23.4
June 10....	— .4	+ 8.6	+ .6	+ 8.8
June 17....	+11.6	—36.2	— 1.2	—25.8

CONDITION OF FEDERAL RESERVE BANK OF SAN FRANCISCO
(Amounts in millions of dollars)

	June 17 1936	June 10 1936	May 20 1936	June 19 1935
Total Bills and Securities...	201	201	201	201
Bills Discounted .....	...	...	...	...
Bills Bought .....	...	...	...	...
United States Securities ..	199	199	199	199
Total Reserves	517	507	520	315
Total Deposits	395	393	412	283
Reserve Note Circulation ..	308	298	291	218
Ratio—Reserves to Deposit and Note Liabilities	73.6%	73.4%	74.0%	62.9%

CONDITION OF REPORTING MEMBER BANKS
Twelfth District
(Amounts in millions of dollars)

	June 17 1936	June 10 1936	May 20 1936	June 19 1935
Loans and Investments—Total..	2,179	2,134	2,134	1,984
Loans to Brokers and Dealers...	22	17	16	12
Loans on Securities to Others (except Banks)	169	170	169	166
Acceptances and Com'l Paper...	22	22	22	19
Loans on Real Estate	368	368	367	362
Loans to Banks	1	1	1	1
Other Loans	367	363	366	324
U. S. Gov. Direct Obligations..	707	675	678	647
Obligations Guaranteed by U. S. Other Securities	157	154	149	96
Reserve with F. R. Bank	366	364	366	357
Due from Domestic Banks	199	221	246	154
Demand Deposits—Adjusted ...	227	242	250	199
Time Deposits	800	787	811	706
U. S. Gov. Deposits	1,037	1,041	1,050	987
Deposits of Other Banks	120	113	114	58
Borrowings	261	264	262	241

redemptions of recently refunded securities of a Pacific Coast corporation. The funds thus withdrawn had come into the district last March when the refunding securities were sold.

District member bank reserve balances declined by 60 million dollars in the four weeks ending June 17. Twenty-four million dollars of that decline came between May 20 and June 10. During those weeks the United States Treasury disbursed 29 million dollars more than it collected in the Twelfth District, but that addition to funds was more than offset by a net outflow of 36 million dollars to other districts, partly as a result of the transfer of deposits in connection with refunding of securities mentioned in the foregoing paragraph. In addition, demand for currency increased, and member banks reduced their reserve balances in order to obtain the additional currency.

In the week ending June 17, member bank reserve balances were reduced 36 million dollars, the large decrease in this district corresponding with a general decline throughout the United States totaling 939 million dollars. United States Treasury collections in the Twelfth District were unusually large during the week, and exceeded local Treasury disbursements by 31 million dollars. The unusually large collections resulted partly from second quarter income tax receipts but principally from receipts from the sale of Treasury bonds and notes on June 10. The allotment of new Government securities to Twelfth District banks and other investors on June 15 totaled 53 million dollars, exclusive of allotments in exchange for maturing securities. Of this total, 42 million dollars was paid for in cash, the payment resulting in an immediate reduction in member bank reserve balances. Demand for currency during the week increased 12 million dollars. This was the result largely of anticipation on the part of banks of an increase in requirements for currency to meet the cashing

of veterans' Adjusted Service Certificate checks.

There will be a definite tendency for district member bank reserve balances to increase during the next several weeks. Adjusted Service Certificates held by veterans in the Twelfth Federal Reserve District and presented for exchange up to June 15 aggregated slightly less than 150 million dollars. Odd amount checks of less than \$50 distributed along with the \$50 bonds totaled approximately 8 million dollars, almost all of which will promptly return to member bank reserve balances. In addition, many veterans are electing to exchange their bonds for cash immediately. Payment for these bonds is effected by means of checks drawn upon the Treasurer's account at the Federal Reserve Bank of San Francisco. The checks are deposited in banks or are cashed and the proceeds spent, deposits of banks increasing correspondingly. As the checks are cleared through the Federal Reserve Bank, they are charged to the account of the Treasurer, and credited to the accounts of the banks presenting them. This process increases member bank reserve balances in exactly the same manner as any other Treasury disbursement. The first odd amount check was cleared through the Federal Reserve Bank of San Francisco on June 16.

Securities Markets

Share trading on Pacific Coast stock exchanges continued relatively light from May 20 to June 9, but during the next ten days daily average share turnover doubled. Price averages were steady, showing almost no movement except during the last few days when they rose slightly. The advance was somewhat greater in utility shares than for the general market.

Prices of Pacific Coast corporation bonds advanced fractionally from May 20 to June 20, reaching new high levels. Municipal bonds also increased. Marketing of new securities, mostly for refunding purposes, was heavy.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

Volume of industrial production, which had increased sharply in April, was maintained in May, and there was an increase in distribution of commodities to consumers.

Production and Employment. The Board's seasonally adjusted index of industrial production in May was 101 percent of the 1923-1925 average, as compared with 100 percent in April. Production of durable manufactures increased further, reflecting larger output of steel and lumber, partly offset in the total by a reduction in the output of automobiles from the high level of April. At steel mills the rate of activity in

May was higher than at any other time since the spring of 1930. This level has been maintained in June, reflecting in part some accumulation of steel by fabricators in advance of the effective date of recently announced price increases. Declines in production were reported for many nondurable manufactures; at woolen mills, however, activity increased. Output of bituminous coal declined from April to May, while output of crude petroleum continued in large volume.

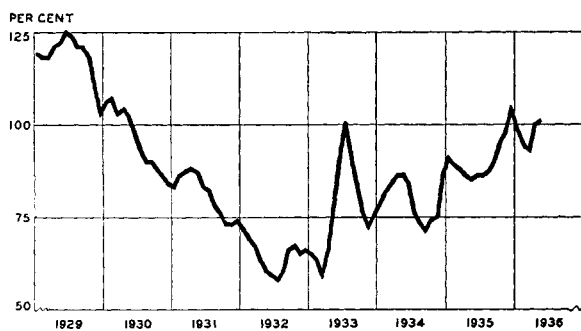
Factory employment increased slightly between the middle of April and the middle of

May, contrary to the usual seasonal tendency. Increases were reported at plants producing iron and steel products, machinery, and most other durable manufactures. Changes in employment in industries producing nondurable manufactures were largely of a seasonal nature. Factory pay rolls were somewhat larger in the middle of May than a month earlier.

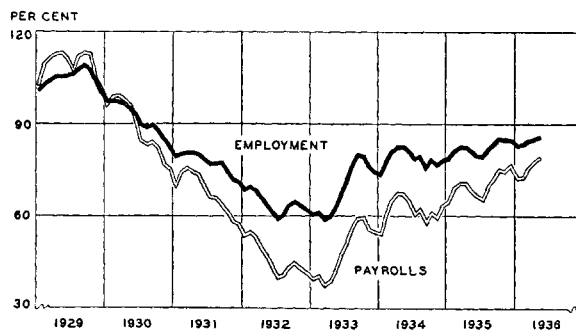
Total value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, declined slightly from April to May.

average, according to the index of the Bureau of Labor Statistics. In recent weeks prices of livestock and livestock products, grains and flour, and textile raw materials and finished products have advanced. For many steel products price increases have been announced to take effect early in the third quarter.

Bank Credit. Excess reserves of member banks, after a slow increase in May and the early part of June, declined by \$900,000,000 in the week ending June 17. The reduction in excess



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

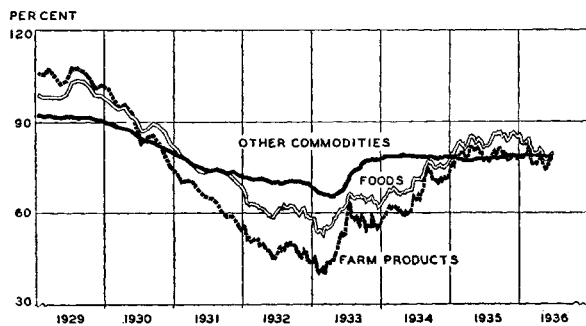


FACTORY EMPLOYMENT AND PAY ROLLS
Indexes of number employed and pay rolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 to May 1936. Indexes compiled by the United States Bureau of Labor Statistics.

Awards for residential building continued to increase and in May, as in other months this year, were substantially larger than a year ago when residential building was first beginning to increase from the extreme low level of the depression.

Distribution. Department store sales, which usually decline at this season, increased from

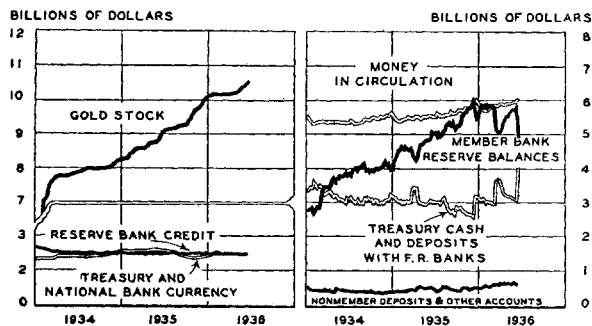
reserves was due principally to an increase in the deposits maintained at the reserve banks by the Treasury, which received large payments for new securities issued, as well as quarterly income tax installments. At that time the Treasury began to distribute checks and Adjusted Service Bonds to veterans and there was an increase in the demand for currency in con-



WHOLESALE PRICES
Indexes compiled by the United States Bureau of Labor Statistics, (1926=100.) By months 1929 to 1931; by weeks 1932 to date. Latest figure is for week ending June 20, 1936.

April to May and there was also a rise in sales at variety stores and mail order houses. Freight carloadings increased by slightly more than the usual seasonal amount.

Commodity Prices. Wholesale prices of commodities, which had declined from the middle of April to the middle of May, have advanced somewhat since that time and in the week ending June 20 were at 78.7 percent of the 1926



MEMBER BANK RESERVES AND RELATED ITEMS
Wednesday figures. January 31, 1934 to June 17, 1936.

nection with the cashing of these bonds and checks.

United States Government obligations held by reporting member banks in leading cities, which had increased somewhat in May and early June, showed a further sharp increase in the week ending June 17 in connection with the new issue of Government securities. Bank loans also increased.