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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Industrial production in the Twelfth Federal Reserve District in June remained near the May level, and during the first half of 1936 averaged considerably higher than in the first half of 1935. Similar half-year period comparisons show that industrial employment advanced moderately and that payroll gains were somewhat larger than increases in the number of wage earners employed. The increases in output, in industrial employment, and in wage payments took place principally in the durable goods industries. Value of building permits advanced further in June to the highest level in over five years, and contracts awarded for engineering construction increased moderately. Seasonally adjusted measures of trade were all higher in June than in May and substantially above the level in June 1935.

Augmented by the payment of the Veterans Adjusted Service Certificates, United States Treasury disbursements in the Twelfth District exceeded local collections by unusually large amounts during the four weeks ending July 15. These additions to district banking reserves were only partially offset by a net outflow of funds because of interdistrict commercial and financial transactions and by an increase in local demand for currency. As a result, member bank reserve balances increased, rising to the highest point on record in mid-July. Correspondent balances of both city and country banks, representing in part the deposit of idle funds, increased sharply.

Investments of reporting member banks in direct and guaranteed obligations of the United States Government were practically unchanged during the four-week period. Holdings of all other securities declined and total loans decreased considerably. In mid-July, loans other than on real estate or securities were lower than at any time since late February. Total deposits increased moderately.

Agriculture

Drought conditions existing throughout a large part of the United States reduced crop prospects on July 1 to the lowest point recorded

on that date for any recent year except 1934. Weather conditions in the Twelfth District, however, have been favorable in almost all important producing areas, and crops and livestock were in good to excellent condition on July 1. Early estimates of total district production of grains and field crops indicate that output will probably be somewhat larger than in 1935 or than the average of recent years. According to the present outlook, fruit and nut crops, although smaller than last year, will be about average.

During the first half of 1936 cash farm income in the Twelfth District was slightly above returns in the comparable period last year. Recent increases in farm prices together with favorable crop prospects indicate that year-period gains will be somewhat greater in the summer and fall months. Marketing of agricultural products is relatively important during these months, as most of the major grain, field, and fruit crops are then moving into trade channels.

Most crops in the Pacific Northwest made good growth during June and the first half of July. According to July 1 estimates, the fall-sown wheat crop will be unusually small, but output of spring varieties will be above average. A total production of 88,060,000 bushels is anticipated, a crop almost 10 percent larger than last year and only 3 percent below average production during the five years 1928 through 1932. In mid-July wheat prices were about 10 cents per bushel higher than a month earlier, but a tendency is reported for farmers to hold their grain. Hop production estimates have declined markedly, largely because of damage from downy mildew and lice. Beans, potatoes, sugar beets, and hay were in good to excellent condition on July 1 in most areas of the Pacific Northwest. Total United States production of apples was estimated to be 38 percent smaller than last year's output, while forecasts indicate only a 16 percent decline in production in the Pacific Northwest. Output in this area will be about one-third of the entire domestic production in 1936, compared with about one-fourth in 1935. A record pear crop of unusually fine

quality fruit is in prospect in Oregon and Washington. More trees coming into bearing and increasing yields per tree in many young orchards account for the large production.

California wheat production according to the July 1 crop report will be larger than in any year since 1928 and barley output, while not so large as last year's near record crop, should be higher than the average of recent years. Harvesting of these grains progressed rapidly during June and July. Increased acreage planted to rice, favorable growing conditions, and ample

reports for the area east of the Mississippi River and by improved demand, increased about 2 cents per pound during June and the first half of July and at the end of that period were somewhat higher than a year ago.

Although rains in June and early July necessitated additional work in deciduous fruit orchards and caused some damage to cherries, most California fruit and nut crops developed satisfactorily. Harvesting of apricots, cherries, peaches, and plums progressed during the period. The volume of these early fruits moving into consumption as fresh fruit was larger than in June 1935, influenced chiefly by the earlier season this year. Grape production is estimated at 1,569,000 tons, compared with 2,194,000 tons in 1935 and average output of 1,924,000 tons during 1928-1932.

Sales of Valencia oranges were larger in June than in the preceding month or in June 1935. Average prices received by growers also advanced and were more than 50 percent higher than a year earlier. Carlot shipments of lemons out of California continued at about the same volume as in May. Prices declined slightly during the month but, as in each month since the first of the year, were more than double the prices a year ago.

Egg production during June declined seasonally but was approximately 9 percent larger than in June 1935. Consumption has been well maintained at prices lower than in 1935. Prices advanced during June and on July 15 quotations were only one cent below prices on that date last year. Stocks of eggs in storage on July 1 were approximately the same as a year earlier. Butter production in the Twelfth District was augmented by large shipments from central western states during June. Total receipts in Los Angeles, Portland, and San Francisco were 16 percent larger than a year earlier, but prices rose five cents per pound during the month. Quotations advanced an additional two cents per pound during the first half of July to a point almost 40 percent higher than on July 15, 1935. Storage stocks were increased by more than the usual amount during June, and on July 1 were 9 percent larger than on that date in 1935, indicating some resistance by consumers to higher prices.

Livestock ranges in the Pacific Northwest were in better condition on July 1 than a year earlier, while elsewhere in the district ranges were reported to be somewhat less satisfactory. Only on ranges in southern Utah and northern Arizona were feed and water scarce. Livestock were generally in good to excellent condition. Influenced by the larger than usual spread between quotations for grass-fattened cattle and those finished on concentrates, large numbers of cattle have been moved recently from lower

CROP PRODUCTION—Twelfth District
(In thousands)

	Average 1928-1932	1934	1935	Indicated 1936
Grains				
Wheat (bu.)	108,874	84,509	101,833	109,239
Barley (bu.)	40,570	35,051	48,938	42,946
Oats (bu.)	24,648	22,163	30,739	29,219
Field Crops				
Cotton (bales)	328	376	374	.....
Beans (bags)	4,956	5,140	5,344	5,552
Tame Hay (tons)	11,844	10,445	11,445	12,578
Hops (lbs.)	28,011	43,952	47,746	26,994
Potatoes (bu.)	45,367	53,723	50,306	50,139
Rice (bu.)	7,442	8,256	6,732	8,349
Sugar Beets (tons)	1,930	2,161	2,511	2,940
Fruits and Nuts				
Apples (bu.)	54,748	48,245	50,664	43,313
Apricots (tons)	227	139	216	223
Cherries (tons)	50	47	48	58
Grapes (tons)*	1,924	1,700	2,194	1,569
Raisin	1,161	878	1,248	834
Table	345	346	375	306
Wine	418	476	571	429
Peaches (tons)*	572	495	429	466
Clingstone	374	324	288	307
Freestone	198	171	141	159
Pears (bu.)	16,178	16,401	15,338	18,485
Plums (tons)	133	130	117	124
Prunes (tons)	226	200	298	190
Almonds (tons)	12	11	9	8
Walnuts (tons)	35	45	55	46
Grapefruit (boxes)	1,617	2,413	3,407	4,365
Lemons (boxes)	7,251	7,295	10,506	8,226
Oranges (boxes)	33,022	28,439	46,086	34,313
Navel and Misc.	15,600	11,974	18,990	14,559
Valencia	17,422	16,465	27,096	19,754

*California only.

Source: United States Department of Agriculture.

irrigation water, point toward a crop of 3,757,000 bags of 100 pounds compared with 3,029,000 bags produced last year. Only in 1919 and 1927 has the rice crop in California been larger than the estimated output for 1936. The price of extra fancy California-Japan rice in San Francisco, which rose from \$4.55 to \$4.75 per 100 pounds in late May, remained steady at that level during June and early July. Planted acreages and production of sugar beets and flax in California have increased considerably in the last few years, and current estimates indicate that output of both crops this year will be the largest on record.

The outlook for cotton in Arizona and California is favorable. The area in cultivation on July 1 was 568,000 acres, compared with 380,000 acres on that date last year. Cotton has made good growth and is in excellent condition at the present time. As irrigation water is ample, normal yields are expected. Spot and future prices, influenced by unfavorable cotton crop

ranges into feedlots and corrals for finishing. District consumption of lambs continued at the high level in effect since the first of the year but shipments to other parts of the country were lower than last year's unusually large movement. Prices paid growers for lambs have been consistently higher than in the first half of 1935, indicating a moderate gain in farm income.

Industry

Twelfth District industrial output was about the same in June as in May and continued well above the level of a year ago. During the first half of 1936, volume of production averaged considerably higher than in the first six months of any year since 1930. Expansion from early 1935 levels was the result principally of large gains in output of industries producing durable goods such as lumber, cement, steel, and automobiles. Although production of most non-durable goods such as food products and textiles showed little change from a year ago, output of crude oil, petroleum products, and glass and tin containers was higher than in the first half of 1935. Increased production was accompanied by a small advance in industrial employment and a somewhat larger gain in pay rolls. Value of building permits continued to advance in June, maintaining the substantial year-period gains of other recent months.

Industrial employment and pay rolls in California, excluding the highly seasonal fruit and vegetable canning industry, increased slightly from mid-May to mid-June. Changes in most industries were small, although employment at fruit and vegetable canneries expanded 25 percent, while the number of workers at textile plants declined 31 percent. In Oregon, advances

of 4 percent in total industrial employment and 3 percent in pay rolls resulted principally from a seasonal expansion in food industries.

During the first six months of the current year, employment in California industries averaged 5 percent higher than in the first half of 1935. Particularly large increases took place in the building materials, steel, lumber and timber products, and aircraft industries and a moderate gain was reported at motion picture studios. On the other hand, declines occurred among establishments producing food, petroleum, and textiles. Similarly in Oregon, where total industrial employment averaged 14 percent higher than in the first half of 1935, the advance took place almost entirely in industries producing durable goods, particularly lumber and timber products, while declines were reported in the textiles and food products groups. Pay rolls were 13 percent larger in California and 19 percent larger in Oregon in the first half of 1936 than in the first half of 1935.

Value of building permits issued in 20 larger district cities was higher in June than in any month since December 1930. Residential permits amounted to \$6,358,000, compared with \$5,896,000 in May. A somewhat larger increase in nonresidential permits reflected partly the construction of school buildings in Los Angeles. During the first six months of 1936 the value of building permits, while still low in relation to pre-depression years, was 57 percent above the total reported for the first six months of 1935. For residential building the gain amounted to 164 percent, and for alterations and repairs it was 31 percent. Increases in these classes of building were financed in part by loans made under the provisions of the Federal Housing

Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees	No. of Firms	No. of Employees
All Industries*	1,310	155,642	109	20,963
		(+8.2)		(+11.0)
Stone, Clay, and Glass Products.	62	7,295	3	199
		(+22.9)		(-9.5)
Lumber and Wood Manufactures ..	105	12,971	38	11,607
		(+3.3)		(+23.9)
Textiles	16	1,224	8	1,647
		(-30.1)		(-15.7)
Clothing, Millinery, and Laundering.	131	9,178	7‡	254
		(+3.1)		(+15.5)
Food, Beverages, and Tobacco ...	275	36,597	29	2,117
		(-9)		(-11.9)
Public Utilities ..	54	46,952	..	..
		(+8.3)		..
Other Industries†.	673	75,369	..	..
		(+10.3)		..
Miscellaneous	48	13,008	24	5,139
		(+37.7)		(+8.8)
Wholesale and Retail	399	56,675	..	..
		(+5.4)		..

*Public utilities, wholesale and retail figures not included in this 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 June 1935.

Industry —

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

General	1936				1935	
	Six Mos. Av.	June	May	Apr.	June	Six Mos. Av.
Carloadings—Industrial	63	58¶	56	63	40	42
Electric Pwr. Production	177	176¶	178	172	159	154
Manufactures						
Lumber	69	65¶	69	65	34	37
Refined Mineral Oils†.	152	153¶	153	147	142	135
Flour	104	100¶	98	105	106	117
Cement	108*	..	121	115	49	59
Wool Consumption†.	96*	..	94	91	75r	112r
Slaughter of Livestock.	109	114	106	111	93	100
Minerals						
Petroleum (California)†	90	87¶	87	87	84	75
Lead (United States)‡.	66*	..	75	70	55	63
Silver (United States)‡.	90*	..	91	96	47	51
Building and Construction#						
Total	69	52	52	54	40	39
Building Permits—Value						
Larger Cities	31	34	33	33	21	22
Smaller Cities	51	53	53	53	30	28
Engineering Contracts Awarded—Value						
Total	115	71	65	79	63	61
Excluding Buildings	228	115	125	144	108	116

†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. *Five months' average.

Act. Insured loans for new construction extended by various financial institutions in the Twelfth District rose from \$9,085,000 on December 31, 1935 to \$22,209,000 on June 30, 1936, and insured modernization and repair notes increased from \$53,794,000 to \$88,945,000 during the same period. Value of nonresidential building permits was 12 percent higher in the first six months of 1936 than in the comparable period last year. Contracts awarded in the district for engineering construction, excluding buildings, rose from approximately \$74,000,000 in the former period to \$114,000,000 in the latter.

In the important Douglas fir region lumber cut was 8 percent lower in June than in May. This decrease more than offset increases in both the western pine and California redwood areas, and this bank's seasonally adjusted index of total lumber production declined from 69 to 65 percent of the 1923-1925 average. Curtailment of production in the Douglas fir region was the result partly of voluntary efforts to adjust output to the current volume of sales and partly of a loggers' strike in the Columbia River Basin. Despite the reduction, new orders were slightly below output, having declined moderately during June. In the western pine region, production increased about 14 percent, somewhat more than seasonally. Mill prices for lumber in both regions averaged slightly lower than in May.

During each of the first six months of 1936, Twelfth District lumber production was substantially larger than in the corresponding months of 1935, and output in the entire period increased 47 percent.

Daily average crude oil and gasoline production during June remained near the May levels, and for the period January to June, inclusive, the output of each was about 19 percent higher than from January to June 1935. Use of crude oil continued in excess of output in June for the fifth consecutive month, and stocks declined 3

Distribution and Trade—

	1936			1935			Six Mos. Av.
	Six Mos. Av.	June	May	Apr.	June	May		Av.
Indexes adjusted for seasonal variation (1923-1925 average=100)							
Carloadings‡							
Total	80	80	77	80	62	64	69
Merchandise	95	100	95	95	82	84	85
Intercoastal Trade							
Total	75	79	76	79	63	76	68
Westbound	109	117	110	115	89	93	88
Eastbound	64	66	65	66	54	71	62
Retail Trade							
Automobile Sales‡							
Total	130	140	131	139	94	95	97
Passenger	123	133	124	131	92	87	90
Commercial	221	228	215	244	175	184	172
Department Store							
Sales‡	88	94	88	89	86	80	81
Stocks§	65	64	65	67	63	62	62
Collections#	Actual Figures						
Regular	49.2	50.9	49.3	48.8	48.0	49.0	47.7
Installment	18.0	18.2	17.3	17.6	16.9	18.1	17.8

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

percent to 37,856,000 barrels. This figure compares with 40,639,000 barrels reported on January 31, 1936. Total shipments of gasoline during June were of record volume.

Output of district steel mills rose to near capacity levels in the first six months of 1936 and averaged about 40 percent larger than in the comparable period of 1935. Influenced principally by demand arising from extensive highway construction, district cement output increased from 3,458,000 barrels in the first five months of 1935 to 6,448,000 barrels in the first five months of this year.

The number of automobiles assembled at Pacific Coast plants was more than 25 percent higher in the first half of 1936 than in the corresponding period last year.

Output of district food industries during the first half of the current year was about the same as a year ago. Production of butter and flour and, according to current estimates, of canned vegetables for which the packing season has ended, was somewhat lower. On the other hand, livestock slaughter, the canned fish pack, and output of refined cane sugar increased.

Changes in the output of containers were not uniform in all branches of that group of industries during the past six months. Shipments of unassembled wooden boxes, used in this district largely by agriculture and closely allied industries, were 4 percent lower than in the first half of 1935. On the other hand, production of packers tin cans increased slightly and the output of

Bank Debits*—

	June 1936	June 1935	First six months—	
			1936	1935
Arizona				
Phoenix	\$ 36,590	\$ 31,912	\$ 213,612	\$ 181,259
California				
Bakersfield	15,170	11,069	80,189	65,608
Berkeley	17,419	16,584	108,427	87,493
Fresno	23,651	19,317	138,506	116,588
Long Beach	35,417	29,023	198,896	169,710
Los Angeles	866,947	651,637	4,884,489	3,826,264
Oakland	92,453	70,127	520,500	396,769
Pasadena	23,683	19,477	149,110	123,489
Sacramento	89,332	126,767	578,198	565,116
San Bernardino	9,780	8,167	51,584	44,608
San Diego	46,646	45,245	274,277	236,864
San Francisco	866,484	824,060	5,226,010	4,498,064
San Jose	20,418	18,218	123,530	103,703
Santa Barbara	12,590	10,555	68,582	56,635
Santa Rosa	4,938	4,012	25,018	21,192
Stockton	19,436	16,814	104,929	89,458
Idaho				
Boise	16,722	14,578	91,656	82,604
Nevada				
Reno	9,968	9,476	53,901	47,123
Oregon				
Eugene	6,509	5,157	34,060	26,549
Portland	159,170	138,622	913,329	782,085
Salem	13,222	11,687	77,013	65,333
Utah				
Ogden	13,473	11,134	80,153	71,472
Salt Lake City	62,777	50,475	355,604	306,281
Washington				
Bellingham	6,258	4,616	33,849	27,874
Everett	7,666	4,988	41,626	31,961
Seattle	197,875	148,900	1,082,231	879,476
Spokane	45,025	37,078	240,266	203,761
Tacoma	35,594	23,033	185,047	141,141
Walla Walla	5,348	4,419	27,859	24,978
Yakima	12,482	10,364	66,793	62,934
Total	\$2,773,043	\$2,377,511	\$16,029,244	\$13,336,392

*In thousands of dollars.

glass containers was 26 percent larger this year than last. The stimulus to the glass container branch of the industry arose largely from the demands of beverage manufacturers.

Trade

Seasonally adjusted measures of retail trade and of the movement of goods by rail and water were somewhat higher in June than in May.

The value of department store sales declined by considerably less than the customary amount

	1936 compared with 1935		
	NET SALES		STOCKS
	June*	Jan. 1 to end of June	June
Department Stores..	15.1 (85)	9.9	2.4 (56)
Los Angeles	16.3 (6)	10.9	1.4 (6)
Other So. California	12.3 (9)	8.3	6.6 (6)
Oakland	14.8 (5)	10.5	3.3 (5)
San Francisco	11.0 (8)	9.0	3.3 (7)
Bay Region	12.0 (18)	9.3	3.4 (15)
Central California.	6.7 (6)	5.0	3.5 (5)
Portland†	24.9 (9)	15.5	4.2 (8)
Seattle	19.5 (5)	9.5	0.2 (4)
Spokane	21.0 (6)	8.5	13.6 (6)
Tacoma†	25.7 (7)	9.8	0.4 (4)
Salt Lake City	10.7 (4)	8.6	— 6.1 (4)
Apparel Stores	23.0 (41)	17.7	17.9 (28)
Furniture Stores	25.1 (34)	28.1	13.7 (25)
All Stores	17.1 (160)	12.8	5.5 (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.

*June 1936 had one more trading day than June 1935.

in June and this bank's seasonally adjusted index rose from 88 to 94 percent of the 1923-1925 average. On a daily average basis, sales during the first six months of 1936 were 8 percent higher than in the comparable period last year. In June they were 9 percent higher than a year ago. Some general indication that payment of the veterans' bonus stimulated department store sales during the second half of June is furnished by special reports from large San Francisco and Los Angeles stores. Sales of those stores during the second half of June were 16 percent larger than in the comparable period in June 1935, while for the first half of the month the year-period increase was 9 percent.

	June 1936 compared with		Cumulative 1936 compared with 1935
	May 1936	June 1935	
	Agricultural Implements	3.8		23.5	36.5
Automobile Supplies	5.8	18.8	12.6
Drugs	8.6	14.7	9.1
Dry Goods	— 3.5	14.4	5.1
Electrical Supplies	3.2	29.9	35.2
Furniture	14.0	5.0	3.5
Groceries	9.1	13.4	7.9
Hardware	1.2	21.7	21.5
Shoes	— 1.7	21.5	10.6
Paper and Stationery	9.9	9.0	12.2
All Lines	5.1	17.4	14.6

Registrations of new motor vehicles increased 14 percent between May and June to the highest figure on record. Registrations during the first half of this year averaged 37 percent higher than a year ago.

Daily average freight carloadings increased more than seasonally during June. Rail shipments of miscellaneous freight and forest products advanced in both California and the Pacific Northwest. On the other hand, livestock shipments showed a substantial reduction. Total carloadings in the first six months of 1936 were 17 percent greater than in the same months of the preceding year. The gain in industrial freight traffic was somewhat greater than in merchandise and miscellaneous shipments.

Intercoastal shipments through the Panama Canal were 9 percent larger than in the first six months of 1935. Eastbound lumber cargoes advanced 37 percent, shipments of petroleum and petroleum products declined 23 percent, and other eastbound traffic in the aggregate was unchanged. Westbound shipments of iron and steel products advanced 37 percent and total westbound traffic was 24 percent higher.

The Credit Situation

Member bank reserve balances increased substantially during the four weeks ending July 15, and in mid-July totaled \$377,294,000, a figure slightly higher than the previous record level reported in the latter part of April. The increase from June 17 to July 15 was the outcome principally of United States Treasury disbursements of 143.2 million dollars in excess of local collections. This unusually large excess, in turn, resulted from payments to veterans for their Adjusted Service Certificates.

A large proportion of all Adjusted Service Certificate bonds and odd amount checks of less than \$50 to be distributed to veterans in the Twelfth District was delivered to the post office by June 15. By July 15, 3,178,258 bonds (each having a value of \$50) had been verified, inscribed with the names of 295,258 veterans, and delivered along with odd amount checks to the post office. Through July 15, the aggregate volume of checks received by veterans and cashed or deposited with banks in the district approximated 123 million dollars. This amount represented approximately two-thirds of the value of bonds and odd amount checks issued in exchange for Adjusted Service Certificates presented by Twelfth District veterans up to July 15. The first checks for amounts of less than \$50 were cleared through the Federal Reserve Bank of San Francisco on June 16, and, following routine practice in handling all checks drawn by Government disbursing officers, were charged to the account of the Treasurer and credited to the accounts of the banks presenting them. On the following day checks received by veterans who elected to cash their bonds immediately were first cleared. As indicated in the accompanying table, a substantial proportion of all checks received by veterans had been

cashed or deposited in district banks by the end of June, although they continued to be received by banks and cleared through the Reserve Bank in considerable volume during the first two weeks of July.

ADJUSTED SERVICE CHECKS CLEARED THROUGH FEDERAL RESERVE BANK OF SAN FRANCISCO

June 16—July 15, 1936
(000 omitted)

Week ending June 17.....	\$ 2,340
Week ending June 24.....	58,135
Week ending July 1.....	39,310
Week ending July 8.....	13,863
Week ending July 15.....	9,218

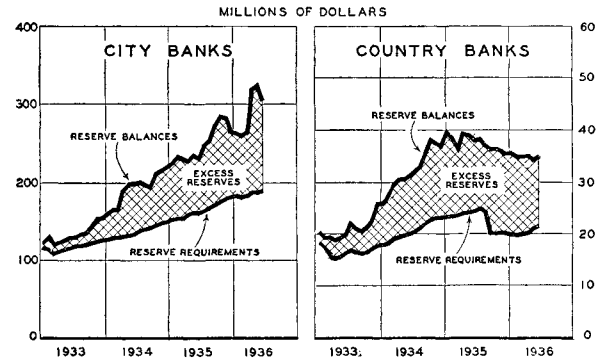
Total June 16—July 15.....\$122,866

While any excess of United States Treasury disbursements over local collections tends to result in a corresponding increase in member bank reserve balances, the influence of that factor during the four weeks ending July 15 was partially offset by factors tending to reduce reserve balances. Demand for currency increased by 11.5 million dollars, and there was a net movement of funds out of the district totaling 60.3 million dollars because of inter-district commercial and financial payments. The increase in currency demand reflected increased requirements arising from payment of the Veterans Adjusted Service Certificates and the July 4 holiday. The net outflow of funds to other districts in part reflected action by local city banks in increasing their balances with eastern correspondents to the highest point in recent years.

The substantial advance in member bank reserve balances and the increase in balances with

eastern correspondents during the four weeks ending July 15 take on an added significance in view of the recent action taken by the Board of Governors of the Federal Reserve System to increase by 50 percent, effective August 15, the amount of reserves that must be maintained by member banks against their deposit liabilities.

As indicated on the accompanying chart, reserves of both country and city member banks in the Twelfth District have been more than



MEMBER BANK RESERVES—Twelfth District
Monthly averages of daily amounts.

50 percent in excess of requirements in recent months. These figures, however, are not an inclusive measure of the idle funds of district member banks nor do they indicate accurately the distribution of idle funds between the city and country groups. In recent years most city banks in the Twelfth District have maintained balances with their correspondents in other districts in excess of operating requirements. The

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—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
June 24.....	+ 3.3	—16.9	+67.6	+47.4
July 1.....	+ 1.3	— 9.0	+27.7	+20.0
July 8.....	+ 1.5	—19.9	+27.3	+ 5.9
July 15.....	+ .2	—14.5	+20.6	+ 6.3

USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1936—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
June 24.....	+12.3	+35.1	*	+47.4
July 1.....	+ 5.6	+15.1	— .7	+20.0
July 8.....	+ 1.9	+ 3.4	+ .6	+ 5.9
July 15.....	— 8.3	+14.9	— .3	+ 6.3

*Change less than \$50,000.

CONDITION OF FEDERAL RESERVE BANK OF SAN FRANCISCO

(Amounts in millions of dollars)

	July 15 1936	July 8 1936	June 17 1936	July 17 1935
Total Bills and Securities...	214	214	201	201
Bills Discounted .....	...	...	...	...
Bills Bought .....	...	...	...	...
United States Securities..	212	212	199	199
Total Reserves	539	531	517	348
Total Deposits	418	402	395	306
Reserve Note Circulation ..	319	326	308	225
Ratio—Reserves to Deposit and Note Liabilities	73.2%	73.0%	73.6%	65.5%

CONDITION OF REPORTING MEMBER BANKS

Twelfth District

(Amounts in millions of dollars)

	July 15 1936	July 8 1936	June 17 1936	July 17 1935
Loans and Investments—Total..	2,149	2,162	2,179	1,962
Loans to Brokers and Dealers..	16	17	22	14
Loans on Securities to Others (except Banks)	168	165	169	162
Acceptances and Com'l Paper ..	21	22	22	19
Loans on Real Estate.....	367	369	368	359
Loans to Banks	1	1	1	1
Other Loans	353	355	367	326
U. S. Gov. Direct Obligations..	709	715	707	627
Obligations Guaranteed by U. S.	158	158	157	107
Other Securities	356	360	366	347
Reserve with F. R. Bank.....	250	239	199	173
Due from Domestic Banks	281	264	227	214
Demand Deposits—Adjusted ..	837	802	800	740
Time Deposits	1,028	1,029	1,037	970
U. S. Gov. Deposits	117	117	120	50
Deposits of Other Banks	308	301	261	245
Borrowings .....	.....	.....	.....	.....

excess funds may be transferred by the local banks from eastern correspondents to their reserve balances with the Federal Reserve Bank of San Francisco, thus increasing aggregate district bank reserves. During the past three years, local country banks have also deposited an increasing amount of idle funds with their city correspondents which, for the most part, are located in the Twelfth District. Any withdrawal of balances from Twelfth District city banks by local country banks would, of course, result only in a redistribution of reserve funds within the district. Reserve accounts of country banks would be increased but those of city banks would tend to decline. The resulting losses of funds by city banks, however, might be recouped by transferring to the Federal Reserve Bank of San Francisco part of the balances carried by them with correspondents in other districts. Consequently it is evident that both city and country member banks in the district, as groups, have ample funds to meet the increase in reserve requirements which will become effective on August 15.

Idle funds in the form of excess reserves and correspondent balances are widely distributed among member banks of the district. A study of the condition of these banks in March, the results of which were summarized in the May issue of the Monthly Review, indicated that almost half of the banks in reserve cities and slightly more than half of the country banks had excess reserves amounting at that time to more than 50 percent of requirements. Including excess balances with other banks, idle funds of a large proportion of all member banks exceeded 50 percent of reserve requirements in March. As a result it is likely that relatively few member banks will find it necessary to obtain additional funds by borrowing from the Federal Reserve Bank or by liquidating earn-

ing assets in order to meet the increase in reserve requirements on August 15.

Deposits of member banks tended to increase between June 17 and July 15, as veterans deposited their Adjusted Service Certificate checks or cashed them and spent the proceeds. During the first three weeks of the period, however, a slight reduction occurred in aggregate time and adjusted demand deposits at reporting member banks. This change reflected a variety of influences. On July 1, more than 20 million dollars of postal savings funds (classified as time deposits) were returned to the United States Treasury by city banks. Other factors tending to reduce deposits during the three-week period included a substantial increase in demand for currency and a considerable reduction in loans. In mid-July, loans of reporting member banks other than those on real estate and securities were lower than at any time since late February. Loans in this classification consist principally of advances made for commercial purposes but also include various types of personal and consumer advances, many of which are repayable in installments.

In the week ending July 15, adjusted demand deposits of reporting member banks increased to the highest point on record. Some of this increase reflected further deposit of proceeds of the bonus payment, and part of it resulted from deposits of currency that had been withdrawn from banks late in June and early in July. Time deposits remained unchanged, although there is usually some decline at this season of the year as depositors draw upon their savings for the vacation period.

While investments in Government direct and guaranteed obligations fluctuated with little net change from mid-June to mid-July, holdings of all other securities were lower on July 15 than at any time since late January.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

Volume of production, employment, and trade was sustained in June at the May level, although usually there is a decline at this season. Wholesale prices of commodities advanced between the middle of May and the third week of July, reflecting in part the effects of the drought.

Production and Employment. The Board's seasonally adjusted index of industrial production increased from 101 percent of the 1923-1925 average in May to 103 percent in June. Steel production continued at about 70 percent of capacity in June and the first three weeks of July, although a considerable decline is usual at this season. Output of automobiles declined

seasonally. The cut of lumber showed a seasonal rise in June following a substantial increase in the preceding month. Production increased at woolen mills and was sustained at cotton mills where a decline is usual in June. Output of foods increased.

Factory employment and pay rolls showed a slight increase between the middle of May and the middle of June, contrary to seasonal tendency. Steel mills and plants producing machinery employed more workers, and at automobile factories there was less than the seasonal decline. At textile mills employment was unchanged, although a decline is usual in June,

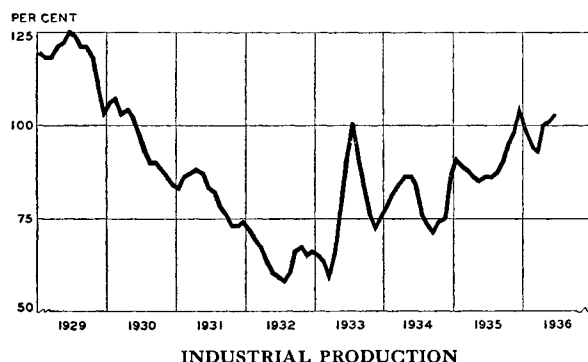
while the clothing industries reported a decrease in the number employed.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased somewhat from May to June and continued to be substantially larger than a year ago. There was a further increase in residential building.

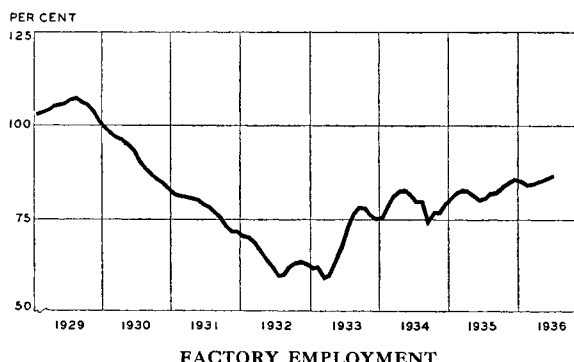
Agriculture. Crop estimates by the Department of Agriculture on the basis of July 1 conditions indicated little change from last year for wheat and corn and considerable de-

advanced by about 3 percent between the middle of May and the third week of July, following a decline of about the same amount earlier in the year. Prices of wheat, flour, feed grains and dairy products advanced sharply, owing primarily to the drought, and there were increases also in the prices of hogs and pork cotton and cotton textiles, silk, rubber, copper, and finished steel.

Bank Credit. Gold imports, which had been in large volume in May and June, declined in July. Funds held by the Treasury as cash and



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

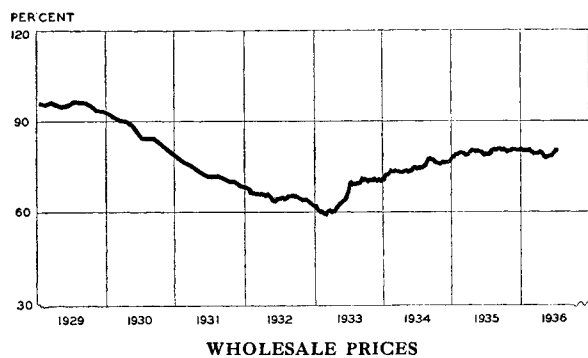


Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to June 1936.

clines for oats, hay, potatoes, and tobacco. Since July 1 prospects have been reduced by extreme drought over wide areas. Cotton area in cultivation on July 1 was estimated by the Department of Agriculture at 30,600,000 acres compared with 27,900,000 acres last year and an average of 41,400,000 acres in the years 1928-1932.

on deposit with Federal reserve banks declined as the result of disbursements in connection with the cashing of veterans' service bonds. Consequently, reserve balances of member banks, which had declined in June, rose once more to their previous level.

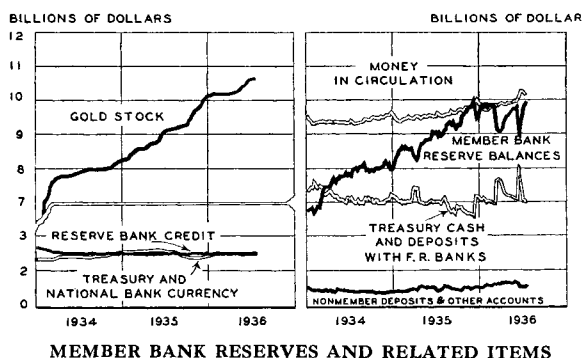
Total loans and investments of reporting



Index 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 July 18, 1936.

Distribution. Freight carloadings increased seasonally in June, and the distribution of commodities to consumers was maintained at the May level. In recent months retail trade as measured by sales of automobiles and by the volume of business of department, variety, and mail order stores has expanded considerably.

Commodity Prices. The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics,



Wednesday figures. January 31, 1934 to July 15, 1936.

member banks in leading cities, after increasing sharply at the end of May and the early part of June, declined somewhat in the four weeks ending July 15, reflecting largely a reduction in loans to security brokers and dealers in New York City. Balances held for domestic banks increased by \$800,000,000 during the period, as a consequence of redeposit with reporting banks of a considerable part of funds acquired by banks through Treasury disbursements.