

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

Federal Reserve Agent
Federal Reserve Bank of San Francisco

Vol. XX

San Francisco, California, August 20, 1936

No. 8

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Business activity in the Twelfth District in July was practically unchanged from the June level after allowance for the usual seasonal influences. Industrial output increased sharply, but the advance took place principally in extremely seasonal industries in which activity customarily expands greatly in July. These industries include salmon canning, fruit and vegetable canning, and beet sugar refining. Excluding the fruit and vegetable canning industry, industrial employment increased moderately, although little change has taken place in July of most other recent years. Pay rolls were also somewhat higher on a seasonally adjusted basis. The usual large increases in employment and pay rolls occurred at fruit and vegetable canneries. Value of building permits issued was about the same as in June but contract awards for engineering construction were somewhat higher. In general, seasonally adjusted measures of trade were unchanged.

The regulation announced by the Board of Governors of the Federal Reserve System in mid-July increasing by 50 percent the reserves member banks are required to maintain against their deposit liabilities, became effective on August 15. Practically all district member banks had idle funds either in the form of excess reserves or large correspondent balances, and readily met the increase without borrowing from the Federal Reserve Bank or liquidating earning assets.

A substantial increase in reserve balances of district member banks during the five weeks ended August 19 resulted from United States Treasury disbursements in excess of local collections and a net inflow of funds from other districts because of commercial and financial transactions. Earning assets of reporting member banks increased slightly during this period, an advance in loans other than on securities and real estate more than offsetting a reduction in investments in direct obligations of the United States Government. Adjusted demand deposits increased to new record levels, but time deposits declined.

Agriculture

In contrast with severe drought conditions in some other parts of the United States, Twelfth District weather conditions during July and the first three weeks of August were favorable for the maturing of late field and fruit crops and for the harvesting of matured crops. Rains early in July and above normal temperatures later in the month caused only minor damage. Ranges were in good to excellent condition. Livestock were in better than average condition in all district states except Arizona.

Prices of many farm products advanced sharply in July and early August, reflecting decreases in production forecasts because of drought in the Midwest. Since growing conditions in the Twelfth District are average or better, the advancing prices will enlarge farm income in this district this year, and it is expected to be considerably larger than in 1935. Official estimates of district farm income during the first six months of 1936 show a 7 percent gain over the same months last year. Higher prices and heavier marketing during the late summer and fall months will undoubtedly result in a larger percentage gain over 1935 for the year as a whole.

Production estimates for most crops grown in the Pacific Northwest were about the same on August 1 as a month earlier. Abnormally high temperatures in late July and early August caused some fruits to ripen before reaching the most desirable commercial size, but on the whole growing conditions were good. Harvesting and threshing of grains and picking of summer apples, apricots, berries, cherries, pears, green peas, potatoes, and tomatoes for fresh consumption and commercial canning made rapid progress. Indicated output of wheat did not change materially during July. Marketing of the new crop was active at advancing prices ranging up to approximately one dollar per bushel to the grower. Potato production in Washington, Oregon, and Idaho was estimated at 36,495,000 bushels for the current year, 2 per-

cent larger than last year's crop and 5 percent above average 1928-1932 outturn. Harvesting began in July in the early sections with a considerable number of growers holding for higher prices. Influenced by a 25 percent reduction from last year in total United States production of potatoes, prices have been materially higher than those received last season and income of potato growers is expected to be considerably larger than in 1935.

Prices of citrus fruits shipped from California advanced during July. By-products plants are receiving only a small amount of fruit in contrast with the 1935 season when a large volume of fruit was processed. Although out-of-state shipments of California Valencia oranges were not as large as the heavy movement in July 1935, they approximated the average July shipments during recent years. F. O. B. prices were 23 cents per box higher than in June, averaging \$2.80 per box, at which level they exceeded prices of last July by 37 percent. Influenced by extremely high temperatures, sales of lemons in the East and Midwest were larger than in June and prices were higher. Returns to lemon growers continued materially larger than last season, when prices, reflecting a record crop, were low.

Harvesting and marketing of California's many deciduous fruit crops were active during July and early August. A variety of crops matured earlier than usual this season, and apples, apricots, grapes, early peaches for fresh consumption and commercial canning, pears, and plums moved into trade channels in considerable volume during July. Prices received by growers varied considerably, some fruits selling higher and some lower than in 1935. Peach growers and canners united in a program under the State Department of Agriculture which will limit the pack to No. 1 grade peaches. Prices paid growers are around \$30 per ton, or approximately the same as last year.

Preliminary estimates indicate a record California cotton crop of 419,000 bales from 364,000 acres. Output last year was 239,000 bales and annual outturn from 1928 through 1932 averaged 200,000 bales. The farm value of the 1935 crop was over 12 million dollars and a marked increase in value of the current crop is anticipated.

Although barley prospects declined somewhat as the harvesting season advanced, output is expected to be somewhat larger than the average of recent years. Marketings have been heavy, prices have advanced, and by mid-August more than 85 percent of the crop had moved out of growers' hands. Prices averaged considerably above those of last season when marketing was slow because of extremely low prices. The California bean crop was in excellent condition on August 1, and production was estimated at 3,925,000 bags, approximately the same as last year's output and 17 percent above the average of recent years. Prices for old-crop beans, influenced by the low estimates of total United States production and advancing food prices, increased moderately from July 1 through mid-August and on the later date were about 25 percent higher than a year earlier. Marketings were much larger than customary during July and by the end of the month storage stocks were reduced to 517,000 bags, an amount 8 percent smaller than stocks on August 1, 1935.

The 1936 district wool clip is estimated at 99,094,000 pounds, compared with a clip of 101,433,000 pounds in 1935. The number of sheep shorn was about the same as in 1935, but there was a slight decline in the average weight per fleece, which accounts for the small decrease in total clip this year. Prices paid growers for wool have been about 35 percent higher this year than last and gross income is estimated to be about 30 percent larger.

A current release of the United States Department of Agriculture estimates this year's lamb crop in the Twelfth District to be 6 percent larger than in 1935. Most of the increase occurred in late lambs to be marketed after August 1, which largely explains the fact that marketing of lambs during the first seven months of this year was smaller than in 1935, when the early lamb crop was unusually large. Since mid-March, when early lamb shipments began, prices paid growers have been about 20 percent higher than in the same months last year.

Industry

Industrial production in the Twelfth Federal Reserve District, after allowance for customary seasonal influences, was about the same in July as in June. Industrial employment and pay rolls advanced further. Value of building

Agricultural Marketing Activity—

	July		Season to Date	
	1936	1935	1936	1935
Carlot Shipments				
Deciduous Fruits.	9,484	5,164	13,222	7,494
Citrus Fruits	9,470	10,872	61,701	69,452
Vegetables	9,887	11,791	59,025	54,282
Exports				
Wheat (bu.)	0	166	0	166
Barley (bu.)	305,083	532,749	305,083	532,749
Receipts*				
Cattle	87,939	77,751	593,637	523,899
Hogs	127,152	104,961	993,400	907,407
Sheep	473,714	590,173	2,279,824	2,480,050
Eggs (cases)	176,390	161,620	1,346,909	1,257,713
Butter (lbs.)	6,766,337	7,538,162	46,176,623	47,508,259
Wheat (carlots) ..	5,745	3,645	5,745	3,645
Barley (carlots) ..	924	553	924	553
Storage Holdings*				
(end of month)				
Wheat (bu.)	1,505,000	2,306,000	1,127,000	950,000
Beans (bags)	517,000	765,000	565,000	698,000
Eggs (cases)	634,000	635,000	672,000	667,000
Butter (lbs.)	10,130,000	8,480,000	10,456,000	7,815,000

*At principal district markets.

permits approximated the June total, while engineering contracts increased.

Factory employment in California, excluding the fruit and vegetable canning industry, increased 4 percent in July, a larger increase than in any preceding month this year notwithstanding the fact that little or no expansion is customary in July. The gain in employment was accompanied by a decline in average working hours and, as a result, the gain in pay rolls was negligible. Ordinarily, however, pay rolls decline slightly in July. The usual large increase in workers employed at fruit and vegetable canneries took place and moderate gains in employment were general among most groups of industries. Aircraft manufacturers reported an increase of 16 percent. Reflecting a sharp expansion in activity during the past year the number of workers engaged in aircraft plants in California was more than 200 percent larger than in July 1935. In Oregon, employment and pay rolls were practically unchanged in July.

The value of building permits issued in July was approximately the same as in June, a slight decline in 20 large cities being practically offset by an increase in smaller cities and towns. Small reductions occurred in residential and nonresidential classifications, while permits for alterations and repairs were slightly higher. Contracts awarded for engineering construction in the district, excluding buildings, increased from \$16,800,000 to \$26,700,000.

District lumber output declined less than seasonally in July. In the Douglas fir region, production was slightly lower than in June, but the reduction was less than in most other recent years. New orders received by mills in that region also declined and were lower than

output for the sixth consecutive month. While the volume of new orders was substantially higher than in July 1935, when conditions were disturbed by the strike of mill workers and loggers, it was approximately unchanged from the level reported last fall. A relatively high rate of production has been maintained during recent months largely by reducing unfilled orders, which have declined more than 200 million board feet since the end of January, rather than by adding to mill inventories. The continued excess of production over new business contributed to a decline in prices during June and July. In the western pine area, production was maintained during July at about the June level, although orders declined slightly. Inventories were increased further, as is customary during the summer months but at the end of July were no higher in relation to the volume of new orders than a year earlier. Average prices of lumber originating in the pine region have changed little in the past year.

Manufacturing activity is subject to more extreme seasonal influences in the Twelfth Federal Reserve District than in many parts of the United States. These fluctuations in total output of district factories result largely from seasonal variations in the supply of raw materials for several large food industries, including fruit and vegetable canning, fish canning, and beet sugar refining. The salmon canning industry is concentrated principally in Alaska, but supplies, equipment, and workers are obtained largely from Pacific Coast cities, principally Seattle and San Francisco, and products are marketed through agencies located in those cities. Not only do seasonal changes in these industries contribute to large variations in aggregate industrial output, but they also

Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees	No. of Firms	No. of Employees
All Industries*	1,377	158,118	105	20,963
		(+8.7)		(+2.0)
Stone, Clay, and Glass Products.	69	7,836	3	177
		(+22.1)		(-12.4)
Lumber and Wood Manufactures	112	13,724	37	11,449
		(+3.4)		(+4.6)
Textiles	16	1,509	8	1,619
		(+6.2)		(-2.5)
Clothing, Millinery, and Laundering.	145	9,453	6†	226
		(+6.3)		(+10.8)
Food, Beverages, and Tobacco	282	41,986	28	2,351
		(-9.1)		(-19.5)
Public Utilities	50	47,303	..	....
		(+7.5)		....
Other Industries†	708	70,796	..	....
		(+16.0)		....
Miscellaneous	45	12,814	23	5,141
		(+56.5)		(+11.2)
Wholesale and Retail	422	52,064	..	....
		(+4.5)		....

*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 July 1935.

Industry—

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

General	1936			1935		
	July	June	May	July	June	May
Carloadings—Industrial	76¶	58	56	63	56	40
Electric Pwr. Production	184¶	178	178	172	159	159
Manufactures						
Lumber	71¶	66	69	65	50	34
Refined Mineral Oils†	149¶	153	153	147	142	142
Flour	165¶	98	98	105	106	106
Cement	..	107	121	115	51	49
Wool Consumption†	..	107	94	91	141r	75r
Slaughter of Livestock	116	113	106	111	103	93
Minerals						
Petroleum (California)†	87¶	88	87	87	85	84
Lead (United States)‡	..	69	75	70	59	55
Silver (United States)‡	..	..	91	96	73	47
Building and Construction#						
Total	63	54	52	54	40	40
Building Permits—Value						
Larger Cities	40	34	33	33	23	21
Smaller Cities	59	53	53	53	35	30
Engineering Contracts Awarded—Value						
Total	93	71	65	79	58	63
Excluding Buildings	137	115	125	144	98	108

†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.

stimulate fluctuations in production of closely related activities such as production of glass containers, wooden boxes, and tin cans. During months of seasonal activity in these industries, substantial gains in physical output and in employment and pay rolls take place, but such gains and subsequent decreases must be discounted in appraising the trend of industrial conditions. Otherwise marked expansion or recession in industrial output may be given greater significance than is warranted by changes of an annually recurrent or seasonal character.

July is a month in which these distinctly seasonal food industries are in active operation. The pack of California canned apricots, estimated this year at about 2,750,000 cases compared with 3,164,000 cases in 1935, was completed about the middle of July. The peach pack, which last year exceeded 11,000,000 cases, was started early in the month and peak activity was reached before August 1. In Washington and Alaska, salmon canning was also at a seasonal peak. In the Bristol Bay area, where a large proportion of the select quality Alaska red salmon is packed, estimates indicate that approximately 1,400,000 cases were canned during the season which opened on June 25 and closed on July 25. Last year, because of restrictions imposed in the interests of conserving the supply of fish for future years, the pack amounted to less than 250,000 cases. Total Alaskan output of canned salmon this year is estimated at about 7,500,000 cases, compared with 5,133,000 cases last year.

Livestock slaughter increased sharply during July to 116 percent of the 1923-1925 average, and district flour output was higher than in any month in post-war years.

Glass container production remained close to the record high level of the two preceding months, and shipments of unassembled wooden boxes, used principally for packaging farm products and foods, were 32 percent higher than in July 1935.

Distribution and Trade—

	1936				1935		
	July	June	May	Apr.	July	June	May
	Indexes adjusted for seasonal variation (1923-1925 average=100)						
Carloadings†							
Total	87	80	77	80	70	62	64
Merchandise	97	100	95	95	82	82	84
Intercoastal Trade							
Total	68	79	76	79	47	63	76
Westbound	130	117	110	115	88	89	93
Eastbound	52	66	65	66	37	54	71
Retail Trade							
Automobile Sales‡							
Total	136	142	131	139	105	94	95
Passenger	129	133	124	131	87	92	87
Commercial	219	228	215	244	198	175	184
Department Store							
Sales†	94	94	88	89	83	86	80
Stocks§	64	64	65	67	62	63	62
Collections#	Actual Figures						
Regular	49.3	50.9	49.3	48.8	47.1	48.0	49.0
Installment	18.0	18.2	17.3	17.6	18.1	16.9	18.1

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

Trade

In general, changes in trade and in the distribution of goods approximated seasonal expectations during July.

For the district as a whole, the value of department store sales declined by the customary amount in July. An unusually large reduction in sales value was reported by stores in Salt Lake City, and in Los Angeles and other south-

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

	1936 compared with 1935		STOCKS
	NET SALES		
	July*	Jan. 1 to end of July	July
Department Stores...	12.8 (84)	10.3	3.2 (57)
Los Angeles	8.4 (6)	10.6	2.4 (6)
Other So. California	5.0 (9)	7.8	5.7 (7)
Oakland	12.3 (5)	10.8	4.0 (4)
San Francisco	16.2 (8)	10.0	2.0 (7)
Bay Region	15.7 (18)	10.2	2.5 (15)
Central California ..	15.3 (5)	6.1	4.7 (5)
Portland†	19.8 (9)	16.1	7.7 (7)
Seattle	15.6 (5)	10.4	1.6 (4)
Spokane	14.2 (6)	9.3	13.1 (5)
Tacoma†	21.9 (8)	12.2	— 0.1 (4)
Salt Lake City	— 0.3 (4)	7.4	9.2 (4)
Apparel Stores	20.3 (42)	18.1	27.4 (28)
Furniture Stores	29.2 (33)	28.2	12.1 (21)
All Stores	15.7 (159)	13.2	6.5 (106)

†Includes five apparel stores in Portland and six in Tacoma which are not included in district department store total. Figures in parentheses indicate number of stores reporting.

*July 1936 had the same number of trading days as July 1935.

ern California cities the decline somewhat exceeded that for most other recent years. Nearly all other localities, however, reported larger than seasonal gains over the June level.

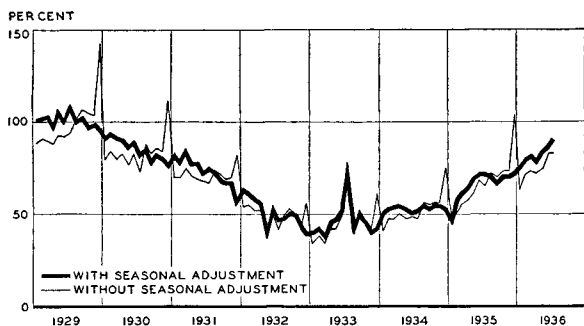
After allowance for seasonal influences the

Bank Debits*—

	July 1936	July 1935	First seven months—	
			1936	1935
Arizona				
Phoenix	\$ 35,289	\$ 30,586	\$ 248,901	\$ 211,84
California				
Bakersfield	15,292	11,142	95,481	76,75
Berkeley	19,320	16,764	127,747	104,25
Fresno	24,706	20,243	163,212	136,83
Long Beach	36,425	32,128	235,321	201,83
Los Angeles	884,285	699,389	5,768,774	4,525,65
Oakland	98,032	71,246	618,532	468,01
Pasadena	24,174	22,463	173,284	145,95
Sacramento	101,521	108,464	679,719	673,58
San Bernardino	10,365	7,238	61,949	51,84
San Diego	50,650	45,386	324,927	282,25
San Francisco	858,995	859,085	6,085,005	5,357,14
San Jose	24,459	19,864	147,989	123,56
Santa Barbara	11,833	10,332	80,415	66,96
Santa Rosa	5,606	4,131	30,624	25,32
Stockton	20,731	16,203	125,660	105,66
Idaho				
Boise	17,024	16,040	108,680	98,64
Nevada				
Reno	11,461	9,430	65,362	56,55
Oregon				
Eugene	6,858	5,237	40,918	31,78
Portland	164,116	143,837	1,077,445	925,92
Salem	16,093	13,448	93,106	78,78
Utah				
Ogden	14,882	13,388	95,035	84,86
Salt Lake City	62,899	53,629	418,503	359,91
Washington				
Bellingham	6,123	4,842	39,972	32,71
Everett	7,494	4,626	49,120	36,58
Seattle	196,477	151,782	1,278,708	1,031,25
Spokane	45,817	37,531	286,083	241,29
Tacoma	33,275	22,949	218,322	164,09
Walla Walla	6,339	5,385	34,198	30,36
Yakima	12,396	10,363	79,189	73,29
Total	\$2,822,937	\$2,467,151	\$18,852,181	\$15,803,54

*In thousands of dollars.

value of sales of a representative group of Twelfth District retail furniture stores in July was higher than in any month since April 1930. Expansion in value of sales during the past three years has reflected mainly increases in the quantity of furniture and household goods sold, although average prices have also advanced somewhat. Sales of district furniture stores declined precipitously during the depression, value falling to 39 percent of the 1929 average in January 1933. The shrinkage represented largely a shift to purchases of less expensive grades of furniture and reductions in prices of identical grades of furniture, although there was also a considerable reduction in the quantity of furniture sold. Value of furniture sales expanded in April, May, and June and particularly in July of 1933, immediately prior to the effective date of the California retail sales tax. Monthly average sales during that year were, nevertheless, lower in value than in any year since 1923, when comparable data were first collected. A moderate improvement occurred in 1934, gains in the first three months being well maintained throughout the remainder of the year on a



RETAIL FURNITURE STORE SALES—Twelfth District
Indexes of value of sales. (1929 daily average=100.)
By months, January 1929 to July 1936

seasonally adjusted basis. During 1935, when material expansion from depression lows first appeared in new residential building, the value of sales reported by district furniture stores increased sharply and in June reached a point only moderately below that reported in July 1933. Following a brief curtailment in sales in August and September 1935, expansion was resumed and, as is shown in the accompanying chart, has continued practically without interruption up to the present time.

New automobile registrations declined during July by an amount somewhat larger than in most other recent years, but continued only moderately below the highest levels recorded in 1929. For the first seven months of 1936 registrations of new automobiles were 37 percent higher than in the comparable period last year. Sales of commercial vehicles in July remained

practically unchanged from the June figure, and for the first seven months of the year were 27 percent higher than in 1935 and 54 percent above the January-July total reported in 1929.

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

	July 1936 compared with		Cumulative 1936 compared with 1935
	June 1936	July 1935	
Agricultural Implements	- 7.1	29.3	35.8
Automobile Supplies	3.0	17.7	13.4
Drugs	5.4	17.0	10.1
Dry Goods	13.6	20.6	7.2
Electrical Supplies	3.3	39.8	35.9
Furniture	1.4	4.7	5.8
Groceries	13.2	18.4	9.4
Hardware	3.1	29.6	22.8
Shoes	- 1.5	18.1	11.6
Paper and Stationery	9.5	14.9	12.5
All Lines	6.7	22.6	15.8

District freight carloadings increased moderately in July, whereas some decline is customary. The contra-seasonal change occurred entirely in the Pacific Northwest, in which section shipments of lumber and forest products and merchandise and miscellaneous commodities increased substantially.

Intercoastal shipments through the Panama Canal declined considerably in July, the result entirely of a sharp reduction in eastbound cargoes. Westbound shipments were 9 percent above the June level and were higher than in any month in more than six years. While westbound traffic was only 16 percent lower than in July 1929, eastbound shipments were 35 percent lower. Reduction in the latter was the result of a decline of more than 50 percent in lumber and petroleum cargoes. Volume of other eastbound traffic, consisting almost entirely of agricultural and food products, totaled slightly more in July 1936 than in July 1929.

Prices

Wholesale commodity prices as measured by the index prepared by the United States Bureau of Labor Statistics increased moderately between May and mid-August. Advances, while general over all groups of commodities, oc-

WHOLESALE PRICES, BY GROUPS OF COMMODITIES
Index of Bureau of Labor Statistics (1926=100)

Month or Week	All Com- modities	Farm Products	Foods	All Other Com- modities
1929 August	96.5	107.6	102.9	91.7
1933 August	65.2	49.1	61.8	70.1
1935 August	80.5	79.3	84.9	77.9
1936—				
April	79.7	76.7	80.2	78.9
May	78.6	75.2	78.0	78.8
June	79.2	78.1	79.9	78.8
Week ending July 4... ..	79.5	80.2	80.8	78.9
Week ending July 11... ..	80.3	82.5	81.8	79.2
Week ending July 18... ..	80.1	80.8	81.3	79.4
Week ending July 25... ..	80.2	81.4	81.0	79.5
Week ending Aug. 1... ..	80.3	81.5	81.0	79.4
Week ending Aug. 8... ..	81.1	83.2	82.9	79.6
Week ending Aug. 15... ..	81.1	83.6	82.6	79.6

curred principally in prices of farm products and foods. The index of farm products increased 10 percent between May 16 and August 15 and the wholesale food price index increased 7

percent. Even with the sharp advances which have occurred since the low point reached in early 1933 the farm products index is still 21 percent lower than in August 1929, and the food index is 20 percent lower. The price index of commodities other than farm products and foods, which fluctuated narrowly with little net change during 1934 and 1935, also tended upward from May to August this year, and in mid-August was higher than at any time since December 1930.

Accompanying the increase in wholesale quotations, retail food prices in principal district cities increased sharply between mid-May and the end of July.

The Credit Situation

Member banks in the Twelfth Federal Reserve District generally were in a position to meet the increase in reserve requirements effective August 15, which aggregated approximately \$110,000,000, without disposing of earning assets or borrowing from the Reserve Bank. In mid-July, when the Board of Governors of the Federal Reserve System announced, effective August 16, a 50 percent increase in the reserves which member banks are required to carry against their deposit liabilities, a majority of Twelfth District member banks had excess reserves sufficient to meet the increase. Of the banks which then did not have reserve balances at least 50 percent larger than the old requirements, almost all had balances with correspondents in excess of operating needs. As a

result, between July 15 and August 15, particularly after August 1, balances reported by district city banks as due from other banks (located principally in the East) were reduced sharply, and substantial amounts of those funds were deposited in the Federal Reserve Bank of San Francisco. Twelfth District country banks also drew upon their balances deposited with city correspondents, which for the most part are in the Twelfth District, and placed the funds in the Federal Reserve Bank of San Francisco. Because of the large amount of excess reserves and correspondent balances, district banks increased their borrowings from the Federal Reserve Bank of San Francisco only slightly from a daily average of \$33,000 during July to \$100,000 on August 15.

Reflecting in part the return of correspondent balances from eastern cities and an inflow of the proceeds from sales by district banks of a small amount of Government obligations, inter-district transfers for the accounts of banks and their customers resulted in a net inflow of \$7,600,000 during the five weeks ending August 19. These transactions have usually resulted in a net outflow during recent years. United States Treasury disbursements during the same period, augmented by further payments of \$20,000,000 to veterans cashing their adjusted service bonds, exceeded local collections by \$71,400,000. These two factors tended to increase district banking reserves. A substantial increase in nonmember deposits at the Federal Reserve Bank of San Francisco in the week ending July 22 absorbed some portion

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—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	
July 22.....	- .4	+ .3	+18.9	+18.8	
July 29.....	+ 1.4	+ 3.6	+11.5	+13.7	
Aug. 5.....	+ 3.1	-14.6	+12.1	+ .6	
Aug. 12.....	+ .5	+13.1	+14.9	+27.5	
Aug. 19.....	- .4	+ 5.2	+14.0	+18.8	

USES OF FUNDS

Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1936—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
July 22.....	- 3.4	+ 6.4	+15.8	+18.8
July 29.....	+ 4.2	+17.7	+ .2	+13.7
Aug. 5.....	+ 6.6	- 4.2	+ 1.8	+ .6
Aug. 12.....	+ .4	+30.4	- 2.5	+27.5
Aug. 19.....	+ 1.9	+17.4	- .5	+18.8

*Change less than \$50,000.

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

	Aug. 19 1936	Aug. 12 1936	July 15 1936	Aug. 21 1935
Total Bills and Securities...	214	214	214	201
Bills Discounted .....	...	...	...	...
Bills Bought .....	...	...	...	...
United States Securities..	212	212	212	199
Total Reserves	610	592	539	365
Total Deposits	487	473	418	308
Reserve Note Circulation...	320	319	319	240
Ratio—Reserves to Deposit and Note Liabilities.....	75.6%	74.8%	73.2%	66.7%

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

	Aug. 19 1936	Aug. 12 1936	July 15 1936	Aug. 21 1935
Loans and Investments—Total..	2,156	2,151	2,149	1,967
Loans to Brokers and Dealers..	14	15	16	10
Loans on Securities to Others (except Banks)	168	168	168	162
Acceptances and Com'l Paper...	24	21	21	19
Loans on Real Estate.....	368	367	367	359
Loans to Banks	1	1	1	1
Other Loans	362	368	353	334
U. S. Gov. Direct Obligations...	690	688	709	617
Obligations Guaranteed by U. S. Other Securities	171	165	158	112
Reserve with F. R. Bank.....	358	358	356	353
Due from Domestic Banks.....	282	276	250	179
Demand Deposits—Adjusted ...	247	253	281	207
Time Deposits	848	838	837	747
U. S. Gov. Deposits	1,022	1,022	1,028	963
Deposits of Other Banks	114	116	117	50
Borrowings	306	306	308	257

of these funds, but member bank reserve balances advanced \$67,700,000 during the five-week period. Reserves of district banks on August 19 totaled \$445,000,000. This amount was about 25 percent in excess of requirements under the new reserve regulations.

Total earning assets of reporting member banks increased slightly in the five weeks ending August 19, a substantial advance in loans more than offsetting a moderate reduction in investments. Loans on securities and on real estate were unchanged, but all other loans increased considerably. Reports recently made available on the condition of all district member banks indicate that "all other" loans (largely for commercial purposes) increased from \$595,000,000 on December 31, 1935 to \$626,000,000 on June 30, 1936. During that period, similar loans of reporting member city banks fluctuated with little net change, indicating that the increase took place principally among country banks. The same reports show that real estate loans of country banks increased slightly during the six months December 31 to June 30, a small decline in loans on farm property being more than offset by an advance in loans on all other real estate, including loans for new residential construction.

A small decline from mid-July to mid-August in the amount of securities held by reporting member banks occurred entirely in investments in direct obligations of the United States Gov-

ernment. As shown in the June issue of this Review, it is not unusual for district city banks to reduce their holdings of Government securities following each major Treasury financing date, the most recent of which was June 15.

Adjusted demand deposits of reporting member banks increased in the five weeks ending August 19 to a level substantially higher than at any previous time. Time deposits, however, declined moderately. Turnover of demand deposits was at a somewhat slower rate, while turnover of time deposits increased slightly as is usual in July.

Securities Markets

Share trading on Pacific Coast stock exchanges increased sharply during the latter part of July and was greater than at any time since March. Daily turnover declined, however, during the first three weeks of August. Stock price averages were fractionally higher on August 20 than on July 20 but were still slightly lower than the peak for the recovery movement reached in February and March. Food stocks continued the strong upward trend which began early in July.

Prices of Pacific Coast corporate bonds remained unchanged at the highest levels on record, while municipal bonds advanced. Offerings of new securities were negligible but the few small corporate issues which were marketed were for the purpose of providing new capital.

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

Production, employment, and trade increased further in July, when allowance is made for the usual seasonal changes, and commodity prices continued to advance. Money rates remained at extremely low levels.

Production and Employment. Industrial production, which usually declines considerably in July, was maintained at the level of the preceding three months, and the Board's seasonally adjusted index advanced to 108 percent of the 1923-1925 average as compared with 103 percent in June. Output of steel continued at about the June rate, although a sharp decrease is usual, and automobile production declined by less than the usual amount. In the first three weeks of August there was little change in activity at steel mills, while at automobile factories output was curtailed as preparations were made for the production of 1937 models. Output of nondurable products was larger in July than in June, reflecting chiefly a sharp rise in activity at cotton mills and greater than seasonal increases in production at shoe factories, silk mills, and flour mills. At coal mines

output increased and crude petroleum continued to be produced in large volume.

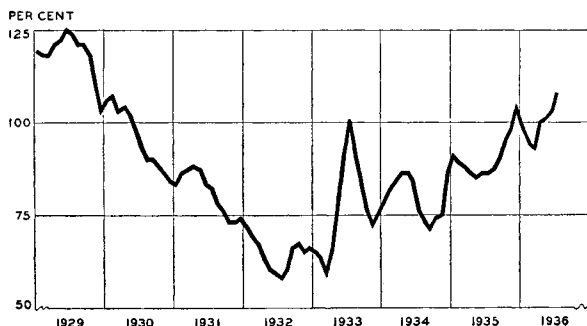
Factory employment increased further in July, contrary to seasonal tendency. The number of workers was larger than in June at steel mills, foundry and machine shops, and furniture factories, while at railroad repair shops there was a decline. Among the nondurable goods industries employment increased at textile mills and meatpacking plants, and declined less than seasonally at establishments producing wearing apparel. Factory pay rolls decreased by a smaller amount than is usual in July.

The value of construction contracts awarded increased considerably from June to July, according to the F. W. Dodge Corporation, with large increases reported for both publicly-financed and privately-financed work.

Agriculture. Crop prospects declined during July as a result of continued drought, on the basis of August 1 conditions. The corn crop was estimated by the Department of Agriculture at 1,439,000,000 bushels, a reduction of 37 percent from last season, and estimates for spring

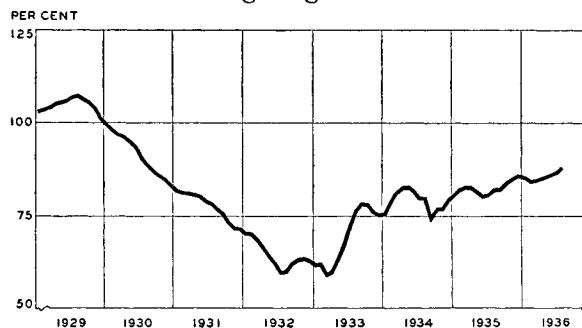
wheat, oats, hay, and potatoes were also considerably under the harvests of a year ago. The cotton crop was forecast at 12,481,000 bales as compared with 10,638,000 bales last year and an average of 14,667,000 bales during the five years 1928-1932.

Distribution. Retail trade was sustained in July at a higher level than is usual in that month. The Board's adjusted index of department store sales, which allows for a considerable seasonal decline, increased from 88 percent of the 1923-1925 average in June to 91 percent



INDUSTRIAL PRODUCTION

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

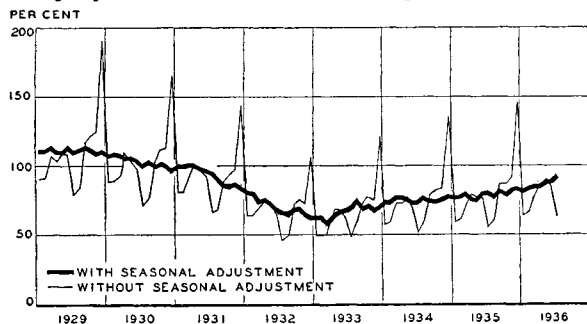


FACTORY EMPLOYMENT

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

in July and mail order variety store sales also showed smaller decreases than are usual for the season. Freight carloadings increased in July.

Commodity Prices. Wholesale commodity prices continued to advance between the middle of July and the middle of August. Prices of



DEPARTMENT STORE SALES

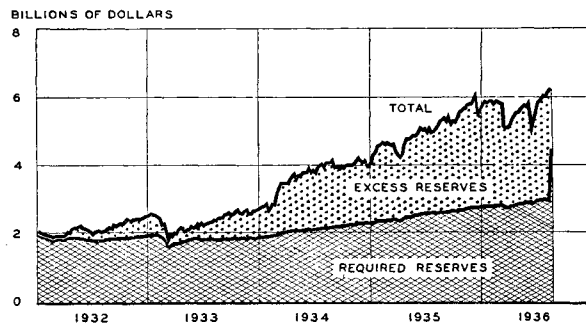
Indexes of value of sales, 1923-1925 average=100. By months, January 1929 to July 1936.

wheat, flour, feed grains, and dairy products rose considerably, owing primarily to the drought, and livestock prices also advanced while cotton declined. There was a considerable increase in the price of steel scrap.

Bank Credit. Excess reserves of member banks decreased from \$2,920,000,000 on July 15 to \$1,810,000,000 on August 19. About \$1,470,000,000 of excess reserves were absorbed by the increase of 50 percent in reserve require-

ments of member banks, which went into effect August 15. This decrease was offset in part by a growth of \$360,000,000 in total reserve balances, reflecting principally large disbursements by the Treasury from its funds held on deposit with Federal reserve banks. After the increase in reserve requirements there remained a large amount of excess reserves widely distributed among member banks. The money market was not affected by the action, and interest rates remained at extremely low levels. In the week ending August 19 a few scattered

banks borrowed at the reserve banks, but the total amount borrowed was negligible and some banks drew upon their balances with other banks in order to meet the increase in requirements. Deposits of domestic banks with reporting member banks in leading cities declined by \$210,000,000 in the week. Between July 15 and



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 August 19, 1936.

August 19 loans and investments of reporting member banks in leading cities declined by \$260,000,000, reflecting reductions of \$130,000,000 in loans on securities and of \$160,000,000 in holdings of United States Government direct obligations, partly offset by an increase of \$60,000,000 in other loans to customers. Adjusted demand deposits, which increased to a new high level on July 22, were slightly smaller on August 19.