

MONTHLY REVIEW

OF BUSINESS CONDITIONS

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Industrial production in the Twelfth District increased more than seasonally in August. Value of building permits expanded further, but contracts awarded for engineering construction, which fluctuate widely from month to month, declined. Most measures of trade were lower than in July, after allowance for seasonal influences. Industrial employment and factory pay rolls in California increased less than is customary in August. Increases in employment reported by Oregon industries were larger than seasonal, while expansion in pay rolls in that state was smaller than is usual in August.

A somewhat larger proportion of United States production of crops will be grown in the Twelfth District in 1936 than in most other recent years. This reflects favorable growing conditions throughout the district, in contrast with widespread drought in other important agricultural sections of the country. Farm income in the seven western states was about 15 percent larger in the first eight months of the current year than in the comparable period in 1935, and even larger year-period gains are indicated for the remaining months of 1936. Crop production estimates for the district were larger at the beginning of September than a month earlier, and farm prices were higher.

Reporting member bank loans for commercial purposes increased considerably during the four weeks ending September 16 to the highest level in recent years. This expansion in loans is partly seasonal in character. Demand for currency increased substantially in late August and early September, reflecting month end and holiday requirements, but a considerable proportion of the currency then withdrawn was returned in the week ending September 16.

Agriculture

Crop production estimates in the Twelfth District were generally larger on September 1 than a month earlier, in contrast with a further reduction in the estimate of total crop production in the United States as a whole. The Twelfth District will produce a larger propor-

tion of total United States crops during 1936 than in other recent years.

Cash income from district crops and livestock is estimated to have been 15 percent larger during the first eight months of 1936 than in the corresponding months of 1935. Recent price advances for district agricultural products, many of which are sold in eastern and mid-western markets in competition with products grown nearer those markets, indicate that returns to Twelfth District growers during the remainder of 1936 will show larger percentage gains over 1935 than in the first eight months of the year.

The outlook for farmers in the Pacific Northwest is favorable. Wheat yields are turning out larger than anticipated earlier in the season and on September 1 the crop in Idaho, Oregon, and Washington was estimated at 89,425,000 bushels, compared with a harvest of 80,731,000 bushels in 1935 and a 1928-1932 average of 91,237,000 bushels. Wheat grown in the Pacific Northwest has been marketed chiefly in the United States during the past few seasons, although foreign markets were of considerable importance in earlier years. This year, domestic demand has increased because of decreased production in the Midwest, and foreign demand has also become of importance again because of crop shortages in other countries. As a result, average prices paid growers are around 85 to 88 cents per bushel, a level markedly higher than at any time since the spring of 1930.

The commercial apple crop (that part of the crop sold in the fresh fruit market) in the Pacific Northwest was forecast on September 1 at 26,468,000 bushels, 3 percent smaller than last year's harvest, and 25 percent smaller than average annual output from 1928 through 1932. This area will produce 40 percent of the 1936 United States commercial apple crop, however, a higher percentage than in most recent years. Several European countries will harvest smaller apple crops this year than last, and foreign as well as domestic demand for Pacific Northwest apples is expected to be good. Income to grow-

ers will probably be larger than last year but somewhat below the annual average during the five-year (1928-1932) period.

Some improvement in the condition of hops was reported in Oregon, Washington, and California during August and early September, but the crop is expected to total only 23,482,000 pounds, or about half the 1935 harvest and 16 percent less than the 1928-1932 average. Unfavorable weather conditions during the spring growing season and insect damage reduced the average yield to 758 pounds per acre, the lowest on record. Prices have advanced sharply in recent months, both for hops for immediate delivery and on contracts for next year. Current sales of hops are being made at 30 to 40 cents per pound, while hops delivered on contracts made last year are bringing 6 to 10 cents per pound. Because a large amount of the present crop was contracted for last season, growers' income this year will not increase over 1935 by as large a percentage as prices.

Production estimates of California deciduous fruit crops were about the same on September 1 as a month earlier. Grape production is expected to total 1,679,000 tons, compared with 2,194,000 tons last year, and a 1928-1932 average of 1,924,000 tons. The largest decline is in raisin grapes, although production of both table and wine grapes will be smaller than in 1935. Shipments of fresh grapes to eastern and mid-western consuming centers were commenced somewhat earlier than last year and for the season through September 8 amounted to 6,785 carlots, compared with 5,160 cars shipped during the same period in 1935. Prices have been slightly higher than last season. Advance payments to raisin growers for their crops have been from 10 to 38 percent higher this season than last. Prices being paid by wineries for grapes are reported to be considerably above those paid a year ago.

The proportion of the United States sugar

beet crop raised in the Twelfth District has increased from 24 percent in the 1928-1932 period to about 34 percent in the current year. Declining production in Colorado and rapidly expanding production in California and Idaho are chiefly responsible for the present tendency of the industry to shift to this region. Within the district, acreage and production in Utah, once the district's most important sugar beet raising state, have declined during recent years. Assurance of a fairly regular and adequate supply of irrigation water and consequent

CROP PRODUCTION—Twelfth District
(In thousands)

| | Average 1928-1932 | 1934 | 1935 | Estimated | |
|-------------------------|----------------------|--------|---------|-----------------|------------------|
| | | | | Aug. 1, 1936 | Sept. 1, 1936 |
| Grains | | | | | |
| Wheat (bu.)..... | 108,874 | 84,509 | 101,833 | 109,888 | 111,318 |
| Barley (bu.).... | 40,570 | 35,051 | 48,938 | 42,280 | 42,254 |
| Oats (bu.)..... | 24,648 | 22,163 | 30,739 | 29,818 | 30,554 |
| Field Crops | | | | | |
| Cotton (bales)... | 328 | 376 | 374 | 580 | 581 |
| Beans (bags)... | 4,956 | 5,140 | 5,344 | 5,453 | 5,493 |
| Tame Hay (tons) | 11,844 | 10,445 | 11,445 | 12,435 | 12,440 |
| Hops (lbs.)..... | 28,011 | 43,952 | 47,746 | 22,216 | 23,482 |
| Potatoes (bu.).. | 45,367 | 53,723 | 50,306 | 51,388 | 53,521 |
| Rice (bu.)..... | 7,442 | 8,256 | 6,732 | 8,228 | 8,228 |
| Sugar Beets (tons) | 1,930 | 2,161 | 2,511 | 3,104 | 3,061 |
| Fruits and Nuts | | | | | |
| Apples (bu.)†... 41,382 | 34,089 | 32,874 | 30,274 | 31,649 | |
| Apricots (tons).. | 227 | 139 | 216 | 223 | 223 |
| Cherries (tons).. | 50 | 47 | 48 | 56 | 56 |
| Grapes (tons)*... 1,924 | 1,700 | 2,194 | 1,642 | 1,679 | |
| Raisin..... | 1,161 | 878 | 1,243 | 894 | 924 |
| Table..... | 345 | 346 | 375 | 306 | 310 |
| Wine..... | 418 | 476 | 571 | 442 | 445 |
| Peaches (tons)*. 572 | 495 | 429 | 473 | 477 | |
| Clingstone.... | 374 | 324 | 288 | 307 | 307 |
| Freestone.... | 198 | 171 | 141 | 166 | 170 |
| Pears (bu.).... 16,178 | 16,401 | 15,338 | 18,599 | 18,879 | |
| Plums (tons).... | 133 | 130 | 117 | 130 | 130 |
| Prunes (tons)... | 226 | 200 | 298 | 189 | 184 |
| Almonds (tons).. | 12 | 11 | 9 | 8 | 8 |
| Walnuts (tons).. | 35 | 45 | 55 | 43 | 45 |
| Grapefruit (boxes) | 1,617 | 2,413 | 3,407 | 4,332 | 4,365 |
| Lemons (boxes). | 7,251 | 7,295 | 10,506 | 8,226 | 8,226 |
| Oranges (boxes). | 33,022 | 28,439 | 46,086 | 34,313 | 34,313 |
| Navel and Misc. | 15,600 | 11,974 | 18,990 | 14,559 | 14,559 |
| Valencia..... | 17,422 | 16,465 | 27,096 | 19,754 | 19,754 |

†Commercial crop. *California only.
Source: United States Department of Agriculture.

favorable yields over a period of years have been important factors contributing to the rise of California and Idaho. The district sugar beet fields are expected to yield about 3,061,000 tons this season. A crop of that size would be 22 percent larger than the crop last year, 58 percent larger than average annual production from 1928 through 1932, and only slightly under the peak year of 1933 when 3,367,000 tons were harvested. Harvesting of the 1936 crop became general in all growing areas of the district during August, with early reports indicating that the sugar content is higher than usual.

Available statistics indicate larger production and consumption of Twelfth District eggs during August 1936 than in August 1935. While production declined seasonally from July to August, Pacific Coast primary markets received 14 percent more eggs during the month than a year earlier. Egg prices increased seasonally, and in mid-August were slightly higher than a year earlier. More butter was received at leading district markets this August than last, but

Agricultural Marketing Activity—

| | August | | Season to Date | |
|--------------------------|------------|------------|----------------|------------|
| | 1936 | 1935 | 1936 | 1935 |
| Carlot Shipments | | | | |
| Deciduous Fruits.. | 15,357 | 15,150 | 28,579 | 22,644 |
| Citrus Fruits.... | 6,347 | 8,477 | 68,248 | 77,929 |
| Vegetables..... | 6,208 | 6,246 | 65,233 | 60,528 |
| Exports | | | | |
| Wheat (bu.).... | 176,234 | 10,000 | 176,234 | 10,166 |
| Barley (bu.).... | 1,475,789 | 1,832,122 | 1,780,872 | 2,364,871 |
| Receipts* | | | | |
| Cattle..... | 111,358 | 88,034 | 704,995 | 611,933 |
| Hogs..... | 135,349 | 87,936 | 1,128,749 | 995,343 |
| Sheep..... | 529,622 | 777,191 | 2,809,446 | 3,257,241 |
| Eggs (cases).... | 127,476 | 147,128 | 1,474,385 | 1,404,841 |
| Butter (lb.).... | 5,895,939 | 6,207,605 | 52,072,562 | 53,715,864 |
| Wheat (carlots).. | 10,405 | 12,051 | 16,150 | 15,696 |
| Barley (carlots).. | 1,801 | 1,867 | 2,725 | 2,420 |
| Storage Holdings* | | | | |
| (end of month) | | | | |
| August | | July | August | July |
| Wheat (bu.).... | 2,756,000 | 1,505,000 | 3,407,000 | 1,127,000 |
| Beans (bags)... | 584,000 | 517,000 | 413,000 | 565,000 |
| Eggs (cases).... | 580,000 | 634,000 | 612,000 | 672,000 |
| Butter (lbs.).... | 10,778,000 | 10,130,000 | 10,113,000 | 10,456,000 |

*At principal district markets.

prices continued at a level about 30 percent higher than a year ago.

Although livestock ranges deteriorated as is usual during August, they were in considerably better condition on September 1 than the long-time average for that date in all states of the district except Arizona. Hay and other feeds are ample for fall and winter feeding purposes in practically all parts of the district. Livestock are in good to excellent condition and are moving to market in somewhat larger volume than is usual at this time of year. Cattle prices are slightly lower than a year ago but are considerably higher than in other recent years. Average farm prices of lambs were higher than in any August since 1929.

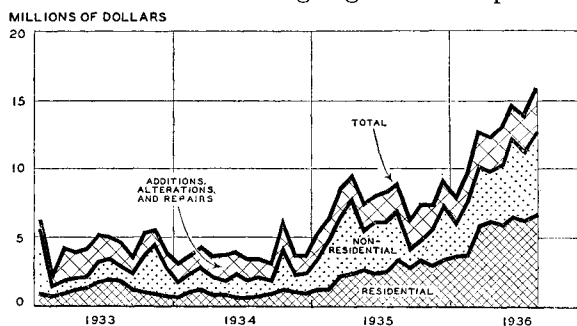
Industry

Industrial output in the Twelfth District increased to a higher level in August than in July. Operations in the important lumber industry expanded by about the customary amount and, judging from preliminary pack estimates and employment figures, changes in activity at fruit and vegetable canneries conformed to seasonal expectations. In many other industries for which data are available, however, output advanced or was better maintained than in August of most recent years. That condition was indicated in such industries as steel, refined oils, glass containers, furniture, automobile tires, sugar, wooden boxes, and electric power. Value of building permits expanded further, but contracts awarded for engineering construction declined from the high level reported in July. Contracts for engineering projects, which usually fluctuate

widely from month to month, were smaller than in July of this year or in August 1935. Engineering contracts were 39 percent larger in the first eight months of this year than last.

Factory employment and pay rolls in California, excluding the fruit and vegetable canning industry, increased slightly less than seasonally between mid-July and mid-August. Increases in the number of workers were reported by almost all industries, although declines in employment occurred in two important groups—metals, machinery, and conveyances and petroleum refineries. In the fruit and vegetable canning industry, both employment and pay rolls advanced substantially, a development largely reflecting the packing of cling peaches and pears in August. Both employment and pay rolls in Oregon advanced in August, but the increase in pay rolls was somewhat less than seasonal. In the lumber industry, which accounts for about half the total wage earners in Oregon, employment and pay rolls were practically unchanged.

Expansion in building during recent months has continued an upward movement which commenced in 1933. In 20 larger district cities, permits issued in the first eight months of this year were valued at \$100,000,000 compared with \$35,000,000 in the corresponding months of 1933. In the first eight months of 1935, permits in those cities totaled \$62,000,000. As is shown in the accompanying chart, expansion in residential building has been particularly large since 1933, the total for the first eight months of 1936 showing a gain of 330 percent.



BUILDING PERMITS—Twelfth District
Monthly totals of building permits issued in twenty larger cities

In 60 smaller centers, value of permits for all types of building was \$33,000,000 during the first eight months of this year, compared with \$9,000,000 in the first eight months in 1933. While building activity has advanced from the extremely low 1933 levels, the current rate is still well below that maintained in pre-depression years. In August, this bank's seasonally adjusted index of permits in 20 larger cities was 58 percent below the 1923-1925 average, while the index for smaller centers was 43 percent below that average.

Employment—

| Industries | California | | Oregon | | |
|--------------------------------------|--------------|--|--------------|--|--------|
| | No. of Firms | No. of Employees Aug. 1936 Aug. 1935 | No. of Firms | No. of Employees Aug. 1936 Aug. 1935 | |
| All Industries* | 1,725 | 207,586 193,909 (+7.1) | 100 | 22,289 (+6.0) | 21,026 |
| Stone, Clay, and Glass Products. | 75 | 7,634 6,333 (+20.5) | .. | ..... | ..... |
| Lumber and Wood Manufactures .. | 126 | 14,882 14,439 (+3.1) | 37 | 11,693 (+3.3) | 11,314 |
| Textiles | 19 | 1,596 2,218 (-28.0) | 8 | 1,554 (-1.1) | 1,571 |
| Clothing, Millinery, and Laundering. | 174 | 11,355 10,698 (+6.1) | 5‡ | 165 (+18.7) | 139 |
| Food, Beverages, and Tobacco .. | 400 | 73,664 72,637 (+1.4) | 26 | 3,573 (+12.8) | 3,168 |
| Public Utilities .. | 685 | 50,128 46,258 (+8.4) | .. | ..... | ..... |
| Other Industries†. | 879 | 85,942 76,273 (+12.7) | .. | ..... | ..... |
| Miscellaneous ... | 52 | 12,513 11,311 (+10.6) | 24 | 5,304 (+9.7) | 4,834 |
| Wholesale and Retail | 2,314 | 48,772 45,098 (+8.1) | .. | ..... | ..... |

*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 August 1935.

District lumber production increased seasonally in August. In the western pine region, which includes eastern Washington, northern Idaho, southern and eastern Oregon, and California, output expanded considerably, whereas a reduction is customary at this time of year. New orders reported by mills during August were higher than in any month since late 1930.

In the important Douglas fir region a smaller than seasonal increase in lumber output in August was accompanied by an improvement in the statistical position of the industry. This improvement, which continued in early September, followed a somewhat unsatisfactory trend from February to the end of July. Lumber orders advanced rapidly in October and November 1935 and in December averaged larger than at any time in four years, with the exception of the unusually high level of November 1933. Throughout most of the winter, volume of new business exceeded current output, unfilled orders increased, and mill prices advanced. This unseasonal expansion in new orders was followed during the spring and early summer months by a period in which the volume of orders showed little net change, although demand usually rises in those months. The comparatively slack demand during that period was a result largely of an accumulation of inventories at Atlantic seaboard yards, and of unusually severe weather conditions in the East and Middle West. Notwithstanding the lack of expansion in new business, mill schedules were advanced in February, March, April, and May and output exceeded new orders almost continuously from February through July. Prices showed little change until June but declined during that month and in July.

The current expansion in new business

Industry —

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

| General | 1936 | | | | 1935 | | |
|-----------------------------------|------|------|------|-----|------|------|------|
| | Aug. | July | June | May | Aug. | July | June |
| Carloadings—Industrial | 75¶ | 76 | 58 | 56 | 60 | 56 | 40 |
| Electric Pwr. Production | 187¶ | 182 | 178 | 178 | 168 | 159 | 159 |
| Manufactures | | | | | | | |
| Lumber | 71¶ | 72 | 66 | 69 | 75 | 50 | 34 |
| Refined Mineral Oils† | 165 | 152 | 153 | 153 | 145 | 142 | 142 |
| Flour | 114¶ | 127 | 98 | 98 | 102 | 106 | 106 |
| Cement | .. | 105 | 107 | 121 | 60 | 51 | 49 |
| Wool Consumption† | .. | 91 | 107 | 94 | 139r | 141r | 75r |
| Slaughter of Livestock | 111 | 116 | 113 | 106 | 99 | 103 | 93 |
| Minerals | | | | | | | |
| Petroleum (California)† | 88 | 87 | 88 | 87 | 91 | 85 | 84 |
| Lead (United States)† | .. | 71 | 69 | 75 | 60 | 59 | 55 |
| Silver (United States)† | .. | .. | 103 | 91 | 59 | 73 | 47 |
| Building and Construction# | | | | | | | |
| Total | 66 | 63 | 54 | 52 | 49 | 40 | 40 |
| Building Permits—Value | | | | | | | |
| Larger Cities | 42 | 40 | 34 | 33 | 25 | 23 | 21 |
| Smaller Cities | 59 | 59 | 53 | 53 | 33 | 35 | 30 |
| Engineering Contracts | | | | | | | |
| Awarded—Value | | | | | | | |
| Total | 106 | 93 | 71 | 65 | 79 | 58 | 63 |
| Excluding Buildings | 158 | 137 | 115 | 125 | 147 | 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.

started in the last week of July and continued throughout August. In the first half of September, daily average orders remained close to the high level reached in the week ending August 20. The expansion was accompanied by a marked rise in unfilled orders, as new business exceeded production throughout the period. Reflecting the upturn in new business, prices remained steady in August, and more recently are reported to have increased slightly.

Operations in the fruit canning industry increased substantially in August. The 1936 cling peach pack in California, completed in the second week of September, is estimated at 10,250,000 cases, compared with 10,850,000 in 1935. A larger proportion of the total pack consisted of fancy and choice grades this year than in 1935 because canners operated under an agreement to pack only first grade fruit. Notwithstanding the fact that the pack was nearly as large as in 1935 when substantial price concessions were necessary in order to move the pack, prices have advanced in recent weeks and currently are higher than a year ago.

Fish canning in California was less active during most of August than in other recent months, but operations increased toward the end of the month when sardine canning commenced. Only a small quantity of sardines was packed in August, but virtually all plants were active in early September. The mackerel pack was about the same as in July and was somewhat smaller than in August 1935. The total pack thus far this year is about 20 percent less than the record 1935 output. The total canned tuna pack as of September 1 was approximately the same as in the first eight months of 1935. Notwithstanding the large pack, tuna prices have advanced several times since the opening quotations were issued last March and are now more than 10 percent higher than a year ago.

Distribution and Trade —

| | 1936 | | | | 1935 | | |
|---------------------------|--|------|------|------|------|------|------|
| | Aug. | July | June | May | Aug. | July | June |
| | Indexes adjusted for seasonal variation (1923-1925 average=100) | | | | | | |
| Carloadings‡ | | | | | | | |
| Total | 87¶ | 87 | 80 | 77 | 74 | 70 | 62 |
| Merchandise | 94¶ | 97 | 100 | 95 | 83 | 82 | 82 |
| Intercoastal Trade | | | | | | | |
| Total | 75 | 68 | 79 | 76 | 61 | 47 | 63 |
| Westbound | 128 | 130 | 117 | 110 | 100 | 88 | 89 |
| Eastbound | 62 | 52 | 66 | 65 | 51 | 37 | 54 |
| Retail Trade | | | | | | | |
| Automobile Sales‡ | | | | | | | |
| Total | 122 | 136 | 142 | 131 | 97 | 105 | 94 |
| Passenger | 111 | 129 | 133 | 124 | 87 | 92 | 87 |
| Commercial | 216 | 219 | 228 | 215 | 179 | 198 | 175 |
| Department Store | | | | | | | |
| Sales‡* | 92 | 94 | 94 | 90 | 83 | 84 | 85 |
| Stocks§ | 64 | 64 | 64 | 65 | 62 | 62 | 63 |
| Collections# | Actual Figures | | | | | | |
| Regular | 49.2 | 49.3 | 50.9 | 49.3 | 48.1 | 47.1 | 48.0 |
| Installment | 18.4 | 18.0 | 18.2 | 17.3 | 18.9 | 18.1 | 16.9 |

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

Trade

Seasonally adjusted measures of department store sales, railway freight carloadings, and new automobile registrations were slightly lower in August than in July, and wholesale trade increased less than is usual. The adjusted index of retail furniture store sales, on the other hand, advanced slightly from the high July level, and intercoastal cargo shipments increased.

of early 1933. In March 1933, the seasonally adjusted index of sales, which makes no allowance for price changes, was 59 percent of the 1923-1925 average, compared with a record high point of 122 percent in May 1929. Sales movements were irregular during most of 1933 and early 1934, but since that time a fairly steady expansion has taken place. Increases have not been uniform in all parts of the district, but regional indexes for California and for the Pacific Northwest have shown about the same degree of expansion since 1933.

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

| | 1936 compared with 1935 | | |
|------------------------|-------------------------|-------------------------|------------|
| | NET SALES | | STOCKS |
| | August* | Jan. 1 to end of August | August |
| Department Stores... | 7.7 (82) | 9.9 | 3.1 (59) |
| Los Angeles | 9.3 (6) | 10.4 | 0.2 (6) |
| Other So. California — | 6.2 (9) | 5.7 | 11.9 (7) |
| Oakland | 8.8 (5) | 10.5 | 6.3 (5) |
| San Francisco | 8.1 (8) | 9.7 | 0.9 (7) |
| Bay Region | 8.2 (18) | 9.9 | 2.7 (16) |
| Central California... | 4.3 (5) | 5.9 | 6.3 (5) |
| Portland† | 11.6 (9) | 15.5 | 15.0 (8) |
| Seattle | 5.2 (5) | 9.6 | 0.1 (4) |
| Spokane | 10.2 (6) | 9.5 | 11.5 (6) |
| Tacoma† | 12.0 (8) | 12.2 | 3.4 (5) |
| Salt Lake City | 7.2 (4) | 7.4 | 6.8 (4) |
| Apparel Stores | 19.2 (38) | 18.2 | 17.6 (25) |
| Furniture Stores | 24.1 (34) | 27.4 | 16.7 (25) |
| All Stores | 10.8 (154) | 12.8 | 6.3 (109) |

†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.
*August 1936 had one less trading day than August 1935.

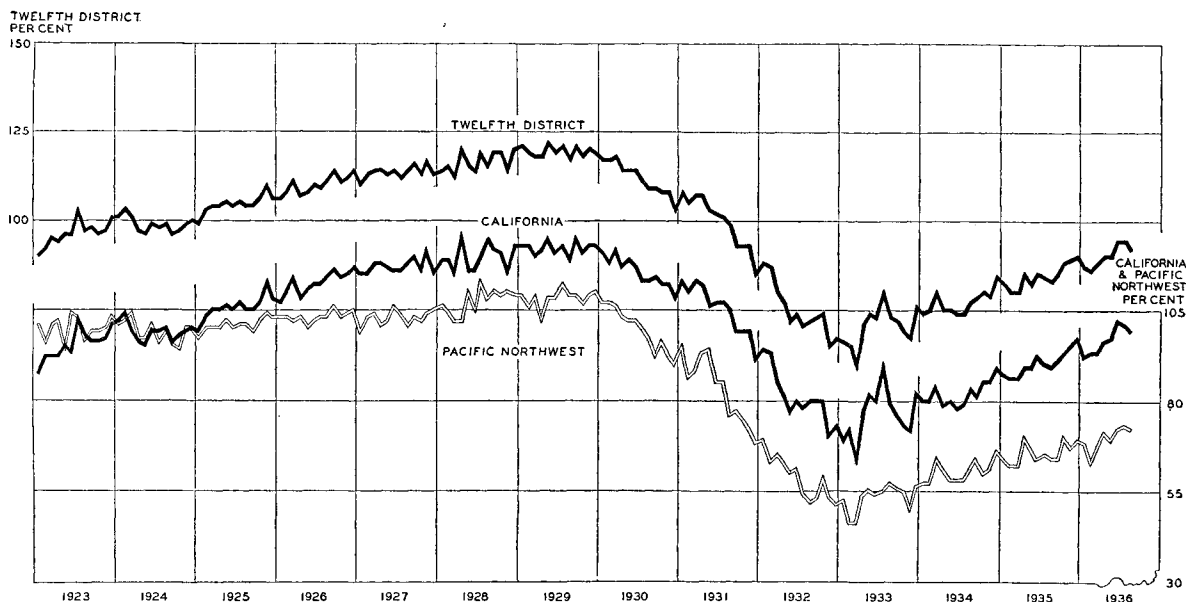
Decreases in the adjusted indexes of department store sales were recorded for most sections of the district during August, and the index for the district declined from 94 percent of the 1923-1925 average in July to 92 percent in August. As indicated in the accompanying chart, department store trade has recovered substantially since the low depression level

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

| | August 1936 compared with | | Cumulative 1936 compared with 1935 |
|----------------------------|---------------------------|-------------|------------------------------------|
| | July 1936 | August 1935 | |
| Automobile Supplies | 0.7 | 12.7 | 13.3 |
| Drugs | — 0.4 | 12.0 | 10.5 |
| Dry Goods | 32.3 | 8.0 | 7.2 |
| Electrical Supplies | — 6.4 | 30.0 | 35.3 |
| Furniture | — 2.2 | —11.8 | 3.8 |
| Groceries | — 2.7 | 10.1 | 9.5 |
| Hardware | — 1.6 | 20.9 | 22.6 |
| Shoes | 99.4 | 14.8 | 12.3 |
| Paper and Stationery | 15.5 | 9.7 | 11.9 |
| All Lines | 3.2 | 13.9 | 15.1 |

Registrations of new passenger automobiles and trucks declined moderately during August, but were 26 percent higher than a year ago. This decline in sales reflects slackness which always occurs during the period immediately prior to introduction of new models.

Railway freight carloadings in the district increased seasonally in August. In California, the increase was slightly more than is usual during August, partly because shipments of several important agricultural commodities started earlier than is customary. In the Pa-



DEPARTMENT STORE SALES—Twelfth District
Indexes of value of sales (1923-1925 daily average=100). By months, January 1919 to August 1936.

cific Northwest, the expansion was less than in August of most recent years. Loadings of forest products in that section were only slightly higher than in July, whereas considerable increase usually takes place at this time of year.

Intercoastal traffic through the Panama Canal advanced in August to a point 25 percent higher than a year earlier. The increase over July occurred entirely in eastbound cargo other than forest products and petroleum.

Cost of Living

The average cost of living for families of wage earners and low-salaried workers in the principal population centers of the Twelfth District increased about one percent in the quarter ending July 15, 1936. Food costs and rent, which are of major importance in the family budget, advanced, while the cost of fuel and light declined considerably. Since mid-July retail food prices have receded somewhat in the larger district cities except Los Angeles. From the accompanying table it can be seen that advances in the cost of living since 1933 still leave the indexes below their 1929 levels.

INDEXES OF COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS (1923-1925=100)

| | 1926 | 1929 | 1933 | July 1935 | April 1936 | July 1936 |
|---------------------|------|------|------|-----------|------------|-----------|
| Los Angeles | 97 | 95 | 71 | 75 | 75 | 76 |
| Portland | 99 | 95 | 74 | 79 | 81 | 82 |
| San Francisco | 101 | 100 | 80 | 83 | 84 | 85 |
| Seattle | 101 | 99 | 79 | 82 | 83 | 84 |
| United States | 102 | 99 | 76 | 80 | 81 | 82 |

Source: United States Bureau of Labor Statistics.

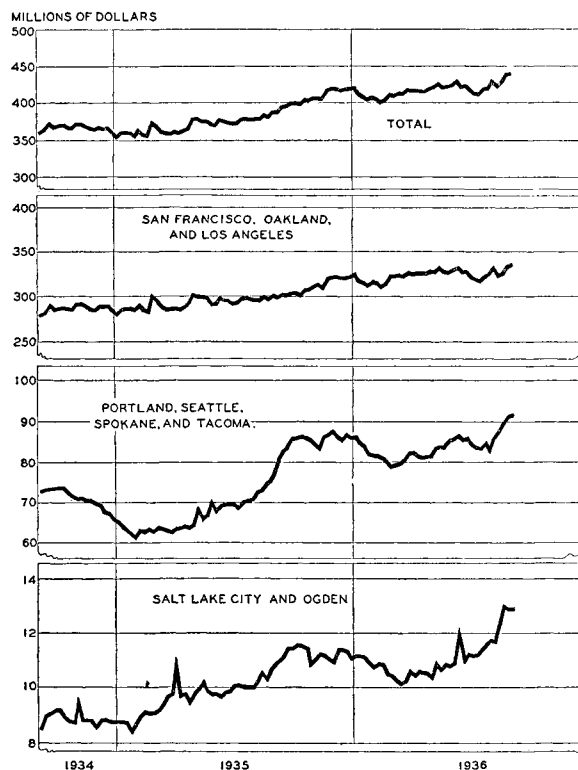
The Credit Situation

Total earning assets of Twelfth District reporting member banks increased moderately during the four weeks ending September 16 to a point higher than at any other time in recent years. A considerable part of the increase occurred in loans in the "all other" classification, which consist principally of advances to customers for commercial, industrial, and agricultural purposes, and which also include personal installment loans. Holdings of direct obligations of the United States Government also increased during this period.

In mid-September, loans in the "all other" category reported by banks in the nine principal district cities were 444 million dollars. This total was 12 percent larger than a year ago and 22 percent higher than in mid-September 1934. (These figures and the accompanying chart are based upon data reported weekly by virtually all banks in San Francisco, Los Angeles, Oakland, Portland, Seattle, Tacoma, Spokane, Salt Lake City, and Ogden. The data are consequently more inclusive than the series

of weekly figures for "reporting member banks" published at another point in this Review.)

Commercial loans of district member banks, insofar as they are measured by available statistics, did not increase immediately following the banking holiday in 1933, nor was any expansion evident in 1934. In fact, further reduction in the volume of commercial loans from the totals reported about the time of the banking holiday was shown during the remainder of 1933 and throughout 1934 as banks wrote off doubtful assets during that period of rehabilitation.



"ALL OTHER" LOANS—Twelfth District City Banks
Weekly figures of all reporting banks in principal district cities

Throughout 1935, definite expansion in loans other than those collateralized by securities or real estate was recorded by banks in all the larger cities of the district, the total for nine cities increasing 64 million dollars or 18 percent during the year. Member banks outside the leading cities also increased their loans for commercial purposes during 1935, an expansion of 31 percent in the "all other" category having been recorded for those banks.

During January and February 1936, a decline in commercial loans took place, at least partly because of seasonal influences. From March until June loans expanded and, following a short period of decline, have recently been increasing steadily and in considerable volume.

Expansion in loans since the end of July has

been reported from all major cities of the district. It has been a result of additional demands from various types of commercial enterprises, some of which customarily increase their borrowings at this season of the year. New loans have included substantial advances to flour milling concerns and grain dealers to finance wheat purchases. Loans for carrying canned goods have also shown some increase. In a number of cases, a substantial volume of new loans for production was reported, as well as loans to retail merchandising concerns. Another factor which has contributed to expansion in "all other" loans, not only recently but over the past year or two, has been personal installment loans, including advances for the purchase of household equipment and automobiles, and loans for modernization and repair of homes and other buildings under Title I of the Federal Housing Act.

After increasing sharply since mid-June, member bank reserve balances declined moderately in the three weeks ending September 9. Transfers of funds out of the district in connection with payments arising from commercial and financial transactions were \$33,100,000 in excess of similar transfers into the district. An increase of \$13,400,000 in district demand for currency, seasonal in character, also tended to reduce reserves of district banks during the three weeks ending September 9. Partially off-

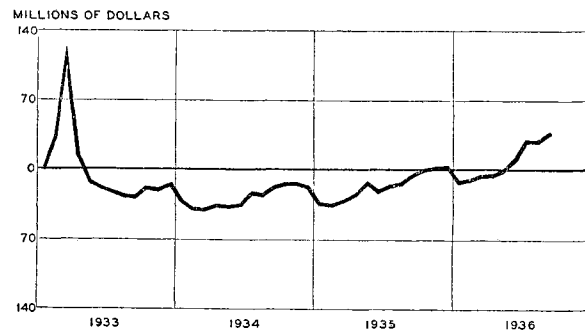
setting the influence of these two changes, the United States Treasury disbursed \$32,600,000 more than it collected in the district during this period. Principally because of these several changes, member bank reserve balances declined \$4,900,000 in the three weeks, and balances maintained by nonmember banks with the reserve bank were also reduced.

In the week ending September 16, reserve balances remained practically unchanged. Augmented by third quarter income tax collections and by payments in cash for new securities sold on September 15, the Treasury collected \$10,100,000 more than it disbursed locally during the week. Twelfth District allotments of new Treasury bonds issued September 15 aggregated \$22,750,000 exclusive of allotments in exchange for maturing issues. Of this total, about \$16,000,000 was paid for in cash, the payment resulting in an increase in Treasury collections. Offsetting the effect of the net excess in Treasury collections, reserve bank credit extended to the open market in the form of "float" increased, and there was a return of currency to the banks following Labor Day and State of California Admission Day.

Bank Debits*—

| | Aug. 1936 | Aug. 1935 | First eight months | |
|----------------------|--------------------|--------------------|---------------------|---------------------|
| | | | 1936 | 1935 |
| Arizona | | | | |
| Phoenix | \$ 31,827 | \$ 25,115 | \$ 280,728 | \$ 236,960 |
| California | | | | |
| Bakersfield | 13,475 | 10,292 | 108,956 | 87,042 |
| Berkeley | 17,326 | 15,985 | 145,073 | 120,242 |
| Fresno | 24,725 | 20,230 | 187,937 | 157,061 |
| Long Beach | 31,671 | 30,878 | 266,992 | 232,716 |
| Los Angeles | 805,177 | 673,817 | 6,573,951 | 5,199,470 |
| Oakland | 90,398 | 71,044 | 708,930 | 539,059 |
| Pasadena | 21,225 | 20,870 | 194,509 | 166,822 |
| Sacramento | 105,324 | 135,634 | 785,043 | 809,214 |
| San Bernardino | 9,323 | 7,164 | 71,272 | 59,010 |
| San Diego | 44,828 | 41,975 | 369,755 | 324,225 |
| San Francisco | 840,604 | 768,812 | 6,925,609 | 6,125,961 |
| San Jose | 25,750 | 21,623 | 173,739 | 145,190 |
| Santa Barbara | 12,838 | 10,002 | 93,253 | 76,969 |
| Santa Rosa | 5,075 | 4,181 | 35,699 | 29,504 |
| Stockton | 20,096 | 15,986 | 145,756 | 121,647 |
| Idaho | | | | |
| Boise | 17,123 | 15,771 | 125,803 | 114,415 |
| Nevada | | | | |
| Reno | 10,209 | 9,329 | 75,571 | 65,882 |
| Oregon | | | | |
| Eugene | 6,884 | 5,548 | 47,802 | 37,334 |
| Portland | 167,814 | 157,383 | 1,245,259 | 1,083,305 |
| Salem | 13,919 | 12,792 | 107,025 | 91,573 |
| Utah | | | | |
| Ogden | 15,078 | 17,741 | 110,113 | 102,601 |
| Salt Lake City.. | 60,152 | 54,304 | 478,655 | 414,214 |
| Washington | | | | |
| Bellingham | 6,660 | 5,637 | 46,632 | 38,353 |
| Everett | 7,115 | 5,489 | 56,235 | 42,076 |
| Seattle | 201,792 | 165,832 | 1,480,500 | 1,197,090 |
| Spokane | 45,536 | 39,872 | 331,619 | 281,164 |
| Tacoma | 32,865 | 25,767 | 251,187 | 189,857 |
| Walla Walla | 7,570 | 6,476 | 41,768 | 36,839 |
| Yakima | 12,803 | 11,095 | 91,992 | 84,392 |
| Total | \$2,705,182 | \$2,406,644 | \$21,557,363 | \$18,210,187 |

*In thousands of dollars.



DEMAND FOR CURRENCY—Twelfth District
Changes cumulated since January 15, 1933. Mid-month figures.

Demand for currency in the Twelfth District has increased considerably during the past year, net payments into circulation in the district having amounted to \$42,500,000 during that period. It is not possible to determine accurately the quantity of money in circulation in the district but changes in the amount of currency and coin put into circulation or taken out of circulation in the Twelfth District can be computed readily. Currency and coin paid out by the Federal Reserve Bank of San Francisco is regarded as entering circulation and when returned, it is regarded as having been withdrawn from circulation. Payments in cash by the San Francisco Mint, principally for gold bullion, are also taken to indicate an increase in district circulation, while its receipts of cash are regarded as a reduction. On the basis of these figures, changes in district demand for currency by the public (including banks) are

computed daily.* These changes are shown in the chart on page 71, taking January 15, 1933 as the date from which changes have been cumulated.

Following the return of currency to the Reserve Bank after the banking holiday in 1933, changes in demand for currency in this district were mainly of a seasonal character until the spring of 1935. Since then, some upward tendency in demand for currency has been apparent. Most of the currency paid out has been in \$5, \$10, and \$20 denomination bills, bearing out other evidence that the increase has reflected expanding pay roll and retail trade requirements. The marked rise in June 1936 was connected with the bonus payment, since many veterans elected to cash their adjusted service bonds and receive payment in currency. Little of the currency then paid out has been returned from circulation thus far. The seasonal tendency during the next few months is for further expansion in demand for currency, culminating in a peak during the Christmas shopping season.

Securities Markets

Share trading on Pacific Coast stock exchanges continued relatively inactive between August 20 and September 19, although some increase was evident toward the end of the period. During the first eight months of 1936,

*Travellers carry an indeterminate amount of currency into and out of the district, which is not measured by these figures. Over a period of time the inward and outward movements tend to offset each other, and total demand for currency at the Federal Reserve Bank of San Francisco and the San Francisco Mint, is probably affected but little by this factor.

Pacific Coast exchanges accounted for an average of about 27 percent of the trading on all exchanges outside New York City. Approximately the same relationship existed in 1935, and during both years the proportion has tended to rise in those months when activity was increasing. For July 1936, the ratio was 30 percent and for August, 27 percent.

During the month ending September 19, price averages for Pacific Coast stocks rose slightly, reaching the highest level of recent years, at which point they were about 20 percent higher than on January 1. Prices of corporate and municipal bonds also advanced to new levels. Yields on long-term municipal bonds were about 9 percent lower than on January 1. Offerings of new securities continued small. There were several small corporate issues, and new municipal bonds amounted to \$6,900,000.

Customers' accounts with local brokers, which have been declining in amount since March, turned upward during August. On August 31, balances had advanced approximately 12 percent since the end of 1935. Rates charged on balances by Los Angeles Stock Exchange members in connection with locally listed stocks were set at 5 percent in August, compared with the 6 percent rate which had been charged since June 1930. Members of San Francisco Stock Exchange made no change in their 4½ percent rate on balances on locally listed stocks. For both exchanges the rate in connection with New York stocks remained at 4 percent.

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—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 |
| Aug. 26..... | -1.6 | - 7.7 | +13.6 | + 4.3 |
| Sept. 2..... | + .3 | -20.1 | + 9.1 | -10.7 |
| Sept. 9..... | + 2.9 | - 5.2 | + 9.9 | + 7.6 |
| Sept. 16..... | + 2.4 | + .3 | -10.1 | - 7.4 |

| USES OF FUNDS | | | | |
|-------------------|---------------------|------------------------------|-----------------------|--------------|
| Week Ending | Demand for Currency | Member Bank Reserve Deposits | Other F.R.B. Accounts | Total Demand |
| 1936—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 |
| Aug. 26..... | + .2 | + 5.8 | - 1.7 | + 4.3 |
| Sept. 2..... | + 4.0 | - 8.2 | - 6.5 | -10.7 |
| Sept. 9..... | + 9.1 | - 2.5 | + 1.0 | + 7.6 |
| Sept. 16..... | - 7.7 | + .1 | + .2 | - 7.4 |

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

| | Sept. 16 1936 | Sept. 9 1936 | Aug. 19 1936 | Sept. 18 1935 |
|---|------------------|-----------------|-----------------|------------------|
| Total Bills and Securities... | 214 | 214 | 214 | 201 |
| Bills Discounted | ... | ... | ... | ... |
| Bills Bought | ... | ... | ... | ... |
| United States Securities.. | 212 | 212 | 212 | 199 |
| Total Reserves | 609 | 594 | 610 | 404 |
| Total Deposits | 484 | 463 | 487 | 332 |
| Reserve Note Circulation... | 327 | 331 | 320 | 256 |
| Ratio—Reserves to Deposit and Note Liabilities | 75.1% | 74.8% | 75.6% | 68.7% |

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

| | Sept. 16 1936 | Sept. 9 1936 | Aug. 19 1936 | Sept. 18 1935 |
|---|------------------|-----------------|-----------------|------------------|
| Loans and Investments—Total.. | 2,188 | 2,172 | 2,156 | 2,024 |
| Loans to Brokers and Dealers.. | 15 | 15 | 14 | 8 |
| Loans on Securities to Others (except Banks) | 169 | 169 | 168 | 163 |
| Acceptances and Com'l Paper... | 25 | 24 | 24 | 23 |
| Loans on Real Estate | 363 | 364 | 368 | 365 |
| Loans to Banks | 1 | 1 | 1 | 1 |
| Other Loans | 380 | 377 | 362 | 343 |
| U. S. Gov. Direct Obligations.. | 706 | 697 | 690 | 652 |
| Obligations Guaranteed by U. S. | 169 | 165 | 171 | 125 |
| Other Securities | 360 | 360 | 358 | 344 |
| Reserve with F. R. Bank | 280 | 281 | 282 | 192 |
| Due from Domestic Banks | 257 | 236 | 247 | 228 |
| Demand Deposits—Adjusted ... | 859 | 839 | 848 | 756 |
| Time Deposits | 1,025 | 1,025 | 1,022 | 973 |
| U. S. Gov. Deposits | 116 | 114 | 114 | 84 |
| Deposits of Other Banks | 319 | 306 | 306 | 270 |
| Borrowings ..... | ..... | ..... | ..... | ..... |

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

Federal Reserve Bank of San Francisco

Supplement

San Francisco, California, September 21, 1936

Vol. XX No. 9

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

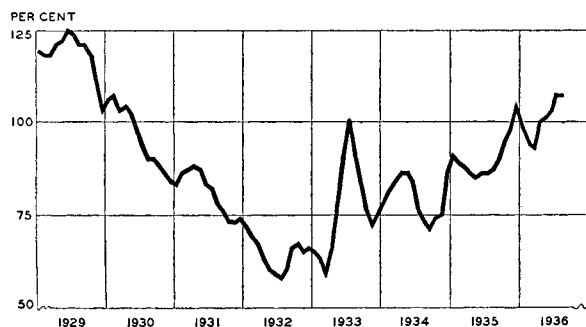
Industrial activity increased seasonally in August and there was a substantial increase in factory employment and pay rolls. Commodity prices, which had advanced for three months, showed little change after the middle of August.

Production and Employment. The Board's index of industrial production, which makes allowance for usual seasonal movements, remained unchanged in August at 107 percent of the 1923-1925 average. Output of steel increased by more than the seasonal amount and the higher level was maintained in the first three weeks of September. Production of automobiles was sharply reduced as plants were closed for inventory taking and for mechanical changes in connection with the introduction of new models. Output of nondurable manufactures increased further in August, reflecting chiefly continued expansion in activity at textile plants and shoe factories. At bituminous coal mines output increased less than is usual at this season and at anthracite mines production declined. Output of petroleum showed an increase.

Factory employment rose further between the middle of July and the middle of August by an amount larger than is usual at this season. There were substantial increases in working forces at establishments producing textiles and wearing apparel and smaller increases in most other lines, partly offset in the total by a decline in employment in the automobile industry. Factory pay rolls increased.

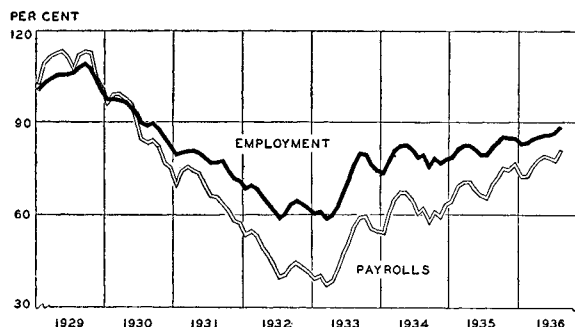
Value of construction contracts, which had increased sharply in July, declined somewhat in August, according to the figures of the F. W. Dodge Corporation. The value of nonresidential projects was smaller than in July but larger than in other recent months. Residential building increased considerably, reflecting a marked increase in contracts for apartments, several of which were public-financed projects. Awards for single-family houses, which have accounted for most of the increase in residential building during the past year and a half, showed little change in August.

Agriculture. Department of Agriculture crop estimates based on September 1 conditions were about the same as the estimates made a



INDUSTRIAL PRODUCTION

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



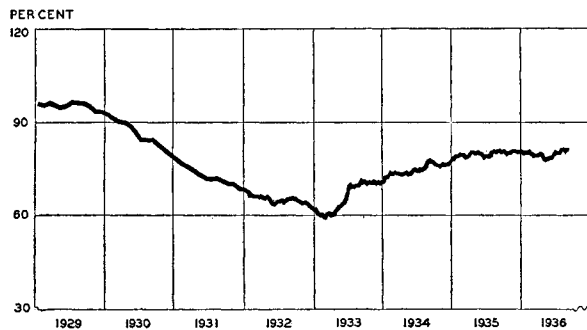
FACTORY EMPLOYMENT AND PAY ROLLS

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

month earlier, except for a sharp decline in prospects for cotton. Prospective output of leading crops, with the exception of cotton and winter wheat, is considerably smaller than last year, but, in comparison with the drought year 1934, it is larger, except for corn and potatoes.

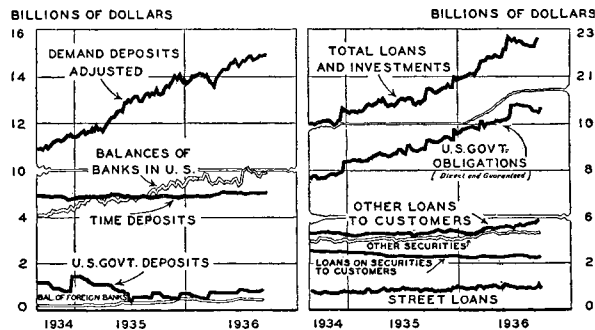
Distribution. Freight carloadings of most classes of commodities showed about the usual seasonal increase from July to August. Shipments of grain, however, declined sharply and the increase in total loadings was less than seasonal. Department store sales increased by less than the usual amount and the Board's

Bank Credit. Demand deposits of reporting member banks in leading cities increased somewhat further in the four weeks ending September 16, reflecting gold imports, Treasury expenditures, and increase in bank loans. Growth in loans was principally in so-called "other" loans, which include loans to customers for agricultural, commercial, and industrial purposes. These loans are now at the highest level since early in 1933. Loans to security dealers showed an increase, as is usual, prior to flotation of the new issue of Treasury bonds on September 15. A part of the new Treasury



WHOLESALE PRICES

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 September 19, 1936.



MEMBER BANK CREDIT

Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to September 16, 1936.

seasonally adjusted index was 86 percent of the 1923-1925 average as compared with 91 percent in July and 87 percent in June.

Commodity Prices. Wholesale commodity prices showed little change between the middle of August and the third week of September, following three months of advance. Prices of steel scrap and chemicals and drugs continued to advance and there were also increases in the prices of hides and nonferrous metals. There was a seasonal decline in hog prices. Cotton, which advanced in price early this month at the time of the official crop report, declined after the middle of the month.

issue was purchased by reporting banks, principally by drawing upon their balances with the reserve banks.

Largely as a consequence of payments to the Treasury excess reserves of member banks showed a decrease of \$280,000,000 in the week ending September 16. This decline followed an increase of nearly \$200,000,000 in the preceding three weeks, when the Treasury was reducing its deposits with the reserve banks. Since early in August there has been a renewed inflow of gold and the country's monetary gold stock has increased by about \$100,000,000 in the past month.