

# MONTHLY REVIEW

## OF BUSINESS CONDITIONS

Federal Reserve Bank of San Francisco

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### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Industrial activity in the Twelfth District was seasonally lower in September than in August, while trade expanded by about the amount customary at this season. Current indications point toward a larger income for Twelfth District agriculture than in any year since 1930.

A decrease in the volume of industrial production during September reflected entirely a contraction in fruit canning and related activities in California. Value of building permits declined moderately because of a reduction in non-residential construction. Industrial employment in California declined slightly more than seasonally, while the adjusted index for the Pacific Northwest advanced. The index for California remained near the record high point which it reached in July. Among the measures of trade activity, seasonally adjusted indexes of department store sales and railway freight carloadings increased. On the other hand, new automobile registrations, for which it is difficult to make proper allowance for seasonal influences, retail furniture store sales, and inter-coastal traffic declined.

Total loans of reporting member banks decreased moderately during the five weeks ending October 21. The decline reflected repayments of loans on securities, since real estate loans were unchanged, and loans for commercial and industrial purposes expanded somewhat further. Demand deposits continued to increase and were considerably higher than a year ago. Expansion in these deposits during the past two years has been accompanied by proportionately large increases in their use, as indicated by changes in the total volume of checks drawn against the accounts in effecting payments for business and personal transactions. These demand deposits constitute the principal purchasing medium for individuals and businesses, only a small fraction of total payments being completed by use of currency.

Member bank reserve balances continued to increase from mid-September to mid-October. These balances averaged approximately \$446,000,000 daily during the first half of September,

a figure more than 30 percent in excess of required reserves. The increase during the five weeks ending October 21 was the outcome principally of United States Treasury disbursements in the district in excess of local collections. The funds thus added to the district by Treasury operations more than offset a reduction in district banking funds which resulted from net commercial and financial payments to other districts and from a small increase in local demand for currency.

#### Agriculture

The usual early autumn rains were lacking in September and early October and temperatures were higher than normal for this time of year throughout the district. Warm dry weather aided the maturing and harvesting of late crops, but lack of rainfall retarded fall plowing and planting and the growth of forage on winter ranges. There was the customary large volume of marketing of agricultural products in September. Farm prices changed little and in mid-September were 15 percent higher than a year earlier. Estimates indicate that cash income of farmers was considerably higher than in September 1935.

Production estimates of most California deciduous fruits were higher on October 1 than a month earlier. Weather generally favored the drying of raisins, prunes, figs, and other fruits. Estimates of grape production were raised as picking progressed during the month, but the crop is still expected to be considerably smaller than last year and about the same as in 1934. Through the first week in October, the volume of eastern grape shipments was about the same as in the comparable period last year. Prices at eastern markets have averaged \$1.38 per package, only slightly above the extremely low average return of \$1.24 in 1935. Prices paid growers by wineries advanced during September and for the season thus far have averaged markedly higher than last year. With current estimates indicating an unusually short crop of almonds in California, which is the only state producing

almonds commercially in this country, opening prices announced on September 12 ranged from 27 to 50 percent higher than last year. Civil War in Spain and governmental regulation of exports by Italy (the two main exporting countries) also influenced the market. Latest estimates indicate that walnut production in California and Oregon will be 44,000 tons, compared with last year's large crop of 55,000 tons and an average annual production of 35,000 tons from 1928 through 1932. Growers' organizations plan to divert 25 percent of this year's crop from the regular domestic market for unshelled nuts. A large proportion of the nuts so diverted will be sold in export markets, although some will be shelled and sold in domestic trade. Surplus control measures will not apply to the short walnut crop in Oregon this year. Last year, the crop in California, Oregon, and Washington was handled under these measures and 30 percent of the total was diverted. Opening prices ranging from 11¾ to 18½ cents per pound were 7 to 13 percent higher than for the 1935 season.

Both the volume of shipments out of the State and the average price of California Valencia oranges advanced during September. Returns averaged \$3.12 per box f. o. b. California, a price higher than in any other month this season and higher than in any September since 1930. Remaining supplies of Valencia oranges are not heavy and should be marketed by November when California navel oranges of the 1936-1937 crop will begin to mature. Early estimates indicate that the forthcoming navel orange crop will be slightly larger than last year and approximately the same as the average of recent years. The demand for California lemons continued active during September, with both volume of sales and prices above the September average.

Picking and ginning of the record district cotton crop, grown in Arizona and California, progressed during September and the first

half of October. If favorable weather continues during late autumn and early winter, output will approximate 583,000 bales, 56 percent larger than last year's crop and 78 percent larger than the 1928-1932 average. Spot market and farm prices are currently higher than a year ago.

Hop production in the three Pacific Coast states, according to October 1 estimates, is expected to be smaller than in any year since 1923, with tonnage only half as large as in 1935. Harvested acreage was only 20 percent less than in 1935, but downy mildew and insect damage resulted in extremely low average yields per acre. In addition, field reports indicate bales of dry hops are averaging 185 to 190 pounds instead of the normal 200 pounds. Harvesting and baling was practically completed by mid-October.

With the exception of potato fields in Idaho, the yield prospects of most potato growing areas of the district were improved by favorable weather during September. In Idaho, the leading western potato producing state, mid-September frosts killed vines and stopped the growth of potatoes, but resulted in only a small decline in estimated output. Production throughout the district was estimated at 54,180,000 bushels, almost 20 percent above average annual output from 1928 through 1932. During recent months, farm prices received for potatoes have been higher than at any time since 1930 and more than double prices last season. The farm value of this crop should be approximately double last year's estimate of 25 million dollars.

As in the 1934 drought year, approximately 20 percent of the United States total time hay crop will be produced in Twelfth District states this year. Last year this ratio was 15 percent. Some of the hay not needed for feed in the areas where it was grown is being shipped into drought-stricken sections of the Midwest at prices somewhat higher than were received last year but lower than in 1934.

Harvesting of beans in California and Idaho progressed during October. Output is expected to be about the same as last year. Prices paid California and Idaho growers advanced slightly during the period under review and in early October were from 15 to 25 percent higher than a year earlier.

Harvesting of rice in California had commenced throughout the rice growing region by the end of September. This year's crop, estimated at 9,075,000 bushels or 4,084,000 bags, is the largest on record excepting the crop in 1919. Prospective supplies of California rice to be marketed during the 1936-1937 season are estimated to be 38 percent larger than in the 1935-1936 season.

Production of butter in the district was sea-

### Agricultural Marketing Activity—

|                          | September |            | Season to Date |            |
|--------------------------|-----------|------------|----------------|------------|
|                          | 1936      | 1935       | 1936           | 1935       |
| <b>Carlot Shipments</b>  |           |            |                |            |
| Deciduous Fruits.        | 20,850    | 17,988     | 49,429         | 40,632     |
| Citrus Fruits . . . .    | 6,238     | 6,578      | 74,486         | 84,507     |
| Vegetables . . . . .     | 4,878     | 6,236      | 70,111         | 66,764     |
| <b>Exports</b>           |           |            |                |            |
| Wheat (bu.) . . . .      | 464,666   | 833        | 640,900        | 10,999     |
| Barley (bu.) . . . .     | 1,076,248 | 1,250,123  | 2,857,120      | 3,614,994  |
| <b>Receipts*</b>         |           |            |                |            |
| Cattle . . . . .         | 116,844   | 98,925     | 821,839        | 709,431    |
| Hogs . . . . .           | 159,498   | 87,705     | 1,288,247      | 1,094,097  |
| Sheep . . . . .          | 549,627   | 737,858    | 3,359,073      | 3,991,352  |
| Eggs (cases) . . . .     | 140,396   | 134,811    | 1,614,781      | 1,539,652  |
| Butter (lbs.) . . . .    | 5,321,028 | 4,990,207  | 57,393,590     | 58,706,071 |
| Wheat (carlots) . .      | 9,902     | 11,143     | 26,052         | 26,839     |
| Barley (carlots) . .     | 1,807     | 1,342      | 4,532          | 3,762      |
| <b>Storage Holdings*</b> |           |            |                |            |
| (end of month)           |           |            |                |            |
| Wheat (bu.) . . . .      | 4,916,000 | 2,756,000  | 5,595,000      | 3,407,000  |
| Beans (bags) . . . .     | 2,115,000 | 584,000    | 1,061,000      | 413,000    |
| Eggs (cases) . . . .     | 464,000   | 580,000    | 516,000        | 612,000    |
| Butter (lbs.) . . . .    | 9,847,000 | 10,778,000 | 7,872,000      | 10,113,000 |

\*At principal district markets.

sonally lower in September than in August, but output was 7 percent larger than a year earlier. Stocks in storage in Pacific Coast states were reduced by only 931,000 pounds during the month compared with a net out-of-storage movement of 2,241,000 pounds in September 1935. Influenced by unusually large local supplies and unsettled market conditions in the East, where imports over the 14 cents per pound tariff were heavy, the price of 92 score butter in San Francisco declined during September and early October.

Receipts of eggs at principal markets during September indicate that production was 15 percent larger than a year ago. Although consumption in the district has also increased, supplies have increased faster and a considerable volume of surplus eggs has been shipped to eastern markets. Prices advanced seasonally during September, and on October 15 were 36½ cents per dozen at San Francisco, approximately the same as a year earlier.

Range conditions on October 1 were better than have been usual on that date in all states of the district except Arizona. Growth of forage on winter ranges is dependent on autumn rains. Hay and concentrates are ample for normal requirements in most areas with surplus amounts in the Pacific Northwest. In general, cattle are in fairly good condition. Early shipments indicate that the number of cattle to be fed in the district for market during the fall and winter feeding period will be larger than last season. Marketing of the late lamb crop from northern ranges was active

during the month, but did not reach the volume of September 1935. Prices paid growers, while lower than in other recent months, were slightly higher than a year earlier.

**Industry**

Twelfth District industrial output was somewhat lower in September than in August, entirely because of seasonal curtailment in fruit canning and in related activities in California. Output of other products such as steel, tin cans, and petroleum was as large as in August, and activity increased in the lumber, furniture, and cement industries and at fish canneries and slaughter houses. Factory employment in the three Pacific Coast states increased moderately, after allowance for the customary seasonal influences.

The number of wage earners employed in manufacturing industries in the three Pacific Coast states during September was only slightly below the high level reached in the summer of 1929, after adjustment for seasonal variation. The current adjusted figure is approximately 83 percent above the low of the depression reached in September 1932.

This bank's indexes of industrial employment in California and the Pacific Northwest, revised to conform with data for the year 1935 recently released by the Bureau of the Census, are shown by months, beginning with January 1931, on the chart on page 76. The monthly indexes shown on the chart do not cover earlier years because satisfactory monthly employment statistics for the State of Washington are not available prior to 1931. For comparative purposes, however, annual averages of employment in industrial establishments in the two areas are shown for biennial census years

**Employment—**

| Industries                                | California<br>No. of<br>Firms |            | No. of<br>Employees |            | Oregon<br>No. of<br>Firms |            | No. of<br>Employees |            |
|---|-------------------------------|------------|---------------------|------------|---------------------------|------------|---------------------|------------|
|   | 1936                          | Sept. 1935 | 1936                | Sept. 1935 | 1936                      | Sept. 1935 | 1936                | Sept. 1935 |
| All Industries*                           | 1,572                         | 185,951    | 177,057             | (+5.0)     | 102                       | 26,348     | 24,922              | (+5.7)     |
| Metals and Metal Products                 | 229                           | 19,824     | 16,532              | (+19.9)    | 9                         | 625        | 561                 | (+11.4)    |
| Transportation Equipment                  | 76                            | 26,177     | 18,568              | (+41.0)    | ..                        | ..         | ..                  | ..         |
| Lumber and Allied Products                | 96                            | 13,831     | 13,055              | (+5.9)     | 34                        | 11,644     | 11,169              | (+4.3)     |
| Stone, Clay, and Glass Products           | 62                            | 6,794      | 5,757               | (+18.0)    | 3                         | 200        | 147                 | (+36.1)    |
| Textiles and Their Products               | 94                            | 6,426      | 6,384               | (+7)       | 8                         | 1,513      | 1,806               | (-16.2)    |
| Tires and Rubber Goods                    | 16                            | 4,879      | 3,313               | (+47.3)    | ..                        | ..         | ..                  | ..         |
| Food and Kindred Products                 | 381                           | 58,916     | 65,593              | (-10.2)    | 27                        | 7,496      | 6,857               | (+9.3)     |
| Paper and Printing                        | 160                           | 8,044      | 7,539               | (+6.7)     | 6                         | 1,455      | 1,273               | (+14.3)    |
| Petroleum, Chemicals, and Allied Products | 314                           | 24,134     | 23,784              | (+1.5)     | ..                        | ..         | ..                  | ..         |
| Miscellaneous                             | 144                           | 16,926     | 16,532              | (+2.4)     | 15                        | 3,415      | 3,109               | (+9.8)     |
| Public Utilities                          | 769                           | 50,407     | 46,099              | (+9.3)     | ..                        | ..         | ..                  | ..         |
| Wholesale and Retail                      | 1,838                         | 52,290     | 45,357              | (+15.3)    | ..                        | ..         | ..                  | ..         |

\*Public utilities, wholesale and retail figures not included in total. Figures in parentheses indicate percentage change from September 1935.

**Industry —**

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

| General                           | 1936  |      |      |      | 1935  |      |      |
|-----------------------------------|-------|------|------|------|-------|------|------|
|                                   | Sept. | Aug. | July | June | Sept. | Aug. | July |
| Carloadings—Industrial            | 78    | 76   | 76   | 58   | 71r   | 61r  | 56   |
| Electric Pwr. Production          | 186¶  | 186  | 182  | 178  | 168   | 168  | 159  |
| <b>Manufactures</b>               |       |      |      |      |       |      |      |
| Lumber                            | 73¶   | 71   | 72   | 66   | 64    | 75   | 50   |
| Refined Mineral Oils†             | 159   | 165  | 152  | 153  | 150   | 145  | 142  |
| Flour*                            | 106¶  | 134  | 130  | 103  | 114   | 113  | 109  |
| Cement                            | 119   | 105  | 105  | 107  | 65    | 60   | 51   |
| Wool Consumption†*                | 110¶  | 106  | 91   | 107  | 127   | 139  | 141  |
| Slaughter of Livestock            | 116   | 111  | 116  | 113  | 97    | 99   | 103  |
| <b>Minerals</b>                   |       |      |      |      |       |      |      |
| Petroleum (California)†           | 88    | 88   | 87   | 88   | 97    | 91   | 85   |
| Lead (United States)†             | ..    | 60   | 71   | 69   | 59    | 60   | 59   |
| Silver (United States)†           | ..    | ..   | 101  | 103  | 71    | 59   | 73   |
| <b>Building and Construction#</b> |       |      |      |      |       |      |      |
| Total                             | 70    | 66   | 63   | 54   | 51    | 49   | 40   |
| Building Permits—Value            |       |      |      |      |       |      |      |
| Larger Cities                     | 44    | 42   | 40   | 34   | 24    | 25   | 23   |
| Smaller Cities                    | 62    | 59   | 59   | 53   | 36    | 33   | 35   |
| Engineering Contracts             |       |      |      |      |       |      |      |
| Awarded—Value                     |       |      |      |      |       |      |      |
| Total                             | 110   | 106  | 93   | 71   | 82    | 79   | 58   |
| Excluding Buildings               | 164   | 158  | 137  | 115  | 148   | 147  | 98   |

†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. \*Revised series.

from 1923 through 1929. The figures upon which the indexes are based do not include wage earners engaged in nonmanufacturing occupations such as agriculture, construction, trade and transportation. The indexes, therefore, do not measure total employment. They may, however, be taken as a satisfactory indication of changes in industrial employment in the Twelfth Federal Reserve District, since about 93 percent of all industrial wage earners in the district are employed in California, Oregon, and Washington.

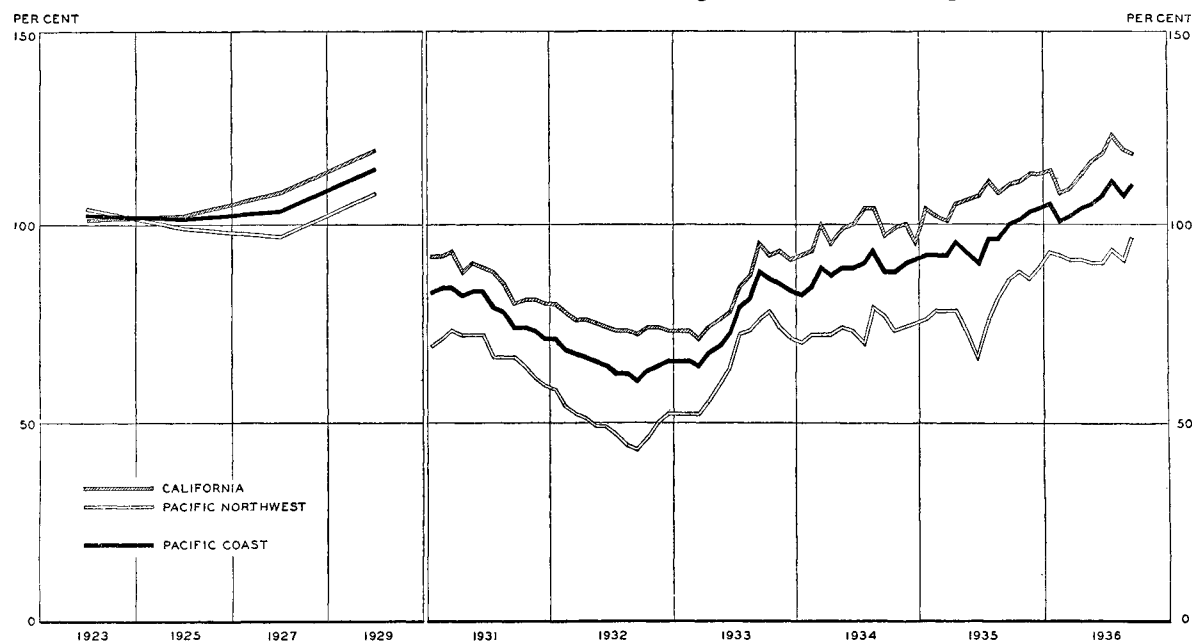
In September of this year the seasonally adjusted index of industrial employment in California (revised) was only five points below the record of July 1936. In that month the index was 123 percent of the 1923-1925 average compared with the previous record of 122 percent for October 1929. The September index in the Pacific Northwest was 98 percent of the 1923-1925 average. This figure, while higher than in any other month in more than five years, was 12 percent below the high level for 1929, reached in July of that year.

Wide fluctuations in the number of wage earners reported by the lumber and timber products industry are chiefly responsible for the differences in movement between the indexes for California and the Pacific Northwest. Employment in the lumber industry was relatively stable for several years prior to the depression. From 1929 to 1933, however, it was practically cut in half, the decline being much more abrupt than in most other industries. This sharp curtailment had a more pronounced effect in the Pacific Northwest than in Cali-

fornia, since more than half of the manufacturing wage earners in Oregon and Washington were employed in the lumber industry, while only 10 percent were so employed in California. Changes in aggregate employment in all industries other than lumber in Oregon and Washington corresponded roughly with variations in total factory employment in California between 1929 and 1933. Since that year the number of workers employed in the lumber industry in all three Pacific Coast states has increased substantially, but it still remains well below the 1929 level. Because of the predominant influence of the lumber industry in Oregon and Washington, the total number of industrial wage earners in that region also remains lower than in 1929. Employment in other Pacific Northwest industries has increased considerably since 1933, although the rate has been less than in California.

The value of building permits issued was somewhat lower in September than in August. In the twenty larger cities of the district the decline from \$15,800,000 in August to \$14,500,000 resulted entirely from a reduction in the nonresidential classification. The value of permits issued for that type of construction fluctuates widely from month to month and has shown little net change since June. The dollar value of contracts awarded for public works in September was also lower than in August.

Contrary to seasonal expectations, daily average lumber production increased in September. This bank's adjusted index advanced two points to 73 percent of the 1923-1925 average, the highest level since September 1930. Vol-



EMPLOYMENT IN MANUFACTURING INDUSTRIES—Pacific Coast States  
Biennial indexes 1923 to 1929 inclusive, (1923-1925 average=100). Monthly indexes,  
January 1931 to September 1936, adjusted for seasonal variation.

ume of new orders remained near the recent high point and prices continued to rise.

The seasonally adjusted index of cement production prepared by this bank increased to 119 percent of the 1923-1925 average in September. The index advanced sharply from 49 in June 1935 to 112 in December, since when it had fluctuated irregularly at an average level 90 percent higher than in the corresponding period last year.

Following completion of the cling peach pack, fruit and vegetable canning activity declined seasonally in September. Tomato canning in California started about the middle of August and became more active in September. The California crop of canning tomatoes is estimated to be 22 percent larger this year than last. Pear canning, largely completed in California by early September, reached a seasonal peak later in the month in the Pacific Northwest. Trade comment indicates that the district pack will be larger than in 1935.

The sardine canning and reduction season, which opens in August and closes in March, entered upon its active phase in September. All the twenty-eight shore plants in northern California and the four floating reduction plants which operated last year were in production by the end of the month. In addition, two new shore plants and two new "floaters" commenced operations.

Glass container output declined seasonally

in September, while the output of packers' tin cans was maintained at about the August level. Production of glass containers averaged 40 percent higher in the first nine months of 1936 than in the corresponding months last year. Tin can production has been moderately higher than a year ago.

**Trade**

Measures of trade, after seasonal adjustment, showed divergent changes in September. Department store sales expanded seasonally in most parts of the district, while retail furniture

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

|                        | 1936 compared with 1935 |                            | STOCKS<br>September |
|------------------------|-------------------------|----------------------------|---------------------|
|                        | NET SALES               |                            |                     |
|                        | September*              | Jan. 1 to end of September |                     |
| Department Stores...   | 15.9 ( 82)              | 10.6                       | 5.6 ( 54)           |
| Los Angeles .....      | 16.1 ( 6)               | 11.1                       | 3.3 ( 6)            |
| Other So. California   | 17.9 ( 9)               | 6.6                        | 12.2 ( 5)           |
| Oakland .....          | 12.5 ( 5)               | 10.7                       | 7.7 ( 5)            |
| San Francisco ....     | 12.7 ( 8)               | 10.1                       | 5.4 ( 7)            |
| Bay Region .....       | 12.5 ( 18)              | 10.3                       | 6.0 ( 16)           |
| Central California ..  | 11.7 ( 5)               | 6.6                        | 10.6 ( 4)           |
| Portland† .....        | 27.4 ( 9)               | 17.1                       | 12.7 ( 8)           |
| Seattle .....          | 20.9 ( 5)               | 11.1                       | 3.2 ( 4)            |
| Spokane .....          | 24.8 ( 6)               | 11.5                       | 6.6 ( 5)            |
| Tacoma† .....          | 16.3 ( 6)               | 12.7                       | 2.0 ( 3)            |
| Salt Lake City ....    | 11.2 ( 4)               | 7.8                        | 7.9 ( 4)            |
| Apparel Stores .....   | 19.4 ( 40)              | 18.4                       | 19.4 ( 26)          |
| Furniture Stores ..... | 27.0 ( 36)              | 27.4                       | 16.6 ( 27)          |
| All Stores .....       | 17.6 (158)              | 13.4                       | 8.5 (107)           |

†Includes five apparel stores in Portland and four in Tacoma which are not included in district department store total. Figures in parentheses indicate number of stores reporting.  
\*September 1936 had one more trading day than September 1935.

**Bank Debits\*—**

|                      | Sept. 1936         | Sept. 1935         | First nine months—1935 |                     |
|----------------------|--------------------|--------------------|------------------------|---------------------|
|                      | \$                 | \$                 | \$                     | \$                  |
| <b>Arizona</b>       |                    |                    |                        |                     |
| Phoenix .....        | 31,127             | 25,252             | 311,855                | 262,212             |
| <b>California</b>    |                    |                    |                        |                     |
| Bakersfield .....    | 15,133             | 9,571              | 124,089                | 96,613              |
| Berkeley .....       | 18,148             | 15,488             | 163,221                | 135,730             |
| Fresno .....         | 27,492             | 21,736             | 215,429                | 178,797             |
| Long Beach .....     | 31,356             | 26,850             | 298,348                | 259,566             |
| Los Angeles .....    | 809,145            | 611,411            | 7,383,096              | 5,810,881           |
| Oakland .....        | 91,016             | 72,170             | 799,946                | 611,229             |
| Pasadena .....       | 21,823             | 19,528             | 216,332                | 186,350             |
| Sacramento .....     | 89,287             | 127,476            | 874,330                | 936,690             |
| San Bernardino ..... | 9,380              | 6,378              | 80,652                 | 65,388              |
| San Diego .....      | 46,907             | 38,973             | 416,662                | 363,198             |
| San Francisco .....  | 828,811            | 759,364            | 7,754,420              | 6,885,325           |
| San Jose .....       | 26,157             | 22,345             | 199,896                | 167,535             |
| Santa Barbara .....  | 11,332             | 8,963              | 104,585                | 85,932              |
| Santa Rosa .....     | 5,257              | 4,148              | 40,956                 | 33,652              |
| Stockton .....       | 19,358             | 15,920             | 165,114                | 137,567             |
| <b>Idaho</b>         |                    |                    |                        |                     |
| Boise .....          | 18,303             | 14,953             | 144,106                | 129,368             |
| <b>Nevada</b>        |                    |                    |                        |                     |
| Reno .....           | 9,892              | 8,410              | 85,463                 | 74,292              |
| <b>Oregon</b>        |                    |                    |                        |                     |
| Eugene .....         | 7,234              | 5,375              | 55,036                 | 42,709              |
| Portland .....       | 184,120            | 159,524            | 1,429,379              | 1,242,829           |
| Salem .....          | 17,903             | 13,377             | 124,928                | 104,950             |
| <b>Utah</b>          |                    |                    |                        |                     |
| Ogden .....          | 17,402             | 17,032             | 127,515                | 119,633             |
| Salt Lake City ..... | 62,811             | 52,216             | 541,466                | 466,430             |
| <b>Washington</b>    |                    |                    |                        |                     |
| Bellingham .....     | 6,708              | 5,566              | 53,340                 | 43,919              |
| Everett .....        | 7,792              | 5,890              | 64,027                 | 47,966              |
| Seattle .....        | 210,233            | 164,407            | 1,690,733              | 1,361,497           |
| Spokane .....        | 50,388             | 40,466             | 382,007                | 321,630             |
| Tacoma .....         | 33,551             | 26,262             | 284,738                | 216,119             |
| Walla Walla .....    | 6,941              | 6,081              | 48,709                 | 42,920              |
| Yakima .....         | 17,642             | 14,577             | 109,634                | 98,969              |
| <b>Total .....</b>   | <b>\$2,732,649</b> | <b>\$2,319,709</b> | <b>\$24,290,012</b>    | <b>\$20,529,896</b> |

\*In thousands of dollars.

sales and new automobile registrations declined. Rail shipments increased contra-seasonally, but a reduction was recorded in inter-coastal cargo shipments.

The fall expansion in the value of department store sales continued in September in most parts of the district and this bank's seasonally adjusted index advanced to 93 percent of the 1923-1925 average. In the San Francisco Bay region, however, daily average sales were slightly lower than in August and the

**Distribution and Trade—**

|                           | 1936  |      |      |      | 1935  |      |      |
|---------------------------|---|------|------|------|-------|------|------|
|                           | Sept.   | Aug. | July | June | Sept. | Aug. | July |
|                           | Indexes adjusted for seasonal variation (1923-1925 average=100) |      |      |      |       |      |      |
| <b>Carloadings‡</b>       |   |      |      |      |       |      |      |
| Total .....               | 90  | 87   | 87   | 80   | 78    | 74   | 70   |
| Merchandise .....         | 99  | 94   | 97   | 100  | 83    | 83   | 82   |
| <b>Intercoastal Trade</b> |   |      |      |      |       |      |      |
| Total .....               | 76  | 77r  | 68   | 79   | 69    | 62r  | 47   |
| Westbound .....           | 127   | 128  | 130  | 117  | 77    | 100  | 88   |
| Eastbound .....           | 61  | 62   | 52   | 66   | 66    | 51   | 37   |
| <b>Retail Trade</b>       |   |      |      |      |       |      |      |
| <b>Automobile Sales‡</b>  |   |      |      |      |       |      |      |
| Total .....               | 109   | 122  | 136  | 142  | 77    | 97   | 105  |
| Passenger .....           | 99  | 111  | 129  | 133  | 69    | 87   | 92   |
| Commercial .....          | 209   | 216  | 219  | 228  | 157   | 179  | 198  |
| <b>Department Store</b>   |   |      |      |      |       |      |      |
| Sales‡ .....              | 93  | 92   | 94   | 94   | 85    | 83   | 84   |
| Stocks§ .....             | 66  | 64   | 64   | 64   | 63    | 62   | 62   |
| <b>Collections#</b>       | Actual Figures  |      |      |      |       |      |      |
| Regular .....             | 49.0  | 49.2 | 49.3 | 50.9 | 46.5  | 48.1 | 47.1 |
| Installment .....         | 18.0  | 18.4 | 18.0 | 18.2 | 18.3  | 18.9 | 18.1 |

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

adjusted index declined to 103, compared with a high for the year of 110 in July.

Other seasonally adjusted measures of retail trade declined in September. Value of retail furniture store sales was 10 percent below the high August level, although expansion is customary at this time of the year. New automobile registrations decreased, at least partly because of customary seasonal influences.

#### WHOLESALE TRADE—Twelfth District

Percentage changes in value of sales

|                            | September 1936<br>compared with |            | Cumulative<br>1936<br>compared<br>with 1935 |
|----------------------------|---------------------------------|------------|---|
|                            | Aug. 1936                       | Sept. 1935 |   |
| Automobile Supplies .....  | 5.3                             | 21.1       | 14.4  |
| Drugs .....                | 11.1                            | 22.7       | 12.0  |
| Dry Goods .....            | 0.6                             | 13.0       | 8.0   |
| Electrical Supplies .....  | - 2.9                           | 30.7       | 35.1  |
| Furniture .....            | 2.0                             | -21.8      | 0.6   |
| Groceries .....            | 7.5                             | 16.3       | 10.3  |
| Hardware .....             | 14.2                            | 37.6       | 24.3  |
| Shoes .....                | - 2.7                           | 33.3       | 15.4  |
| Paper and Stationery ..... | 12.9                            | 15.9       | 12.5  |
| All Lines .....            | 7.6                             | 21.7       | 15.9  |

Daily average railway freight carloadings, which usually decline in September, remained at the August level this year and the seasonally adjusted index advanced 3 percent to the highest point since October 1930. Loadings of merchandise and miscellaneous freight advanced 4 percent, while seasonal declines occurred in rail shipments of industrial freight, principally in the forest products and grain classifications.

Intercoastal shipments through the Panama Canal decreased 4 percent in September. Eastbound traffic, consisting largely of cargo

shipped from Pacific Coast ports in the thirty-day period ending September 20, was 5 percent lower than in August. Petroleum cargoes declined by nearly 50 percent and lumber shipments were reduced moderately. On the other hand, other eastbound shipments advanced further to a new all-time high. Westbound shipments decreased slightly but were only 3 percent below the six-year high reached in July.

#### The Credit Situation

Total earning assets of Twelfth District city member banks declined moderately between September 16 and October 21. The decrease came principally in loans, although a slight decline in holdings of securities also occurred. Loans in the "all other" classification, which include advances to customers for commercial, industrial, and agricultural purposes, continued to expand, but the increase was less than in the preceding four-week period. Loans on securities declined and the amount of real estate loans outstanding averaged slightly lower than in other recent months.

United States Treasury disbursements in the Twelfth Federal Reserve District continued to exceed local collections during the five weeks ending October 21. The tendency for the excess Treasury disbursements to augment district banking funds was partly offset, however by several other factors. Commercial and financial payments to other districts by banks and their customers resulted in a net outflow of

#### 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—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        |
| Sept. 23.....     | - 4.2               | + 1.7                 | + 6.2               | + 3.7        |
| Sept. 30.....     | - .7                | -11.9                 | +15.3               | + 2.7        |
| Oct. 7.....       | + .3                | -10.7                 | +17.9               | + 7.5        |
| Oct. 14.....      | + 2.2               | + 1.6                 | +10.1               | +13.9        |
| Oct. 21.....      | - 1.5               | + 1.0                 | + .5                | *            |

| USES OF FUNDS     |                     |                              |                       |              |
|-------------------|---------------------|------------------------------|-----------------------|--------------|
| Week Ending       | Demand for Currency | Member Bank Reserve Deposits | Other F.R.B. Accounts | Total Demand |
| 1936—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        |
| Sept. 23.....     | - 3.8               | + 4.5                        | + 3.0                 | + 3.7        |
| Sept. 30.....     | + 1.0               | + 3.7                        | - 2.0                 | + 2.7        |
| Oct. 7.....       | + 6.5               | + 1.2                        | - .2                  | + 7.5        |
| Oct. 14.....      | - 1.2               | +15.0                        | + .1                  | +13.9        |
| Oct. 21.....      | + .1                | - 2.0                        | + 1.9                 | *            |

\*Change less than \$50,000.

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

(Amounts in millions of dollars)

|   | Oct. 21<br>1936 | Oct. 14<br>1936 | Sept. 16<br>1936 | Oct. 23<br>1935 |
|---|-----------------|-----------------|------------------|-----------------|
| Total Bills and Securities...                           | 216             | 216             | 214              | 201             |
| Bills Discounted .....                                  | ...             | ...             | ...              | ...             |
| Bills Bought .....                                      | ...             | ...             | ...              | ...             |
| United States Securities ..                             | 214             | 214             | 212              | 199             |
| Total Reserves .....                                    | 623             | 621             | 609              | 420             |
| Total Deposits .....                                    | 493             | 494             | 484              | 337             |
| Reserve Note Circulation ..                             | 330             | 329             | 327              | 266             |
| Ratio—Reserves to Deposit<br>and Note Liabilities ..... | 75.7%           | 75.4%           | 75.1%            | 69.8%           |

#### CONDITION OF REPORTING MEMBER BANKS

Twelfth District

(Amounts in millions of dollars)

|   | Oct. 21<br>1936 | Oct. 14<br>1936 | Sept. 16<br>1936 | Oct. 23<br>1935 |
|---|-----------------|-----------------|------------------|-----------------|
| Loans and Investments—Total..                             | 2,177           | 2,188           | 2,188            | 2,056           |
| Loans to Brokers and Dealers...                           | 15              | 16              | 15               | 9               |
| Loans on Securities to Others<br>(except Banks) .....     | 160             | 161             | 169              | 166             |
| Acceptances and Com'l Paper..                             | 23              | 24              | 25               | 25              |
| Loans on Real Estate .....                                | 362             | 363             | 363              | 374             |
| Loans to Banks .....                                      | 1               | 1               | 1                | 1               |
| Other Loans .....   | 384             | 385             | 380              | 351             |
| U. S. Gov. Direct Obligations...                          | 709             | 717             | 706              | 651             |
| Obligations Guaranteed by U. S.<br>Other Securities ..... | 160             | 160             | 169              | 126             |
| Reserve with F. R. Bank .....                             | 363             | 361             | 360              | 353             |
| Due from Domestic Banks .....                             | 287             | 289             | 280              | 196             |
| Demand Deposits—Adjusted ...                              | 279             | 276             | 257              | 220             |
| Time Deposits .....                                       | 876             | 877             | 859              | 773             |
| U. S. Gov. Deposits .....                                 | 1,024           | 1,022           | 1,025            | 987             |
| Deposits of Other Banks .....                             | 102             | 117             | 116              | 70              |
| Borrowings .....  | 327             | 333             | 319              | 265             |

funds from the Twelfth District, and there was a moderate increase in local demand for currency. In addition, reserve bank credit extended within the Twelfth District, almost entirely in the form of "float", declined. The net result of these several changes was an increase of 22 million dollars in member bank reserve balances.

Principally because of the large United States Treasury disbursements in excess of local collections, demand deposits of reporting member banks continued to increase during September and the first three weeks of October. This increase in demand deposits continues the upward movement that has been apparent for more than two years, and which has brought demand deposits to a level somewhat higher than the previous peak reached about the end of 1928. Time deposits of reporting member banks have also increased during the past two years, although they are still below the record level reached in the spring of 1931.

Marked expansion in the volume of demand deposits, which constitute the district's principal purchasing medium, has been accompanied by proportionately large increases in their use, as measured by the volume of checks drawn against accounts of individuals, businesses other than banks, Government agencies, and trust funds. These checks originate principally in connection with the innumerable

business and personal transactions conducted daily throughout the district.

### Securities Markets

Activity on Pacific Coast stock exchanges increased between September 19 and October 20. As measured by the market value of shares exchanged, stock trading in the last two weeks of that period was more active than at any other time since March. Stock price averages rose from four to six percent. Department store shares, which had fluctuated since the first of the year within a narrow range, started to advance about the middle of August since when quotations have increased about 35 percent. Corporate bond prices were unchanged, while municipal bond prices declined slightly. Sales of new municipal bonds were low, aggregating only \$2,285,000.

Pacific Coast aircraft manufacturing companies, an important group in the industry, have required a substantial amount of new capital during 1936 because of a large expansion in orders for their products. At the end of 1935, the capital accounts of the six prominent companies aggregated \$12,563,900. Since that time, stock has been sold in five of these companies to the amount of approximately \$6,370,000 and a new corporation has been formed with a public offering of \$250,000.

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## SUMMARY OF NATIONAL CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

Volume of industrial production was maintained in September and employment at factories increased seasonally. Distribution of commodities to consumers increased. Commercial loans of city banks showed further growth.

**Production and Employment.** Industrial output in September, as measured by the Board's seasonally adjusted index, was 109 percent of the 1923-1925 average, approximately the level of the two preceding months. Output of steel was about the same as in August, and in the first three weeks of October the rate of activity rose to a higher level than at any time since 1930. Automobile production showed a sharp seasonal decline in September and a considerable seasonal advance in the first three weeks of October. Production of lumber and cement showed a further rise and increases in activity were also reported at meat-packing establishments and at cotton and silk textile factories. At woolen mills there was little change in production, although an increase is usual in September. Output of coal increased more than seasonally, and crude petroleum production continued in large volume.

Factory employment increased seasonally in September and pay rolls were maintained at the August level. The number employed in most industries producing durable goods continued to increase, while at automobile factories there was a seasonal decline. Employment decreased at woolen mills and showed a smaller increase than is usual at this season at cotton mills and at establishments producing women's clothing.

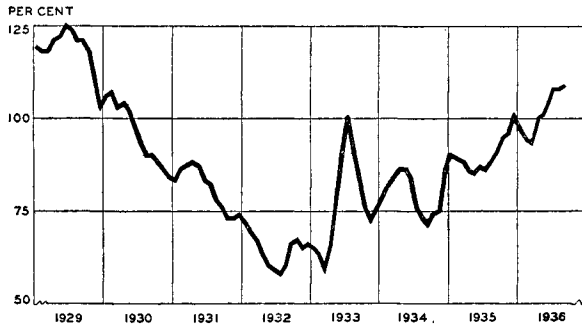
Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined somewhat further in September from the relatively high level reached in the middle of the year. There was a decrease in awards for residential building, reflecting chiefly a smaller volume of contracts for apartment construction which in August had included several large publicly-financed projects. Awards for nonresidential work declined, partly as a result of a reduction in contracts for public works and utilities which have been in large volume during recent months.

**Agriculture.** Crop conditions improved somewhat from September 1 to October 1, according

to the Department of Agriculture, but estimates for corn and many other crops are still considerably below the harvests of last year. The cotton crop is estimated at 11,600,000 bales, an increase of 500,000 bales from the estimate made a month earlier and of 1,000,000 bales from the 1935 crop. Total cash farm income, including all Government payments, is estimated by the Department of Agriculture at

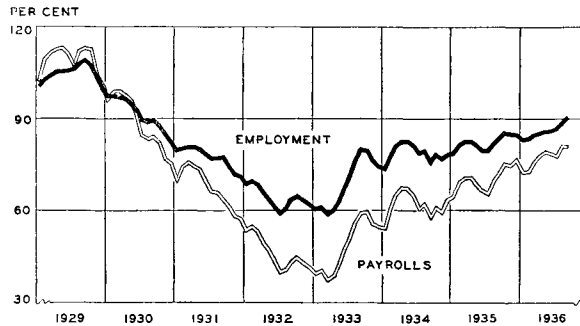
there were decreases also in prices of hogs and pork, as is usual at this season. Price advances were reported for leather and coke and high prices for some finished and semifinished steel products became effective on October 1.

**Bank Credit.** Loans of reporting member banks in leading cities, other than loans on securities, continued to increase in September and the first half of October. On October 1,



**INDUSTRIAL PRODUCTION**

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



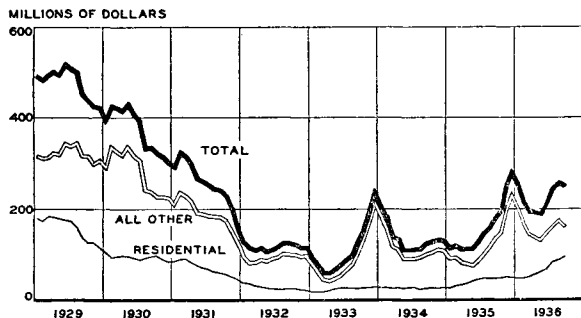
**FACTORY EMPLOYMENT AND PAY ROLLS**

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

\$7,850,000,000 for the calendar year 1936 as compared with \$7,090,000,000 in 1935.

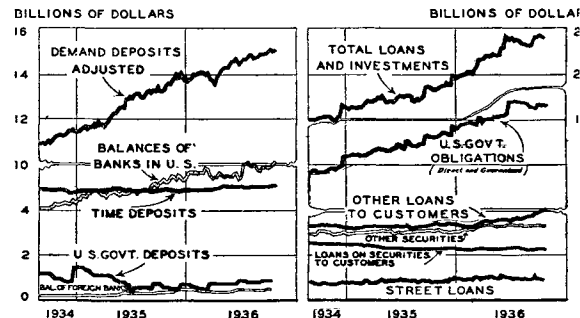
**Distribution.** Distribution of commodities to consumers increased by more than the usual amount in September, following a less than seasonal rise between July and August. Sales

the volume of these loans was more than \$400,000,000 larger than on July 29. About half of this increase was at New York City banks and the remainder principally at banks in western and southern cities. Holdings of United States Government obligations have declined in recent



**CONSTRUCTION CONTRACTS AWARDED**

Three-month moving average of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for July and August and estimate for September.



**MEMBER BANK CREDIT**

Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to October 14, 1936.

at department and variety stores and by mail order houses serving rural areas were in larger volume in September.

Volume of freight carried by railroads increased, reflecting larger shipments of coal, ore, and miscellaneous freight and a decline in loadings of grain.

**Commodity Prices.** The general level of wholesale commodity prices has shown little change in the last two months. From the middle of September to the third week in October sugar and butter prices declined, and

weeks at New York City banks and have increased somewhat at other banks. Deposits of reporting banks have continued to increase.

Excess reserves of member banks increased by \$410,000,000 in the five weeks ending October 21, reflecting a reduction of \$300,000,000 in Treasury holdings of cash and balances at the Reserve banks and an increase of \$250,000,000 in monetary gold stock, the effects of which were partially offset by a seasonal increase in money in circulation and a further growth in required reserves.