

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

Federal Reserve Bank of San Francisco

Vol. XX

San Francisco, California, November 20, 1936

No. 11

### TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Industrial activity, building, retail sales of general merchandise, and industrial employment and pay rolls continued to increase in the Twelfth Federal Reserve District during October. Volume of industrial output was larger than in any October since 1929, and the number of workers engaged in manufacturing operations was close to the monthly average for that year. Industrial pay rolls, however, continued somewhat below pre-depression levels, largely as a result of a net reduction in the length of the work week.

The volume of marketings of agricultural products in the Twelfth District declined during October and farm prices averaged somewhat lower than in September. In addition to seasonal influences, a reduction in marketings of some crops is reported to have resulted partly from anticipation of difficulties in shipping commodities by water because of the maritime strike. Cash income of district farmers from crops, livestock, and livestock products is estimated by the United States Department of Agriculture to have totaled \$680,000,000 during the first nine months of 1936 compared with \$597,000,000 in the comparable period last year and \$412,000,000 in 1932.

Improvement in business activity this year has been accompanied by a moderate expansion in loans by banks for commercial, industrial, and agricultural purposes. The increase in loans for these purposes was negligible between October 21 and November 18, but the volume of such loans outstanding at city banks is currently about 10 percent larger than a year ago. Other earning assets of reporting member banks showed little change in the four-week period, but deposits continued the increase in evidence since early 1933.

A decline of \$3,200,000 in member bank reserve balances during the four weeks ending November 18 reflected unusually large transfers of United States Treasury balances from depository banks to the Treasury's account at the Reserve Bank. Other factors tending to reduce Twelfth District member bank reserve

balances included net commercial and financial payments of funds to other districts by banks and their customers, as well as seasonal withdrawals of currency from local banks by business concerns and individuals.

#### Agriculture

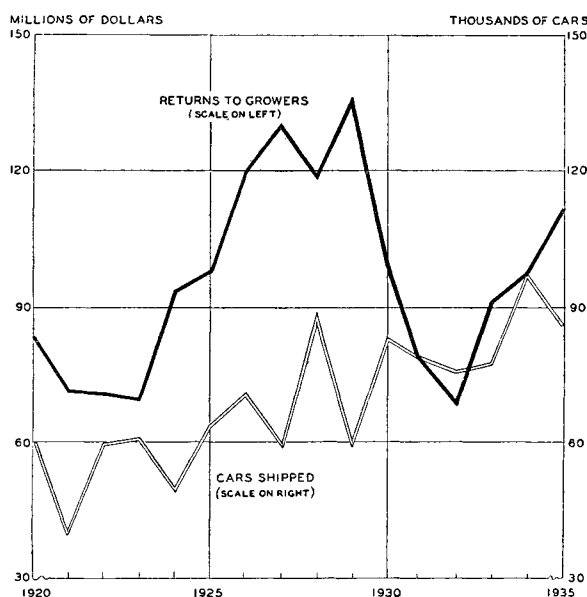
Harvesting of late field and fruit crops had been largely completed by the middle of November. A seasonal reduction in marketing was accompanied by a slight decline in prices from September levels, but crops sold on the average about 11 percent higher than a year ago.

Growers' income from the relatively small California grape crop is estimated at \$33,000,000, approximately 18 percent larger than last season and the highest in the past six years. Weather conditions during the harvesting and drying period were favorable, in contrast with the 1935 season when early rains and frosts damaged the fruit considerably. Throughout the marketing season, which terminated in mid-November, the quality of grapes was much better than last season. Prices paid for grapes in eastern auction markets and by wineries in California during the shipping season were considerably higher than a year ago, and raisin prices are also above those received in 1935.

Production estimates of the United States prune crop, which is grown in the three Pacific Coast states, declined during October and at the end of the month indicated a crop of 177,000 tons. Output in 1935 was 298,000 tons and the average for the five years 1928-1932 was 226,000 tons. With a heavy carryover from the near record production in 1935 and a larger crop in important prune producing countries in Europe, prices received by growers were only moderately higher than a year ago. Growers, where financially able to do so, are holding their prunes in anticipation of advances during the coming winter and spring months after 1935 crop fruit is off the market. Purchases by the Federal Government of large

tonnages of last year's prunes for noncommercial distribution have been of considerable aid to the industry.

Commercial apple crop prospects declined almost 7 percent in the Twelfth District during September and October, principally because of insect damage and the failure of apples to develop satisfactory size. Latest estimates indicate that this year's output will be 10 percent smaller than last year's crop, 29 percent below average production during the five years 1928-1932, and smaller than any crop harvested since 1920. Apple prices paid growers have advanced since the beginning of the season and in October were higher than in any October since 1930.



INCOME AND SHIPMENTS—CITRUS FRUITS  
California and Arizona

For crop years beginning November 1 of years shown

Returns to growers of citrus fruits in California and Arizona were approximately 15 percent larger in the season ending October 31, 1936, than in the preceding year. This increase reflected entirely higher average prices, inasmuch as the volume of fruit shipped was about 12 percent smaller than in the year ending October 31, 1935. Estimates based on data reported by the California Fruit Growers Exchange indicate that lemon growers' income was approximately 50 percent higher than in the 1934-1935 season, while returns to orange growers increased only slightly. As will be seen from the accompanying chart, total returns to growers during the season just ended approximated \$113,000,000, an amount substantially larger than in any year since 1929.

Cotton picking was seasonally heavy during October, and it is estimated that nearly half

the crop had been ginned by November 1. Production is expected to total 580,000 bales, by far the largest cotton crop grown in the Twelfth District and about 55 percent above production in 1935. On the basis of current prices, which are slightly higher than a year ago, it is estimated that growers' income from cotton this season should be from \$30,000,000 to \$35,000,000. Twelfth District cotton returned growers about \$20,000,000 in 1935.

With yields of sugar beets turning out better than had been expected in California, it is now anticipated that the district will harvest the second largest crop on record. Output was estimated at 3,212,000 tons on November 1, compared with a 1928-1932 average annual output of 1,930,000 tons. The 1933 crop of 3,367,000 tons was the largest ever produced in the Twelfth District. Growers' income is expected to be approximately 25 percent larger than last year when the crop returned about 12 million dollars.

The outlook for California rice growers during the 1936-1937 marketing year which began on October 1 is relatively unfavorable. The new crop is the largest since 1919 and carryover of old crop rice was estimated on October 1 to be unusually heavy, reflecting slow demand during the past year. This year's production plus rice carried over from last season now totals about 4,513,000 bags, or 1,242,000 bags more than total market supplies a year ago. Rough rice prices to growers, which had been \$2.02 per hundred pounds for several months, declined in September to \$1.58½ per hundred.

Large production and stored stocks of butter during October were reflected in a decline of about 10 percent in prices during October and early November. On November 16, the San Francisco wholesale quotation for 92 score butter was 33 cents per pound, compared with 36½ cents on October 1 and 34½ cents a year ago.

### Agricultural Marketing Activity—

	October		Season to Date	
	1936	1935	1936	1935
<b>Carlot Shipments</b>				
Deciduous fruits..	19,440	25,773	68,869	66,405
Citrus fruits .....	4,134	6,351	78,620	89,723
Vegetables .....	8,556	8,052	78,667	74,816
<b>Exports</b>				
Wheat (bu.).....	903,912	833	1,544,812	11,832
Barley (bu.).....	408,708	571,707	3,265,828	4,186,702
<b>Receipts*</b>				
Cattle .....	107,786	112,612	929,625	822,043
Hogs .....	173,862	102,103	1,462,109	1,196,200
Sheep .....	368,434	418,998	3,727,507	4,410,350
Eggs (cases)....	145,025	135,575	1,759,806	1,675,227
Butter (pounds)..	5,167,096	5,018,010	62,560,686	63,724,081
Wheat (carlots)..	5,773	8,051	31,468	34,890
Barley (carlots)..	1,163	970	5,695	4,732
<b>Storage Holdings*</b>	1936		1935	
(end of month)	October	September	October	September
Wheat (bu.).....	4,710,000	4,916,000	6,299,000	5,595,000
Beans (bags)....	2,669,000	2,115,000	2,613,000	1,061,000
Eggs (cases)....	272,000	464,000	349,000	516,000
Butter (pounds)..	8,487,000	9,847,000	5,058,000	7,872,000

\*At principal district markets.

Shipments of eggs by producers were considerably larger in October this year than last, a result of unusually good demand in the New York market. Prices advanced contra-seasonally during October and November, and are now about 18 percent higher than a year ago.

The position of livestock producers continues relatively favorable. Cattle and sheep are in good condition, the prospect for range forage during the coming winter is fair to good in all states of the district, and supplemental feeds are adequate though comparatively high in price.

Sales of cattle during October continued heavy. Prices to growers in California and Arizona, where marketing is now most important, averaged about \$6.30 per hundred pounds. This figure is about the same as in September and is slightly higher than a year ago.

Marketing of lambs was slow during October, as in earlier months of the season, despite a considerable increase over last year in the supply of lambs on northern ranges. Producers in Oregon, Washington, and Idaho are receiving about \$6.90 per hundred pounds, which is somewhat above prices received at this time last year.

## Industry

Volume measures of industrial output, building, manufacturing employment and pay rolls, advanced somewhat further in October, continuing the recovery which has been in progress for nearly four years. Total industrial output has been higher in the past three months than in the corresponding months of any year since 1929. Production of a number of manufactured goods, including cement, pulp and

paper, glass, tin, and fibreboard containers, and processed agricultural products such as butter, beet sugar, flour, and meat, was at a higher level than in the late summer and early fall of most pre-depression years. In the lumber, oil producing and refining, copper, and steel industries, however, operations were still considerably below previous record highs. Industrial employment, after allowance for seasonal influences, was at the highest level since 1929, and pay rolls were approximately as high as in late 1930. Monthly average value of building permits issued in the past three months in twenty of the larger cities was nearly five times as large as in the comparable months of 1932 and was only 21 percent lower than in the fall of 1929, although it was still somewhat less than half the record 1923 monthly average.

This bank's seasonally adjusted index of factory pay rolls in the three Pacific Coast states advanced 6 percent in October, and in that month was approximately 120 percent above the low level to which it had fallen in early 1933. In March 1933 this index was 63 percent below the 1929 average and the index of industrial employment was down 44 per cent. The greater shrinkage in pay rolls resulted from reductions in both the average number of hours worked per week and hourly wage rates. As a result of advances since March 1933, wage rates are now about as high as in 1929. The length of the working week has also increased since 1933, although it is still considerably

## Industry—

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

	1936				1935		
	Oct.	Sept.	Aug.	July	Oct.	Sept.	Aug.
<b>General</b>							
Carloadings—Industrial*.	83	72	75	78	62	66	60
Electric Power Production.	190p	190	187r	182	169	168	168
<b>Manufactures</b>							
Lumber .....	78p	71	71	72	69	64	64
Refined Mineral Oils†.	159p	159	165	152	158	150	145
Flour .....	100p	107	134	130	110	114	113
Cement .....	114	119	105	105	69	65	60
Wool Consumption†.	101	106	91	169	127	139	
Slaughter of Livestock.	113	117	111	116	101	97	99
<b>Minerals</b>							
Petroleum (California)†.	88p	88	88	87	98	97	91
Lead (United States)†.	60	60	60	71	68	59	60
Silver (United States)†.	88	88	101	75	71	59	
<b>Building and Construction#</b>							
Total .....	72	71r	66	63	56	51	49
Building Permits—Value							
Larger Cities .....	45	44	42	40	22	24	25
Smaller Cities .....	64	62	59	59	35	36	33
Engineering Contracts							
Awarded—Value							
Total .....	99	110	106	93	96	82	79
Excluding Buildings.	168	164	158	137	169	148	147

†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. pPreliminary. rRevised. \*Revised series.

## Employment—

Industries	No. of Firms	California No. of Employees		No. of Firms	Oregon No. of Employees	
		Oct. 1936	Oct. 1935		Oct. 1936	Oct. 1935
All Industries* . . .	1,631	174,963	162,046	101	22,257	21,262
		(+8.0)			(+4.7)	
Metals and Metal Products .....	259	21,910	17,705	8	578	510
		(+23.8)			(+13.3)	
Transportation Equipment .....	79	28,211	21,534	..	..	..
		(+31.0)				
Lumber and Allied Products .....	106	12,578	12,276	33	10,158	9,594
		(+2.5)			(+5.9)	
Stone, Clay, and Glass Products.	68	6,653	5,540	3	172	158
		(+20.1)			(+8.9)	
Textiles and Their Products .....	102	7,342	7,350	8	1,223	1,815
		(—1)			(—32.6)	
Tires and Rubber Goods .....	17	5,089	3,470	..	..	..
		(+46.7)				
Food and Kindred Products .....	375	42,951	45,527	28	5,245	4,807
		(—5.7)			(+9.1)	
Paper and Printing .....	163	8,418	7,722	6	1,462	1,272
		(+9.0)			(+14.9)	
Petroleum, Chemicals, and Allied Products .....	322	23,372	22,625	..	..	..
		(+3.3)				
Miscellaneous .....	140	18,439	18,297	15	3,419	3,106
		(+0.8)			(+10.1)	
Public Utilities.	760	50,251	46,149	..	..	..
		(+8.9)				
Wholesale and Retail .....	1,860	44,870	40,786	..	..	..
		(+10.0)				

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

shorter than in pre-depression years. The advances in wage rates and increases in the working week have resulted in a rise of 22 percent in average weekly earnings per employee since March 1933, although average earnings are still 18 percent below the 1929 average. The expansion in earnings per employee, together with a large gain in the number of workers has been reflected in a considerable increase in the index of total factory pay rolls which in October was within 20 percent of the 1929 average. This index and the adjusted index of industrial employment are shown on the accompanying chart by months since 1930. For comparative purposes, the average levels of pay rolls and employment in industrial establishments in the three Pacific Coast states are also indicated on the chart biennially from 1923 through 1929.

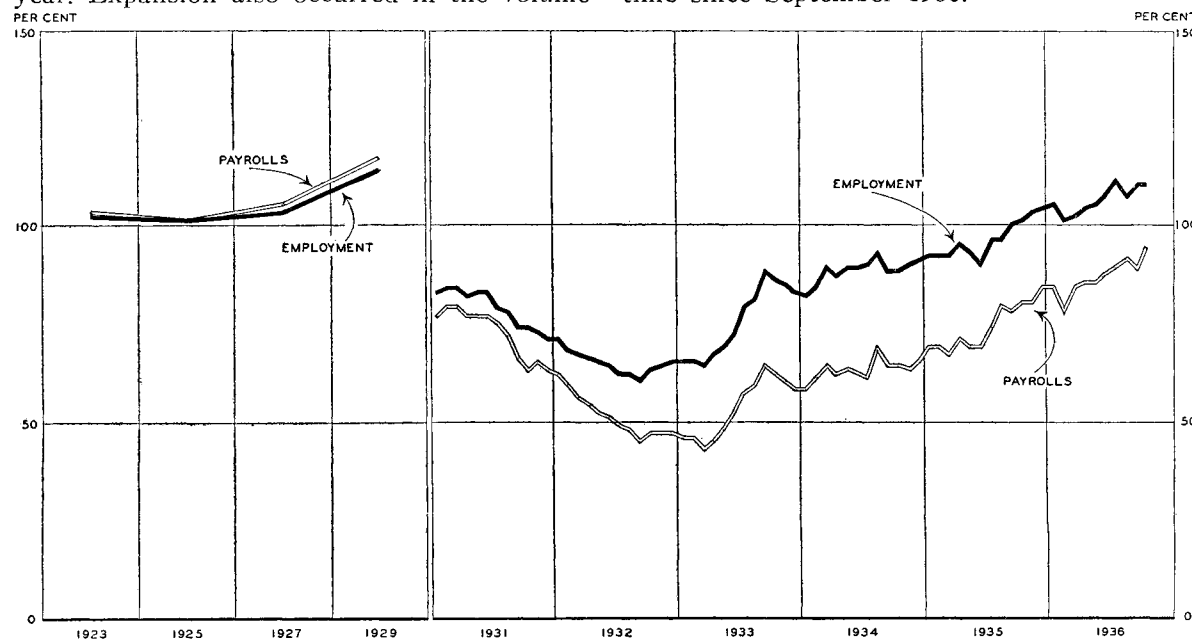
Total value of building permits issued in the twenty larger district cities increased 22 percent in October to the highest monthly total since December 1930. Permits issued for nonresidential projects, which fluctuate widely from month to month, increased more than 50 percent to \$7,200,000. In the residential classification, advances occurred in practically all reporting cities, and the total increased from \$6,600,000 to \$7,500,000. Contracts awarded for public works construction also increased and were larger in value than in any other month since January of this year.

Daily average lumber output advanced somewhat in October, although seasonal curtailment usually takes place at this time of year. Expansion also occurred in the volume

of new orders received by district mills, which was higher than in any month in six years. It is reported that active demand for lumber in recent months was only partially a result of purchases in anticipation of the maritime strike, and that actual consumption, particularly in the building industry has advanced considerably.

Expansion in copper output continued in October and reports received from leading district producers indicate that production was substantially larger than in the same month last year. The advance in output has been accompanied by gains in employment and by a general increase of 5 percent in wages at mines and smelters, effective September 1, 1936. In recent months, sales of copper for domestic consumption and for export have increased substantially, a development reported to reflect increased actual consumption in this country and abroad. Accompanying the expansion in sales, domestic quotations have increased from 9.50 cents per pound in July to 10.50 cents in November. In October 1935 the price was 9.25 cents per pound.

The recent increases in production and in prices of copper indicate continued recovery of the industry from the extremely low levels to which it had declined during the depression. Mine output in the seven western states fell from 664,728 tons in 1929 to 109,342 tons in 1933 while prices declined from 24 cents per pound in March 1929 to a low of 5 cents per pound in 1932. Currently, output is approximately at 1931 levels and prices are higher than at any time since September 1930.



EMPLOYMENT AND PAYROLLS IN MANUFACTURING INDUSTRIES—Pacific Coast States

Biennial indexes 1923 to 1929 inclusive, (1923-1925 average=100). Monthly indexes, January 1931 to October 1936, adjusted for seasonal variation.

## Trade

Value of Twelfth District department store sales continued to increase during October, and other seasonally adjusted measures of trade were generally well maintained.

The value of district department store sales, while fluctuating from month to month within a comparatively narrow range, has tended to expand throughout the first ten months of the current year. In October, this bank's seasonally adjusted index was 95 percent of the 1923-1925 average, a level higher than in any month since August 1931. Sales expansion during October was general throughout California. In Portland, a reduction of approximately seasonal proportions was reported, while

Registrations of new motor vehicles during October were 23 percent lower than in September, reflecting the usual sharp decline in sales immediately prior to the introduction of new models by major producers. New automobile sales were, however, 24 percent larger than in October 1935.

### WHOLESALE TRADE—Twelfth District

	Percentage changes in value of sales		Cumulative 1936 compared with 1935
	October 1936 compared with Sept. 1936	Oct. 1935	
Automobile Supplies .....	5.6	7.9	13.6
Drugs .....	2.8	11.3	11.9
Dry Goods .....	1.0	5.6	7.7
Electrical Supplies .....	7.2	27.0	34.1
Furniture .....	10.8	6.4	0.1
Groceries .....	1.4	10.0	9.7
Hardware .....	2.4	24.8	24.3
Shoes .....	20.3	25.8	16.5
Paper and Stationery .....	24.7	21.8	12.7
All Lines .....	1.3	14.8	15.6

### RETAIL TRADE—Twelfth District

Percentage changes in value of sales and stocks

	1936 compared with 1935		
	NET SALES		STOCKS
	October*	Jan. 1 to end of October	October
Department Stores....	10.7 ( 85)	10.6	6.8 ( 59)
Los Angeles .....	11.4 ( 6)	11.1	5.4 ( 6)
Other So. California .....	10.2 ( 11)	7.1	14.7 ( 8)
Oakland .....	11.4 ( 5)	10.8	11.5 ( 5)
San Francisco .....	13.7 ( 8)	10.5	4.9 ( 7)
Bay Region .....	12.3 ( 18)	10.5	6.6 ( 16)
Central California .....	9.4 ( 5)	6.9	8.5 ( 4)
Portland† .....	9.9 ( 9)	16.3	20.2 ( 8)
Seattle .....	9.3 ( 5)	10.9	1.4 ( 4)
Spokane .....	11.1 ( 6)	11.3	12.2 ( 6)
Tacoma† .....	2.3 ( 6)	11.4	13.9 ( 5)
Salt Lake City.....	3.4 ( 4)	7.3	3.1 ( 4)
Apparel Stores .....	11.9 ( 39)	17.6	13.0 ( 27)
Furniture Stores .....	21.5 ( 35)	26.6	19.4 ( 26)
All Stores .....	12.2 (159)	13.3	9.1 (112)

†Includes five apparel stores in Portland and four in Tacoma which are not included in district department store total.

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

in Seattle and Salt Lake City declines in sales from September were considerably in excess of the customary seasonal amounts. Value of sales of Twelfth District furniture stores was practically unchanged from the September level but was approximately 21 percent larger than in October 1935.

## Distribution and Trade—

	1936				1935		
	Oct.	Sept.	Aug.	July	Oct.	Sept.	Aug.
	Indexes adjusted for seasonal variation (1923-1925 average=100)						
<b>Carloadings†*</b>							
Total .....	86	86	85	88	72	75	72
Merchandise .....	93	98	94	96	80	83	83
<b>Intercoastal Trade</b>							
Total .....	75	76	77	68	71	69	62
Westbound .....	97	127	128	130	102	77	100
Eastbound .....	66	61	62	52	61	66	51
<b>Retail Trade</b>							
Automobile Sales‡							
Total .....	103p	109	122	136	83	77	97
Passenger .....	95p	99	111	129	75	69	87
Commercial .....	184p	209	216	219	158	157	179
<b>Department Store</b>							
Sales‡ .....	95	93	92	94	88	85	83
Stocks‡ .....	65	66	64	64	61	63	62
<b>Collections‡#</b>							
Regular .....	52.1	49.0	49.2	49.3	51.0	46.5	48.1
Installment .....	17.7	18.0	18.4	18.0	19.1	18.3	18.9

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

pPreliminary. \*Revised series.

Monthly intercoastal shipments through the Panama Canal have fluctuated with little net change, other than of a seasonal character, since February of this year at an average level about 10 percent higher than in the corresponding months of 1935. During October, eastbound traffic increased considerably, while westbound shipments declined. A strike of longshoremen and maritime workers on the Pacific Coast which commenced on October 30 had been considered likely for several weeks prior to that date. In anticipation of that disturbance, activity on the waterfront was defi-

## Bank Debits\*—

	Oct. 1936	Oct. 1935	First ten months	
			1936	1935
<b>Arizona</b>				
Phoenix .....	\$ 39,405	\$ 30,393	\$ 351,260	\$ 292,605
<b>California</b>				
Bakersfield .....	21,714	14,746	145,803	111,359
Berkeley .....	19,498	17,628	182,719	153,358
Fresno .....	38,818	27,822	254,247	206,619
Long Beach .....	35,226	29,413	333,574	288,979
Los Angeles .....	931,348	702,867	8,314,444	6,513,748
Oakland .....	103,688	76,269	903,634	687,498
Pasadena .....	25,095	22,886	241,427	209,236
Sacramento .....	104,746	113,929	979,076	1,050,619
San Bernardino .....	10,853	7,218	91,505	72,606
San Diego .....	48,860	41,648	465,522	404,846
San Francisco .....	936,586	863,599	8,691,006	7,748,924
San Jose .....	28,040	26,362	227,936	193,897
Santa Barbara .....	12,436	9,787	117,021	95,719
Santa Rosa .....	5,616	4,490	46,572	38,142
Stockton .....	22,569	18,183	187,683	155,750
<b>Idaho</b>				
Boise .....	19,950	17,155	164,056	146,523
<b>Nevada</b>				
Reno .....	10,556	9,574	96,019	83,866
<b>Oregon</b>				
Eugene .....	7,455	5,833	62,491	48,542
Portland .....	183,896	154,951	1,613,275	1,397,780
Salem .....	17,227	13,473	142,155	118,423
<b>Utah</b>				
Ogden .....	16,785	18,030	144,300	137,663
Salt Lake City..	70,629	60,448	612,095	526,878
<b>Washington</b>				
Bellingham .....	6,759	5,665	60,099	49,584
Everett .....	8,067	6,321	72,094	54,287
Seattle .....	218,079	167,301	1,908,812	1,528,798
Spokane .....	53,009	41,440	435,016	363,070
Tacoma .....	36,196	29,125	320,934	245,244
Walla Walla .....	6,873	5,905	55,582	48,825
Yakima .....	19,475	15,277	129,109	114,246
<b>Total .....</b>	<b>\$3,059,454</b>	<b>\$2,557,738</b>	<b>\$27,349,466</b>	<b>\$23,087,634</b>

\*In thousands of dollars.

nately stimulated in late September and the first half of October. Most cargoes loaded at that time passed through the Canal during October and eastbound shipments consequently increased by more than the usual seasonal amount. On the other hand, westbound shipments declined, probably in expectation of difficulty in having cargoes removed upon arrival at Pacific Coast ports.

Daily average freight carloadings increased seasonally during October and were 19 percent higher than a year ago. In the Pacific Northwest, rail shipments were larger than in any month since April 1930, and were also 19 percent higher than in October 1935. Large gains have taken place over the year period in rail shipments of forest products, ore, coal and coke, and merchandise and miscellaneous commodities. Daily average freight carloadings in California advanced further in October, continuing the seasonal expansion in evidence since February. Practically none of the expansion in carloadings during October reflected diversion of water-borne traffic to railroads, since the strike of longshoremen did not take place until October 30.

### Cost of Living

Average living costs for families of wage earners and lower salaried workers in large district cities increased slightly between mid-July and mid-September. Advances in rents and

housefurnishing goods, which account for about a quarter of total costs, were important factors in the higher cost of living. Increases in the past year ranged from 1.0 to 3.3 per cent. Although advances over October 1935 occurred in most of the commodity groups, the most significant development was an increase in the price of food, expenditures for which amount to nearly one-third of the total.

### The Credit Situation

Discussions of United States Government borrowing have shown considerable misunderstanding of its effect upon member bank reserve balances. Contrary to a widespread impression, member bank reserve balances are neither increased nor decreased by Government borrowing and subsequent disbursement of the proceeds. To the extent that the borrowing is from banks, deposits are increased, and since the additional deposits require the usual legal reserves, reserve balances in excess of legal requirements are reduced. If the banking system did not have excess reserves, it would either be unable to absorb the additional securities, or would find it necessary to obtain the needed reserves, probably through borrowing from the Reserve banks.

Although the process of Government borrowing to finance expenditures does not affect the total volume of member bank reserves, Treasury operations frequently do have an important influence upon reserves of banks

#### 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—Sept. 16.....	+ 2.4	+ .3	—10.1	— 7.4
23.....	— 4.2	+ 1.7	+ 6.2	+ 3.7
30.....	— .7	—11.9	+15.3	+ 2.7
Oct. 7.....	+ .3	—10.7	+17.9	+ 7.5
14.....	+ 2.2	+ 1.6	+10.1	+13.9
21.....	— 1.5	+ 1.0	+ .5	*
28.....	— 1.6	— .3	— 1.0	— 2.9
Nov. 4.....	+ 1.8	— .1	— 9.6	— 7.9
11.....	— .4	+ 1.1	+10.1	+10.8
18.....	+ .2	— 1.9	— 1.1	— 2.8

USES OF FUNDS				
Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1936—Sept. 16.....	— 7.7	+ .1	+ .2	— 7.4
23.....	— 3.8	+ 4.5	+ 3.0	+ 3.7
30.....	+ 1.0	+ 3.7	— 2.0	+ 2.7
Oct. 7.....	+ 6.5	+ 1.2	— .2	+ 7.5
14.....	— 1.2	+15.0	+ .1	+13.9
21.....	+ .1	— 2.0	+ 1.9	*
28.....	— 4.8	+ 2.4	— .5	— 2.9
Nov. 4.....	+ 9.5	—17.1	— .3	— 7.9
11.....	+ 1.8	+ 7.0	+ 2.0	+10.8
18.....	— 5.2	+ 4.5	— 2.1	— 2.8

\*Change less than \$50,000.

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

(Amounts in millions of dollars)

	Nov. 18 1936	Nov. 11 1936	Oct. 21 1936	Nov. 20 1935
Total Bills and Securities.....	216	216	216	201
Bills Discounted.....	...	...	...	...
Bills Bought.....	...	...	...	...
United States Securities.....	214	214	214	199
Total Reserves.....	616	616	623	422
Total Deposits.....	484	480	493	332
Reserve Note Circulation.....	332	335	330	273
Ratio—Reserves to Deposit and Note Liabilities....	75.5%	75.5%	75.7%	69.8%

#### CONDITION OF REPORTING MEMBER BANKS Twelfth District

(Amounts in millions of dollars)

	Nov. 18 1936	Nov. 11 1936	Oct. 21 1936	Nov. 20 1935
Loans and Investments—Total.....	2,180	2,184	2,177	2,076
Loans to Brokers and Dealers..	16	17	15	8
Loans on Securities to Others (except Banks).....	159	159	160	168
Acceptances and Com'l Paper..	22	23	23	25
Loans on Real Estate.....	364	365	362	369
Loans to Banks.....	2	1	1	1
Other Loans.....	384	386	384	352
U. S. Gov. Direct Obligations.....	716	713	709	669
Obligations Guaranteed by U. S. Gov. ....	158	159	160	130
Other Securities.....	359	361	363	354
Reserve with F. R. Bank.....	285	281	287	196
Due from Domestic Banks.....	257	242	279	240
Demand Deposits—Adjusted.....	897	881	876	797
Time Deposits.....	1,020	1,022	1,024	989
U. S. Gov. Deposits.....	57	71	102	66
Deposits of Other Banks.....	325	319	327	278
Borrowings.....	...	...	...	...

within specified regions of the United States. (The term "Treasury operations" is here used to describe the net difference between Treasury disbursements and collections.) Within the Twelfth District, for example, Treasury operations have been by far the most important factor contributing to the marked growth in member bank reserve balances since 1932, and for several years prior to 1932 Treasury operations were a major source of reserve funds for banks in this district. This reflects the fact that for more than seven years, total United States Government disbursements in the Twelfth District for wages, purchases of supplies, loans, relief, and other purposes have almost continuously exceeded the aggregate Treasury collections in this district through taxes, borrowings, and other receipts. Thus, the Treasury has constantly been transferring funds collected in other regions, such as New York, where there is a concentration of receipts from income taxes and from sales of Government securities, into the Twelfth District to help meet its disbursements in this section of the country.

Treasury payments to individuals and businesses throughout the Twelfth District have a direct effect upon business activity. Their influence upon the volume of member bank reserve balances is also of importance to business, in that a net excess of Treasury payments over collections such as has been customary in this district since 1929 helps to provide banks with reserves which can be used to support additional credit.

During the four weeks ending November 18, the influence of the United States Treasury

upon reserve balances was the reverse of what has been usual since 1929, in that Treasury collections totaled \$1,600,000 more than disbursements in the Twelfth District. This unusual relationship reflected the transfer of \$49,000,000 of Treasury funds from depositary banks to the Treasurer's account at the Federal Reserve Bank of San Francisco, a transaction which is classed as a Treasury collection. The deposits with member banks previously had been built up by sale of Government securities to those banks, which customarily pay for part of such security purchases by giving the Treasury deposit credit, payable upon demand. Another factor which increased Treasury collections during this period was the return by member banks of more than \$8,000,000 of postal savings funds which the Postal Savings System had previously deposited with them. Collection of these funds by the Treasury, although not representing a contraction in Federal Government purchases of materials or payments of wages or relief, did tend to reduce member bank reserve balances.

Earning assets of Twelfth District reporting member banks were slightly higher in mid-November than a month earlier. Loans in the "all other" classification, which consists principally of advances for commercial, industrial, and agricultural purposes but also includes personal installment loans, showed little change between mid-October and mid-November. Real estate loans advanced but continued slightly lower than a year earlier. Investments in United States Government direct obligations increased moderately, while holdings of other securities declined.

---

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

Volume of industrial production increased seasonally in October and there was a substantial rise in employment and pay rolls. Prices of a number of industrial raw materials and finished products have advanced.

**Production and Employment.** In October the Board's seasonally adjusted index of industrial production was at 109 percent of the 1923-1925 average, about the level of the three preceding months. Steel production was in larger volume than in any other month since 1929, and the rate of activity was sustained in the first three weeks of November. Output of automobiles rose sharply from September to October. The increase in this period was less than a year ago, reflecting the fact that this year the date of the shift to production of new models was less uniform among the leading producers, but

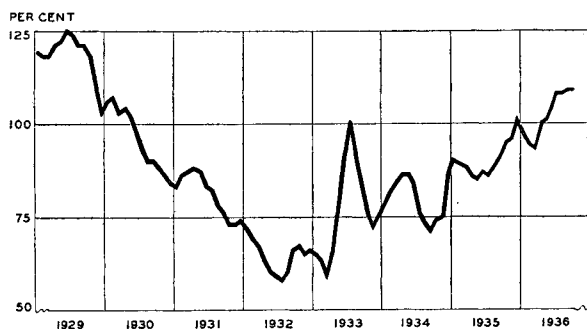
in the first three weeks of November production increased further and was larger than last year. Activity at textile mills, which usually increases in October, declined slightly from the high level of September. In the meat packing industry output showed a further increase. Coal production increased seasonally, and production of crude petroleum continued at recent high levels.

Factory employment increased by more than the usual seasonal amount between the middle of September and the middle of October. Increases in employment were general among the durable goods industries, with the largest expansion reported at factories producing automobiles and machinery, while changes in employment in the nondurable goods industries were largely of a seasonal character. Factory

pay rolls rose by considerably more than the usual seasonal amount.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was slightly smaller in October than in September, with a decline in publicly-owned projects partly offset in the total by an increase in awards for private nonresidential construction.

**Distribution.** Sales by department stores and

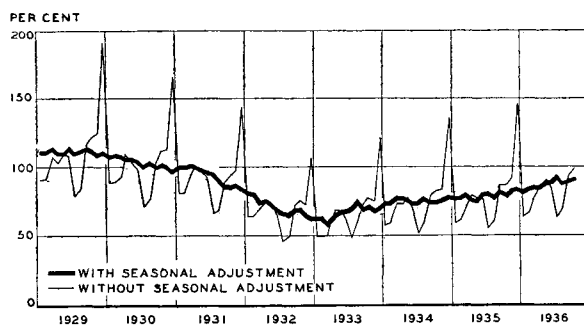


INDUSTRIAL PRODUCTION

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

by mail order houses serving rural areas increased from September to October by a larger amount than is usual at this season. Variety store sales showed a less than seasonal rise. Freight carloadings increased further in October, reflecting chiefly a larger volume of shipments of miscellaneous freight and of coal.

**Commodity Prices.** The general level of whole-



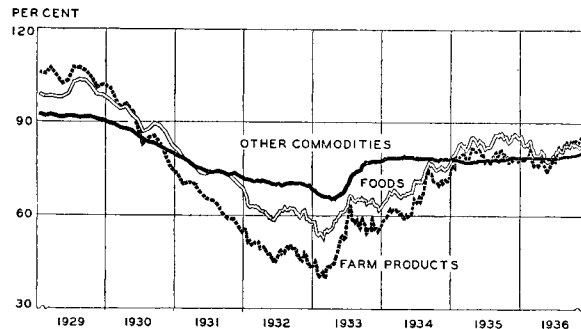
DEPARTMENT STORE SALES

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

sale commodity prices advanced somewhat during the first three weeks of November, following two and a half months of little change. Since the middle of October prices of a number of industrial raw materials, particularly non-ferrous metals, hides, rubber, silk, and wool, have shown a considerable rise and there have also been substantial increases in the prices of some finished products, including automobile tires, glass, woolen goods, and cotton goods.

**Bank Credit.** Member bank reserves increased in the four weeks ended November 18, chiefly as the result of transfers of gold to the United States. On that date member bank reserves were \$2,700,000,000 larger than legal requirements, the highest level since the increase in reserve requirements which became effective in the middle of August.

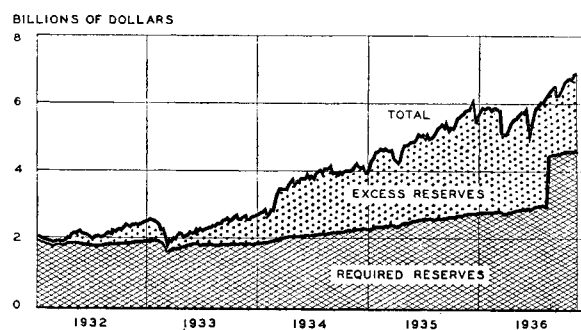
Adjusted demand deposits at weekly report-



WHOLESALE PRICES

Indexes compiled by the United States Bureau of Labor Statistics, (1926=100.) By months 1929 to 1931; by weeks 1932 to date. Latest figure is for week ending November 21, 1936.

ing member banks in leading cities have continued to increase, and on November 18 amounted to about \$15,400,000,000. Since the end of last May these deposits have increased by over \$800,000,000 reflecting a rise in deposits outside New York City. Time deposits at reporting banks have remained at about the \$5,000,000,000 level.



MEMBER BANK REQUIRED AND EXCESS RESERVES

Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 6, 1932 to November 18, 1936.

Holdings of United States Government obligations at reporting banks have recently declined somewhat further. Since the end of June the decline has amounted to about \$300,000,000 and has been at New York City, with little change elsewhere. Holdings of other securities have declined in recent weeks, reflecting chiefly a reduction in the amount held by New York City banks. Loans to customers have shown some further increase.