

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Business recovery, which continued in other parts of the United States, was checked in November in the Twelfth Federal Reserve District as a result of the maritime strike. The direct effects of the cessation of water-borne commerce were felt principally by producers whose agricultural and industrial products are normally marketed by water. Among the more important products shipped by water are wheat, barley, cotton, beans, dried and canned fruits, lumber, and flour. Industries which depend upon cargo shipments for their supplies of raw materials were also affected. Supplies such as steel and certain manufactured products and industrial raw materials were cut off or received by rail at increased cost.

The shortage of raw materials and loss of markets contributed to a reduction in industrial and building operations. After allowance for customary seasonal influences, industrial employment in the three Pacific Coast states was reduced by 1 percent and pay rolls by 2 percent between mid-October and mid-November.

Shrinkage in income of workers directly involved in maritime commerce, together with the small curtailment in pay rolls received by industrial employees and a reduction in receipts from the sale of agricultural products, apparently had relatively little effect on retail purchases. Department store sales increased by the customary seasonal amount and this bank's seasonally adjusted index of retail furniture store sales increased 5 percent. There was, however, a smaller expansion in retail purchases in this district than in other parts of the country.

Credit extended by city banks increased considerably during November and the first half of December. This reflected mainly purchase of new Government securities on December 15, but there was also some extension of additional loans for commercial and industrial purposes and on real estate. The usual seasonal increase in demand for currency took place during the week immediately preceding Christmas.

Agriculture

Warm dry weather during November aided harvesting of a few late field and fruit crops but interfered with soil preparation for winter-sown crops and delayed germination of grains already planted. Conditions were relieved somewhat by rain and snow in early December but are still unsatisfactory.

Marketing conditions were also unfavorable during November, and it is estimated that agricultural income increased over the year period by less than in other recent months. Water-borne shipments were at a standstill, a factor which affected not only movement from seaports but also the movement from country terminals to the waterfront. On the other hand, prices of several important commodities advanced during this period and later sales of products may give higher aggregate returns.

Because of dryness, acreage planted to winter wheat in Washington, Oregon, and Idaho is expected to be much smaller than a year ago. This does not, however, necessarily mean that total wheat production in the Pacific Northwest will be smaller in 1937 than in 1936, since any reduction in acreage or abandonment of fall-sown wheat is likely to be offset by increased planting in the spring.

The current navel orange crop in California, marketing of which started in November, is expected to be slightly larger than production last season. The crop is reported to be of unusually good quality. From now on, severe competition in eastern markets is expected from the large Florida winter orange crop. The average f.o.b. price received by shippers in November was \$2.83 per box, compared with \$2.35 per box in November 1935. Volume of oranges shipped was about the same in the two months. Production estimates indicate that the 1936-1937 California lemon crop will be about 7 percent larger than output last season. Although eastern shipments during November were the largest on record for that month, prices averaged about 25 percent below the

comparatively high level of November last year.

Bean growers in the Twelfth District are in a favorable position. While total output of dry beans in the United States was about 22 percent smaller than in 1935, production in the Twelfth District in 1936 was of near-record volume. Prices paid growers advanced slightly during November and in the middle of December were about 50 percent higher than a year ago.

Reflecting the extremely large California rice crop, prices to growers were reduced 27 cents to \$1.31¾ per hundred pounds late in November. Demand by millers was active at the reduced price, notwithstanding slowness in mill shipments because of the maritime strike. Stocks of rough rice at mills and in country warehouses on December 1 totaled 4,145,000 bags compared with 2,479,000 bags so held a year earlier.

Quotations for barley in leading markets of the district continued to advance during November and the first half of December, reaching a level about 70 percent higher than a year ago. The sharp advance in barley prices during the past few months has resulted partly from strong local demand for supplemental livestock feeds and partly from a steady demand from the midwest where the 1936 corn crop was unusually small. Exports of barley were only 92,706 tons from June 1 through November compared with 120,934 tons shipped during the corresponding six months last season.

Production of eggs was about 16 percent larger in November this year than last. Movement of eggs out of storage was also seasonally heavy during November. Reflecting these added market supplies, prices, which had advanced during the first half of November, declined considerably between November 28 and mid-December. On December 21, United States #1 extras sold for 32½ cents per dozen at San Francisco, compared with 38½ cents per dozen

on November 20, and with 25½ cents on December 20, 1935. Butter production during November continued substantially larger than a year ago, and storage supplies are more than twice as large. The large quantity of butter available for market was reflected in a decline in the San Francisco wholesale quotation from 35 cents per pound early in November to 33½ cents per pound in mid-December. Last year, prices advanced from 31½ cents to 35 cents per pound during the corresponding period.

Shortages of rainfall and consequent lack of forage on ranges indicate that supplemental feeding of livestock will be heavier than usual this winter. Feed prices have advanced recently, a factor which adds materially to the costs of carrying stock animals.

Partly because of continued poor range conditions, the number of cattle in feedlots is 16 percent larger than a year ago. These cattle will be marketed during the winter and spring months. In addition to cattle fed locally, slaughter demand in the Twelfth District in past years has necessitated shipments from midwest states during the winter and spring.

The number of lambs in Twelfth District feedlots is about 80 percent larger than either one year or two years ago. Large increases are reported from all three of the principal lamb feeding states—Utah, Idaho, and California. United States Department of Agriculture reports state that the most important factor causing the increase in feeding of lambs has been slow demand with consequent declines in prices.

Buying of 1936 wool and contracting for 1937 fleeces was active throughout the district during November. Although prices paid by wool buyers show considerable range according to the quality and the shrinkage of the wool bought, average quotations were approximately 12 percent higher than those paid last spring when most of the 1936 clip was sold.

Industry

Industrial output customarily declines in November as a result of seasonal curtailment in most district food and building materials industries. This year, the decrease was somewhat more than usual, however, and between mid-October and mid-November industrial employment and pay rolls in the three Pacific Coast states declined slightly more than seasonally. The principal factor contributing to the more than seasonal reduction in industrial activity was the cessation of water-borne shipments resulting from the maritime strike, although other strikes influenced operations in a number of relatively small industries. Value of private and public construction started in November was considerably smaller than in October and operations on projects initiated

Agricultural Marketing Activity—

	November		Season to Date	
	1936	1935	1936	1935
Carlot Shipments				
Deciduous fruits.	8,717	7,240	77,586	73,645
Citrus fruits.....	4,674	4,553	4,674	4,553
Vegetables	9,343	7,156	88,010	81,972
Exports				
Wheat (bu.).....	.....	38,329	1,544,812	50,161
Barley (bu.).....	139,666	959,165	3,405,474	5,145,867
Receipts*				
Cattle	109,545	107,917	1,039,170	929,960
Hogs	192,454	120,660	1,654,563	1,316,860
Sheep	339,282	290,278	4,066,789	4,700,628
Eggs (cases)	112,076	131,095	1,871,882	1,806,322
Butter (pounds)...	4,963,831	4,659,618	67,524,517	68,383,699
Wheat (carlots)...	3,594	4,532	35,496	39,422
Barley (carlots) .	376	879	6,071	5,611
Storage Holdings*				
(end of month)				
November		October	November	October
Wheat (bu.).....	4,708,000	4,710,000	6,185,000	6,299,000
Beans (bags).....	2,760,000	2,669,000	2,813,000	2,613,000
Eggs (cases)....	61,000	272,000	139,000	349,000
Butter (pounds) .	7,566,000	8,487,000	3,415,000	5,058,000

*At principal district markets.

before the end of October were curtailed somewhat as a result of interruptions in shipments of building materials.

Curtailement of industrial output in November occurred principally in the production of Douglas fir lumber and flour. The industries producing these two products, when combined, contribute nearly 10 percent to the total value added to products by manufacturing operations in the Twelfth District and any change in their volume of output is reflected appreciably in total production. The seasonally adjusted index of Douglas fir lumber production decreased 39 percent and the index of flour milling declined 24 percent. Since about half of the Douglas fir lumber and flour produced in this district is marketed by water, those industries were affected seriously by the cessation of water-borne commerce.

Production also was reduced in several relatively small industries which normally receive a large portion of their raw materials by water. Among these were the soap, vegetable oil, chemical, and refined cane sugar industries, a group which accounted for about 3 percent of total output in the Twelfth District. In addition, activity was curtailed in a number of other lines as a result of strikes.

Output of a great many industries producing a major portion of the total industrial output of the district was not reduced appreciably by the stoppage of water-borne freight traffic. Included in this group were those which normally receive their raw material supplies and market

their finished products by transportation agencies not affected by the strike and those which handled their shipments in that manner in November. Also included were lines in which adequate supplies were accumulated in anticipation of the strike and those which normally manufacture for stock rather than immediate delivery. Among the industries which are reported to have shown about the usual changes in operations during October and November were those producing canned fruit and vegetables, motion pictures, crude and refined oil, furniture, rubber tires and tubes, steel ingots, cement, and coffee.

The more than seasonal decline in industrial output in November was not accompanied by a correspondingly large reduction by mid-November in total industrial employment and pay rolls in the three Pacific Coast states. Decreases this year of 9 percent in factory employment and 9 percent in pay rolls compared with average losses during the past five years of 8 percent and 7 percent. In California, the reductions in the totals this year were no greater than in most recent years, although unusually large declines were recorded at cane sugar refineries and fish canneries. In Oregon and Washington, however, the declines somewhat exceeded seasonal expectations. The seasonally adjusted index of industrial employment in those two states was 6 percent lower than in mid-October and the pay rolls index was 11 percent lower.

That industrial employment and pay rolls declined little more than seasonally between mid-October and mid-November is partially explained by the fact that the figures were compiled from reports covering the pay roll period ending nearest the fifteenth of the

Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees Nov. 1936 Nov. 1935	No. of Firms	No. of Employees Nov. 1936 Nov. 1935
All Industries*	1,573	161,300 149,869 (-7.6)	99	20,076 19,340 (+3.8)
Metals and Metal Products	277	21,869 (+23.0)	8	530 (+ 9.5)
Transportation Equipment	73	21,990 (+26.1)	..	..
Lumber and Allied Products	114	11,988 (+ 3.3)	36	11,004 (+12.7)
Stone, Clay, and Glass Products	69	7,087 (+18.0)	3	91 (-41.3)
Textiles and Their Products	111	7,712 (+ 1.4)	8	1,416 (-27.7)
Tires and Rubber Goods	19	6,130 (+39.3)	..	..
Food and Kindred Products	377	30,601 (- 8.3)	25	2,360 (-12.9)
Paper and Printing	169	8,988 (+10.0)	6	1,463 (+14.2)
Petroleum, Chemicals, and Allied Products	221	22,703 (+ 2.4)	..	..
Miscellaneous	143	22,232 (+ 4.3)	13	3,212 (+ 7.6)
Public Utilities	754	48,198 (+ 8.8)	..	..
Wholesale and Retail	1,803	48,504 (+ 6.2)	..	..

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

Industry—

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

General	1936				1935		
	Nov.	Oct.	Sept.	Aug.	Nov.	Oct.	Sept.
Carloadings—Industrial	71¶	77r	72	75	61	62	66
Electric Pwr. Production	186¶	188	190	187	171	169	168
Manufactures							
Lumber	60¶	79	71	71	65	69	64
Refined Mineral Oils†	143¶	154	159	165	156	158	150
Flour	75	99	107	134	114	110	114
Cement	138	114	119	105	83	69	65
Wool Consumption†	..	68	101	106	121	169	127
Slaughter of Livestock	117	114r	117	111	107	101	97
Minerals							
Petroleum (California)†	88	88	88	88	102	98	97
Lead (United States)†	..	71	60	60	67	68	59
Silver (United States)†	..	..	111	88	68	75	71
Building and Construction#							
Total	75	72	71	66	58	56	51
Building Permits—Value							
Larger Cities	44	45	44	42	22	22	24
Smaller Cities	69	65r	62	59	37	35	36
Engineering Contracts							
Awarded—Value							
Total	101	99	110	106	99	96	82
Excluding Buildings	160	168	164	158	173	169	148

†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.

month, and hence did not reflect any losses that may have occurred late in November. It also is probable that many establishments which curtailed their output substantially did not reduce their working forces correspondingly.

Activity on building and construction projects started before the end of October was reduced somewhat during November as a result of shortages of certain materials which normally are shipped by water. Although a substantial portion of the construction materials used in the district is produced locally, over three-quarters of the structural and reinforcing steel and many highly fabricated products are shipped through the Panama Canal to the Pacific Coast. In addition, over one-third of the lumber consumed in California is shipped by water from the Pacific Northwest. The curtailment caused by lack of materials occurred principally on a number of large engineering projects, and private building was reduced only slightly, if at all.

The value of construction initiated was considerably smaller in November than in October. Value of public works started declined 42 percent, largely as a result of decreases in awards for public buildings and streets and roads. A decline of 10 percent in the value of permits issued in 152 cities for new private building resulted almost entirely from a reduction in the nonresidential classification, since the value of new residential building started in November was almost as large as in October.

Trade

Department store trade increased by the seasonal amount during November and registrations of new automobiles increased considerably. Sales of wholesalers declined by more than the usual seasonal amount. Effects of the

Distribution and Trade—

	1936				1935		
	Nov.	Oct.	Sept.	Aug.	Nov.	Oct.	Sept.
Indexes adjusted for seasonal variation (1923-1925 average=100)							
Carloadings†							
Total	90¶	86	86	85	78	72	75
Merchandise	105¶	93	98	94	92	80	83
Intercoastal Trade							
Total	27	75	76	77	66	71	69
Westbound	24	97	127	128	95	102	77
Eastbound	28	66	61	62	57	61	66
Retail Trade							
Automobile Sales††							
Total	109	93	114	131	106	75	80
Passenger	108	84	101	119	102	66	70
Commercial	114	189	246	256	145	161	185
Department Store							
Sales‡	95	95	93	92	89	88	85
Stocks§	68	65	66	64	64	61	63
Collections#	Actual Figures						
Regular	49.4	52.1	49.0	49.2	50.0	51.0	46.5
Installment	17.6	17.7	18.0	18.4	18.5	19.1	18.3

†Daily average. ‡At end of month. #Percent of collections during month to amount outstanding at first of month. ¶Preliminary. ††Not adjusted for seasonal variation.

strike of maritime workers were shown by a drastic reduction in water-borne commerce and by a sharp expansion in the volume of freight moving on district railroads.

Despite the slowness in sales of winter wearing apparel because of unusually mild weather in California, department store trade expanded by the full seasonal amount. Sales of San Fran-

RETAIL TRADE—Twelfth District

Percentage changes in value of sales and stocks

	1936 compared with 1935		
	NET SALES		STOCKS
	November*	Jan. 1 to end of November	November
Department Stores....	2.3 (85)	9.8	5.8 (54)
Los Angeles.....	2.0 (6)	10.2	8.6 (6)
Other So. California	1.5 (10)	6.5	10.7 (6)
Oakland.....	0.7 (5)	9.7	1.3 (4)
San Francisco.....	2.3 (8)	9.6	3.6 (7)
Bay Region.....	1.8 (18)	9.5	3.0 (15)
Central California...	2.9 (5)	5.9	6.7 (5)
Portland†.....	13.3 (9)	15.8	11.7 (7)
Seattle.....	7.3 (5)	10.5	—2.1 (4)
Spokane.....	9.0 (6)	11.1	10.8 (5)
Tacoma†.....	—0.2 (6)	10.1	11.8 (5)
Salt Lake City.....	—5.8 (4)	5.8	9.5 (4)
Apparel Stores.....	3.6 (40)	16.0	16.4 (25)
Furniture Stores.....	15.6 (32)	25.8	20.3 (23)
All Stores.....	3.9 (157)	12.4	8.7 (102)

†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. *November 1936 had one less trading day than November 1935 and in November this year there were four Saturdays as compared with five a year ago.

cisco stores increased considerably more than is usual in November. Reductions in income of maritime workers caused by the strike appear to have had some depressing effects upon trade at stores in certain locations, but during the month of November that influence was more than offset by such factors as the celebration at the opening of the San Francisco-Oakland Bay Bridge, declarations of extra dividend and wage payments, and a general tendency for industrial activity to expand. In the Pacific Northwest, considerable expansion in sales was reported, while in Salt Lake City and in southern California small reductions took place.

WHOLESALE TRADE—Twelfth District

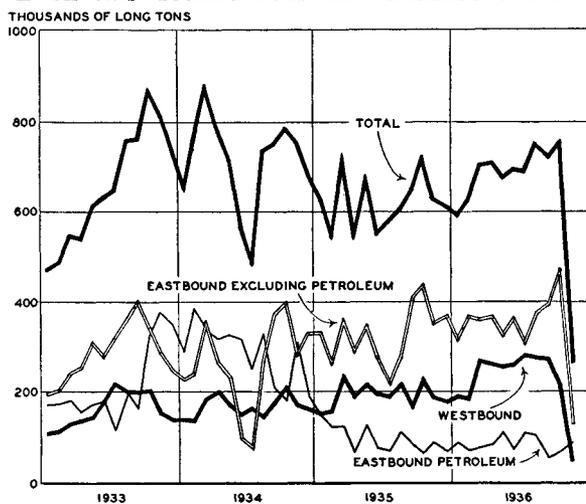
Percentage changes in value of sales

	November 1936 compared with—		Cumulative 1936 compared with 1935
	Oct. 1936	Nov. 1935	
Automobile Supplies.....	—2.2	6.7	12.9
Drugs.....	—2.1	13.9	12.2
Dry Goods.....	—16.5	—7.5	6.0
Electrical Supplies.....	—8.7	27.1	33.4
Furniture.....	0.7	—8.7	—0.9
Groceries.....	—19.7	—5.5	8.3
Hardware.....	—16.6	5.7	22.5
Shoes.....	—27.6	9.2	15.7
Paper and Stationery.....	—24.9	6.9	11.9
All Lines.....	—13.0	4.8	14.6

Sales in most lines of wholesale trade declined during November by more than the amounts customarily expected for this time of year. Part of the decrease reflected restricted distribution of some commodities because of unsettled labor conditions. Total sales were only 5 percent larger than in November 1935, the smallest year-period increase since March 1935.

The strike of marine and longshore unions at Pacific Coast ports, effective October 30, 1936, had a pronounced effect upon intercoastal commerce during November, the seasonally adjusted index falling to 27 percent of the 1923-1925 average, compared with a level of 75 to 77 percent during the three preceding months. Even this decline does not measure the full

1936, included canned fruits, sugar, flour, canned fish, wood pulp, dried fruits, copper, wheat, paper and paper products, canned vegetables, and beans. There is a seasonal movement in many of these products and in some instances the largest volume of shipments occurred before the strike. For example, October is generally the peak month in shipments of canned fruit and canned fish. Shipments of sugar usually are greatest from July through October. Flour shipments occur fairly regularly. Dried fruits appear to be shipped most during the winter months.



INTERCOASTAL SHIPMENTS
 Monthly tonnage of goods shipped through Panama Canal, between Atlantic and Pacific ports of the United States. Not adjusted for seasonal variation.

Water-borne shipments from United States Atlantic ports to the Pacific Coast include principally manufactured articles. Iron and steel products are most important, followed by sulphur, lubricating oils and greases, paper and paper products, automobiles, tinplate, textiles, chemicals, machinery, and miscellaneous manufactured goods. The iron and steel shipped through the Panama Canal is used principally in construction in Pacific Coast states. Sulphur, originating in Texas and Louisiana, finds many uses here in the chemical, pulp, fertilizer, insecticide, and sugar industries. Tinplate shipped from the Atlantic Coast is used in the Twelfth District canning industry.

extent of decrease in shipments of goods. The volume of intercoastal trade is measured by the quantities passing through the Panama Canal, since there are no current figures of cargo loadings and unloadings at the several Pacific, Atlantic, and Gulf ports. Thus, many ships which were loaded shortly before October 30, the effective date of the strike, did not pass through the Canal until November, at which time their cargo was recorded in intercoastal traffic. Another important factor was the continuance of eastbound petroleum shipments. Tankers are loaded by pipeline, and thus do not require longshoremen, and the seagoing personnel of the tankers is not affiliated with any of the striking maritime unions. With the exception of the tankers, there was virtually no loading or unloading of ships at Pacific ports during November.

It will be seen from these lists of commodities that industrial output as well as trade in the Twelfth District is promptly affected by

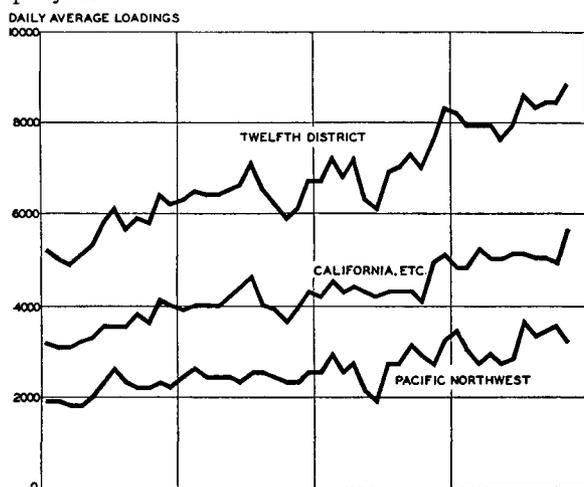
Tonnage of goods moving out of Pacific ports in the intercoastal trade in the first ten months of 1936 was about twice as large as tonnage received from Atlantic and Gulf ports. The most important products included in eastbound traffic were lumber and petroleum, two of the principal commodities produced in the Twelfth District and shipped to other regions. These two items accounted for half of the total eastbound intercoastal traffic. Other important eastbound commodities, listed in order of tonnage recorded during the first ten months of

Bank Debits*—

	Nov. 1936	Nov. 1935	First eleven months—	
			1936	1935
Arizona				
Phoenix	\$ 36,248	\$ 34,824	\$ 387,508	\$ 327,429
California				
Bakersfield	22,061	16,536	167,864	127,895
Berkeley	17,508	17,099	200,227	170,457
Fresno	33,078	35,334	287,325	241,953
Long Beach	33,183	29,785	366,757	318,764
Los Angeles	844,935	688,619	9,159,379	7,202,367
Oakland	90,317	79,483	993,951	766,981
Pasadena	25,602	23,997	267,029	233,233
Sacramento	95,027	123,755	1,074,103	1,174,374
San Bernardino	9,910	7,144	101,415	79,750
San Diego	46,496	47,232	512,018	452,078
San Francisco	871,030	893,710	9,562,036	8,642,634
San Jose	22,820	23,760	250,756	217,657
Santa Barbara	12,096	11,150	129,117	106,869
Santa Rosa	5,150	4,607	51,722	42,749
Stockton	21,169	17,813	208,852	173,563
Idaho				
Boise	17,091	16,141	181,147	162,664
Nevada				
Reno	11,753	8,624	107,772	92,490
Oregon				
Eugene	6,266	5,268	68,757	53,810
Portland	152,868	145,621	1,766,143	1,543,401
Salem	13,310	11,341	155,465	129,764
Utah				
Ogden	18,954	15,916	163,254	153,579
Salt Lake City	67,210	60,718	679,305	587,596
Washington				
Bellingham	6,187	6,194	66,286	55,778
Everett	7,193	6,324	79,287	60,611
Seattle	180,068	169,864	2,088,880	1,698,662
Spokane	48,445	36,921	483,461	399,991
Tacoma	31,634	28,911	352,568	274,155
Walla Walla	5,264	5,391	60,846	54,216
Yakima	14,814	12,361	143,923	126,607
Total	\$2,767,687	\$2,584,443	\$30,117,153	\$25,672,077

*In thousands of dollars.

an event such as cessation of water-borne commerce. Although a good many industries, in anticipation of the strike, stored up raw and semi-finished materials usually obtained by water from the East Coast, it is reported that lack of supplies in November resulted in some curtailment or delay in the chemical and automobile industries and on large construction projects.



CARLOADINGS—Twelfth District

Daily average railway freight carloadings. Adjusted for seasonal variation.

The shipment of Twelfth District products by rail generally declines considerably in November after reaching a seasonal peak in Octo-

ber. The decline in railroad carloadings in November this year was smaller than usual, and the seasonally adjusted index advanced from 86 percent of the 1923-1925 average in October to 90 percent in November. The unusually small decline in traffic resulted principally from diversion to railroads of shipments which ordinarily move by water. In California, the reduction was considerably smaller than is usual in November, while in the Pacific Northwest the decline was larger than in any November in at least thirteen years. Reduced shipments from interior points to seaboard terminals in Oregon and Washington contributed to unusually large declines in railroad shipments of logs and grains. These reductions resulted at least partially from the tie-up of water-borne commerce. Shipments of miscellaneous commodities in the Pacific Northwest also declined more than is customary in November.

Prices

Following a period of two and one half months of relative stability, wholesale commodity prices, according to the index of the Bureau of Labor Statistics, advanced sharply in November and the first half of December. The index for all commodities increased from 81.3 percent of the 1926 average for the week ending November 7 to 83.4 percent for the week ending December 12. On the later date the index was at the highest level since Octo-

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—Oct. 14....	+ 2.2	+ 1.6	+10.1	+13.9
Oct. 21....	+ 1.5	+ 1.0	+ .5	*
Oct. 28....	+ 1.6	— .3	+ 1.0	— 2.9
Nov. 4....	+ 1.8	— .1	— 9.6	— 7.9
Nov. 11....	— .4	+ 1.1	+10.1	+10.8
Nov. 18....	+ .2	— 1.9	— 1.1	— 2.8
Nov. 25....	— 3.7	— 5.3	+ 4.9	— 4.1
Dec. 2....	+ 4.6	— .1	+10.8	+15.3
Dec. 9....	— 3.4	+ 9.7	+12.1	+18.4
Dec. 16....	+ 7.1	—15.6	—18.6	—27.1

USES OF FUNDS				
Week Ending	Demand for Currency	Member Bank Reserve Deposits	Other F.R.B. Accounts	Total Demand
1936—Oct. 14....	— 1.2	+15.0	+ .1	+13.9
Oct. 21....	+ .1	— 2.0	+ 1.9	*
Oct. 28....	— 4.8	+ 2.4	— .5	— 2.9
Nov. 4....	+ 9.5	—17.1	— .3	— 7.9
Nov. 11....	+ 1.8	+ 7.0	+ 2.0	+10.8
Nov. 18....	— 5.2	+ 4.5	— 2.1	— 2.8
Nov. 25....	— .9	— 3.6	+ .4	— 4.1
Dec. 2....	+ 3.2	+12.2	— .1	+15.3
Dec. 9....	+ .7	+16.5	+ 1.2	+18.4
Dec. 16....	— .8	—24.9	— 1.4	—27.1

*Change less than \$50,000.

CONDITION OF FEDERAL RESERVE BANK OF SAN FRANCISCO

(Amounts in millions of dollars)

	Dec. 16 1936	Dec. 9 1936	Nov. 18 1936	Dec. 18 1935
Total Bills and Securities.....	216	216	216	201
Bills Discounted.....	...	...	...	...
Bills Bought.....	...	...	...	...
United States Securities.....	214	214	214	199
Total Reserves.....	622	645	616	422
Total Deposits.....	492	508	484	326
Reserve Note Circulation.....	334	335	332	280
Ratio—Reserves to Deposit and Note Liabilities....	75.2%	76.4%	75.5%	69.6%

CONDITION OF REPORTING MEMBER BANKS Twelfth District

(Amounts in millions of dollars)

	Dec. 16 1936	Dec. 9 1936	Nov. 18 1936	Dec. 11 1935
Loans and Investments—Total.....	2,216	2,166	2,180	2,164
Loans to Brokers and Dealers..	20	21	16	13
Loans on Securities to Others (except Banks).....	158	158	159	170
Acceptances and Com'l Paper..	20	21	22	24
Loans on Real Estate.....	368	369	364	368
Loans to Banks.....	1	1	2	1
Other Loans.....	406	390	384	361
U. S. Gov. Direct Obligations..	725	688	716	736
Obligations Guaranteed by U. S.	154	156	158	135
Other Securities.....	364	362	359	356
Reserve with F. R. Bank.....	282	296	285	177
Due from Domestic Banks.....	256	255	257	225
Demand Deposits—Adjusted....	932	895	897	786
Time Deposits.....	1,007	1,035	1,020	1,024
U. S. Government Deposits....	67	45	57	103
Deposits of Other Banks.....	315	318	325	277
Borrowings.....	...	...	...	...

ber 1930. The upward trend in the index has been due to a general increase among all groups of commodities, with textile products, farm products, and food prices showing the largest gains during the period under review.

In the nonferrous metals market domestic copper prices reached a six-year peak in mid-December when New York spot quotations increased $\frac{1}{2}$ cent to 11 cents per pound. Export copper prices also advanced and continued slightly higher than quotations for domestic use. The spot price of foreign silver in New York fluctuated with little net change around 45 cents per ounce while the Treasury's buying price for newly mined domestic silver remained unchanged at 77.57 cents per ounce.

Prices of other commodities of importance in the economy of the Twelfth District such as wheat, barley, cotton, potatoes, alfalfa hay, wool, sugar, rubber, and coffee shared in the upward movement of prices.

The Credit Situation

The condition of Twelfth District banks was affected principally by United States Treasury operations between November 18 and December 16. During the first three weeks of the period Treasury disbursements exceeded local collections, a relationship which has existed almost continuously since 1929 and which results in additions to member bank reserves. In the week ending December 16, however, Treasury collections were unusually large, reflecting quarterly financing operations and receipt of income taxes. As a result, the Treasury with-

drew substantially more than it disbursed in the Twelfth District during that week.

The net result of all factors adding to or taking from Twelfth District member bank reserve balances in the four weeks ending December 16 was that little change occurred, and in the aggregate, reserve balances continued well in excess of the amounts required by law. Not only do aggregate reserve balances of Twelfth District member banks exceed requirements by a substantial amount, but in the first half of November practically all banks had considerably larger reserve balances than were required. In addition to the reserves which Twelfth District member banks carry at the Federal Reserve Bank of San Francisco, many banks have larger balances with correspondent banks than are needed for operating purposes.

Reflecting the purchase of new Treasury bonds on December 15, district reporting member banks increased their holdings of direct obligations of the United States Government 37 million dollars in the week ending December 16. The increase in that week slightly more than offset the reductions which had occurred in the three preceding weeks, and total holdings on December 16 were 9 million dollars larger than four weeks earlier. City bank loans in the "all other" classification advanced moderately further during the four week period, and loans on real estate also increased. As a result of these and other changes in earning assets of reporting banks, total loans and investments increased 36 million dollars during the four-week period.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

Prepared by the Board of Governors of the Federal Reserve System

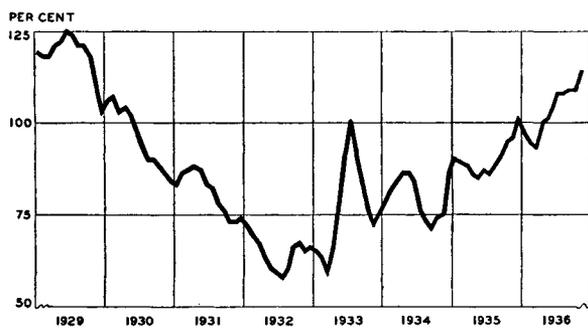
Production, wage payments, and the distribution of commodities to consumers increased considerably from October to November. Wholesale commodity prices have advanced steadily since the end of October.

Production and Employment. The Board's index of industrial production, which makes allowance for changes in the number of working days in the month and for the usual seasonal variations, was 114 percent of the 1923-1925 average in November, as compared with 109 percent in October. Output of both durable and non-durable manufactures showed a considerable rise. Production of steel ingots increased further to a rate of 79 percent of capacity in November, and output of automobiles also increased. Figures for the first three weeks of December indicate continued expansion in output of both steel and automobiles. In the plate glass industry, where there has been a strike, production was sharply reduced in November, and activity at lumber mills de-

clined, reflecting the effects of the maritime shipping strike on the Pacific Coast. Increases in output were reported at meat packing establishments and textile mills, and sugar meltings and output of tobacco products declined by less than the usual seasonal amount. At mines, coal production increased and output of crude petroleum and iron ore showed a smaller than seasonal reduction. Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, continued at about the same rate in November as in the previous month. Factory employment showed little change from October to November, although a decrease is usual at this season of the year, and the Board's seasonally adjusted index advanced to 96 percent of the 1923-1925 average. The number employed at factories producing durable goods continued to increase, with the largest expansion in the automobile and machinery industries. There was a decline in employment at lumber mills and in the glass

industry. In the nondurable goods industries as a group, employment showed a smaller decline than is usual in November. At shoe factories and establishments producing wearing apparel, smaller than seasonal declines were reported, and there were increases in employment at cotton and woolen textile mills and at meat packing plants.

Distribution. Department store sales in-

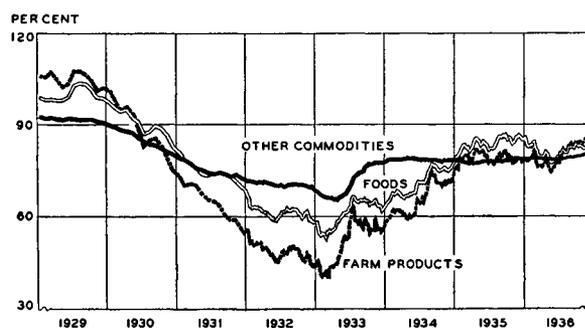


INDUSTRIAL PRODUCTION

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

cotton yarns, and worsted yarns advanced somewhat further and cotton, pig iron, and steel scrap prices also increased in this period.

Bank Credit. The reserve position of member banks in recent weeks has been influenced largely by temporary seasonal developments in connection with holiday currency requirements and mid-December financing by the United States Treasury. Notwithstanding the increased

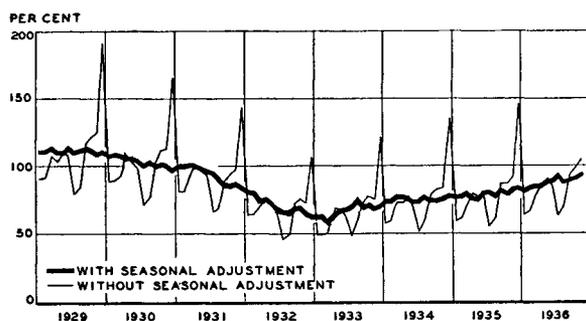


WHOLESALE PRICES

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 December 19, 1936.

creased substantially in November, and there was also a rise in sales at variety stores and at chain grocery stores. Sales by general merchandise stores and mail order houses serving rural areas declined from the high level reported for October. Freight carloadings showed a smaller than seasonal decrease in November. Loadings of coal, coke, and grain increased,

demand for currency for Christmas shopping there was a further growth in demand deposits; at weekly reporting member banks through the first half of December, reflecting additions to monetary gold stock, as well as a sharp increase in bank loans. At reporting banks outside New York City, holdings of Government securities increased by \$140,000,000 in the four

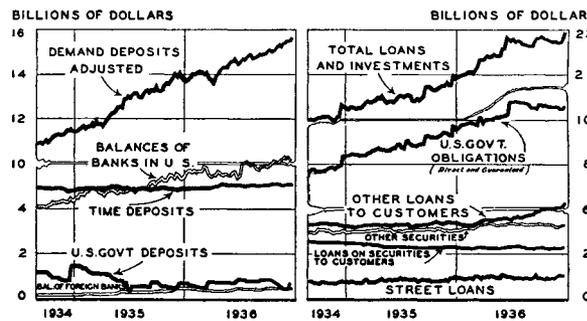


DEPARTMENT STORE SALES

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

contrary to the usual seasonal tendency, and shipments of miscellaneous commodities and of most other classes of freight declined by less than the seasonal amount.

Commodity Prices. The general level of wholesale commodity prices continued to advance from the middle of November to the third week of December. There were substantial increases in the prices of wheat, flour, non-ferrous metals, and rubber. Prices of wool,



MEMBER BANK CREDIT

Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934 to December 16, 1936. Loans on real estate, loans to banks, acceptances and commercial paper bought included in total loans and investments but not shown separately.

weeks ending December 16, while at New York City banks they showed a further small decline. There was an increase of \$100,000,000 in loans to brokers and dealers in securities in New York City largely for the purpose of buying United States Government securities. Commercial loans showed a further increase of \$150,000,000, carrying the total volume of such loans to a level \$800,000,000 higher than a year ago.