

# MONTHLY REVIEW

## BUSINESS CONDITIONS IN THE TWELFTH FEDERAL RESERVE DISTRICT

*Federal Reserve Bank of San Francisco*

*February 1, 1939*

A marked decline in business during the latter part of 1937 was followed by moderate further decreases in the first half of 1938, but this decline was succeeded in the second half of the year by considerable expansion in production and trade. Timing of these movements in the Twelfth Federal Reserve District corresponded generally with changes recorded for the United States as a whole, but the extent of the downward movement after mid-1937 and of the recovery in the second half of 1938 appears to have been distinctly more moderate in this district. At the year end, however, output of several important local industries was somewhat higher than at the close of 1937 and, allowing for seasonal factors, production generally was being maintained at the highest levels of the year or continuing to expand.

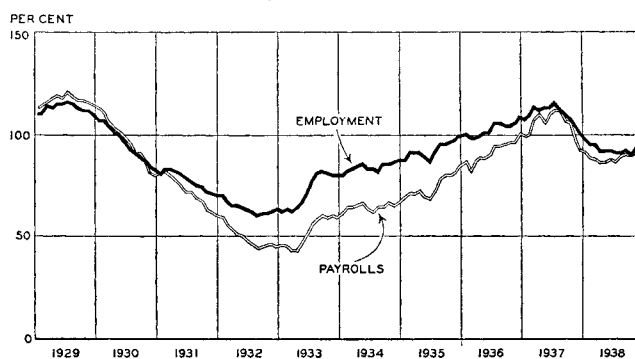
At the beginning of 1938, district industrial production was decreasing, employment and payrolls were declining, new orders for goods were generally at depressed levels, profits were contracting and in some cases disappearing entirely, agricultural and industrial prices were declining, and many firms were confronted with inventories that were burdensome in relation to their current or prospective sales volume. Under these conditions, business men generally attempted to reduce inventories and curtail operating expenses. Their efforts to liquidate inventories were aided by a fairly well sustained volume of consumer buying, and by mid-year stocks of retailers, wholesalers, and manufacturers generally had been reduced to satisfactory volumes. Reductions in operating expenses and in inventories enabled business firms to repay a portion of their loans at district banks.

In the meantime, an important recovery had appeared in residential building activity, which had declined about 40 percent from April to December 1937. An upturn took place in this major industry in January 1938, and was followed after March by a sharp expansion.

The marked increase in building during the spring months, both locally and in other parts of the United States, resulted in an increased demand for various building materials, and thus helped solve the inventory problems of many dealers and producers. In the lumber industry, this increased demand was promptly reflected in a higher volume of production, since inventories had been reduced to comparatively low levels by early spring. In some other materials industries the production increase became apparent more slowly, but by mid-year output of cement, steel, and common brick was also increasing.

The recovery of private building with its effects on other industries, together with the reduction of inventories and other factors such as some anticipation of the Federal spending program announced in April and the relatively well maintained level of consumer income, contributed to a more general expansion of trade and industry during the last half of the year. A fairly brisk expansion in sales of new automobiles took place during the last quarter of the year, and November and December volume of retail trade generally increased by the full

seasonal amount or more. The number of factory workers increased considerably in the last quarter of the year, the seasonally adjusted index for December advancing sharply to the same level as in January 1938, the highest point of the year. A considerable rise in factory payrolls also took place, the adjusted index advancing to a level



FACTORY EMPLOYMENT AND PAYROLLS  
Pacific Coast States

Indexes of number employed and payrolls, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to December 1938. (Fruit and vegetable canning industry excluded)

2 percent higher than in December 1937. Business profits appear to have improved, although information on this subject is scant. Agricultural income did not improve, but the drastic declines that had taken place earlier in the year did not continue after late summer.

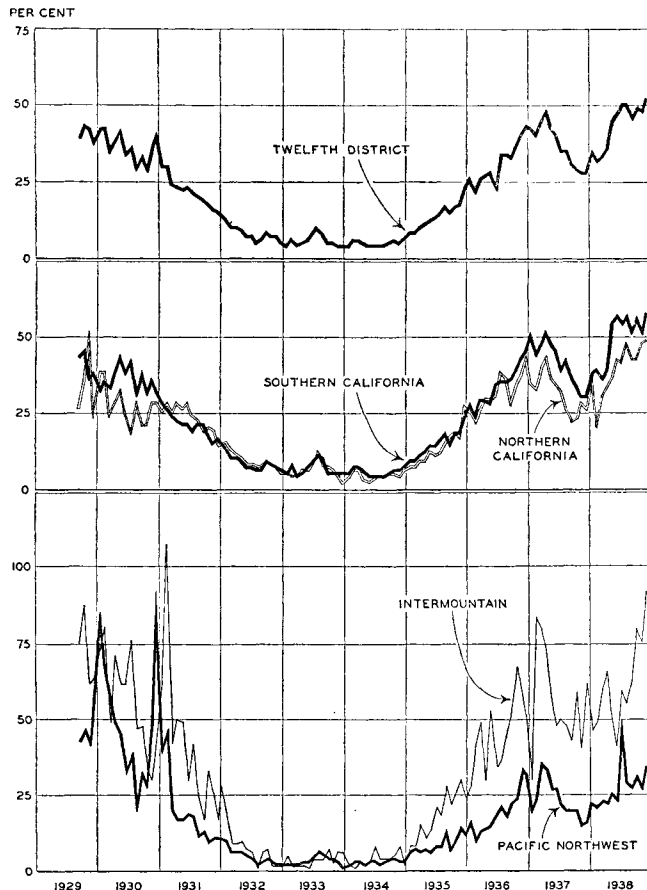
### BUILDING

Outstanding in the recovery movement of this district during 1938 was the increase in building activity. The most marked expansion took place in residential building, but considerable increases were also recorded in private nonresidential construction and in public works.

Rapid expansion in residential building during 1938 contrasted sharply with a decline of about 40 percent, after allowance for seasonal factors, between April and December 1937. The upturn which took place in January 1938 was followed by further gains during the spring and early summer months, and the adjusted index rose in July to 50 percent of the 1923-1925 average, a high point since 1929. During the remainder of the year residential building was maintained at about the July level, and in December the adjusted index was 53. For the year as a whole, value of residential building permits in the Twelfth District was 17 percent larger than in 1937.

The bulk of residential building in this region is done by operative builders, whose programs depend mainly upon the prospects for profitable sale of the houses they build. Their sales prospects are governed by various factors such as the supply of housing, general business conditions and the level of consumer incomes, and the relationship between rent and overall monthly payments for purchase of a house. The decline in new building late in 1937 reflected the slow sale of houses, some builders finding it necessary

to carry unsold houses over into 1938. Most of those houses had been sold by February or March, however, and construction of additional houses was commenced rapidly. This expansion appeared throughout the district, with the bulk of the dollar increase coming in southern California and the San Francisco Bay region. Houses continued to sell well throughout the remainder of 1938, and at the year-end builders generally were proceeding with active construction programs. Preliminary figures for January 1939 indicate a further advance in the seasonally adjusted index for that month.



RESIDENTIAL BUILDING PERMITS—Twelfth District  
Indexes of value of permits, adjusted for seasonal variation, 1923-1925  
average=100. By months, September 1929 to December 1938.

Liberalization of the National Housing Act by Congress, effective February 3, 1938, and a considerable underlying demand for houses were important factors contributing to the expansion in residential building last year. Amendments to the law reduced the overall monthly payment required to carry an insured mortgage and lowered the down payment required of buyers of lower priced homes, particularly those appraised at less than \$6,000. Most of the new houses built during 1938 sold for \$6,000 or less. Production and sale of higher priced houses was relatively slow. Reflecting the use of Federal Housing Administration insured mortgages, an expansion in loans on real estate was recorded during the year for Twelfth District banks. This was the only general class of loans of those banks to increase during 1938.

Several large scale rental projects were planned by

private interests during 1938 and construction on one in Seattle was started in July, while another in Los Angeles reached the construction stage in January 1939. Several low cost public housing projects were also under discussion in the latter part of 1938, but none had reached the construction stage by the year end, according to available information.

Nonresidential building for which permits were taken showed a smaller dollar gain during 1938 than residential building, but the percentage increase was considerably larger. Value of nonresidential permits, which fluctuates irregularly from month to month, advanced from about \$84,000,000 in 1937 to \$104,000,000 in 1938. Available information indicates that the increase reflected almost entirely expansion in privately financed building. Value of permits for public buildings totaled about the same as in 1937, but was considerably larger in the second than in the first half of 1938.

Value of contracts awarded in 1938 for construction projects not covered by building permits data was more than double the 1937 total. By far the largest increase took place in flood control, irrigation, and power projects. A contract for completion of Grand Coulee Dam in Washington, amounting to \$34,500,000, was awarded in February, and a contract for Shasta Dam and power plant in northern California, involving \$36,000,000, was awarded in July. After excluding these two exceptionally large projects, the value of heavy engineering construction for which contracts were awarded in 1938 increased approximately \$138,000,000 or 75 percent. Awards for street and road construction expanded \$47,000,000 to a total of \$91,000,000 for the year.

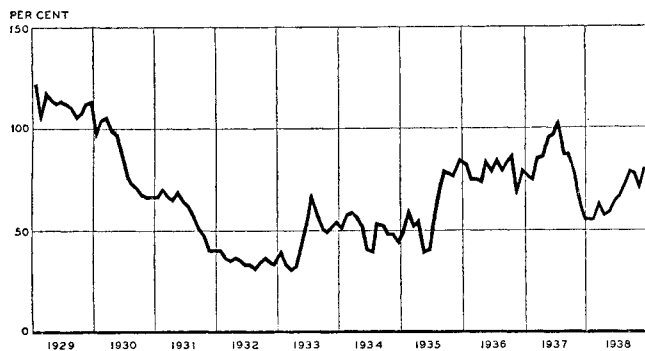
Residential building costs advanced somewhat during the first half of 1938, but, as the record shows, the advance was not so rapid as to prevent widespread recovery in the industry.

#### BUILDING MATERIALS INDUSTRIES

Despite the larger volume of building and construction started during 1938, output of the principal building materials was lower than in 1937. This is explained partly by the fact that some of the 1938 demand for materials was met by use of inventories that were accumulated by producers in 1937. Perhaps more important is the fact that on many jobs started late in 1938—especially large scale projects—the bulk of work was carried over to 1939, and actual construction had required delivery of only a small part of their supplies by the year end. Although total output of building materials was considerably smaller in 1938 than in 1937, there was a definite upward tendency in production during most of 1938.

Expansion in output of lumber during 1938 was more marked than in other building materials. Indicative of this expansion was the advance in this bank's seasonally adjusted index of lumber production from 55 percent of the 1923-1925 average in January to 63 in June and to 80 in December. This increased output went almost entirely to meet a growth in actual consumption of lumber in the domestic market. Stocks held by distributors were considerably reduced during the first half of the year, and trade reports indicate that they have been maintained at satisfactory levels in relation to current sales since that time. Gross mill stocks were likewise reduced and at the end of December 1938 were 8 percent lower than a year

earlier. This decrease reflected a 10 percent decline at mills in the Douglas fir region, and a 7 percent decline in the western pine and redwood areas combined. At the same time aggregate unfilled orders held by district mills were 24 percent larger than on December 31, 1937. Lumber prices, which had declined sharply in the second half of 1937, became firmer during the fall of 1938. Employment and payrolls in the lumber industry turned upward



LUMBER PRODUCTION—Twelfth District  
Index of daily average output, adjusted for seasonal variation, 1923-1925 average=100.

sharply in February 1938 and continued to increase almost without interruption until September. Part of the rise early in the year was seasonal in nature. From September through December small reductions in employment at lumber and sawmills took place, but the decreases were less than is customary at that time of the year. Reflecting these changes, both employment and payrolls in the lumber industry at the year end were higher than at the close of 1937.

Output of cement in Pacific Coast states was 20 percent smaller in 1938 than in 1937. A large part of the decline came early in the year, and resulted from reduced activity at public works projects which were completed or approaching completion. More than half the district decline took place in the Pacific Northwest, where a large proportion of output since December 1935 has gone into construction of Grand Coulee Dam. By the end of 1937, most of the concrete for the low level dam had been poured, and demand for additional cement for that project was small during the first half of 1938. In the latter half of the year, however, cement requirements for construction on the high dam resulted in an expansion in shipments from Washington cement plants which totaled more than in the corresponding 1937 period. Requirements for cement, and consequently production, were also increased during the second half of 1938 by work on other public projects and by the increase in residential building, and as a result output averaged considerably higher in that period than earlier in the year.

After four months of substantially curtailed activity, operations at district brick plants expanded in May 1938. Production continued to advance through August to levels which were well maintained during the remaining months of the year. Total output in 1938 is estimated to have been about as large as in 1937.

Demand for construction steel was at extremely low levels late in 1937 and early in 1938, and contributed to a reduction in output of steel ingots at local plants. New orders for steel turned upward about mid-year, however,

and output in the last six months of 1938 was considerably higher than in the first half. The construction industry was the principal source of the revived demand for steel, although miscellaneous buying also expanded.

#### OTHER MANUFACTURING

With several important exceptions, the general tendency of production in most district industries during 1938 was to decline somewhat in the first half of the year, but to resist further declines or to increase in the second half. The important exceptions to this general pattern were the petroleum, fruit and vegetable canning, aircraft, and pulp and paper industries.

#### ESTIMATED VOLUME OF INDUSTRIAL OUTPUT TWELFTH DISTRICT

(Expressed as percentages of 1929 output)

|                              | 1929 | 1933 | 1935 | 1936 | 1937  | 1938 |
|------------------------------|------|------|------|------|-------|------|
| Lumber .....                 | 100  | 43   | 56   | 73   | 76    | 61   |
| Petroleum .....              | 100  | 59   | 71   | 73   | 82    | 86   |
| Refined oils .....           | 100  | 66   | 73   | 80   | 85    | 82   |
| Motion pictures (cost) ..... | 100  | 76   | 128  | 138  | 174   | 169  |
| Paper .....                  | 100  | 87   | 108  | 120  | 130r  | 110  |
| Pulp .....                   | 100  | 99   | 133  | 154  | 200   | 136  |
| Automobile assemblies .....  | 100  | 48   | 92   | 129  | 135   | 76   |
| Rubber tires .....           | 100  | 58   | 75   | 125  | 123   | ..   |
| Aircraft (value) .....       | 100  | ..   | 318  | 700r | 1100r | ..   |
| Steel .....                  | 100  | 63   | 85   | 114  | 112r  | 86   |
| Cement .....                 | 100  | 49   | 60   | 107  | 102   | 83   |
| Meat .....                   | 100  | 111  | 100  | 114  | 117   | 117  |
| Sugar .....                  | 100  | 114  | 102  | 103  | 99r   | 106  |
| Flour .....                  | 100  | 84   | 98   | 94   | 98r   | 96   |
| Butter .....                 | 100  | 112  | 105  | 105  | 106r  | 111  |
| Cheese .....                 | 100  | 127  | 135  | 143  | 150r  | 165  |
| Glass containers .....       | 100  | 111  | 139  | 173  | 210   | 170  |
| Wooden boxes .....           | 100  | 64   | 76   | 79   | 78    | 77   |
| Wool consumption .....       | 100  | 98   | 151  | 122  | 114   | 102  |
| Gold .....                   | 100  | 94   | 156  | 195  | 215   | 222  |

r Revised. \*1938 output appears to have approximated that of 1937.

In the petroleum industry, output of crude oil advanced continuously during 1937 and through February 1938. In that month daily average production was higher than at any time since 1930 and was considerably above consumption. Efforts to curtail production resulted in a decrease of about 10 percent during the succeeding five months, but little further reduction in output was effected until about the year end. Despite the curtailment in output after February, inventories continued to increase through all of 1938 and on December 31 were 25 percent higher than a year earlier. The increase in stocks came principally in fuel oils, although in the second half of 1938 additions were made to stocks of gasoline-bearing crude. Strenuous efforts to curtail production were resumed in December and during the first three weeks of January 1939 daily crude oil output averaged  $3\frac{1}{2}$  percent lower than in December. Prices for crude and refined products were unchanged throughout the year, except for a small decline in fuel oil quotations.

Activity in the highly seasonal fruit and vegetable canning industry was considerably lower in 1938 than in other recent years. This reflected primarily the influence of large inventories carried over from 1937, with consequent depressing effects upon prices and upon the prospects for profitable sale of 1938 packs. Data for the Pacific Northwest are not yet available, but output of fruits and vegetables in California, which accounted for about 70 percent of district output in 1937, declined approximately a third in 1938. Sales by canners were somewhat more active in the fall and early winter of 1938 than in the comparable period of 1937, when sales by producers and primary distributors were extremely slow.

The 1938 pack of canned salmon in the Pacific Northwest and Alaska, amounting to 7,300,000 cases, was somewhat larger than the average of 7,005,000 cases for the preceding ten years. The market for canned salmon was active during the fall and early winter. As a result, de-

PRODUCTION AND STOCKS OF CANNED FRUITS AND  
VEGETABLES—CALIFORNIA  
(In thousands of cases)

|                  | Production |       | Canners' Stocks,<br>Sold and Unsold |       |
|------------------|------------|-------|-------------------------------------|-------|
|                  | 1937       | 1938  | 1937                                | 1938  |
| Apricots         | 5,553      | 1,547 | 3,202                               | 1,509 |
| Cherries         | 240        | 294   | 89                                  | 80    |
| Fruit cocktails  | 3,221      | 1,988 | 1,295*                              | 1,412 |
| Fruits for salad | 1,255      | 769   | 441*                                | 445   |
| Pears            | 1,499      | 1,626 | 793                                 | 869   |
| Peaches          | 13,248     | 9,822 | 8,315                               | 7,457 |
| Other fruits     | 572        | 411   | ..                                  | ..    |
| Asparagus        | 2,073      | 1,796 | 900                                 | 838   |
| String beans     | 587        | 330   | ..                                  | ..    |
| Peas             | 282        | 245   | ..                                  | ..    |
| Spinach          | 2,198      | 1,040 | 759                                 | 473   |
| Tomatoes         | 3,045      | 1,994 | 2,816                               | 1,918 |
| Tomato products  | 5,404      | 3,419 | 4,424                               | 3,462 |
| Other vegetables | 894        | 656   | ..                                  | ..    |

†End of calendar year except as noted. \*As of June 1, 1938.

spite the large pack and the heavy carryover from 1937, only moderately large unsold stocks amounting to 2,800,000 cases were held by canners at the end of the year. Unsold stocks totaled 4,100,000 cases at the end of 1937.

In the district aircraft industry, activity during most of 1938 continued substantially at the high level attained in 1937 after several years of sharply expanding operations. Deliveries, which lag considerably behind production, were larger in value than in any previous year. Aggregate orders for new planes continued in large volume. An increase in orders from abroad together with a well sustained volume of orders received from the United States Government, the most important source of demand, was sufficient to offset a sharp decline in orders from domestic commercial airlines. Value of unfilled orders, adjusted to exclude the value of motors which are purchased outside the district, was about the same at the end of 1938 as a year earlier, and was sufficient to maintain production at the 1937-1938 level for upwards of a year. Expansion of plant continued during 1938, but on a less extensive scale than during the two preceding years. Despite well sustained output of planes during 1938, employment and payrolls declined substantially, owing to a marked increase in operating efficiency at important plants.

District production of wood pulp declined sharply in late 1937 and, despite a slight upward tendency during most of 1938, output for the year as a whole was substantially lower than in 1937. This curtailment reflected a general reduction in demand for paper and paper products. In addition, a substantial decline occurred in sales of dissolving pulp for rayon manufacture, of which this district is an important source of supply for both domestic and world markets. Japanese purchases of this product practically ceased early in 1938. Although shipments of rayon yarn for the domestic market recovered rapidly in the summer to record levels, operations of rayon yarn producers were not advanced materially until their large stock of yarn had been reduced somewhat. Even in late 1938, takings of rayon pulp had increased only slightly. Shipments to Japan were resumed in December after having been entirely suspended from June through November. Operations of district paper mills turned upward early in 1938 and tended to advance for some months, but avail-

able data indicate a curtailment in activity during the latter part of the year.

Activity in the motion picture industry was further curtailed in early 1938 as producers intensified their efforts to reduce expenses. As theater attendance increased during the latter part of the year, however, operations in the industry became more active. Total cost of films for 1938 as a whole is estimated to have been \$165,000,000, a total only 3 percent lower than in 1937.

In the majority of other industries for which data are available, including flour milling, meat packing, and production of rubber tires and tubes, activity at the close of the year was somewhat higher than the monthly average for 1938 as a whole. Automobile assemblies were markedly higher in the last quarter than at any other time during the year.

### MINING

With the exception of gold, district mine output of nonferrous metals was considerably less in 1938 than in the preceding year. Prices of copper, lead, and zinc, which

MINE PRODUCTION OF NONFERROUS METALS  
TWELFTH DISTRICT  
(In thousands)

|                      | 1929   | 1932   | 1936   | 1937   | 1938   |
|----------------------|--------|--------|--------|--------|--------|
| Gold (fine ounces)   | 1,060  | 973    | 2,063  | 2,282  | 2,356  |
| Silver (fine ounces) | 40,728 | 17,588 | 40,246 | 49,819 | 43,060 |
| Copper (tons)        | 665    | 125    | 414    | 577    | 373    |
| Lead (tons)          | 317    | 139    | 184    | 219    | 176    |
| Zinc (tons)          | 108    | 42     | 107    | 126    | 104    |

Source: U. S. Bureau of Mines.

had declined sharply after March 1937, continued to decrease until mid-1938, and mine operations were considerably curtailed. Active buying of copper and rising prices after mid-June, however, stimulated an expansion in out-

### Production and Employment—

|   | Index numbers, 1923-1925<br>average=100 |      |      | With<br>Seasonal<br>Adjustment<br>(1938-1937) |      |      | Without<br>Seasonal<br>Adjustment<br>(1938-1937) |      |      | Annual<br>Average<br>1938 1937 |      |
|---|---|------|------|---|------|------|--|------|------|--------------------------------|------|
|   | 1938                                    | 1937 | Dec. | Dec.  | Nov. | Dec. | Dec.   | Nov. | Dec. | 1938                           | 1937 |
| <b>Industrial Production*</b>           |   |      |      |   |      |      |  |      |      |                                |      |
| Manufactures (physical volume)          |   |      |      |   |      |      |  |      |      |                                |      |
| Lumber                                  | 80                                      | 71   | 55   | 63  | 70   | 44   | 67   | 83   | 159  | 163                            |      |
| Refined oils                            | —                                       | —    | —    | 164   | 163  | 168  | 88   | 109  | 116  | 116                            |      |
| Cement                                  | 135                                     | 108  | 114  | 115   | 116  | 106  | 111  | 114  | 111  | 114                            |      |
| Meat                                    | 114                                     | 120  | 115  | 115   | 116  | 106  | 111  | 114  | 111  | 114                            |      |
| Wheat flour                             | 115                                     | 105  | 106  | 115   | 116  | 106  | 111  | 114  | 111  | 114                            |      |
| Minerals (physical volume)              |   |      |      |   |      |      |  |      |      |                                |      |
| Petroleum                               | —                                       | —    | —    | 98  | 100  | 107  | 104  | 99   | 60   | 78                             |      |
| Lead (U. S.)†                           | 57                                      | 66   | 87   | 58  | 69   | 88   | 60   | 78   | 85   | 109                            |      |
| Silver (U. S.)†                         | ..                                      | 51   | 104  | ..  | 55   | 105  | ..   | 55   | 105  | 109                            |      |
| Construction (value)                    |   |      |      |   |      |      |  |      |      |                                |      |
| Residential Building Permits‡           |   |      |      |   |      |      |  |      |      |                                |      |
| Twelfth District                        | 53                                      | 48   | 28   | 41  | 46   | 22   | 44   | 37   | 49   | 41                             |      |
| Southern California                     | 57                                      | 51   | 30   | 49  | 52   | 26   | 49   | 41   | 38   | 32                             |      |
| Northern California                     | 48                                      | 47   | 26   | 33  | 41   | 18   | 38   | 32   | 24   | 26                             |      |
| Oregon                                  | 33                                      | 24   | 14   | 20  | 19   | 9    | 20   | 23   | 60   | 67                             |      |
| Washington                              | 34                                      | 29   | 18   | 20  | 25   | 10   | 30   | 23   | 60   | 67                             |      |
| Intermountain states                    | 92                                      | 76   | 62   | 60  | 67   | 40   | 61   | 55   | 287  | 132                            |      |
| Public works contracts                  | —                                       | —    | —    | 364   | 210  | 149  | 194  | 200  | 196  | 199                            |      |
| Miscellaneous                           |   |      |      |   |      |      |  |      |      |                                |      |
| Electric power production               | 207                                     | 210  | 200  | 196   | 199  | 189  | 194  | 200  | 196  | 199                            |      |
| <b>Factory Employment and Payrolls§</b> |   |      |      |   |      |      |  |      |      |                                |      |
| Employment                              |   |      |      |   |      |      |  |      |      |                                |      |
| Pacific Coast                           | 97                                      | 94   | 100  | 94  | 95   | 97   | 93   | 110  | 106  | 107                            |      |
| California                              | 109                                     | 105  | 116  | 106   | 107  | 112  | 105  | 122  | 77   | 79                             |      |
| Oregon                                  | 80                                      | 79   | 78   | 77  | 79   | 75   | 78   | 95   | 76   | 79                             |      |
| Washington                              | 79                                      | 79   | 78   | 76  | 79   | 75   | 77   | 90   | 71   | 73                             |      |
| Payrolls                                |   |      |      |   |      |      |  |      |      |                                |      |
| Pacific Coast                           | 94                                      | 91   | 92   | 93  | 91   | 89   | 89   | 105  | 103  | 102                            |      |
| California                              | 105                                     | 102  | 108  | 103   | 102  | 105  | 100  | 116  | 78   | 79                             |      |
| Oregon                                  | 84                                      | 78   | 72   | 78  | 79   | 67   | 77   | 95   | 71   | 73                             |      |
| Washington                              | 74                                      | 73   | 67   | 71  | 73   | 65   | 75   | 85   | 71   | 73                             |      |

\*Daily average.

†Prepared by Board of Governors of the Federal Reserve System.

‡Includes figures from 197 cities and Los Angeles County, unincorporated.

§Excluding fruit and vegetable canning.

put during the fall months. Prices of lead also increased during the second half of 1938, but there was little or no evidence of increased production. Reduced activity for the year as a whole at copper, lead, and zinc properties contributed to a lower level of silver production, since much silver is recovered from ores mined principally for those metals. Some gold is also recovered from other ores, particularly copper, but any reduction in gold obtained from that source was more than offset by other increases, and total output, in ounces, advanced to the high-point for any year since 1856.

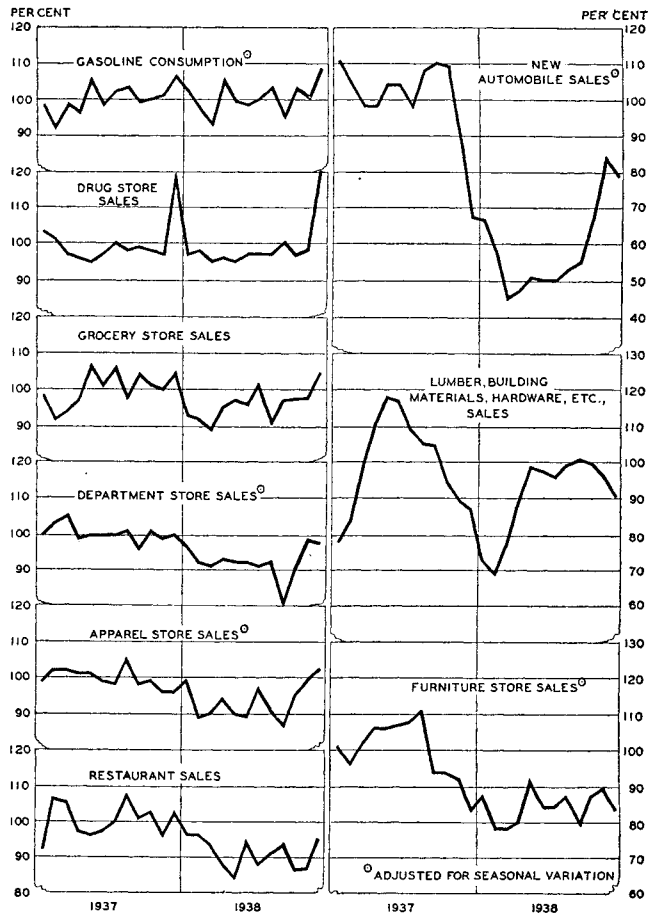
TRADE

District retail trade declined substantially during the latter part of 1937, and the curtailment extended through the first two months of 1938. The level of consumer expenditures appears to have been comparatively stable during the several succeeding months. In the late fall and early winter, however, the value of retail trade expanded to levels which, in December, were approximately equal to those of a year ago. Initially, the decline in retail trade was more pronounced in the durable and higher unit cost consumer goods, including building materials, automobiles, household appliances, furniture, and the like, but subsequently it extended to sales of the miscellaneous goods carried by department stores. During the latter part of 1938, gains in sales of both durable and non-durable goods were recorded.

Sales of new automobiles contracted sharply in late 1937 and the first quarter of 1938, and during the months of March through July were less than half as large as in the comparable months of 1937. Sales were better maintained in August and September, however, than is customary at that season of the year, and a marked expansion took place during the final quarter. In November and December, the number of new passenger cars sold in the district was about 10 percent larger than in the last two

months of 1937, but 30 percent lower than in the comparable period of 1936.

Value of sales of district furniture stores declined sharply in late 1937 and in the first quarter of 1938, and the seasonally adjusted index in March was 27 percent lower than in August 1937. Sales averaged somewhat higher during the following six months, and increased further in the last quarter of the year. Despite that increase, value of furniture store sales was 5 percent lower in the last three months of 1938 than in the comparable period of 1937.



RETAIL TRADE—Twelfth District  
Indexes of sales, 1937 daily average=100. Value figures, except gasoline consumption and automobile sales. By months, January 1937 to December 1938.

Distribution and Trade—

| Retail Trade Department             | Index numbers, 1923-1925 average=100 |      |      | With Seasonal Adjustment—1938—1937 |      |      | Without Seasonal Adjustment—1938—1937 |      |      | Annual Average 1938 1937 |  |
|-------------------------------------|--------------------------------------|------|------|------------------------------------|------|------|---------------------------------------|------|------|--------------------------|--|
|                                     | Dec.                                 | Nov. | Dec. | Dec.                               | Nov. | Dec. | Dec.                                  | Nov. | Dec. |                          |  |
| store sales (value)*                |                                      |      |      |                                    |      |      |                                       |      |      |                          |  |
| Twelfth District.....               | 95                                   | 96   | 99   | 158                                | 102  | 165  | 90                                    | 97   |      |                          |  |
| California .....                    | 101                                  | 103  | 103  | 172                                | 109  | 175  | 96                                    | 103  |      |                          |  |
| Los Angeles .....                   | 93                                   | 98   | 93   | 154                                | 102  | 154  | 90                                    | 98   |      |                          |  |
| Bay Region .....                    | 107                                  | 108  | 110  | 188                                | 116  | 193  | 99                                    | 108  |      |                          |  |
| San Francisco .....                 | 102                                  | 106  | 106  | 177                                | 115  | 183  | 94                                    | 105  |      |                          |  |
| Oakland .....                       | 123                                  | 116  | 125  | 224                                | 122  | 228  | 111                                   | 118  |      |                          |  |
| Pacific Northwest.....              | 75                                   | 75   | 75   | 129                                | 77   | 129  | 72                                    | 75   |      |                          |  |
| Seattle .....                       | 85                                   | 84   | 83   | 152                                | 88   | 149  | 80                                    | 84   |      |                          |  |
| Salt Lake City.....                 | 81                                   | 74   | 83   | 155                                | 81   | 158  | 78                                    | 79   |      |                          |  |
| Department store stocks (value)†... | 65                                   | 66   | 69   | 60                                 | 74   | 64   | 65                                    | 71   |      |                          |  |
| Furniture store sales (value)*‡...  | 72                                   | 78   | 72   | 104                                | 81   | 104  | 73                                    | 86   |      |                          |  |
| Furniture store stocks (value)†‡... | 66                                   | 67   | 78   | 65                                 | 70   | 77   | 70                                    | 78   |      |                          |  |
| Automobile sales (number)*          |                                      |      |      |                                    |      |      |                                       |      |      |                          |  |
| Total .....                         | —                                    | —    | —    | 112                                | 95   | 94   | 76                                    | 133  |      |                          |  |
| Passenger .....                     | —                                    | —    | —    | 111                                | 96   | 89   | 72                                    | 124  |      |                          |  |
| Commercial .....                    | —                                    | —    | —    | 124                                | 87   | 147  | 131                                   | 212  |      |                          |  |
| Carloadings (number)*               |                                      |      |      |                                    |      |      |                                       |      |      |                          |  |
| Total .....                         | 95                                   | 85   | 85   | 76                                 | 85   | 68   | 79                                    | 90   |      |                          |  |
| Merchandise and misc....            | 106                                  | 99   | 105  | 86                                 | 98   | 85   | 90                                    | 102  |      |                          |  |
| Other .....                         | 81                                   | 68   | 60   | 64                                 | 70   | 48   | 65                                    | 75   |      |                          |  |
| Intercoastal Traffic (volume)       |                                      |      |      |                                    |      |      |                                       |      |      |                          |  |
| Total .....                         | 62                                   | 58   | 52   | 58                                 | 60   | 50   | 54                                    | 63   |      |                          |  |
| Eastbound .....                     | 50                                   | 49   | 41   | 47                                 | 53   | 38   | 45                                    | 47   |      |                          |  |
| Westbound .....                     | 105                                  | 90   | 92   | 99                                 | 83   | 87   | 84                                    | 116  |      |                          |  |

\*Daily average. †At end of month. ‡1929 average = 100.

At department stores, sales were well maintained throughout 1937 but were sharply curtailed in the first two months of 1938. Unusual stability characterized the seasonally adjusted index during the succeeding six months. The strike of department store employees in San Francisco in September and October distorted the district figures for that period. It is evident, however, that a district wide decline in value of department store sales occurred in September and that the decline was followed by considerable expansion during the succeeding three months to about the levels of a year earlier.

Grocery and drug store sales, as well as the consumption of gasoline, were comparatively unaffected by the 1937-1938 business decline. Value of sales by chain and independent grocers and druggists in 1938 was approxi-

mately as high as in 1937, and gasoline consumption was about the same.

Curtalement in retail sales, together with the unusually large inventories held by retailers in many lines at the beginning of 1938, were factors contributing to the considerable reduction in wholesale trade in 1938 compared with the preceding year. Particularly sharp declines were reported in wholesale sales of household furniture, plumbing and heating supplies, electrical goods, and hardware. Sales of dry goods also declined sharply. Much of the reduction of about 11 percent for the year as a whole was accounted for in the first half when the value of sales of reporting wholesalers in 20 lines of trade was about 17 percent lower than in the first half of 1937. Since the reduction in wholesale trade was larger than the decrease in retail sales, a decline in retailers' inventories resulted. Inventories of department stores, for example, were 7 percent lower in value on December 31, 1938 than a year earlier. Inventories of wholesalers were likewise reduced during 1938, and on December 31 showed a decline of 14 percent for the year period.

Reflecting the recession in production, building, and trade, volume of railway freight traffic declined substantially from mid-1937 through April 1938. In that month, the seasonally adjusted index had declined to 74 percent of the 1923-1925 average from 96 in July 1937. Following this sharp decline, total loadings increased moderately in the late summer and early fall months of 1938, almost entirely because of expanding lumber shipments. In November and December, loadings of merchandise and miscellaneous goods also advanced considerably and as a result the adjusted index for December advanced to 95, which compares with 85 in December 1937.

#### AGRICULTURE

District farm cash income was substantially lower in 1938 than in the preceding year, declining to about \$931,600,000 from \$1,159,800,000 in 1937. During the preceding five years agricultural receipts had increased continuously, and in 1937 the total was somewhat larger than the 1925-1929 average. The 19 percent decrease in 1938, however, resulted in farmers receiving less cash income than in any year since 1935. Most of this decline reflected lower prices on almost all agricultural products, since volume of marketings was about the same as in 1937. Prices at the farm moved irregularly with little net change during 1938 but, owing to sharp declines late in the preceding year, averaged 20 percent lower than in 1937. The lower level of prices partly reflected the unusually large supplies of most farm products during 1938. Output of crops was about as large as the record production of 1937 and, in addition, large amounts of agricultural products were carried over from the preceding year. Reduced consumer income was also a factor in the lower prices of agricultural commodities during 1938.

Cash receipts of district farmers from the sale of crops amounted to \$523,900,000 in 1938, a decline of 26 percent from the total for the preceding year. Aggregate production of all district crops approximated the record output of 1937 or was slightly larger, notwithstanding marked reductions in some items including almonds, apricots, cotton and cottonseed, hops, and tomatoes. Production of citrus fruits increased substantially and exceeded output of any previous year. The pear and sugar beet crops were

likewise the largest on record, while the bean, grape, potato, prune, rice, and wheat crops were of near-record volume. Portions of several important district crops, including citrus fruits, potatoes, hops, peaches, prunes, and walnuts, were left unharvested or were diverted into other than regular commercial channels.

#### SOURCES OF CASH FARM INCOME—TWELFTH DISTRICT

(In thousands of dollars)

|                    | 1937       |                      |                | 1938       |                      |                |
|--------------------|------------|----------------------|----------------|------------|----------------------|----------------|
|                    | Farm Crops | Livestock and Prods. | Gov't Payments | Farm Crops | Livestock and Prods. | Gov't Payments |
| Arizona            | 30,731     | 21,869               | 1,193          | 31,812     | 19,162               | 2,554          |
| California         | 456,599    | 199,742              | 5,966          | 317,788    | 179,223              | 12,241         |
| Idaho              | 49,042     | 48,106               | 3,610          | 37,131     | 39,832               | 3,161          |
| Nevada             | 1,443      | 11,590               | 188            | 1,159      | 10,012               | 129            |
| Oregon             | 57,348     | 59,225               | 2,503          | 46,659     | 51,276               | 2,499          |
| Utah               | 13,146     | 31,432               | 994            | 13,372     | 25,494               | 1,930          |
| Washington         | 96,179     | 65,631               | 3,246          | 75,963     | 58,340               | 1,878          |
| Twelfth District.. | 704,488    | 437,595              | 17,700         | 523,884    | 383,339              | 24,392         |

Source: United States Department of Agriculture.

Income from the production of livestock and related products in 1938 totaled \$383,300,000 compared with \$437,600,000 in the preceding year, a decline of but 13 percent. Aggregate volume of marketings of livestock and livestock products was only slightly smaller than in 1937, most of the decline in income resulting from lower

#### PRODUCTION AND FARM VALUE OF CROPS

TWELFTH DISTRICT

(In thousands)

|                        | Production        |         |         | Farm Value |          |
|------------------------|-------------------|---------|---------|------------|----------|
|                        | Average 1927-1936 | 1937    | 1938    | 1937       | 1938     |
| <b>Grains</b>          |                   |         |         |            |          |
| Barley (bu.)           | 39,868            | 41,555  | 41,288  | \$25,380   | \$18,110 |
| Corn (bu.)             | 7,706             | 7,951   | 6,928   | 5,440      | 4,330    |
| Oats (bu.)             | 25,741            | 27,977  | 23,214  | 10,580     | 7,790    |
| Wheat (bu.)            | 107,017           | 124,429 | 125,917 | 87,730     | 68,810   |
| <b>Field Crops</b>     |                   |         |         |            |          |
| Alfalfa seed (bu.)     | 349               | 346     | 357     | 5,080      | 3,940    |
| Beans (bags)           | 3,000             | 7,264   | 6,205   | 21,740     | 16,450   |
| Clover seed (bu.)      | 195               | 287     | 281     | 4,942      | 2,160    |
| Cotton (bales)         | 352               | 1,051   | 619     | 44,660     | 27,850   |
| Cottonseed (tons)      | 157               | 467     | 275     | 9,740      | 6,050    |
| Tame hay (tons)        | 11,672            | 11,571  | 11,782  | 115,220    | 90,640   |
| Hops (lbs.)            | 32,753            | 43,913  | 35,261  | 6,411      | 5,546    |
| Potatoes (bu.)         | 48,951            | 68,409  | 65,203  | 26,400     | 33,260   |
| Rice (bu.)             | 7,812             | 9,108   | 9,100   | 5,283      | 4,914    |
| Sugar beets (tons)     | 2,232             | 2,892   | 3,754   | 17,860     | 24,310   |
| <b>Fruits and Nuts</b> |                   |         |         |            |          |
| Almonds (tons)         | 11                | 20      | 12      | 5,500      | 3,122    |
| Apples (bu.)           | 50,849            | 50,233  | 47,303  | 26,810     | 37,150   |
| Apricots (tons)        | 222               | 311     | 176     | 11,507     | 6,239    |
| Cherries (tons)        | 51                | 53      | 82      | 7,750      | 5,540    |
| Grapes* (tons)         | 1,929             | 2,454   | 2,331   | 46,684     | 31,721   |
| Wine                   | 450               | 631     | 589     | 13,251     | 7,510    |
| Raisin                 | 1,126             | 1,407   | 1,339   | 24,364     | 16,695   |
| Table                  | 353               | 416     | 403     | 9,069      | 7,516    |
| Peaches* (bu.)         | 22,135            | 23,252  | 20,835  | 19,354     | 6,064    |
| Clingstone             | 14,564            | 15,418  | 13,459  | 14,560     | 2,701    |
| Freestone              | 7,571             | 7,834   | 7,376   | 4,794      | 3,363    |
| Pears                  | 16,287            | 18,616  | 22,559  | 13,460     | 8,670    |
| Plums† (tons)          | 124               | 127     | 132     | 4,373      | 2,693    |
| Prunes (tons)          | 225               | 256     | 237     | 13,993     | 10,451   |
| Walnuts (tons)         | 41                | 60      | 49      | 10,912     | 11,100   |
| <b>Citrus Fruits†</b>  |                   |         |         |            |          |
| Grapefruit             | 2,168             | 2,710   | 4,693   | 2,870      | 2,300    |
| Lemons                 | 7,487             | 7,579   | 9,355   | 23,116     | 21,894   |
| Oranges*               | 32,397            | 29,827  | 45,605  | 56,362     | 36,812   |
| Navel                  | 14,871            | 13,234  | 16,680  | 21,021     | 13,091   |
| Valencias              | 17,526            | 16,593  | 28,925  | 35,341     | 23,721   |
| <b>Truck Crops</b>     |                   |         |         |            |          |
| Asparagus* (tons)      | 114               | 122     | 117     | 5,863      | 8,675    |
| Cantaloupes* (crates)  | 8,727             | 7,070   | 7,135   | 9,063      | 7,423    |
| Carrots* (bu.)         | 5,727             | 8,995   | 10,056  | 6,029      | 5,815    |
| Celery (crates)        | 2,943             | 4,252   | 4,864   | 6,982      | 6,862    |
| Lettuce* (crates)      | 12,210            | 13,526  | 12,435  | 22,549     | 19,158   |
| Green peas (tons)      | 73                | 134     | 114     | 9,651      | 8,946    |
| Strawberries (crates)  | 2,129             | 2,307   | 2,572   | 7,158      | 5,694    |
| Tomatoes* (tons)       | 260               | 546     | 378     | 11,703     | 9,827    |

\*California only.

†Includes prunes used for fresh consumption and canning in the Pacific Northwest.

‡Crop year ends October 31 of years shown.

prices. Prices of poultry and eggs averaged about the same as in the preceding year, while quotations for meat animals and dairy products were moderately lower in 1938 than in 1937. Wool sold at prices averaging almost 40 percent lower than in 1937. While total income of the district livestock industry was 13 percent below that of 1937, net income is estimated to have shown a considerably smaller decline. Feed costs, which constitute a large proportion of the total cost of production, were much lower than in the preceding year.

District farm receipts from the marketings of products were augmented during 1938 by Government benefit payments amounting to \$24,400,000 compared with \$17,700,000 in 1937. These payments were made under the Soil Conservation and Agricultural Adjustment Administration programs. While they constitute the only directly measurable contribution of the Government to district farm income, local agriculturalists received Federal aid in various other ways during 1938. Non-recourse loans were granted on wheat, cotton, and hops, and the effect of that program was to establish minimum farm prices for these crops. In the Pacific Northwest, exports of wheat were encouraged late in the year under an arrangement whereby the Government absorbed the difference in price at which grain was sold on world markets and the price at which it was purchased from local growers. In addition, large purchases of a number of farm products for relief distribution have been made by the Federal Surplus Commodities Corporation and have tended to relieve the threat of further serious declines in prices of these products.

TOTAL CASH FARM INCOME\*—TWELFTH DISTRICT  
(In thousands of dollars)

|                      | 1929      | 1932    | 1935    | 1936    | 1937      | 1938    |
|----------------------|-----------|---------|---------|---------|-----------|---------|
| Arizona . . . .      | 68,030    | 23,410  | 49,950  | 43,590  | 53,793    | 53,528  |
| California . .       | 649,750   | 334,460 | 492,450 | 549,960 | 662,307   | 509,252 |
| Idaho . . . . .      | 115,980   | 41,220  | 78,660  | 87,570  | 100,758   | 80,124  |
| Nevada . . . .       | 18,720    | 5,850   | 10,380  | 11,310  | 13,221    | 11,300  |
| Oregon . . . .       | 113,840   | 46,360  | 81,820  | 87,630  | 119,076   | 100,434 |
| Utah . . . . .       | 58,150    | 25,160  | 35,710  | 40,700  | 45,572    | 40,796  |
| Washington . .       | 183,320   | 79,170  | 138,790 | 135,720 | 165,056   | 136,181 |
| Twelfth District . . | 1,207,790 | 555,630 | 887,760 | 956,480 | 1,159,783 | 931,615 |

\*Including Government payments.  
Source: United States Department of Agriculture.

As shown in the accompanying table, there were wide variations in farm income received in the several states of this district from 1937 to 1938.

Generally favorable weather conditions throughout the year contributed to the large crop production and aided the livestock industry in 1938. Losses of livestock and crops from freezing temperatures and severe storms were less than average and considerably smaller than in the winter of 1936-1937. The snowpack in the higher elevations was of near record proportions early in the year and provided ample supplies of water in all sections of the district where irrigation is important. Rainfall during the winter and spring months was also heavy. In fact, in some areas wet soil conditions delayed plantings of winter and spring sown crops, and floods damaged crops in a few localities. Excellent weather generally prevailed during the growing and maturing season. Fall rains were late and only minor damage to late harvested crops was reported by growers. The first freezing temperatures came at an earlier date than usual, however, and reduced output of late potatoes in the Pacific Northwest, and of citrus fruits and of few truck crops in California. At the year-end, ad-

ditional rain and snow was generally needed to germinate fall sown crops, to replenish water for stock and to start new feed on ranges throughout the district.

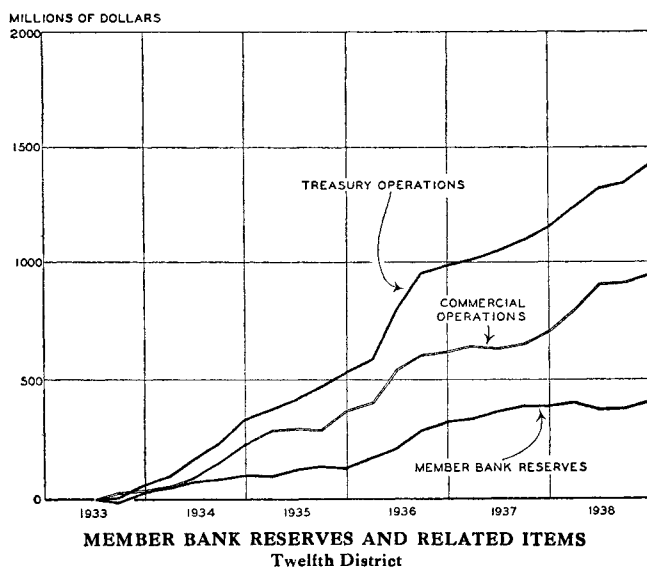
#### CREDIT AND BANKING

Idle funds held by district member banks, which were large at the end of 1937, expanded considerably further during 1938. Reflecting this situation, bank credit was available on terms at least as liberal as those prevailing in 1937. Despite the low cost of funds, demand for bank credit from private borrowers contracted during the year. Declines took place in total loans and in holdings of securities of public utilities, railroads, and other corporations. This reduction in the amount of bank credit in use by private borrowers was more than offset, however, by a substantial increase in investments in United States Government obligations and by an expansion of more moderate proportions in holdings of securities of states, counties, municipalities, and other administrative areas. Adjusted demand deposits, after declining considerably during 1937 and the first quarter of 1938, advanced to a level at the close of the year approximately as high as the previous record peak reported on December 31, 1936. Time accounts also increased, the expansion occurring almost entirely in savings deposits. The increase in savings deposits, however, was more moderate than in other recent years. Rates of interest paid on savings accounts by banks in the principal cities were reduced further at the mid-year, and prevailing rates currently are 1½ or 2 percent in most cities.

Excess reserves of district member banks averaged \$77,196,000 in the first half of January 1938. This sum was approximately 16 percent of the reserves which banks were required to maintain against their outstanding deposits. In succeeding months, excess reserves increased to a peak of \$166,990,000 in early November, but subsequently declined to an average of \$126,684,000 in the latter part of December. In addition to the increase of idle funds in the form of excess reserves, local member banks also added substantially to their demand balances with correspondents outside the district, particularly with those located in New York City. For several years these balances have been in excess of amounts necessary to provide facilities for interbank transactions. To the extent that this has been the case, district member banks have been in a position to supplement their reserves at the Federal Reserve Bank of San Francisco merely by withdrawing funds from their correspondent balances in other districts. Consequently, like excess reserves, some portion of these balances carried outside the district represents idle funds of local member banks. Much of the expansion in bankers' balances during 1938 was of that character, and was the result of a preference by the banks to carry a considerable portion of the funds for which they had no current use with correspondents in other districts rather than as excess reserves.

One important factor in the expansion of idle funds held by district member banks was the reduction in reserve requirements, effective April 16, 1938, made by the Board of Governors of the Federal Reserve System. The effect of this reduction was an immediate decrease of approximately \$63,000,000 in the amount of reserves which local member banks were required to maintain against outstanding deposits and an increase of like amount in ex-

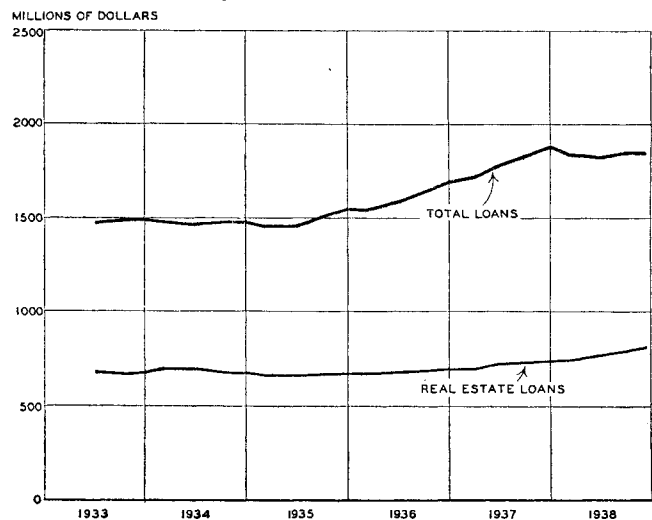
cess reserves. A second important factor consisted of large United States Treasury disbursements in the district in excess of local collections. Funds disbursed by the Treasury from its account with the Federal Reserve Bank of San Francisco, whether for the maintenance of the ordinary functions of Government, for relief, for public works, for interest on that part of the Federal debt held locally, or for any other purpose, are ultimately deposited in local banks, and principally in local member banks. The checks or warrants representing these disbursements are in turn sent by the member banks to the Federal Reserve Bank of San Francisco where they are credited to the reserve accounts of the member banks and debited to the Treasurer's account. The resulting increase in member bank reserve balances is offset, however, to the extent by which the Treasury collects funds locally from taxes, from the sale of new securities, from loan repayments and the like. In recent years, disbursements of the Treasury have been substantially larger than local collections and have consequently added to district member bank reserve balances. In 1938, net Treasury disbursements in the Twelfth District amounted to \$276,000,000. To meet this large net excess, the Treasury transferred funds from other districts, particularly from New York. Some of the funds transferred into this district represented additions to the Treasurer's working balance resulting from the release on April 14, 1938 of gold accumulated in an inactive account under the "gold sterilization" program. Some of the funds represented receipts from the customary large sales of new Government securities in New York. The heavy demand during 1938 for Government securities in New York reflected partly the increases in the amount of investment funds of banks and others owing to the inflow of foreign capital.



Treasury operations show net United States Treasury payments into the Twelfth District, which add to district bank reserves; Commercial operations show net payments by Twelfth District banks and their customers to other areas, which reduce district bank reserves. Figures cumulated from June 30, 1933.

The increase in district member bank reserve balances resulting from local operations of the United States Treasury was largely offset by a net outflow of funds arising from interdistrict payments and transfers for the accounts of banks and their customers. This net movement

of funds to other districts, amounting to \$239,800,000 during the year, was partly the outcome of local banks adding to their balances with correspondents in other sections of the country.



LOANS OF ALL MEMBER BANKS—Twelfth District  
Call report data; December 31, 1938 figures preliminary.

With banks amply provided with idle loanable funds, both in the form of excess reserves and of correspondent balances, interest rates charged customers tended lower during the year from the unprecedented low levels prevailing in 1937. Monthly reports received from district city banks indicate slight declines in rates on representative classes of loans, including prime commercial paper, advances on securities, and loans on commodities secured by warehouse receipts. A significant reduction in the cost of insured mortgage loans on smaller residential properties was brought about on February 3, 1938 by amendments to the statute creating the Federal Housing Administration. Previously, in addition to interest at 5 percent on an insured loan, the borrower paid a service charge of  $\frac{1}{2}$  of 1 percent per annum on the unpaid principal and a mortgage insurance premium charge of  $\frac{1}{2}$  of 1 percent per annum on the original amount of the note during its entire life. The amendments on February 3, 1938 eliminated the service charge and changed the method of assessing the insurance premium to apply only to the unpaid balance. In addition, in the case of newly constructed single family dwellings costing not over \$6,000, the premium was reduced to  $\frac{1}{4}$  of 1 percent per annum until July 1, 1939.

The decrease in total loans was slight, amounting to but \$2,000,000 from a total of \$1,871,000,000 on December 31, 1937. A considerable reduction occurred in the first half of the year in advances for commercial, industrial, and agricultural purposes, and almost no expansion took place during the late summer and fall months. Some of the decline in loans to business over the year period reflected the liquidation of inventories of goods accumulated in 1937. Slight declines in loans to brokers and to other customers for the purpose of purchasing or carrying securities also took place, despite the rise in prices of corporate stocks to somewhat higher levels in late 1938 than a year earlier. On the other hand, loans secured by real estate expanded considerably.



# MONTHLY REVIEW

Supplement

Federal Reserve Bank of San Francisco

February 1, 1939

## Summary of National Business Conditions

Prepared by the Board of Governors of the Federal Reserve System

VOLUME of industrial production declined seasonally in December and showed little change in the first three weeks of January, when an increase is usual. Wholesale commodity prices were steady. Employment and payrolls increased further in December, and retail sales showed more than the usual seasonal rise.

### PRODUCTION

In December, volume of industrial production declined by about the usual seasonal amount and the Board's adjusted index was at 104 percent of the 1923-1925 average, about the level reached in November following an exceptionally rapid advance after the middle of the year. Changes in output in most lines in December were largely seasonal. In the steel industry, however, production showed a greater than seasonal decline, and averaged 54 percent of capacity in December as compared with 61 percent in November. Lumber production showed little change from November to December, although usually there is a decline, and at textile mills and shoe factories activity declined less than seasonally. At meat-packing establishments there was a reduction in output.

Automobile production increased somewhat further in December. In the fourth quarter of 1938 production and sales of the new model cars were in about the same volume as in 1937. Dealers' stocks of new cars increased seasonally in this period but at the year end were much below the high level of a year earlier.

Value of construction contract awards increased considerably from November to December, according to F. W. Dodge Corporation figures for 37 eastern states. The increase reflected principally a further rise in contracts awarded for Public Works Administration projects, which accounted for most of the sharp increase in awards that occurred in the last half of 1938. Contracts for private residential building decreased less than seasonally in December, while other private construction showed little change and remained at a low level.

### EMPLOYMENT

Employment and payrolls rose further between the middle of November and the middle of December. In most manufacturing lines the number employed continued to increase, when allowance is made for the usual seasonal changes, and in the automobile and machinery industries the rise was considerable. Employment and payrolls in trade increased more than is usual in the holiday season, and in the construction industry employment showed much less than the usual seasonal decline.

### DISTRIBUTION

Distribution of commodities increased more than seasonally in December. Sales at department stores showed the usual sharp expansion prior to Christmas and sales at variety stores and mail order sales showed a more than seasonal rise.

Freight-car loadings declined seasonally from November to December, reflecting largely the customary decrease at this time of year in shipments of miscellaneous freight.

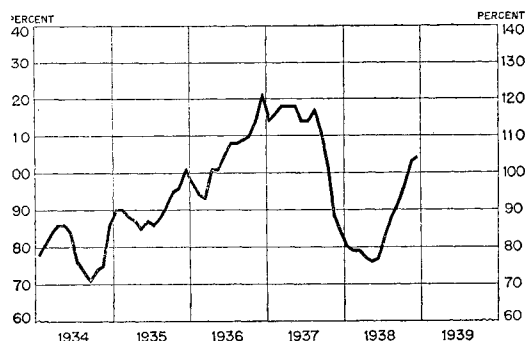
### BANK CREDIT

As a result of the post-holiday return of money from circulation, together with the Treasury disbursements from its balances with the Reserve banks, and gold imports, excess reserves of member banks increased nearly \$600,000,000 in the four weeks ending January 18 to a new high level of \$3,560,000,000. A large part of the increase occurred at New York City banks.

Total loans and investments of reporting member banks in 101 leading cities, which increased substantially in the first three weeks of December, declined in the following four weeks. There was some decline in loans and a reduction in holdings of United States Government obligations, reflecting in part distribution to the public of new securities purchased by banks in December. Deposits declined somewhat in the latter part of December but increased in January.

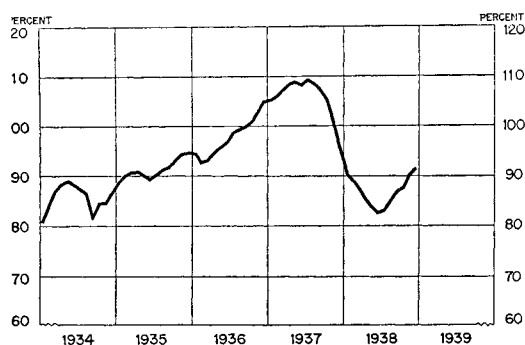
### MONEY RATES AND BOND YIELDS

Average yields on United States Government securities declined slightly in December and the first three weeks of January. For three consecutive weeks the entire new issue of 91-day Treasury bills sold on or slightly above a no-yield basis. Commercial paper rates declined slightly in January, while other open-market money rates continued unchanged.



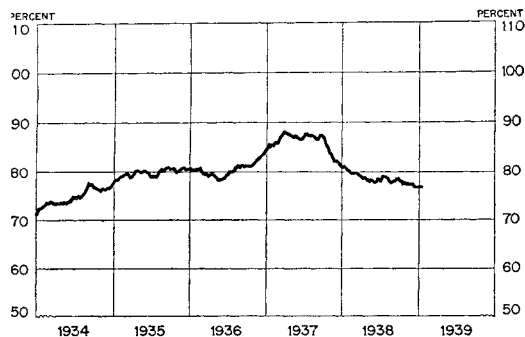
### INDUSTRIAL PRODUCTION

Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to December 1938.



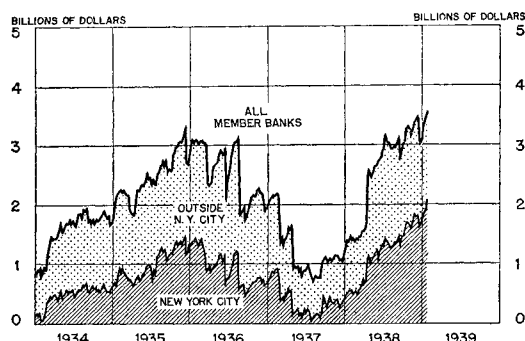
### FACTORY EMPLOYMENT

Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to December 1938.



### WHOLESALE PRICES

Index compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ending January 14, 1939.



### EXCESS RESERVES OF MEMBER BANKS

Wednesday figures of estimated excess reserves for all member banks and for selected New York City banks, January 3, 1934, to January 18, 1939.