

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

ISAAC B. NEWTON, Chairman of the Board and Federal Reserve Agent  
Federal Reserve Bank of San Francisco

Vol. X

San Francisco, California, June 21, 1926

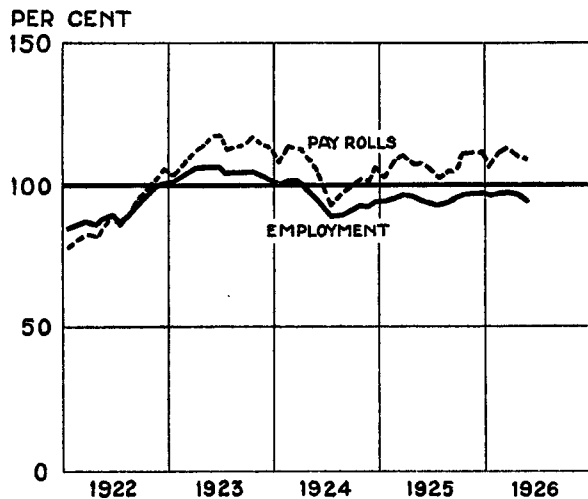
No. 6

### SUMMARY OF NATIONAL CONDITIONS

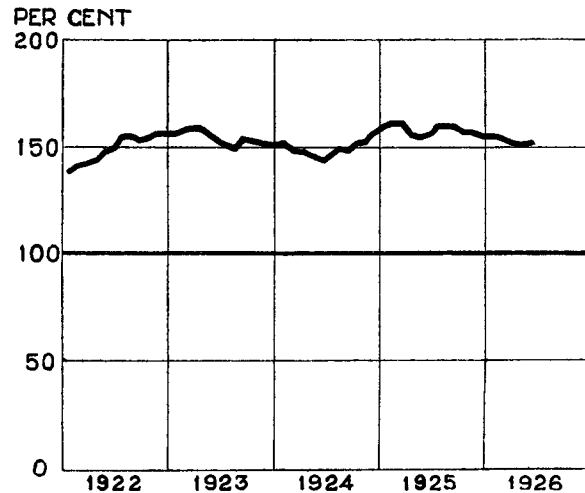
Production in basic industries and factory employment declined further in May, while wholesale prices advanced slightly for the first time in seven months. The volume of trade at wholesale and at retail increased partly as the result of more favorable weather conditions.

**Production.** Activity in most lines of industry was less in May than in April. The reduction was reflected in a decreased volume of output as well as in a decline in the number of factory workers and in total wage payments. The largest declines occurred in the textile, leather and shoe, and iron and steel industries. Production of automobiles continued large in May. In the lumber, cement, brick, and glass industries activity was maintained and there

were seasonal increases in the output of certain food products. The volume of building contracts awarded declined further in May but continued larger than in May of last year. Figures for the first three weeks of June indicate further decreases and the volume of contracts awarded was smaller in that period than in the corresponding weeks of 1925. Recent declines in contracts as compared with last year have been particularly large in middle western and southeastern districts. Reports by the Department of Agriculture indicate that the composite condition of crops on June 1st was 8 per cent below the average condition on that date for the past ten years, and somewhat lower than the average condition a year ago. On the basis of



**FACTORY EMPLOYMENT AND PAYROLLS**  
Federal Reserve Board's indexes of factory employment and payrolls (1919=100). Latest figures, May, employment, 94.8; payrolls, 108.8.



**WHOLESALE PRICES**  
Index of U. S. Bureau of Labor Statistics (1913=100, base adopted by Bureau). Latest figure, May, 151.7.

Those desiring this review sent them regularly will receive it without charge upon application.

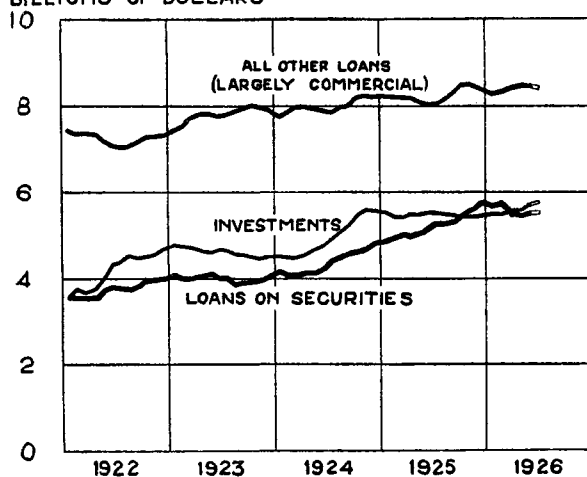
the June 1st condition, the estimated yield of winter wheat was 543,000,000 bushels as compared with an estimate of 549,000,000 bushels made a month earlier and a final yield of 398,000,000 bushels in 1925.

**Trade.** With more favorable weather in May than in the preceding month the volume of wholesale and retail trade increased and was larger than in May of last year. Department store sales exceeded those of earlier months of this year and total sales for the first five months were larger than for the corresponding period of any preceding year. Merchandise stocks carried by wholesale firms were slightly smaller at the end of May than a month earlier.

June, prices of grains, livestock, silk, and non-ferrous metals advanced, while those of sugar, cotton, cotton goods, and pig iron declined.

**Bank Credit.** Growth in loans on securities and in commercial loans carried total loans and investments of reporting member banks in leading cities in the middle of June to a new high point above the total reached at the close of last year. The large reduction in the volume of loans on securities by New York City banks since the beginning of the year has been more than offset in the total of loans and investments of all reporting banks by increases in commercial loans and in investment of banks both in New York City and outside.

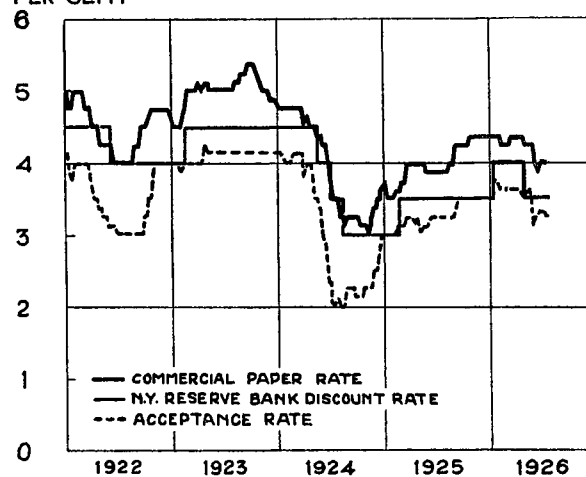
BILLIONS OF DOLLARS



MEMBER BANK CREDIT

Monthly averages of weekly figures for banks in 101 leading cities. Latest figures are averages for first three weekly report dates in June.

PER CENT



MONEY RATES

Weekly rates in New York money market: commercial paper rate on 4- to 6-months paper and acceptance rate on 90-day paper.

Stocks of groceries, hardware, and drugs were larger than a year ago, but those of meats, drygoods, and shoes were smaller. Stocks at department stores declined more than usual in May and were only slightly larger at the end of the month than a year ago. Railroad freight shipments increased in May and in the first two weeks of June were above those of the same weeks of previous years. Shipments of miscellaneous commodities were especially large.

**Prices.** The general level of wholesale commodity prices, according to the index of the Bureau of Labor Statistics, rose slightly in May for the first time since last August. Price advances were shown both for agricultural and non-agricultural commodities. Among the principal advances were those in the prices of gasoline, livestock and meat, while prices of grains and cotton declined. In the first three weeks of

At the reserve banks changes in the volume of credit outstanding during the month ending June 23rd reflected chiefly the financial operations of the United States Treasury around the middle of June. The temporary abundance of funds caused by the redemption of maturing United States obligations on June 15th caused a sharp decline in borrowings of member banks, particularly in New York City. As checks in payment of income taxes were cleared and collected, however, borrowings at the reserve banks rose to their previous level. Money rates in general showed little change during the month.

Rates on call and time loans were slightly lower around the middle of June, but in the third week were higher than in the latter part of May. Rates on acceptances and on commercial paper remained practically unchanged.

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Statistical Summary—

	May, 1926	Apr., 1926	May, 1925	Apr., 1925	May, 1926 # compared with	
					May, 1925	Apr., 1926
Bank Debits—21 cities*	\$2,835,348	\$3,025,345	\$2,582,108	\$2,668,049	9.8	— 6.3
Bank Debits—Index Numbers†—20 cities.....	153	150	139	134	10.1	2.0
Building Permits—20 cities.....	\$28,830,537	\$35,058,156	\$38,841,828	\$41,593,882	—25.8	—17.8
Retail Sales—32 stores—Index Numbers†.....	147	155	145	152	1.4	— 5.2
Savings Deposits—69 banks*§.....	\$1,188,512	\$1,180,395	\$1,099,624	\$1,094,394	8.1	0.7
Lumber Production—4 associations—board feet*	806,991	812,316	698,816	680,690	15.5	— 0.7
Petroleum Production‡—California—barrels ...	.....	603,059	607,107	598,655	.....	.....
Flour Production—16 companies—barrels .....	325,887	371,473	231,456	279,372	40.8	—12.3
Reporting Member Bank Loans and Discounts  *	\$1,199,493	\$1,203,697	\$1,099,927	\$1,102,303	9.1	— 0.3
Reporting Member Bank Deposits  *	\$1,626,063	\$1,622,774	\$1,540,496	\$1,549,405	5.6	0.2
Federal Reserve Bank Discounts  *	\$37,278	\$44,228	\$39,288	\$29,771	— 5.1	—15.7
Federal Reserve Bank Reserve Ratio  .....	74.5	72.1	74.4	78.3	0.1	3.3

\*In thousands. †Adjusted for seasonal variations—1919 monthly average=100. ‡Daily average production. §Not comparable with figures published in previous Reviews. ||June 9 and May 12, 1926, and June 10 and May 13, 1925. ¶June 16 and May 19, 1926, and June 17 and May 20, 1925. #Percentage increase or decrease (—). ◊Revised.

Agricultural Activities

At mid-June, agricultural activities of the district were further advanced than is usual at this season of the year, a result of favorable weather conditions during previous months. More recently some areas of deficient rainfall have been reported, particularly in the grain growing regions of the Pacific Northwest, but crop conditions generally have continued above normal. The early season and satisfactory crop conditions in this district are in contrast to the situation prevailing in the country as a whole, unfavorable spring weather having generally retarded both the sowing and growth of crops.

Smaller than average abandonment of winter wheat has been reported this year, but hot and dry weather in certain parts of the Pacific Northwest has recently caused some reduction in estimates of production.

Production estimates of deciduous fruits in this district indicate a yield in excess of that obtained in 1925, which approximated the average of recent years. The apricot season in California had reached a peak by mid-June, and large shipments of peaches and plums had already gone forward. Condition of citrus fruits has been well maintained as seasonal picking has progressed. Valencia orange shipments have been at high levels despite market competition offered by early maturing deciduous fruits. Large supplies of lemons, both from California and Italy, are in prospect as the summer season of peak demand approaches.

DECIDUOUS AND CITRUS FRUITS AND NUTS (California)

	Condition (Per Cent of Normal)			Production (In Thousands of Tons)
	June 1, 1926	June 1, 1925	Average 1915-1924	1925
Almonds .....	91	56	69	7.5
Apples .....	79	50	78	6,016 ‡
Apricots .....	62†	63	68	140
Cherries .....	70	49	74*	11
Lemons .....	94	82	90	6,000 §
Oranges .....	87	88	93	20,800 §
Peaches .....	90	80	85	390
Pears .....	75	73	77	160
Plums .....	92	81	78	51
Prunes .....	58	68	76	140
Walnuts .....	58	92	87	30.5

	Condition (Per Cent of Normal)		10-Year Average (Per Cent of Normal)	Production (In Thousands of Bushels)		
	June 1, 1926	June 1, 1925		Indicated by		
	1926	1925		Condition June 1, 1926	Harvested Five-Year Average 1921-1925	
California .....	88	88	78	15,301	11,457	11,386
Idaho .....	91	90	89	10,305	10,962	9,607
Nevada .....	94	101	..	118	104	..
Oregon .....	89	90	89	18,797	7,700	15,913
Utah .....	98	95	87	2,848	3,045	2,594
Washington .....	83	80	82	20,916	9,300	26,441
Twelfth District*	..	..	..	68,167	42,464	65,941
United States ..	76.5	66.5	77.8	543,300	398,486	549,418

\*Arizona and Nevada not included in totals.

\*8-year average. †Condition on May 1, 1926. ‡Bushels. §Boxes.

(A) Agricultural Marketing Activity—

Monthly	Exports		Carlot Shipments—			Livestock Receipts at Eight Markets in 12th District			Cold Storage Holdings <sup>2</sup> 12th District	
	Wheat* (1000 bu.)	Barley* (1000 bu.)	Deciduous Fruits <sup>1</sup> (cars)	Oranges† Calif. (cars)	Lemons† Calif. (cars)	Cattle and Calves	Hogs	Sheep	Butter (1000 lbs.)	Eggs (1000 cases)
May, 1926 .....	3,087	518	1,273	5,520	2,361	91,839	140,112	411,697	3,582	421
April, 1926 .....	587	509	68	5,834	1,121	93,805	167,801	252,384	1,650	272
May—5-year average (1919-1923) ..	2,109	300	246	5,219	1,605	81,396	148,802	393,836	2,751¶	455¶
<b>Cumulative</b>	<b>Crop Year</b>		<b>Calendar Year</b>		<b>Calendar Year</b>		<b>Calendar Year</b>		<b>Calendar Year</b>	
To May 31, 1926.....	16,320 (16.3)	11,435 (25.0)	1,341 (61.9)	31,576 (61.9)	7,080 (47.2)	509,831	892,329	1,155,000		
To May 31, 1925.....	16,482 (24.6)	7,837 (34.4)	443 (55.9)	26,849 (55.9)	6,163 (53.6)	403,898	1,096,173	1,236,760		
Five-year average to May 31 (1919-1923) ..	23,712 (20.5)	10,697 (26.5)	250 (59.6)	28,217 (59.6)	5,647 (49.9)	441,342	901,917	1,165,452		

Figures in parentheses indicate percentage of new crop only. \*Season begins July 1st. †Season begins November 1st. ‡California, excluding apples. Season begins April 1st. §At end of month. ||1921-1925. ¶1922-1926. ◊Revised.

Some reduction in acreage of field crops as compared with a year ago is indicated by reports concerning crops already in the ground. The downward trend of recent years in acreage devoted to sugar beets apparently has continued. Low prices paid for the beets during recent seasons and high prices paid for alternative crops, such as potatoes in 1925, have been chiefly responsible for the decrease in sugar beet acreage. The 1926 plantings of cotton in the district are reported to be approximately 10 per cent less than in 1925 when 333,000 acres were planted to the crop. Cotton planting had been practically completed by the middle of June and a good early growth has been noted. Average plantings of beans and rice have been reported in California. In Idaho, planting of beans has been limited in some areas by a shortage of irrigation water.

Ranges throughout the district have been in excellent condition, but are now drying rapidly. Livestock, both cattle and sheep, show the favorable effects of the mild winter and spring and have returned to the summer range in better than average condition. Persistence of recent hot, dry weather may affect adversely the late lambing in Idaho and Utah. As shearing of the clip has progressed there has been a slight broadening in demand for wool. Prices are a little higher than a month ago, now ranging from 28 cents to 30 cents a pound.

### Industrial Activity

Industrial activity and employment in the Twelfth Federal Reserve District continued, during May, at approximately the levels of one month ago and one year ago. Seasonal declines in some forms of manufacturing activity were offset by seasonal increases in outdoor construction. The usual surplus of common labor which accumulates in the district during

the winter is gradually being absorbed by seasonal expansion in agricultural operations and private and public works.

Building statistics for May confirm the evidence offered by April figures of a slight diminution of building activity. Value of building permits issued in 20 principal cities of the district declined 17.8 per cent during May, 1926, as compared with April, 1926, a decrease greater than that which usually occurs at this time of the year. Compared with May, 1925, the May, 1926, figures showed a decrease of 25.8 per cent, eighteen of 20 cities reporting smaller totals than a year ago. A building trades strike in the San Francisco Bay region is interfering with building construction in that area. Cumulative figures of value of permits issued during the first five months of 1926 were smaller in amount than figures for the first five months of 1925 in 16 of the 20 cities.

#### BUILDING PERMITS IN 20 CITIES

	Per Cent Increase or Decrease (—)					
	Months in 1926 compared with same Months in 1925				Month in 1926 compared with preceding Month	
	Monthly		Year-to-date		No.	Value
May . . . .	—15.3%	—25.8%	—12.0%	—15.5%	—11.3%	—17.8%
April . . . .	—12.7%	—15.7%	—11.2%	—12.8%	—13.5%	— 3.4%
March . . . .	— 7.8%	— 9.8%	—10.7%	—11.6%	37.1%	35.7%
February . . . .	—11.2%	—18.1%	—12.6%	—12.8%	— 4.4%	— 8.3%
January . . . .	—13.8%	— 7.3%	....	....	3.5%	—21.3%

The United States Bureau of Labor Statistics' index number of wholesale building materials' prices declined slightly from 173 in April to 172 in May (1913 prices=100). In May, 1925, the index stood at 174. The Aberthaw index of the total cost (labor and materials) of constructing a standard concrete

### (B) Building Permits—

	May, 1926		May, 1925	
	No.	Value	No.	Value
Berkeley . . . . .	259	\$ 910,406	291	\$ 603,748
Boise . . . . .	64	36,027	84	79,020
Fresno . . . . .	82	108,553	105	437,686
Long Beach . . . . .	399	417,945	384	1,059,273
Los Angeles . . . . .	2,960	10,702,844	3,652	16,602,502
Oakland . . . . .	849	2,408,002	1,118	3,178,756
Ogden . . . . .	35	109,700	38	127,550
Pasadena . . . . .	238	777,406	227	1,192,020
Phoenix . . . . .	98	232,583	88	484,688
Portland . . . . .	964	3,002,925	1,266	3,611,195
Reno . . . . .	23	77,375	44	216,212
Sacramento . . . . .	197	625,871	227	902,391
Salt Lake City . . . . .	116	455,120	180	647,265
San Diego . . . . .	700	1,847,964	608	1,051,967
San Francisco . . . . .	827	2,634,875	905	4,047,811
San Jose . . . . .	131	344,875	95	509,520
Seattle . . . . .	898	2,895,610	1,021	2,580,825
Spokane . . . . .	208	323,441	279	445,749
Stockton . . . . .	75	168,770	117	311,810
Tacoma . . . . .	238	750,245	327	751,840
District . . . . .	9,361	\$28,830,537	11,056	\$38,841,828

### (C) Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees	Apr., 1926	No. of Firms	No. of Employees	Apr., 1926
All Industries . . . . .	738	157,635	155,496	107	20,111	20,181
Stone, Clay and Glass Products . . . . .	46	7,680	7,653	6	249	262
Lumber and Wood Manufactures . . . . .	115	29,021	27,421	47	16,541	16,719
Textiles . . . . .	18	2,586	2,577	5	1,036	1,123
Clothing, Millinery, and Laundering . . . . .	61	7,768	7,783	8	518	546
Food, Beverages and Tobacco . . . . .	156	28,983	29,485	32	1,194	993
Water, Light and Power . . . . .	5	9,107	8,937	..	..	..
Other Industries* . . . . .	325	70,285	69,461	..	..	..
Miscellaneous . . . . .	12	2,205	2,179	9	573	538

\*Includes the following industries: metals, machinery and conveyances; leather and rubber goods; chemicals, oils and paints; printing and paper goods. Figures in parentheses represent percentage changes from April.

factory building continued during May at 199 (1914 costs=100). A year ago it stood at 194.

The present volume of business in the lumber industry is well above that of last year, but prices are lower. Production of lumber during May, 1926, was slightly smaller than during April, 1926, but was 15.5 per cent larger than during May, 1925. Volume of shipments and of new orders booked was 9.8 per cent and 12.6 per cent, respectively, greater than in May, 1925, but both shipments and sales were less than production.

**LUMBER ACTIVITY\***

	May, 1926 (board feet)	Apr., 1926 (board feet)	May, 1925 (board feet)	— First Five Months — 1926 (board feet)	1925 (board feet)
Production ...	806,991	812,316	698,816	3,416,055	3,100,159
Shipments ....	759,109	788,887	691,408	3,512,488	3,189,734
Orders .....	764,011	751,192	678,792	3,557,590	3,159,424
Unfilled Orders	481,227	553,076	422,745	...	...
No. of Mills Reporting ...	183	183	177	183†	181†

\*As reported by four associations, 000 omitted except in case of number of mills reporting. †Average of first five months. Source: National Lumber Manufacturers Association.

Mineral production in the district is also active but, as in the lumber industry, prices are reported to be relatively low. Figures of national production of **non-ferrous metals**, a considerable proportion of which is produced in the Twelfth Federal Reserve District, follow:

**NON-FERROUS METALS—National Production**

	May, 1926	Apr., 1926	May, 1925
Copper (short tons) (mine production) .....	73,651	73,006	69,757
Zinc (short tons) (slab)...	53,703	53,334	49,738
Silver (oz.) (commercial bars) .....	4,960,000	4,954,000	5,423,000

During May, 1926, average daily production of **petroleum** in California continued the decline which has been in progress for the past 9 months, and, at 602,166 barrels, was 0.8 per cent less than during May, 1925.

**PETROLEUM—California**

	Average Daily Production (barrels)	Indicated Average Daily Consumption (Shipments) (barrels)	Stored Stocks at End of Month (barrels)	— New Wells — Number Opened	Daily Production (barrels)
May, 1926 ...	602,166	575,243	125,519,693	58	15,738
April, 1926 ...	603,059	873,618†	124,685,080	95	24,267
May, 1925 ...	607,107	500,791‡	110,769,811‡	78	52,440
Sept., 1923* ..	858,750	†	†	93	139,960

\*Peak of production. †Comparable figures not available. ‡Includes fire losses during April equivalent to 273,829 barrels daily. §Revised.

Source: American Petroleum Institute.

**Flour milling** activity, as reported by 16 principal milling companies of the district, declined seasonally during May, approximating the five-year (1921-1925) average of production for that month. Stocks of wheat held by millers at the end of May were 85 per cent larger than one year ago, but millers' stocks of wheat were smaller on May 31, 1925, than at any time since January, 1920. Approximately 50 per cent of

the flour producing capacity of district mills was being utilized during May, 1926.

**FLOUR MILLING\***

	May, 1926	Apr., 1926	May, 1925	Five-Year Average May, 1921-1925
Output (bbls.)....	325,887	371,473	231,456	315,287
Stocks†				
Flour (bbls.)...	362,434	375,133	411,850	458,858
Wheat (bu.)....	1,700,880	1,942,454	920,309	1,642,181

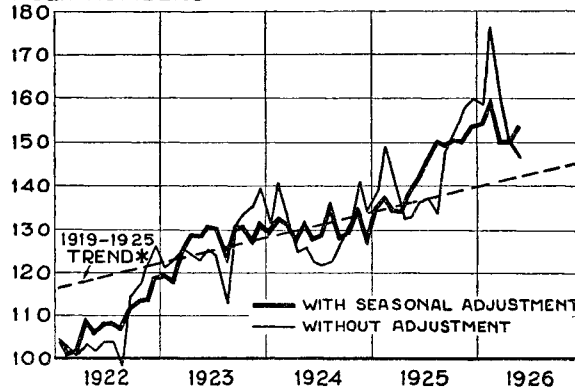
\*As reported by 16 companies. †As of the first day of the following month.

**General Business and Trade**

During May, general business and trade continued at levels approximating those of March and April, and was only slightly less active than in February, the peak month of the year. Increases in volume of business as compared with a year ago were reported from most trade centers.

Figures of **bank debits** are probably the best single available index of trade volume. Most trade payments are made by check, and checks are debited by banks to the accounts on which they are drawn. These bank debits are reported to the Federal Reserve Bank by banks in principal cities of the Twelfth Federal Reserve District, the figures providing a record of the current volume of trade payments. The amount of these bank debits in 20 principal cities of the district was smaller in May than in April, 1926,

**INDEX NUMBERS**



**BANK DEBITS—TWELFTH DISTRICT**

Index for 20 principal cities, Phoenix, Arizona, not included, (daily averages, 1919 average=100). Latest figures, May, with adjustment, 153; without adjustment, 146.

\*Based upon average month to month increase during the years 1919 to 1925 inclusive.

but, when account is taken of the usual seasonal variation between the two months, the figures reflect a slight quickening of trade. As compared with May, 1925, an increase of 10 per cent was recorded.

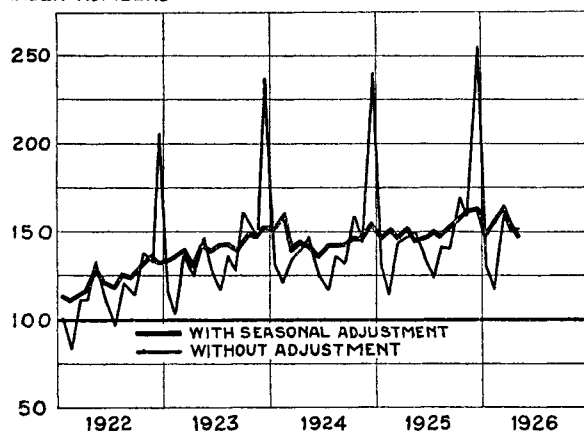
**BANK DEBITS—Twelfth District  
Index for 20 Principal Cities\***

	May, 1926	April, 1926	March, 1926	May, 1925
Without Seasonal Adjustment...	146	150	159	133
With Seasonal Adjustment.....	153	150	150	139

\*Daily averages, 1919 average=100.

During May, 1926, sales of 68 reporting retail stores of the district were larger by 1.7 per cent than in May, 1925. Forty stores reported increased sales and 28 reported decreased sales for the year period. By cities, increased sales were reported from Los Angeles, Oakland and Spokane, and decreased sales from Salt Lake City, San Francisco and Seattle. According to this bank's retail trade index based on sales of 32 department stores in principal cities of the district, there was an increase in sales during May as compared with April, 1926.

INDEX NUMBERS



DEPARTMENT STORE SALES—TWELFTH DISTRICT  
Index of 32 Stores in 7 cities (1919 monthly average=100). Latest figures, May, with adjustment, 147; without adjustment, 152.

If the usual seasonal variation be eliminated, however, and relative activity rather than volume of trade be considered, there was a decline in May as compared with April. (Index numbers of department store sales are given below.) Volume of stocks on retailers' shelves, at the close of May, while three per cent smaller than on April 30, 1926, was approximately four per cent larger than on May 31, 1925. The indicated rate of stock turnover in May, 1926, 2.98 times per year, was lower than the indicated rate of stock turnover in May, 1925 (3.06 times per year).

DEPARTMENT STORE SALES—Index Numbers  
(1919 Monthly Average=100)

	Without Seasonal Adjustment						
	Los Angeles	Oakland	San Francisco	Salt Lake City	Seattle	Spokane	District
May, 1926..	214	152	147	121	98	90	152
April, 1926..	222	144	134	106	102	95	150
March, 1926..	247	148	146	105	95	93	160
Feb., 1926..	180	112	108	82	73	76	119
Jan., 1926..	210	124	113	86	75	70	130
May, 1925..	203	143	148	124	102	85	149
With Seasonal Adjustment							
May, 1926..	233	163	133	105	100	90	147
April, 1926..	237	149	139	113	108	98	155
March, 1926..	255	158	147	115	102	110	164
Feb., 1926..	223	149	142	114	113	110	156
Jan., 1926..	221	145	128	104	99	97	148
May, 1925..	221	154	135	108	104	86	145

Value of sales of 165 wholesale firms in 11 lines of business was 1.5 per cent greater during May, 1926, than during May, 1925. Seven of the 11 reporting lines for which segregated data are available showed increases over the year period. Wholesale prices in May averaged slightly higher than in the preceding month, but were lower than a year ago.

WHOLESALE TRADE

	No. of Firms	Percentage increase or decrease (—) in Value of Sales		
		May, 1926 compared with May, 1925	May, 1926 compared with Apr., 1926	Apr., 1926 compared with Apr., 1925
		Agricultural Implements..	15	14.8
Automobile Supplies .....	13	6.5	4.2	1.0
Automobile Tires* .....	18	0.9	18.9	14.2
Drugs .....	7	1.6	10.2	1.8
Dry Goods .....	15	4.6	5.3	1.1
Electrical Supplies .....	9	15.8	8.3	1.5
Furniture .....	16	11.9	14.3	1.5
Groceries .....	21	1.6	2.1	5.5
Hardware .....	17	3.4	2.3	5.4
Shoes .....	10	10.7	2.7	1.0
Stationery .....	24	2.7	8.3	9.6

\*These figures are probably influenced by the discontinuance by certain of the larger companies of "spring dating" sales, or the practice of advancing credit on sales made in autumn months until March, April, and May of the following year.

On May 31, 1926, savings deposits in 69 banks in seven principal cities of the district were 8.1 per cent larger than on May 31, 1925, and 0.7 per cent larger than on April 30, 1926.

SAVINGS DEPOSITS

	Number of Banks	May 31, 1926† compared with			
		May 31, 1926*	Apr. 30, 1926*	May 31, 1925*	May 31, 1925
Los Angeles ..	13	\$415,224	\$416,044	\$373,309	11.2
Oakland‡ .....	7	99,829	99,571	95,201	4.9
Portland .....	7	54,731	54,460	52,396	4.5
Salt Lake City	8	32,410	32,342	29,822	8.7
San Francisco..	14	487,509	479,715	457,552	6.5
Seattle .....	14	79,767	79,173	71,969	10.8
Spokane .....	6	19,042	19,090	19,375	1.7
Total .....	69	\$1,188,512	\$1,180,395	\$1,099,624	8.1

\*000 omitted. †Percentage increase or decrease (—). ‡Includes one bank in Berkeley which was formerly a branch of an Oakland bank. §Revised.

(D) Bank Debits\*—

	May, 1926	May, 1925	Five Months	
			1926	1925
Berkeley .....	\$ 19,595	\$ 18,882	\$ 98,204	\$ 92,126
Boise .....	11,844	10,083	62,389	53,894
Fresno .....	32,516	26,920	176,081	141,177
Long Beach .....	48,193	45,562	267,843	241,731
Los Angeles .....	794,586	758,206	4,361,485	3,932,210
Oakland .....	158,101	148,076	842,144	681,872
Ogden .....	14,952	20,396	103,596	115,523
Pasadena .....	37,642	34,725	196,279	184,133
Phoenix .....	26,211	22,660	129,500	117,877
Portland .....	182,313	153,874	862,886	765,977
Reno .....	9,004	8,841	42,592	39,300
Sacramento .....	28,724	38,003	161,488	189,942
Salt Lake City..	64,948	64,834	350,094	338,245
San Diego .....	63,368	52,405	329,339	262,899
San Francisco..	978,494	848,498	5,434,011	4,566,996
San Jose .....	23,691	21,464	122,876	116,405
Seattle .....	200,714	184,127	1,037,492	950,223
Spokane .....	57,921	47,528	274,387	244,343
Stockton .....	26,863	22,178	134,627	123,056
Tacoma .....	44,112	43,242	229,362	214,434
Yakima .....	11,556	11,604	60,993	57,080
District .....	\$2,835,348	\$2,582,108	\$15,277,668	\$13,429,443

\*000 omitted.

# EARNINGS AND EXPENSES OF MEMBER BANKS IN THE TWELFTH FEDERAL RESERVE DISTRICT AND UNITED STATES

by

ISAAC B. NEWTON, Chairman of the Board and Federal Reserve Agent  
Federal Reserve Bank of San Francisco

Supplement

San Francisco, California, June 21, 1926

Vol. X—No. 6

Figures of costs and earnings of all member banks in the Twelfth Federal Reserve District during the years 1925 and 1924 are presented herewith. These figures were compiled by the Federal Reserve Board, as were those for the United States, which are given for comparative purposes.

## ANALYSIS OF MEMBER BANK COSTS AND EARNINGS FOR YEARS ENDING DECEMBER 31, 1925 AND 1924

(Statement of amounts per \$100 of earning assets in even dollars and cents results in some instances in slight discrepancies between component figures and the related totals.)

	Twelfth Federal Reserve District				United States			
	1925		1924		1925		1924	
	Amount (000 omitted)	Amount per \$100 of earn- ing assets	Amount (000 omitted)	Amount per \$100 of earn- ing assets	Amount (000 omitted)	Amount per \$100 of earn- ing assets	Amount (000 omitted)	Amount per \$100 of earn- ing assets
Interest Received .....	\$153,907	\$6.01	\$143,579	\$6.14	\$1,615,595	\$5.40	\$1,514,500	\$5.48
Other Income .....	23,453	.92	21,134	.91	302,499	1.01	271,971	.98
Gross Earnings .....	\$177,360	\$6.93	\$164,713	\$7.05	\$1,918,094	\$6.41	\$1,786,471	\$6.46
Salaries and Wages.....	\$41,624	\$1.63	\$40,144	\$1.71	\$372,741	\$1.25	\$355,018	\$1.28
Interest on Borrowed Money	2,035	.08	2,312	.10	25,954	.09	24,746	.09
Interest on Deposits.....	63,069	2.46	55,175	2.36	643,158	2.15	594,432	2.15
Taxes .....	8,421	.33	8,039	.34	102,411	.34	97,341	.35
Other Expenses .....	22,709	.89	21,782	.93	223,053	.74	208,987	.76
Total Expenses .....	\$137,858	\$5.39	\$127,452	\$5.45	\$1,367,317	\$4.57	\$1,280,524	\$4.63
Net Earnings .....	\$39,502	\$1.54	\$37,261	\$1.60	\$550,777	\$1.84	\$505,947	\$1.83
Losses on Loans.....	\$11,384	*\$0.61	\$11,159	*\$0.65	\$128,774	*\$0.61	\$133,079	*\$0.68
Losses on Securities.....	2,770	† .39	3,213	† .53	35,127	† .39	33,196	† .41
Other Losses .....	3,666	...	3,625	...	29,198	...	31,068	...
Total Losses .....	\$17,820	\$0.70	\$17,997	\$0.77	\$193,099	\$0.65	\$197,343	\$0.71
Net Losses‡ .....	\$12,273	\$0.48	\$13,499	\$0.58	\$131,293	\$0.44	\$144,604	\$0.52
Net Addition to Profits.....	\$27,229	\$1.06	\$23,762	\$1.02	\$419,484	\$1.40	\$361,343	\$1.31
Dividends Declared .....	22,182	...	19,696	...	272,686	...	258,044	...

\*Amount per \$100 of loans. †Amount per \$100 of security holdings.  
‡Total losses charged off less recoveries on assets previously charged off.

Gross earnings of member banks of the District were larger by \$12,647,000, or 7.68 per cent, in 1925 than in 1924, but income per one hundred dollars of earning assets declined, indicating that a lower level of interest rates prevailed in the later year. Interest received during 1925 amounted to \$6.01 per one hundred dollars of

earning assets, as compared with \$6.14 in 1924, and these figures approximate the average rates at which bank funds were utilized in the two years.

Expenses of the banks increased at a slightly more rapid rate than did earnings during 1925, the chief increase being in payment of interest

EARNINGS AND EXPENSES OF MEMBER BANKS IN THE  
 TWELFTH FEDERAL RESERVE DISTRICT AND UNITED STATES  
 (Concluded)

upon deposits including a large proportion of time deposits. As a result of the proportionately greater increase in total expenses than in gross earnings, net earnings were less per one hundred dollars of earning assets in 1925 than in 1924, the figures being \$1.54 and \$1.60 respectively. Net losses charged off in 1925 were smaller in amount than in 1924, however, and net profits of the banks increased both in total amount and in amount per one hundred dollars of earning assets.

Comparison between capital investment of member banks in this district (as measured by

capital, surplus, and undivided profits) and their earning assets, indicates that there were \$792 of funds in use per one hundred dollars of capital in 1925 compared with \$748 per one hundred dollars of capital in 1924. This increase in volume of earning assets per unit of invested capital, combined with an increase in the margin of profits per one hundred dollars of earning assets, noted above, resulted in a substantial increase in rate of net return on invested capital. During 1925 the return on capital investment so measured was 8.42 per cent compared with 7.61 per cent in 1924.

PROFITS OF MEMBER BANKS IN RELATION TO EARNING ASSETS AND INVESTED CAPITAL FOR YEARS ENDING  
 DECEMBER 31, 1925 AND 1924

	Twelfth Federal Reserve District		United States	
	1925	1924	1925	1924
Capital, Surplus, and Undivided Profits* (000 omitted) . . . .	\$ 323,415	\$ 312,225	\$ 4,699,751	\$ 4,491,663
Loans* (000 omitted) . . . . .	\$1,853,903	\$1,729,713	\$21,022,170	\$19,498,525
Investments* (000 omitted) . . . . .	706,023	607,027	8,894,355	8,163,266
Earning Assets* (000 omitted) . . . . .	<u>\$2,559,926</u>	<u>\$2,336,740</u>	<u>\$29,916,525</u>	<u>\$27,661,791</u>
Earning Assets per \$1.00 of Capital, Surplus, and Undivided Profits . . . . .	\$7.92	\$7.48	\$6.37	\$6.16
Profit per \$100 of Earning Assets . . . . .	1.06	1.02	1.40	1.31
Profit per \$100 of Capital, Surplus, and Undivided Profits†	8.42	7.61	8.93	8.04

\*Averages of amounts on call dates during the year.

†Obtained by dividing net profits by average amount of invested capital; equivalent to the product of the two preceding ratios.

## Prices

The United States Bureau of Labor Statistics' index of wholesale prices stood at 151.7 (1913 prices=100) for May, 1926, compared with 151.1 in April, 1926, and 155.2 in May, 1925, the low point for that year. The slight advance in the index during May, and more recent advances in available weekly indexes follow a period of declining prices which began last autumn.

The Department of Agriculture's farm price index declined from 140 to 139 during May, while the Bureau of Labor Statistics' wholesale price index of non-agricultural commodities advanced slightly, causing the ratio between these two index numbers (an indication of the purchasing power of farm products) to decline from 87.8 to 86.8. One year ago in May the ratio was 91.

**Livestock** prices as reflected in Chicago markets advanced during May. Weekly average prices for **beef, hogs, and lambs**, were 3.2 per cent, 8.6 per cent and 8.8 per cent higher, respectively, on June 4, 1926, than on May 7, 1926. Prices for hogs and lambs were 15.4 per cent and 23.1 per cent above the prices of June 5, 1925, but beef prices were 7.7 per cent below prices of a year ago. The average price paid for hogs, \$13.90 per 100 pounds, is the highest reported since 1920. Lamb prices at \$16.00 per 100 pounds, reached the average of the week of January 2, 1926.

The contract price for September **wheat** at Chicago, ranged from \$1.32 $\frac{7}{8}$  to \$1.34 per bushel, for the week ending June 4, 1926, compared with a range of from \$1.33 $\frac{7}{8}$  to \$1.35 for the week ending May 7, 1926. A year ago the range was from \$1.63 $\frac{3}{4}$  to \$1.67 $\frac{1}{2}$ . The general trend of wheat prices during the present year has been downward.

**Cotton** prices varied little during May. Spot quotations for middling uplands cotton at New Orleans, for the week ending June 4, 1926,

ranged from 17.96 to 18.04 cents per pound, an increase of 0.2 per cent since May 7, 1926, but a decrease of 25.3 per cent from the quotation on June 5, 1925, when the range was from 23.60 to 24.60 cents per pound. An average of 98 **wool** quotations on the Boston market at 66.90 cents per pound on June 4, 1926, was 0.87 cents below the price on May 7, 1926, and 6.58 cents below the quotation on June 5, 1925.

Weekly average prices of **copper, lead, and zinc** declined during May. The May, 1926, prices for lead and zinc were 2.9 per cent and 1.9 per cent lower respectively than in May, 1925. Copper prices advanced 1.9 per cent over the year period. The average price of **silver** increased during May, but was slightly below that of a year ago. Prices of the metals, as a group, continue well below the general level of prices of all commodities, a price maladjustment which has persisted since the war.

A national index of **lumber** prices, published by "The Lumber Manufacturer and Dealer," declined from 31.52 on May 7, 1926, to 31.46 on June 4, 1926. The index has fluctuated about this level during most of 1926, ranging between 30.26 (January 2, 1926) and 31.52 (May 7, 1926) the high and low points of the year. A year ago the index stood at 30.52.

## Banking and Credit Situation

Commercial demand for credit in the Twelfth Federal Reserve District declined slightly during May and the first half of June. Adequate supplies of funds were available at moderate rates of interest.

Total loans and investments of 66 **reporting member banks** in nine principal cities of the district reached a peak on May 26th and then declined slightly. The net movement for four weeks ending June 9, 1926, was a decline of six million dollars, 0.4 per cent, the chief decrease being in the item, loans on securities. Present

## (E) Commodity Prices—

Commodity	Unit	June 4, 1926	One Month Ago	One Year Ago
Wholesale Prices (U. S. Bureau of Labor) 1913=100.....		151.7	151.1	155
Purchasing Power of Farm Products (U. S. Department of Agriculture)*		86.8	87.8	91
Cattle (Native Beef). Weekly average price at Chicago.....	100 lbs.	\$9.60	\$9.30	\$10.40
Hogs..... Weekly average price at Chicago.....	100 lbs.	13.90	12.80	12.05
Lambs..... Weekly average price at Chicago.....	100 lbs.	16.00	14.70	13.00 $\frac{0}{10}$
Wheat..... Chicago contract price for September wheat.....	bu.	1.32 $\frac{7}{8}$ –1.34	1.33 $\frac{7}{8}$ –1.35	1.63 $\frac{3}{4}$ –1.67 $\frac{1}{2}$
Barley..... Shipping barley f. o. b. San Francisco.....	cental	Nominal	1.20–1.25	1.75–1.80
Cotton..... Middling Uplands—Weekly range of spot quotations at New Orleans.....	lb.	17.96–18.04 $\phi$	17.89–18.02 $\phi$	23.60–24.60 $\phi$
Wool..... Average of 98 quotations at Boston.....	lb.	66.90 $\phi$	67.77 $\phi$	73.48 $\phi$
Sugar..... Beet granulated f. o. b. San Francisco.....	lb.	5.60 $\phi$	5.60 $\phi$	5.70 $\phi$
Prunes..... Size 40/50 in 25-lb. boxes f. o. b. California.....	lb.	.08 $\frac{1}{2}$ –.09	.08 $\frac{1}{2}$ –.09 $\frac{3}{4}$	.08 $\frac{3}{4}$ –.08 $\frac{3}{4}$
Copper..... Electrolytic—Monthly average at New York.....	lb.	13.599 $\phi$	13.706 $\phi$	13.347 $\phi$
Lead..... Monthly average at New York.....	lb.	7.751 $\phi$	7.971 $\phi$	7.985 $\phi$
Silver..... Monthly average at New York.....	oz.	65.075 $\phi$	64.409 $\phi$	67.580 $\phi$
Zinc..... Monthly average at St. Louis.....	lb.	6.821 $\phi$	7.001 $\phi$	6.951 $\phi$
Lumber (Softwood).. Weekly Index United States†.....		31.46	31.52	30.52

\*Ratio of farm prices (August, 1909–July, 1914=100) to wholesale prices of non-agricultural commodities (1910–1914=100).  
 †As published by "The Lumber Manufacturer and Dealer."  $\phi$ Revised.

volume of loans is considerably above that reported one year ago. Investments of these banks have changed little in amount during recent weeks, continuing larger in volume than in corresponding weeks of 1925. Net demand deposits changed but little in May and on June 9th the total of such deposits at reporting mem-

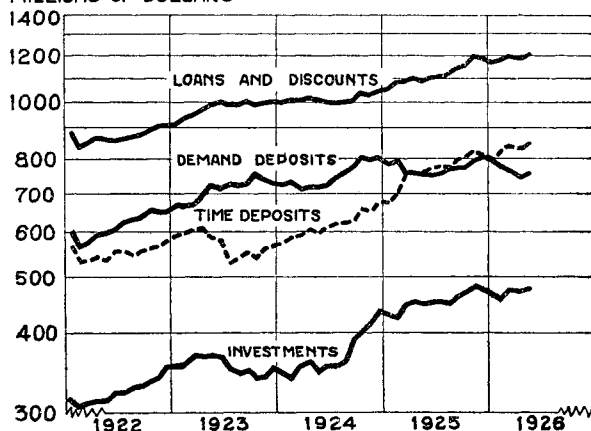
increased by 2 per cent during the four weeks, but remained smaller in volume than one year ago.

#### FEDERAL RESERVE BANK OF SAN FRANCISCO

(In millions of dollars, percentage changes in parentheses.)

	Con- dition June 16, 1926	Changes from	
		One Month Ago	One Year Ago
Total Bills and Securities.	107	- 7 ( 5.8)	+ 5 ( 4.8)
Bills Discounted .....	37	- 7 (15.7)	- 2 ( 5.1)
United States Securities...	45	- 5 (10.6)	+ 3 ( 7.6)
Bills Bought .....	25	+ 6 (28.4)	+ 4 (19.1)
Total Reserves .....	269	+14 ( 5.3)	+ 3 ( 1.0)
Total Deposits .....	170	+ 2 ( 1.2)	+10 ( 6.2)
Federal Reserve Note Circulation .....	190	+ 5 ( 2.4)	- 7 ( 3.5)

#### MILLIONS OF DOLLARS



#### MEMBER BANK CREDIT—TWELFTH DISTRICT

Figures for 66 member banks in leading cities, as of last Wednesday of each month. Latest figures, May 26.

ber banks was 758 million dollars compared with 743 million dollars on April 28th. The upward movement of time deposits continued.

#### REPORTING MEMBER BANKS\*—Twelfth District

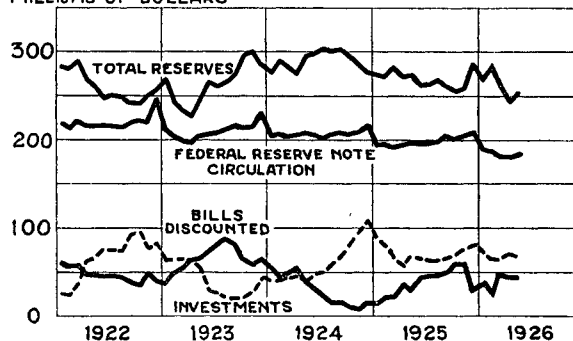
(In millions of dollars, percentage changes in parentheses.)

	Con- dition June 9, 1926	Changes from	
		One Month Ago	One Year Ago
Total Loans .....	1,199	- 4 ( 0.3)	+100 ( 9.1)
Commercial Loans .....	907	+ 1 ( 0.1)	+ 47 ( 5.4)
Loans on Securities .....	293	- 5 ( 1.8)	+ 53 (22.1)
Investments .....	474	- 2 ( 0.4)	+ 22 ( 4.8)
Total Loans and Invest- ments .....	1,674	- 6 ( 0.4)	+121 ( 7.8)
Net Demand Deposits....	758	- 4 ( 0.6)	- 1 ( 0.1)
Time Deposits .....	849	+11 ( 1.4)	+ 78 (10.1)
Borrowings from Federal Reserve Bank .....	21	-14 (39.3)	+ 1 ( 7.3)

\*Total resources of reporting banks are approximately 50 per cent of total resources of all banks, and 71 per cent of total resources of all member banks in Twelfth Federal Reserve District. Reporting banks embrace member banks in Los Angeles, San Francisco, Oakland, Portland, Tacoma, Seattle, Spokane, Ogden, and Salt Lake City.

During the four weeks ending June 16, 1926, there was a decline of seven million dollars or 15.7 per cent in volume of discounts at the Federal Reserve Bank of San Francisco. Security holdings changed little, and total earning assets declined by approximately the same amount as did discounts. Federal Reserve note circulation

#### MILLIONS OF DOLLARS



#### RESERVE BANK CREDIT—TWELFTH DISTRICT

Figures for Federal Reserve Bank of San Francisco, as of last Wednesday of each month. Latest figures, May 26.

Interest rates on prime commercial paper in leading money centers of the district ranged from 5 to 6 per cent at mid-June, compared with a range of 5 to 7 per cent in June, 1925. The discount rate at the Federal Reserve Bank continued at four per cent, the official rate established on November 23, 1925.

On June 7, 1926, the Treasury Department issued the following statement:

"The Treasury will make no offering of Government obligations for sale June 15th, 1926. This departure from the usual procedure on the quarterly tax payment dates has been made possible on account of the increase in income tax and other receipts over earlier expectations and the fact that the aggregate public debt maturities due June 15th are somewhat less than usual. The amount of taxes to be received in June together with the balances now on hand is expected to be sufficient to meet the Treasury's cash requirements until September, when further financing will be necessary."

This is the first time since the war that the Treasury Department has not had to seek funds in the market on a quarterly tax payment date.

A substantial, black, cloth-covered, three-ring binder, large enough to contain one year's (12) issues of this review, will be mailed prepaid to any address on our mailing list upon receipt of one dollar to cover actual costs.