

# MONTHLY REVIEW

## OF BUSINESS CONDITIONS

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

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### SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Volume of industrial production and of trade increased in March and wholesale prices advanced somewhat. There was a growth of commercial loans of member banks in leading cities during March and the first half of April, while investments and loans on securities of these banks showed a reduction for the period.

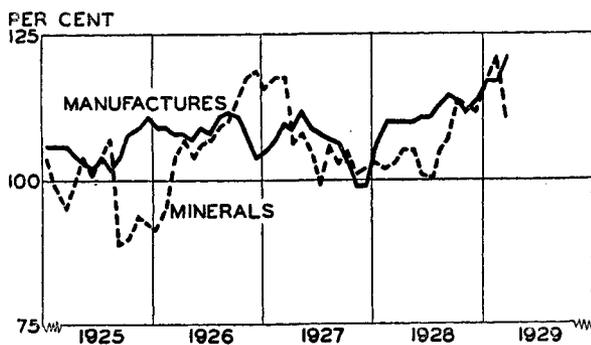
**Production.** Output of manufactures reached a new high level in March. Automobile production was exceptionally large, and steel ingot output was reported to be above rated capacity. Output of refined copper, lumber, cotton and silk textiles, and sugar was also large for the season. There was some seasonal recession from February in production of wool textiles and of leather, and a further decline in production by meat packing plants. The volume of factory employment and payrolls continued to increase during the month and was substantially above the level of March, 1928. Production of minerals as a group declined sharply, reflecting reduction in output of coal by more than the usual seasonal amount. Output of non-ferrous metals continued large and petroleum production increased.

During the first part of April industrial activity continued at a high rate, although preliminary reports indicated a slight slowing down in certain branches of the steel industry and a decline in output of coal and petroleum. The value of building contracts awarded increased seasonally during March and the first two weeks in April, reflecting in part the award of a few large contracts, chiefly for commercial and

industrial projects. The total volume of building, however, continued smaller in March than a year ago. Contracts for residential building and public works and utilities were substantially below the level of March, 1928, while industrial and commercial building was in larger volume.

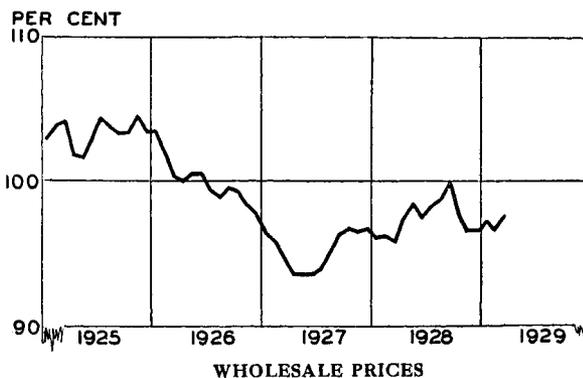
**Distribution.** Railroad shipments of commodities declined somewhat in March but were larger than in the same period of the preceding year. The decline from February reflected smaller shipments of coal and coke, grain products and livestock, shipments of these commodities also being below March a year ago. Loadings of ore and miscellaneous freight increased substantially over February and continued larger than in 1928. Sales by wholesale firms in all lines of trade reporting to the Federal Reserve System were seasonally larger than in February. In comparison with the same month a year ago, however, sales in most lines of trade showed a decline, except in the case of dry goods, men's clothing, and hardware. Department store sales showed a larger increase in March than is usual at this season, and were larger than in the same month last year, partly on account of the fact that Easter came in March this year.

**Prices.** Wholesale prices of commodities during March averaged slightly higher than in February, according to the index of the United States Bureau of Labor Statistics. There were marked increases in prices of copper and lead, and smaller advances in prices of iron and steel



PRODUCTION OF MANUFACTURES AND MINERALS

Index numbers of production of manufactures and minerals, adjusted for seasonal variations (1923-1925 average=100). Latest figures, March, manufactures, 120; minerals, 110.

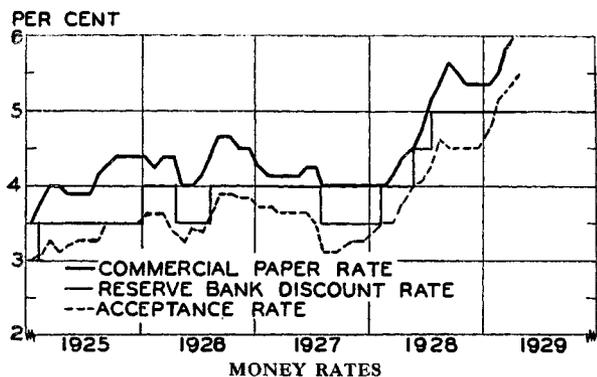


WHOLESALE PRICES

Index of United States Bureau of Labor Statistics (1926=100, base adopted by Bureau). Latest figure, March, 97.5.

and cotton goods, as well as of certain agricultural products, particularly cotton, livestock, meats, and hides. Prices of grain and flour were lower during the month and the price of leather declined, reflecting an earlier decline in prices of hides. Silk and rayon textiles and raw wool

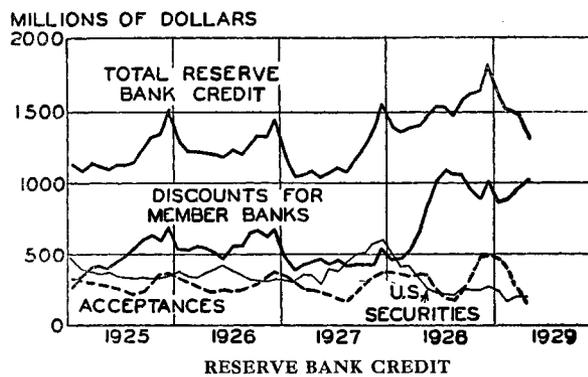
of member bank loans to brokers and in the bank holdings of investments. Loans chiefly for commercial and agricultural purposes showed a rapid increase, and at the end of the period were near the high level of last autumn. During the same period the volume of reserve



Monthly rates in the open market in New York: commercial paper rate on 4- to 6-month paper and acceptance rate on 90-day bankers' acceptances. Latest figures are averages of first 22 days in April.

were also somewhat lower in price than in the previous month. In the middle of April, prices of livestock and raw silk were higher than at the end of March, while cotton and wool had declined in price. Among non-agricultural products there were marked declines in prices of copper, lead, tin, and zinc, a further decline in the price of rubber, and increases in prices of pig iron and finished steel during the first weeks of April.

**Bank Credit.** Between March 20 and April 17 there was a considerable decline in the volume



Monthly averages of daily figures for 12 Federal reserve banks. Latest figures are averages of first 22 days in April.

bank credit in use declined further as a consequence of additions to the country's stock of monetary gold. A continued rapid reduction in holdings of acceptances carried the total to the lowest point since the autumn of 1924. Security holdings also decreased somewhat, while discounts for member banks increased.

Open market rates on bankers' acceptances and commercial paper increased further during the four weeks ending April 17. Rates on collateral loans increased sharply in the latter part of March but declined in April.

## TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Unfavorable developments in the agricultural situation during March and early April cast a shadow over the progress made in other fields of activity in the Twelfth Federal Reserve District during that period. Severe frosts in northern and central California seriously damaged important fruit crops in that area, and lack of seasonal rainfall in many parts of the District has adversely affected farm crops and livestock ranges. Difficulty in marketing the District's wool clip at prices acceptable to producers has also become an agricultural problem of first importance.

Industry and trade expanded seasonally during March and continued at the relatively high levels established during the closing months of 1928, and the first two months of 1929.

Industrial production was larger during both March and the first quarter of 1929 than during the similar periods in 1928. Although production of petroleum decreased during the month, daily average output was substantially above the average of recent years. Mine production of copper declined slightly during March, but mines of the District were still operating on heavy production schedules. Following a period

of winter curtailment, the lumber industry resumed active operation, and output was larger than in any previous March.

Trade activity during the month was moderately above the levels of a year ago. Exports to foreign countries, domestic shipments through the Panama Canal, and sales of new automobiles were substantially larger than last year, while general trade at retail and at wholesale showed only small changes over the year period.

Prices reached a peak for the first three or four months of 1929, during the early part of March, and the general price level has receded gradually since that time.

Commercial loans of reporting member banks of the District increased during March, but their security loans and their investments were reduced by a larger amount, with a resulting decline in their total loans and investments. The Federal Reserve Bank of San Francisco reduced its holdings of purchased bills and securities during the six weeks ending April 17, while discounts for member banks showed little net change for the period. The amount of Federal Reserve Bank credit outstanding at mid-April was smaller than in the previous two months.

**Agriculture**

Scant rainfall and subnormal temperatures during March and early April were highly unfavorable factors in the agricultural situation. The relatively poor condition of winter wheat and the absence of seasonal improvement in the District's livestock ranges reflected, in particular, the unusually light rainfall of the winter and spring months. Freezing temperatures were most destructive in northern and central California where fruit and nut crops were seriously damaged.

Although the outlook for the fall-sown wheat crop of the District has improved since December 1, 1928, current condition figures compare unfavorably with both one year ago and the ten-year (1919-1928) average.

**FALL SOWN WHEAT**

	Condition (Per cent of Normal)				Harvested (In thousands of bushels) 1928
	Apr. 1, 1929	Apr. 1, 1928	Apr. 1, 1919-1928 Average	Dec. 1, 1928	
Arizona	90	86	91	96	1,269
California	82	88	86	91	16,380
Idaho	90	89	91	86	10,488
Nevada	95	96	94	91	104
Oregon	86	93	91	85	20,088
Utah	91	96	94	87	3,726
Washington	75	94	83	70	35,600
United States	82.7	68.8	80.9	84.4	578,964

Source: United States Department of Agriculture.

In contrast to the situation in this District, the condition of fall-sown wheat in other important producing areas of the United States was reported, on April 1, to be better than one year ago and above the average for the past ten years.

Freezing temperatures throughout central and northern California during two successive week-ends in late March and early April seriously damaged the 1929 crop of deciduous fruits and nuts. Preliminary reports indicate that this year's production of apricots, cherries, peaches, pears, plums, prunes and almonds will be reduced by from one-sixth to one-half of the 1928 harvest, and the yield of grapes may be materially reduced. Fruit growing areas in Oregon and Washington have also experienced freezing temperatures during the past six weeks but the damage done was not comparable to that reported in California.

Shipments of the large 1928-1929 Navel orange crop from California during March, 1929, totaled 6,762 carloads. In March, 1928, it was estimated that 6,033 carloads of Navel oranges were shipped. Heavy shipments of lemons were also reported during the month, 1,079 carloads moving from the state as compared with 844 carloads in March, 1928. The forthcoming Valencia orange crop has matured slowly and sizes are somewhat smaller than usual. The 1929 lemon crop is reported to be in excellent condition and is now estimated to be substantially larger than a year ago, when production approximated 4,519,546 boxes.

The growth of forage on livestock ranges was further retarded by cold weather during March and no improvement in the condition of livestock was reported during the month. The spring movement of grass-fed cattle to market has been delayed by the poor range feed conditions, and slaughter supplies have been drawn principally from the District's feed-lots. During March 63,202 head of cattle were received at the eight principal markets of the District, which is 2.9 per cent less than the 65,128 head received in March, 1928.

As noted in the March Review, the early spring lamb crop in the District is estimated to be slightly larger in California, and smaller in Arizona, Idaho, Oregon, and Washington than the 1928 crop. Estimates of the late crop of lambs produced in the District this year are not yet available. Reflecting the lateness of the season, shipments of live and dressed spring lambs from California for this season totaled 34,908 head up to April 12 as compared with 81,953 head shipped by this date in 1928.

Although wool shearing is now under way in most of the sheep raising states of the District, relatively few sales of the 1929 wool clip have been made. Wool is being warehoused as soon as shorn with the exception of some small quantities which have been shipped to market for consignment sale. With wool prices at Boston and at foreign wool markets ranging downward at levels well below those of a year ago, buyers have been slow to purchase wool and farmers, in many cases, have been unwilling to sell their clip.

**INTENTIONS TO PLANT—1929**  
(In per cent of 1928 harvested acreage)

	Ariz.	Calif.	Idaho	Nev.	Ore.	Utah	Wash.	U.S.
Spring Wheat	90	80	70	115	135	108.3		
Oats	115	100	116	110	103	108	110	99.2
Barley	100	101	122	85	115	100	110	106.2
Rice		85						93.3
Grain Sorghums	120	100						100.7
Tame Hay	105	102	99	104	103	102	96	102.7
Potatoes (white)	90	75	77	85	88	90	81	89.4

Source: United States Department of Agriculture.

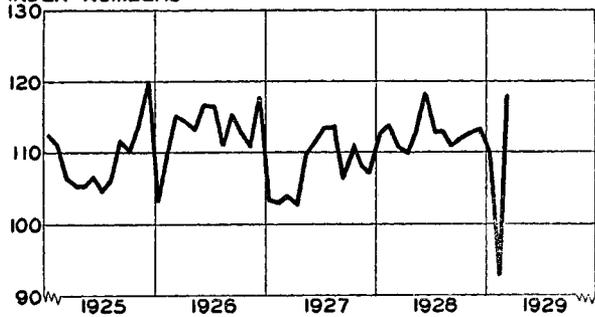
Continuing its practice of recent years, the United States Department of Agriculture has recently collected data of farmers' "intentions to plant" certain crops in this and other Districts. The figures show substantial changes as compared with last year's harvested acreage in the several states of the District but changes for this District as a whole, excepting white potatoes and rice, are relatively small.

**Industry**

Industry generally experienced a full seasonal expansion during March and continued at the relatively high levels established during the last months of 1928 and the first two months of 1929. A high rate of activity in the mining, petroleum, and building industries has contributed largely to recent industrial expansion in the southern part of the District, while seasonal increases in lumbering, fishing, road con-

struction, and food canning were the major factors in a similar expansion in the District's northern area.

#### INDEX NUMBERS



INDUSTRIAL CARLOADINGS—TWELFTH DISTRICT  
Revised index adjusted for seasonal variation; 1923-1925 daily average=100. Latest figure, March 119.

The value of construction work in the District during the first quarter of 1929 was greater than in the first quarter of 1928, the increase arising from the larger volume of engineering construction contracts awarded in the later year. The value of urban building construction approximated that of a year ago. Production of copper, petroleum, lumber, cement and of iron and steel products was larger and output of flour smaller during the first quarter of this year than during the first quarter of 1928. In March, despite a decrease in the number of employees in the flour milling, petroleum, and motion picture industries, there was a seasonal increase in total volume of all employment.

Mine production of copper declined slightly during March as compared with February but was still much larger than a year ago. Stocks of mine-copper increased slightly during the month but stocks of refined copper at eastern refineries declined by about 4 per cent, and were at the lowest levels of recent years. Demand continued active through most of March and refined copper prices rose from 19½ cents per pound (Connecticut Valley points) at the beginning of the month to 24 cents per pound on March 22, but sales diminished at these

#### (A) Industry—

Indexes of daily average production, adjusted for seasonal variation (1923-1925 daily average = 100)	1929				1928			
	Mar.	Feb.	Jan.	Mar.	Mar.	Feb.	Jan.	Mar.
<b>Manufactures:</b>								
Flour .....	118	124	119	107				
Slaughter of Livestock .....	81	85	89	105				
Lumber .....	113*	94	120	105				
Refined Mineral Oils† .....	180	172	178	147				
Cement .....	114	133	116	110				
Wool Consumption‡ .....	..	74	76	65				
<b>Minerals:</b>								
Petroleum (California)† .....	119*	121	114	93				
Copper (United States)‡ .....	135	136	129	102				
Lead (United States)† .....	..	99	111	109				
Silver (United States)‡ .....	97	88	93	94				
<b>General:</b>								
Carloadings—Industrial .....	119	93	110	111				
Value of Building Permits§¶ .....	74	69	64	74				
Value of Engineering Contracts Awarded§								
Total .....	187	175	171	115				
Excluding Buildings .....	268	228	213	113				

\*Preliminary. †Not adjusted for seasonal variation. ‡Prepared by Federal Reserve Board. §Indexes are for three months ending on the month indicated. ¶Twenty cities. ◊Revised.

higher prices. By the middle of April demand had subsided to some extent and prices had declined to 18 cents per pound. Active development work was carried on by many of the larger mining companies of the District during the month. Employment at copper mines of the District was approximately 10 per cent larger on April 1, 1929, than on September 1, 1928, and wages of mine workers had advanced 25 per cent during the same period.

Daily average production of petroleum in California was reduced during March, 1929, as compared with February, 1929, but was still substantially larger than in March, 1928. Large oil reserves in the deeper zones of the important Santa Fe Springs field and in a comparatively new field at Kettleman Hills in the southern end of the San Joaquin Valley have recently been discovered by drilling companies. Shipments of gasoline from California ports during the first quarter of 1929 were approximately double those of the first quarter of 1928. Shipments of California crude oil declined substantially as compared with a year ago, chiefly as a result of increased competitive shipments from Venezuelan fields to Atlantic and Gulf Coast ports of the United States. During recent weeks definite attempts at regulation of petroleum production have been made by the larger oil companies in California.

Following a sharp curtailment of output during the severe weather of February, lumber production in the Pacific Northwest expanded sharply during March, 1929, and was larger in that month than in any other March on record. The increase in output from January to March, 1929, was less than the usual seasonal increase during that period, but in making this comparison it should be remembered that January output was the largest on record for that month. Demand for west coast lumber has been well maintained thus far in 1929.

#### (B) Employment—

Industries	California		Oregon			
	No. of Firms	No. of Employees	No. of Firms	No. of Employees		
All Industries .....	755	157,998	155,268	146	24,877	23,135
Stone, Clay and Glass Products.	43	6,521	6,924	4	157	226
Lumber and Wood Manufactures ..	117	22,906	24,153	51	15,001	13,559
Textiles .....	18	2,440	2,420	9	2,118	1,970
Clothing, Millinery and Laundering.	64	8,765	8,726	8*	429	429
Foods, Beverages and Tobacco...	169	23,889	33,744	43	1,620	1,576
Water, Light and Power .....	5	7,158	7,548	..	..	..
Other Industries†.	326	84,179	69,743	..	..	..
Miscellaneous ...	13	2,140	2,010	31	5,552	5,375

\*Laundering only. †Includes the following industries: metals; machinery and conveyances; leather and rubber goods; chemicals, oils and paints; printing and paper goods. Figures in parentheses indicate percentage changes from March, 1928.

**Trade**

Trade in the Twelfth District increased by more than the usual seasonal amount during March, 1929, and continued at levels above those of a year ago, so that the total volume of trade transacted during the first quarter of the year is estimated to have been greater than in the first quarter of 1928.

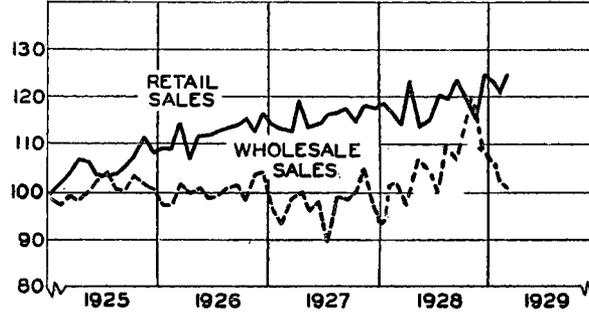
Intercoastal shipping, exports of commodities from Pacific Coast ports, and sales of new automobiles in the District were substantially greater in volume both for the month and for the quarter than in the corresponding periods of last year. Imports through the District's ports of entry declined as compared with last year, while freight carloadings and value of trade at retail and wholesale showed relatively small changes over the year period.

Sales at wholesale increased by less than the usual seasonal amount during March, 1929, and were slightly below the levels of March, 1928. Substantial increases over the year period were reported in southern California, while few increases and many declines were reported from the remainder of the District.

Sales at retail during the month were approximately 4 per cent larger than a year ago. There was one less trading day in March, 1929, than in March, 1928, but the effect of this difference was offset by the early date of Easter Sunday this year, which brought about a relative increase in March, 1929, sales volume. It is a generally known fact that an increase in sales

of wearing apparel and of clothing accessories is a regular accompaniment of the Easter season. This influence varies in incidence with the shifting date of Easter Sunday. In 1928, April 8 was Easter Sunday, and the influence of that event upon monthly sales figures was distributed between March and April. This year Easter Sunday came on March 31 and presumably all of the 1929 Easter trading was reflected in March sales reports. That this was largely true is shown by comparing March, 1929, sales

**INDEX NUMBERS**



**RETAIL AND WHOLESALE TRADE—TWELFTH DISTRICT**

Indexes adjusted for seasonal variation. 1923-1925 average=100. Daily average figures of department store sales. Monthly figures of sales at wholesale, figures for 1928 revised.

and stocks of certain individual departments with the figures reported for March, 1928. Increases were general in sales of men's, women's and children's apparel and accessories, ranging as high as 40 per cent in some departments. On the other hand sales of piece goods, small wares, and house furnishings fell off sharply in the year-to-year comparison. Stocks of wearing apparel and accessories held by reporting stores at the end of March this year were much smaller than at the end of March, 1928. A year ago, substantial amounts of goods for the Easter trade were still in stock at the close of March, while this year stocks were reduced because practically all of the Easter buying had already taken place.

**(C) Bank Debits\***

	March, 1929	March, 1928	First Three Months	
			1929	1928
<b>Arizona</b>				
Phoenix .....	\$ 44,237	\$ 34,881	\$ 137,024	\$ 101,995
<b>California</b>				
Bakersfield ...	16,449	17,737	46,276	45,901
Berkeley .....	21,177	23,415	65,716	66,950
Fresno .....	31,886	33,743	95,806	98,796
Long Beach ...	68,795	57,481	202,417	160,336
Los Angeles ...	1,365,530	1,151,389	3,801,033	3,118,977
Oakland .....	263,322	261,175	739,863	723,693
Pasadena .....	46,275	45,261	141,711	128,000
Sacramento ...	48,036	48,635	146,598	143,432
San Bernardino	12,143	10,956	34,886	30,767
San Diego .....	68,427	67,023	205,398	188,138
San Francisco.	1,599,561	1,684,138	4,345,354	4,487,737
San Jose .....	28,393	27,535	84,740	81,574
Santa Barbara	18,156	14,459	51,257	41,883
Stockton .....	28,256	28,208	81,206	89,232
<b>Idaho</b>				
Boise .....	13,693	13,742	43,106	41,231
<b>Nevada</b>				
Reno .....	11,593	9,332	32,000	26,344
<b>Oregon</b>				
Eugene .....	7,435	6,586	21,094	19,215
Portland .....	200,467†	165,165	558,736‡	464,484
<b>Utah</b>				
Ogden .....	18,156	17,295	54,885	52,952
Salt Lake City	77,923	74,511	231,503	221,310
<b>Washington</b>				
Bellingham ...	11,333	10,808	30,147	29,060
Everett .....	13,588	13,881	39,467	36,722
Ritzville .....	785	890	2,656	2,746
Seattle .....	289,407	273,681	794,721	696,962
Spokane .....	64,526	62,021	177,345	164,308
Tacoma .....	53,062	52,157	148,087	133,246
Yakima .....	14,141	14,420	39,605	38,097
<b>Total</b> .....	\$4,436,753†	\$4,220,525	\$12,352,637‡	\$11,434,088

\*In thousands. †Includes \$16,962,000 at four banks not reporting prior to week ending May 2, 1928. ‡Includes \$49,678,000 at four banks not reporting prior to week ending May 2, 1928.

**(D) Distribution and Trade—**

	1929			1928
	Mar.	Feb.	Jan.	Mar.
	Index Numbers*			
<b>Carloadings</b>				
Total †	117	108‡	112	110
Merchandise and Miscellaneous†	122	116‡	118	115
<b>Wholesale Trade Sales‡</b>	101	103	107	102§
<b>Retail Trade</b>				
Automobile Sales †				
Passenger Cars .....	125	132	125	78
Commercial Vehicles .....	147	132	157	77
<b>Department Store</b>				
Sales†	125	121	123	114
Stocks¶	105	101	98	111
	Actual Figures			
Stock Turnover	.26	.23	.24	.24
<b>Collections#</b>				
Regular .....	46.8	45.2	47.7	45.8
Installment .....	15.3	14.6	15.9	15.5

\*Adjusted for seasonal variations, 1923-1925 average=100. †Daily average. ‡Monthly totals of ten lines combined. §Monthly totals of eleven lines combined. ¶At end of month. ||Proportion of average stocks sold during month. #Per cent of collections during month to amount outstanding at first of month. ¶Revised.

Retail sales for the quarter ending March 31, 1929, were moderately larger than for the same period in 1928. Average stocks carried during the quarter were about 4 per cent smaller this year than last, so that the rate of stock turnover was higher than during the first three months of 1928.

**RETAIL TRADE—Twelfth District**

	NET SALES*		STOCK*
	Mar., 1929 compared with Mar., 1928	Jan. 1 to Mar. 31, 1929 compared with Jan. 1 to Mar. 31, 1928	
Department Storesf..	4.1 ( 68)	3.6 ( 68)	-4.4 (51)
Apparel Stores .....	6.8 ( 23)	6.4 ( 23)	3.2 (18)
Furniture Stores .....	-2.4 ( 48)	-1.7 ( 48)	-6.3 (26)
All Stores .....	3.6 (139)	3.1 (139)	-4.0 (95)

\*Percentage increase or decrease (—). Figures in parentheses indicate number of stores reporting. †Includes dry goods stores.

This Bank's seasonally adjusted indexes of daily average sales of new automobiles remained during March at the high levels of recent months, indicating a full seasonal expansion in this field of trade. Total volume of sales of new automobiles during the first quarter of 1929 was larger than in any other first quarter of record.

When adjusted for seasonal variation, figures of intercoastal traffic during February, 1929, show a decline of 11 per cent as compared with January, 1929, and are well below the levels of other recent months. Traffic from the Atlantic to the Pacific Coast increased during February and was large in volume, but there was a sharp drop in cargo movement from the Pacific to the Atlantic Coast, due to decreased shipments of lumber and general cargo. Preliminary reports for March indicate a further slight decline in intercoastal traffic during that month, though usually it increases at this season of the year. Shipments continue to exceed the low figures of early 1928.

Total freight carloadings on railroads of the District increased more than seasonally during March, as a result chiefly of increased loadings of logs and lumber, shipments of which had been sharply reduced by unfavorable weather during February. Merchandise and miscellaneous carloadings also increased more than seasonally during the month and were larger than in March, 1928.

### Prices

The general level of commodity prices at wholesale reached a high point for the year to date during the first week of March. The rise which culminated at that time resulted from advances in prices of agricultural commodities and of metals, there having been but few important changes in the price levels of other commodity groups, although rubber prices also reached a peak at the close of February. Following the early March peak a slight downward movement of the general price level was recorded, the result of declines in prices of

farm products following the earlier advance. Most composite commodity price indexes for March were somewhat higher than for February, however, the Bureau of Labor Statistics' index of wholesale prices, for example, advancing from 96.7 in February to 97.5 in March.

Prices for farm products with the exception of livestock declined during March, but these declines were largely offset by advances in prices of non-agricultural commodities, particularly metals, so that the net decline in average prices of all commodities during the month was slight. During the first half of April the upward movement in prices of non-agricultural commodities was reversed and this movement, together with continued reduction in prices of farm products, resulted in a relatively sharp decrease in composite price indexes.

Probably the most important readjustment in quotations for any commodity during the first half of April was the sharp drop in copper prices. As was noted on page 28 quotations for that metal had risen in late March to 24 cents per pound (delivered Connecticut Valley points) although it is reported that very little copper was sold at that price. This was the highest quotation for refined copper since late in 1918. During the first ten days of April prices were reduced by nearly five cents per pound, and on April 16 sellers were quoting refined copper at 18 cents per pound.

Wheat quotations have declined since late February, the downward movement having now (April 22) exceeded the sharp advance during the preceding six weeks. At mid-April wheat prices were approximately 20 per cent lower than a year earlier.

### Credit Situation

During March and the first weeks of April reporting member banks of the District effected a net reduction in the volume of their loans on securities and cared for a seasonal increase in commercial demand for credit. Borrowings from the Federal Reserve Bank of San Francisco have changed little since early February, except for the temporary fluctuations which accompanied the mid-March period of tax assessment, income tax payment, and United States Treasury financing.

Total loans and investments of reporting member banks declined during March and the first half of April as a result of a reduction in investment holdings and security loans. All other loans of these banks, which are loans made chiefly for commercial purposes, increased during this period which is a time of seasonal expansion in business. During March the decline in total loans and investments of the banks reflected reduced holdings of investments, while during April contraction of loans on securities was responsible for the decrease. Since the close of March total loans on securi-

ties at reporting member banks have averaged lower than at any time this year.

**REPORTING MEMBER BANKS—Twelfth District**  
(In millions of dollars)

	Average Condition During Month			
	April, 1929*	March, 1929	February, 1929	April, 1928
Total Loans and Investments...	1,945	1,948	1,946	1,840
Total Loans .....	1,298	1,305	1,295	1,248
Commercial Loans .....	885	883	877	882
Loans on Securities .....	413	422	418	366
Investments .....	647	643	651	592
Net Demand Deposits .....	768	783	796	795
Time Deposits .....	977	973	972	928
Borrowings from Federal Reserve Bank .....	70	74	71	55

\*Average of first three weekly reports in the month.

There was a decrease in the amount of Federal Reserve Bank credit outstanding during the first half of April as compared with the preceding two months. The Federal Reserve Bank of San Francisco further reduced its holdings of purchased bills and securities during March and early April while, except for a temporary increase during the first half of March and an equally temporary decrease during the second half of that month, there was little change in the volume of its discount business. City member banks' borrowings were slightly lower at the close of the period than at its beginning. Borrowings of country member banks increased, reflecting in some degree the agricultural marketing difficulties being experienced in certain sections of the District.

Reduction in this Bank's holdings of acceptances during March and April without a compensating increase in total discounts was made possible by a variety of factors including (a) reduction in demand for currency at the Federal Reserve Bank, (b) an influx of funds into the District from other parts of the United States, (c) mint purchases of new gold, (d) issuance of Treasury notes in mid-March, the proceeds of which were not immediately withdrawn from the banks of the District where they were deposited, and (e) an excess of Treasury disbursements over Treasury receipts within the District during April.

**FEDERAL RESERVE BANK OF SAN FRANCISCO**  
(In millions of dollars)

	Average Condition During Month			
	April, 1929*	March, 1929	February, 1929	April, 1928
Total Bills and Securities .....	118	136	142	114
Bills Discounted .....	83	86	77	62
Bills Bought .....	21	35	49	24
United States Securities .....	14	15	16	28
Total Reserves .....	242	226	224	248
Total Deposits .....	184	184	187	187
Federal Reserve Notes in Circulation .....	157	159	159	156

\*Average of first 17 days.

Recent developments in the credit situation make it seem desirable, at this time, to review certain events of the past two years which have affected the demand for member bank and Reserve Bank credit in the Twelfth District.

In this District the year 1927 was a year of moderate activity in industry and trade, and the available evidence clearly indicates that the total volume of business transacted was

smaller than in 1926. Reflecting this decline in business activity, member bank loans for commercial purposes decreased during the year, as did the total volume of member bank loans. Loans on securities averaged higher in 1927 than in 1926, however, most of the increase coming in the last four months of the later year, and accompanying a sharp rise in activity of security markets. Bank funds were plentiful throughout the year, member banks increased their investment holdings, demand for Reserve Bank credit was reduced, and interest rates remained at moderate levels.

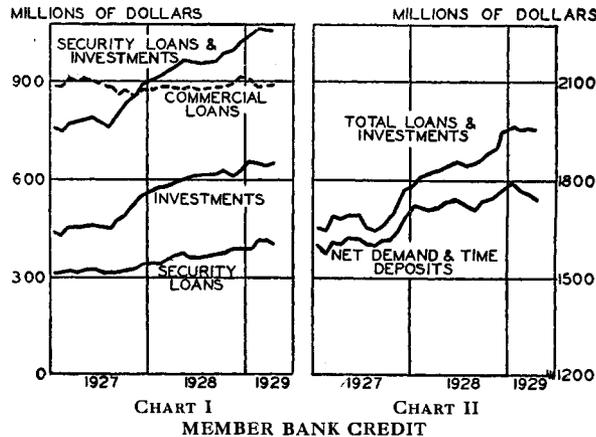


CHART I CHART II  
MEMBER BANK CREDIT  
Monthly averages of weekly figures of Twelfth District reporting member banks. Latest figures are averages for the first three report dates in April.

In 1928 the appearance of ease in the credit situation, which characterized the year 1927, was not maintained. There was a relatively rapid increase in the use of credit and some increase in its cost, particularly in the case of loans on securities. These developments accompanied a moderate expansion of activity in industry and trade, and a marked expansion of activity in security markets in this District and in the country as a whole. Borrowing at the Federal Reserve Bank reached a higher level than in any recent year.

Movements of significant items in the condition statements of member banks during the

**MEMBER BANKS—Twelfth District**

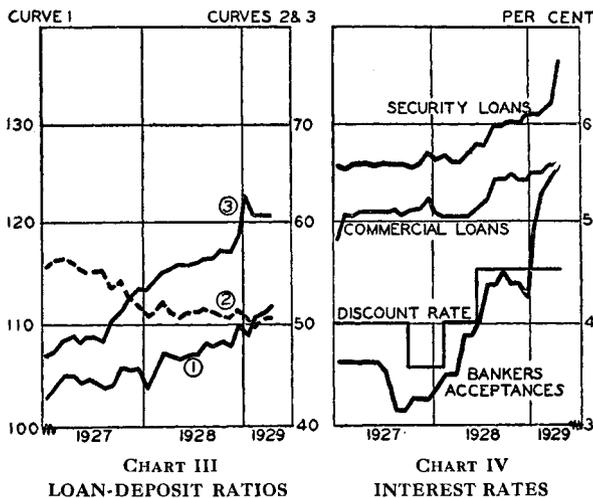
Reporting Member Banks—	Average for the Month of			Change from	
	March, 1929	March, 1928	March, 1927	March, 1928 to 1929	March, 1927 to 1928
Total Loans and Investments .....	1,948	1,825	1,693	+123	+132
Commercial Loans .....	884	887	911	-3	-24
Security Loans and Investments .....	1,065	939	782	+126	+157
Security Loans .....	422	353	321	+69	+32
Investments .....	643	585	461	+58	+124
Net Demand and Time Deposits .....	1,756	1,703	1,610	+53	+93
Demand Deposits .....	783	770	733	+13	+37
Time Deposits .....	973	933	877	+40	+56
Ratios to Net Demand and Time Deposits of					
Total Loans and Investments .....	111.0	107.1	105.1	+3.9	+2.0
Commercial Loans .....	50.3	52.1	56.6	-1.8	-4.5
Security Loans and Investments .....	60.6	55.1	48.6	+5.5	+6.5
All Member Banks—					
Borrowings from Reserve Bank .....	74	58	41	+16	+17

All figures in millions of dollars except ratios which are in per cent.

past two years are shown in charts I and II and are summarized in the preceding table.

It is apparent from these exhibits that the increase in volume of member bank credit in use during the past two years has resulted from an increase in loans on securities and in member bank investments. Loans granted primarily for commercial purposes have shown practically no net change over the whole of the period under review. This is a significant development. What is, perhaps, even more significant from a bank credit standpoint is the fact that during the past few years there has been a disproportionate increase in the loans and investments of these banks as compared with their deposits. This tendency is revealed in charts III and IV, which present ratios of

States, both on commercial and financial account and for the account of the United States Treasury. The net movement of funds out of the District, resulting from commercial and financial transactions is estimated to have exceeded 50 million dollars, a loss of more than 150 million dollars to the New York district and of approximately 65 million dollars to other eastern and mid-western industrial districts being partially offset by transfers of funds into this District from New England and from certain of the great agricultural districts. Net Treasury withdrawals during 1928 amounted to 45 million dollars. There were certain minor offsetting factors in operation during the year, but the direct result of these movements of funds was a reduction in the rate of growth of deposits held in the District's banks. No compensating reduction in loans and investments was recorded.



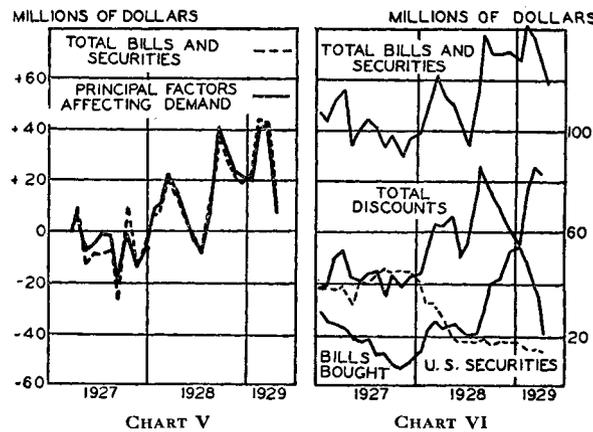
**CHART III—Loan-Deposit Ratios**, Twelfth District reporting member banks. Monthly averages of weekly figures. Latest figures are averages for first three report dates in April.

Curve 1. Ratio total loans and investments to net demand and time deposits.  
Curve 2. Ratio commercial loans to net demand and time deposits.  
Curve 3. Ratio security loans and investments to net demand and time deposits.

**CHART IV—Reserve Bank discount rate and averages of prevailing interest rates** charged by banks in San Francisco. Figures are as of middle of each month, latest figures being for April.

loans and investments to deposits of reporting member banks in the Twelfth District and prevailing interest rates in San Francisco. In the past a continued increase in loans and investments of banks without a proportional increase in their deposits has usually been accompanied by a rise in interest rates, and the year 1928 proved no exception to this general rule. The present upward movement of the ratio began in 1924 and was most rapid in 1928 and the first quarter of 1929. At 111.5 for the first half of April, 1929, the ratio of total loans and investments to demand and time deposits at reporting member banks of the District was at the highest point reached since June, 1921.

The growing spread between loans and investments and deposits of these banks during 1928 was aggravated and partially accounted for by a large movement of funds from the Twelfth District to other sections of the United



**CHART V—Principal factors affecting demand for credit** at Federal Reserve Bank of San Francisco. Monthly changes cumulated from April 1, 1927. Figures are for report dates nearest the middle of each month, latest figures being for April 17.

Solid line shows total of: (a) demand for currency, (b) Treasury receipts and disbursements, (c) imports and exports of gold, (d) mint purchases of new gold, (e) transfers of funds between Twelfth District and other parts of United States. Broken line shows total bill and security holdings, Federal Reserve Bank of San Francisco.

**CHART VI—Monthly averages of daily figures, Federal Reserve Bank of San Francisco.** Latest figures are averages for first 17 days in April.

Not only has the transfer of funds out of the District played an important part in bringing about the increased ratio of loans and investments to deposits at member banks, but it has also been the chief factor in the increased changed little during 1928 and early 1929, and Bank.\* Reserve requirements of member banks changed little during 1928 and early 1929, and the net increase in demand for currency at the Reserve Bank was negligible during this period. Increased borrowing at the Federal Reserve Bank of San Francisco during the past year has arisen chiefly out of member bank needs for funds to be transferred to other districts.

\*The amount of bills and securities held by the Federal Reserve Bank of San Francisco is not an entirely accurate measure of Twelfth District demand for Reserve Bank credit. It includes securities (and bills) purchased outside of the Twelfth District and does not include bills purchased in this District and allotted to other Federal reserve banks.