MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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Federal Reserve Bank of San Francisco

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SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

The volume of industrial production declined in May by about the same amount as it increased in April. Factory employment decreased more than is usual at this season and the downward movement of prices continued. Money rates eased further, to the lowest level in more than five years.

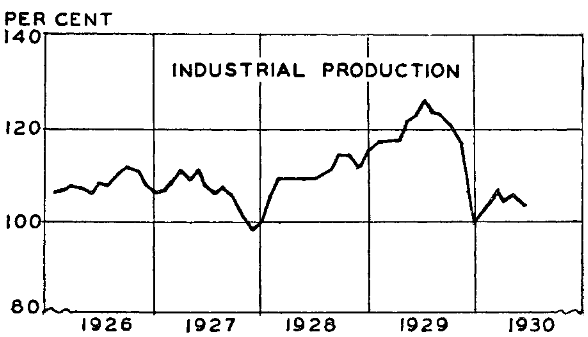
Industrial Production and Employment. The Board's index of industrial production, adjusted for usual seasonal variations, declined about two per cent in May. In 1930, industrial production has fluctuated between four and seven per cent above the 1923-1925 average, and the preliminary estimate for May is four per cent above the average for those years. Production at steel and automobile plants declined, cotton mills curtailed output, and activity at woolen and silk mills continued at low levels. Cement production increased sharply, while output of petroleum and of copper showed little change. In the first half of June, output at steel plants declined further. The decrease in factory employment in May was larger than usual and there was also a decline in factory payrolls. The number employed in the cotton and silk goods industries decreased further, while in the woolen goods industry there was an increase from the extreme low point of April. Employment in the agricultural implement and electrical machinery industries decreased from April but remained large relative to earlier years. Employment in the cement industry increased, but in the lumber industry continued at an unusually low level.

Building contract awards in May, as reported by the F. W. Dodge Corporation, continued to be in substantially smaller volume than in any other year since 1924.

Distribution. Freight carloadings increased by less than the usual seasonal amount during May and continued to be in somewhat smaller volume than in the corresponding period of 1928 and substantially below the unusually active period of 1929. Department store sales in May were approximately the same as those of a year ago.

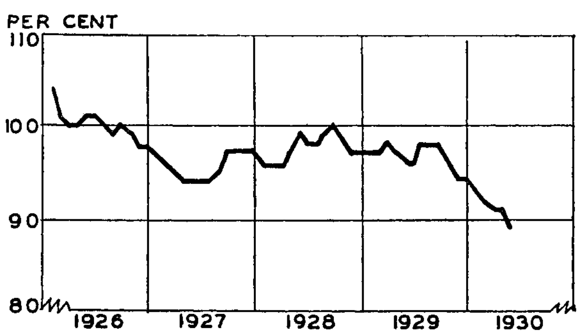
Wholesale Prices. A further decline in the wholesale prices of commodities occurred in May and the first half of June. The downward movement was interrupted in the last half of May by substantial increases in the prices of grains, meats, and livestock, but became pronounced about the middle of June when the prices of cotton, silk, rubber, copper, and silver reached exceptionally low levels. Wheat, meats, livestock, and cotton textiles also declined in price at that time, while prices of wool and woolen goods, pig iron, and steel showed little change.

Bank Credit. Loans and investments of reporting member banks increased further by



INDUSTRIAL PRODUCTION

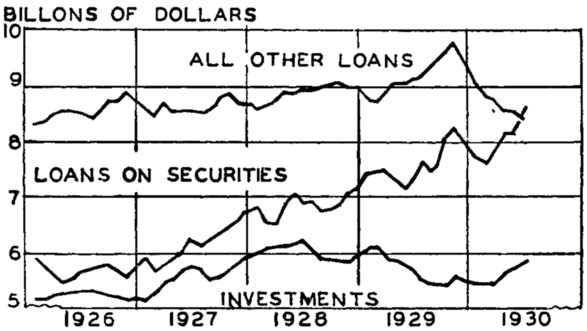
Index number of production of manufactures and minerals, combined, adjusted for seasonal variations (1923-1925 average = 100). Latest figure, May, 104.



WHOLESALE PRICES

Index of United States Bureau of Labor Statistics (1926=100, base adopted by Bureau). Latest figure, May, 89.1.

265 million dollars in the four weeks ending June 11, to a level considerably higher than a year ago. The increase was entirely in investments and in loans on securities, of which a large part represented loans made by New York City banks to brokers and dealers in securities in replacement of loans withdrawn by other lenders. "All other" loans continued to decline and at 8,400 million dollars on June 11, were the smallest since 1926.

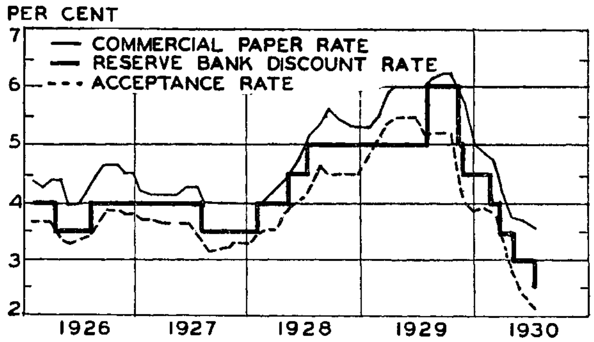


MEMBER BANK CREDIT

Monthly averages of weekly figures for reporting member banks in leading cities. Latest figures are averages of first two weeks in June.

Expansion of member bank credit during this period was reflected in larger demand deposits and an increase of 30 million dollars in member bank reserves at the reserve banks. The volume of money in circulation showed a net increase of 13 million dollars. Funds for these uses were obtained largely from further additions of 24 million dollars to the stock of monetary gold and from an increase of 22 million dollars in the volume of reserve bank credit outstanding. Reserve bank holdings of United States securities increased by about 50 million dollars and their holdings of acceptances declined by about half this amount. For the week ending June 18 the total volume of reserve bank credit declined somewhat and there was a decline in the volume of money in circulation.

Money rates in the open market continued to decline during the latter half of May and the first half of June, and at the middle of the month commercial paper at 3½-3¾ per cent and acceptances at 2⅛ per cent were at the lowest levels since 1924 and early 1925. Bond yields moved slightly lower in June. In the first week of June the rediscount rate at Cleveland was reduced from 4 to 3½ per cent; in the third week the rate at New York was reduced from 3 to 2½ per cent and the rate at Chicago from 4 to 3½ per cent.



MONEY RATES

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 20 days in June.

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

For the past two months business activity in the Twelfth Federal Reserve District has shown considerable stability, but at levels well below those prevailing during the corresponding months of 1929. No important change in the situation was evident during May, moderate improvements over April in certain components of the business structure being neutralized by compensating declines in other phases of activity.

Weather conditions during May and the first half of June were favorable to crop development and the growth of forage on livestock ranges in most parts of the District, although frost caused some damage to deciduous fruits in Washington. Continued declines in the prices of agricultural commodities have been the most adverse factor in the farm situation.

Little change in aggregate industrial output of the District was evident during May, but increases or decreases in activity of several industries were important. There were increases in the value of building permits issued, construction contracts awarded, and cement output. The fact that production fell off in the District's two most important industries, lumber and petroleum, should not be interpreted as being entirely unfavorable, since production in both industries has been in excess of current demand for several months. Unemployment was reported as being more serious than in April and considerably greater than a year ago.

The volume of trade declined during May and was below the level of the corresponding month of 1929 by a greater amount than in any other month thus far this year. Declines from both the preceding month and last year were recorded in retail and wholesale trade, sales of new automobiles, railroad freight carloadings, and intercoastal trade.

Wholesale commodity prices moved irregularly downward during most of May and widespread declines in quotations were recorded during the first half of June. There was some evidence that retail prices also tended downward.

For several months credit conditions in the District have remained substantially unchanged. Throughout this period borrowings from the Federal Reserve Bank have been small, commercial loans of reporting member banks have been moderate in volume, security loans have been at high levels, there has been a reduced volume of money in circulation, interest rates on loans to customers have been lower than in 1929, and acceptance rates have been lower than at any time since 1924.

Agriculture

The growth of crops in some parts of the Twelfth District was retarded during late May by cool weather and frequent rains but warm weather early in June resulted in more satisfactory crop development in those areas and in general improvement of forage on livestock ranges. The declining level of farm products prices continues to be the most unfavorable factor in the agricultural situation, particularly in the marketing of some of the District's animal products.

The outlook for the District's winter **wheat** crop improved during May and estimates of production were increased by 11 per cent during the month. On June 1 it was expected that the harvest of winter wheat this year would be but 20 per cent smaller than the harvest in 1929, compared with an estimated decline of 30 per cent in production of that crop a month earlier.

PRODUCTION*—WINTER WHEAT

	Forecast June 1, 1930	Forecast May 1, 1930	Harvested 1929
Arizona	1,316	1,222	1,134
California	12,162	10,981	12,240
Idaho	11,200	9,408	11,440
Nevada	44	44	104
Oregon	17,682	15,998	19,712
Utah	3,315	3,281	3,403
Washington	15,249	14,076	27,830
Twelfth District	60,968	55,010	75,863
United States	532,469	525,070	578,336

*In thousands of bushels.
Source: United States Department of Agriculture.

Production estimates of other **grain** and **field crops** are not yet available. The condition of these crops is, however, generally better than a year ago.

CONDITION OF GRAINS AND HAY
(Per cent of normal)

	Spring Wheat June 1, 1930	Spring Wheat June 1, 1929	Oats June 1, 1930	Oats June 1, 1929	Barley June 1, 1930	Barley June 1, 1929	Tame Hay June 1, 1930	Tame Hay June 1, 1929
Arizona	..	..	93	82	93	90	93	82
California	..	..	84	70	84	69	89	81
Idaho	94	88	94	88	94	89	88	85
Nevada	91	90	93	87	92	91	87	85
Oregon	90	84	94	88	92	88	92	86
Utah	93	88	94	90	93	92	86	87
Washington	75	77	86	84	80	82	75	81
United States	85.7	84.8	83.2	82.0	86.4	83.7	77.7	86.6

Source: United States Department of Agriculture.

Estimates of **deciduous fruit** production in California, Idaho, and Oregon were about the same on June 1 as on May 1. One month ago the total yield was expected to be larger than in 1929 but smaller than in 1928. During late May frosts slightly damaged **apples, pears, cherries,** and **peaches** in Washington, however, and production of those fruits is now expected to be smaller than was anticipated earlier in the season.

DECIDUOUS FRUITS AND NUTS—California

	Condition (Per cent of normal) June 1, 1930	Condition June 1, 1929	Production* Forecast June 1, 1930	Production* Actual 1929
Apples	76	59	..	7,700†
Apricots	57	..	209	215
Cherries	59	..	18	16
Grapes	..	..	..	1,751
Raisin	87	68	..	1,018
Table	89	71	..	317
Wine	88	78	..	416
Peaches	84	..	639	320
Clingstone	..	..	439	179
Freestone	..	..	200	141
Pears	77	55	218	190
Plums	82	48	..	39
Prunes	77	..	234	103
Almonds	63	30	..	5
Walnuts	65	83	..	39

*In thousands of tons. †In thousands of bushels.
Source: California Crop Report.

The 1930 Valencia **orange** crop in California was estimated to be 11,059,000 boxes on June 1. In 1929 there were 17,600,000 boxes of this variety of oranges produced. Shipments of oranges from California during May were 4,818 carloads or 40 per cent less than the 8,002 carloads shipped in May, 1929. **Lemon** production for 1930 was estimated to be 5,128,000 boxes on June 1, compared with the 1929 crop of 5,025,000 boxes.

During May, receipts of **butter** in leading Pacific Coast cities were 30 per cent larger than in May, 1929, and stored stocks at the end of the month were 31 per cent greater than a year earlier. As a result of the increased supply of butter available for consumption the price of 92-score butter at San Francisco declined from 38 cents per pound at the beginning of May to 34 cents per pound at the beginning of June. On June 1, 1929, that grade of butter was quoted at 45 cents per pound.

Market receipts, stored stocks, and prices of **eggs** have revealed an oversupply of eggs at Pacific Coast centers during the past few weeks. Receipts during May, 1930, increased 12 per cent as compared with receipts during May, 1929, and storage holdings of eggs on the Pacific Coast were 49 per cent larger on June 1, 1930, than on June 1 last year. Eggs grading "United States extra" at San Francisco were quoted at 25½ cents per dozen on June 1, compared with 28½ cents per dozen a month earlier and 32½ cents per dozen a year ago.

Livestock and **livestock ranges** improved during May, following seasonal rains in most grazing sections. **Cattle** and **sheep** which had been withheld from market earlier this spring because of relatively poor condition, attained satisfactory weights and have been marketed in volume during recent weeks, although large numbers of them are still being held on ranges and in feedlots of the District.

The movement of California spring **lambs** to eastern markets decreased sharply during the first half of June at which time lamb shipments from Idaho, Oregon, and Washington were increasing in number.

EASTERN SHIPMENTS—CALIFORNIA LAMBS

Season to June 1	Live	Dressed	Total
1930	427,000	17,500	444,500
1929	514,800	58,300	573,100
1928	380,490	60,780	441,270

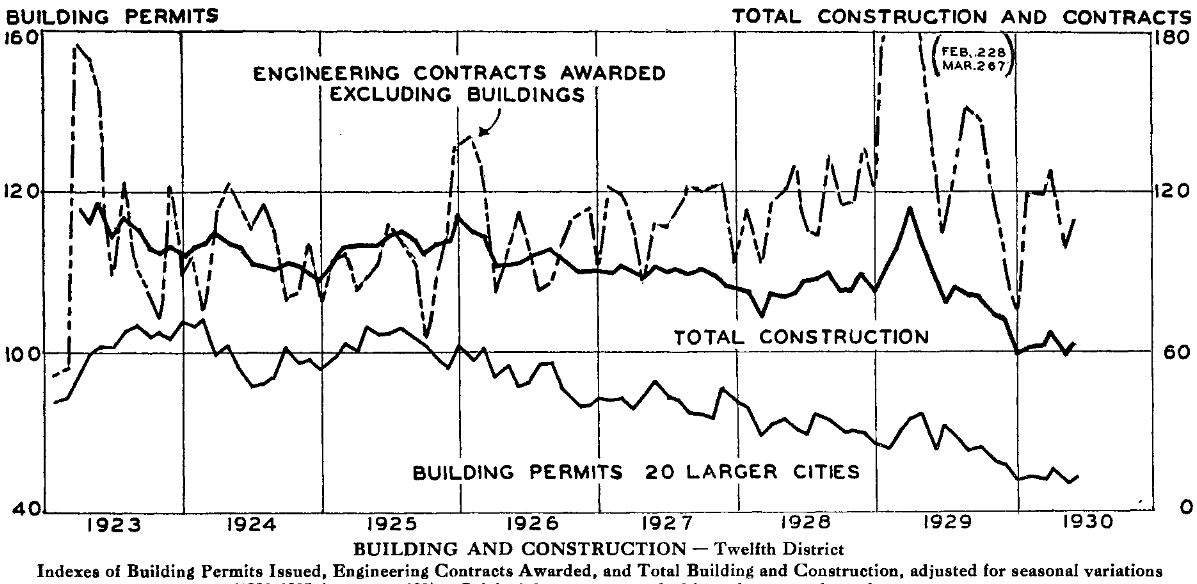
Source: San Francisco Livestock Market News Report.

Industry

Industrial activity during May continued at the low levels of the last several months. Reduction in output of some commodities, notably lumber and crude oil, may be construed as favorable from most standpoints, since it tended to bring production of those commodities more nearly into line with demand for them. Substantial increases were reported in the value of building permits issued, of construction contracts awarded, and in the output of cement and flour. Sharply declining tendencies had been evident in each of those industries for a number of months. The number of men employed by the mining industry decreased during May, but there was a reversion to longer working hours than in earlier months of this year and output continued at the same levels as in April. The protracted decline in industrial activity is beginning to be reflected more definitely in industrial employment and payrolls. Increases in unemployment and some reductions in wage scales were reported from all parts of the District during May, contrary to the usual tendency at this season of the year. In the fruit and vegetable canning industry, however, the number of workers employed is larger this year than last, partly because of larger crops and partly because of warmer weather and an earlier canning season.

Total **construction**, as measured by the value of building permits issued and construction contracts awarded, increased sharply during May as compared with earlier months of this year, but was still considerably less active than a year ago. The quarterly indexes prepared by this Bank remained relatively low because of the extremely small value of permits and contracts reported for the month of April. The value of building permits issued in the District increased more than seasonally from April to May, however, and in Seattle was larger than in May, 1929. In other parts of the District totals were well below those of a year ago, notwithstanding the large increases from the previous month. Engineering and construction contracts awarded, exclusive of those for large commercial and industrial buildings, increased sharply during the month and were practically as large in value as they were in May last year. Important increases as compared with April this year were recorded in contracts for sewers, bridges, streets and roads, and public buildings.

The total amount of **lumber** cut during May was moderately smaller than in April, fairly heavy production early in the month being more than offset by sharp curtailment of operations during the latter part of May. Shipments continued in about the same volume as in April and stocks did not increase as rapidly as in other recent months. New orders received decreased further during the last two weeks of May and the ratio of orders to production, which has been exceptionally low for several months, declined again.



BUILDING AND CONSTRUCTION — Twelfth District
Indexes of Building Permits Issued, Engineering Contracts Awarded, and Total Building and Construction, adjusted for seasonal variations (1923-1925 Average = 100). Original data were smoothed by a three-month moving average.

Considering the month of May as a whole, daily average production of **petroleum** in California declined slightly as compared with April. Early in the month some difficulty was experienced in holding to the proposed curtailment schedule, but more general observance of the control program later in the month, together with a substantial natural decline in productivity of the lower zones of the Santa Fe Springs field, effected a reduction to a daily average output of about 605 thousand barrels during the week ending May 31, a rate of output lower than for any week in the last two years. Some further reduction in the rate of output was reported during the first half of June. There was an increase in refining activity during May, and stocks of crude and fuel oils declined. Although gasoline consumption increased it was not equal to the increased output and stocks of gasoline averaged higher during May than in April. Price uncertainty acted as a deterrent to purchases of California gasoline on the Atlantic seaboard and shipments to eastern markets declined, contributing in part to the increase of stocks in this District.

Refined **copper** output in the United States expanded moderately during May, following heavy sales early in the month, and stocks increased further from levels which were already high. Mine production, nearly 70 per cent of which comes from the Twelfth District continued at the same rate as in April, and was substantially less than a year ago. There was a slight reduction in the number of men employed in the industry accompanied by a lengthening of the working week.

Despite unsteady prices and relatively inactive demand, particularly from foreign buyers, **flour** production increased in this District during May and was larger than in May, 1929.

Trade

Declines in trade during May as compared with both April, 1930, and May, 1929, were general throughout the District. Sales at retail and at wholesale and registrations of new automobiles were smaller than in either the preceding month or May of last year. Railroad freight carloadings also declined from April and continued at substantially lower levels than in 1929, while the volume of intercoastal traffic through the Panama Canal reached the lowest point since the first of this year.

Distribution of merchandise at **retail,** as measured by sales of nearly all department stores in the larger cities of the District, declined during May and was smaller than in May, 1929. The smallest declines in sales over the year period were reported by stores in northern California, in Portland, and in Seattle.

RETAIL TRADE—Twelfth District

	NET SALES*		STOCK*
	May, 1930 compared with May, 1929	Jan. 1 to May 31, 1930 compared with Jan. 1 to May 31, 1929	May, 1930 compared with May, 1929
Department Stores†	— 5.0 (69)	— 2.2 (66)	0.0 (52)
Apparel Stores	— 7.7 (31)	— 8.0 (31)	—1.7 (19)
Furniture Stores	—16.5 (46)	—10.6 (43)	—7.8 (31)
All Stores	— 6.8 (146)	— 3.9 (140)	—1.2 (102)

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

For the first five months of this year, retail sales were smaller in value than during the first five months of 1929 in practically all parts of the District excepting Portland. Value of stock carried has averaged slightly higher than in the corresponding months of 1929 and consequently the rate of stock turnover has declined.

A decline of 12 per cent in **wholesale** sales during May, 1930, as compared with May, 1929,

(*A*) *Employment*—

Industries	California: No. of Firms	California: No. of Employees May, 1930	California: No. of Employees May, 1929	Oregon: No. of Firms	Oregon: No. of Employees May, 1930	Oregon: No. of Employees May, 1929
All Industries*	718	140,261 (—12.0)	159,396	147	24,296 (—9.0)	26,687
Stone, Clay and Glass Products	45	5,699 (—17.9)	6,945	6	237 (22.2)	194
Lumber and Wood Manufactures	110	18,151 (—21.7)	23,170	51	14,806 (—12.3)	16,879
Textiles	17	3,543 (—2.1)	3,619	9§	1,294 (—29.3)	1,830
Clothing, Millinery and Laundering	54	6,815 (—10.1)	7,578	9	461 (—3.2)	476
Food, Beverages and Tobacco	148	26,098 (1.3)	25,772	43	1,879 (11.6)	1,684
Public Utilities†	25	30,191 (9.5)	27,574	..	...	...
Other Industries¶	318	72,811 (—13.0)	83,662	..	...	...
Miscellaneous‡	26	7,144 (—17.4)	8,650	29	5,619 (—0.1)	5,624

*Public utilities not included in this total. †Electrical railway and bus operations added. ‡Motion picture producing and developing added to this group. §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 May, 1929.

(*B*) *Industry*—

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

	1930 May	1930 Apr.	1930 Mar.	1929 May
General:				
Carloadings—Industrial	99	107	111	124
Electric Power Production	..	161	151	158
Manufactures:				
Lumber	108	114	112	111
Refined Mineral Oils†	..	169	161	180
Flour◊	120	96	100	106
Slaughter of Livestock	78	78	72	82
Cement	93	88	88	103
Wool Consumption†	..	55	63	80
Minerals:				
Petroleum (California)†	93	95	98	117
Copper (United States)‡	90	90	88	139
Lead (United States)‡	..	105	108	125
Silver (United States)‡	81	90	93	100
Building and Construction:				
Total	62	59	67	88
Value of Building Permits§				
Twenty Larger Cities	51	50	54	73
Seventy Smaller Cities	67	61◊	59	96
Value of Engineering Contracts Awarded§				
Total	108	92	124	134
Excluding Buildings	107	98	124	146

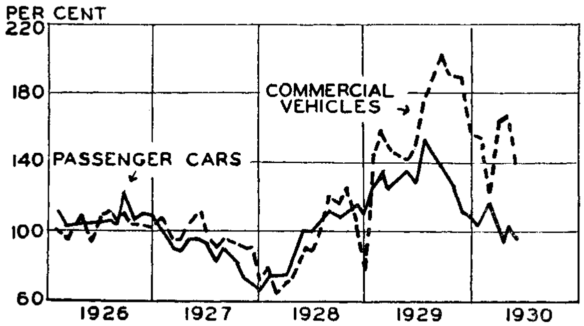
†Not adjusted for seasonal variations. ‡Prepared by Federal Reserve Board. §Indexes are for three months ending on the month indicated. ◊Revised.

was reported by 244 firms in ten lines of trade. That is the largest year to year decline in wholesale trade thus far reported for this District during 1930. After allowance for the usual seasonal change, sales were also smaller (three per cent) than in April of this year. More than two-thirds of the individual houses reported a smaller value of sales for May than a year ago, and in only one line of business—drugs—did total sales increase.

Movement of goods in the **intercoastal** trade declined for the fifth consecutive month. Tonnage of the two most important commodities in eastbound shipments — lumber and petroleum products—was smaller than in any May since 1925. Eastbound shipments of other cargo increased, however, both in relation to April, 1930, and to May, 1929. Westbound cargo, which is made up largely of miscellaneous manufactured and semi-manufactured goods, was also smaller in volume than in either the preceding month or in May of last year.

The value of **foreign** trade through Pacific Coast ports was less during the first quarter of 1930 than in any first quarter since 1925. Imports of foreign goods declined more sharply than did exports. A noticeable increase of exports was reported for April, but this Bank's adjusted index for the three months ending with April was lower than the index for the three months ending with March. Lowered prices of staple commodities have been partly responsible for the reduced value of imports in recent months, but the volume of goods entering the District's ports has also declined. Silk imports were practically negligible during March.

Registrations of both new passenger automobiles and trucks declined by more than the seasonal amount during May. The number of passenger cars registered during that month was 26 per cent less than in May, 1929, and the number of new truck registrations declined by 14 per cent during the same period.



REGISTRATION OF NEW AUTOMOBILES

Indexes of daily average registrations of new passenger and commercial motor vehicles in the Twelfth District, adjusted for seasonal variations (1923-1925 daily average=100).

Shipments of freight on the District's railroads were smaller during May than in April. Indexes of carloadings declined by a relatively large amount, a particularly sharp reduction being noted in loadings of forest products in the Pacific Northwest.

(C) *Distribution and Trade—*

	1930 May	1930 Apr.	1930 Mar.	1929 May
	Index Numbers*			
Foreign Trade°				
Total†	..	..	124	138
Imports†	..	..	110	128
Exports	..	123	132	143
Intercoastal Trade°				
Total	81	84	91	87◊
Westbound	109	115	110	125
Eastbound	73	75	86	76
Carloadings‡				
Total	104	109	108	119
Merchandise and Miscellaneous	111	114	111	118
Wholesale Trade§				
Sales	98	101	94	112
Retail Trade				
Automobile Sales‡				
Total	102	108	101	138◊
Passenger Cars	98	103	96	134◊
Commercial Vehicles	140	167	158	162◊
Department Store				
Sales‡	115	118	121	121
Stocks¶	103	104	109	103
	Actual Figures			
Stock Turnover‖	.25	.24	.25	.26
Collections#				
Regular	45.8	43.6	45.3	47.3
Installment	15.0	15.1	14.9	15.2

*Adjusted for seasonal variations, 1923-1925 average=100. °Indexes are for three months ending on month indicated. †Excluding raw silk. ‡Daily average. §Monthly totals of ten 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.

(D) *Bank Debits*—*

	May, 1930	May, 1929	First Five Months 1930	First Five Months 1929
Arizona				
Phoenix	$ 40,341	$ 46,154	$ 204,758	$ 224,311
California				
Bakersfield	12,892	13,181	68,114	72,488
Berkeley	20,812	21,291	101,958	107,155
Fresno	27,957	29,529	197,386	155,178
Long Beach	50,472	60,533	249,352	326,714
Los Angeles	1,092,843	1,239,702	5,338,461	6,246,108
Oakland	194,630	235,107	978,666	1,206,051
Pasadena	35,916	42,483	186,188	224,766
Sacramento	50,180	48,335	241,724	241,970
San Bernardino	11,172	11,049	55,353	57,357
San Diego	55,926	63,397	293,650	333,571
San Francisco	1,267,849	1,321,661	6,535,697	6,912,817
San Jose	25,480	28,828	136,777	140,792
Santa Barbara	15,818	16,548	77,974	84,597
Stockton	24,425	28,918	125,553	136,363
Idaho				
Boise	13,581	13,491	67,970	71,943
Nevada				
Reno	10,472	13,027	54,643	59,678
Oregon				
Eugene	7,661	8,311	34,226	37,095
Portland	202,821	202,016	887,109	939,146
Utah				
Ogden	16,269	17,739	84,404	89,592
Salt Lake City	74,098	76,635	379,765	395,632
Washington				
Bellingham	9,762	10,748	46,978	52,029
Everett	12,979	15,082	66,783	69,883
Ritzville	655	972	3,052	4,382
Seattle	235,206	258,820	1,218,984	1,318,681
Spokane	52,856	59,677	264,457	297,160
Tacoma	47,414	50,568	228,726	247,832
Yakima	14,753	13,481	71,001	67,508
Total	$3,625,240	$3,947,283	$18,199,709	$20,120,799

*In thousands of dollars.

Prices

The downward tendency of wholesale commodity prices, which commenced in July, 1929, continued during May. The index of the United States Bureau of Labor Statistics at 89.1 (1926 = 100) in May was 1.8 per cent lower than in April and 9 per cent lower than at the beginning of the decline last July. The downward movement of 9 per cent during the past ten months has been greater than any other continuous downward movement of this index since 1920-1921 when a drop of 44 per cent was recorded between May, 1920, and June, 1921. Declines in retail prices have become increasingly evident during recent months, but available data indicate that they have been much less than the declines in wholesale prices, and that consequently the consumer has benefited only moderately in reduced costs of living.

Prices of several commodities important in this District declined sharply during May. Silver, which is mined chiefly as a by-product of other metals, was quoted on June 16 at the record low figure of 33⅝ cents per fine ounce. Following a month of unchanged quotations, the price of copper declined to 11½ cents per pound, Connecticut Valley, on June 18—the lowest quotation for that metal since 1914. The price of crude rubber, large quantities of which are consumed in the automobile tire industry of this District, has continued to decline to previously unrecorded low levels. Sugar quotations have advanced somewhat during June from the low levels of April and May. Wool prices increased slightly in early June, while continued reductions in quotations for raw silk carried prices for that commodity to the lowest point of record.

Continued declines in prices of many agricultural products have been reported during the past month. Quotations for wheat changed little during the second half of May or the first ten days of June, but since that time they have moved downward sharply. On June 20 the July contract in the Chicago market sold for $.93¾-.96¾ per bushel compared with $1.03½-1.04¾ per bushel on May 20. Unusually large stored stocks of butter, cheese, and eggs have contributed to further declines in prices for those commodities to levels approximating those of 1922. Lamb and hog prices advanced slightly during May but cattle were quoted lower than a month ago. Citrus fruits and vegetables continued to be marketed at prices satisfactory to producers.

Lumber, cement, and other building materials are currently selling at the lowest prices of recent years, but building wage scales have changed little and consequently the decline of general building costs has been retarded.

Cutting of retail gasoline prices in many Pacific Coast cities has been prevalent during June and has been accompanied by reductions in wholesale quotations for gasoline. Although there was a temporary reduction in quotations for oil produced at the Santa Fe Springs and Signal Hill fields, crude oil prices have shown no important changes during the past month.

Credit Situation

The credit situation has changed little during recent weeks. In the last week of May and the first three weeks of June the amount of Reserve Bank credit in use in the District remained at the low levels of early May, at which point the figures were lower than at any time since 1924. At the same time Reserve Bank holdings of locally purchased acceptances, which reached a peak of 31 million dollars on March 5, 1930, declined. On June 5, the buying rate on 90-day bills was reduced ¼ per cent to 2¼ per cent, and on June 17 the rate on 45-day bills was reduced to 2⅛ per cent. Money in circulation increased slightly (five million dollars) during the four weeks ended June 18, Federal reserve notes comprising nearly all of the increase. During the same period transfers of funds into the District through the gold settlement fund were practically equal to outgoing transfers, and there was no gain or loss of funds to this District due to such transactions. There was some curtailment of activity upon the leading stock exchanges of the District during May. During the first two weeks of June, however, the turnover of shares increased greatly and was accompanied by sharp declines in the prices of nearly all shares.

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

	Condition			
	June 18, 1930	June 11, 1930	May 21, 1930	June 19, 1929
Total Loans and Investments	1,972	1,970	1,967	1,984
Total Loans	1,351	1,354	1,352	1,353
Commercial Loans	898	898	901	922
Loans on Securities	453	456	451	431
Investments	621	616	615	631
Net Demand Deposits	738	741	726	781
Time Deposits	1,011	1,024	1,032	984
Borrowings from Federal Reserve Bank	5	1	0	57

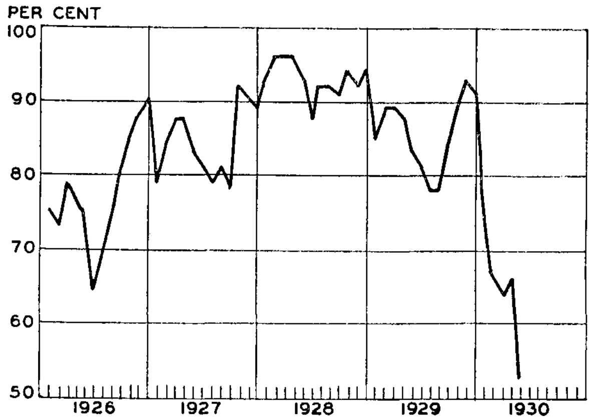
Few significant changes in the condition of reporting member banks have been recorded during the past four weeks. Perhaps the increase in holdings of government securities shown on the latest reporting date was of most importance. That increase was largely a result of the allotment of 21 million dollars of 2⅞ per cent United States Treasury Certificates of Indebtedness to this District on June 16, part of which were held by the subscribing banks on June 18. A small decline in commercial loans of reporting member banks between May 21 and June 18 was approximately offset by an increase in loans on securities. Investment holdings other than government securities increased somewhat throughout this period, continuing the tendency of the past six months.

The large reduction in borrowings at the Reserve Bank since the beginning of this year has not been accompanied by a proportionate decline in the number of borrowing banks. In fact, until late April, the number of banks accommodated was larger this year than in the corresponding months of 1929. During May, however, there was a smaller than seasonal increase in the number of banks borrowing from this Bank, and the figures were ten per cent below those of a year ago, as compared with a decline of nearly 80 per cent in the amount of discounts during the same period. The number of borrowing banks is usually greater (28 per cent above the annual average) during June and July, just prior to the most active harvest period in this District, than in any other month. The peak is followed by a rapid decline to the lowest point of the year in November, when the number of borrowers has averaged 25 per cent below the annual average.

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

	Condition			
	June 18, 1930	June 11, 1930	May 21, 1930	June 19, 1929
Total Bills and Securities	71	66	71	92
Bills Discounted	12	9	9	66
Bills Bought	22	21	25	13
United States Securities	37	37	37	12
Total Reserves	279	295	285	266
Total Deposits	178	185	183	178
Federal Reserve Notes in Circulation	155	156	153	161

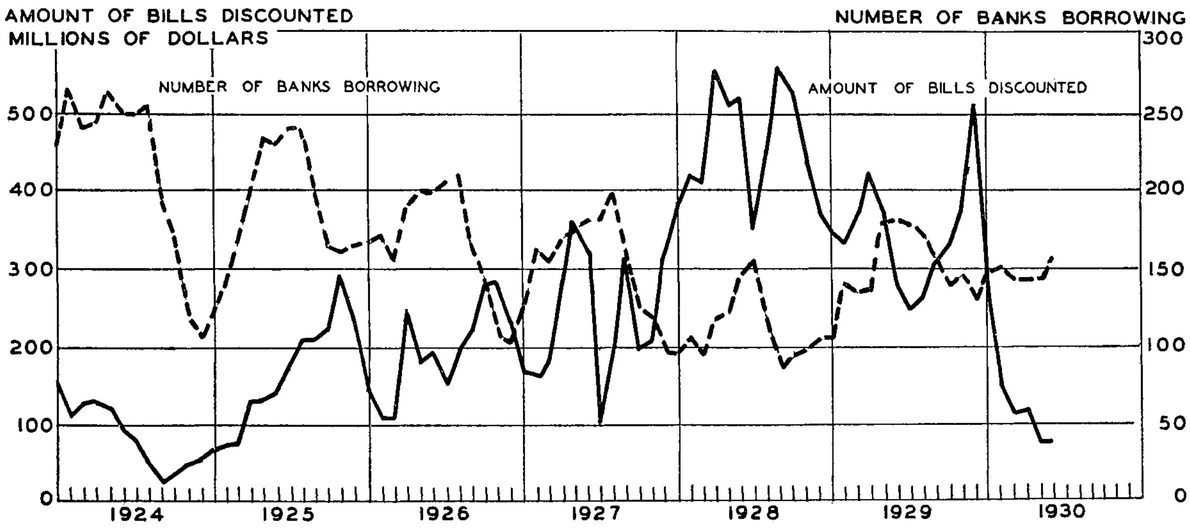
The chart at the bottom of the page shows the number of member banks borrowing from this Bank and the total (not the average) amount of bills discounted by this Bank during each month since January, 1924. The percentage of discounts maturing within 15 days is shown on the other chart. At present, this percentage is lower than it has been at any time since January, 1926, showing that a larger proportion of paper of longer maturities is now being carried by the Reserve Bank than has heretofore been the case during the period covered by the chart. The explanation of this is to be found in the present predominance of country bank borrowers, both in numbers and in the amount of their borrowings. Ordinarily a much larger part of the borrowings of country member banks than of the borrowings of city



DISCOUNT MATURITIES

Percentage of discounts maturing within fifteen days—Federal Reserve Bank of San Francisco.

member banks is based on the rediscount of eligible customer's paper, which is permitted by law to have a longer maturity than other forms of paper eligible for discount at the Reserve Bank. Maturities of such paper may legally range from 90 days for commercial paper to nine months for agricultural and livestock paper. During recent years the greater part of city bank borrowing has been based on the discount of the banks' own notes having a maturity of not over 15 days as required by law and backed by eligible collateral such as government securities or acceptable customers' notes.



AMOUNT OF BILLS DISCOUNTED AND NUMBER OF BANKS BORROWING FROM FEDERAL RESERVE BANK
(Monthly Totals)—Twelfth Federal Reserve District.

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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Some Aspects of United States Treasury Expenditures in the Twelfth District

Ordinary expenditures of the United States Treasury are made with considerable regularity and continuity from day to day and from month to month in the Twelfth District. Funds to meet these expenditures, which include expenses of the Army and Navy and other governmental agencies, are derived from the collection of taxes and fees (ordinary revenues) and from short-term borrowings. Short-term borrowings, through the sale of Treasury certificates and, more recently, Treasury bills, have been made with regularity at the customary quarterly intervals but have occurred oftener at times. Ordinary revenues are derived chiefly from the regular quarterly collection of income taxes, the amount obtained from the collection of fees being of secondary importance.

A study of the figures of ordinary expenditures from September, 1927, to the present time shows that they exceeded ordinary revenues by about 201 million dollars during that period. This constant tendency of ordinary expenditures to exceed ordinary revenues is illustrated in the accompanying chart, one curve of which shows the cumulative amount of the excess of expenditures over collections during the period covered by this study. The sharp dips in this curve occurring regularly at quarterly intervals represent the periodic effects of tax receipts in excess of current expenditures.

The Federal government may offset this constantly accumulating difference between its ordinary expenditures and ordinary revenues by (1) transferring funds collected in other districts to this District, (2) borrowing in this District or (3) both borrowing in this District and transferring funds to it from other districts. The first alternative would result in a gain of funds to the Twelfth District. The second alternative would in itself have no effect on the total amount of funds in the District if the borrowings were exactly equal to the deficiency of ordinary revenues as compared with ordinary expenditures. If the borrowings were greater than this deficiency and if part of them were transferred out of the District, the result would be a loss of funds by this District. The outcome of the third alternative might be either a gain, a loss, or no gain or loss of funds, depending upon the relative amounts involved in the deficiency, the borrowings, and the transfers of funds into the District.

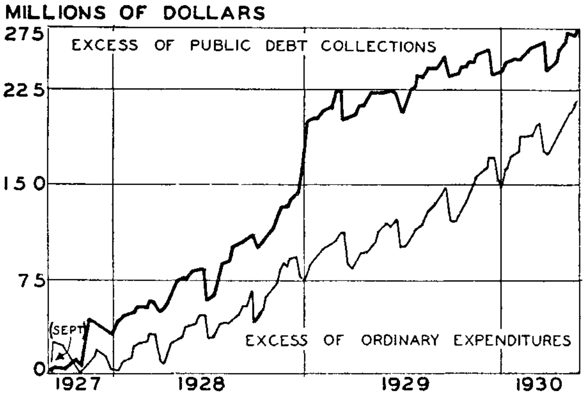
During the period covered by this study the Federal government collected more money from the Twelfth District by means of short-term borrowings than it expended within the District in redeeming the public debt. This excess of Treasury collections over expenditures on the public debt (shown by the lighter curve in the chart) amounted to 266 million dollars and was 32 per cent greater than the excess of ordinary expenditures over ordinary collections (201 million dollars), leaving a net amount of approximately 65 million dollars, much, or possibly all of which was transferred by the Treasury through the gold settlement fund to other districts in the United States. It is essential at this point to note that the sale of government issues in this District does not necessarily result in an immediate withdrawal of funds from the District, even though the Treasurer may thus secure more funds than are needed within the District. The proceeds of these sales are kept on deposit with subscribing banks until the Treasurer has need for them either within or without this District, and such needs do not usually require the immediate depletion of the funds.

Superficially, it would appear that the net result of these transactions concerning the public debt was the loss of approximately 65 million dollars from Twelfth District banking funds during the period from September, 1927, to June, 1930. Considering certain practices of the banks, however, further analysis tends to show that a net gain of a considerable though not absolutely determinate, amount of funds was the final result. In this District, short-term Treasury loans generally have been purchased by banks which have disposed of a large proportion of the paper before it has reached maturity, for the most part selling it to markets outside the Twelfth District, chiefly New York.* The proceeds of these sales ordinarily have been transferred into this District through the gold settlement fund and immediately have become a part of the District's available banking resources. The securities disposed of in this manner were first paid for by Twelfth District banks, and, as pointed out above, the Treasury transferred a considerable portion of the funds so obtained out of the District. But these securities were redeemed by the Treasurer in the market which held and presented them for payment at maturity, and this fact accounts almost entirely for the cumulative excess of revenues over expenditures on account of the public debt of the United States in the Twelfth District.

These two types of transactions, the one involving transfers of funds into the District, the other involving

*For a discussion of this and other pertinent phases of Government financing in the Twelfth District, see the Monthly Review of Business Conditions for September, 1929.

transfers of funds out of the District, tend to offset each other. Although the exact amounts involved are difficult if not impossible to ascertain, available evidence, both non-statistical and statistical, indicates that, during the period studied, the outflow of funds incident to the Federal government's sales of securities within the District was approximately offset by an inflow of funds for the account of banks which disposed of part of those securities before they reached maturity. The evidence may be summarized as follows:



GOVERNMENT FINANCING—Twelfth District

Excess of public debt collections over expenditures on account of the public debt. excess of ordinary expenditures over ordinary revenues. Both curves are cumulative from September, 1927.

(1) On the basis of available data, including complete figures for reporting member banks and incomplete data for all banks, it is estimated that total government security holdings of all banks increased by not more than 115 million dollars nor less than 80 million dollars.* At the same time the Treasurer's collections on account of the public debt exceeded expenditures on the same account (including redemption and interest) by 266 million dollars, leaving from 151 to 186 million dollars unaccounted for.

(2) However, since the total public debt of the United States was reduced by more than two billion dollars and since neither the volume of borrowing nor the volume of redemption on account of the public debt were seriously influenced by changes of interest rates or changes in the life of securities issued during this period, it may be assumed that most, if not all of this amount (151 to 186 million dollars) would have been redeemed in this District had the securities remained here until maturity.

(3) But, as previously stated many banks in this District customarily sell large proportions of their allotments of government issues to the New York market and the greater part, if not all of the redemptions involved in the 151 to 186 million dollars not yet accounted for undoubtedly were made in that market after the original (Twelfth District) holders of the securities had been paid for them and received the resulting funds by transfer through the gold settlement fund.

If this conclusion is correct, and the evidence, even though predominantly non-statistical, seems sufficient, it follows that the excess of the Federal government's ordinary expenditures over its ordinary revenues in the Twelfth District (referred to in the second paragraph of this article) necessitated transfers of funds into the District through the gold settlement fund. It also follows that the amount of these transfers (approximately 201 million dollars) minus the 80 to 115 million dollar increase in holdings of government securities represented a net gain of funds by the District as a result of the Federal government's financial transactions during the period since September, 1927.

These incoming funds, estimated to have been from 86 to 121 million dollars in amount during the past two and two-thirds years, were thus added to the banking resources of the Twelfth District and had virtually the same effect on demand for credit at the Reserve Bank as would the importation or production within the District of a like amount of gold. The immediate effect was a tendency to increase bank deposits and to enable member banks to reduce their indebtedness at the Reserve Bank or to make it less necessary for them to borrow from that bank. During those temporary periods in which the Federal government's collections exceeded its expenditures either on account of the public debt or on account of ordinary revenues and expenditures or possibly due to a combination of both factors, an effect similar to that caused by the exportation of gold was caused if the government's excess funds were withdrawn from the District in whole or in part. Under such conditions available banking funds, including reserves of the Federal Reserve Bank, are reduced temporarily, and member banks may be forced either to borrow from the Reserve Bank, to sell investments, or otherwise to secure funds if they do not wish to reduce the volume of bank credit in use in the District by calling for payment of some of their loans.

In general, it may be said that over the shorter-term period an excess of Treasury disbursements releases an equivalent amount of funds which may be employed in expanding the credit structure or reducing borrowings at the Reserve Bank, while an excess of Treasury collections results either in a contraction of credit or an expansion of reserve system credit in use. Over the longer-term period a continued excess of Treasury disbursements with its resultant net addition to the District's banking funds tends to encourage economic development within the District and to stimulate the purchase of commodities and investments in other districts. In this manner compensating factors arise and the balance of trade between districts tends to absorb the funds added to the Twelfth District's banking resources by the Treasurer's excess of disbursements over expenditures within the District.

*Changes in the holdings of agencies other than banks are relatively unimportant and are therefore disregarded.