

# 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

Industrial production and factory employment, which usually increase at this season, showed little change from August to September, and, consequently, the Board's seasonally adjusted indexes declined. The general level of wholesale prices also declined. Gold exports and earmarkings, together with an increase in domestic currency demand between the middle of September and the middle of October, resulted in a large growth of reserve bank credit in use and a rise in money rates.

**Production and Employment.** Industrial production, as measured by the Board's seasonally adjusted index, declined from 79 per cent of the 1923-1925 average in August to 76 per cent in September. Activity at steel mills decreased from 31 per cent of capacity to 28 per cent, output of automobiles was reduced substantially, and lumber production continued to decline. At cotton mills, production increased seasonally, while activity at woolen mills and shoe factories declined, contrary to the usual seasonal tendency. Output of petroleum was smaller in September than in August, but the rate of output prevailing at the end of September was higher than at the end of August.

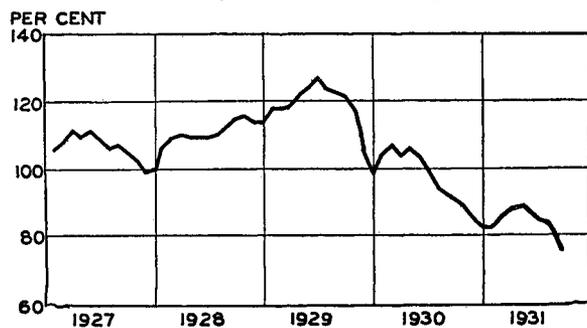
The number employed at factories showed little change from the middle of August to the middle of September, a period when employment usually increases. In iron and steel mills, automobile factories, and lumber mills, employment decreased further, contrary to the seasonal tendency. In the clothing and silk in-

dustries there were substantial increases in employment, partly of a seasonal character. In mills producing cotton goods, employment increased less than usual, and in woolen mills it declined from recent relatively high levels. Data on value of building contracts awarded for the period between the first of August and the middle of October, as reported by the F. W. Dodge Corporation, show a continuation of the downward movement of recent months for residential as well as for other types of construction.

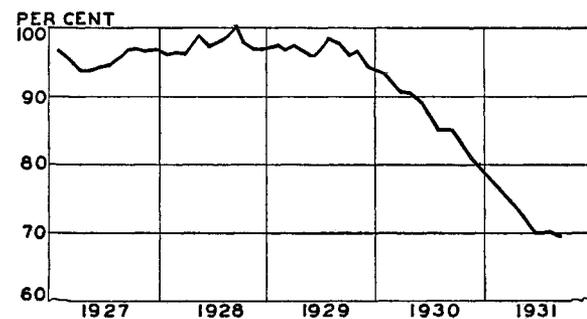
Estimates by the Department of Agriculture, based on October 1 conditions, indicated a cotton crop of 16,284,000 bales, the largest crop reported, except that of 1926, a total wheat crop somewhat larger than usual, and a corn crop of 2,700,000,000 bushels, 29 per cent larger than last year, but 2 per cent smaller than the five-year average.

**Distribution.** Freight carloadings of merchandise and sales by department stores increased in September, but by less than the usual seasonal amount.

**Wholesale Prices.** The level of wholesale prices declined from 70.2 per cent of the 1926 average in August to 69.1 per cent in September, according to the Bureau of Labor Statistics. Decreases in the prices of livestock, meats, hides, woolen goods, cotton and cotton goods were offset in part by increases in prices of dairy products, petroleum, and petroleum products. Further declines in the price of cotton dur-



Index numbers of industrial production adjusted for seasonal variations (1923-1925 average=100).



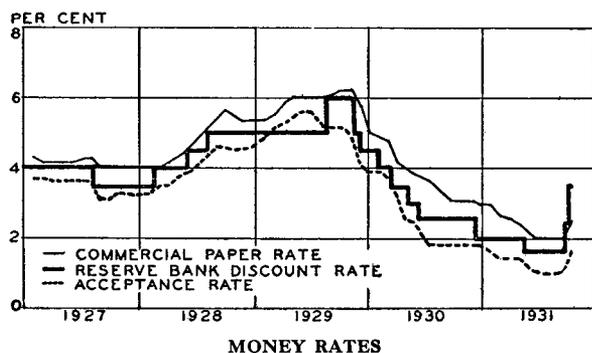
Index of United States Bureau of Labor Statistics (1926=100).

ing the first few days of October were followed by substantial increases in subsequent days.

**Bank Credit.** During the four weeks following the suspension of gold payments in England on September 20, \$600,000,000 of gold was withdrawn from this country's monetary stock in the form of exports and earmarkings. Domestic demand for currency continued to in-

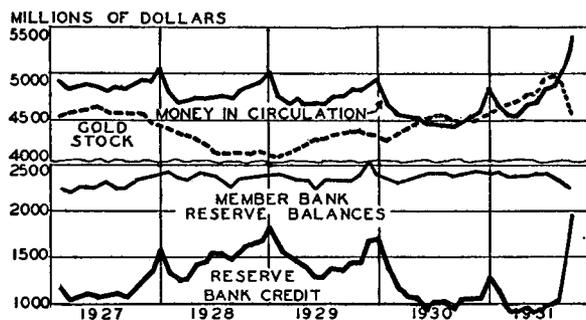
ending October 17 by \$904,000,000, and on October 17 stood at \$2,169,000,000, the highest level for ten years.

Gold and currency withdrawals resulted in a decrease of deposits at member banks in leading cities. Loans and investments of these banks also declined, reflecting reductions in loans to security brokers, as well as sales of



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 17 days in October.

crease, the growth for the month ending in the middle of October being about \$400,000,000. The growth in the amount of currency outstanding, however, slowed down after the first few days in October. The demands for credit arising from gold movements and currency growth were met by member banks through the sale of acceptances to the reserve banks and by rediscounts. Volume of reserve bank credit outstanding consequently increased between the week ending September 19 and the week



FEDERAL RESERVE BANK CREDIT AND PRINCIPAL FACTORS IN CHANGES

Monthly averages of daily figures for 12 Federal Reserve Banks. Latest figures are averages of first 17 days in October.

acceptances to the reserve banks, and sales of United States securities.

During this period there was a rise in short-time money rates in the open market and in yields on high-grade bonds. On October 9 the Federal Reserve Bank of New York advanced its discount rate from  $1\frac{1}{2}$  to  $2\frac{1}{2}$  per cent and on October 16 to  $3\frac{1}{2}$  per cent. Discount rates were also advanced at the Boston, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Dallas, and San Francisco reserve banks.

## TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Industry and trade in the Twelfth Federal Reserve District continued to mark time at low levels during September, while the harvesting of farm products proceeded satisfactorily. The number of employed decreased by at least the full seasonal amount. Average commodity prices remained about the same during the month. Changes in the banking and credit situation were of considerable significance, currency circulation and the volume of Reserve Bank credit in use increasing by mid-October to the highest levels reached since the immediate post-War period. Deposits and loans of reporting member banks continued to decline.

Harvesting of most crops was nearing completion early in October, having been attended in September as in August by favorable weather conditions. As in 1930, there is a tendency on the part of farmers to delay shipments at current low prices in the hope of receiving better crop returns at some future time. Actual harvests of most deciduous fruits have been somewhat below earlier estimates,

reflecting the effects of inadequate water and abnormal temperatures during the growing season. As a result of the semi-drought conditions of the past year, yields of grain and field crops and of deciduous fruits will be moderately less than the average of recent years, and well below the large crops of 1930. September 1 estimates of the 1931-1932 Navel orange crop were somewhat smaller than packed box shipments of the preceding crop year.

Twelfth District industrial activity declined slightly after allowance for seasonal variations. Crude oil production and refining activity in California were further reduced during September and substantial decreases were recorded in inventories of petroleum products. Output of lumber was curtailed slightly more than is usual between August and September, while orders and shipments also declined, resulting in little change in lumber stocks. Flour production expanded more than seasonally. Notwithstanding a slight decline in production of copper during September, further additions were

made to inventories of copper, which were already higher than at any previous time. Construction activity advanced slightly from the low levels of August.

Trade activity was about the same in September as in August. Neither retail nor wholesale sales increased by the full seasonal amount. Adjusted carloadings remained unchanged. A substantial increase was recorded in the volume of intercoastal traffic during the month, however, reflecting principally a rise in general cargo shipped from Pacific to Atlantic Coast ports. Registrations of new automobiles decreased less than seasonally.

Between September 16 and October 21, credit extended by the Federal Reserve Bank of San Francisco increased further by nearly \$142,000,000 to the highest level in more than ten years. Discounts at the Federal Reserve Bank advanced sharply and the volume of bills bought in the open market, most of which were purchased in New York rather than in local markets, expanded rapidly to the largest figure (\$84,000,000) recorded since April, 1920. Loans and deposits of member banks declined during the five weeks ended October 21. The withdrawal of deposits from commercial banks was accompanied by a further marked rise in the demand for currency. Interest rates increased in the Twelfth District following their firming in national money centers.

### Agriculture

Weather conditions in the Twelfth District continued to be satisfactory for harvesting during September and early October when the seasonal peak of such operations was reached. Actual harvests of deciduous fruits did not measure up to the volume expected earlier in the season, but estimated production of other crops was substantially the same on October 1 as on September 1. Early autumn rains in the Pacific Northwest helped to relieve the shortage of water for livestock and to condition the soil for fall planting operations. The District continues to feel the effects of the widespread shortage of rain and snowfall during the past year and of the abnormally high temperatures of the past summer.

Marketing of agricultural products produced in the Twelfth District ordinarily reaches its yearly peak in October. The value of products marketed has been substantially smaller so far this year than it was in the corresponding period of 1930. This decline reflects to a considerable extent a lower level of prices for agricultural products, although the volume of marketings has also been below that of last year. There is little evidence that excessive liquidation of agricultural products which can be stored or for which useful purposes can be found on the farm has accompanied the recent price declines.

The usual mild autumn rains in the Pacific Northwest during September enabled grain growers in all but the areas of lightest rainfall to proceed with their sowing of winter wheat. Early planted stands of this grain have developed satisfactorily. Exports of wheat from Puget Sound and Columbia River ports totaled 2,198,570 bushels during September. For the current marketing season to October 1 exports from these ports totaled 5,492,874 bushels as compared with 7,062,110 bushels exported during a similar period in 1930. Barley exports from San Francisco from July 1 to October 1 were 1,637,334 bushels, a decline of 43 per cent as compared with exports during that period in 1930.

October 1 production estimates of most grain and field crops were slightly larger than those of a month earlier. The increases were not sufficient, however, to change previously expressed opinions to the effect that this year's output will be of moderate proportions in the Twelfth District.

### FIELD CROPS—PRODUCTION (In thousands)

	Forecast Oct. 1, 1931	Forecast Sept. 1, 1931	1930
<b>Beans (bu.)</b>			
California, Idaho .....	7,767	7,662	9,464
United States .....	19,959	18,725	21,907
<b>Cotton (bales)</b>			
Arizona, California .....	297	303	419
United States .....	16,284	15,685	13,932
<b>Hops (lb.)*</b>			
California, Ore., Wash. ....	25,280	23,476	23,447
<b>Potatoes (bu.)</b>			
Twelfth District .....	44,479	43,510	50,210
United States .....	374,751	361,036	343,236
<b>Rice (bu.)</b>			
California .....	7,375	7,500	7,271
United States .....	41,668	40,450	41,367
<b>Tame Hay (tons)</b>			
Twelfth District .....	12,815	11,020	15,011
United States .....	79,292	77,859	77,850
<b>Sugar Beets (tons)</b>			
California, Idaho, Utah.....	1,630	1,579	1,767
United States .....	7,157	7,130	9,201
<b>Barley (bu.)</b>			
Twelfth District .....	26,046	25,638	52,434
United States .....	215,889	212,391	334,971
<b>Oats (bu.)</b>			
Twelfth District .....	23,783	22,779	28,764
United States .....	1,173,999	1,160,877	1,358,052
<b>Wheat (bu.)</b>			
Twelfth District .....	95,267	95,022	117,272
United States .....	884,286	885,643	850,965

\*These states produce the commercial crop of the United States. Source: United States Department of Agriculture.

Harvests of deciduous fruits have been somewhat smaller than those anticipated earlier in the season. The poorer quality of the harvests of certain crops not showing declines in production estimates from preceding months will result in reduced shipments of those fruits.

The season's shipments of apples from the Pacific Northwest and California totaled 12,249 carloads on October 10 which is 28 per cent less than the shipments up to the same date a year ago. Similarly, shipments of grapes from California during this period were only 24,706 carloads as compared with 38,010 carloads during the corresponding period in 1930.

Market prices for these fruits approximate those of last year despite the smaller crops.

The 1931-1932 Navel orange crop in California was estimated to be 12,854,000 boxes on September 1. Since this is the first estimate of the season it is subject to greater error than will be those of following months. Shipments of this crop during the crop year ending with May, 1931, amounted to 14,810,800 packed boxes. Reduced shipments of both oranges and lemons during September and a decline in the supply of competitive fruit in eastern markets resulted in a moderate increase in prices during the month. Prices f.o.b. California averaged \$2.34 per box for oranges and \$6.12 per box for lemons in September, compared with August averages of \$2.31 per box for oranges and \$5.08 per box for lemons.

#### DECIDUOUS FRUITS — PRODUCTION (In thousands)

California	Unit	Forecast		1930
		Oct. 1, 1931	July 1, 1931	
Apples*	bu.	4,374	5,940	6,522
Grapes	ton	1,329	1,522†	2,182
Peaches	ton	587	727	796
Pears	ton	208	227	272
Prunes	ton	173	208	267
<b>Oregon</b>				
Apples*	bu.	3,390	3,627	4,800
Pears	bu.	2,065	2,170	3,200
Prunes†	ton	30	25	20
<b>Washington</b>				
Apples*	bu.	25,704	25,560	34,065
Pears	bu.	3,650	3,600	4,500
<b>Idaho</b>				
Apples*	bu.	4,740	4,440	4,500
<b>United States</b>				
Apples*	bu.	112,887	115,089	101,169
Pears	bu.	24,054	24,406	27,577

\*Commercial crop. †Dried prunes, Oregon and Washington.

†Estimate as of July 13, 1931.  
Source: United States Department of Agriculture.

Both production and storage holdings of eggs and butter have been smaller in recent months than in the corresponding period of last year and a seasonal increase in prices of these commodities has been reported during recent weeks. Receipts of butter at Portland, Los Angeles, and San Francisco were 5,756,392 pounds during September as compared with 7,236,778 pounds in August. Egg receipts at these markets were 116,317 cases in September and 137,627 cases in August. Egg prices at San Francisco (United States No. 1 Extras) rose from 28½ cents per dozen in September to 41½ cents per dozen in mid-October, while butter prices (92 score) advanced from 29 cents per pound to 32 cents per pound during the same period.

District ranges, except those in Arizona, are furnishing a scanty supply of feed, and livestock are generally in poorer condition than either last month or a year ago. Early autumn rains in the Pacific Northwest helped to replenish water supplies in that area, but there is an urgent need for rains in California, Nevada, and Utah. Stock have been moved off summer ranges to fall pastures where the supply of feed, although limited, is more plentiful. It has been necessary to use supplemental feeds

unusually early this year in some localities and thus an additional burden has been placed upon stockmen who were already receiving low returns.

The autumn movement of both lambs and cattle to feedlots in the western states has been hampered both by a shortage of feed and by the difficulty experienced by many of the smaller operators in financing their operations. Movement of lambs and cattle to eight principal markets of the District totaled 726,791 head and 89,123 head, respectively, during September as compared with 481,788 head and 75,283 head in September, 1930. Market prices for lambs and steers reached new low levels during September but recovered somewhat during early October.

### Industry

The decline in Twelfth District industrial output, uninterrupted since last May, continued during September, reducing the rate of activity to a new low level for the year. The value of construction increased slightly, but output of crude and refined oils and lumber declined moderately. Production of cement increased only by the seasonal amount. According to preliminary data the salmon pack in Alaska was larger this year than in 1930.

A decrease was reported during September in the number of workers employed in most parts of the District. While seasonal declines in agricultural activity and in canning and preserving of fruits and vegetables were the most important causes of increased unemployment, reduced operations in other fields of industry,

### Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees of Sept., 1931	No. of Employees of Sept., 1930	No. of Firms	No. of Employees of Sept., 1931	No. of Employees of Sept., 1930
All Industries*	1,149	159,267	211,174	132	21,539	26,379
Stone, Clay and Glass Products	57	5,374	7,083	3	171	193
Lumber and Wood Manufactures	139	17,370	22,201	47	10,234	13,075
Textiles	16	1,926	2,155	9	1,392	1,282
Clothing, Millinery, and Laundering	151	12,708	13,677	7†	322	356
Food, Beverages, and Tobacco	270	46,370	71,089	36	4,650	6,092
Public Utilities	39	50,248	57,884	..	..	..
Other Industries†	461	67,431	86,484	..	..	..
Miscellaneous	55	8,088	8,485	30	4,770	5,381
Wholesale	37	3,099	3,369	..	..	..
Retail	81	26,419	27,851	..	..	..

\*Public utilities and wholesale and retail figures not included in this total. †Includes the following industries: metals, machinery, and conveyances; leather and rubber goods; oils and paints; printing and paper goods. ‡Laundering only.  
Figures in parentheses indicate percentage change from September, 1930.

such as lumbering and mining, also contributed. The managements of two important copper mines recently announced their intention to reopen during the winter months to help alleviate the unemployment situation. Reductions in wage rates continued, particularly in the lumber and mining industries. In the mining industry, the latest reduction was slightly more than 9 per cent, which brings the scale to the level which prevailed during 1921.

Output of crude oil in California continued to decline in accordance with the voluntary curtailment program, and during the week ended October 3 (there was some increase during the following week) the daily average production was 497,000 barrels. Present curtailment plans contemplate an output of 487,000 barrels daily. Refining activity, as indicated by the amount of crude oil run to stills, declined substantially during September. As a result of this reduction and the curtailment in output of crude oil, stocks of both crude and refined oils were lower at the end of September than at the end of August, 1931, or September, 1930. The movement of petroleum through the Panama Canal was somewhat greater in September than in August, but considerably below the monthly average of recent years.

Production of non-ferrous metals was about the same in September as in August, after adjustment for seasonal variations. Output of these metals has been drastically reduced since September, 1930. Total stocks of blister and refined copper continued to increase, however, indicating an extremely low level of consumption of that metal. Refined copper stocks are 33 per cent greater than a year ago.

Operations at lumber camps declined by somewhat more than the seasonal amount during September. Decreases in shipments and

orders were nearly as great as was the decrease in production, with the result that there was little change in lumber inventories during the month.

Total value of building and construction increased slightly during September as compared with August, contrary to the usual movement. The increase resulted entirely from exceptionally large contract awards for sewers which amounted to more than \$7,700,000, or approximately one-third of the total value of construction recorded for the District in September. Contract awards for water works and bridges also were somewhat greater in value than in August, but all other classifications showed substantial declines, contracts for industrial buildings at \$365,000 reaching the lowest point on record since January, 1922. The value of building permits decreased by a greater than seasonal amount. This decline was recorded in classifications of both large and small cities.

Output of flour mills was considerably greater in September than in August after allowance for seasonal. Because final arrangements of the Federal Farm Board for supplying flour to China were not completed until late in September, business incident to that contract did not contribute appreciably to the increased output of flour mills during the month. Millers reported a fair increase in domestic sales as compared with those of other recent months, but foreign business declined further during September.

According to a preliminary report of the United States Bureau of Fisheries, the pack of salmon in Alaska was about 7 per cent larger in 1931 than in 1930. The increase was due entirely to a larger pack of Alaska Reds, considered to be one of the best grades of salmon. The catch of other grades or varieties of salmon was smaller this year than last, and as a result the average quality of the pack is higher than it was in 1930.

## Industry—

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

	1931			1930 Sept.
	Sept.	Aug.	July	
<b>General:</b>				
Carloadings—Industrial .....	55	55	59	74
Electric Power Production .....	..	157	165	163
<b>Manufactures:</b>				
Lumber .....	52	55	58	70
Refined Mineral Oils† .....	..	140	137	204
Flour .....	102	88	101	112
Slaughter of Livestock .....	..	99	98	87
Cement .....	56	57	71	83
Wool Consumption† .....	..	101	111	84
<b>Minerals:</b>				
Petroleum (California)† .....	76	77	79	91
Copper (United States)† .....	60	59	59	89
Lead (United States)† .....	67	61	64	101
Silver (United States)† .....	39	45	43	72
<b>Building and Construction‡</b>				
Total .....	61	72	71	78
Value of Building Permits				
Twenty Larger Cities .....	30	32	33	51
Seventy Smaller Cities .....	33	36	41	61
Value of Engineering Contracts				
Awarded				
Total .....	107	128	123	144
Excluding Buildings .....	189	238	210	183

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

## Trade

Little or no change in Twelfth District trade activity was recorded during September. With allowance for seasonal factors, department store sales and wholesale trade declined, freight carloadings remained practically unchanged and intercoastal trade and new automobile registrations increased.

Sales of department stores in this District were approximately 13 per cent smaller during September than a year ago, a decrease considerably greater than the average decrease of 10 per cent for the year-to-date. Department store sales are usually substantially larger in September than in August, but the increase this year materialized only in part, resulting in a decline in this Bank's seasonally adjusted index. As compared with last year, declines in

sales were shown for all sections of the District. The smallest declines were reported from northern California cities, while sales in Los Angeles and in Seattle decreased by the largest percentages. Inventories of department stores (retail value) increased about 3 per cent as compared with August, but were 9 per cent smaller than at the end of September, 1930.

RETAIL TRADE—Twelfth District

	1931 compared with 1930*		
	NET SALES		STOCKS
	September	Jan. 1—Sept. 30	September
Department Stores .....	—13.3 ( 69)	— 9.6 ( 64)	— 9.2 ( 51)
Apparel Stores .....	—11.6 ( 30)	—11.8 ( 28)	—19.5 ( 19)
Furniture Stores .....	—10.8 ( 43)	—13.5 ( 40)	—11.7 ( 32)
All Stores .....	—12.8 (142)	—10.2 (132)	—10.4 (102)

\*Percentage change.

Figures in parentheses indicate number of stores reporting.

Like department store trade, sales at wholesale increased by only part of the usual September gain. As compared with September, 1930, aggregate sales in nine lines for which data are received decreased 22 per cent. Sales of groceries continued to make the least unfavorable showing (they were 8 per cent smaller in value than in September, 1930) thus tending to reduce the average decline for sales in all lines. Of the other lines, only sales of paper and stationery and automobile supplies decreased by less than 22 per cent. During the first nine months of the year total reported sales were 19 per cent smaller than in the corresponding period of last year.

Although sales of both passenger and commercial automobiles have declined considerably from the high levels of 1929, registrations of new automobiles declined by less than the seasonal amount from August to September. After allowance for seasonal variations, however,

Distribution and Trade —

	1931			1930
	Sept.	Aug.	July	Sept.
<b>Carloadings†</b>	Index Numbers*			
Total .....	74	74	83	91
Merchandise and Miscellaneous...	89	89	103	105
<b>Foreign Trade°</b>				
Total† .....	..	..	78	106
Imports† .....	..	..	64	98
Exports .....	..	83	83	108
<b>Intercoastal Trade°</b>				
Total .....	70	67	68	85
Westbound .....	92	90	87	109
Eastbound .....	64	61	62	78
<b>Retail Trade</b>				
<b>Automobile Sales‡</b>				
Total .....	61	59	73	97
Passenger Cars .....	56	55	68	89
Commercial Vehicles .....	114	102	118	182
<b>Department Store</b>				
Sales‡ .....	99	105	105	115
Stocks§ .....	94	91	92	103
	Actual Figures			
<b>Collections#</b>				
Regular .....	39.6	41.0	42.7	41.5
Installment .....	16.8	16.1	15.5	15.8

\*Adjusted for seasonal variations, 1923-1925 average=100. °Indexes are for three months ending with month indicated. †Excluding raw silk. ‡Daily average. §At end of month. #Per cent of collections during month to amount outstanding at first of month.

new passenger car registrations were lower in August and September than in any other month since April, 1922. Sales of new trucks, which have declined relatively less than have sales of pleasure cars, averaged higher during the first nine months of 1931 than in any other year, except 1929 and 1930.

On a daily average basis total freight carloadings declined seasonally (3 per cent) from August to September but were 30 per cent less than in September, 1930. Loadings of merchandise and miscellaneous freight increased as compared with August, but not by the full seasonal amount. Shipments of livestock were larger than in the preceding month or in the same month a year ago.

Tonnage of goods shipped through the Panama Canal in the intercoastal trade increased considerably during September. There was some decline in eastbound shipments of lumber, but transits of that commodity still compare favorably with the monthly average for the last two years. More than offsetting this decrease was an increase in shipments of both petroleum products and general cargo. The movement of petroleum, although at levels considerably below those of previous years, was 34 per cent larger than in August. Westbound traffic, which usually constitutes about one-fourth of total intercoastal traffic, also increased by a substantial amount during the month.

Prices

Most weekly indexes of wholesale prices declined moderately during September and the monthly index of the United States Bureau of Labor Statistics declined from 70.2 (1926=100) in August to 69.1 in September. The principal decline of this period came in the week during which England suspended gold payments. Since that time, however, prices have changed little.

During the past two years, as in practically all other periods of violent price changes, agricultural prices have fluctuated more sharply than have prices of non-agricultural commodities. These declines as measured by the Bureau of Labor indexes for September, 1929, and September, 1931, were 43 per cent for agricultural products and 25 per cent for non-agricultural commodities.

On September 30 the September wheat contract at Chicago declined to 44<sup>5</sup>/<sub>8</sub> cents per bushel and on October 5 the December contract also reached this same price. This was the lowest quotation ever recorded for either of these options on the Chicago Board of Trade. By October 14, however, wheat prices had risen to the levels of late August—around 50 cents per bushel. Other grains have varied less in price than has wheat during recent weeks.

Cattle prices remained unchanged during September and early October, while hog and lamb prices declined. Hog prices at Pacific Coast markets in late September reached the lowest levels recorded in eight years. Prices of dairy and poultry products increased seasonally during September, and quotations for eggs approximated those of a year ago. Prices for dried fruits in California have declined in recent weeks, partly because foreign markets are less satisfactory than in former years. Canned fruit prices have been maintained at the levels established when opening quotations were announced in late July.

Non-ferrous metals prices, with the exception of the quotation on silver, did not recover during September from the low levels reached in the middle of that month. The spot price of copper at New York remained at 7 cents per pound during the last half of September and the first half of October. The price of silver, which fluctuated from  $27\frac{7}{16}$  cents per ounce to 31 cents per ounce during this same period, was quoted at  $29\frac{1}{2}$  cents per ounce on October 14. Petroleum prices in California showed no change, while prices for lumber, as measured by an average based upon quotations of many grades and sizes, increased during September for the first time in 19 months.

**Credit Situation**

Important changes in the credit situation have been recorded during recent weeks. For the most part these changes have been in-

fluenced by national and international circumstances. Outward evidence of acute and complicated international economic conditions, which have in no small measure exerted an influence upon the course of economic events in the United States and in the Twelfth District during the past several weeks, is to be found in the sharp reduction of 679 million dollars in monetary gold stock of the United States during the five weeks ended October 21. The large loss of gold was accompanied by increased holdings of acceptances by the Federal Reserve System with the active participation of this Bank in the purchases. At the same time local banks have borrowed heavily from the Federal Reserve Bank of San Francisco and its holdings of locally purchased acceptances have increased moderately; consequently the volume of credit extended by that Bank increased sharply to 246 million dollars on October 21, of which amount 42 per cent represented discounts. This figure is larger than any previously reported since the record total earning assets of 249 million dollars on October 1, 1920, of which 70 per cent was discounted paper.

A period of increasing demand for credit is ordinarily one of strengthening interest rates. Such rates advance more readily when member bank indebtedness at the Reserve Bank is large and increasing rapidly. The open market operations of the Federal Reserve System during recent weeks have served to reduce the potential volume of discounts, however, and, although interest rates have moved upward, the rapidity of the advance has been retarded.

**Bank Debts\***

	September, 1931	September, 1930	Cumulative Nine Months	
			1931	1930
<b>Arizona</b>				
Phoenix .....	\$ 25,207	\$ 29,274	\$ 274,371	\$ 330,801
<b>California</b>				
Bakersfield .....	9,585	11,153	94,889	115,169
Berkeley .....	15,456	18,170	149,106	177,746
Fresno .....	23,616	27,313	195,548	298,546
Long Beach .....	35,455	46,302	369,159	439,537
Los Angeles.....	701,530	904,564	7,228,943	9,214,721
Oakland .....	173,986	174,461	1,683,100	1,711,907
Pasadena .....	26,177	27,964	272,947	310,372
Sacramento .....	42,302	46,947	419,893	439,014
San Bernardino..	7,846	9,013	78,366	93,925
San Diego .....	42,856	47,374	431,376	503,618
San Francisco...	909,040	1,149,730	8,821,870	11,468,918
San Jose .....	24,207	28,181	220,401	246,948
Santa Barbara...	12,190	14,688	117,028	140,142
Stockton .....	15,388	20,055	155,544	223,789
<b>Idaho</b>				
Boise .....	14,153	14,055	118,279	127,162
<b>Nevada</b>				
Reno .....	10,219	11,898	91,480	101,766
<b>Oregon</b>				
Eugene .....	5,053	6,510	49,014	62,159
Portland .....	133,348	181,182	1,287,118	1,583,175
<b>Utah</b>				
Ogden .....	12,595	21,394	125,486	158,523
Salt Lake City..	53,373	66,219	531,371	653,817
<b>Washington</b>				
Bellingham .....	6,322	9,005	60,703	84,131
Everett .....	8,633	11,568	83,166	115,009
Seattle .....	171,283	227,318	1,753,613	2,134,544
Spokane .....	38,342	51,026	371,012	470,977
Tacoma .....	31,043	42,351	300,889	406,143
Yakima .....	11,957	15,447	106,827	126,129
<b>Total.....</b>	<b>\$2,561,162</b>	<b>\$3,213,162</b>	<b>\$25,391,499</b>	<b>\$31,738,688</b>

\*In thousands of dollars.

**INTEREST RATES—Twelfth District**  
(Per cent)

1931 In Effect	Federal Reserve Bank			San Francisco Banks— Commer-		
	Acceptance 90 days	Buying Rates* 120 days	180 days	Bankers' Balances†	Loans	Security Loans
May 19.....	1	1½	1¼	1½	4.6	4.9
June 1.....	1	1½	1¼	1	..	..
Sept. 25.....	1¼	1½	1½	1	..	..
Oct. 9.....	1¾	2	2½	1	..	..
Oct. 13.....	2¼‡	2½	3	1	..	..
Oct. 16.....	3¾	3¾	3½	1	4.7	5.0
Oct. 21.....	3¾	3¾	3½	1½	..	..

\*For indicated maturities. †Rate established by San Francisco Clearing House Association. ‡The rate on maturities of 75 days or less was 2½ per cent from October 13 to October 15.

Rates charged by commercial banks in the Twelfth District continued their moderate advance of the past five months. Securities dealers advanced rates charged customers on debit balances of certain classes of margin accounts one-fourth per cent early in October, thereby cancelling the reduction of these rates which was announced last month. Accompanying these movements of money rates, both this and other reserve banks have raised their discount rates. Effective October 21, the discount rate of the Federal Reserve Bank of San Francisco was established at 3½ per cent for all classes and maturities of paper, replacing the previous

rate of 2½ per cent which had been in effect since May 22, 1931. Advances in the acceptance buying rate were also announced during the period under review.

Increases in currency circulation continued, and during the five weeks ended October 21, amounted to 14 million dollars. As in recent months, this increase in circulation reflects, in addition to normal seasonal expansion, substantial reductions of deposits in commercial banks. The sharply increased demand for currency during recent weeks has been met almost entirely with increases in the circulation of Federal reserve notes of the Federal Reserve Bank of San Francisco. This increase in note liability was offset by decreases in reserve deposits. At the same time, however, it was necessary for this Bank to transfer out of the District through the Gold Settlement Fund approximately 177 million dollars in excess of incoming transfers; consequently there was a substantial decrease in its reserves and the reserve ratio (total reserves to combined note and deposit liabilities) declined sharply. These outgoing transfers were for the account of member banks and in payment of this Bank's participation in the Reserve System's large purchases of acceptances and United States securities in the New York market.

The factors making for an increase in demand for Reserve Bank credit, as discussed in the preceding paragraph, were partially offset by purchases of gold bullion and coin by the San Francisco Mint and deposits of gold coin with the Federal Reserve Bank of San Francisco. During the five weeks ended October 21, these amounted to 24 million dollars, only a small part of which was for local account, the remainder being transferred immediately to other districts and having no effect upon the volume of Twelfth District banking funds. An additional offset of about 9 million dollars was due to Federal Government disbursements in excess of collections in the Twelfth District during the same period.

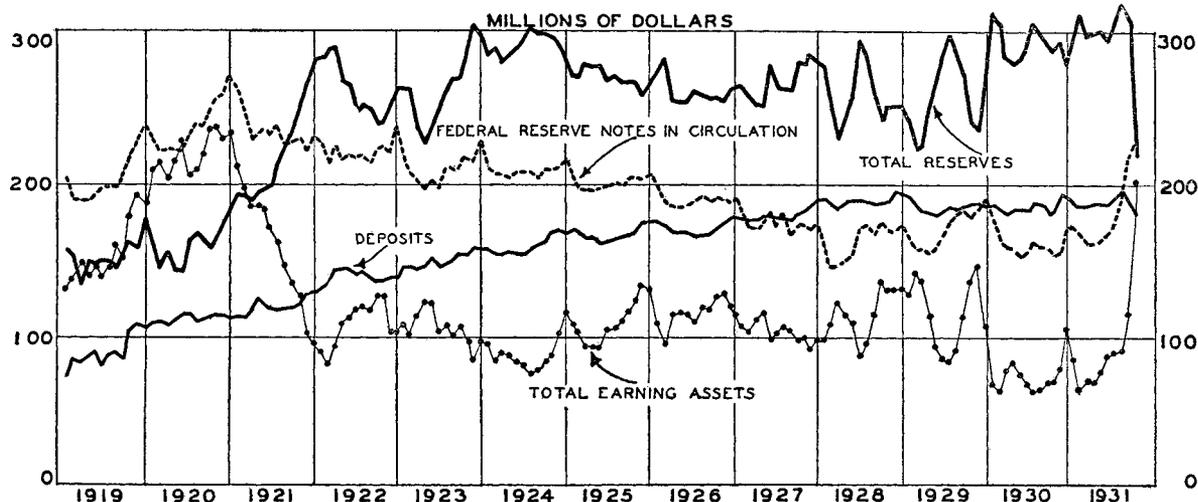
**FEDERAL RESERVE BANK OF SAN FRANCISCO**  
(In millions of dollars)

	Condition			
	Oct. 21, 1931	Oct. 14, 1931	Sept. 16, 1931	Oct. 22, 1930
Total Bills and Securities .....	245	202	103	72
Bills Discounted .....	104	74	28	7
Bills Bought .....	84	72	21	26
United States Securities ....	55	54	53	39
Total Reserves .....	175	233	320	285
Total Deposits .....	173	187	191	185
Federal Reserve Note Circulation	228	229	214	152
Ratio Total Reserves to Deposit and Note Liabilities Combined	43.7	56.0	78.9	84.7

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

	Condition			
	Oct. 21, 1931	Oct. 14, 1931	Sept. 16, 1931	Oct. 22, 1930
Loans and Investments—Total..	1,871	1,869	1,911	1,984
Loans—Total .....	1,142	1,148	1,179	1,339
On Securities .....	302	304	306	448
All Other .....	840	844	873	891
Investments—Total .....	729	721	732	645
United States Securities ...	373	365	376	338
Other Securities .....	356	356	356	307
Reserve with Reserve Bank....	92	96	102	106
Net Demand Deposits .....	662	682	710	739
Time Deposits .....	950	948	988	1,016
Due from Banks .....	130	142	173	218
Due to Banks .....	183	200	212	291
Borrowings at Reserve Bank...	94	67	22	2

Reserve deposits maintained by member banks with the Federal Reserve Bank of San Francisco have continued to be substantially in excess of legal requirements during September. This excess, which has been maintained during a period of increased borrowing at the Reserve Bank, has been due more to a desire to maintain the highest possible degree of liquidity than to a lack of opportunity to employ the funds profitably. Such excess reserves can be converted into cash immediately and without interference with regular bank activities, while any reduction of reserve deposits below the legally required amount tends to restrict those activities.



**PRINCIPAL ITEMS OF CONDITION — FEDERAL RESERVE BANK OF SAN FRANCISCO**  
Monthly averages of daily figures. Latest figures are averages of first 23 days in October.