

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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No. 1

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

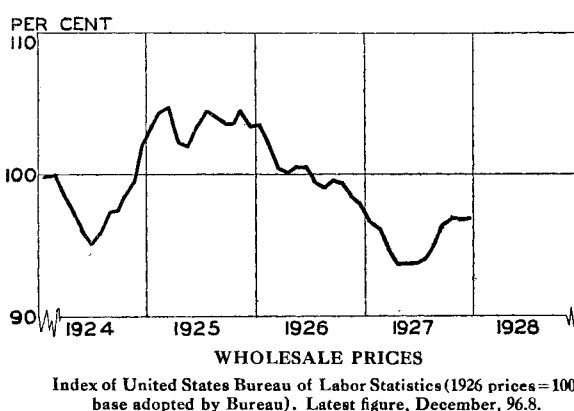
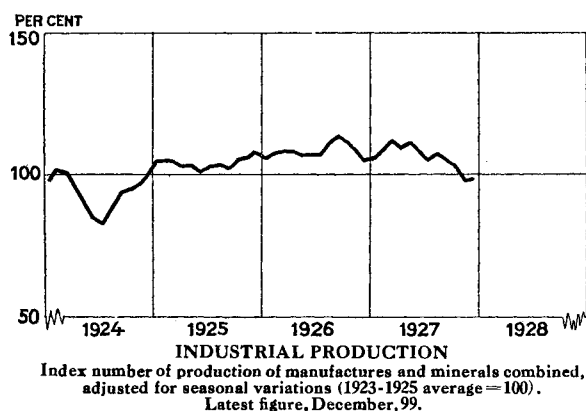
Industrial activity continued at a relatively low level, railroad distribution of commodities declined further, and the general level of prices remained unchanged in December. Holiday trade at retail stores was in somewhat larger volume than in the previous year.

Production. Production of manufacturers remained in practically the same volume in December as in November, while output of minerals, when allowance is made for usual seasonal changes, showed a slight increase. Activity in the textile, shoe, and tobacco industries was reduced in December, while the output of steel, non-ferrous metals, and petroleum increased. Production of automobiles continued in small volume during December, but has increased considerably during January. Within recent weeks there has also been a further increase in the activity of steel mills. Building contract awards were slightly larger in December, 1927, than in November, 1927, but were smaller than in December of the two preceding years. Total awards for the year 1927 in 37 eastern states, as reported by the F. W. Dodge Corporation, were valued at about \$6,300,000,000, which is slightly less than the 1926 total of \$6,380,000,000. December awards for residential and commercial buildings were larger than in December, 1926, while those for industrial buildings and public works

were smaller. During the first three weeks of January, contract awards were in approximately the same volume as during the corresponding weeks of last year.

Trade. Retail sales of department stores and mail order houses increased slightly more than is usual in December and were somewhat larger than a year ago. Inventories of merchandise carried by department stores were reduced during the month and at the end of 1927 were slightly smaller than at the end of 1926. Wholesale trade in nine leading lines continued smaller than in the corresponding months of last year. Stocks of groceries, shoes, hardware, and furniture carried by wholesale firms were smaller at the end of December than a year earlier, while stocks of dry goods and drugs were slightly larger. Freight carloadings declined further in December and were smaller in volume during that month and the early part of January than at any time in four years. The decrease in loadings occurred in practically all groups of commodities.

Prices. The Bureau of Labor Statistics' index of wholesale commodity prices remained practically unchanged in December and at the end of the year was about one per cent lower than a year ago. Prices of grains, hide and leather products, non-ferrous metals, and rubber increased in December, while prices of live-

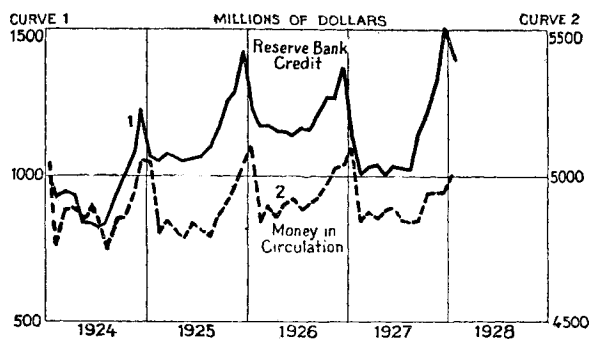


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stock, cotton, and lumber declined. During the first three weeks of January, there were increases in prices of iron and steel, grains, and wool, while prices of cattle, hogs, and cotton declined.

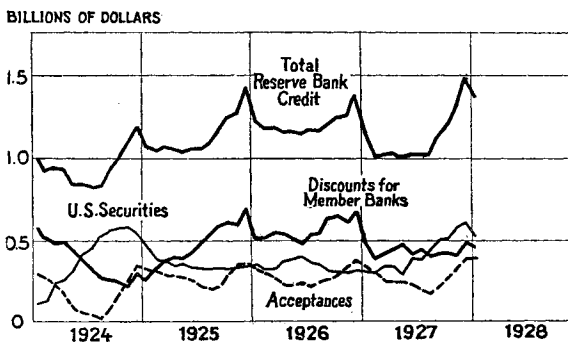
Bank Credit. At the reserve banks the seasonal demand for currency, after reaching its peak on December 24th, was followed by a

ber banks in leading cities declined during the first half of January, but were still at a higher level than at any time last year. The decline of about \$200,000,000 between January 4th and January 18th reflected a decrease of about \$280,000,000 in the volume of loans on securities, offset in part by a considerable increase in the banks' investment holdings.



CURRENCY AND RESERVE BANK CREDIT
Money in circulation data are averages of first-of-month figures and reserve bank credit data are monthly averages of daily figures. Latest figures, January, partly estimated.

return flow of money from circulation, which amounted to about \$440,000,000 between December 24th and January 18th. This decline in the demand for currency, which was approximately the same as a year ago, was reflected in a decrease for the same period of about \$360,000,000 in bills and securities held by the reserve banks. Loans and investments of mem-



RESERVE BANK CREDIT
Monthly averages of daily figures for 12 Federal reserve banks. Latest figures are averages of first 23 days in January.

Call loan rates showed the usual seasonal decline at the turn of the year, but other money rates were slightly firmer. The rate on bankers' acceptances increased during the second week of January from $3\frac{1}{4}$ to $3\frac{3}{8}$ per cent and at the same time there was also a slight advance in rates on time money in the open market.

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

In the Twelfth Federal Reserve District the year 1927 witnessed a decline in industrial activity, the maintenance of trade at active levels, improvement in the economic position of agriculture, and a slight downward movement of the general price level.

Changes in banking and credit conditions during the year have reflected, with considerable accuracy, seasonal and other changes in the general business situation. The usual spring, autumn, and holiday or year-end peaks of credit demand were experienced, but in the latter half of the year changes in the pace of business served to modify seasonal movements in demand for funds. Over the year period commercial loans of reporting member banks declined 8 million dollars while loans on securities and other collateral increased by thrice that amount. Both time and demand deposits at these banks increased during 1927, but the increase in time deposits was greater, both actually and relatively, than the increase in demand deposits. Member banks have used these additional funds to liquidate their indebtedness at the Reserve Bank, and to increase their investment holdings. Condition statements of the Federal Reserve Bank of San Francisco, at the opening of 1928, showed little

fundamental change from similar statements issued at the beginning of 1927. Interest rates ranged generally lower during the first weeks of January, 1928, than during January, 1927.

Decreased activity in building, lumbering, and food products industries were principally responsible for the lower level of industrial activity prevailing during 1927 as compared with 1926. Industrial production decreased during the last three-quarters of the year and employment in industry declined. An unusually large migration of workers into the district during the last months of the year added to the volume of seasonal mid-winter unemployment.

In contrast to the reported decline in industrial activity, trade was well maintained during 1927, and the volume of goods distributed through retail and wholesale channels was probably greater than in 1926. The trend of distribution and trade was upward during the first eight months of 1927 and, although figures of carloadings afford some evidence of contraction during the fourth quarter of the year, trade generally was more active during that period than it was a year earlier. The general level of wholesale prices in the United States averaged 5 per cent lower during 1927 than in

1926, and there is reason to believe that a similar movement of prices occurred in this district. Wholesale prices for farm products, hides, and textile products, however, were higher at the close of 1927 than at the end of 1926.

Agricultural yields in the district were larger and prices of farm products in general were higher in 1927 than in 1926. Increased purchasing power per unit of agricultural product accompanied increased gross farm income, so that the farmer's economic position was somewhat improved. Physical conditions over the year-end have favored agricultural operations.

Agriculture

Rainfall and winter temperatures in agricultural areas of the Twelfth Federal Reserve District were approximately normal during December and early January. In the mountains the snowfall has been moderately heavy, and the depth and character of the snow-pack give promise of an adequate supply of water for agricultural and other purposes later in the year.

	RAINFALL (in inches)—Twelfth District		
	July 1, 1927 to Jan. 12, 1928 (Actual)	Jan. 1, 1926 to Jan. 12, 1927 (Actual)	July 1 to Jan. 12 (Normal)
Arizona:			
Flagstaff	14.8	8.7	12.8
Phoenix	3.8	7.6	5.7
California:			
Eureka	11.3	26.7	19.4
Fresno	4.1	4.7	4.2
Los Angeles	5.7	5.0	6.1
Red Bluff	12.0	14.3	11.4
Sacramento	4.8	8.2	8.2
San Diego	6.2	4.8	3.9
San Francisco	9.4	12.0	9.6
San Jose	4.1	5.6	6.2
Idaho:			
Boise	8.3	5.7	5.4
Nevada:			
Reno	2.8	3.7	4.5
Oregon:			
Baker	6.5	6.6	5.8
Portland	23.8	27.9	23.5
Utah:			
Salt Lake City	9.1	8.3	6.7
Washington:			
Seattle	20.7	15.8	20.1
Spokane	15.2	8.2	9.7

The United States Department of Agriculture reports a 3 per cent increase in the area sown to winter wheat in the district. Part of this increase is the result of a shifting from spring to winter wheat growing. Soil moisture favored fall growth of this grain and the snow cover has been sufficient in the colder regions of the district to protect the forthcoming crop.

WINTER WHEAT—Twelfth District

	Acreage*		Condition—		
	Autumn 1927	Autumn 1926	Dec. 1, 1927	Dec. 1, 1926	Ten- Year Average
California	879	837	99	96	92
Idaho	485	522	93	91	88
Oregon	864	909	98	97	92
Utah	165	157	96	85	88
Washington	1,434	1,280	95	98	84
Twelfth District	3,827	3,705
United States	47,897	43,465	86	82	84

*000 omitted. †1917-1926.

The yield of 1927-1928 crop Navel oranges in California is now estimated as 11,650,000 boxes. In 1926 the yield was 12,300,000 boxes.

Shipments of oranges from California during November and December, 1927, totaled 7,335 carloads, as compared with 7,927 carloads shipped during the same period in 1926. Returns to the grower for oranges and lemons marketed during recent weeks have continued higher than a year ago.

Carlot apple shipments from the principal producing sections of the district were nearly 20 per cent smaller in volume during the first half of the 1927-1928 season than during the same period of the 1926-1927 season. Cold and common storage holdings of apples in Pacific Northwest centers on January 1, 1928, were about 4 per cent larger than last year. Cold storage holdings in the United States on the same date were approximately 27 per cent smaller than a year ago. Increased capacity of cold storage plants in Idaho, Oregon, and Washington has provided space for apples which formerly would have been shipped to eastern cold storage centers to be held for final distribution.

A review of the growth, harvesting, and marketing of the 1927 California grape crop, recently published by the United States Department of Agriculture, summarizes the season as one characterized by favorable growing weather, good quality fruit, favorable harvest weather (excepting the first two weeks in November) a short shipping season, and fair markets.

PRODUCTION AND VALUE OF GRAPES—California

	Production*		Farm Value		Total*	
	1927	1926	Per Ton	Per Ton	1927	1926
Raisin Grapes† ...	303	229	\$23.00	\$20.00	\$ 6,969	\$ 4,580
Grapes (table) ...	348†	383†	26.00	25.00	9,048	9,575
Grapes (juice) ...	473	414	45.00	45.00	21,285	18,630

*000 omitted. †Marketed fresh. ‡In addition it is estimated that 142,000 tons were not harvested in 1927 compared with 15,000 tons not harvested in 1926.

The condition of livestock and of livestock ranges of the district is generally better than a year ago. Seasonal snowfall, particularly in the Intermountain and Pacific Northwestern states has caused a decrease in available range forage but supplies of supplementary feed are plentiful. Livestock and range condition figures as reported by the United States Department of Agriculture follow (normal=100):

	Ranges			Cattle			Sheep		
	Jan. 1, 1928	Dec. 1, 1927	Dec. 1, 1926	Jan. 1, 1928	Dec. 1, 1927	Dec. 1, 1926	Jan. 1, 1928	Dec. 1, 1927	Dec. 1, 1926
Arizona	90	84	91	93	88	93	95	87	95
California ...	89	93	89	91	90	90	92	90	91
Idaho	100	74	102	98	84	100	98	87	100
Nevada	88	80	88	93	83	92	93	83	93
Oregon	99	89	101	99	92	101	99	92	101
Utah	95	80	95	97	85	97	97	83	97
Washington .	95	86	100	95	91	97	97	93	97
Average 17									
Western States	90	85	93	91	90	92	94	92	95

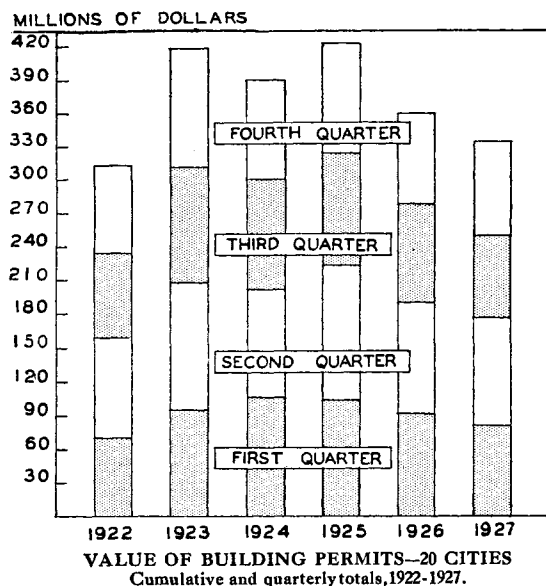
In the United States there were approximately 10 per cent more sheep and 5 per cent less cattle being prepared for slaughter by special feeding operations on January 1, 1928, than on January 1, 1927. In the Twelfth District, 150,000 less sheep were on feed than at

this time last year, while figures of cattle show a reduction of about 27 per cent. Considerable activity in contracting for the sale of the district's forthcoming spring **wool** clip was reported during the closing months of 1927. During early January, however, there was a marked decline in contracting activity. Reported contract prices, ranging from 32 to 35 cents per pound for the 1928 clip, are from 2 to 3 cents per pound higher than were those paid for the 1927 clip.

Industry

In **industry**, 1927 was a less active year than 1926. Seasonal expansion in output was reported during the first quarter of 1927, but operations were curtailed during the second and third quarters, and this curtailment persisted to the end of the year. Seasonal **unemployment** during the closing months of 1927 was aggravated by an unusually large migration of workers into the district, and a heavy surplus of labor, both skilled and unskilled, is reported throughout the Pacific Coast states. Both number employed and aggregate earnings of workers on industrial payrolls were smaller in December, 1927, than in December a year ago.

Value of **building** permits issued in 20 principal cities of the district was smaller in 1927 than in any year since 1922. The decrease was the result, chiefly, of the granting of fewer permits for construction of large commercial and



semi-commercial buildings. Lower building materials prices also contributed to the decline, but even though allowance be made for this factor, the figures indicate that building was less active during 1927 than during the preceding four years. It is evident that a considerable part of the building shortage, which accumulated during the war period, has been

made up during recent years, and a surplus of some types of structures is now reported in the larger metropolitan areas of the district.

In the fourth quarter of 1927, building operations exceeded the usual seasonal expectation despite a sharp decrease in December, and were slightly larger than in the third quarter.

A tabular statement of value of building permits issued in the Twelfth Federal Reserve District and of construction costs in the United States during recent years follows:

	Value of Permits Issued*		Construction Costs†	
	Value	Percentage Change from Previous Year	Index	Percentage Change from Previous Year
1927	\$331,821,393	— 8.2	189	— 2.6
1926	361,387,378	—14.3	194	— 0.5
1925	421,594,906	7.5	193	1.0
1924	392,182,245	— 6.6	191	— 1.5
1923	419,726,721	35.1	194	11.5
1922	310,676,178	48.7	174	— 0.3

*Twenty cities in Twelfth Federal Reserve District. †Source: Federal Reserve Bank of New York. Annual averages of construction costs, including materials and wages, for the United States. 1913 costs=100.

Estimates made by this bank indicate that output of **lumber** in the district was smaller during 1927 than during 1926. Efforts to keep production within the limits of profitable demand met with fair success during the early part of 1927, but during the summer and autumn months output tended to exceed shipments and orders received.

Unfavorable weather conditions in the Pacific Northwest and general holiday shutdowns caused a suspension of logging and milling operations during the last half of December. Curtailment of operations during that period was more extensive than usual and a greater than seasonal reduction in lumber output resulted.

More **flour** was produced in this district during 1927 than in any other year since 1923. Output, as reported by 14 large milling companies producing more than half of the district's total grindings, was 41 per cent larger than in 1926. The increase probably reflected the larger supplies of wheat available in the Pacific Northwest, as well as increased market demand, for millers' stocks of flour were but 12 per cent larger in volume at the close of the year than

(A) Building Permits—

	December, 1927		December, 1926	
	No.	Value	No.	Value
Berkeley	174	\$ 645,717	173	\$ 314,239
Boise	33	345,500	34	19,636
Fresno	59	126,764	87	316,339
Long Beach	360	2,153,235	362	1,157,265
Los Angeles	2,483	6,630,403	2,678	10,089,871
Oakland	392	756,549	660	1,846,999
Ogden	18	118,000	24	130,350
Pasadena	235	628,513	218	458,194
Phoenix	93	701,055	82	146,598
Portland	655	1,120,510	744	1,562,705
Reno	11	38,950	15	674,126
Sacramento	133	259,940	183	339,131
Salt Lake City	32	112,800	36	249,575
San Diego	443	1,434,954	626	2,339,828
San Francisco	620	2,582,015	756	5,066,659
San Jose	72	124,480	72	131,605
Seattle	522	1,281,220	570	4,065,095
Spokane	71	117,225	80	455,015
Stockton	69	253,900	45	240,185
Tacoma	96	944,040	148	532,650
District	6,571	\$20,375,770	7,593	\$30,136,065

at its beginning. The actual amount of this increase in stocks was less than one per cent of total annual production, indicating that consumption or disappearance of flour approximated production during the year. Both flour and wheat prices averaged lower during 1927 than in 1926, and the extent of their declines was about equal to the drop of 5 per cent in the general wholesale price level.

FLOUR PRODUCTION (14 companies operating 19 mills)*

Year	Total (barrels)	Monthly Average (barrels)	Stocks —at Close of Year—	
			Flour (barrels)	Wheat (bushels)
1927†	6,010,249	500,481	442,236	3,939,150
1926	4,961,319	413,443	396,431	2,955,219
1925	4,674,316	389,526	412,192	4,022,593
1924	5,907,329	492,277	548,550	2,927,762
1923	6,779,155	564,930	569,430	3,901,986

*Consolidations have reduced the number of reporting companies but have not seriously affected the comparability of the figures. †Figures for one mill partially estimated.

A marked increase (7 per cent) in flour production was reported during December, 1927, contrary to the usual seasonal expectation. Sales of flour also were larger than in November, but the increase was not so great as the increase in production, and inventories of reporting mills at the end of December were 14 per cent larger than at its beginning.

During 1927, production of petroleum and output of refined mineral oils in California slightly exceeded production in 1924, 1925, and 1926, and was larger than in any other year, excepting the peak year of 1923. Consumption of crude oil was well maintained, exceeding output, so that stored stocks at the close of 1927 (113,281,630 barrels) were 5.2 per cent smaller than at the beginning of the year. Prices for petroleum and petroleum products were generally lower during 1927 than during 1926.

Average daily production of petroleum in December, 1927 (610,930 barrels), was less than in November, 1927 (617,216 barrels), or in December, 1926 (654,095 barrels). Consump-

tion of crude oil, contrary to the usual seasonal movement, increased during December as compared with the three preceding months.

PETROLEUM—California

Year	Total (barrels)	Daily Average (barrels)	Stored Stocks at End of Year (barrels)	Producing Oil Wells Com- pleted	Average Active Produc- ing Wells
1927	230,751,000	632,196	113,281,630	901	11,278
1926	224,117,000	614,019	119,542,556	913	11,288
1925	230,147,000	630,541	127,194,894	948	11,393
1924	230,064,000	628,590	97,829,374	1,238	10,903
1923	263,729,000	722,545	89,274,244	980	8,928

Source: American Petroleum Institute.

Of the principal non-ferrous metals, lead was the only one to show increased production during 1927 as compared with 1926. Non-ferrous metals have on the average been lower in price during 1927 than in 1926. In the fourth quarter of 1927, the market for silver and copper improved, however, and in December prices of both these metals were higher than in the same month of 1926.

NON-FERROUS METALS—PRODUCTION*

Commodity	Unit	Twelfth District†		United States—	
		1927‡	1926§	1927‡	1926§
Copper	lb.	1,102,766	1,119,041	1,696,000	1,740,000
Lead	lb.	631,892	626,528	1,352,000	1,344,000
Zinc	lb.	165,292	193,037	1,150,000	1,210,000
Silver	oz.	41,402	43,039	59,145	62,719
Silver	dollars	23,475	26,856	33,253	39,136
Gold	dollars	23,865	24,914	45,027	48,270

*000 omitted. †Including all of Arizona, the five southeastern counties of which are in the Eleventh Federal Reserve District. ‡Preliminary. §Revised.

Source: Bureau of Mines, United States Department of Commerce.

Distribution and Trade

Total dollar value of sales of reporting retail and wholesale firms, in the Twelfth Federal Reserve District was slightly larger in 1927 than in 1926. In view of the substantially lower level of prices prevailing in the later year, it is probable that the volume of goods moved through both retail and wholesale channels was appreciably larger in 1927 than in 1926. Increases in the district's total of merchandise and miscellaneous railway freight carloadings support this assumption.

RETAIL TRADE—Twelfth District

	NET SALES*		STOCKS*	
	Dec., 1927, compared with		January 1 to Dec. 31, 1927, compared with same period in 1926	
	Dec., 1926	Nov., 1927	Dec., 1926	Dec., 1927
Department Stores	0.7 (45)	60.7 (45)	2.5 (37)	—5.1 (36)
Dry Goods	8.4 (5)	14.8 (5)	11.2 (4)	4.4 (3)
Furniture	2.0 (47)	66.4 (40)	—0.3 (28)	—0.2 (24)
Men's Apparel	—2.1 (4)	70.3 (4)	...	—2.1 (3)
Men's and Women's Apparel	2.1 (11)	51.2 (11)	2.2 (10)	2.7 (3)
Women's Apparel	10.6 (9)	30.0 (8)	—0.5 (9)	1.3 (8)
All Reporting Stores	0.5 (121)	58.9 (113)	2.1 (89)	—4.1 (77)

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

The general trend of distribution and trade was moderately upward during the first eight months of 1927, and, although figures of carloadings afford some evidence of contraction during the fourth quarter of the year, the volume of distribution of goods through retail and wholesale channels was well maintained.

(B) Employment—

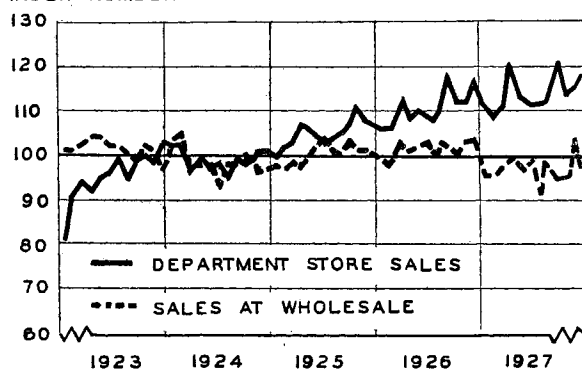
Industries	California			Oregon		
	No. of Firms	No. of Employees— Dec., 1927 Dec., 1926		No. of Firms	No. of Employees— Dec., 1927 Dec., 1926	
All Industries	781	136,342 (—6.2)	145,286	166	25,642 (—5.2)	27,060
Stone, Clay and Glass Products	47	6,905 (—2.1)	7,050	4	150 (—20.6)	189
Lumber and Wood Manufactures	124	25,682 (3.0)	24,934	62	14,541 (—6.7)	15,582
Textiles	19	2,679 (—2.6)	2,751	12	2,197 (—1.8)	2,237
Clothing, Millinery and Laundering	62	7,808 (—2.9)	8,041	10*	507 (—1.0)	512
Foods, Beverages and Tobacco	167	22,946 (—2.8)	23,595	45	2,599 (12.8)	2,305
Water, Light and Power	5	8,060 (—0.7)	8,119
Other Industries†	342	60,085 (—11.9)	68,183
Miscellaneous	15	2,177 (—16.7)	2,613	33	5,648 (—9.4)	6,235

*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 December, 1926.

In December, 1927, this bank's seasonally adjusted index of the daily average sales of 32 department stores stood at 118 (1923-1925 daily average=100), compared with 116 in November, 1927, 113 in October, 1927, and 117 in De-

INDEX NUMBER



TRADE ACTIVITY—TWELFTH DISTRICT

Seasonally adjusted index numbers of sales of 28 department stores and about 170 wholesale firms, (1923-1925 average = 100). Latest figures, December, department stores, 118; wholesale firms, 98.

cember, 1926. The seasonally adjusted index of sales in eleven lines of trade at wholesale stood at 98 in December, 1927 (1923-1925 monthly average=100), 104 in November, 1927, 96 in October, 1927, and 104 in December, 1926. Railroad carloadings declined during the last three months of 1927. In December, 1927, there were 3 per cent less cars loaded than in December, 1926.

WHOLESALE TRADE—Twelfth District

	No. of Firms	Index Numbers of Sales*			
		1927			1926
		Dec.	Nov.	Oct.	Dec.
Agricultural Implements	11	102	91	116	99
Automobile Supplies	13	96	102	103	94
Automobile Tires	14	126	141	134	174
Drugs	4	103	112	129	108
Dry Goods	15	72	87	96	70
Electrical Supplies	6	152	137	131	160
Furniture	11	97	107	117	108
Groceries	14	83	105	90	81
Hardware	20	90	90	97	92
Shoes	5	78	126	129	88
Paper and Stationery	20	105	99	104	119
All Lines	133	93	101	104	98
All Lines, Adjusted†	133	98	104	96	104

*1923-1925 monthly average=100. †For seasonal variation.

Sales of new automobiles during 1927 were below those of 1926, the declines being particularly marked during the last half of the year. Preliminary estimates indicate that De-

(C) DEPARTMENT STORE SALES—Index Numbers (1923-1925 daily average=100)

	Los Angeles (5)†	Oakland (4)†	San Francisco (5)†	Salt Lake City (5)†	Seattle (5)†	Spokane (3)†	District (28)
Without Seasonal Adjustment							
Dec., 1927	197	207	187	185	164	156	192
Nov., 1927	131	122	128	106	115	103	124
Oct., 1927	113	134	118	118	111	126	117
Dec., 1926	195	207	188	184	181	166	190
With Seasonal Adjustment							
Dec., 1927	128	118	110	109	114	90	118
Nov., 1927	127	120	111	97	107	94	116
Oct., 1927	115	113	119	105	105	99	113
Dec., 1926	127	118	111	108	106	98	117

†Figures in parentheses indicate number of stores. One store included in district figures not included in cities shown above.

cember, 1927, registration of new cars, an indication of cars sold and actually delivered, was smaller than in any month since February, 1922.

Prices

The general wholesale price level averaged approximately 5 per cent lower during 1927 than in 1926, according to the United States Bureau of Labor Statistics' revised index of prices of 550 commodities. This differential in prices has not, however, been equally distributed throughout the year. During the first four months of 1927, the index declined steadily as it had throughout 1926, so that for the first half of 1927, the index was more than 5 per cent below the figures recorded in the first half of 1926. In August and September, 1927, advances in prices of certain important commodities helped bring the index to a point which, in the latter month, was but 3 per cent below the figure for September, 1926. In the last quarter of 1927, this differential was further reduced, for, whereas in October, November, and December, 1927, the index remained practically unchanged, it was declining during these months in 1926.

INDEX NUMBERS OF WHOLESALE COMMODITY PRICES United States Bureau of Labor Statistics (1926 monthly average=100)

Year	Dec.	Nov.	Oct.	Sept.	Average for Year
1927	97	97	97	97	95
1926	98	98	99	100	100
1925	103	105	104	104	104

Of the group indexes included in the general index, those for farm products, hides, and textile products were higher at the close of 1927 than at the close of 1926, while those for fuels, metals, building materials, chemicals, and miscellaneous commodities were lower. The December, 1927, index numbers for foods and house furnishings were practically the same as those recorded for December, 1926.

The trend of the United States Department of Agriculture's index of farm products prices

(D) Bank Debits*—

	Dec., 1927	Dec., 1926	Twelve Months	
			1927	1926
Berkeley	\$ 25,795	\$ 22,025	\$ 263,732	\$ 233,398
Boise	16,431	15,272	169,194	162,573
Fresno	45,560	51,790	495,141	484,921
Long Beach	53,428	50,704	580,188	590,911
Los Angeles	1,035,884	948,333	11,198,618	10,475,496
Oakland	274,803	234,163	2,697,244	2,063,256
Ogden	22,349	25,976	226,087	249,249
Pasadena	42,351	40,634	481,068	444,501
Phoenix	35,185	29,260	334,493	309,584
Portland	171,483	184,945	2,046,247	2,194,628
Reno	10,427	10,242	113,839	111,074
Sacramento	52,991	39,135	479,753	394,125
Salt Lake City	95,803	86,520	861,866	865,016
San Diego	68,365	69,521	743,279	770,819
San Francisco†	1,498,791	1,102,815	15,051,180	12,598,476
San Jose	30,211	28,267	320,184	323,187
Seattle	241,460	211,649	2,615,827	2,550,986
Spokane	57,696	57,249	668,485	670,003
Stockton	34,356	30,807	342,612	324,933
Tacoma	45,574	47,583	538,560	547,658
Yakima	15,929	13,484	159,767	162,072
District	\$3,874,872	\$3,300,374	\$40,387,364	\$36,528,866

*000 omitted. †Revised. ‡The November, 1927, bank debit figure for San Francisco has been revised from \$1,324,391 to \$1,323,671.

during 1926 and 1927 has been similar to that of the United States Bureau of Labor Statistics' composite index of the general level of wholesale prices, although during the last half of 1927 farm prices have shown a relatively greater advance than has the general price level. In November and December, 1927, the farm products price index stood at 137 (August, 1909-July, 1914=100), or 10 points higher than in December, 1926. Notable exceptions to the general increase in the level of prices for farm products were the declines in prices for wheat, hay, potatoes, and hogs. The 1927 cotton crop has been selling at prices approximately 50 per cent higher than were received for the large 1926 crop. Until November, 1927, quotations for wool were lower than in corresponding periods of 1926, but prices during November and December have been higher than at any time since April, 1926. Cattle prices advanced during 1927 to the highest levels since 1920.

During December, 1927, livestock prices at Chicago, excepting sheep prices, were slightly lower than in November, 1927. Quotations were well above December, 1926, prices, however, save for hogs, which averaged 28 per cent lower in price than a year ago. At livestock markets in the Twelfth Federal Reserve District, cattle and lamb prices advanced slightly during December, while other prices moved as in the Chicago market.

LIVESTOCK PRICES AT CHICAGO

	Cents per pound			Percentage changes* from	
	Dec., 1927	Nov., 1927	Dec., 1926	One Month Ago	One Year Ago
Cattle	13.49	14.00	10.38	-3.6	30.0
Hogs	8.40	9.03	11.65	-7.0	-27.9
Lambs	13.34	13.78	12.34	-3.2	8.1
Sheep	6.01	5.90	5.88	1.9	2.2

* (—) decrease.

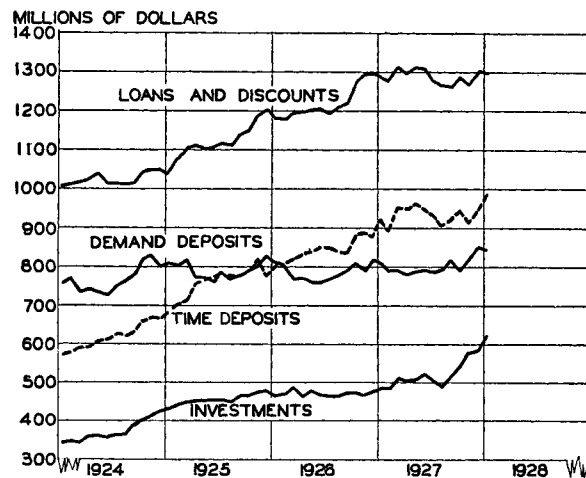
Wheat prices were lower during the second half of 1927 than in the same period of 1926. The price range during the past month (December 20th-January 20th) has been relatively small. On January 20, 1928, the May contract price at Chicago ranged from \$1.30½ to \$1.32½ per bushel as compared with a range of from \$1.29½ to \$1.31½ on December 20, 1927. This contract sold at prices varying from \$1.39½ to \$1.40½ per bushel on January 20, 1927.

Prices for cotton have been steady since December 20th. On January 20th, spot middling uplands at New Orleans sold for 18.88 cents per pound; on December 20, 1927, at 19.33, and on January 21, 1927, at 13.40 cents per pound.

Continued advances in prices paid for wool have been recorded during the past month. For the week ending January 20, 1928, the average of 98 quotations at Boston was 72.32 cents per pound. A month earlier the average of these quotations was 68.27 cents per pound, and a year ago, 65.42 cents per pound.

Banking and Credit

Changes in banking and credit conditions in the district during the year 1927 have fairly accurately mirrored seasonal and other changes in the general business situation. During the first half of the year fluctuations in demand for credit accommodation at member banks and at the Reserve bank were largely seasonal in character. During the second half of the year the changing credit situation reflected a moderate recession in industry and in some lines of trade, as well as the usual seasonal influences. On September 10, 1927, the rediscount rate of the Federal Reserve Bank of San Francisco, on all classes and maturities of eligible paper,



MEMBER BANK CREDIT—TWELFTH DISTRICT
Figures for about 65 member banks in leading cities, as of middle Wednesday of each month. Latest figures, January 18th.

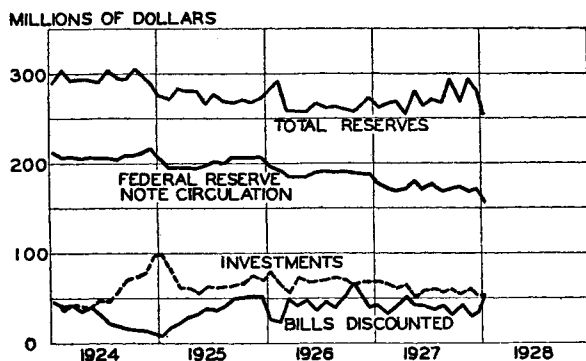
(E) Commodity Prices—

Commodity	Unit	Jan. 6, 1928	One Month Ago	One Year Ago
Wholesale Prices (U. S. Bureau of Labor Statistics—1926 prices=100).		96.8	96.7	97.9
Purchasing Power of Farm Products (U. S. Dept. of Agriculture)*.		90.8	91.6	80.2
Wool.....Average of 98 quotations at Boston.....	lb.	71.33¢	68.29¢	65.34¢
Wheat.....Chicago contract price for May wheat.....	bu.	\$1.30¾-1.31½	\$1.34¾-1.35	\$1.37½-1.39¾
Apples.....Extra Fancy Winesaps, f. o. b. Pacific Northwest.	box	2.50-2.65	2.40-2.50	1.45-1.75
Oranges.....Navels, Fancy, wholesale at San Francisco.....	box	5.25-5.50	6.50-7.00	3.25-5.00
Prunes.....Size 40/50 in 25-lb. boxes, f. o. b. California.....	lb.	.06¼-.06½	.06-.06½	.07-.07½
Raisins.....Seedless, bulk, in 25-lb. boxes, f. o. b. California..	lb.	.06	.06	.07½
Canned Peaches.....Choice Cling, sliced, 2½s, f. o. b. California....	doz.	1.70-1.85	1.75-1.85	1.95-2.10
Butter.....92 score at San Francisco.....	lb.	.47½	.49	.46
Copper.....Electrolytic, monthly average at New York.....	lb.	13.774¢	13.319¢	13.302¢
Lead.....Monthly average at New York.....	lb.	6.504¢	6.259¢	7.855¢
Silver.....Monthly average at New York.....	oz.	57.957¢	57.474¢	53.466¢

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

was reduced from 4 to $3\frac{1}{2}$ per cent. The 4 per cent rate had been in effect since November 23, 1925.

Following a seasonal decline at the turn of the year, total loans of reporting member banks and total discounts at the Federal Reserve Bank of San Francisco increased during late February and in March, 1927. The subsequent decline from the spring peak was not unusual, but at the close of the second quarter the downward movement was accelerated as curtailment of industrial activity and delay in harvesting the district's crops reduced the ordi-



RESERVE BANK CREDIT—TWELFTH DISTRICT
Figures for Federal Reserve Bank of San Francisco, as of middle Wednesday of each month. Latest figures, January 18th.

nary demands for funds. During late September and in October, while the bulk of the district's crops was being marketed, total loans of reporting member banks expanded, reaching a seasonal peak of one billion 291 million dollars on October 12, which was, however, below the figure of one billion 317 million dollars reported on March 9, 1927. This is contrary to the experience of most previous years, when the high point of autumn borrowing has exceeded that of the spring peak. Discounts at the Federal Reserve Bank of San Francisco increased from 30 million dollars to 59 million dollars (the high point of the year) during the crop moving period. The latter figure, reached on October 12, 1927, was 9 million dollars (13.6 per cent) smaller and came two weeks later than the 1926 autumn peak (69 million dollars on September 29, 1926).

With the passing of the peak of the agricultural marketing season, reporting member bank loans declined and discounts at the Federal Reserve Bank of San Francisco were reduced. Beginning in mid-November the trend was reversed and loans at reporting member banks increased to a seasonal holiday peak of one billion 306 million dollars on December 21, 1927. Discounts at the Reserve Bank also increased during the last weeks of the year as Christmas trade requirements augmented member bank needs for credit and currency. Loans of reporting member banks declined slightly over the year-end, as did discounts at the Federal Reserve Bank.

The holiday demand for additional hand-to-hand currency was met, as usual, by a temporary increase in the amount of Federal reserve notes in circulation. From 169 million dollars on November 30, 1927, Federal reserve note circulation rose to 177 million dollars on December 28, 1927, and subsequently declined until it stood at 159 million dollars on January 18, 1928.

On the whole there has been little change in the general condition of the Federal Reserve Bank of San Francisco as a result of the past year's banking operations. The primary reserve ratio stood at 73.0 on January 18, 1928, compared with 75.7 on January 19, 1927.

FEDERAL RESERVE BANK OF SAN FRANCISCO (In millions of dollars, percentage changes in parentheses)

	Condition Jan. 18, 1927	Changes from One Month Ago	Changes from One Year Ago
		(+ = increase, — = decrease.)	
Total Bills and Securities...	111	+17 (17.4)	+10 (10.1)
Bills Discounted	54	+15 (40.0)	+22 (67.0)
United States Securities ...	41	— 5 (10.2)	+ 2 (6.4)
Bills Bought	15	+ 6 (59.7)	—14 (47.7)
Total Reserves	254	—24 (8.5)	— 8 (3.0)
Total Deposits	188	+ 4 (2.1)	+18 (10.3)
Federal Reserve Notes in Circulation	159	—17 (9.5)	—16 (8.9)

Statements of reporting member banks show some interesting developments over the year period. Their total loans and investments showed a net increase of 159 million dollars from January 19, 1927, to January 18, 1928, chiefly as the result of an increase of 142 million dollars in their investment holdings. The so-called commercial loans of these banks actually declined 8 million dollars during the year, while their loans on securities increased by thrice that amount. A partial explanation of these movements is found in the deposit figures of the reporting banks. Both demand and time deposits increased during the year, but the increase in time deposits was greater both actually and relatively than the increase in demand deposits. As a result of these changes reporting member bank investments represented 31.6 per cent of the total loans and investments at the beginning of 1928 as compared with 27.1 per cent at the beginning of 1927. The proportion of security loans to total loans increased from 25.7 per cent to 27.2 per cent and the proportion of "all other loans—largely commercial" to total loans declined from 74.3 to 72.7 per cent. Time deposits are now 53.4 per cent of total deposits at reporting member banks compared with 52.9 per cent a year ago.

REPORTING MEMBER BANKS—Twelfth District (In millions of dollars, percentage changes in parentheses)

	Condition Jan. 18, 1928	Changes from One Month Ago	Changes from One Year Ago
		(+ = increase, — = decrease.)	
Total Loans	1,299	— 7 (0.5)	+ 17 (1.3)
Commercial Loans	951	0 (0.0)	— 8 (0.9)
Loans on Securities	348	— 7 (1.8)	+ 25 (7.8)
Investments	625	+23 (3.9)	+142 (29.4)
Total Loans and Investments	1,924	+17 (0.9)	+159 (9.0)
Net Demand Deposits	845	+ 5 (0.6)	+ 45 (5.6)
Time Deposits	989	+50 (5.3)	+ 73 (7.9)
Borrowings from Federal Reserve Bank	49	+16 (48.1)	+ 25 (103.6)