

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 decreased slightly during July, but continued at a higher level than in other recent years. Wholesale commodity prices increased further during the month, reflecting chiefly higher prices of agricultural products. Loans for commercial and agricultural purposes by reporting member banks increased during July and the first half of August.

Production. Output of manufactures decreased in July, while mineral production increased. Average daily output of automobiles, copper, tin, zinc, and cotton and wool textiles decreased and there was a small decline in the production of iron and steel. In all of these industries, however, output was larger than in the same month in earlier years. Activity increased during July in silk and shoe factories and in meat packing plants, and there was also a larger output of bituminous coal and crude petroleum than in June. Reports for the first half of August indicate sustained activity in the iron and steel and automobile industries and a further increase in the output of coal and petroleum.

Employment in manufacturing industries decreased in July by less than one per cent, while a somewhat greater decrease in payrolls was reported. At this level, factory employment and payrolls, as in earlier months, were larger than in any other year since 1926.

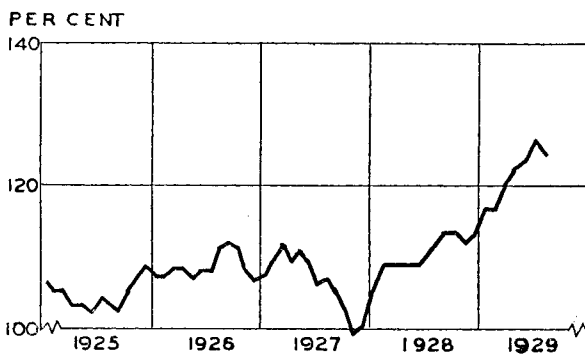
Value of construction contracts awarded in

July was higher than in the preceding month or in July, 1928, reflecting chiefly a sharp increase in contracts for public works and utilities. For the first half of August, however, total contracts declined to a level below the corresponding period a year ago.

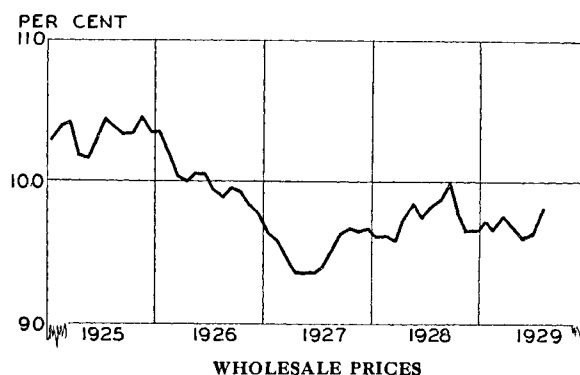
A wheat crop of 774,000,000 bushels is indicated by the August estimate of the Department of Agriculture. This estimate is slightly below the five-year average, and 128,000,000 bushels below last year's production. The estimated corn crop is approximately equal to the five-year average crop and about 100,000,000 bushels smaller than in 1928. The cotton crop is estimated at 15,543,000 bales, seven per cent larger than last year.

Distribution. Freight carloadings increased seasonally during July and the first two weeks of August, reflecting chiefly increased loadings of coal, grain, and ore, while shipments of miscellaneous freight continued in about the same volume as in June. Sales of department stores declined seasonally from June and on a daily basis were about the same as in July a year ago.

Prices. Wholesale prices in July continued the rise which began in June, according to the index of the Bureau of Labor Statistics, reflecting chiefly higher prices for farm products and their manufactures, particularly livestock and meats, grains and flour, and potatoes. Prices of

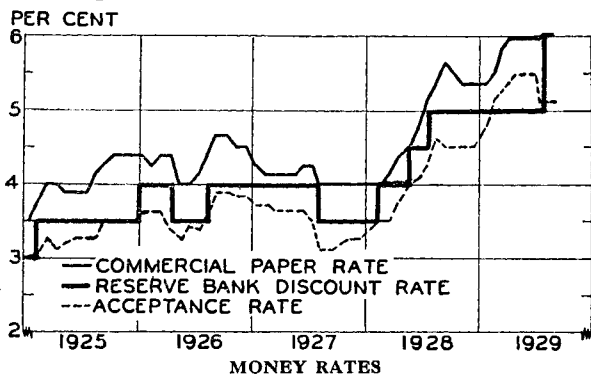


Index number of production of manufactures and minerals, combined, adjusted for seasonal variations (1923-1925 average = 100). Latest figure, July, 124.



Index of United States Bureau of Labor Statistics (1926=100, base adopted by Bureau). Latest figure, July, 98.0.

hides and leather also increased. Wool, rayon, and textile products declined slightly in price. There was a marked advance in the price of sugar, and rubber prices also rose somewhat. Prices of petroleum and gasoline declined and prices of iron and steel were slightly lower. During the first three weeks in August there



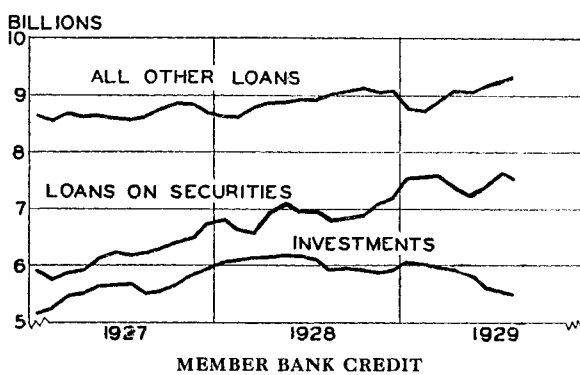
Monthly rates in the open market in New York: commercial paper rate on 4- to 6-month paper and acceptance rate on 90-day bankers' acceptances. Latest figures are averages of first 24 days in August.

were declines in the prices of cotton, petroleum, beef, sugar, oats, rubber and tin, and marked fluctuations in prices of pork and wheat.

Bank Credit. Loans for commercial purposes by reporting member banks increased to new high levels during the four weeks ending August 14, while security loans, after increasing further during the latter part of July, declined during the first two weeks in August. Member bank borrowing at the reserve banks

averaged 45 million dollars less during the week ending August 17 than in the week ending July 20, reflecting increased sales of acceptances to the reserve banks and further imports of gold.

Open market rates on call and time loans on securities were firmer during the last half of



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

July and the first week of August. During the second week of August rates on call loans declined, while rates on commercial paper in the open market advanced from six to six and one-fourth per cent. On August 8 the discount rate of the Federal Reserve Bank of New York was increased from five to six per cent and the buying rate on bankers' acceptances was reduced from five and one-fourth to the market rate of five and one-eighth per cent.

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Business activity in the Twelfth Federal Reserve District reached a high level during July. The agricultural outlook improved moderately, price movements, on the whole, were not unfavorable, and the supply of credit continued ample although its price advanced slightly.

Increased prices for many farm products and favorable weather, which benefited growing crops and facilitated early harvesting operations, were important developments in the agricultural situation during the month. Substantial advances in prices of wheat, potatoes, and deciduous fruits pointed to an improvement in aggregate farm income. The announcement, on August 19, by the recently created Federal Farm Board, that it had agreed to extend substantial financial aid to California organizations engaged in handling raisin grapes, was an additional factor in the improved agricultural outlook.

The number of unemployed in the District is estimated to have decreased during July and was smaller than a year ago, a natural accompaniment of increased activity in industry. Perhaps the most noteworthy production figures of the

month were those pertaining to the record output of oil in California. Average daily output during July, 1929, was 868,165 barrels, an increase of nearly 10,000 barrels or more than one per cent over the previous record output of September, 1923. This record flow accentuated the problem of temporary overproduction which has faced the oil industry for some months past.

The usual mid-summer recession in trade failed to appear during July of this year. Railroad and waterborne traffic was well maintained, and a relatively large volume of goods was distributed at wholesale and at retail. Contrary to the seasonal movement, sales of new automobiles increased during the month and established a new monthly sales record.

There was a large outflow of funds from this District to New York during late July and early August. This was a delayed seasonal movement which ordinarily occurs early in July and which is related to the customary June 30 adjustments of banking position. This year the movement was evidently postponed by reason of credit needs growing out of the curiosity de-

mand for the new small-size currency which was placed in circulation on July 10. Deposits of member banks declined during this period (July 17 to August 14) while their loans increased, as did their borrowings from the Federal Reserve Bank. The discount rate of the Federal Reserve Bank of San Francisco was unchanged at five per cent but the Bank's buying rate for short term bankers' acceptances was reduced from five and one-fourth to five and one-eighth per cent, on August 13.

Agriculture

Physical conditions in most parts of the District favored growing crops and early harvesting activities during July. Dry weather and low humidity in some areas, however, have increased the fire hazard and hindered the growth of forage on fall and winter livestock ranges. Production forecasts of the principal crops have recently been increased, early harvest returns indicating that yields will be somewhat larger than was expected a month ago. Prices for agricultural products have generally advanced during recent weeks, and it now seems probable that the District's gross return from crop sales will approximate that of one year ago, despite the smaller volume of production this year.

FIELD AND GRAIN CROPS—PRODUCTION

	(In thousands)			
	Forecast Aug. 1, 1929	Forecast July 1, 1929	1928	1927
Beans (bu.)				
California, Idaho	6,178	6,057	5,901	6,531
United States	17,626	18,223	16,630	16,891
Cotton (bales)				
Arizona, California	376	*	321	182
United States	15,543		14,478	12,955
Hops (lbs.)				
Calif., Ore., Wash.	31,649	29,550	32,742	29,794
United States	31,649	29,550	32,742	29,794
Potatoes (bu.)				
Twelfth District	39,870	38,620	47,107	55,756
United States	372,812	379,290	464,483	406,964
Rice (bu.)				
California	4,902	4,845	8,073	8,960
United States	34,810	32,686	41,881	40,231
Tame Hay (tons)				
Twelfth District	14,048	13,614	14,568	15,312
United States	97,421	98,991	92,983	106,001
Sugar Beets (tons)				
Calif., Utah, Idaho	1,411	1,328	1,578	1,534
United States	7,617	7,633	7,101	7,753
Barley (bu.)				
Twelfth District	41,656	39,041	46,413	33,435
United States	304,381	317,764	356,667	265,882
Oats (bu.)				
Twelfth District	34,382	34,666	35,230	41,147
United States	1,202,895	1,247,147	1,448,677	1,182,594
Wheat (bu.)				
Twelfth District	106,544	109,925	125,746	138,822
United States	773,885	833,869	902,191	878,374

*Federal legislation does not permit a forecast of cotton production on this date.

Source: United States Department of Agriculture.

During July, 1929, exports of wheat from Puget Sound and Columbia River ports totaled 1,860,994 bushels as compared with 1,170,199 bushels exported during July, 1928. This evidence of rapid marketing of wheat is supported by figures of receipts of this grain at Portland, Seattle, Astoria, and Tacoma during the current marketing season. Up to August 13, receipts of wheat at these seaboard terminals

totalled 6,877 carloads as compared with 5,986 carloads received during the comparable period in 1928.

August 1 estimates of field crop production showed increases as compared with July 1 estimates but, with the exception of cotton and beans, the 1929 yield of these crops will probably be less than that of 1928. August 1 estimates of cotton production in Arizona and California indicate a 17 per cent increase this year, reflecting particularly the increased acreage planted to cotton in California.

Growing conditions for deciduous fruits improved during July and the August production estimates were slightly larger than earlier forecasts. Interstate shipments of apricots, cherries, figs, grapes, peaches, pears, and plums from California totaled 9,229 carloads during the current marketing season to August 10, which may be compared with 15,716 carloads shipped during the corresponding period in 1928. Unit returns for fruit shipped to Eastern markets have been much higher than a year ago. The crop of pears now being picked in Oregon and Washington is estimated to be 20 per cent smaller than the 1928 crop.

DECIDUOUS FRUITS AND NUTS—PRODUCTION

California	Forecast			1927
	August 1, 1929	1928	1927	
Apricots	184	175	208	
Cherries	15*	19	12	
Grapes	1,791	2,366	2,406	
Raisin	1,010	1,406	1,443	
Table	361	478	490	
Wine	420	482	473	
Peaches	303	618	492	
Clingstone	162	414	322	
Freestone	141	204	170	
Pears	173	225	181	
Plums	39	66	57	
Prunes	122	220	203	
Almonds	5	14	12	
Walnuts	42	25	51	

*Forecast of July 1, 1929.

Source: California Crop Report.

The 1929 commercial apple crop of the District is expected to approximate that of 1927 and 1926 and will be smaller than the large 1928 crop. In California, low prices for Gravenstein apples sold for fresh consumption have resulted in an increased use of this variety for drying purposes.

APPLES—COMMERCIAL PRODUCTION

	(In thousands of bushels)			
	Forecast August 1, 1929	1928	1927	1926
California	4,507	6,861	4,656	6,144
Idaho	4,047	4,500	5,400	2,775
Oregon	4,203	4,800	2,925	5,250
Utah	423	570	402	480
Washington	25,029	30,000	22,302	25,950
Total	38,209	46,731	35,685	40,599
United States	88,983	105,804	77,700	117,357

Source: United States Department of Agriculture.

Estimated production of Valencia oranges in California, which was set at 19,310,000 boxes on July 1, was reduced by 320,000 boxes in the August 1, estimates. This latest estimate is still more than double the 1928 crop. The con-

dition of the forthcoming Navel orange crop is 58 per cent of normal as compared with 93 per cent of normal a year ago. The 1929 lemon crop is now estimated to be 5,222,000 boxes, an 11 per cent increase from the estimate of July 1. Shipments of oranges from California during July totaled 5,775 carloads, a record total for that month. Prices for citrus fruits have been lower during the 1928-1929 marketing season than during corresponding periods of the 1927-1928 season, a not unnatural consequence of this year's large yield of small-sized fruits.

Feed conditions on livestock ranges of the District improved during July, although range forage is still scant in some areas. Rains in Arizona, Nevada, and Utah have benefited livestock ranges in those states, and stockmen have been able to discontinue the movement of stock to other grazing areas.

The cattle raising branch of the livestock industry has continued to profit from an excellent market for its product. During the half year, January to July, receipts of cattle and calves at the eight principal markets in the District totaled 539,910 head as compared with 590,290 head received during the first half of 1928. Prices during the year to date have generally approximated those of one year ago, which were at higher levels than in any like period since 1919.

During the first half of this year 2,075,940 head of sheep were marketed in the District. In the same period of 1928, receipts of sheep at the same markets totaled 2,062,340 head. Shipments of sheep from the District to mid-Western markets have also been heavier this year than a year ago. The United States Department of Agriculture estimates that the 1929 lamb crop, in the seven far-Western states, totaled 8,489,000 head compared with the 1928

crop of 9,230,000 head. Lamb prices during the first four months of 1929 were higher than in 1928. Toward the end of April, prices began to decline and in July the price level was lower than in any July since 1922.

Estimates published in August by the United States Department of Agriculture indicate that the 1929 wool clip in this District amounted to 99,532,000 pounds as compared with a clip of 103,429,000 pounds in 1928. Although more sheep were sheared during 1929 than in 1928, the fleece weight per sheep was lower than a year ago. There has been a sharp decline in wool prices during 1929, and prices at the mid-year were lower than at any time since 1922.

Industry

The slackening of industrial activity noted during June did not persist beyond that month and, in many industries, output was increased during July. A record production of petroleum in California was the outstanding feature of the month, but building and construction, miscellaneous manufacturing, and fruit canning and packing (which began later than usual this year) contributed to the general picture of sustained activity. In a number of cases the usual July curtailment of operations in the lumber industry extended over a longer period than the customary shutdown of a week or two on or about the Fourth of July. As a result, production declined more than seasonally, approximating that of July, 1928. There was a further reduction of output of the non-ferrous metals during July, but production continued well above the levels of a year ago. Flour milling activity increased substantially during the month although sharp fluctuations in the price of wheat are reported to have caused millers to defer making additional grain purchases. Employment conditions improved during July as compared with June, and volume of employment was larger than a year ago.

(A) Employment—

Industries	California			Oregon		
	No. of Firms	No. of Employees July, 1929	No. of Employees July, 1928	No. of Firms	No. of Employees July, 1929	No. of Employees July, 1928
All Industries	698	157,455	140,192	148	30,733	28,630
Stone, Clay and Glass Products	39	6,284	6,113	5	123	262
Lumber and Wood Manufactures	105	23,666	23,662	53	17,951	17,037
Textiles	18	2,460	2,354	11	2,190	2,049
Clothing, Millinery and Laundering	54	7,053	6,648	8*	472	453
Food, Beverages and Tobacco	152	29,335	25,528	42	4,532	3,555
Water, Light and Power	4	3,797	3,912	..	..	..
Other Industries†	314	83,006	70,357	..	..	..
Miscellaneous	12	1,854	1,618	29	5,465	5,274

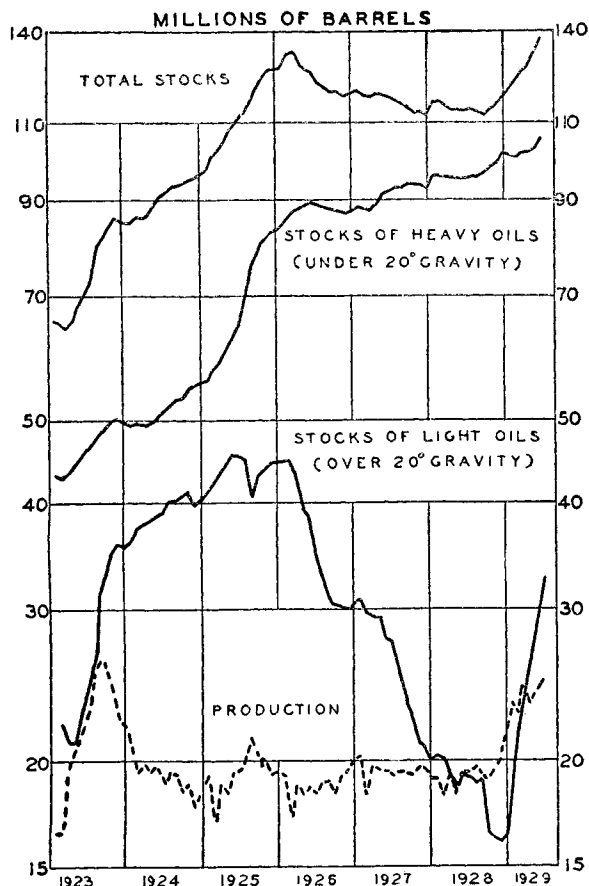
*Laundering only. †Includes the following industries: metals, machinery and conveyances; leather and rubber goods; chemicals, oils and paints; printing and paper goods. Figures in parentheses indicate percentage changes from July, 1928.

(B) Industry—

Manufactures:	Indexes of daily average production, adjusted for seasonal variations (1923-1925 daily average = 100)			
	July	June	May	July
Flour	120	105	94	84
Slaughter of Livestock	88	81	82	91
Lumber	106*	110	105	106
Refined Mineral Oils†	213	190	180	158
Cement	90	96	103	106
Wool Consumption . . . . .	..	86	..	66
Minerals:				
Petroleum (California)†	131	126	117	97
Copper (United States)‡	122	125	139	97
Lead (United States)‡	..	112	125	97
Silver (United States)‡	..	96	100	76
General:				
Carloadings—Industrial . . . . .	..	120	124	113
Value of Building Permits§				
Twenty Larger Cities	68	64	73	78
Seventy Smaller Cities	95	96	96	103
Value of Engineering Contracts Awarded§				
Total	149	121	134	120
Excluding Buildings	127	101	146	103

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

During the first six months of 1929, oil production in the United States (488 million barrels) was 52 million barrels larger than in the corresponding period of 1928. Half of this increase was accounted for by increased production at the Santa Fe Springs field in California. Production of petroleum in California reached new high levels in July, this Bank's index slightly surpassing the previous high points



CRUDE OIL - PRODUCTION AND STOCKS

The logarithmic scale, used in the above chart, shows percentage increases or decreases.

recorded in 1923. During the last week of July there was some decline in output, largely because of the small number of completions of new wells at Santa Fe Springs. A large number of deep wells are still being drilled in that field.

Although production of gasoline at District refineries increased 21 per cent during July as compared with June, stocks of gasoline at the end of the later month were but three per cent larger than on June 30. The chief factor operating to keep gasoline stocks at or about the level of earlier months was a substantial increase in shipments through the Panama Canal to Atlantic and Gulf Coast ports. Consumption of gasoline within the District was 11 per cent smaller in July than in June. Stocks of both heavy and light crude oils continued to increase

during July. Shipments of petroleum to the East coast through the Panama Canal decreased as compared with June, 1929, and July, 1928.

Value of building permits issued in the larger cities of the District declined less than seasonally during the quarter ending with July, while smaller cities experienced a slightly more than seasonal decrease. In both classes of cities, building was less active than a year ago. Engineering construction work, which is always at a high point during the summer months, followed the usual trend this year, but its volume increased more than seasonally and was greater than a year ago.

Output of lumber decreased during July. This was largely the result of a prolonged Fourth of July shut-down at many lumber camps and of the five-day week adopted in some instances when operations were resumed. Rail shipments of lumber decreased less than seasonally during July, and cargo shipments through the Panama Canal were larger than in either June, 1929, or July, 1928. As in May and June, however, total shipments and new orders received were smaller than production which would indicate an accumulation of mill stocks.

A further decline in production of non-ferrous metals was reported during July. Output of the District's copper mines was curtailed, but still was greater than in July of last year. Sales of copper (particularly to foreign consumers, it is reported) were larger than for the

(C) Bank Debits*—

	July, 1929	July, 1928	First Seven Months	
			1929	1928
Arizona				
Phoenix	\$ 38,917	\$ 33,261	\$ 308,167	\$ 242,409
California				
Bakersfield ...	13,585	12,597	98,850	99,945
Berkeley	21,331	22,972	147,847	152,806
Fresno	34,913	28,493	218,727	228,355
Long Beach...	63,988	56,699	451,236	382,735
Los Angeles...	1,145,712	944,388	8,538,190	7,474,486
Oakland	242,506	233,229	1,691,669	1,747,366
Pasadena	37,697	35,697	300,871	292,946
Sacramento ..	51,412	50,824	351,174	339,776
San Bernardino	12,321	11,233	80,400	75,674
San Diego ...	64,568	62,403	457,856	448,798
San Francisco.	1,336,922	1,304,510	9,521,350	10,991,394
San Jose	31,367	28,938	200,360	193,219
Santa Barbara	16,449	14,335	119,312	96,949
Stockton	32,117	30,851	197,995	206,775
Idaho				
Boise	15,110	16,190	102,765	100,990
Nevada				
Reno	15,490	10,313	88,567	65,342
Oregon				
Eugene	8,935	7,524	54,278	51,430
Portland	197,081	185,255	1,326,200†	1,212,114
Utah				
Ogden	18,168	18,191	124,376	118,574
Salt Lake City	85,881	71,864	559,025	511,757
Washington				
Bellingham ...	11,117	9,962	73,808	70,445
Everett	14,582	15,776	100,172	94,347
Ritzville	807	987	6,075	6,373
Seattle	284,991	232,614	1,862,829	1,704,422
Spokane	63,961	56,197	421,700	392,142
Tacoma	52,073	43,999	350,845	315,980
Yakima	12,823	12,211	94,871	88,160
Total	\$3,924,824	\$3,551,513	\$27,849,515†	\$27,705,709

*In thousands of dollars. †Includes \$7,584,000 at four banks not reporting prior to week ended May 2, 1928.

past several months, and many orders specified early delivery. The price, delivered at Connecticut Valley points, remained at 18 cents per pound. Mining of lead and silver was also less active in July than in June, but more active than in July of last year.

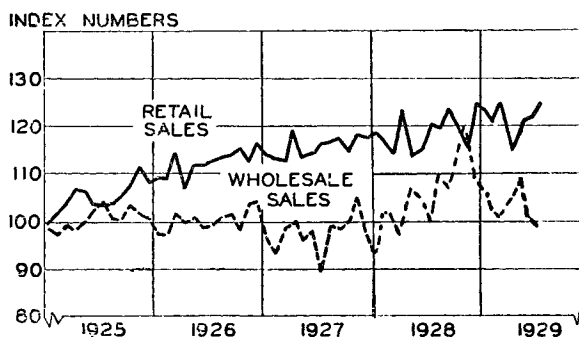
The output of flour increased substantially during July, 1929, as compared with June and was larger than a year ago. Sharp fluctuations in the price of wheat during this period have affected both foreign and domestic sales of wheat and flour. Millers have been hesitant buyers of wheat, and their stocks of both flour and of milling wheat decreased sharply during July.

Trade

Trade in the Twelfth Federal Reserve District failed to show the usual mid-summer recession during July, and continued at the high levels of the first six months of the year. Trade at retail, even after allowing for one more trading day in July of this year than in July, 1928, was about three per cent larger in value than a year ago. Wholesale sales were larger in value than last year. Sales of new automobiles reversed the trend of the past two months and increased substantially, establishing a new high record for the month. Shipments in intercoastal and foreign trade increased as compared with the previous month and were larger than in the same month last year.

Total monthly sales at retail of 141 department, apparel, and furniture stores were seven per cent greater in value during July, 1929,

than in July, 1928. This Bank's seasonally adjusted index of daily average department store sales stood at 125 (1923-1925 average = 100) as compared with 122 in June, 1929, and 120 in



RETAIL AND WHOLESALE TRADE—TWELFTH DISTRICT
Indexes adjusted for seasonal variations (1923-1925 average=100). Daily average figures of department store sales. Monthly figures of sales at wholesale.

July, 1928. Increases were reported from all parts of the District except the central valleys of California and the states of Utah and Idaho. Stocks carried by all reporting stores were smaller than a year ago, and the rate of stock-turnover increased substantially.

RETAIL TRADE—Twelfth District

	NET SALES*		STOCK*
	July, 1929 compared with July, 1928	Jan. 1 to July 31, 1929 compared with Jan. 1 to July 31, 1928	
Department Stores†...	6.3 (68)	2.8 (67)	-4.8 (52)
Apparel Stores	4.2 (29)	2.8 (29)	0.3 (16)
Furniture Stores	11.6 (44)	3.6 (42)	-0.6 (28)
All Stores	6.9 (141)	2.9 (138)	-3.8 (96)

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

(D) Distribution and Trade—

	1929			1928
	July	June	May	July
Index Numbers*				
Foreign Trade°				
Total†	..	..	138	130
Imports‡	..	..	128	115
Exports	..	..	143	138
Intercoastal Trade°				
Total	93	89	86	88
Westbound	140	131	125	114
Eastbound	81	77	76	80
Carloadings‡				
Total	..	118	119	118
Merchandise and Miscellaneous..	..	116	118	121
Wholesale Trade§				
Sales	100	101	109	94
Retail Trade				
Automobile Sales‡				
Total	155	132	136	103
Passenger Cars	153	130	136	103
Commercial Vehicles	176	147	141	102
Department Store				
Sales‡	125	122	121	120
Stocks¶	104	105	103	109
Actual Figures				
Stock Turnover||	.23	.24	.26	.21
Collections#				
Regular	45.5	45.5	47.4	44.0
Installment	15.1	14.4	14.8	15.2

*Adjusted for seasonal variations, 1923-1925 average=100. †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. *Indexes are for three months ending on month indicated.

Sales at wholesale were substantially larger during July, 1929, than in July, 1928, the increases extending to all of the lines of trade upon which this Bank receives data excepting dry goods and shoes. Wholesalers' stocks decreased during July but were larger at the end of the month than they were a year ago.

Contrary to the usual seasonal movement sales of new automobiles increased substantially during July as compared with June. Total number of sales for the month was five per cent larger than in March of this year, the previous record month, and 50 per cent greater than in July, 1928.

Intercoastal trade, as evidenced by Panama Canal transits, increased substantially during July, 1929, as compared with both June, 1929, and July, 1928, the largest increase being in shipments from the Atlantic to the Pacific Coast. The movement of goods from the Pacific to the Atlantic Coast also increased as compared with the previous month and the same month a year ago, though by a smaller amount than westbound shipments. Shipments of lumber and of general cargo were responsible

for the increase in eastbound traffic. Shipments of petroleum were smaller than in June, 1929, or July, 1928.

During May **foreign trade** of the four principal ports in the District increased, reversing the declining trend of the first four months of the year. The increase was due entirely to a larger volume of imports, the volume of exports having decreased slightly. The volume of imports and exports combined was larger than in May a year ago.

Prices

Relatively wide variations in the general level of commodity prices at wholesale have characterized the price movements of the past two months. Prices turned sharply upward in early June and continued to rise through most of July. During the last week of that month and the first part of August, however, price indexes declined as rapidly as they had risen. Prices for commodities in general now average slightly higher than at the beginning of June and approximately the same as in early August of 1928. Both the advance in the price level during June-July and the recent declines are largely attributable to changes in prices of farm products and foods.

The price of wheat continued to advance during July, but reacted sharply during the first week in August since when it has moved erratically, at a slightly higher level than last year. Hide prices advanced during July and have since remained firm at higher levels than in any month since January, 1929. Quotations for wool showed signs of improvement in mid-July when a small rise checked the steady downward movement which had been in progress since the first of the year. During July cattle and hog prices averaged higher than in June but tended downward during the latter part of the month.

Prices of California oranges and lemons averaged lower during July and the first part of August than in June. Prices now being paid to growers for the 1929 prune crop are approximately 100 per cent higher than those paid last year. Opening prices, recently announced by packers on future deliveries of the 1929 crop of dried fruit, including apricots, apples, prunes, peaches, and raisins ranged from slightly to substantially above those of a year ago. Farmers in Idaho, Washington, and California, which are the chief potato growing states in the District, have benefited by the recent rapid rise in potato prices, reflecting the most active demand for this crop since 1925.

Softwood lumber prices have continued firm during July at slightly lower levels than last year. Douglas fir, however, is reported to have been bringing a premium as compared with

other softwood lumber, and prices for it are higher than in July, 1928. Portland cement prices in Southern California showed an increase during July, but remained unchanged in other parts of this District.

Petroleum and gasoline prices were firm on the Pacific Coast during July although they declined in other parts of the United States. Quotations for copper have shown no change during the past four months. Lead prices moved slightly lower in mid-July, but have since been steady at the new figure.

Credit Situation

There was a heavy outflow of funds from the Twelfth Federal Reserve District during the latter part of July and the first two weeks of August, which was accompanied by an increase in borrowings at the Reserve Bank and a reduction of deposits at member banks. This was largely a delayed seasonal movement, representing a return flow to New York of funds transferred into the District by member banks during the last week of June, in anticipation of the Comptroller of the Currency's usual mid-year call for a statement of condition. Ordinarily these funds flow out of the District soon after the Fourth of July holiday demand for currency has passed. This year, however, the issuance of new sized currency on July 10 prolonged the period of active currency demand, and the funds withdrawn from New York in June were retained in the District until late July. While funds were flowing out of the District there was, beginning in late July, a corresponding inflow of funds from country banks to San Francisco banks to build up bankers' balances, which on July 17 were at the lowest point in years.

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

	Condition			
	Aug. 14, 1929	July 17, 1929	June 19, 1929	Aug. 15, 1928
Total Loans and Investments...	1,940	1,932	1,984	1,855
Total Loans	1,352	1,332	1,353	1,249
Commercial Loans	934	921	922	888
Loans on Securities	418	411	431	361
Investments	588	600	631	606
Net Demand Deposits	781	778	781	784
Time Deposits	960	979	984	933
Borrowings from Federal Reserve Bank	54	33	57	69

During the four-week period from July 17 to August 14, total loans and investments of reporting member banks in the District increased from 1,932 million dollars to 1,940 million dollars. This increase of eight million dollars was the result of increases of 14 million dollars in commercial loans and of six million dollars in security loans, which were partially offset by a reduction of 12 million dollars in the banks' investment holdings. The reduction in investment holdings indicated, in part, an attempt by commercial banks to meet additional demands

for credit without further borrowing at the Reserve Bank. Available evidence indicates that the net increase of six million dollars in security loans was the result of a larger increase in loans to brokers and dealers in New York City, and that security loans to brokers and dealers, and to others, within the Twelfth District declined.

Total deposits of reporting member banks declined 32 million dollars during this same four-week period (July 17 to August 14). This decline accompanied the previously mentioned movement of funds to New York City, which also amounted to 32 million dollars. As loans increased and deposits decreased, the ratio of loans to deposits at these banks rose from 74.8 on July 17 to 77.3 on August 14, the latter ratio being the highest in recent months and one which has been exceeded only once during the past five years. Following this rise in the loan-deposit ratio, interest rates on commercial paper eligible for rediscount at the Reserve Bank advanced slightly.

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

	Condition			
	Aug. 14, 1929	July 17, 1929	June 19, 1929	Aug. 15, 1928
Total Bills and Securities....	92	68	92	113
Bills Discounted	68	47	66	75
Bills Bought	10	9	13	21
United States Securities.....	13	11	12	17
Total Reserves	285	309	266	259
Total Deposits	182	183	178	184
Federal Reserve Notes in Circulation	174	175	161	165
Ratio of Total Reserves to Deposits and Federal Reserve Note Liability Combined..	79.9	86.3	78.8	74.0

During the four weeks ending August 14, the amount of credit extended by the Federal Reserve Bank of San Francisco increased to the highest point since early in May, 1929. Total

discounts and holdings of bills and securities at the middle of August were 24 million dollars greater than on July 17, when, at 68 million dollars, they were lower than at any time in the past several years. The increase in discounts, which amounted to 21 million dollars, was entirely on behalf of city member banks. There was no increase in country member bank borrowings. It is probable, however, that an increasing proportion of country bank borrowing is being attributed to city banks through the widespread influence of branch banking, particularly in California. Holdings of United States securities increased one and a half million dollars during the four-week period, and acceptance holdings increased one million dollars.

Factors affecting Reserve credit in the District were:

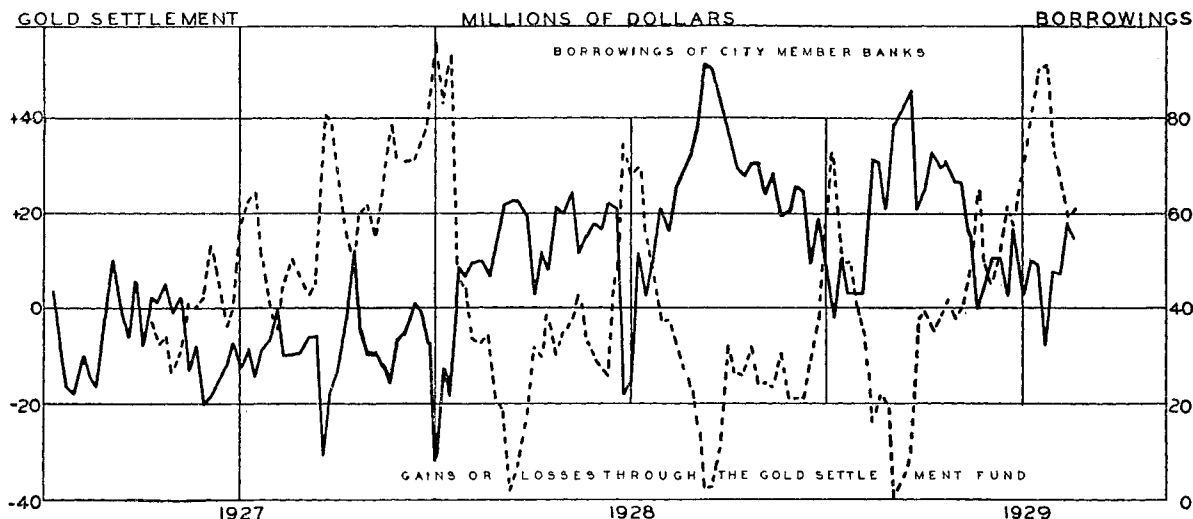
	Increasing Demand for Credit*	Decreasing Demand for Credit*
Reserve Deposits, Decrease .....	..	2
Money in Circulation, Decrease.....	..	5
Losses through Gold Settlement Fund....	32	..
Gold Purchases by Mint .....	..	4
Increase in Discounts at the Federal Reserve Bank .....	..	21
	32	32

*In millions of dollars.

Effective August 13 this Bank's buying rates for bankers' acceptances were reduced as follows:

Maturities	Rates Effective		
	August 13, 1929	July 16, 1929	March 21, 1929
1-120 days	5½	5¼	5¾-5½
121-180 days	5½	5½	5¾

Activity on the principal stock exchanges of the District increased during July as compared with June. There was a gain of four per cent in number of shares and of 17 per cent in market value of shares traded. These gains, which were general in Pacific Coast markets, were contrary to the usual seasonal experience.



MEMBER BANK BORROWINGS AND TRANSFERS OF FUNDS

Borrowings of city member banks from the Federal Reserve Bank of San Francisco compared with Twelfth District gains or losses of funds through the Federal Reserve System's Gold Settlement Fund. (Weekly figures). Note the increased borrowings when funds flow out and the decreased borrowings when funds flow into the District. The data have been adjusted to exclude purely inter-reserve bank transactions.

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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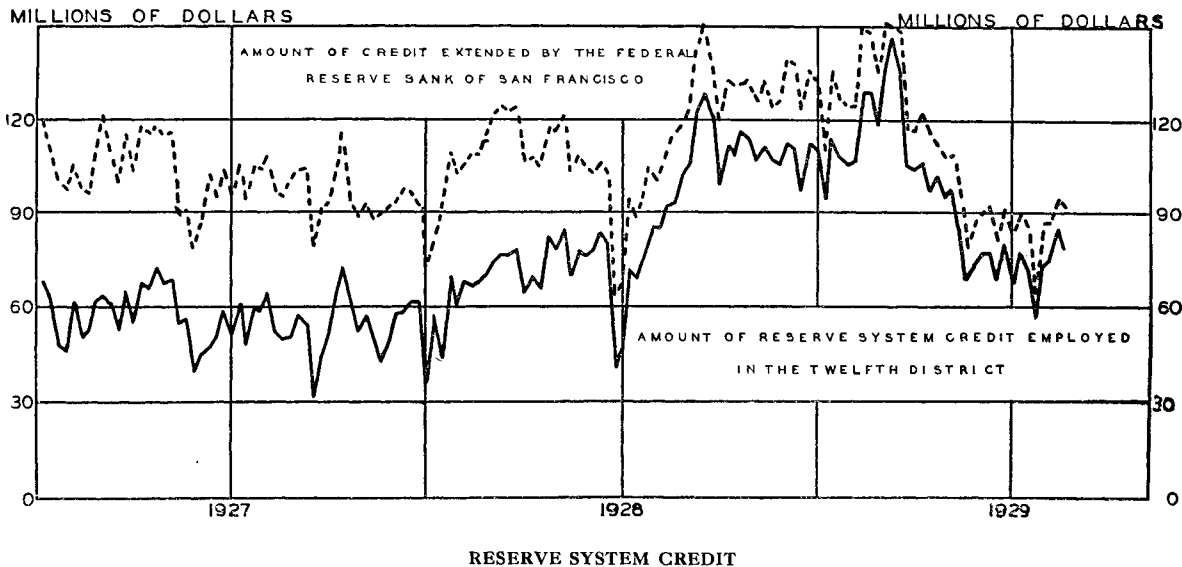
Reserve System Credit Employed in the Twelfth Federal Reserve District

Although the Federal Reserve Act set up a system of semi-independent regional reserve banks, it was not contemplated that this regional organization would serve to confine credit movements within reserve district borders. On the contrary, it was believed that the establishment of the Federal Reserve System would greatly increase the fluidity of credit in the United States. Ample verification of this belief is found in the ease with which credit now flows from one part of the country to another.

The inter-regional employment of Federal reserve funds has been a part of this general development. Not all of the credit extended by a regional reserve bank is placed solely at the disposal of its own reserve district. Conversely, the individual regional reserve banks do not, at all times, and under all circumstances, provide all of the credit needed by their respective reserve districts.

It is interesting and at times necessary, how-

ever, to determine the proportions in which a Federal reserve bank is extending credit to its own district and to other Federal reserve districts. Such a segregation is attended with some difficulty, but reasonably accurate results can be obtained. The accompanying chart presents the segregated figures for the Federal Reserve Bank of San Francisco during the period January 1, 1927 to August 14, 1929. The top line in the chart shows the total amount of credit extended by this Bank, both to the Twelfth Federal Reserve District and to other Federal reserve districts. The bottom line shows the total amount of credit advanced by the entire reserve system, but chiefly by the Federal Reserve Bank of San Francisco, to the Twelfth District. The difference between the sums indicated by the top and bottom lines is approximately the amount of credit extended by the Federal Reserve Bank of San Francisco to reserve districts other than the Twelfth District.



RESERVE SYSTEM CREDIT
The total amount of Reserve System credit employed in the Twelfth District, and the amount of credit extended by the Federal Reserve Bank of San Francisco to this and other districts. (Weekly figures).

During 1927 and the first six months of 1928, this Bank made available to money markets outside this Reserve District a relatively large volume of credit. This was accomplished chiefly through purchases of government securities from holders outside the Twelfth District. Since the middle of 1928, this Bank's holdings of government securities have declined. During the last quarter of 1928, and the first two months of 1929, most of the credit extended to other districts was extended through the purchase of acceptances originating in those districts. Since February and March of this year, the Bank's holdings of both government securities and acceptances purchased in other districts have declined and its funds have been used almost entirely for the accommodation of Twelfth District credit needs.

The total amount of Federal Reserve System credit furnished to the Twelfth District (shown by the bottom line of the chart) includes the following items:

1. Bills or notes discounted or rediscounted by the Federal Reserve Bank of San Francisco for Twelfth District member banks.

These are local documents arising in the usual course of banking operations.

2. United States securities purchased and held in the Twelfth District.

This item represents funds supplied to the local market through the purchase of government securities from local member banks and other agencies.

3. Acceptances purchased in the Twelfth District.

At times this item includes acceptances purchased in this District and sold to other reserve banks. The amount of these latter transactions is usually relatively small.

4. Member bank overdrafts against their reserve accounts.

This item, in effect, represents unsecured loans to member banks.

5. Net claims on account of closed or suspended banks.

This item represents credit which has been placed at the disposal of now insolvent banks. That part of the credit which cannot be recovered is written off as a reserve for losses. Only the net amount estimated to be recoverable is included as credit actually employed in the commerce and industry of the District.

6. Float in connection with the clearing of checks.

Member banks are given credit for deposited checks in accordance with a schedule based on average collection time. If collection takes longer than the scheduled time, member banks enjoy the use of funds advanced by the Reserve Bank prior to collection of the checks. If collection is completed in advance of the scheduled time, the Reserve Bank has the use of funds pending the time when the member bank is given credit for the collection.

Certain additional items, all but one of which cover credit advances made by this Bank to other districts, are included in the top line of the chart (called credit extended by the Federal Reserve Bank of San Francisco). They are:

1. The amount of government securities purchased from owners in other districts by or for the Federal Reserve Bank of San Francisco.

Such transactions are handled chiefly through the System Open Market Investment Committee* in New York City.

2. Acceptances originating in or held by owners in other districts which are purchased by or for this Bank.

Such transactions are handled chiefly through the System Open Market Investment Committee* in New York City.

3. Rediscounts for other Federal Reserve Banks.

The Federal Reserve Act gives the Federal Reserve Board the power to permit or to require such transactions. This power has not been used since 1919, 1920, and 1921.

4. Unearned discount on discounted and purchased bills.

This discount is collected in advance and the borrowing bank does not have the use of these funds. To the extent of this item, which is relatively small, the published figures of par value of bills and securities held by this Bank represent more than the actual amount of funds made available to the money markets through the purchase of such bills and securities.

*A committee of the governors of the Federal Reserve Banks, acting under the general supervision of the Federal Reserve Board, and in accord with the following principle laid down by the Board: "That the time, manner, character, and volume of open market investments purchased or sold by Federal reserve banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation."