

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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Federal Reserve Bank of San Francisco

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SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Industrial production declined in March, while factory employment and payrolls showed little change, and wholesale prices continued to decline. There was an increase in construction, as is usual at this season. Interest rates continued to decline in the first three weeks of March, but later became somewhat firmer.

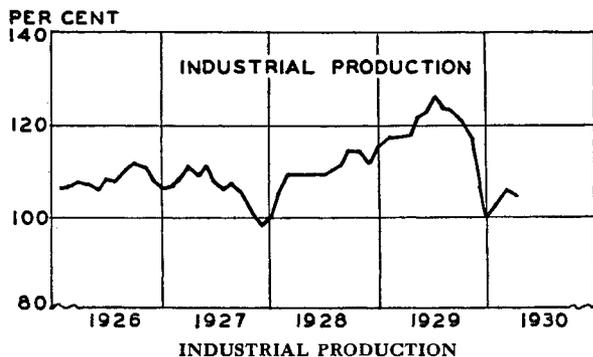
Production. Production in basic industries declined in March, contrary to the usual seasonal trend. Average daily output of steel, coal and copper decreased substantially, while output of cotton and wool textures declined at about the usual seasonal rate. Production of automobiles and lumber increased for the first quarter of the year. Taken as a whole, output of basic industries was considerably smaller than in the unusually active first quarter of 1929 and smaller than in any other first quarter since 1925. In the steel and automobile industries output for the first three months, though smaller than in 1929 was about the same as in the corresponding months in 1928, while in most of the other major industries it was smaller than in either of the two preceding years. Building contracts awarded increased substantially in March as is usual at this season, according to reports of the F. W. Dodge Corporation. In comparison with a year ago a large increase in contracts for public works and utilities was more than offset by a

decrease in residential building. Average daily awards in the first half of April were somewhat larger than in March but continued smaller than a year ago.

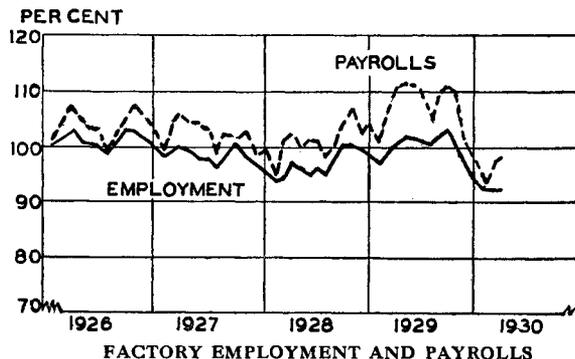
Employment. Factory employment and payrolls, which usually increase during March, changed little from February and continued to be considerably smaller than in other recent years. The number of workers employed in the automobile industry increased somewhat less than is usual at this season, and reductions in employment and in earnings were reported in the iron and steel, machinery, and car building industries.

Distribution. Freight carloadings, which have been at low levels in recent months, did not show the usual seasonal increase during March. Department store sales continued in smaller volume than a year ago.

Prices. Wholesale prices, which began to decline last summer continued to move downward in March to the lowest level since 1916, the decline reflecting chiefly sharp decreases in prices of agricultural products. Prices of imported raw materials, such as sugar, coffee, and silk, fluctuated around the low levels reached in February. The price of silver advanced slightly from the low point reached early in March. During the last week in March and the first week in April there were advances



Index number of production of manufactures and minerals, combined, adjusted for seasonal variations (1923-1925 average = 100). Latest figure, March, 105.

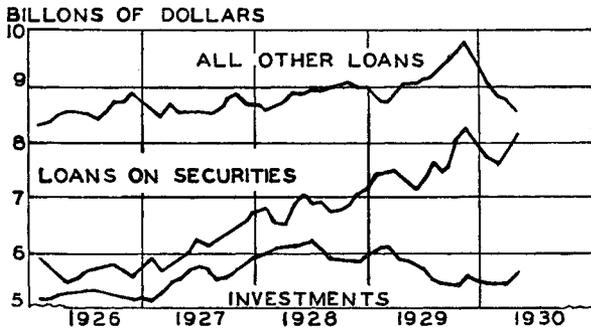


Index numbers of factory employment and payrolls, without adjustment for seasonal variations (1923-1925 average = 100). Latest figures, March, employment 92.7, payrolls 98.0.

in prices of agricultural products, especially grains and cotton, while the price of steel declined. On April 15, the price of copper was sharply reduced, and in the same week prices of a number of other important commodities also declined.

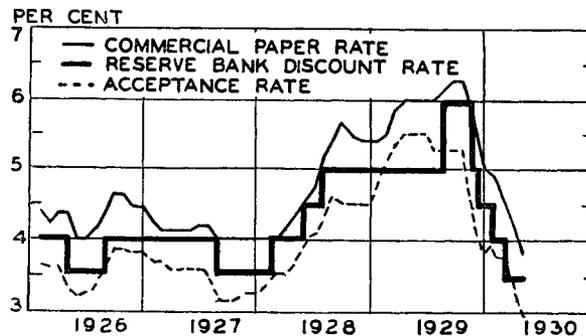
Bank Credit. At member banks in leading cities total loans and investments increased in

gold from the Orient. In the third week of March money rates in the open market reached the lowest levels since 1924, but in the next three weeks were somewhat firmer. Rates on commercial paper declined to a range of $3\frac{3}{4}$ -4 per cent on March 24 and remained steady at that level. Rates on 60-90 day bankers' acceptances were reduced to $2\frac{1}{2}$ per cent on March



MEMBER BANK CREDIT

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



MONEY RATES

Monthly rates in the open market in New York: commercial paper rate on 4- to 6-month paper and acceptance rate on 90-day bankers' acceptances. Latest figures are averages of first 20 days in April.

the four week period ending April 16, reflecting a growth of 184 million dollars in loans on securities and of 80 million dollars in investments, offset in part by a further decrease of 186 million dollars in "all other" loans. Member bank indebtedness at the reserve banks and total reserve bank credit declined further between the weeks ending March 15 and April 12, reflecting primarily additional imports of

20, but later advanced to three per cent. Bond yields, after declining during most of March, increased gradually in the first half of April. During April the rediscount rates of the Federal reserve banks of Richmond, Atlanta, St. Louis, Minneapolis, and Dallas were reduced to four per cent, the rate prevailing at all of the reserve banks except New York where the rate is $3\frac{1}{2}$ per cent.

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Business activity expanded in the Twelfth Federal Reserve District during March, but by a smaller amount than in the corresponding month of most recent years. Both industrial output and trade increased somewhat less than seasonally and demand for credit showed practically no change from the preceding month. Declines in commodity prices became less numerous during the latter part of the month and slight advances in the wholesale price level were reported in early April.

During March, favorable weather conditions continued to be the most important influence in the agricultural outlook. Crops now growing in the District developed satisfactorily and range conditions improved during the past six weeks. Some livestock, particularly spring lambs in California, have been slow in attaining satisfactory market weights.

Greater than seasonal increases in the lumber and building industries of the District were reported for March, but declines in the output of crude oil, refined petroleum products, non-ferrous metals, cement, flour, and of practically

all manufactured commodities resulted in a small decrease in total industrial production. The large gains in lumber production and building during March as compared with February were chiefly due to the fact that activity in both of those industries was exceptionally low in February. The number of workers employed in the District increased somewhat less than is customary during March.

Trade activity increased somewhat less than seasonally from February to March. Largely as a result of the lateness of Easter Sunday this year, retail sales were smaller in value during March, 1930, than in March, 1929, but their increase from February was fully equal to seasonal expectations. Reported figures of wholesale trade showed an increase during March, but considerably less than is ordinarily expected. Intercoastal trade of the District was smaller in volume than in either the preceding month or March, 1929. Railroad freight carloadings increased by about the seasonal amount but were well below loadings in March a year ago.

Credit ease continued throughout March and the first half of April and interest rates declined slightly. Loans of reporting member banks declined during this period. The funds thus released were employed to increase investment holdings and relatively large transfers of funds to the New York money market were also recorded. There was little additional borrowing by member banks from the Reserve Bank, and discounts of that Bank continued at the low levels of January and February.

Agriculture

Weather and soil conditions have been more favorable for agriculture in the Twelfth District during the past month than have market conditions. During recent weeks mild weather has aided the planting of field and other crops, stimulated the growth of fall-sown grain and favored the early development of fruits. The usual improvement of livestock ranges was reported during March and was reflected in the improved condition of livestock generally.

On the basis of its condition on April 1, the District's 1930 winter wheat crop was estimated at 57,500,000 bushels. In 1929 the harvest was 74,625,000 bushels. (Estimates of the acreage of winter wheat to be harvested this year are not available.) The condition of this crop on April 1 was generally better than on December 1, 1929, when soil moisture was inadequate, but the latest condition figures are still below those of either one year ago or the ten-year average. Fall-sown wheat, particularly in Washington, failed to germinate well last autumn and it has been necessary this spring to reseed a considerable proportion of the winter wheat acreage in that state.

FALL-SOWN WHEAT

	Condition (Percent of normal)				Indicated Production Apr. 1, 1930 (In thousands of bushels)	Har- vested 1929
	Apr. 1, 1930	Apr. 1, 1929	Apr. 1, 1920-29 Average	Dec. 1, 1929		
	1930	1929	Average	1929		
Arizona	98	90	91	95	...	...
California	85	82	84	71	12,100	12,240
Idaho	86	90	91	77	9,400	11,440
Nevada	98	96	95	79	...	...
Oregon	85	86	90	54	16,900	19,712
Utah	91	91	94	86	3,200	3,403
Washington	50	75	83	40	15,900	27,830
Twelfth District .....	...	...	...	...	57,500	74,625
United States	77.4	82.7	80.9	86.0	550,300	578,336

Source: United States Department of Agriculture.

Sluggish marketing of the 1929 wheat crop continued during March and the first half of April. Exports of wheat from Puget Sound and Columbia River ports (amounting to nearly 21,000,000 bushels for the season to date) have been 18 per cent smaller than they were during the period from July 1, 1928, to April 1, 1929. Although farm stocks of wheat in Idaho, Oregon, and Washington were slightly smaller on March 1, 1930, than on March 1, 1929, stocks in country mills and warehouses in those states

increased 51 per cent between the same dates, and total stocks of grain in these storages on March 1, 1930, were 30 per cent larger than on the same date a year earlier.

According to reports received by the United States Department of Agriculture, farmers of the District intended (on April 1) to plant somewhat larger acreages of most field crops in 1930 than were harvested in 1929. Whether or not these intentions are carried out depends on weather and other conditions existing at planting time.

INTENTIONS TO PLANT—1930
(In per cent of 1929 harvested acreage)

	Ariz.	Calif.	Idaho	Nev.	Ore.	Utah	Wash.	U. S.
Spring Wheat ..	..	..	95	115	120	105	110	100.1
Oats	130	110	104	110	112	102	110	102.5
Barley	110	100	106	110	115	100	105	101.7
Rice .....	..	..	..	..	..	..	..	112.1
Grain Sorghum ..	130	110	..	..	..	..	..	108.2
Tame Hay	110	95	104	102	100	100	103	99.2
Potatoes								
(white)	100	100	110	115	100	105	105	103.4
Beans (dry) ..	200	108	112	..	..	..	..	114.6

Source: United States Department of Agriculture.

During recent weeks the 1930 deciduous fruit crops in California have gone through a critical period of their development and production prospects are now much better than a year ago. In Pacific Northwestern and Intermountain fruit producing areas some damage to apricot, cherry, and peach buds resulted from the freezing temperatures of last January, but apple and pear trees suffered relatively little injury.

The 1930 Valencia orange crop in California which is usually harvested between May 1 and November 1 is developing satisfactorily and is now estimated at 12,279,000 boxes. In 1929 the Valencia orange crop was 17,600,000 boxes. The decline in estimated production of Valencia oranges this year is not quite so large as the decline in the 1929-1930 Navel orange crop which is now estimated at 9,489,000 boxes as compared with 17,500,000 boxes in the preceding season.

Some improvement was reported in the market for dairy products during March, and the wholesale price of 92-score butter at San Francisco advanced from 36 to 40 cents per pound during the month. On April 21 the quotation stood at 38 cents per pound. Butter production of Pacific Coast creameries increased from week to week during March, as is usual, and receipts at Portland, Los Angeles, and San Francisco were eight per cent larger than in March, 1929. Cold storage holdings of butter in the United States decreased 34 per cent from March 1 to April 1, 1930, but on the later date they were six times as large as on April 1, 1929. Although egg prices have declined seasonally in recent weeks, they remain about nine per cent higher than a year ago.

Livestock ranges were benefited by the rains and warm temperatures of early March, and

the condition of livestock, with the exception of spring lambs in California, improved correspondingly. Cattle have matured later this year than in 1929 and the usual market movement of "grass-fat" animals has been somewhat delayed.

LIVESTOCK RECEIPTS—Twelfth District

	March 1930	March 1929	Jan.-Mar. 1930	Jan.-Mar. 1929
Cattle	69,251	63,202	202,742	192,292
Hogs	169,654	202,327	580,950	678,721
Sheep	171,931	154,144	510,696	483,516

There have been few losses of lambs this year in the early lambing sections of the District, and the total number of early spring lambs is reported to be larger than it was last year. Feed conditions generally have been favorable for a rapid growth of lambs except in some sections of California, Nevada, and Washington. Although range conditions have improved during recent weeks in California, lambs have attained satisfactory market weights slowly. No shipments of California spring lambs to eastern markets were reported during March, whereas shipments to those markets in March, 1929, amounted to about 10,000 head of live and dressed lambs. During the past six weeks lamb prices at local markets, induced partly by heavy receipts, have continued to decline and were lower during the first part of April than at any time since 1922. Lamb prices also declined sharply at the Chicago market. The domestic wool price as represented by the Fairchild average has declined nearly 15 per cent since the beginning of this year and is now 32 per cent lower than in April, 1929.

Industry

Industrial activity in the Twelfth District increased by slightly less than the seasonal amount during March and nearly all lines of industry were substantially less active than in the corresponding month of last year. Greater than seasonal increases in the output of lumber and in the value of building permits issued and engineering contracts awarded may be contrasted with substantial declines in the output of crude and refined oils, non-ferrous metals, and manufacturing industries generally. Reductions in the number of hours worked each week in many industries during the past several months have tended to keep actual unemployment below its potential volume, and at present seasonal demands of agricultural activities and of a slowly expanding volume of road and public construction work are requiring an increasing number of unskilled laborers. Nevertheless, expansion in the number of workers employed in the District is reported to have been less during March and early April this year than has been customary during recent years.

Production of **lumber** increased more than seasonally during March. Shipments and orders also increased during the month, but failed to keep pace with the increase in output, and the ratios of both shipments and orders to production declined by more than the usual small amount. Eastbound shipments of lumber through the Panama Canal were somewhat larger than in February, 1930, or March, 1929, while shipments of lumber by rail increased considerably but were still below those of a year ago. A five-day week and seven-hour day have been adopted by many of the important lumber producers in this District.

Notwithstanding a definite improvement during March, activity in the **building and construction** industry remained well below the general level of recent years. The value of building permits issued in ninety cities in the District was 38 per cent larger than in February, when building activity was at unusually low levels, and 35 per cent smaller than in March, 1929. The value of permits issued in Los Angeles, though showing a substantial increase as compared with February, was considerably smaller than during March of last year, when the value of permits in that city was relatively large. In San Francisco there was a marked increase in the value of permits issued as compared with both February of this year and March a year ago, but the value of permits issued in the earlier periods was relatively small. Permits issued in Portland increased sharply from February and were slightly larger than in March, 1929, while permits issued in Seattle were about the same in value as in the preceding month but were 45 per cent less than a year ago. Activity in nearly

(A) Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees	No. of Firms	No. of Employees
All Industries*	734	146,048 (-7.3)	146	22,840 (-7.8)
Stone, Clay and Glass Products. . . .	44	5,901 (-9.9)	4	221 (40.8)
Lumber and Wood Manufactures	113	19,109 (-13.8)	52	13,480 (-12.2)
Textiles	16	1,979 (-4.8)	10	1,513 (-8.5)
Clothing Millinery and Laundering. . . .	54	7,415 (-4.8)	9§	460 (-1.1)
Food, Beverages and Tobacco	153	24,224 (-3.4)	42	1,639 (-1.9)
Public Utilities†	25	18,246 (-4.0)	..	..
Other Industries‡. . . .	327	80,354 (-8.5)	..	..
Miscellaneous¶	27	7,066 (16.0)	29	5,527 (1.2)

*Public utilities not included in this total. †Electric railway and bus operations added. ‡Motion picture producing and developing added. §Laundering only. ¶Includes the following industries: metals, machinery and conveyances; leather and rubber goods; chemicals, oils and paints; printing and paper goods.

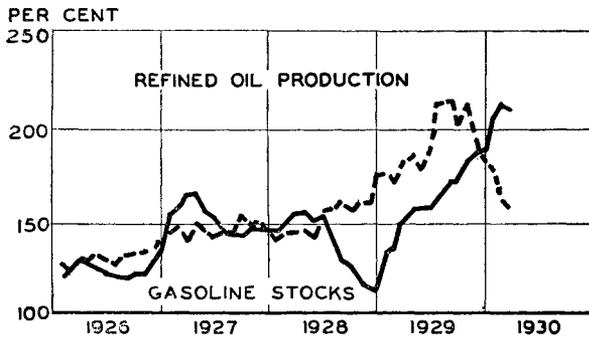
Figures in parentheses indicate percentage changes from March, 1929.

all classes of engineering construction expanded during March and total contracts showed a slightly greater than seasonal increase.

Production of **crude oil** in California declined from an average daily output of 747,000 barrels in February to 635,000 barrels in March. During the first half of April crude oil output averaged about 610,000 barrels daily, thus approximating the industry's objective of reducing production to about the same or lower levels than current consumption. The greatest reductions were attained in the Santa Fe Springs and Signal Hill fields. Output of refined oils

Output of non-ferrous metals continued to decline during March. In some of the mines the reduction was accomplished through shortening the working week for individual workers, rather than by reducing the number of men employed. Despite the decline in production of **copper** (daily average output was the smallest for any month since May, 1923) there was a slight increase in mine stocks of that metal and a substantial increase in refined stocks. Sales, however, were reported as being somewhat improved as compared with those of previous months. The reduction in the price of refined copper from 18 cents per pound to 14 cents per pound, delivered Connecticut Valley points, on April 15 came just a year after the 18 cent level had been established.

Flour mills of the District reduced production schedules sharply during March. At the same time millers' stocks of flour continued to decrease, but the decline was less than the decline in output. Export sales were reported to be poor and domestic demand fair during the month.



REFINED OIL PRODUCTION AND GASOLINE STOCKS—California Refineries

Indexes of daily average refined oil production and gasoline stocks at end of month. (1923-1925 average = 100).

continued to decline during March, reaching levels which approximated those of the latter part of 1928. Stocks of gasoline also declined during the month, that reduction being the first recorded since January, 1929. There was but little change in stocks of heavy and light crude oils during the month. Shipments of petroleum and petroleum products to the Atlantic Coast during March were at about the minimum level of such shipments for the past several years.

(B) Industry—

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

	1930			1929
	Mar.	Feb.	Jan.	Mar.
Manufactures:				
Flour	102	121	120	118
Slaughter of Livestock	72	78	77	80
Lumber	112	98	82	113
Refined Mineral Oils†	161	169	180	184
Cement	88	93	78	118
Wool Consumption‡ .....	..	80	61	73
Minerals:				
Petroleum (California)†	98	113	107	119
Copper (United States)‡	88	95	101	135
Lead (United States)‡ .....	..	106	92	112
Silver (United States)‡	93	90	91	93
General:				
Carloadings—Industrial	111	97	82	119
Value of Building Permits§				
Twenty Larger Cities	54	50	51	74
Seventy Smaller Cities	59	58	57	93
Value of Engineering Contracts Awarded§				
Total	124	120	149	187
Excluding Buildings	124	115	117	267

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

Trade

Smaller than seasonal increases were apparent in most lines of trade during March, and records for the first quarter of this year show that activity in trade decreased noticeably from the high level reached in the corresponding period of 1929. The lateness of Easter this year as well as the current business recession was manifested in reduced retail sales during

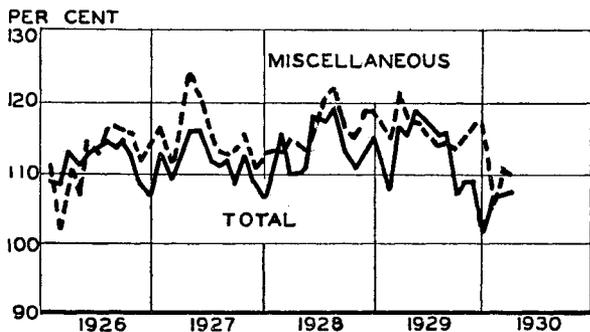
(C) Distribution and Trade—

	1930			1929
	Mar.	Feb.	Jan.	Mar.
Foreign Trade°	Index Numbers*			
Total† .....	..	..	132	149
Imports‡ .....	..	..	117½	134
Exports .....	..	147	143	157
Intercoastal Trade°				
Total	91	94½	103½	95
Westbound	110	128	124	125
Eastbound	86	89	97	87
Carloadings‡				
Total	108	108	94	117
Merchandise and Miscellaneous... ..	111	112	105	122
Wholesale Trade§				
Sales	94	104	107	103
Retail Trade				
Automobile Sales‡				
Total	102	115	108	127
Passenger Cars	96	114	104	123½
Commercial Vehicles	171	124	155	173½
Department Store				
Sales‡	121	120	119	125
Stocks¶	109	108	104	105
Stock Turnover|| .....	Actual Figures			
..	.25	.20	.22	.26
Collections#				
Regular	45.3	42.9	45.8	47.0
Installment	14.9	14.7	15.7	15.3

* Adjusted for seasonal variations, 1923-1925 average = 100. °Indexes are for three months ending with month indicated. †Excluding raw silk. ‡Daily average. §Monthly totals of ten lines combined. ¶At end of month. ||Proportion of average stocks sold during month. #Per cent of collections during month to amount outstanding at first of month. ◊Revised.

March, 1930, as compared with March, 1929, but the customary February-March increase was reported. As is expected at this season of the year, there was an increase in the value of sales at wholesale, but it was considerably less than usual. The volume of both eastbound and westbound intercoastal trade declined during March while a full seasonal expansion was recorded in loadings of freight on the District's railroads. After allowing for the seasonal

six other lines—agricultural implements, drugs, electrical supplies, hardware, shoes, and paper and stationery—decreases ranging from 13 to 3 per cent were reported. Sales of wholesale grocery firms were one per cent larger during March of this year than in March, 1929. In nearly all lines collections were reported as being definitely slower than a year ago.



RAILROAD FREIGHT - CARLOADINGS

Cars of revenue freight loaded in the Twelfth District as reported by the American Railway Association. Index numbers adjusted for seasonal variations, (1923-1925 daily average = 100).

movement, sales of new automobiles declined sharply during March and were far below the levels of March, 1929.

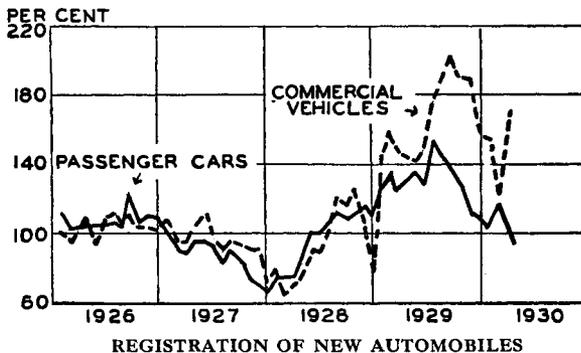
The value of sales of representative department, apparel, and furniture stores of the District was 5.5 per cent smaller in March, 1930, than in March, 1929, compared with a decline of 12 per cent in sales of department stores for the United States generally. Inventories of stores in this District increased slightly more than seasonally during March and at the end of the month were practically the same in value as a year earlier. Collections on open book accounts continued to average somewhat slower than in early 1929 while collections on installment accounts showed little change over the year period.

RETAIL TRADE—Twelfth District

	NET SALES*		STOCK*
	Mar., 1930 compared with Mar., 1929	Jan. 1 to Mar. 31, 1930 compared with Jan. 1 to Mar. 31, 1929	
Department Stores†	- 3.7 (68)	- 2.3 (67)	1.1 (50)
Apparel Stores	-14.0 (31)	- 9.9 (31)	- 3.3 (19)
Furniture Stores	-10.8 (47)	- 9.9 (46)	- 4.1 (29)
All Stores	- 5.5 (146)	- 4.0 (144)	0.0 (98)

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

In March, the dollar value of wholesale trade of 226 firms located in this District was eight per cent smaller than in March, 1929, and sales failed to show the usual increase in relation to February. The largest decreases in comparison with the same month a year ago (ranging from 25 to 21 per cent) were noted in sales of furniture, dry goods, and automobile supplies. In



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

Sales of new automobiles after increasing somewhat more than seasonally in February declined sharply during March to the lowest level in two years. This was the result entirely of reduced sales of passenger cars, inasmuch as registrations of new commercial vehicles increased during the month by more than 40 per cent and were near record levels.

(D) Bank Debits*—

	Mar., 1930	Mar., 1929	First Three Months	
			1930	1929
Arizona				
Phoenix	\$ 40,164	\$ 44,237	\$ 124,431	\$ 137,024
California				
Bakersfield	13,261	16,449	42,197	46,276
Berkeley	19,757	21,177	61,581	65,716
Fresno	42,936	31,886	132,002	95,806
Long Beach	50,479	68,795	149,297	202,417
Los Angeles	1,088,138	1,365,530	3,165,756	3,801,033
Oakland	222,784	263,322	593,622	739,863
Pasadena	39,456	46,275	112,792	141,711
Sacramento	45,728	48,036	142,973	146,598
San Bernardino	10,950	12,143	32,601	34,886
San Diego	57,803	68,427	176,558	205,398
San Francisco	1,530,955	1,599,561	3,967,189	4,345,354
San Jose	26,664	28,393	84,723	84,740
Santa Barbara	15,091	18,156	46,322	51,257
Stockton	24,711	28,256	75,326	81,206
Idaho				
Boise	12,791	13,693	41,432	43,106
Nevada				
Reno	10,687	11,593	32,813	32,000
Oregon				
Eugene	6,649	7,435	19,329	21,094
Portland	180,543	200,467	506,318	558,736
Utah				
Ogden	17,651	18,156	51,240	54,885
Salt Lake City	74,559	77,923	229,404	231,503
Washington				
Bellingham	9,935	11,333	26,933	30,147
Everett	13,996	13,588	39,621	39,467
Ritzville	538	786	1,727	2,656
Seattle	260,891	289,407	730,189	794,721
Spokane	60,914	64,526	160,430	177,345
Tacoma	48,255	53,062	134,976	148,087
Yakima	14,795	14,141	41,019	39,605
Total	\$3,941,081	\$4,436,753	\$10,922,801	\$12,352,637

* In thousands of dollars.

Intercoastal trade during March, 1930, decreased in comparison with both February, 1930, and March, 1929. Westbound shipments through the Panama Canal declined more noticeably than did eastbound tonnage. Lumber shipments to the eastern coast were larger in March of this year than in the corresponding month of 1929, while eastbound shipments of petroleum products were smaller than in the same month a year ago.

Less activity was evident in the foreign trade of Pacific Coast ports during February than in other recent months or a year ago. Dollar amounts of total imports during February, 1930, were smaller than in any February since 1921. Exports also declined more than is customary during February, although this Bank's adjusted index for the three months ending with that month was slightly higher than the index for the three months ending with January, 1930.

Prices

The decline of wholesale commodity prices which had persisted since the middle of 1929 came to a pause during late March and early April. For the month of March as a whole, however, the commodity price level, as indicated by the wholesale price index of the United States Bureau of Labor Statistics, declined by the same amount as in February, reaching the lowest point since September, 1916. That index at 90.8 (1926 average=100) was 0.6 per cent lower than the figure for January, 1922, previously the lowest point reached by the Bureau of Labor Statistics' index during the post-war period. The fluctuations of most weekly indexes show that the lowest level of prices in the recent downward movement was reached shortly after mid-March, since when slight increases have been recorded.

Among the most significant of recent price declines have been the reductions in quotations for non-ferrous metals. Demand for those metals has been slight for many weeks, and in March quotations for lead, zinc, and tin reached the lowest levels since 1922. On April 15 the price of copper was reduced to 14 cents per pound, delivered Connecticut Valley points, or four cents per pound less than the price that had been maintained since April 16, 1929. Prices for steel pipe, a large quantity of which is used by the petroleum and natural gas industries in this District, were reduced on April 1 and increased sales are reported to have followed upon the reduction.

Prices for agricultural products changed little during the period from March 15 to April 15. Wheat quotations advanced moderately, but relatively small sales of that grain were reported from District markets. A large sup-

ply of lambs contributed to a further sharp unseasonal decline in lamb prices, which are currently about 40 per cent lower than a year ago. There were slight declines in quotations for cattle and hogs in the Chicago market during March in contrast with small advances reported at the District's markets. Increased shipments of oranges have been accompanied by advances in prices for that fruit, which were considerably higher during the first half of April than in either the corresponding period of last year or earlier weeks of this year. Since the middle of March there has been a small decline in lemon prices, but current quotations are slightly higher than a year ago.

Little change has been recorded in wholesale quotations for petroleum products in this District since the advance in crude oil prices on March 8. In recent weeks, however, there has been considerable cutting of retail gasoline prices in many Pacific Coast cities.

A slight decline in lumber prices, not customary at this season of the year, was reported during March and quoted prices were below those of March, 1929.

Credit Situation

The credit situation changed little during March and the first half of April. Loans by member banks tended downward slightly, while their investments increased and their borrowings from the Federal Reserve Bank remained at a low level. Interest rates showed some further slight decline during the four weeks ended April 12.

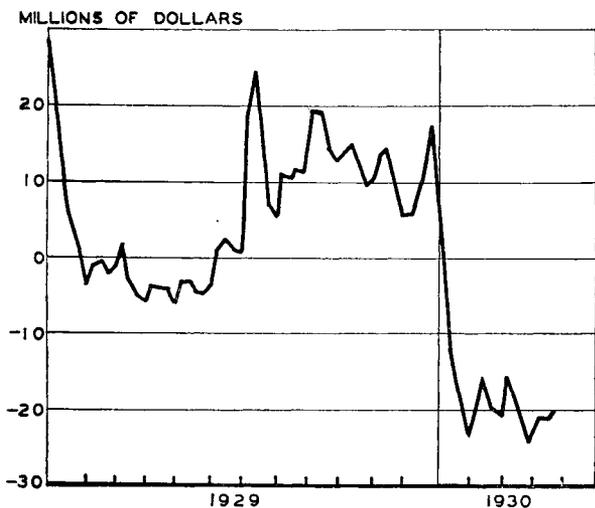
REPORTING MEMBER BANKS—Twelfth District
(In millions of dollars)

	Condition			
	Apr. 23, 1930	Apr. 9, 1930	Mar. 19, 1930	Apr. 24, 1929
Total Loans and Investments...	1,968	1,965	1,960	1,940
Total Loans	1,350	1,353	1,355	1,300
Commercial Loans	900	916	910	888
Loans on Securities	450	437	445	412
Investments	618	612	605	640
Net Demand Deposits	729	728	719	758
Time Deposits	1,025	1,027	1,014	975
Borrowings from Federal Reserve Bank	3	3	0	66

Since the beginning of this year both commercial and security loans of reporting member banks (city banks) have tended to decline. In order to employ their funds fully these banks have steadily added to their investment holdings and, during the past six weeks, have transferred large amounts of funds to New York City for use in the call money market. Since mid-January there has been almost no borrowing at the Reserve Bank by city member banks except for a few days at the end of March. The prevailing differential of one per cent between the Federal Reserve Bank of San Francisco's discount and 90-day acceptance buying rates has encouraged acceptance financing and lo-

cally purchased acceptances held by this Bank at the present time are approximately twice as large in volume as are bills discounted. Borrowings of country member banks continue relatively large (ten million dollars) and account for nearly all of the present volume of discounts.

deposited with commercial banks and the funds thus made available quickly found their way into member bank reserve deposits at the Reserve Bank. Concurrently with this movement, and due to other causes, total deposits at member banks declined slightly, reducing the legally required amount of reserve deposits (which member banks are required to carry with the Reserve Bank) at a time when these reserve deposits were tending to increase. The funds made available by this process have been an important factor in maintaining borrowings from the Reserve Bank at current low levels. As may be noted from the chart showing bills discounted and the discount rate of this Bank, the volume of discounts has been high or low at the same time that the discount rate has been high or low and the two have tended to fluctuate together during the past ten years. It thus appears that the present low volume of borrowings at the Reserve Bank, accompanied as it is by a relatively low discount rate, is not unusual in the light of past experience.

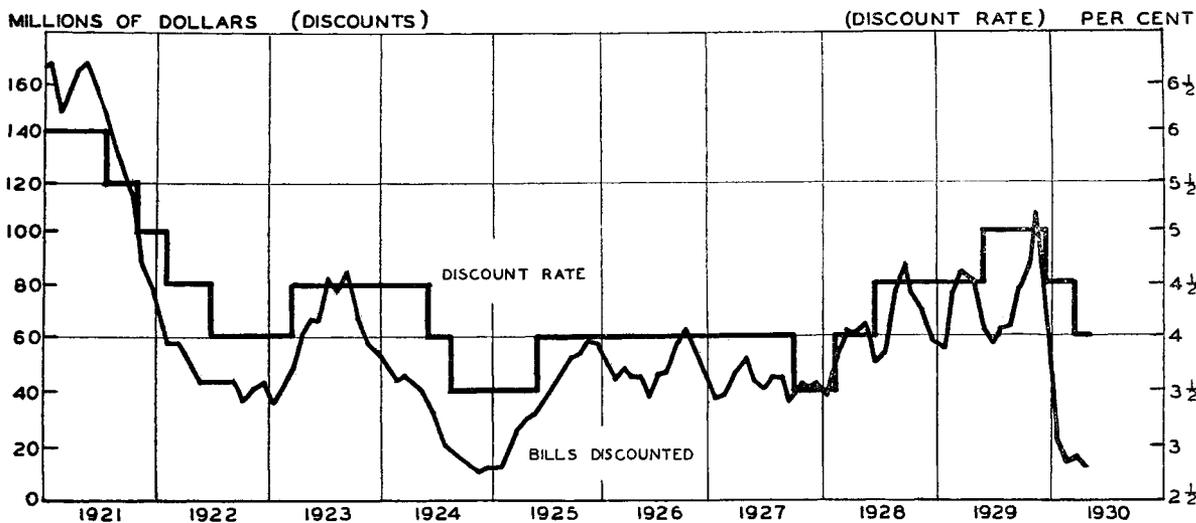


NET CHANGES IN DEMAND FOR CURRENCY
Twelfth Federal Reserve District

The volume of currency in circulation has declined rapidly in the Twelfth District during recent months. As is usual, the currency in process of being retired from circulation was

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

	Condition			
	Apr. 23, 1930	Apr. 9, 1930	Mar. 19, 1930	Apr. 24, 1929
Total Bills and Securities.....	84	77	79	109
Bills Discounted	13	11	8	80
Bills Bought	34	29	34	17
United States Securities	37	37	37	12
Total Reserves	276	287	265	246
Total Deposits	185	185	169	180
Federal Reserve Notes in Circulation	154	158	156	153



FEDERAL RESERVE BANK OF SAN FRANCISCO
Volume of discounts compared with the discount rate.

Requests for early numbers of this Review have been received from universities and libraries whose files of the publication are incomplete. It would be appreciated if those readers who have available copies of the Review for months prior to January, 1923, would forward them to the Federal Reserve Agent, Federal Reserve Bank, San Francisco.

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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

Supplement

San Francisco, California, April 21, 1930

Vol. XIV No. 4

Interest Rates in the Twelfth Federal Reserve District

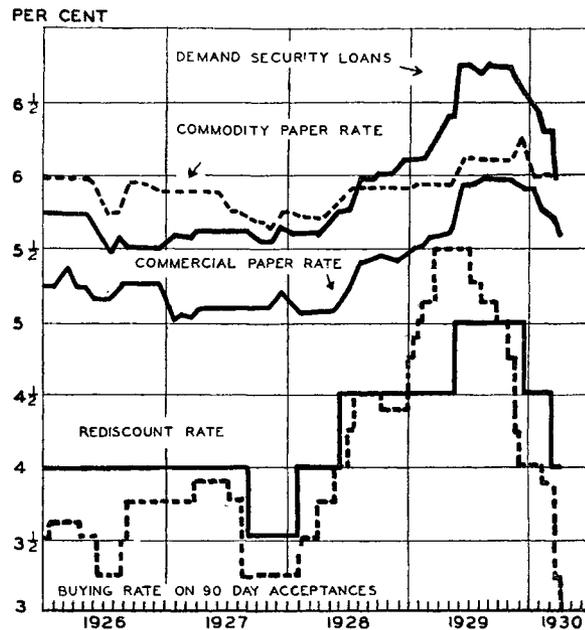
Certain relationships between the discount and acceptance buying rates of the Federal Reserve Bank of San Francisco and various rates charged customers of commercial banks in the Twelfth District may be observed in the recorded movements of interest rates. These relationships are most clearly defined in San Francisco, the principal money market of the District and the banking center in which borrowings from the Reserve Bank usually are in greatest volume. The more important of them may be illustrated in a comparative study of the following rates:

- (1) The Reserve Bank discount rate.
- (2) The Reserve Bank buying rate for ninety-day acceptances.
- (3) Weighted average rates charged customers by a group of member and non-member banks for loans on:
 - (a) Prime commercial paper eligible for rediscount.
 - (b) Time and demand loans secured by prime stock exchange collateral.
 - (c) Commodity paper, or loans secured by warehouse receipts, most of which are not eligible for rediscount by reason of their maturity and for other technical reasons.

The rates just enumerated are shown in the accompanying chart, which presents them for San Francisco only. Changes in the discount rate have ordinarily followed rather closely upon the major downward or upward movements of the acceptance rate during the past ten years, and the latter rate has been lower than the discount rate during the entire period, with but one exception in 1929.*

The interest rate on prime commercial loans is particularly significant in that it reflects the ever shifting balance between demand for com-

mmercial credit and the available supply of funds and thus may be taken as fairly representative of open market rates in San Francisco. Comparison of the commercial paper rate in San



INTEREST RATES—San Francisco

Commodity Paper Loans, Demand Security Loans, and Commercial Loans — Average rates at middle of month.

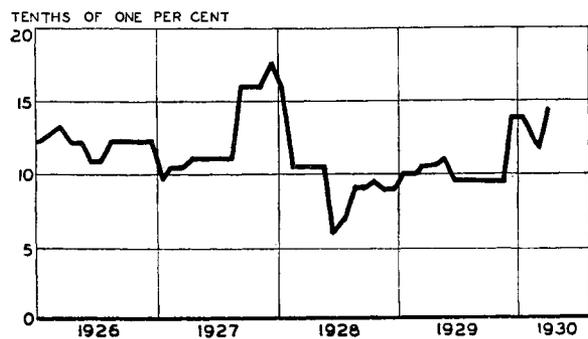
Discount Rate — Federal Reserve Bank of San Francisco.

Acceptance Rate — Federal Reserve Bank of San Francisco.

Francisco with the discount rate shows that the former has followed a course almost consistently at a level of about one per cent above the discount rate. Whether continuing previous trends or reversing them, the more important changes in this rate ordinarily have occurred within a period of a few weeks after changes in the discount rate have been made, both rates moving in the same direction. Observation of the chart also shows that shorter period fluctuations of the commercial paper rate have conformed reasonably well with the pattern of the Reserve Bank's acceptance buying rate, allowing for the lapse of a relatively

*As indicated later on in this discussion the acceptance buying rate of this Bank is practically identical to that of the Federal Reserve Bank of New York which in turn is influenced chiefly by open market rates in the national money market.

brief period of time. But this timing of the movements has not been entirely uniform. Twice since 1926 (late in 1927 and during recent months) the commercial paper rate has failed to adjust itself to the average differential of one per cent above the discount rate within the usual period of time and its reactions to changes in the acceptance buying rate have been retarded. During both of these periods of retarded adjustment between the rates there has been considerable recession in general business activity.



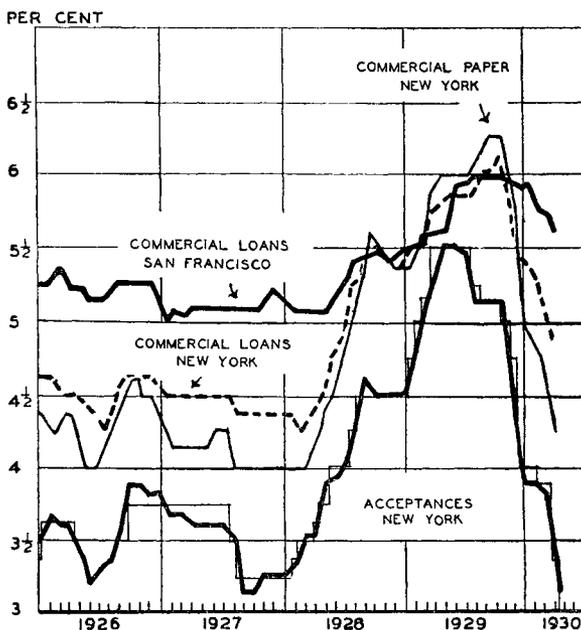
DIFFERENTIAL BETWEEN DISCOUNT AND COMMERCIAL LOAN RATES—San Francisco

The base line of this chart represents the discount rate of the Federal Reserve Bank of San Francisco. That rate is shown as a straight line regardless of changes in it, and the difference between the discount rate and the rate on prime commercial loans in San Francisco, in terms of tenths of one per cent, is shown by the irregular line.

Rates on security loans have followed the commercial paper rate rather closely, but at a level approximately one-half of one per cent above that rate. The widening of this differential during the last half of 1929 was due almost entirely to the action of securities markets during that period. There has been less fluctuation in commodity paper rates than in either prime commercial or security loan rates, and they have constantly been maintained at higher levels than have rates on paper eligible for rediscount at the Reserve Bank. The more important factors influencing commodity paper rates appear to have been the longer term trends of other rates and of supply and demand conditions in the money markets.

It may be said that the various over-the-counter and open market interest rates in the Twelfth District, as represented by San Francisco, move in different planes and that their main trends are similar to the main trends of the Reserve Bank's discount rate, while their

shorter-term fluctuations are more nearly like those of the Reserve Bank's acceptance buying rate. Furthermore, it is evident that the discount rate is influenced by the major upward and downward movements of the acceptance buying rate. These facts may be related to the national money market by observing that the acceptance buying rate of this Bank has been maintained practically identical to the corresponding rate of the Federal Reserve Bank of New York during recent years. Changes in that rate occupy about the same position with



INTEREST RATES IN NEW YORK AND SAN FRANCISCO

Commercial Loans—San Francisco—Average rate at middle of month.

Commercial Loans—New York—Average rate at middle of month.

Commercial Paper—New York—Monthly average open market rate on 4 to 6 months prime commercial paper.

Acceptances—(Heavy line) Monthly average open market rate on bankers' 90-day acceptances, New York City.
(Light line) Buying rate on 90-day acceptances, Federal Reserve Bank of New York.

respect to other rates in New York as in San Francisco, and, in New York, are particularly sensitive to the fluctuations of open market rates. It is evident therefore that the course of interest rates in San Francisco, particularly the more sensitive open market rates, presents about the same picture as does the course of similar rates in New York, the San Francisco rates generally moving at slightly higher levels.