

MONTHLY REVIEW

OF BUSINESS CONDITIONS

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Federal Reserve Bank of San Francisco

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No. 1

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Production and factory employment declined further in December. Wholesale prices decreased during the first half of the month, but thereafter were generally steadier. Conditions in the money market remained easy and in January money rates reached new low levels.

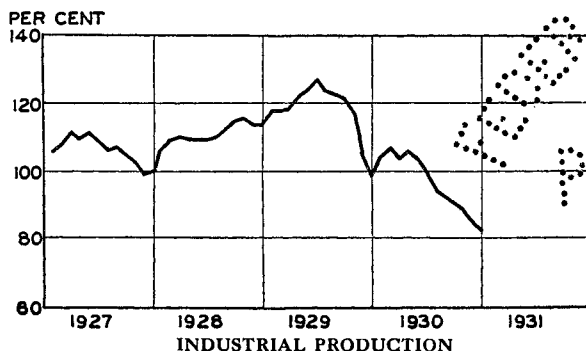
Production. Industrial production was further reduced during December, and the Federal Reserve Board's index, which makes allowance for usual seasonal changes, showed a decline of over 2 per cent. Output of steel and iron, textiles, petroleum, cement, and copper was substantially curtailed. Activity in meat packing plants and at anthracite mines increased in December, and in the automobile industry there was an increase in output reflecting the introduction of new models. After the turn of the year, automobile output increased further, and steel plants were more active. Construction contracts awarded during December were in about the same volume as in November, according to reports of the F. W. Dodge Corporation. There were slight declines, partly seasonal in nature, in contracts for residential and commercial construction, while public works and utility awards increased somewhat.

Employment and Wage Payments. Employment in manufacturing industries was reduced further by 2.5 per cent between the middle of November and the middle of December, and factory pay rolls also declined. The largest reductions in working forces were in the canning, lumber, steel, and wearing apparel indus-

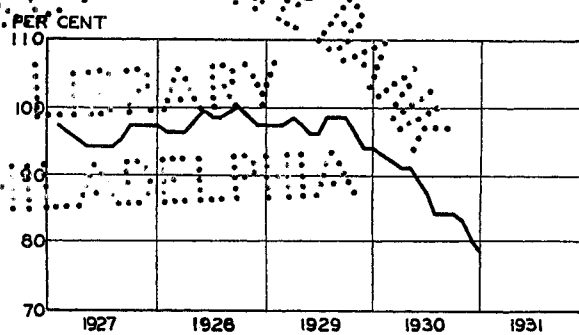
tries. There was little change in employment in railroad car shops, and in cotton and silk mills, while in the automobile, meat packing, and paper and printing industries working forces were increased slightly. In early January, following year-end inventory periods, reports indicate increased employment in certain industries, particularly automobiles, steel, and railroads.

Distribution. Sales of department stores increased in December by slightly less than the amount which is usual for the holiday season, according to preliminary reports to the Federal Reserve Banks. In December, as in earlier months of the year, the value of sales probably reflected the influence of declining retail prices. Distribution of commodities by freight showed a further decline for the month of December as a whole. Value of American exports to foreign countries was smaller in December than in November, and approximately 35 per cent below that of December, 1929, the decrease reflecting in part the decline in wholesale prices.

Wholesale Prices. Wholesale prices of commodities declined sharply in the first half of December, while in the following four weeks average fluctuations were relatively small. For the month of December as a whole, there were large decreases in prices of corn, hogs, cotton, hides, and lumber, while prices of wheat, beef, and silk averaged somewhat higher than in November. During the first two weeks in January, prices of corn, sugar, and silk increased,



Index number of production of manufactures and minerals combined, adjusted for seasonal variations (1923-1925 average = 100). Latest figure, December, 82.

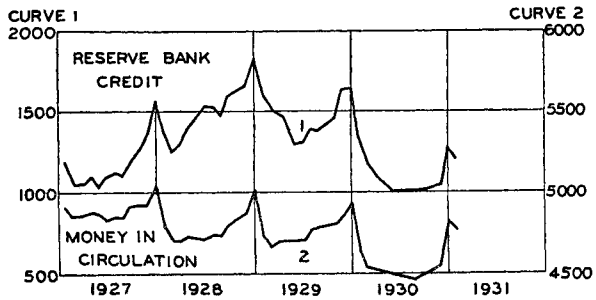


Indexes of United States Bureau of Labor Statistics (1926=100, base adopted by Bureau). Latest figure, December, 78.4.

and the price of wheat in American markets remained fairly stable. Silver prices reached new low levels.

Bank Credit and Money Rates. Loans and investments of reporting member banks declined in the four-week period ending January 14, reflecting liquidation of securities loans, as well as a reduction in "all other" loans and in

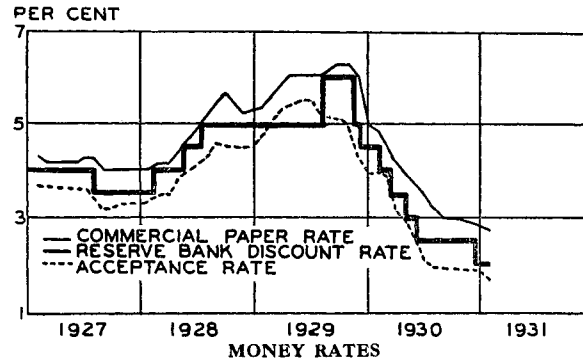
that money in circulation, which during the larger part of 1930 had been in considerably smaller volume than in 1929, in January, 1931, was above the level of a year ago. In the following two weeks the return flow of currency was somewhat larger than usual, indicating a return of part of the extra currency which had been called into use in December. Money rates



RESERVE BANK CREDIT AND MONEY IN CIRCULATION
IN MILLIONS OF DOLLARS

Monthly averages of daily figures. Latest figures are averages of first 20 days in January.

investments. Changes in the position of reserve banks in recent weeks were largely due to changes in the demand for currency. In December this demand increased more than is usual for the season, owing to the withdrawal of cash by banks and by the public in districts where there were important bank failures. In the two weeks after Christmas the return flow of currency from circulation was smaller than the usual seasonal amount and the result was



MONTHLY 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 January.

in the open market continued at low levels during December, and declined further in the first half of January. The discount rate at the Federal Reserve Bank of New York was reduced to 2 per cent on December 24, and in the following three weeks rates were reduced to 2½ per cent at the Federal Reserve Bank of Boston and to 3 per cent at the Federal Reserve Banks of Cleveland, St. Louis, Chicago, Atlanta, and San Francisco.

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Business depression has been apparent throughout the Twelfth Federal Reserve District during the past year. As in other parts of the world the extremely sharp declines in production and distribution have been similar in magnitude to those of the 1920-1921 depression and the decrease in prices has been the greatest since that time. Crop production increased substantially during 1930, as compared with 1929, but large declines in farm products prices occurred and returns to most producers were unusually small. Activity in the District's leading industries suffered a marked reduction from the high levels of 1929, production in most individual industries receding to levels below those of 1924. There were, however, increases in the output of the fruit and vegetable canning and packing and meat packing industries. There was a considerable decline in the value of commodities sold at retail and an even greater decline in wholesale sales. Transportation of freight on railroads and through Pacific Coast ports (both foreign and intercoastal) was in smaller volume than in 1929.

The decline in business activity was less pro-

nounced in December than in most months of 1930. A few individual fields of industry showed improvement, although the general tendency was still downward. Little other than seasonal changes in the trade situation were recorded during the month. Continued sharp declines in both wholesale and retail commodity prices further reduced price averages during December and early January.

Excepting some damage to citrus crops in California by unusually low temperatures, recent weather conditions have been favorable to the growth of crops already sown and to the prospects for those to be planted in the spring. The large acreage sown to wheat in the autumn of 1930 is in excellent condition. Ranges and livestock have also been benefited by the recent rains. Declines in the petroleum and petroleum products, copper, cement, and engineering construction industries reduced total output, although the aggregate decline was moderated by a smaller than seasonal decrease in lumbering and a pronounced increase in building activity other than engineering construction. During recent months, and especially in December, the

continued curtailment of production that has been evident in the lumber and copper mining industries for the past year has begun to effect reductions in inventories of those commodities.

Easy money conditions prevailed in the Twelfth District throughout 1930, a reflection of the lack of demand for commercial credit which usually accompanies business depression. During the first half of the year short-term interest rates declined abruptly, then a more moderate decline set in which lasted until the end of October, since when there has been little change in rates. After the first few weeks of 1930 the difference between interest rates in the Twelfth District and eastern money markets made this District attractive to funds seeking employment, and during the first ten months there was a substantial net inflow of funds to San Francisco. These funds, which were chiefly bankers' balances available for the most part on a day to day basis only, together with an excess of United States Treasury expenditures over collections and a reduction of 30 million dollars in the average amount of currency in circulation during the year enabled city banks to satisfy demands made upon them for commercial credit, to increase slightly their loans on securities, and to build up their investment portfolios, while their borrowings from the reserve bank were negligible in amount. During December, however, expansion of currency circulation and some uneasiness due to bank failures caused a reduction in the amount of bankers' balances held in this District, and discounts at the reserve bank rose sharply to the highest levels of the year. On January 9, the discount rate of the Federal Reserve Bank of San Francisco was reduced from $3\frac{1}{2}$ to 3 per cent, the lowest general rate in the history of that institution.

Agriculture

General shortages of soil moisture and of snow pack on important watersheds in the District were relieved by rain and snow fall in late December and early January. By mid-January precipitation in the various parts of the District for the season since July 1, although slightly less than the long time average, was somewhat greater than for a corresponding period in 1929 and 1930.

United States Department of Agriculture estimates of annual crop value and production have been used by this Bank in the preparation of indexes of crop production and value for the Twelfth District. According to these indexes, the aggregate volume of crop production in this area was 6 per cent greater in 1930 than in 1929, while the aggregate value of crops declined 22 per cent over the same period.

Wheat was sown on 3,706,000 acres in this District during the autumn of 1930, an area 10

per cent larger than the 1929 winter wheat plantings. The condition of the crop on December 1 was much better in all states of the District, particularly in the Pacific Northwest, than it was a year earlier.

The 1930-1931 Navel orange crop in California was estimated in late December to be 15,513,000 boxes, a decrease of 7 per cent from the estimate of the previous month, but an increase of 63 per cent from the estimated production during the 1929-1930 season. Unusually cold weather during December caused some injury to the fruit but the use of frost protecting devices prevented extensive damage. Market shipments of oranges from both California and Florida increased during December and the f.o.b. California price declined to levels approximately 45 per cent lower than a year ago, when a much smaller crop of fruit was being harvested. On January 1, the 1930-1931 lemon crop was estimated to be 6,374,000 boxes compared with a 1929-1930 crop of 4,908,000 boxes.

The position of the dairy and poultry industries at the year end was decidedly unfavorable to producers. Storage stocks of butter and eggs were larger than a year ago and daily receipts at the principal markets continued heavy. As a result, market prices for these products have declined approximately 30 per cent during the past six weeks.

Good forage conditions in desert and other winter grazing areas and adequate supplies of grains and hay in those regions where winter feeding is usually necessary have maintained livestock in satisfactory condition thus far this winter. Except for a slight increase in receipts of cattle, livestock receipts at the principal markets

Agricultural Marketing Activity—

	December		Season to Date	
	1930	1929	1930	1929
Carlot Shipments				
Apples	4,701	3,049	45,111	33,141
Oranges*	4,930	4,333	8,761	8,080
Lemons*	668	526	1,329	900
Vegetables (Cal.)	4,660	5,008	15,607	15,937
Eggs (Cal., Ore., Wash.)	524	409	4,628	4,539
Exports				
Wheat (bu.) † ...	1,421,794	2,978,101	13,045,113	15,973,486
Barley (bu.) † ...	763,811	289,994	5,599,666	6,918,788
Dairy Products (lbs.—San Francisco) ...	2,785,093 ‡	2,867,049 ‡	29,729,324 §	37,121,469 §
Eggs (cases—San Francisco)	246,420 ‡	177,216 ‡	2,999,310 §	2,534,059 §
Receipts				
Cattle † ...	67,568	67,305	785,610	803,759
Sheep † ...	314,416	187,591	4,201,290	3,877,519
Hogs † ...	221,970	243,427	2,060,980	2,254,140
Eggs (cases) † ...	122,841	132,786	2,021,555	1,855,986
Butter (lbs.) † ...	6,262,077	5,194,349	73,276,899	69,945,369
Storage Holdings (end of the month)				
Apples (cars—Wash.)	14,686	11,520	.....	.....
Wheat (bu.) ...	6,195,000	5,226,000	.....	.....
Beans (bags—Cal.)	2,218,674	1,398,556	.....	.....
Butter (lbs.) † ...	2,997,231	2,312,187	.....	.....
Eggs (cases) † ...	96,744	12,301	.....	.....

*Season begins November 1. †Season begins July 1. ‡October. §First ten months. ††Eight markets. †††Three markets.

of the District during December continued the trend of the past year, hog receipts being smaller and sheep receipts larger than a year ago.

Results from the past year's operations have been unsatisfactory for sheep raisers. The drastic declines in both wool and lamb prices were not alleviated by corresponding decreases in production costs with the result that profits were reduced substantially. Cattle price declines were less severe than were those of sheep and wool, and cattlemen generally have suffered less than have other livestock raisers.

Industry

The 1930 decline in industrial output of the Twelfth District was one of the most drastic yet experienced in this area. Reduced activity was apparent in nearly all industries because of shrinking markets and some of the major industries adopted voluntary curtailment programs during the year. In conjunction with the decrease in production, unusually large numbers of workers were discharged and others were placed on a part-time working basis, resulting in what appears to have been an unprecedented reduction in payrolls.

Movements in the production index of this Bank during the past 18 months have corresponded closely with movements of production indexes for the United States as a whole during the same period. After the record activity of the summer of 1929 there was a gradual recession extending through the autumn of that year which was followed by a precipitate drop in the index at the end of the year, a temporary rise during the spring of 1930, and a continuous, steep decline from that time to the present. The period of decline since last spring has been

marked by decreases in outputs of lumber, crude and refined oils, copper, lead, silver, paper and pulp, and electric power and by a contraction in building activity. Engineering contracts awarded expanded temporarily during the third quarter of 1930, but the total for the year was considerably lower than in 1929. Street and road construction held up well during 1930.

Manufacture of food products was almost the only field of industry in which output compared at all favorably with that of 1929. Meat packing and flour milling were approximately the same in volume as in 1929, while canning and preserving of fruits and vegetables were substantially more active than a year earlier and as active as in any previous year. The pack of canned salmon, in both Alaska and the Pacific Northwest was smaller, however, than in 1929.

Inventories of some commodities declined slightly during the last half of 1930. Flour stocks decreased each month until the heavy production of the late summer and have increased seasonally since that time. Stocks of crude oil were reduced during most months of the year, and gasoline stocks, after rising sharply during January and February, fell off until consumption decreased in October, since when they have increased. Excess production of lumber during the first half of 1930 resulted in an accumulation of inventories of that commodity and there was but little net decline during the remainder of the year. Total stocks of refined copper in North and South America increased every month of the year until December, 1930, when there was a slight decline.

The most significant developments in industry during December were large increases in

Industry—

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

	Year's Aver.	1930			1929	
		Dec.	Nov.	Oct.	Dec.	Av.
General:						
Carloadings—Industrial ..	85	74	70	72	97	111
Electric Power Production	158*	..	153	159	139	144
Manufactures:						
Lumber	86	67	63	67	110	108
Refined Mineral Oils†....	168	149	155	168	186	193
Flour	109	101	96	106	103	112
Slaughter of Livestock...	80	83	78	86	81	84
Cement	90	79	99	95	108	106
Wool Consumption†	73*	..	71	89	67	82
Minerals:						
Petroleum (California)† ..	95	89	92	89	106	121
Copper (United States)†.	87	75	82	83	115	127
Lead (United States)†....	..	..	..	94	105	113
Silver (United States)‡....	74*	..	76	71	91	94
Building and Construction:§						
Total	55	65	63	69	59	84
Value of Building Permits						
Twenty Larger Cities..	49	46	48	49	50	65
Seventy Smaller Cities.	60	45	51	58	66	89
Value of Engineering Contracts Awarded						
Total	122	94	117	124	109	142
Excluding Buildings.	130	96	142	164	76	156

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

Employment—

Industries	No. of Firms	California— No. of Employees		Oregon— No. of Employees	
		Dec., 1930	Dec., 1929	Dec., 1930	Dec., 1929
All Industries*	837	130,285	165,341	135	18,705
		(-21.2)			(-19.6)
Stone, Clay and Glass Products.	45	4,698	7,104	3	160
		(-33.9)			(35.6)
Lumber and Wood Manufactures ..	113	15,701	19,905	47	9,765
		(-21.1)			(-26.2)
Textiles	18	2,225	2,386	9	1,236
		(-6.7)			(-32.1)
Clothing, Millinery and Laundering.	73	5,320	6,054	8‡	364
		(-12.1)			(-10.1)
Food, Beverages, and Tobacco...	184	24,226	26,789	39	2,072
		(-9.6)			(1.8)
Public Utilities ..	34	55,951	60,518	..	..
		(-7.5)			..
Other Industries†.	380	72,184	93,357	..	..
		(-22.7)			..
Miscellaneous ...	24	5,931	9,746	29	5,108
		(-39.1)			(-9.8)
Wholesale and Retail	107	38,403	41,348	..	..
		(-7.1)			..

*Public utilities and wholesale and retail figures not included in this total. †Laundry 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, 1929.

the value of building permits, a smaller than seasonal decline in lumber production, and further substantial decreases in output of crude oil and copper. A considerable part of the improvement in building activity was accounted for by an increase in the Pacific Northwest, particularly in Seattle, where the value of permits issued in December was approximately twice as great as in November, 1930, or December, 1929. There were substantial increases in building in northern California cities also and a moderate expansion in southern California. Engineering contracts awarded, however, declined abruptly in value, although the usual tendency is to increase.

Lumber production decreased less than seasonally during December and there was but a moderate decline in new orders, indicating at least a temporary improvement in that industry. According to figures of the West Coast Lumbermen's Association and Western Pine Manufacturers' Association, stocks declined during late December and early January by an amount approximately equal to the sharp increase in the first half of December.

During the last week of December and the first two weeks of January, output of crude oil in California fields was drastically curtailed, daily average production being reduced to approximately 535,000 barrels from an average of 600,000 barrels during immediately preceding weeks. A daily average production of 500,000 barrels was announced by oil companies as the objective of the present curtailment program. There was also a substantial decline in copper mining during December, and for the first time since October, 1929, stocks of refined copper declined slightly. Following the trend of the past several months, stocks of blister copper continued to decrease. Other industries throughout the District continued to operate on curtailed schedules.

Trade

Late in 1929, Twelfth District trade entered upon a period of rapidly declining activity which continued throughout 1930 except for a brief recovery during the spring of that year. Both the volume and value of trade transacted receded sharply, with decreases in value data accentuated by downward movements in commodity prices. For the first time since 1921 the annual department store sales index of this Bank failed to show an increase from the preceding year. The value of sales of reporting wholesale firms not only failed to increase but declined to the lowest level of the past nine years. Pacific Coast chain grocery systems reported some further expansion in the number of units operated, but sales per store averaged 13 per cent lower than in 1929. Severe declines

in registrations of practically all but the lowest priced automobiles were recorded. Registrations of commercial cars held up relatively better than did registrations of passenger cars. A 22 per cent decline in the movement of industrial freight by rail corresponded closely with the decrease in industrial output. The value of imports and exports during the first eleven months of the year was 29 per cent less than in 1929, a sharper decline in foreign trade than any recorded since 1921. Tonnage of intercoastal shipments through the Panama Canal was the smallest recorded for any year since 1925.

Slightly less than the usual seasonal expansion in retail sales was indicated by the 66 per cent increase in department store trade during December as compared with November. Although there was one more trading day during December, 1930, than in December, 1929, sales of department stores were 9 per cent less than in 1929. Reductions in inventories carried by department stores during 1930 were not so large as were declines in sales, with the result that the rate of stock turnover also declined. The volume of charge accounts, both regular and installment, averaged higher than in the previous year and the proportion of cash and C.O.D. sales to total sales declined. Collections on outstanding accounts were slower than in other recent years, although the ratio of collections on installment accounts was well maintained.

Declines in the value of wholesale sales during 1930 were partly the result of a lower level of commodity prices. After allowance for that factor, however, the volume of goods moved was well below that of 1929. Declines during the second half of the year were generally greater than in the first half and in October, November and December sales of reporting firms were smaller in value by 17, 23, and 18 per cent, respectively, than in the corresponding months of 1929.

Westbound shipments of commodities in the intercoastal trade through the Panama Canal declined 21 per cent as compared with 1929, although the tonnage of goods shipped compared well with the volume of trade during 1927 and 1926. Shipments of articles of iron and steel manufacture declined markedly, while several items of minor importance—sulphur, oils, paper, textiles, and automobiles and accessories—showed increases in volume during 1930 as compared with 1929. The year's shipments from the Pacific Coast were 8 per cent smaller in volume than in 1929, the decrease being due chiefly to greatly reduced movements of lumber and petroleum. Eastbound cargo, exclusive of lumber and petroleum, increased 6 per cent during the year, largely because of a greater movement of canned goods, fresh and

dried fruits, and paper and pulp. December shipments from the Pacific Coast increased more than seasonally, reflecting the largest movement of lumber through the Canal in any month since March, 1930, and the largest for any December since 1925.

Both the quantity and value of imports and exports of Pacific Coast customs districts declined substantially during the first eleven months of 1930 as compared with the similar period in 1929. The value of imports was \$169,000,000 (36 per cent) less than in 1929. Exports to foreign countries did not decline as much, either proportionately or actually, as did imports, although they were \$126,000,000 (24 per cent) less than in 1929.

Prices

The Bureau of Labor Statistics' index of wholesale commodity prices averaged 86.4 (1926 = 100) during 1930, the lowest annual average of that index for any year since 1916 and an average but 24 per cent above that of 1913. During the last quarter of 1930 prices of many commodities of prime importance to the Twelfth District reached the lowest points recorded since before the World War. Prices of such commodities as wheat, lambs, wool, butter, eggs, rubber, sugar, copper, lead, and zinc have been extremely low in comparison with prices in other recent years, while prices of silver and silk have been the lowest ever recorded.

Declines in prices continued to predominate during December and the first half of January.

Distribution and Trade—

	1930			1929		
	Year's Average	Dec.	Nov.	Oct.	Dec.	Year's Average
Foreign Trade*						
Total†	110§	..	90	101	136	141
Imports†	106§	..	94	101	129	128
Exports	110§	..	87	101	140	148
Intercoastal Trade*						
Total	88	88	88	85	107	98
Westbound	113	103	109	113	142	137
Eastbound	81	84	82	77	98	86
Carloadings‡						
Total	97	89	85	91	101	112
Merchandise and Miscellaneous	107	102	101	107	115	117
Retail Trade						
Automobile Sales‡						
Total	95	89	67	77	117	133
Passenger Cars	90	83	60	70	112	129
Commercial Vehicles	151	148	148	156	166	180
Department Store						
Sales‡	113	110	111	112	126	120
Stocks||	104	99	103	106	109r	106
Actual Figures						
Stock Turnover||	.26	.44	.25	.27	.43	.26
Collections#						
Regular	43.7	42.8	43.1	46.1	43.8	45.7
Installment	15.3	15.2	15.4	16.7	14.1	15.3

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

The Bureau of Labor Statistics' index declined by 2.5 per cent to 78.4 between November and December. This decline was approximately twice as great as the average monthly decrease of the past year and brought the price index to a point nearly 17 per cent below its level in December, 1929. The downtrend in retail prices, although less pronounced than in prices at wholesale, has become more marked in recent months. Retail food prices in the principal cities of the District were reduced approximately 4 per cent between November 15 and December 15 to the lowest level since 1917.

The course of wheat prices for the first three quarters of 1930, while quite irregular, was decidedly downward. Since their low point, which was reached in mid-November, however, there has been a moderate upturn in domestic quotations. This increase was at least partly a result of large-scale purchases by the Federal Farm Board and was not accompanied by proportionate advances in world prices. The unusual disparity between domestic and foreign prices during the past two months has been a serious obstacle to exports from Pacific Coast and other United States ports.

Most deciduous fruits sold at lower levels in 1930 than in 1929, reflecting both larger yields of fruits and generally lower agricultural products prices. Small crops brought high prices for citrus fruits during the 1929-1930 season and aggregate returns to growers were larger than in other recent years. During the past two months the 1930-1931 Navel orange crop, which is expected to be nearly 63 per cent larger than

Bank Debits*—

	December, 1930	December, 1929	Twelve Months	
	1930	1929	1930	1929
Arizona				
Phoenix	\$ 36,914	\$ 49,793	\$ 435,659	\$ 524,852
California				
Bakersfield	16,664	16,694	159,756	175,740
Berkeley	19,312	20,492	232,257	255,749
Fresno	30,208	48,256	395,183	423,922
Long Beach	52,022	60,222	580,361	752,436
Los Angeles	959,480	1,101,567	11,998,756	14,621,942
Oakland	222,000	237,658	2,316,683	2,846,394
Pasadena	35,306	38,619	406,474	489,840
Sacramento	46,285	53,366	581,311	625,220
San Bernardino	11,023	12,065	123,066	137,590
San Diego	57,399	65,716	656,908	775,630
San Francisco	1,212,779	1,302,146	15,955,143	16,987,478
San Jose	27,097	30,568	332,044	384,322
Santa Barbara	15,022	16,615	185,305	206,479
Stockton	20,791	28,322	284,931	344,692
Idaho				
Boise	16,701	17,618	175,390	190,860
Nevada				
Reno	10,437	13,077	133,303	156,243
Oregon				
Eugene	6,723	8,916	82,155	96,757
Portland	160,267	187,913	2,100,003	2,370,909
Utah				
Ogden	20,797	22,976	224,134	245,209
Salt Lake City	85,430	98,960	884,885	1,012,128
Washington				
Bellingham	7,749	9,777	108,320	126,486
Everett	10,760	12,992	146,656	168,189
Seattle	232,003	249,853	2,814,322	3,297,121
Spokane	48,867	58,521	611,551	737,135
Tacoma	39,565	48,097	526,432	608,250
Yakima	15,942	17,139	178,472	187,133
Total	\$3,417,543	\$3,827,938	\$41,729,460	\$48,748,706

*In thousands of dollars.

the 1929-1930 crop, has come into the market and prices for oranges have declined considerably.

Cattle prices fell sharply during the early months of 1930, but advanced steadily from June to December, recovering nearly half of the preceding decline. Except for a moderate seasonal rise during part of the spring, quotations for lambs have moved downward throughout 1930.

Prices for silver declined 35 per cent in 1930 and during most of the year were lower than ever before quoted. A renewed decrease in December and early January brought the price for that metal to 28½ cents per fine ounce on January 9 and again on January 16, 1931. Quotations for copper, lead, and zinc declined irregularly throughout 1930 and, after a period of relative stability in the third quarter, the downtrend was resumed in December and January. Copper prices on January 20 were ten cents per pound delivered Connecticut Valley as compared with a quotation of 18 cents a year ago.

Despite sharply curtailed production, lumber prices moved downward during nearly every month of 1930 and at the year-end averaged approximately 24 per cent lower than a year earlier.

Credit Situation

The easy money conditions which prevailed in the Twelfth District throughout 1930 may be explained largely by the slackening of demand for commercial credit which usually accompanies business depression. The abrupt change from credit stringency during most of 1929 to credit ease at the close of that year was, however, an immediate aftermath of the collapse in securities prices in October-November, 1929. Temporarily that debacle gave rise to bank credit expansion in eastern markets with

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

	Condition			
	Jan. 21, 1931	Jan. 14, 1931	Dec. 24, 1930	Jan. 22, 1930
Total Bills and Securities.....	72	74	124	71
Bills Discounted	19	17	54	21
Bills Bought	14	18	30	38
United States Securities.....	39	39	40	12
Total Reserves	300	311	273	309
Total Deposits	189	196	194	190
Federal Reserve Notes in Circulation	165	174	189	170
Ratio of Total Reserves to Deposit and Note Liabilities Combined	84.8	84.2	71.5	86.0

an accompanying drain of funds from this District to New York, but the more lasting outcome was a release, during the late weeks of 1929, of funds which had been placed in New York by Twelfth District banks during 1928 and 1929. Partly in sympathy with tendencies in national money markets and partly because of an increased supply of and a decreased de-

mand for funds, interest rates were sharply reduced on all types of short-term money during the first half of 1930 and continued to decline more moderately during the following three months.

Interest rate declines in San Francisco and in other secondary money markets were smaller in magnitude than in New York. As a result, the differential for funds seeking employment had begun to favor San Francisco by early 1930, and during the first ten months of the year there was a substantial net inflow of bankers' balances to that city. A large part of these funds came from New York and other eastern money markets and were available only on a day to day basis. Additional credit resources, provided by an excess of United States Treasury expenditures over collections, due in part to financial assistance given to certain agricultural groups by the Federal Farm Board, tended to increase deposits and to reduce possible loans of country banks and resulted in an unusually large accumulation of country bank balances in the larger financial centers of the District, chiefly in San Francisco. These factors and a reduction of 30 million dollars in the average amount of currency in circulation during the year contributed materially to the ability of city banks to satisfy demands made upon them for commercial credit, to expand slightly their loans on securities and to build up their investment portfolios while their borrowings from the Reserve Bank were almost negligible in amount.

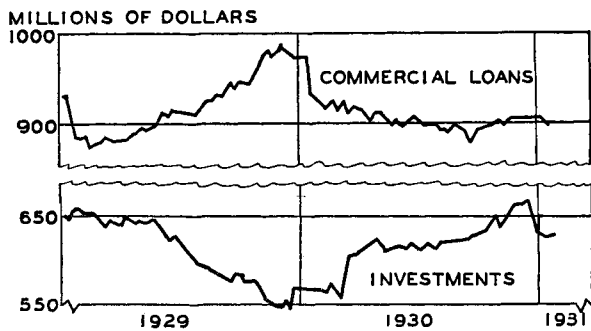
REPORTING MEMBER BANKS—Twelfth District
(In millions of dollars)

	Condition			
	Jan. 21, 1931	Jan. 14, 1931	Dec. 24, 1930	Jan. 22, 1930
Loans and Investments—Total..	1,930	1,942	1,986	1,950
Loans—Total	1,299	1,312	1,326	1,380
On Securities	404	411	420	447
All Other	895	901	906	933
Investments—Total	631	630	660	570
United States Securities.....	319	318	336	320
Other Securities	312	312	324	250
Reserve with Reserve Bank.....	106	111	108	112
Net Demand Deposits.....	738	752	729	760
Time Deposits	1,013	1,020	1,027	1,021
Due from Banks	224	224	195	164
Due to Banks	275	283	240	196
Borrowings at Reserve Bank....	14	12	49	10

Because of the circumstances enumerated above, the volume of credit extended by the Federal Reserve Bank of San Francisco was at lower levels during 1930 than at any time in post-war years. The entire decline was accounted for by reduced discounts, since there was an increase in Reserve Bank holdings of government securities and but little change in holdings of acceptances. Acceptance buying rates of this Bank were reduced by a greater amount than was its discount rate early in the year. The reductions established a condition which favored the obtaining of reserve system credit through the acceptance market rather than by means of direct borrowing (discounts),

a situation which was maintained during the rest of the year. In consequence chiefly of this differential in favor of acceptances and the substantial member bank holdings of bankers' balances on a day to day basis, the volume of acceptances held by this Bank was greater during most of 1930 than was the volume of its discounted bills.

Declines of country bank balances in the larger Pacific Coast cities at the end of the third quarter and small increases in commercial loans during the fourth quarter reduced the supply of surplus funds in the District. During September, October, and November, therefore, it was the excess reserves of eastern banks ("Federal" funds available on a day to day basis) that enabled city member banks to maintain their reserve positions without borrowing from the Reserve Bank. During December, however, the expansion of currency circulation and the failure of some eastern banks prompted banks in New York, Philadelphia, and other eastern banking centers to keep their excess reserves at home. Circulation expanded in the Twelfth District also during December, the increase being induced chiefly by seasonal requirements and secondarily by the bank failures.



COMMERCIAL LOANS and INVESTMENTS
REPORTING MEMBER BANKS—Twelfth District
Because of the inverse movements in these two series, their combined effect in changing the volume of total loans and investments was negligible during 1929 and 1930.

As a result of these conditions, borrowings from the Reserve Bank rose sharply in the last three weeks of December to the highest levels of the year.

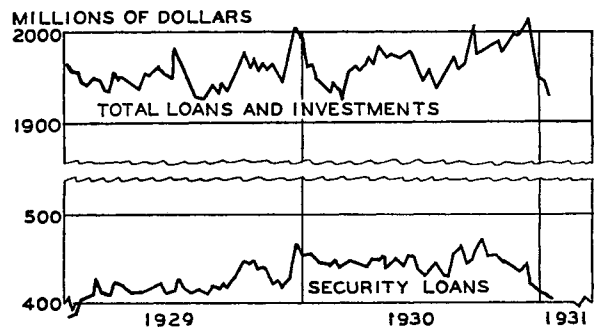
Total credit extended by reporting member banks tended upward during 1930 and averaged slightly higher than in 1929. Security loans remained at the high level to which they had risen late in 1929 when large amounts of these loans were transferred from brokers directly to customers. An increase of investments in non-government bonds slightly more than offset declines in the average volume of commercial loans and investments in government bonds.

As in preceding years, city banks were out of debt at the Reserve Bank over the year-end while condition statements were being issued. This reduction of borrowings was made possible in part by the sale of 23 million dollars of

reporting member bank holdings of government securities. City banks resumed borrowing immediately after the first of the year, but a return of currency from circulation during the first half of January enabled them to curtail discounts to substantially lower levels than during the preceding fortnight.

During the five weeks ended January 21, loans of reporting member banks remained practically unchanged, a slight increase in commercial loans approximately equalling a decline in security loans. Banks have continued to create a substantial volume of acceptances as well as to hold large quantities as investments.

Following the reduction of the discount rate of the Federal Reserve Bank of New York to 2 per cent (December 24, 1930) and coincident with the further easing of money rates in important centers of the United States, the Federal Reserve Bank of San Francisco lowered its discount rate to 3 per cent effective January 9, the lowest general rate ever applied by that Bank. On the same date the buying rate on bankers' acceptances with maturity not to exceed 120 days was reduced to a record low of $1\frac{3}{4}$ per cent, superseding the $1\frac{7}{8}$ per cent rate in effect since July 22 of last year. This



TOTAL LOANS AND INVESTMENTS and SECURITY LOANS
REPORTING MEMBER BANKS—Twelfth District

The growth in credit extended during the past two years has been due largely to increases in security loans.

downward revision of the discount rate re-established the one per cent differential between the New York and San Francisco Reserve Bank discount rates which existed during most of 1930. Interest rates charged customers of commercial banks in San Francisco changed little during the month ending January 15.

Share turnover on the principal stock exchanges of the District during December was nearly double that of November and was accompanied by declines in average prices. The market value of transfers of stock was considerably smaller in 1930 than in 1929, prices having declined substantially, while the total number of shares traded changed little. Brokers' charges to customers borrowing money to purchase New York listed securities were advanced slightly during December, but the rates on locally listed stocks were unchanged.