

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

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

Vol. XV

San Francisco, California, May 20, 1931

No. 5

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Output of manufactures and employment at factories showed little change from March to April, and output of mines, which ordinarily decreases at this season, also remained unchanged. Wholesale prices continued to decline, and money rates eased further.

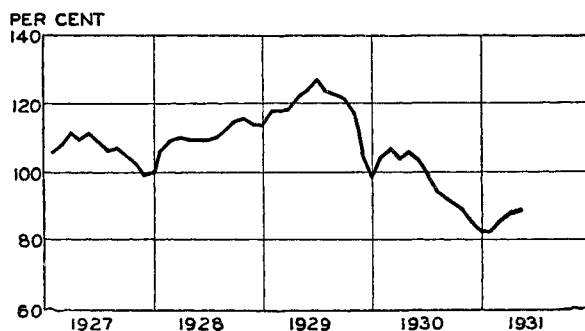
Production and Employment. Industrial production as measured by the Board's seasonally adjusted index which covers both manufactures and mines, increased from 88 per cent of the 1923-1925 average in March to 89 in April, compared with 82, the low point reached last December. Steel mill activity declined by considerably more than the usual seasonal amount, while in the automobile industry there was a larger than seasonal increase in output, according to preliminary reports. Consumption of cotton by domestic mills continued to increase, contrary to the usual seasonal movement, while there was a decrease in unfilled orders for cotton cloth, which was only partly seasonal in nature. Consumption of wool, which ordinarily declines in April, increased considerably; and activity at silk mills declined. There were large increases in the output of petroleum and anthracite coal while production of bituminous coal declined by about the usual seasonal amount. The number of employed in factories at the middle of April was about the same as a month earlier. In

carbuilding shops and in establishments producing machinery employment decreased considerably, while in the automobile and cement industries there were seasonal increases, and in the fertilizer industry a larger than seasonal increase.

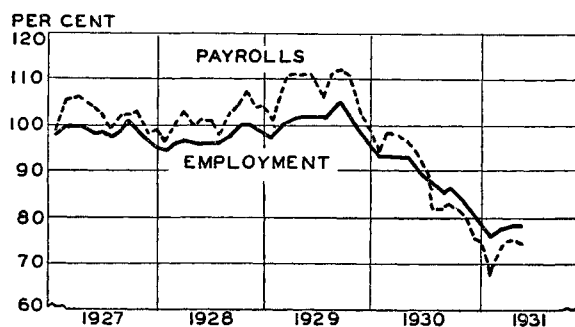
Employment at textile mills declined by less than the seasonal amount, reflecting chiefly a slight increase in employment at cotton mills, and a small decrease in the clothing industry; at mills producing woolen and silk goods declines in employment were larger than usual. Factory payrolls declined somewhat in April.

Value of building contracts awarded, which fluctuates widely from month to month, declined considerably in April, according to the F. W. Dodge Corporation. Decreases were reported in all the leading classes of construction. In the first four months of the year total awards decreased 26 per cent from the corresponding period of 1930, reflecting declines of 10 per cent for residential building, 17 per cent for public works and utilities, 25 per cent for educational building, 43 per cent for factories, and 57 per cent for commercial buildings.

Distribution. Freight carloadings showed about the usual seasonal increase in April. Department store sales increased 9 per cent from March, and the Board's index which makes allowance for the usual seasonal varia-



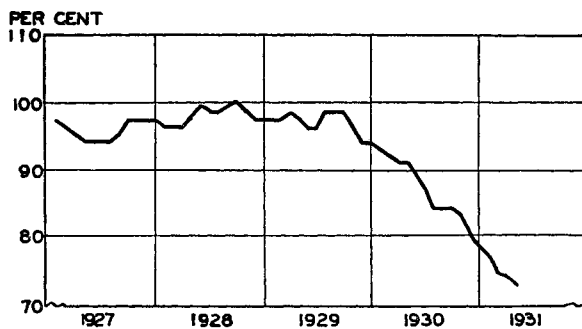
INDUSTRIAL PRODUCTION
Index numbers of industrial production adjusted for seasonal variations (1923-1925 average=100).



FACTORY EMPLOYMENT AND PAYROLLS
Indexes of factory employment and payrolls without adjustment for seasonal variations (1923-1925 average=100).

tions including changes in the date of Easter, stood at 105 per cent of the 1923-1925 average, compared with 97 per cent in March.

Wholesale Prices. The general level of wholesale prices declined 1.6 per cent further in April, according to the Bureau of Labor Statistics. In the first half of May, prices of many leading commodities were reduced further and for the six-week period as a whole there were large declines in the prices of cot-



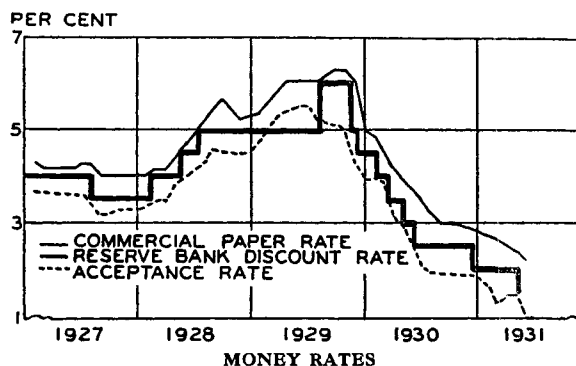
WHOLESALE PRICES

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

ton, silk, and textiles; livestock and dairy products; and cement, petroleum products, and non-ferrous metals.

Bank Credit. Loans and investments of reporting member banks in leading cities declined by about 150 million dollars between April 1 and the middle of May, reflecting substantial liquidation in loans on securities and in all other (largely commercial) loans. This liquidation of loans was offset in part by further large additions to the banks' investments, which on May 13 were over one billion dollars larger than at the beginning of the year.

Volume of reserve bank credit declined somewhat in the six weeks ending on May 16. Contrary to the usual seasonal tendency, there was some further increase in currency demand for the period, reflecting chiefly banking disturbances in the middle west. Gold imports continued in considerable volume and supplied the member banks with sufficient funds to meet the additional demand for currency, and also to reduce somewhat the amount of reserve



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 May.

bank credit outstanding. Money rates declined to new low levels during May. Rates on bankers' acceptances, which had declined from $1\frac{1}{2}$ per cent in the middle of April to $1\frac{1}{4}$ per cent by the end of the month, were reduced to $\frac{7}{8}$ per cent by the nineteenth of May. Rates on commercial paper declined from a range of $2\frac{1}{4}$ - $2\frac{1}{2}$ per cent to a range of 2 - $2\frac{1}{4}$ per cent. At the reserve banks, buying rates on bankers' acceptances were reduced in April and the first half of May, and in May discount rates were also reduced, the rate at the Federal Reserve Bank of New York being lowered to $1\frac{1}{2}$ per cent.

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

After due allowance for seasonal expansion, the business situation in the Twelfth District has remained unchanged during the past three months. Industrial activity, which had been stable during February and March, appears to have shown about the seasonal increase during April. Divergent movements were shown by the various available measurements of trade. Commodity prices continued to decline and the agricultural outlook was attended by factors similar to those prevailing in recent months.

There was little to alter the agricultural situation during April and the outlook is for good crops. April rains afforded relief to dry land farming in some areas and helped to replenish the smaller than usual irrigation water supplies. Rainfall, although well below normal in most parts of the District this year,

has been equal to or slightly greater than last year. The principal exception is in northern and central California, where precipitation has been unusually light this season. In certain areas, the growth of forage on ranges has been somewhat retarded this spring by lack of rainfall. This situation has induced an early market movement of livestock from California, the condition of which is less favorable than usual. The condition of most crops, according to May 1 estimates, is as satisfactory as in other recent years.

Industrial operations increased from March to April by about the usual amount. Total lumber production increased more than seasonally, although developments in this industry were not uniform throughout the District. Daily average output of crude oil was negligibly less than in April, but reports for the first half of

May indicate an upturn. There was a substantial increase in the output of refined oil products during April. Mining of non-ferrous metals other than gold continued at an unusually slow rate. Building and construction activity declined from the relatively high levels of March.

Trade activity did not change greatly from the March levels. Department store sales declined slightly during April, but this was due almost entirely to the fact that nearly all of this year's Easter trading came in March. Registrations of new automobiles and wholesale trade increased somewhat, but the volume of railway and intercoastal traffic contracted slightly during April.

Neither total deposits nor total loans and investments of reporting member banks have changed appreciably during the past five weeks. Borrowings from the Federal Reserve Bank of San Francisco by city member banks increased temporarily during late April and the first half of May but have since declined to less than a million dollars. Recent reductions of acceptance buying rates by the Federal Reserve Bank of San Francisco have been followed by an increased sale of acceptances by member banks as a means of obtaining funds from the Reserve Bank. There have been marked declines during recent months in member banks' holdings of acceptances as well as in the creation of this type of paper. An expansion in member bank holdings of government securities has accompanied recent financing by the United States Treasury, while investments in other securities were about the same on May 20 as on April 15. There has been no change in interest rates charged customers by commercial banks during late April and early May. Rates paid to depositors have been reduced, both by banks and by building and loan associations.

Agriculture

Weather conditions during April helped to maintain the growth of crops and of forage on livestock ranges in the Twelfth District, although frosts and windstorms caused some damage in scattered areas of the Pacific Northwest. Partial relief from the drought which existed in California during most of April was obtained from rain which fell late in that month, the relief being greater in the southern than in the northern and central part of the state. Seasonal rainfall, both in California and in the other states of the District, remains less than normal, however, and some shortage of irrigation water prevails.

The condition of winter wheat in Idaho, Oregon, and Washington is better than in April last year and is about the same as in the corresponding month of the years immediately

preceding 1930. On the basis of the May 1 crop estimates winter wheat production in the Twelfth District will approximate 78,934,000 bushels, a 12 per cent increase from the harvest of 1930. This increase is attributable solely to an estimated 20,000,000 bushel increase in Washington. Estimates of the volume and acreage of the spring wheat crop, reported to be in good condition, will not be available until July 1. Wheat exports from Puget Sound and Columbia River ports have been 35 per cent smaller during the current marketing season to May 1 than they were during the same period of the 1929-1930 marketing season.

Estimates of the 1931 production of barley in California are not available, but on May 1 it was expected that 613,200 acres, or about 60 per cent of plantings, would be harvested as compared with 1,012,000 acres harvested in 1930. Exports of this crop from San Francisco up to the end of April lagged 12 per cent behind the movement during the corresponding season one year ago, most of the decline occurring in late 1930. Data on the volume of production and the acreage planted to field crops are incomplete, since several of these crops are still being sown.

Observations made prior to May 1 (based on weather conditions and the quantities of fruit blossoms up to that date) indicated that yields of the 1931 deciduous fruit crops in the Pacific Northwest would approximate those of 1930. California fruit crops are generally in good condition, but further shortage of irrigation water would be likely to reduce actual harvests during the current season.

The 1931 crop of Valencia oranges in California is estimated to be 17,760,000 boxes as compared with harvests of 10,500,000 boxes in 1930 and 17,600,000 boxes in 1929. Approximately 6,100 carloads of oranges were shipped to eastern markets during April. During March, 1931, and April, 1930, shipments totaled 7,400 carloads and 5,820 carloads, respectively. Orange prices remain at levels approximately 50 per cent below those of last year.

The seasonal movement of poultry and dairy products into storage continued during April. Storage holdings of both eggs and butter on May 1, 1931, approximated the heavy holdings of one year ago and were nearly twice as great as on May 1, 1929.

Feed conditions on ranges in all of the states of the District, except Arizona, declined during April and these changes were reflected in the poorer condition of livestock. The condition of California ranges was less satisfactory on May 1 than at any time since January, 1930.

The movement of grass-fat cattle to the District's markets is now well under way. Receipts at these markets were greater during April

than in March but somewhat smaller than a year ago.

Wool shearing has been completed in the southern parts of the District and is at its spring peak in the other wool growing sections. Market prices for wool have changed but little during the past month. Estimates of the 1931 lamb crop in the seven western states are not yet complete because lambing continues in many northern districts. It is generally believed that the 1931 lamb crop will be as large as or larger than that of the preceding season, since the number of breeding ewes on farms was greater this year than in 1930 and losses of new-born lambs have been less than usual. Eastern shipments of live and dressed lambs from California totaled 375,900 head between March 15 and May 8 as compared with 244,400 head shipped during a similar period in 1930. This increase is largely if not entirely the result of the relatively early marketing season this year.

Industry

Since January there has been an increase of approximately seasonal proportions in Twelfth District industrial activity. During April, lumber production expanded more than seasonally and output of refined petroleum products increased although daily average crude oil production was slightly lower than in March. There was a further decrease in mining of non-ferrous metals and, contrary to seasonal tendencies, building and construction declined. Electric power production increased sharply in March, the latest month for which figures are available, reversing the declining tendency evident since last July. The number of industrial employees increased slightly during April, but reductions in wage rates appear to have become more widespread.

Although daily average crude oil output changed little from that of immediately preceding months, refineries were more active during April than in March. There was practically no change in stocks of petroleum held by producers. Inventories of gasoline have also tended to decline during recent weeks, influenced somewhat by the existing unusually low prices for gasoline as well as by a seasonal expansion of consumption. Daily average crude oil production increased during early May but continued far below output during the corresponding period in 1930.

Output of lumber increased by more than the usual amount between March and April. The ratios of shipments and orders to output, which are usually considered good measures of the relation between consumption and production, were lower in April than in March, but were considerably higher than during either of these

months last year. Inventories of lumber did not change greatly during April, whereas substantial declines in lumber stocks had been reported in most preceding months since the middle of 1930.

Notwithstanding the continued curtailment in mine production of copper, there was a substantial increase in refined stocks of that metal during April, and at the close of the month these stocks were approximately at the record levels of four months ago. This increase in refined inventories took place while stocks of blister copper continued to decline. During April, the price of copper declined to 9 cents per pound, Connecticut Valley, and there were similar reductions in quotations for other non-ferrous minerals, except silver. Output of silver, which is influenced largely by the output of other non-ferrous metals in the production of which silver is a by-product, was much smaller in April than in March. The price of silver remained practically unchanged during April and early May but declined moderately around the middle of the later month and was quoted at 27½ cents per ounce on May 20.

Following a substantial increase in building and construction during March, activity in this field fell off considerably during April, although in past years it has usually increased during that month. The total value of engineering contracts awarded (exclusive of buildings and omitting the Hoover Dam contract in March) declined slightly, even though there were increases in the value of contracts let for bridges, sewers, and streets and roads. The value of building permits in 20 large cities of the District also showed a non-seasonal decline and was 40 per cent less than in April, 1930. In 70 smaller cities of the District the value of

Industry—

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

	Apr.	Mar.	Feb.	Apr.
General:				
Carloadings—Industrial	63	64	66	107
Electric Power Production .....	..	157	151	161
Manufactures:				
Lumber	65	60	59	114
Refined Mineral Oils†	150	138	140	187
Flour	94	94	101	96
Slaughter of Livestock .....	..	84	86	77
Cement	83	81	96	88
Wool Consumption† .....	..	74	77	55
Minerals:				
Petroleum (California)†	79	80	81	95
Copper (United States)‡	70	70	76	90
Lead (United States)‡	71	79	82	111
Silver (United States)‡	54	63	62	90
Building and Construction:§				
Total	72	85	56	59
Value of Building Permits				
Twenty Larger Cities	33	36	44	50
Seventy Smaller Cities	43	45	45	61
Value of Engineering Contracts				
Awarded				
Total	145	158	83	92
Excluding Buildings	258	308	107	98

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

building permits issued declined by somewhat more than seasonal amount.

While less flour was produced in April than in March, both domestic and foreign demand increased slightly, resulting in further decreases in stocks of that commodity. At the end of the month producers also held smaller supplies of milling wheat than at the end of March.

Trade

Movement of commodities by rail and by water declined during April, while department store sales, after adjustment for seasonal tendencies and allowance for Easter, remained at March levels. Registrations of new automobiles and wholesale trade improved somewhat. All available measures of trade continued to be well below the levels of last year.

RETAIL TRADE—Twelfth District

	NET SALES*		STOCKS*
	Apr., 1931 compared with Apr., 1930	Jan. 1 to Apr. 30, 1931 compared with Jan. 1 to Apr. 30, 1930	
Department Stores†	— 9.6 (66)	— 8.8 (66)	—14.4 (51)
Apparel Stores	—13.1 (27)	—10.2 (26)	—17.9 (17)
Furniture Stores	—15.2 (39)	—11.9 (39)	—11.7 (29)
All Stores	—10.5 (132)	— 9.3 (131)	—14.3 (97)

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

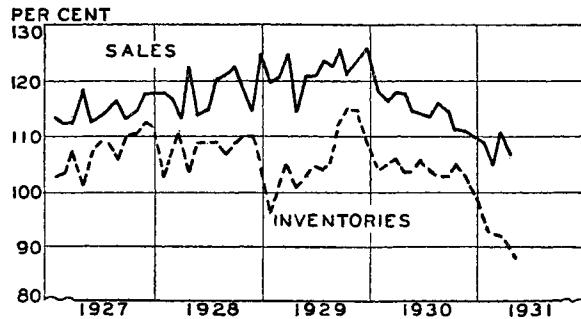
The small decline in department store sales from March to April was largely if not entirely due to the fact that most of the Easter trading was done in March this year. A comparison of March and April sales, combined, with sales during March and April, 1930, shows the smallest year-to-year decline between strictly comparable trading periods since last October.

Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees	No. of Firms	No. of Employees
All Industries*	1,035	145,760	137	19,338
Stone, Clay and Glass Products	51	5,667	3	186
Lumber and Wood Manufactures	125	16,480	49	11,035
Textiles	17	2,184	9	1,247
Clothing, Millinery and Laundering	128	11,575	8†	372
Food, Beverages, and Tobacco	235	31,600	38	1,410
Public Utilities	37	54,299	..	..
Other Industries†	438	70,943	..	..
Miscellaneous	41	7,311	30	5,088
Wholesale and Retail	140	35,497	..	..

*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; oils and paints; printing and paper goods. Figures in parentheses indicate percentage change from April, 1930.

Inventories of department stores, which have been declining since June, 1930, were smaller in value at the end of April than at any time since the first quarter of 1923. This decrease has been due partly to price declines and partly to a reduction in the volume of goods. The accompanying chart affords some evidence that department store inventories in relation to sales have tended to decline since the end of 1924, showing that the rate of stock turnover has increased. The proportion of charge accounts collected during April, 1931, was somewhat lower than in April, 1930.



DEPARTMENT STORE SALES AND INVENTORIES
Index numbers of daily average sales and inventories at the end of month of department stores in the Twelfth District, adjusted for seasonal variations (1923-1925 average=100).

Sales of wholesalers were 6 per cent greater in value during April than in March, whereas there has usually been a small decline in sales between those months. Increased sales were shown in all lines for which data are received, excepting electrical supplies and paper and stationery. The largest increases were in sales of automobile supplies, groceries, and agricultural implements. As compared with April,

Distribution and Trade—

	1931		1930	
	Apr.	Mar.	Feb.	Apr.
Carloadings‡	—Index Numbers*—			
Total	77	80	82	109
Merchandise and Miscellaneous	91	95	91	114
Foreign Trade*	..			
Total†	..	86¶	99¶	118
Imports†	..	86¶	90¶	109
Exports	..	88	94	123
Intercoastal Trade*	..			
Total	71	76	83	84
Westbound	86	86	92	115
Eastbound	67	73	81	75
Retail Trade	..			
Automobile Sales‡	..			
Total	76	720	71	108
Passenger Cars	71	670	67	103
Commercial Vehicles	127	123	115	167
Department Store	..			
Sales‡	107	111	105	118
Stocks§	88	92	92	104
Stock Turnover||	—Actual Figures—			
Collections#	.26	.27	.22	.24
Regular	43.7	43.5	40.9	43.4
Installment	16.0	15.9	14.8	15.5

*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. ||Proportion of average stocks sold during month. # Per cent of collections during month to amount outstanding at first of month. ¶Preliminary. ¶Revised.

1930, sales decreased 18 per cent, an amount about the same as the decrease during the first quarter of the year.

According to R. G. Dun and Company, both the number and liabilities of failed retail and wholesale firms in the Twelfth District were larger during the first four months of 1931 than in any previous comparable period. While this condition undoubtedly reflects the severity of the present business depression, it should be borne in mind that the statement makes no allowance for the normal growth in number and liabilities of failures which might be expected to accompany the long time growth in numbers of business concerns and in the total volume of their assets. Since the first of this year, liabilities of trading concerns in Utah, Nevada, Washington, and Oregon have increased by a greater percentage than have the numbers of failures, reflecting the insolvency of several large concerns. A different situation has prevailed in California. Liabilities in that state were 16 per cent smaller during the first quarter of the year than in the first quarter of 1930, while the number of failures of trading concerns was the largest on record, showing that a larger number of small establishments failed in 1931 than in 1930. Trading concerns have accounted for approximately 66 per cent of the total number of failures in this region during the past ten years, but their average liability per failure has been smaller than that of manufacturing establishments.

This Bank's adjusted index of new automobile registrations increased slightly more than is customary between March and April, the indexes of both passenger car and truck sales rising by more than the seasonal amount. The index for March has been revised and shows that only the usual February-March change in registrations took place this year, rather than the sharply greater than seasonal rise reported last month.

There was further recession in railway freight carloadings during April. As in other recent months, the movement of forest products on railroads throughout the Pacific Northwest and California failed to increase as much as seasonally and loadings of merchandise and miscellaneous commodities did not attain the seasonal volume. Shipments of grain were larger than in April of 1930 or 1929, and during the first four months of this year were greater than during the same period in 1930.

Because of the declining tendency in inter-coastal trade since last December, this Bank's index, which is computed from data for the three months ending with the current month, was somewhat lower in April than in March. The actual movement during April, however, was fairly well maintained. Atlantic to Pacific shipments remained practically unchanged al-

though there has usually been a sharp drop during that month. Eastbound shipments declined less than seasonally from the March level and, excluding lumber and petroleum cargoes, were slightly greater than in April, 1930.

Prices

Commodity prices have continued to move downward sharply during the past six weeks. The wholesale price index of the Bureau of Labor Statistics declined from 74.5 (1926 = 100) in March to 73.3 in April at which level it is approximately 19 per cent below the April, 1930, figure and is but 5 per cent above the 1913 annual average. Since July, 1929, when the practically continuous down-trend of the current price recession began, the decline of wholesale commodity prices has amounted to 25 per cent. Between March 15 and April 15 retail food prices at the principal Pacific Coast cities were further reduced.

Despite continued reports indicating that the 1931 winter wheat crop is in good condition and likely to be greater in size than the average of recent years, wheat prices at District markets have been fairly steady during the past month. Since late 1930, quotations on wheat for delivery prior to July have been considerably higher in domestic markets than for comparable grades in world markets, thus retarding the normal movement of wheat from Pacific Coast ports. Slight advances in world prices during recent weeks, however, have

Bank Debits*—

	April, 1931	April, 1930	— First Four Months —	
			1931	1930
Arizona				
Phoenix	\$ 33,071	\$ 39,986	\$ 131,047	\$ 164,417
California				
Bakersfield	12,565	13,025	48,373	55,222
Berkeley	15,750	19,565	64,413	81,146
Fresno	21,541	37,427	91,675	169,429
Long Beach	43,480	49,583	180,620	198,880
Los Angeles	868,364	1,079,862	3,482,404	4,245,618
Oakland	189,822	190,414	764,027	784,036
Pasadena	33,614	37,480	134,302	150,272
Sacramento	48,057	48,571	184,554	191,544
San Bernardino	9,119	11,580	36,212	44,181
San Diego	52,573	61,166	207,137	237,724
San Francisco	1,009,214	1,300,659	4,174,006	5,267,848
San Jose	24,020	26,574	97,429	111,297
Santa Barbara	14,602	15,834	55,346	62,156
Stockton	18,210	25,802	71,035	101,128
Idaho				
Boise	11,856	12,957	49,666	54,389
Nevada				
Reno	10,130	11,358	37,658	44,171
Oregon				
Eugene	5,506	7,236	21,793	26,565
Portland	144,277	177,970	561,564	684,288
Utah				
Ogden	13,813	16,895	57,033	68,135
Salt Lake City	63,780	76,263	251,645	305,667
Washington				
Bellingham	7,462	10,283	28,093	37,216
Everett	10,240	14,183	37,972	53,804
Seattle	202,853	253,589	792,113	983,778
Spokane	40,513	51,171	171,060	211,601
Tacoma	34,191	46,336	138,691	181,312
Yakima	12,438	15,229	50,723	56,248
Total	\$2,951,061	\$3,650,998	\$11,920,591	\$14,572,072

*In thousands of dollars.

tended to reduce this unusually large disparity, but exports have continued small in volume. The prospects of a reduction in the barley crop because of dry weather in California have been reflected in a sharp increase of California barley prices during the past six weeks.

Declines in livestock prices at District markets have been recorded during recent weeks. The decline in lamb prices has been seasonal in nature, reflecting the increased volume of spring shipments, and has not been comparable to the precipitous drop which took place in lamb quotations at this time last year. Following an almost continuous decline for more than two years, quotations for Pacific Coast wool at eastern markets advanced slightly early in April, since when they have been stable. Silk and rubber have recently been quoted at the lowest prices yet recorded, and cotton, sugar, coffee, butter, and lemons have also tended to decline in price during the past few weeks. Reductions in shipments of oranges during April and early May have been accompanied by slight increases in quotations. Opening prices for the Columbia River salmon pack are reported to be the lowest since 1919.

Late in April copper was offered by some producers at 9 cents per pound, delivered Connecticut Valley, although most of the larger refiners held supplies at $9\frac{1}{4}$ - $9\frac{1}{2}$ cents per pound. Within recent weeks, however, 9 cents has become the prevailing price and on May 20 the metal sold as low as $8\frac{3}{4}$ cents per pound, lower than any price previously recorded. Zinc, lead, and scrap steel prices have recently declined sharply to the lowest quotations in many years.

Since the drastic reductions during March, crude oil prices have changed little and gasoline prices have declined but slightly from the unusually low levels reached in that month.

There have been small decreases in average lumber and cement prices at Pacific Coast markets during recent weeks.

Credit Situation

There have been more rapid reductions in interest rates in national money markets outside the Twelfth District than in local money markets during the past few months. Notwithstanding these reductions, the volume of excess reserves of eastern banks obtained by Twelfth District banks on a day-to-day basis was sharply reduced during the last week of April and the first two weeks of May and was considerably smaller than it had been during most of the preceding eight months. The decrease in volume of such funds was offset by a temporary increase in borrowings at the Federal Reserve Bank of San Francisco and by the sale of a relatively large amount of acceptances

to that Bank. The amount of bankers' balances from Twelfth District banks held in San Francisco changed little during the period under review, however, and these balances continued to furnish the bulk of the outside funds used in that market.

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

	Condition			
	May 20, 1931	May 13, 1931	Apr. 22, 1931	May 21, 1930
Total Bills and Securities.....	68	71	65	71
Bills Discounted	6	6	6	9
Bills Bought	13	16	20	25
United States Securities ...	49	49	39	37
Total Reserves	308	302	292	285
Total Deposits	191	189	180	183
Federal Reserve Notes in Circulation	167	165	160	153
Ratio of Total Reserves to Deposit and Note Liabilities Combined	85.9	85.2	86.1	84.9

The needs of reporting member banks for funds during the past five weeks were relatively stable. Loans declined slightly and investments increased by about the amount of that decline. Changes in currency circulation in the District between mid-April and May 20 were small in amount and had no apparent effects upon member bank deposits. The United States Treasurer's disbursements for current expenditures and public debt operations, which in this District were 25 million dollars in excess of collections, tended to expand bank deposits, however, while an adverse balance of trade with other parts of the United States tended to reduce deposits by drawing funds out of the District. The adverse balance of trade was practically equal in amount to Treasury transfers into this area plus small purchases of locally produced gold by the San Francisco Mint, so that no net change in bank deposits resulted from these operations.

During the past 17 months open market interest rates at New York and other eastern money markets have declined rapidly and their decline has been accompanied by decreases in the acceptance buying rates of this and other reserve banks. At the Federal Reserve Bank of San Francisco the decline of acceptance buying rates has caused a widening of the usual spread between those rates and the discount rate (3 per cent)* and there has been a tendency for many member banks to obtain reserve bank funds by the sale of acceptances rather than by discounting. The spread between these two rates was increased during the first three weeks of May by further reductions in acceptance buying rates.

* Discount rate reduced to $2\frac{1}{2}$ per cent effective May 22, 1931.

ACCEPTANCE BUYING RATES—1931

Maturities	Effective			
	Jan. 8, 1931	Feb. 19, 1931	May 7, 1931	May 19, 1931
1—120 days	$1\frac{3}{4}$	$1\frac{1}{2}$ - $1\frac{3}{4}$	$1\frac{1}{2}$ - $1\frac{3}{4}$	1
121—180 days	2	2	2	2
Purchases upon agreement of seller to repurchase..	$1\frac{3}{4}$	$1\frac{3}{4}$	$1\frac{3}{4}$	$1\frac{3}{4}$

The recent reductions in open market bill rates, together with the numerous offerings of government obligations, have brought yields on short-term United States Treasury securities above those on bankers' acceptances. Since November, 1930, the total acceptance liability of city banks in this District has been decreasing steadily, and is now lower than at any time since August, 1929. Their total acceptance

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

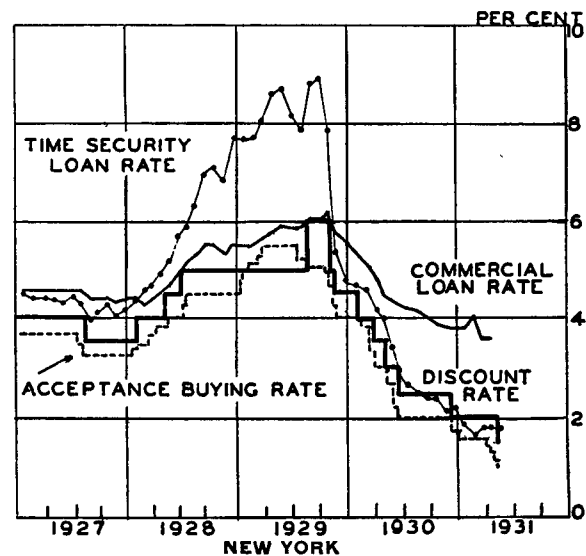
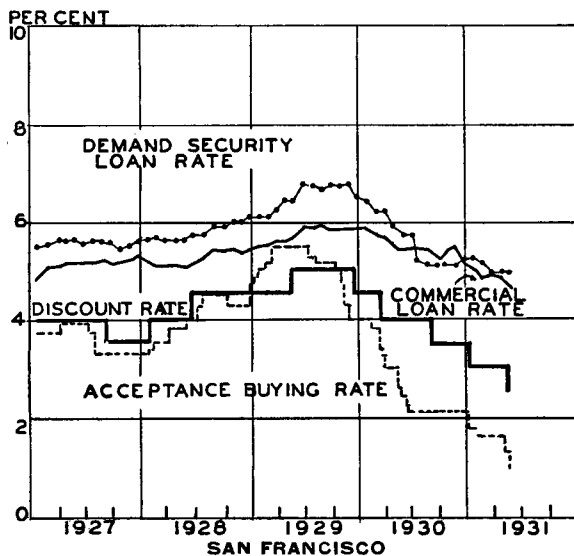
	Condition			
	May 20, 1931	May 13, 1931	Apr. 22, 1931	May 21, 1930
Loans and Investments—Total.	1,992	1,988	1,992	1,967
Loans—Total	1,237	1,235	1,238	1,352
On Securities	340	340	339	451
All Other	897	895	899	901
Investments—Total	755	753	754	615
United States Securities	391	391	383	343
Other Securities	364	362	371	272
Reserve with Reserve Bank	113	109	103	105
Net Demand Deposits	751	740	757	726
Time Deposits	1,084	1,076	1,046	1,032
Due from Banks	196	219	189	177
Due to Banks	257	264	259	232
Borrowings at Reserve Bank	0	0	0	0

portfolio declined from 43 million dollars at the end of February, 1931, to 25 million dollars at the close of March, from which it rose to 33 million dollars by April 30.

Credit needs of the Twelfth District are much less elastic than is the demand for credit in the larger money markets and custom and the absence of effective competition tend to retard the movement of rates charged customers in this District. Consequently the rapid changes of open market interest rates, which are influenced chiefly by conditions in the larger markets, have not been accompanied by such rapid changes in rates charged customers by banks in this District. In fact, the rates charged customers have not declined greatly since 1929 and have changed hardly at all dur-

ing the past month in most cities of the District. As might be expected, the most substantial reductions in these rates have been in San Francisco, where the demand for funds is more elastic than in other parts of the District. Even in that market, however, reductions in rates have averaged much less than in New York. On the other side of the picture—that of rates paid depositors—a different situation exists. The relatively slack demand for loans has tended to increase the necessity for banks to employ funds in the purchase of investments. But the banks have been confronted with heavy reductions in returns on their investment securities, practically all of which are purchased in competition with banks throughout the country; consequently their income on deposits and other banking funds has been reduced substantially during the past year, the reduction being particularly sharp during recent months. Bank deposits have therefore become less profitable during recent months and it has become necessary for banks to lower the interest rates paid on them. Rates paid on both commercial and savings accounts were reduced by many banks in the larger cities, effective in April and May. During May the general movement toward lower rates paid on deposits was joined by several of the larger building and loan associations in this District.

The turnover of shares on the principal stock exchanges of the District was slightly greater in April than in March but the value of turnover was substantially less, reflecting the drastic decline in prices of securities. There was more activity in locally listed bonds than for some months and new issues underwritten in San Francisco found a ready reception.



DISCOUNT RATES AND ACCEPTANCE BUYING RATES—Federal Reserve Banks
COMMERCIAL LOAN RATES—Prevailing rates charged customers
SECURITY LOAN RATES—San Francisco, rates charged customers on demand loans.
New York, open market rates on time loans, mixed collateral.