

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

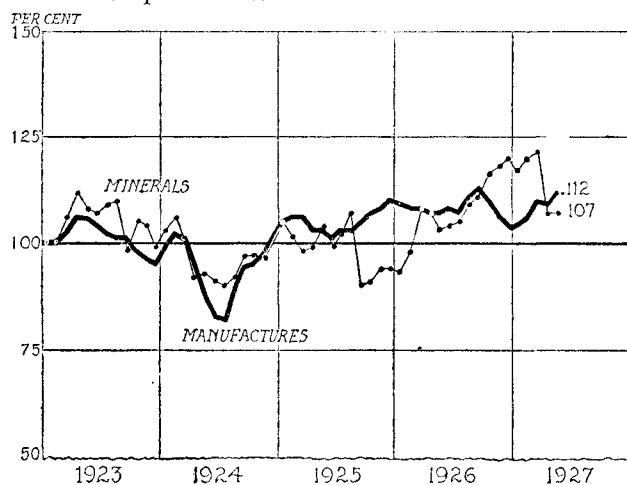
July 1, 1927

Business Conditions in the United States

INDUSTRIAL production increased in May and continued at a higher level than a year ago, while distribution of commodities was in smaller volume than last year. The general level of wholesale commodity prices has changed but little in the past two months.

PRODUCTION

Output of manufactures increased considerably in May, while production of minerals was maintained at the April level. Increased activity was shown in cotton and woolen mills, in meat packing, and in the production of lumber; the output of iron and steel, nonferrous metals, automobiles, and building materials, after allowance for usual seasonal variations, was maintained at practically the same level as in April. Since the latter part of May, however, production of steel and automobiles has declined. The total value of building contracts awarded continued slightly larger in May and in the first two weeks of June than in the corresponding period of last year. Production of winter wheat was estimated by the Department of Agriculture on the basis of June 1 condition at 537,000,000 bushels, or 90,000,000 bushels less than last year. The indicated rye production was placed at 48,600,000 bushels, which is 20 per cent larger than the crop in 1926.



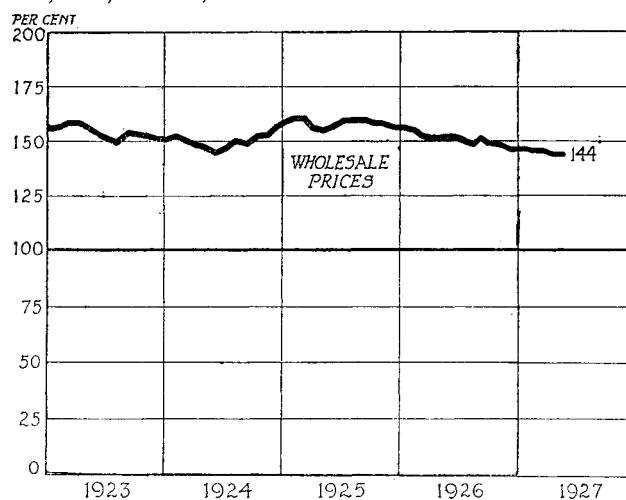
Index Numbers of Production of Manufactures and Minerals, Adjusted for Seasonal Variations. (1923-25 average = 100 per cent.)

TRADE

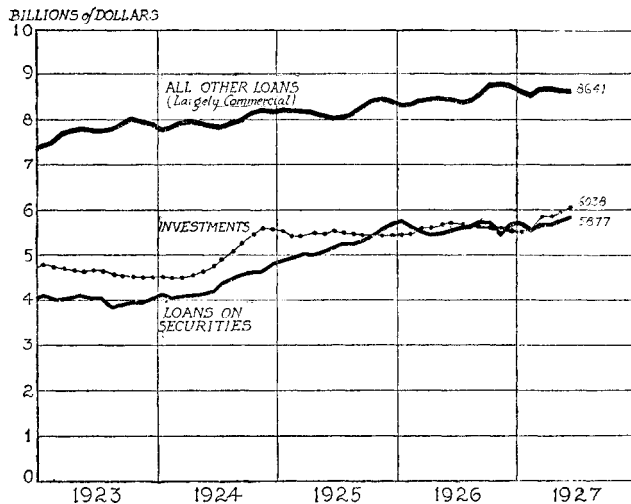
Sales of retail stores in May showed more than the usual seasonal decline from the high April level. Compared with May of last year, department store sales were about 4 per cent smaller, while those of mail order houses were slightly larger. Value of wholesale trade of all leading lines, except groceries and meats, was smaller in May than in April and in the corresponding month of 1926. Inventories of merchandise carried by department stores showed slightly more than the usual seasonal decline in May and at the end of the month were somewhat smaller than a year ago. Stocks of wholesale firms were also smaller than last year. Freight car loadings increased in May by less than the usual seasonal amount, and for the first time in over a year daily average loadings were in smaller volume than in the corresponding month of the preceding year. Loadings of all classes of commodities except livestock, ore, and miscellaneous products were smaller than last year.

PRICES

The general level of wholesale commodity prices has remained practically unchanged since the middle of April. Prices of grains, cotton, and hides and skins have advanced, but these advances have been offset in the general index by declines in the prices of livestock, wool, silk, metals, and rubber.



Wholesale Price Index of United States Bureau of Labor Statistics. (1913 average = 100 per cent.)



Monthly Averages of Weekly Figures for Member Banks in 101 Leading Cities. (Latest figures are averages for three weekly report dates in June.)

BANK CREDIT

Demand for bank credit to finance trade and industry remained at a constant level between the middle of May and the middle of June, and the growth in the volume of credit extended by member banks in leading cities during the period was in holdings of securities and in loans on stocks and bonds. Loans to brokers and dealers in securities by reporting member banks in New York City increased rapidly and on June 15 were in larger volume than at any previous time covered by the reports.

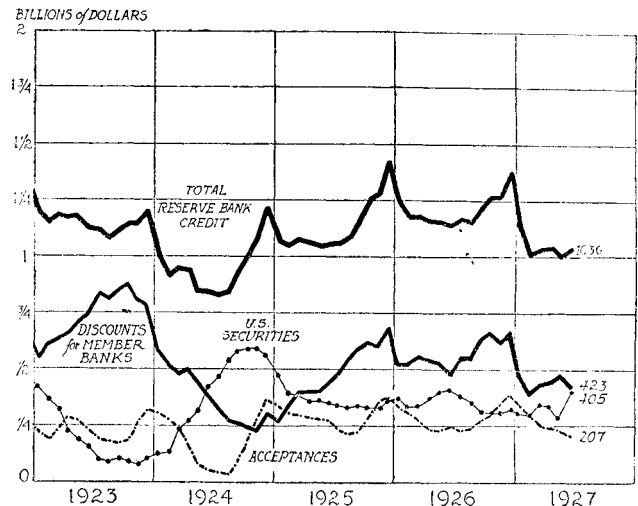
At the Federal Reserve Banks there was little net change in the volume of bills and securities between May 25 and June 22, the fluctuations during the period reflecting largely the effects of Treasury operations. Discounts for member banks toward the end of June were in about the same volume as a month earlier while there was a decline in the Reserve Banks' holdings of acceptances and an increase in the portfolios of United States securities.

Conditions in the money market were fairly stable throughout the period, with slight advances in the rates on commercial paper and more recently on bankers acceptances.

Money Market

The principal influences on the money market during the past month were the continued rise in loans and investments of commercial banks and the quarterly tax period operations of the United States Treasury.

Even excluding the increase in holdings of Government securities on June 15, due to purchases of the new issue, the total loans and investments of reporting member banks advanced in June to new high levels in this district and in the country as a whole. Loans to brokers and dealers in securities placed by New York City banks increased to the highest point since the series of weekly reports was started, and were an important element in the increase of member bank credit. Investments in securities other than United States Government issues also reached the highest level ever reported, and com-



Reserve Bank Credit: Monthly Averages of Daily Figures for 12 Federal Reserve Banks. (Latest figures are averages of first 23 days in June.)

mercial loans were moderately high for the time of year.

The first of the diagrams on the following page shows the unusually rapid expansion of credit by reporting banks in recent months, and the second indicates the consequent increase in the reserve balances which all member banks have maintained with the Federal Reserve Banks. The actual amount of reserve deposits varies slightly above or below the required balances, but reflects principally changes in requirements due to changes in deposits.

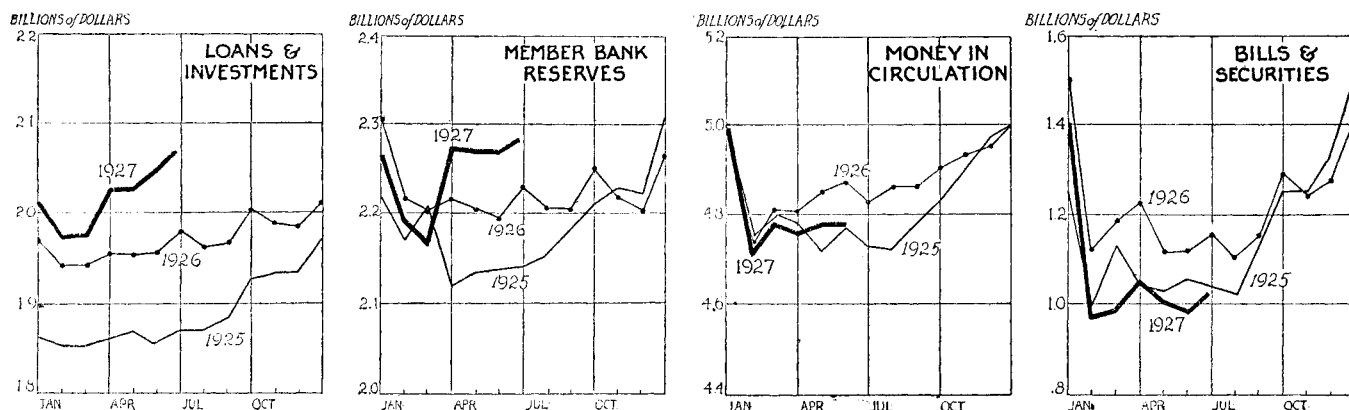
Partly offsetting the demand for reserve funds caused by this increase in reserve requirements, the amount of currency in circulation this year has been smaller than a year ago. Gold imports during the first four months of the year were of sufficient amount to supply the increased demand for credit early in the year and to reduce the amount of Federal Reserve credit in use but in recent weeks there has been no large net inflow of gold and the continued expansion of member bank credit has prevented the usual seasonal reduction in the use of Reserve Bank credit or any easing in money rates. Commercial paper rates in June were the highest since January, and the rate on 90-day bills advanced near the end of June to the highest level since early in March. As the following table indicates, the rate level near the end of June was generally higher than a year previous.

Money Rates at New York

	June 29 1926	May 27 1927	June 29 1927
Call Money.....	*4¼-5	*4½	*4-5
Time money—90 day.....	4¼	4½-4½	4½
Prime commercial paper.....	4	4-4¼	4¼
Bills—90 day unendorsed.....	3¾	3¾	3¾-3¾
Treasury certificates and notes			
Maturing September 15.....	2.85	3.23	3.07
Maturing December 15.....	3.05	3.27	3.18
Federal Reserve Bank of New York rediscount rate.....	3½	4	4
Federal Reserve Bank of New York buying rate for 90 day bills.....	3¼	3¼	3¾

*=Prevailing rate for preceding week.

A very large volume of Treasury business again was transacted around June 15, without marked effect on the



Total Loans and Investments of All Reporting Member Banks; Reserve Balances of All Member Banks with Federal Reserve Banks; Amount of Currency in Circulation in the United States; Total Bills and Securities of All Federal Reserve Banks.

money market. Money rates remained steady throughout the tax period, although on June 15 Treasury redemptions and interest payments exceeded income tax and other collections by approximately 250 millions in this district.

This large surplus of funds made available to the market was offset by temporary reductions in Reserve Bank holdings of bills and securities, and the sale to several member banks of participations in the special one-day certificates of indebtedness issued to the Reserve Bank by the Treasury to cover its temporary overdraft. The collection of income tax checks during the following week withdrew funds from the New York market, and provided the Treasury with funds with which to repay the New York Reserve Bank, and simultaneously the participations of member banks were terminated.

COMMERCIAL PAPER MARKET

With the bulk of the sales at 4¼ per cent, the rate for prime commercial paper generally was slightly higher than in the previous four months, and about ¼ of one per cent higher than a year ago. Due in part to the higher income return, bank investment demand for paper became more active, following the quiet market of May. There was little change in the amount of accommodation requested by open market borrowers and consequently dealers' holdings of paper remained light. At the end of May, 26 dealers had outstanding \$582,000,000 of paper, an amount 3 per cent smaller than a month earlier, and 13 per cent smaller than in 1926.

BILL MARKET

Offerings of bills to the market continued in large volume during the first part of June, and as the demand was light due to a diminution of foreign account buying, dealers' portfolios increased substantially to the highest level of the year and the bill holdings of the Reserve Bank also increased. Evidence of this condition was shown by a return of the offering rate on 6 months bills to 3⅞ per cent, the level current prior to the reduction in the last half of May. Following this, exceptionally heavy buying of 90-day maturities for foreign account developed, and dealers' portfolios and the bill holdings of the Reserve Bank were reduced con-

siderably. Toward the end of the month, however, most dealers advanced their rates on 90-day unindorsed bills in anticipation of a larger supply of bills, making the offering range 3⅝-3¾ per cent.

Gold Movement

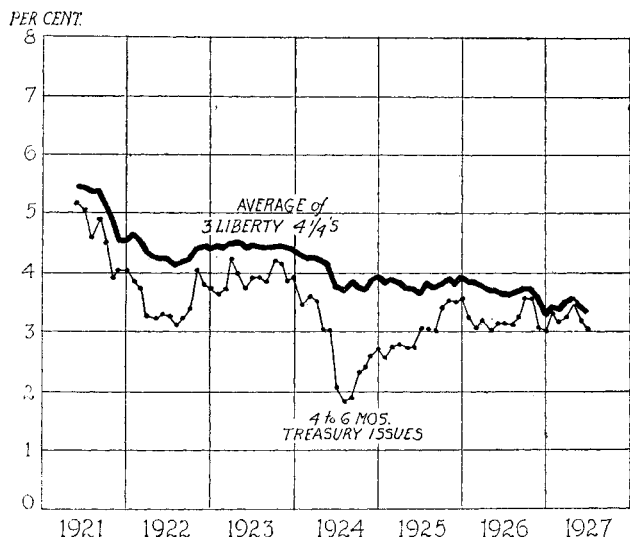
Total gold imports at the Port of New York during the first 29 days of June amounted to \$8,000,000, while exports were only \$800,000, most of which was shipped to Mexico. The principal import movement was \$7,600,000 from the Netherlands to New York, continuing shipments begun in May.

Complete returns for May show that total imports of gold into the United States in that month were \$34,200,000. Of that amount \$26,000,000 came from England, \$2,400,000 from Australia, \$2,000,000 from Japan, and \$1,000,000 from China. About \$1,500,000 was exported, mainly to Latin America and the Far East.

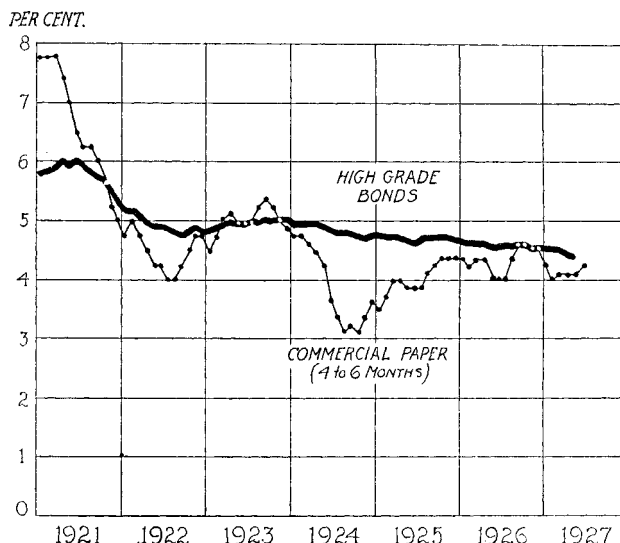
Gold movements in the first five months of this year resulted in a net import of \$120,000,000, as compared with a net inflow of \$98,000,000 for the entire year 1926. This influx represents large shipments from Canada, England, France, the Netherlands, Japan, and Australia, with no large offsetting outflow except the withdrawals of earmarked gold by the German Reichsbank in January and February. There has as yet been no export of gold to Canada, such as occurred in the Spring of last year, and Canadian exchange has recently declined close to the gold import point.

Reduction in the National Debt

Several steps were taken in June by the United States Treasury toward the reduction of the principal of the National debt and the interest charges thereon. Following the announcement in May that the Second Liberty Loan bonds would be called for redemption on November 15, the Treasury in June offered the remaining holders a new issue of 3⅜ per cent bonds, due in 1943-47, in exchange for their Liberty bonds, and about \$243,000,000 were exchanged. Later in the month it was announced that surplus funds would be applied to the purchase of Second Liberty Loan bonds; proposals for their sale were received from holders, and were accepted to the



Yields on Liberty Bonds and on Short-term United States Government Issues.



Yields on High Grade Corporation Bonds (Standard Statistics Corporation figures) and Commercial Paper Rates.

amount of about \$64,000,000 at prices not exceeding 100½. As the result of these operations, together with exchanges made in March and other purchases in recent months, the amount of Second Liberty Loan bonds outstanding was reduced from \$3,104,000,000 on February 28 to \$1,276,000,000 on June 30.

In addition, a reduction of \$129,000,000 in the principal of the National debt was effected through June refunding operations. A total of \$379,000,000 of Treasury 3½ per cent certificates of indebtedness matured on June 15, which were only partly replaced by the sale of \$250,000,000 of the new issue of Treasury 3⅞ per cent bonds at 100½. The yield of 3.33 per cent on these bonds was the lowest on any long-term issue of the United States Government since the War. As the accompanying diagrams show, yields on long-term Government issues have declined steadily since 1921, along with yields on high grade corporation bonds. Yields on short-term Treasury issues, like open market commercial borrowing rates, have moved upward since 1924, however, and are now about the same as in the summer of 1922.

As a result of the June operations and other transactions during the year which were made possible by the application of the budget surplus to debt reduction, together with the retirement of United States securities received in payment of foreign debts, and the statutory sinking fund purchases, the debt of the National Government appears to have been reduced about \$1,131,000,000

during the year, the largest reduction in any year since 1920. The gross debt consequently declined to about \$18,512,000,000, or approximately \$8,000,000,000 below the high point reached shortly after the close of the War.

For the fiscal year ended June 30, 1927, ordinary receipts exceeded expenditures chargeable against those receipts by about \$636,000,000, the largest surplus of the post-war period. An important factor in this large surplus was an increase in income tax collections, which, notwithstanding lower tax rates, yielded about \$250,000,000 more for the fiscal year ended June 30, 1927 than in the previous year, apparently reflecting a high rate of business activity and large profits. Customs receipts also were somewhat larger than in the previous fiscal year, but there was a considerable decline in the amount of miscellaneous taxes received, reflecting the reduction or abolition of special taxes, such as the capital stock tax and taxes on automobiles and amusement receipts. The following table gives the amount of tax collections from various sources during recent years.

(In millions of dollars)

Fiscal Year ended June 30	Customs	Income and Profits Taxes	Miscellaneous Taxes†	Total
1920.....	323	3,945	1,460	5,728
1921.....	309	3,206	1,390	4,905
1922.....	356	2,068	1,145	3,569
1923.....	562	1,679	946	3,187
1924.....	546	1,842	953	3,341
1925.....	548	1,761	829	3,138
1926.....	579	1,982	856	3,417
1927.....	605	2,225	644	3,474

†Includes capital stock, estate, sales, tobacco, stamp, and special taxes.

The large surplus in a year when Federal tax collections were more than \$2,200,000,000 smaller than in 1920 reflects the reduction in governmental expenditures. The total of ordinary expenditures for the year ended June 30, 1927 was approximately \$3,000,000,000 smaller than in 1920. Lowering of interest charges through debt retirement and refunding at lower interest rates has contributed to this reduction.

June 30	Gross Debt	Debt Retired During Fiscal Year
1919.....	\$25,482,000,000	
1920.....	24,298,000,000	\$1,184,000,000
1921.....	23,976,000,000	322,000,000
1922.....	22,964,000,000	1,012,000,000
1923.....	22,350,000,000	614,000,000
1924.....	21,251,000,000	1,099,000,000
1925.....	20,516,000,000	735,000,000
1926.....	19,643,000,000	873,000,000
1927.....	18,512,000,000	1,131,000,000

Security Markets

Stock price movements were irregular in June, but the tendency was downward and representative price averages of both industrial and railroad stocks near the end of the month showed net losses of several points from the high levels of May. The activity of the market showed a tendency to slacken in June.

Accompanying some evidence that new security flotations had been proceeding more rapidly than investors were absorbing them, bond trading also declined in volume and prices were generally lower than in May. High grade corporation bonds showed an average loss of at least a point from the high levels of early May, and foreign issues also were somewhat lower. United States Government bonds declined in price after the new long-term issue was announced, and notwithstanding some subsequent recovery showed net losses for the month.

Following the unusual amount of new securities offered to the market during the previous two months, the volume of security flotations declined in June, but still remained large. All classes of domestic issues, with the exception of realty offerings, were noticeably smaller than in May, but foreign financing was about \$100,000,000 larger. The larger foreign offerings included \$35,000,000 of International Telephone and Telegraph Company bonds, a \$20,000,000 Free State of Bavaria loan, \$20,000,000 of Cuba Northern Railways Company bonds, and part of a \$65,000,000 Government guaranteed bond issue of the Canadian National Railway Company.

The Foreign Exchanges

The month of June was marked by general strength in the Continental gold exchanges, while sterling fluctuated within narrow limits somewhat above the lowest figure touched in May, but below the best level reached in that month. The range for June was only between \$4.8538 and \$4.8519. The German mark, after dropping to 23.65 cents in May, was steady just below 23.70 cents. The Swedish crown rose to parity and Netherlands florins and Swiss francs were also strong. Movements in the French and Belgian francs were nominal.

Among the unstabilized currencies, the Italian lira rose to the best figure since July 1920, passing above 5.80 cents against a May low just above 5 cents. The Spanish peseta was heavy, dropping below 17 cents compared with a May high of 17.71 cents. Norwegian crowns were firm, slightly under 26 cents.

Among the American rates, Canadian dollars fell from a slight premium at the beginning of the month to a substantial discount toward the end. The Argentine peso was quoted above dollar parity at the best figure since 1920, the strength of the peso in world markets giving rise to gold imports from South Africa. Movements of the milreis were small, with a sagging tendency toward the end of the month.

In the Far East, the rupee was strong, rising to 36.25 cents notwithstanding two reductions within the month in the discount rate of the Imperial Bank. Yen were also firmer, rising above 47 cents. Silver moved in an unusually narrow zone, the difference between the high

and the low being less than 2 cents; and fluctuations in the silver currencies were similarly restricted.

Changes in Central Bank Rates

Six changes in central bank discount rates were announced during the month: the Imperial Bank of India, from 7 per cent to 6 per cent on June 2 and to 5 per cent on June 23; the National Bank of Greece, from 11 per cent to 10 per cent on the 9th; the German Reichsbank from 5 per cent to 6 per cent on June 10; the Bank of Danzig, from 5½ per cent to 6 per cent on June 21; and the National Bank of Belgium, from 5½ per cent to 5 per cent on June 22. The rate advances in Germany and Danzig were the first increases in European central bank rates since August of last year.

Foreign Trade

Both exports and imports of merchandise showed seasonal declines in May, but were larger than a year ago. Exports, valued at \$394,000,000, were \$37,000,000 larger than last year and were the largest in May of any year since 1920, when prices were the highest in many years. Imports, valued at \$346,000,000, were \$25,000,000 larger than in May 1926.

Although exports of raw cotton continued the usual seasonal decline in May, they remained large and were 50 per cent larger than in May of last year. Grain exports also remained large and were valued at \$7,000,000 more than a year ago. Exports of partly manufactured goods, consisting chiefly of copper, iron, steel, and lumber, were valued at \$10,000,000 more than in May 1926, a larger gain than in any other group.

Quantity receipts of crude rubber and coffee were smaller than in April, but larger than a year ago. Imports of raw silk showed an increase in volume, both over the preceding month and over last year. The largest increase in imports, however, was in finished manufactures, consisting chiefly of newsprint and manufactures of cotton, wool, and jute. The total value of these commodities imported in May was \$8,000,000 larger than a year ago.

Indexes of Business Activity

Indexes of business activity computed by this bank, although somewhat lower for May than for April, continued to indicate a high level of trade. Domestic retail trade was restricted by unfavorable weather conditions, but remained moderately high, and foreign trade continued in large volume. Bank debits both for the country as a whole and for this district, both exclusive of New York City, showed slight reductions from April, but the index for the entire country was higher than in any month in recent years with the exception of April. Freight car loadings showed somewhat less than the usual seasonal increase, but continued to reflect a large primary distribution of commodities. Business failures were less numerous than in any other recent month but continued to exceed those of a year ago.

The following table gives this bank's indexes of busi-

ness activity in percentages of the computed trend, with allowance for seasonal variation, and, where necessary, for price changes.

(Computed trend of past years=100 per cent)

	1926		1927	
	May	March	April	May
Primary Distribution				
Car loadings, merchandise and misc.....	111	108	109	107
Car loadings, other.....	107 ^r	99 ^r	105 ^r	104
Exports.....	91	98	104	103 ^p
Imports.....	110	117	126	121 ^p
Grain exports.....	121	71	135	148
Panama Canal traffic.....	97	97	96	...
Distribution to Consumer				
Department store sales, 2nd Dist.....	98	98	100 ^r	94
Chain store sales.....	105	102	103	100
Mail order sales.....	104	99	102	100
Life insurance paid for.....	109	119	114	106
Real estate transfers.....	102	100	96	91
Magazine advertising.....	102	101	101	103
Newspaper advertising.....	107	98	101	101
General Business Activity				
Bank debits, outside of N. Y. City.....	111	115	119	117
Bank debits, New York City.....	121	141	137	135
Bank debits, 2nd Dist. excl. N. Y. City.....	102	109	109	104
Velocity of bank deposits, outside of New York City.....	103	106	107	108
Velocity of bank deposits, N. Y. City.....	114	135	134	131
Shares sold on N. Y. Stock Exchange*.....	110	227	229	214
Postal receipts.....	96	97	97	92
Electric power.....	109	117	116	...
Employment in the United States.....	102	100	100	99
Business failures.....	105	119	121	111
Building permits.....	128	130	129	116
New corporations formed in N. Y. State.....	114	120	114	113
General price level.....	185	184	183	184

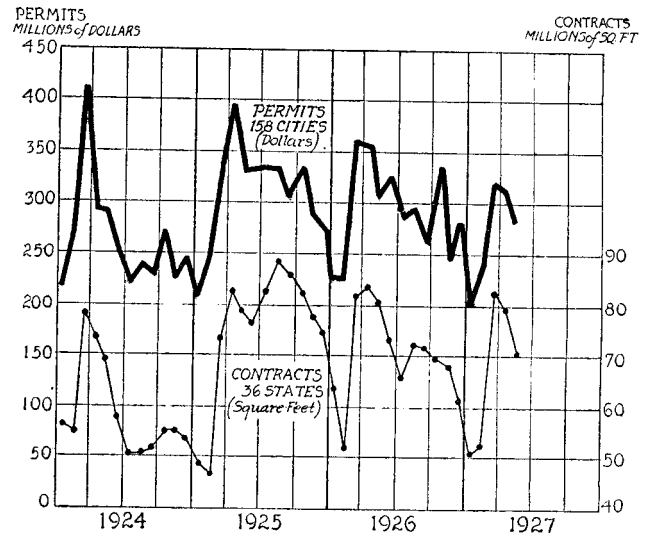
*=Seasonal variation not allowed for p=Preliminary r=Revised

Building

The May volume of building and engineering contracts, as reported by the F. W. Dodge Corporation, was 9 per cent smaller than the total for April, but was slightly larger than a year ago. Contracts awarded in the New York and Northern New Jersey district were slightly smaller than last year.

Residential building showed a reduction from the previous two months and was smaller than a year ago, and industrial and educational contracts were below last year's level. Public works and utilities projects, however, were again heavier than in 1926, and commercial building was somewhat larger.

Building permits issued in 486 cities throughout the country were 11 per cent smaller in May than a year previous, according to the S. W. Straus & Co. report. The declines in permit valuations during the past year have appeared to be at variance with the large volume of contract awards, but, as the accompanying diagram shows, figures on the amount of floor space represented by contract awards are in substantial agreement with permit records in indicating a reduction in the amount of buildings to be constructed. Both series have shown decreases from a year previous in 10 of the past 12 months. The floor area figures exclude contracts for public works and utilities, many of which are engineering projects where floor area is of little or no significance, and the value of which has shown substantial increases over a year ago in most recent months. The relatively high level of construction work indicated by total contract figures, therefore, appears to have been



Value of Building Permits Issued in 158 Cities and Floor Area Represented by Building Contracts Awarded in 36 States.

due largely to the inclusion of contracts for the construction of roads, bridges, and other public works and utilities, which are excluded from permit records, and the two series are in agreement in showing a reduction during the past year in the construction of buildings.

Crop Conditions

The condition of crops for which reports have been issued by the Department of Agriculture showed no consistent change on June 1 from that of a year ago. In general the condition was somewhat below the average condition for that date in the past ten years. Hay and pasture lands and the rye crop were in unusually good condition in New York State and throughout the country. The condition of spring wheat, oats, and barley was better than a year ago, but below the ten-year average.

The June 1 forecast was for a winter wheat crop about 15 per cent smaller than in 1926 and below the average for recent years. The planting of corn had been seriously retarded by the cool, wet weather and the prospects for that crop were therefore uncertain. The condition of fruit crops was below average, and the indications were that yields would be the smallest in several years. The reported condition of principal crops on June 1 of this year in per cent of normal, with comparable figures for a year ago and the ten-year average, was as follows:

(Normal=100 per cent)

Crop	New York State			United States		
	10-Yr. Av.	June 1, 1926	June 1, 1927	10-Yr. Av.	June 1, 1926	June 1, 1927
Winter wheat.....	83	66	89	78.1	76.5	72.2
Spring wheat.....	..	78	83	88.9	78.5	86.8
Oats.....	87	81	83	86.1	78.8	79.9
Barley.....	87	81	83	86.9	81.0	81.5
Rye.....	87	77	88	84.9	73.4	87.6
Hay.....	87	74	93	85.3	76.0	88.0
Pasture.....	86	70	92	86.6	77.0	88.3
Apples.....	78	85	72	69.7	78.3	57.2

Production

A continued high level of productive activity in May was indicated by this bank's indexes of production, in which allowance is made for seasonal variations and year-to-year growth. Automobile production was closer to that of a year ago than in any previous month this year, iron and steel output continued at high levels, and more than seasonal increases occurred in cotton and woolen mill activity and the production of cement and anthracite coal.

In June there were evidences of curtailment, especially in the anthracite coal, iron and steel, and automobile industries, but cotton mills continued active.

May indexes are shown below, with comparative figures for recent months and a year ago.

(Computed trend of past years=100 per cent)

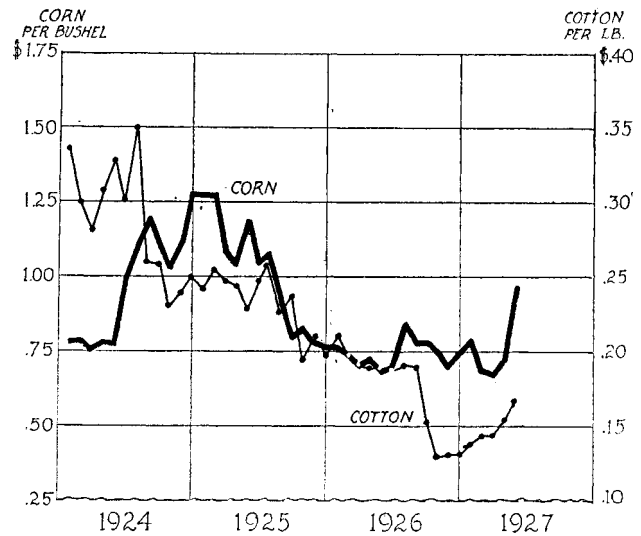
	1926	1927		
	May	March	April	May
Producers' Goods				
Pig iron.....	118	114	115	114
Steel ingots.....	110	112	111	111
Bituminous coal.....	96	133	94	87
Copper, U. S. mines.....	103	96	102 _r	99
Tin deliveries.....	98	97	104	102
Zinc.....	100	98	94	92
Petroleum.....	105	120	116	...
Gas and fuel oil.....	99	106	104	...
Cotton consumption.....	89	115	106	108
Woolen mill activity*.....	82	91	87	89 _p
Cement.....	128	124	122	125
Lumber.....	104	85	87	...
Leather, sole.....	61	88	84	76
Silk consumption*.....	95	130	126	119
Consumers' Goods				
Cattle slaughtered.....	118	111	111	116
Calves slaughtered.....	87	102	86	83
Sheep slaughtered.....	102	112	109	106
Hogs slaughtered.....	83	98	96	98
Sugar meltings, U. S. ports.....	90	108	94	92
Wheat flour.....	92	98	105	101
Cigars.....	98	107	98	105
Cigarettes.....	76	75	78	76
Tobacco, manufactured.....	107	107	103	106
Gasoline.....	136	157	149	...
Tires.....	107	130	142	...
Newsprint.....	125	119	116	113
Paper, total.....	93	95	94	87
Boots and shoes.....	82	96	92	86 _p
Anthracite coal.....	95	73	93	94
Automobile, all.....	127 _r	120 _r	113 _r	116
Automobile, passenger.....	133	125	118	121
Automobile, truck.....	100 _r	101 _r	92 _r	93

*=Seasonal variation not allowed for p=Preliminary r=Revised

Commodity Prices

The average level of wholesale prices has remained almost unchanged for the past two months. The Department of Labor index for May was practically the same as for April, and this bank's index of basic commodity prices was virtually stationary from the first week in May to the last week in June. Agricultural prices advanced moderately from April to May and in general were the highest since last October. Non-agricultural prices, however, declined slightly further, and were lower in May than at any time since the Fall of 1916. In June there appears to have been little change of importance in either group as a whole, though there have been considerable changes in individual commodities.

As the accompanying diagram shows, corn prices



Prices of Corn at Chicago (No. 3 Yellow) and Cotton at New York (Middling Upland). (Last weekly quotations in each month.)

during the past month have been the highest since the summer of 1925, reflecting the unfavorable prospect for this year's crop. Even though favorable conditions prevail during the remainder of the growing season, the delayed planting involves increased hazard of frost damage before the crop matures. Cotton prices also have shown a considerable recovery from the low levels of last Fall, but in June were still below those of a year ago and only about half as high as three years ago. The unusually large crop of last year has been largely disposed of through increased domestic consumption and heavy export demand, and prospects for the new crop are uncertain.

Wheat prices have been steady in June, following a moderate advance earlier in the season. Hog prices continued the decline that started in April, but cattle prices were firmer in June and hides advanced to the highest sustained level since 1923. Crude rubber, after remaining relatively stable for several months, declined to the lowest level since the end of 1924, and metal prices continued weak.

Wholesale Trade

Wholesale trade in this district continued to be smaller in value in May than a year previous. The average reduction in sales in recent months has been only slightly larger than the reduction in wholesale prices during the year as reported by the Bureau of Labor Statistics. The presumption therefore is that the actual quantity of goods sold has been nearly as large as last year.

Sales of machine tools showed a considerable increase over a year ago in May, following decreases in most of the previous months since last summer. Cotton goods sales by mill agents also were substantially larger in value, although prices remained lower than a year ago. Paper dealers' sales showed an increase, following small decreases in the two previous months, and grocery sales

were equal to those of a year ago for the first time in a year. All other reporting lines showed decreases of varying amounts from last year's sales.

Shoe stocks at the end of May were much larger than a year previous, and moderate increases were reported in wholesale stocks of groceries, cotton goods, and jewelry and diamonds, and in mill stocks of silk goods. The percentage of outstanding accounts collected during the month averaged slightly lower than last year, but there was no consistent change among the various lines in the rate of collections.

Commodity	Percentage Change May 1927 from April 1927		Percentage Change May 1927 from May 1926		Per cent of Accounts Outstanding April 30 Collected in May	
	Net Sales	Stock end of Month	Net Sales	Stock end of Month	1927	1926
Groceries.....	+ 6.7	- 8.4	+ 0.4	+ 7.2	76.2	79.7
Men's Clothing.....	-38.9	.....	- 7.6	.....	30.9	35.6
Women's dresses.....	- 8.6	.....	-14.5	.....	.....	.....
Women's coats and suits.....	-67.2	.....	- 3.8	.....	.....	.....
Cotton goods—Jobbers.....	- 0.7	+ 7.1	- 3.3	+ 6.7	35.1	35.5
Cotton goods—Com- mission.....	+ 8.4	.....	+10.7	.....	.....	.....
Silk goods.....	- 0.5	+ 3.6*	-12.6	+ 6.6*	48.2	51.8
Shoes.....	-23.4	+ 3.9	- 8.2	+38.7	43.0	45.4
Drugs.....	-26.9	- 3.0	- 1.8	- 3.4	52.7	37.6
Hardware.....	- 8.0	- 6.5	- 9.1	- 3.1	49.0	47.1
Machine tools**.....	+ 1.0	.....	+13.4	.....	.....	.....
Stationery.....	- 7.4	.....	-14.1	.....	71.8	70.7
Paper.....	- 4.7	.....	+ 7.0	.....	67.8	63.7
Diamonds.....	-16.2	- 2.2	-11.7	+ 4.2	27.7	27.3
Jewelry.....	+24.1	.....	-17.4	.....	.....	.....
Weighted Average....	-15.3	.....	- 4.9	.....	51.6	52.8

*=Quantity not value. Reported by the Silk Association of America.

**=Reported by the National Machine Tool Builders' Association.

Chain Store Sales

Except for a large increase in chain grocery store sales, chain store business compared much less favorably in May than in April with that of a year ago. The increases reported in April, however, had been unusually large, due to Easter trade, and May 1926 had been a very active month for all branches of retail trade.

The May increase in the grocery trade, both in total sales and in sales per store, was the largest since last November. Total sales of ten cent, drug, and variety stores were somewhat larger than in May of last year, but shoe and candy stores reported substantial decreases. All reporting lines except groceries had smaller sales per store than a year ago.

Type of Store	Percentage Change May 1927 from May 1926		
	Number of Stores	Total Sales	Sales per Store
Grocery.....	+ 8.5	+21.8	+12.2
Ten cent.....	+ 8.6	+ 5.0	- 3.3
Drug.....	+22.9	+ 8.6	-11.6
Tobacco.....	+ 3.8	- 1.9	- 5.5
Shoe.....	+ 8.7	-17.0	-23.6
Variety.....	+28.7	+14.2	-11.3
Candy.....	+ 7.4	-11.9	-17.9
Total.....	+ 8.7	+14.1	+ 5.0

Department Store Trade

Sales of about three-fourths of the reporting department stores in this district were smaller in May than a year previous, and their combined sales showed a reduction of nearly 4 per cent. Business in May of last year, however, was unusually good, as, due to the late Spring, a considerable amount of business was done in that month which ordinarily is done earlier in the season.

The percentage of outstanding charge accounts collected during the month was slightly larger than a year previous for the third consecutive month. The value of stocks of merchandise on hand remained about 2 per cent smaller than last year, but due to the smaller sales in May, the rate of stock turnover was slightly lower than a year ago for the first time this year.

Locality	Percentage Change May 1927 from May 1926		Per cent of Charge Accounts Outstanding April 30 Collected in May	
	Net Sales	Stock on hand end of month	1927	1926
New York.....	- 3.6	+ 0.2	53.0	49.3
Buffalo.....	- 1.4	-11.4	42.1	52.0
Rochester.....	-11.3	-12.1	40.1	44.9
Syracuse.....	- 6.9	-18.9	.....	.....
Newark.....	- 1.6	+ 6.4	47.8	47.7
Bridgeport.....	-11.8	- 9.9	.....	.....
Elsewhere.....	- 5.3	- 4.5	34.4	36.0
Northern New York State.....	-13.6	.....	.....	.....
Central New York State.....	- 1.8	.....	.....	.....
Southern New York State.....	-10.1	.....	.....	.....
Hudson River Valley District.....	+ 7.4	.....	.....	.....
Capital District.....	-14.6	.....	.....	.....
Westchester District.....	+ 7.1	.....	.....	.....
All department stores.....	- 3.9	- 1.9	48.9	47.4
Apparel stores.....	- 0.6	+ 5.6	43.3	41.6
Mail order houses.....	- 1.4	.....	.....	.....

Sales of most lines of apparel were smaller than last year, following large increases in April, while sales of furniture and home furnishings continued close to last year's volume. Sales of woolen goods were noticeably larger than a year ago for the first time in many months, but sales of cotton goods, and silks and velvets were substantially smaller.

	Net Sales Percentage Change May 1927 from May 1926	Stock on Hand Percentage Change May 31, 1927 from May 31, 1926
Books and stationery.....	+15.3	+ 4.4
Toys and sporting goods.....	+ 5.3	+ 2.5
Toilet articles and drugs.....	+ 5.1	+ 0.7
Woolen goods.....	+ 4.4	-16.4
Luggage and other leather goods.....	+ 1.8	+ 4.4
Home furnishings.....	+ 1.4	+ 0.4
Hosiery.....	+ 0.3	+10.1
Linens and handkerchiefs.....	+ 0.1	+ 4.0
Furniture.....	- 1.0	- 0.9
Silverware and jewelry.....	- 3.4	- 4.9
Shoes.....	- 5.1	+10.2
Women's and Misses' ready-to-wear.....	- 5.7	- 0.4
Men's and Boys' wear.....	- 7.2	- 4.7
Men's furnishings.....	- 7.7	+12.4
Women's ready-to-wear accessories.....	- 8.1	+ 1.4
Cotton goods.....	-14.4	- 4.1
Musical instruments and radio.....	-14.6	-17.1
Silks and velvets.....	-15.2	- 4.6
Miscellaneous.....	- 7.7	- 6.6