

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

October 1, 1927

Money Market in September

MONEY continued generally easy during September as compared with a year ago, although call money was prevailing 4 per cent after the 10th of the month. The prevailing level of other money rates was approximately the same as during August, except for a slight rise in time money, as indicated by the following table:

Money Rates at New York

	Sept. 30, 1926	Aug. 30, 1927	Sept. 30, 1927
Call money	*5-5½	*3½	*4
Time money—90 day	5½	4	4½
Prime commercial paper	4½-4¾	4	4
Bills—90 day unendorsed	3½	3½	3½
Treasury certificates and notes			
Maturing December 15	3.54	2.61	2.52
Maturing March 15	3.56	2.95	3.04
Federal Reserve Bank of New York			
rediscount rate	4	3½	3½
Federal Reserve Bank of New York			
buying rate for 90 day bills	3¾	3¾	3¾

*=Prevailing rate for preceding week.

CAUSES OF EASIER MONEY

The principal causes of easier money this year than a year ago may be found in—

- (1) A smaller demand for currency because of slightly less activity in industry
- (2) Net gold imports in each month of the year up to September
- (3) An increase in holdings of securities by the Reserve Banks

(4) Lower Federal Reserve discount rates

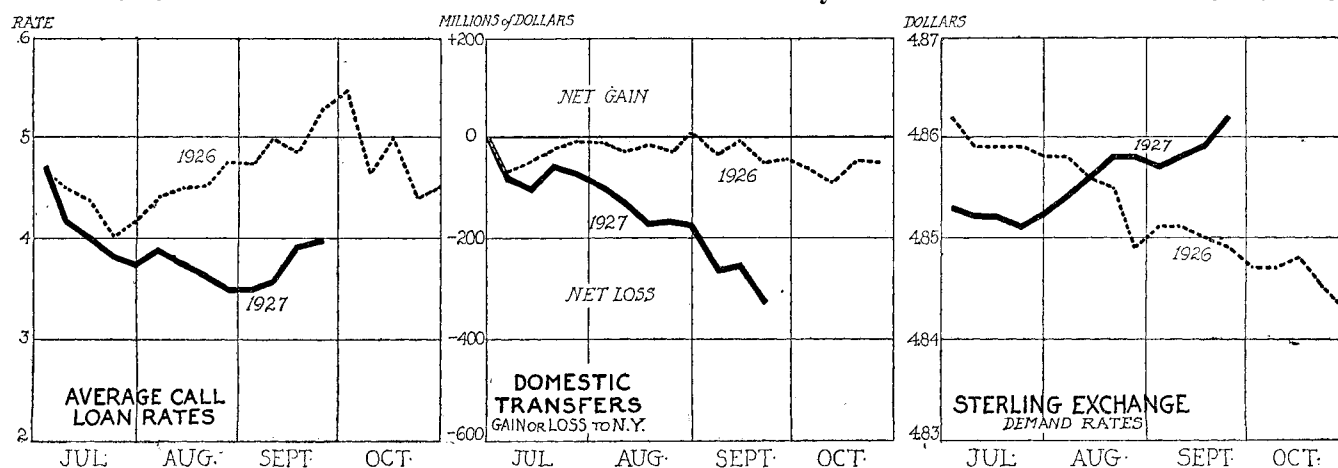
The first two of these factors have been influential in reducing, as compared with a year ago, the demands for Federal Reserve credit, and total bills and securities of the System averaged \$1,135,000,000 compared with \$1,225,000,000 in September 1926. The average amount of member bank borrowing for the System as a whole was \$421,000,000 in the first 27 days of September this year as compared with \$642,000,000 in September 1926. Member banks in New York City this year were borrowing an average of \$106,000,000 compared with \$138,000,000 at the same time last year,—an amount of borrowing which is sufficient to avoid surplus money in the market.

RELATED DEVELOPMENTS

Accompanying, and somewhat related to, the continued ease in money, there have been three important developments:

- (1) A large domestic flow of funds from New York to other districts
- (2) Strength of sterling exchange
- (3) A gold export movement in September for the first time this year

Since July 1 as much as 300 million dollars has been transferred from New York to the interior,—a movement far greater than the usual seasonal flow of funds westward from New York during the late summer and early autumn. This movement of funds has made it unnecessary for banks in districts outside New York



Course of Call Loan Rates, Inter-district Transfers and Sterling Exchange, July to September 1927, Compared with 1926.

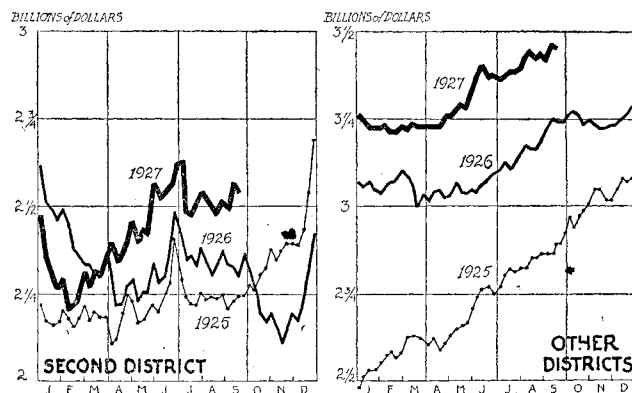
to increase their borrowings at their local Reserve Banks to meet the usual requirements of the fall season for financing the harvesting and movement of the crops and early fall trade. Borrowing by member banks in other districts has in fact decreased slightly in the past two months, whereas there has been some increase in borrowing by New York City banks.

A lower level of money rates in this market than in London has been one of the causes of increasing strength in sterling exchange during the past two months, in contrast to the tendency a year ago. Last year sterling showed a steady decline from early in July through October. During the first six months of 1927 sterling exchange was, for the most part, only slightly above the point at which gold would move to this country, but following easier money conditions here in July and August the exchange has risen steadily until on September 24 the demand rate was above $\$4.86\frac{1}{4}$, and the cable rate advanced above par. This strength in sterling exchange is particularly important at the present time, because sterling is the medium through which a large proportion of European purchases of American farm products are made, and the volume of these purchases and the prices at which they are made are much influenced by the position of the exchanges. Strength in sterling exchange was accompanied by strength in most other foreign exchanges in terms of dollars.

A net gold export in September—the first net export movement for any month of this year—was due to the shipment of 23 million dollars of gold to the Argentine from the proceeds of securities sold by that country in this market.

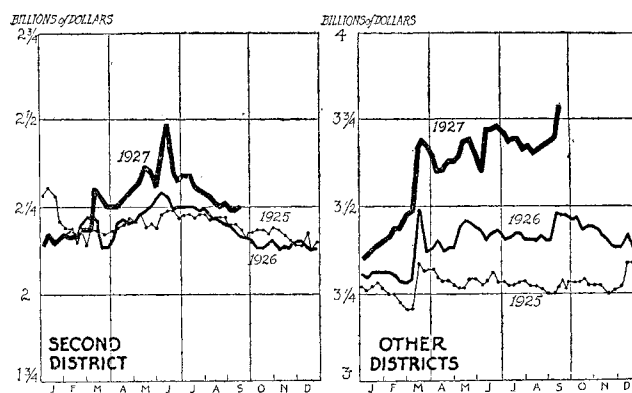
EMPLOYMENT OF BANK CREDIT

Changes in the use of bank credit in recent months in the Second Federal Reserve District as compared with other districts are shown in the accompanying diagrams. They indicate in general that the volume of credit has moved much in accordance with the usual seasonal tendencies. Both in the Second District and in other districts there has been a large increase in loans on stocks and bonds, but in other forms of credit there appears to have been a considerable divergence between the Second District and other districts. Commercial (all other) loans in the Second District show more than the usual year to year increase, whereas in other districts some retardation in business activity is reflected



Loans on Stocks and Bonds of Reporting Member Banks in Second District and Other Districts in 1927, Compared with 1925 and 1926.

in smaller commercial loans than in 1926. Contrariwise, investments by banks in the Second District show at present little increase as compared with a year ago, whereas in other districts the increase has been marked, as funds not employed in business have been used for increasing bank investments, as well as loans on stocks and bonds.

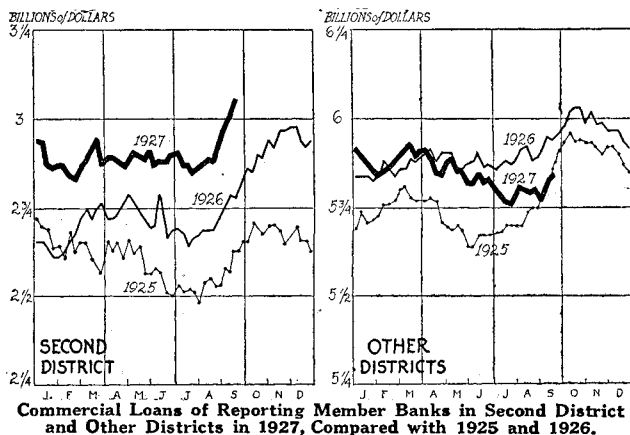


Investments of Reporting Member Banks in Second District and Other Districts in 1927, Compared with 1925 and 1926.

QUARTERLY TAX PERIOD OPERATIONS

Day to day movements in the money market during September have largely centered about the quarterly tax period operations of the Treasury. Aside from the exchange of $4\frac{1}{4}$ per cent Second Liberty Loan bonds for the new $3\frac{1}{2}$ per cent Treasury notes, a transaction which had no effect on the money market, the principal Treasury operations throughout the country over the tax period were the redemption of \$362,000,000 of maturing certificates, the payment of \$81,000,000 of interest on current and maturing obligations, including interest to November 15 on the amount of $4\frac{1}{4}$ per cent Second Liberty Loan bonds exchanged, and the collection of \$443,000,000 of income taxes.

A large part of the cash redemptions and interest payments occurred on the 15th of the month in the New York market, greatly exceeding income tax collections, and the net gain to the market on that day by Treasury operations was approximately \$190,000,000. These gains, however, were offset to a considerable degree by the following operations:



Commercial Loans of Reporting Member Banks in Second District and Other Districts in 1927, Compared with 1925 and 1926.

1. Temporary participations of \$50,000,000 in the special Treasury certificate of indebtedness issued to the Reserve Bank to cover the Treasury overdraft were sold to New York City banks.
2. Dealers in bills and Government securities repurchased \$50,000,000 of bills and securities previously sold to the New York Reserve Bank under repurchase agreement.
3. Member banks in New York City repaid \$17,000,000 of loans at the Reserve Bank.

In the following three days, funds were withdrawn from the market by the collection of income taxes and transfers of commercial funds to other districts to replace Treasury tax collections there. Consequently, the participations of New York City banks in the special Treasury certificate were terminated and member bank borrowing and sales contract holdings of bills and securities at the Reserve Bank began to increase again.

BILL MARKET

The supply of bills offered to the market in September continued in large volume and the investment demand also was active. Toward the end of the period, the demand, due to local bank buying of short maturities, was slightly in excess of dealers' purchases of new bills, and dealers' portfolios were reduced somewhat from the high levels maintained since the middle of August. Open market rates were unchanged during the month, with the 90-day maturity offered at $3\frac{1}{8}$ per cent.

COMMERCIAL PAPER MARKET

The demand for commercial paper outside of New York City continued active in September and as a result dealers were able to sell paper about as quickly as new borrowing came into the market. Although the scarcity of good paper and the active bank investment demand tended to lower rates, by far the larger proportion of actual sales continued to be at 4 per cent. Transactions in very high grade names at $3\frac{3}{4}$ per cent showed a slight increase during the latter part of the month, but the market at this rate was generally reported to be narrow. The somewhat lower rates for commercial paper in August appear to have brought in to the market some additional borrowing, as evidenced by the outstandings through 26 dealers which increased 4 per cent during the month to \$591,000,000. In the previous two years there were declines during August. Total outstandings on August 31, however, were 7 per cent smaller than a year ago.

Retirement of the Second Liberty Loan

Largely through successive offers that have been made this year, the amount of outstanding Second Liberty Loan bonds has been reduced from an original issue of \$3,807,865,000 on November 15, 1917 to approximately \$830,000,000 on October 1, 1927. When the first step towards the refunding of the issue was taken in March of this year the amount outstanding had been reduced by prior redemptions to \$3,104,520,050. During March approximately 45 per cent of these bonds were exchanged for $3\frac{1}{2}$ per cent, 3 to 5 year Treasury notes. In June the remaining holders of Second Liberty Loan bonds were offered a long-term issue of Treasury bonds in exchange, and near the end of the month the Treasury called for tenders of the bonds for purchase at prices not to exceed $100\frac{1}{2}$. Additional purchases were made

with funds in the surplus money account and for the sinking fund, and in September a note issue similar to that offered in March was made available. As the result of these later operations nearly half of the bonds outstanding at the end of March were retired.

The principal steps toward the retirement of these Second Liberty Loan bonds and the amounts outstanding after each step are outlined below:

Originally issued November 15, 1917....	\$3,807,865,000
Retired prior to February 28, 1927.....	703,344,950
Balance outstanding	\$3,104,520,050
Exchanged during March for $3\frac{1}{2}$ per cent Treasury notes, Series A, 1930-32	1,360,456,450
Balance outstanding	\$1,744,063,600
Exchanged during June for $3\frac{3}{8}$ per cent Treasury bonds of 1943-47.....	245,256,450
Balance outstanding	\$1,498,807,150
Purchases for Treasury sinking fund, from surplus money in Treasury, and misc., March to August.....	300,325,950
Balance outstanding	\$1,198,481,200
Exchanged during September for $3\frac{1}{2}$ per cent Treasury notes, Series B, 1930-1932 (Estimated)	368,000,000
Balance outstanding (Estimated) ...	\$ 830,481,200

These operations leave less than one-fourth of the original amount to be retired on November 15, when the issue has been called for redemption. The remainder now outstanding includes a large proportion of small holdings, and it appears probable that, notwithstanding all possible efforts to notify the holders that the bonds have been called, and that interest will cease on November 15, a considerable part of the small denominations will not be presented promptly for retirement. After the books had been closed in March on the exchange of notes for Second Liberty bonds, it was found that two-thirds of the \$10,000 bonds had been offered for exchange, but that the proportion of exchanges diminished rapidly with the denomination of the bonds. At the end of August nearly \$300,000,000 of \$50, \$100, and \$500 Second Liberty bonds were outstanding, and it is probable that a large part of them remain in the hands of small holders. The following table shows the amounts of the various denominations outstanding at the end of February and the amounts remaining to be retired before the September exchanges:

Denomination	Outstanding February 28, 1927	Outstanding August 31, 1927
\$ 50	\$ 65,960,150	\$ 53,111,300
100	143,290,900	110,110,400
500	186,534,000	128,737,500
1,000	739,360,000	424,442,000
5,000	298,345,000	139,640,000
10,000	1,464,280,000	317,990,000
50,000	28,350,000	10,150,000
100,000	178,400,000	14,300,000
Total	\$3,104,520,050	\$1,198,481,200

European Money Markets

There was no great change in European market rates during the month. The London 90-day bill rate remained at about $4\frac{5}{16}$ per cent; call money was generally under 4 per cent. Treasury bill allotments in the third week of September were on a basis of about $4\frac{1}{4}$ per cent, the lowest rate since May. In Berlin, rates remained high; the prevailing bill rate was $5\frac{7}{8}$ per cent, rising to 6 per cent toward the end of the month; call money fluctuated over a considerable range but was no cheaper than in August; monthly money at $7\frac{3}{4}$ - $8\frac{3}{4}$ per cent was very slightly easier. The Paris market was slightly firmer at about 2 to $2\frac{1}{8}$ per cent, with call money below 3 per cent. Zurich was slightly easier, the rate dropping to $3\frac{3}{8}$ per cent, but Amsterdam was rather firm, with quotations virtually at the Bank rate, which remained $3\frac{1}{2}$ per cent.

Changes in Central Bank Rates

On September 8, the Imperial Bank of India raised its rate from 4 per cent to 5 per cent, and on September 10, the Reserve Bank of South Africa from $5\frac{1}{2}$ per cent to 6 per cent.

The Foreign Exchanges

The upward movement of foreign exchanges which began in July and August, became more general and extensive in September. Demand sterling, at \$4.8628, with cables well over parity, was near the figure touched in June 1926, which was the highest since 1914. Marks, over par at 23.84 cents, and belgas, at 13.93 cents, made new highs for the year. Swedish crowns at 26.90 cents were highest since July 1925. Swiss francs were firm just under parity, and Netherlands florins at 40.08 were the highest since September 1926. Fluctuations in lire and French francs were small, both showing a tendency to rise with sterling. The Danish crown was firm; Norwegian crowns, at 26.44 cents, were only about 2 per cent below parity. Spanish pesetas were higher than in any month since May.

Among the American rates, Canadian dollars reached a substantial premium and Brazilian milreis were at the highest figure since November 1926. Argentine pesos, after rising to 42.70 cents, reacted slightly, possibly under the influence of gold shipments.

In the Far East rupees at 36.31 cents were at the highest figure since February, but Japanese yen, after touching 47.25 cents early in the month declined nearly one cent. Silver and the silver exchanges, which were weak in August, moved up during September, but in the first three weeks silver did not reach the best figures of the previous month.

Among the causes of the upward tendency in the exchanges, which had been in contrast with the position a year ago, may be included lower money rates in New York and a large volume of foreign financing in this country.

Gold Movement

The largest movement of gold at the Port of New York during September and in fact for several months past was the export of \$23,000,000 of the proceeds of a

recent loan to Argentina, accompanying the return of Argentina to gold payments and the reopening of the Caja de Conversion, the office which redeems currency in gold. Other gold movements at New York during the first 28 days of September were small and included exports of about \$1,000,000, and imports of less than \$600,000.

During August both exports and imports of gold for the country as a whole were the smallest of any month this year. Imports totaled about \$7,900,000, of which \$3,000,000 constituted a consignment from the Banco Central de Chile for the strengthening of its reserves in New York, and \$2,400,000 represented additional shipments from the Netherlands, bringing the total received from that country since May 1 up to \$15,000,000. Exports amounted to \$1,500,000, of which \$550,000 went to Mexico and \$850,000 to the Far East. The net import of \$6,400,000 raised the net inflow of gold during the first eight months of this year to \$146,790,000.

Foreign Trade

The value of both exports and imports of merchandise showed more than the usual seasonal increases from July to August. Exports, valued at \$375,000,000, were \$33,000,000 more than in July but \$9,000,000 below those of a year ago. Imports, valued at \$371,000,000, were \$52,000,000 larger than in July and \$35,000,000 larger than in August 1926.

All groups of exports except manufactured and semi-manufactured products were smaller in value than a year ago. A decline of \$11,000,000 in the value of bituminous coal shipped abroad, which a year ago was unusually large on account of the British coal strike, and a decline of \$8,000,000 in exports of raw cotton accounted for nearly all of the loss in exports of crude materials. Increased shipments of automobiles were a large factor in the increase in exports of finished manufactures. Compared with July, the value of all classes of exports except semi-manufactures, showed some increase. Grain shipments were the largest for any month since last September, and in value exceeded those of July by \$26,000,000. Although the quantity of raw cotton exported was smaller than in July, the value was approximately the same, due to the rise in prices.

Every group of imports showed an increase as compared both with July and with a year ago. The largest gains were in imports of crude materials, the value of which was \$24,000,000 larger than in July, and \$20,000,000 larger than a year ago. The two principal items in this group, raw silk and crude rubber, each showed an increase of nearly 30 per cent over a year ago. Receipts of raw silk were the largest ever recorded, but imports of crude rubber were smaller than in any of the previous five months. Coffee imports were considerably larger than in July, or a year ago.

As the following table shows, there has been a favorable balance in our foreign trade of 270 million dollars during the first eight months of this year, compared with a small import balance in the corresponding period of 1926.

(In thousands of dollars)

1927	Imports	Exports	Excess of	
			Imports	Exports
January.....	356,841	419,393	.....	62,552
February.....	310,877	372,666	.....	61,789
March.....	378,331	408,973	.....	30,642
April.....	375,733	415,374	.....	39,641
May.....	346,501	393,140	.....	46,639
June.....	354,892	356,966	.....	2,074
July.....	319,380	342,163	.....	22,783
August.....	371,000	375,000	.....	4,000
Total 8 months ended August				
1927.....	2,813,555	3,083,675	.....	270,120
1926.....	2,977,475	2,959,619	17,856	.....

Security Markets

Stock trading continued very active in September and average daily sales were more than 2,200,000 shares. Price movements showed alternate periods of strength and weakness. A further advance in industrial stocks raised average prices at the middle of the month to new high levels almost 8 points above the August peak, but subsequently prices declined slightly. Railroad stocks continued to fluctuate narrowly at levels slightly below the highest prices of early August.

Corporation bonds were generally firm at the top prices of August, which were the highest since 1913. Foreign bonds remained firm at about the highest levels reached in August. United States Government issues were in general irregular, but the June 3½ per cent Treasury bonds advanced further to a new high price since issuance, at 101 21/32.

The volume of new financing continued to increase in September, but, as in the previous two months, was smaller than the amount offered in any month during the first half of the year. There was a resumption of heavy financing by public utility companies in September, and the total of state and municipal offerings likewise was larger than in several months, due principally to a substantial new bond offering of the City of Detroit. Realty issues also increased, but industrial and railroad loans were relatively small. The principal foreign offerings of the month were a Republic of Colombia \$25,000,000 bond issue, a Deutsche Bank (Berlin) \$25,000,000 offering, and \$18,500,000 of Gati-neau Power Company of Canada bonds. While the major parts of these issues were offered in this country, substantial amounts were also withdrawn for placement in foreign markets.

Production

Production in a number of industries increased by more than the customary seasonal amount from July to August, but the productive activity of the country continued at a lower rate than a year ago. The output of steel ingots was somewhat larger in August than in July, but pig iron production declined slightly, and trade reports in September have indicated that activity in the iron and steel industry has remained smaller than last year. Production of both bituminous and anthracite coal has been increased considerably from the July volume, partly reflecting the seasonal strengthening in demand, but remains lower than a year ago.

Passenger automobile production showed more than

the usual seasonal increase from July to August, but was more than one-fourth smaller than a year ago, and motor truck output remained small. Some decline in the September rate of production has been indicated by a gradual reduction in the number of workers shown by Detroit employment reports. Mill consumption of cotton increased substantially in August and continued much heavier than last year, and the activity of woolen mills expanded, but silk consumption was curtailed.

(Computed trend of past years=100 per cent)

	1926	1927		
	Aug.	June	July	Aug.
Producers' Goods				
Pig iron.....	108	108	102	99
Steel ingots.....	112	98	89	96
Bituminous coal.....	97r	81r	74r	82
Copper, U. S. mines.....	104	99	98	96
Tin deliveries.....	99	88	92	112
Zinc.....	111	98	95	101
Petroleum.....	110	118	119	.....
Gas and fuel oil.....	95r	97r	99r	.....
Cotton consumption.....	92	116	105	115
Woolen mill activity*.....	83	89	84	89p
Cement.....	130	133	136	136
Lumber.....	96	85	92	96p
Leather, sole.....	92r	107r	114r	112
Silk consumption.....	115r	116r	112r	110
Consumers' Goods				
Cattle slaughtered.....	105r	107r	98r	108
Calves slaughtered.....	93r	87r	76r	90
Sheep slaughtered.....	100r	108r	98r	106
Hogs slaughtered.....	105r	105r	101r	111
Sugar meltings, U. S. ports.....	99	96	91	96
Wheat flour.....	104r	100r	87r	87
Cigars.....	100r	101r	98r	103
Cigarettes.....	106r	109r	102r	118
Tobacco, manufactured.....	99r	102r	95r	98
Gasoline.....	105r	95r	90r	.....
Tires.....	110r	117r	104r	102p
Newsprint.....	109r	97r	94r	98
Paper, total.....	105r	103r	96r	.....
Boots and shoes.....	103r	107r	114r	116p
Anthracite coal.....	99	86	61	93
Automobile, all.....	146	100	92	101
Automobile, passenger.....	157	102	95	108
Automobile, truck.....	105	91	78	73

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

Building

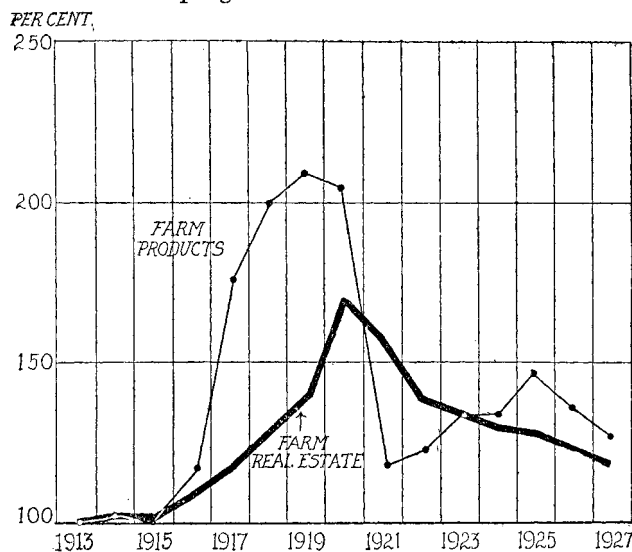
Contracts for building and engineering projects awarded in August were 3 per cent larger than in July, in the 37 states covered by the reports of the F. W. Dodge Corporation, but were 8 per cent below the unusually large total of August 1926, which marked the high level of building projects during 1926. The cumulative total of construction awards from the first of the year to the end of August was practically the same as in the corresponding period last year.

A decided increase in residential building in August, together with larger amounts of industrial and educational contracts, accounted for the increase over July. Public works and engineering projects, on the other hand, showed a reduction from the previous two months, and commercial construction also was smaller. All principal classes of building were smaller than in August 1926, industrial and residential construction showing the largest decreases.

The New York and Northern New Jersey district reported for August a contract volume 10 per cent smaller than in July and 8 per cent smaller than a year ago, due chiefly to a considerable decrease in public works and engineering projects.

Trend of Farm Real Estate Values

A report* recently issued by the Department of Agriculture indicates that the trend of farm real estate values continues to be downward. The accompanying diagram, prepared from the Department of Agriculture's figures, indicates that farm land values respond slowly to the major swings of prices of agricultural products, and that the readjustment to post-war conditions is still in progress.



Department of Agriculture Indexes of Farm Real Estate Values and Prices of Farm Products at the Farms. (Index of prices of farm products for 1927 based on first six months.)

The average valuation of farm real estate advanced gradually accompanying the rapid rise in prices of farm products during the War, but following a more rapid advance after the close of the War, reached in the spring of 1920 a level nearly 70 per cent above that of 1913. The response to the price drop of 1920-21 was slow, but a continuous decline has occurred for the past seven years, reflecting the unfavorable position of agricultural prices compared with industrial prices during most of the period.

In general, the most rapid rise in farm land values up to 1920, and the most drastic decline in the subsequent years, were in the predominantly agricultural states. Land values in 1920 were at least double those of 1913 in some of the cotton-growing states, and, although the reaction from the high level of that year has likewise been rapid, the increase over the pre-war level in these states remains above the average for the entire country. Land values in most of the leading grain-growing states last spring were little if any above those of 1913.

* Index Numbers of the Value of Farm Real Estate, 1912-1927, *Crops and Markets*, August 1927, p. 296.

Indexes of Business Activity

Business activity appears to have shown no consistent change from July to August. Two of the principal business indicators, merchandise carloadings and bank debits outside of New York City, showed slight declines after allowance for seasonal changes, but a large number of other indexes showed advances from July to August.

Retail trade showed an unusually large increase over August 1926, and foreign trade, especially import trade, showed more than the usual seasonal increase from July to August. Accompanying very active trading on the stock exchange, the index of bank debits in New York was higher than for any month in the past. Life insurance sales, advertising, and postal receipts also showed increases over July, after seasonal adjustment.

This bank's indexes of business activity are given in the following table in percentages of the computed trend, with allowance for seasonal variations, and, where necessary, for price changes.

(Computed trend of past years=100 per cent)

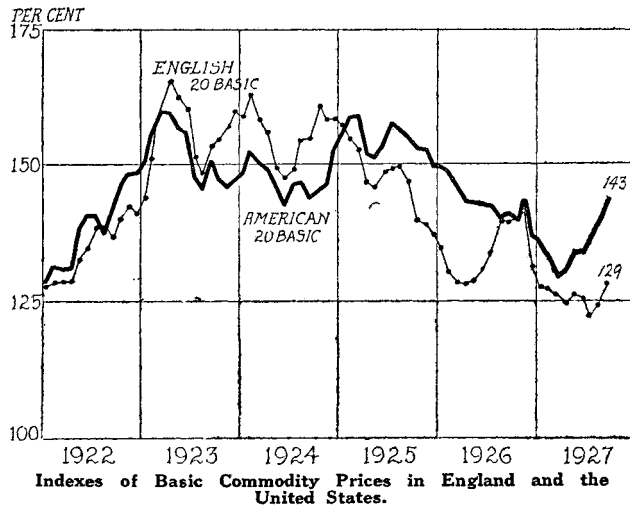
	1926	1927		
	Aug.	June	July	Aug.
Primary Distribution				
Car loadings, merchandise and misc.....	107	106	105	103
Car loadings, other.....	107	97	93	97
Exports.....	106	99	104	106p
Imports.....	113	131	119	127p
Grain exports.....	132	90	63	120
Panama Canal traffic.....	102	91	96	.....
Distribution to Consumer				
Department store sales, 2nd Dist.....	105	101	101	108
Chain store sales.....	99	100	106	101
Mail order sales.....	114	106	117	121
Life insurance paid for.....	113	112	109	113
Real estate transfers.....	106	96	97	.....
Magazine advertising.....	107	97	97	104
Newspaper advertising.....	113	100	97	102
General Business Activity				
Bank debits, outside of N. Y. City.....	112	116	116	112
Bank debits, New York City.....	132	134	136r	146
Bank debits, 2nd Dist. excl. N. Y. City.....	102	104	106	102
Velocity of bank deposits, outside New York City.....	103	106	110	104
Velocity of bank deposits, N. Y. City.....	132	128	135	145
Shares sold on N. Y. Stock Exchange*.....	209	219	176	234
Postal receipts.....	99	95	92	98
Electric power.....	106r	107r	106r	.....
Employment in the United States.....	104	100	100	100
Business failures.....	101r	115r	104r	107
Building permits.....	137	129	104	129
New corporations formed in N. Y. State.....	108	123	116	113
General price level.....	185	184	183	184

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

Commodity Prices

Basic commodity prices, as the accompanying diagram shows, have advanced steadily since the end of June to the highest average level in more than a year. The rise has been principally in agricultural products; prices of industrial products, except for an advance in fuels which is largely seasonal, have remained at the lowest levels since 1916.

Cotton was an important factor in the advance from the low point of March to the high point reached in the early part of September, and the reaction in cotton prices together with a decline in grain prices around the middle of September checked the advance in the basic price index. Unfavorable prospects early in the crop growing season were reflected in strong advances in grain prices during the spring, but more recently the tendency has been downward in response to more favorable crop conditions. Cattle prices have advanced steadily to the highest levels since 1920, hides have held at high levels following a rapid advance last spring, and hog prices have regained a part of the loss that occurred during the first half of the year.



Among the non-agricultural commodities, coal has shown a moderate seasonal advance, also crude petroleum, and a rise occurred in cotton goods accompanying higher raw cotton prices, but iron and steel prices have remained weak, and little tendency toward an advance has appeared in prices of other industrial products.

Department Store Trade

An average increase of more than 7 per cent in sales compared with a year ago was reported by leading department stores in this district for the month of August. One more selling day than in August 1926 accounted for a part of the gain. Reporting apparel stores had an equally large increase in sales, and mail order business also showed a substantial increase.

The amount of stock on hand at the end of August was slightly larger than a year previous for the first time this year, but the rate of stock turnover during the month was higher than a year ago. Collections were better than last year as in most previous months of this year.

Locality	Percentage Change August 1927 from August 1926		Per cent of Charge Accounts Outstanding July 31 Collected in August	
	Net Sales	Stock on hand end of month	1927	1926
New York.....	+ 8.1	+ 2.2	43.1	41.0
Buffalo.....	+ 0.2	- 7.2	46.4	45.1
Rochester.....	+ 0.2	- 8.6	33.8	35.0
Syracuse.....	+ 9.9	-12.1	.....	.....
Newark.....	+ 9.7	+ 5.9	41.7	41.8
Bridgeport.....	- 1.1	-14.8	.....	.....
Elsewhere.....	+ 6.2	- 2.6	29.9	30.6
Northern New York State.....	+ 4.9	.....	.....	.....
Central New York State.....	+11.8	.....	.....	.....
Southern New York State.....	+ 4.9	.....	.....	.....
Hudson River Valley District.....	+ 6.6	.....	.....	.....
Capital District.....	+ 5.4	.....	.....	.....
Westchester District.....	+ 4.5	.....	.....	.....
All department stores.....	+ 7.1	+ 0.3	41.1	39.7
Apparel stores.....	+ 7.6	.....	43.0	35.6
Mail order houses.....	+14.1	.....	.....	.....

Sales of books and stationery and sporting goods showed the largest increases over August 1926, and

women's wear, shoes, and hosiery were among the departments showing the more substantial increases. Woolen yard goods sales, though not large in actual amount, continued to show a considerable increase over the small volume of a year ago.

	Net Sales Percentage Change August 1927 from August 1926	Stock on Hand Percentage Change August 31, 1927 from August 31, 1926
Books and stationery.....	+31.2	- 0.6
Toys and sporting goods.....	+21.9	- 4.2
Women's and Misses' ready-to-wear.....	+21.4	+12.6
Shoes.....	+16.4	+30.0
Woolen goods.....	+14.7	- 2.2
Home furnishings.....	+14.1	- 1.5
Women's ready-to-wear accessories.....	+12.6	+ 2.6
Toilet articles and drugs.....	+10.9	- 5.5
Hosiery.....	+ 9.3	+12.2
Luggage and other leather goods.....	+ 7.0	- 4.3
Musical instruments and radio.....	+ 7.0	-37.6
Silverware and jewelry.....	+ 6.6	- 5.1
Linens and handkerchiefs.....	+ 6.3	+10.4
Furniture.....	+ 4.1	+ 0.4
Cotton goods.....	+ 2.4	+ 3.9
Men's and Boys' wear.....	+ 1.4	+ 5.7
Silks and velvets.....	- 3.2	+10.4
Men's furnishings.....	- 0.1	-15.6
Miscellaneous.....	+ 6.6	.....

Wholesale Trade

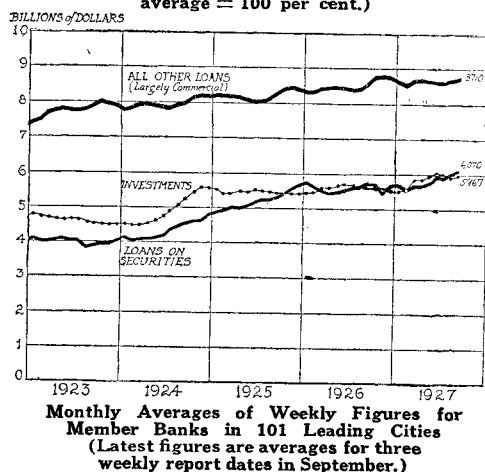
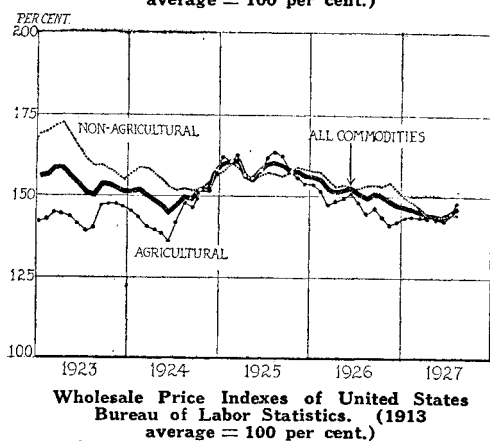
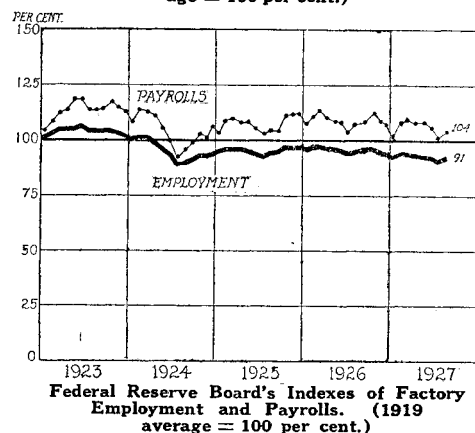
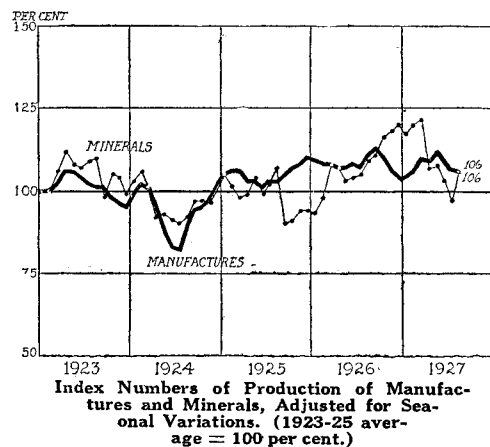
Wholesale trade in this district in August showed the largest year-to-year increase in more than two years, according to reports received by this bank. As in July, an important factor in the increase was a large gain in sales of women's coats and suits. Fairly large increases over August 1926 were reported also in sales of cotton goods, silks, shoes, drugs, and paper, and small increases occurred in sales of groceries, machine tools, and jewelry.

Stocks of groceries, cotton goods, and hardware were smaller at the end of August than a year previous, but shoe stocks continued substantially above the low level of last year, and mill stocks of silk goods and wholesale drug stocks also showed considerable increases. Collections showed no consistent change from those of August 1926.

Commodity	Percentage Change August 1927 from July 1927		Percentage Change August 1927 from August 1926		Per cent of Accounts Outstanding July 31 Collected in August	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1927	1926
Groceries.....	+ 2.7	- 1.5	+ 1.4	- 4.2	75.0	77.1
Men's clothing.....	+110.1	.....	+ 3.4	.....	37.8	45.4
Women's dresses.....	+ 92.2	.....	-12.1	.....	.....	.....
Women's coats and suits.....	+160.4	.....	+116.6	.....	.....	.....
Cotton goods—Jobbers.....	+ 12.6	- 2.2	+ 4.3	- 8.3	40.0	37.1
Cotton goods—Commission.....	+ 22.6	.....	+12.9	.....	.....	.....
Silk goods.....	+ 35.8	- 1.1*	+ 9.1	+11.9*	48.9	52.7
Shoes.....	+ 55.5	- 8.0	+15.3	+30.3	36.0	37.1
Drugs.....	+ 14.1	+13.4	+ 6.3	+10.8	46.8	39.6
Hardware.....	+ 9.8	+ 0.4	- 0.1	- 8.4	46.9	44.0
Machine tools**.....	+ 31.7	.....	+ 2.1	.....	.....	.....
Stationery.....	+ 19.1	.....	+ 5.1	.....	72.5	60.7
Paper.....	+ 6.3	.....	+ 6.5	.....	66.3	66.8
Diamonds.....	+ 29.4	- 0.2	-25.6	+ 0.8	29.4	24.4
Jewelry.....	+ 57.1	.....	+ 2.3	.....	.....	.....
Weighted Average.....	+ 54.9	.....	+ 12.6	.....	51.8	53.0

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

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



Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL production increased in August, reflecting a growth in the output of mines, and the distribution of commodities, both at wholesale and at retail, increased by more than the usual seasonal amount. The general level of wholesale commodity prices rose about one per cent, owing chiefly to advances in the prices of farm products.

PRODUCTION

Production of anthracite and bituminous coal, which showed a considerable decline earlier in the season, increased sharply in August and the early weeks of September, and this rise was reflected in an advance in the Board's index of mineral output from 98 per cent of the 1923-1925 average in July, to 106 per cent in August. The index of manufactures as a whole showed practically no change for the month. The iron and steel industry continued during August and September with little change in demand or in production, and the output of newsprint, lumber, and cement showed only customary seasonal changes in August. Consumption of cotton remained unusually large for this season of the year, and there was an increase in the production of automobiles, which, however, remained below the output of August of last year. Output of shoes and rubber tires increased from July to August by less than the customary seasonal amount. Factory employment was in practically the same volume in August as in July, and both employment and production were smaller than a year ago. The volume of building contracts awarded in August was smaller than in August 1926, which was a month of unusually large awards. The largest decreases, as compared with last year, were in Boston, New York, and Chicago Federal Reserve districts. In the first half of September awards were in practically the same volume as in the corresponding period of last year.

The Department of Agriculture's estimate of corn production on the basis of September 1 condition was 2,457,000,000 bushels, compared with 2,647,000,000 harvested in 1926. The total yield of wheat is expected to be somewhat larger than a year ago. The forecast of the yield of cotton was 12,692,000 bales, representing a reduction of 800,000 bales from the August estimate and of over 5,000,000 bales from last year's crop.

TRADE

Distribution of merchandise at wholesale and retail increased more than is usual in August, and sales were generally larger than in August of last year. Sales of wholesale firms in most leading lines were larger than a year ago. Inventories of department stores showed less than the usual seasonal increase in August and at the end of the month were in about the same dollar volume as a year ago. Stocks carried by wholesale firms continued in August generally smaller than last year.

Freight car loadings of nearly all types of commodities increased considerably in August and the early part of September, but, with the exception of grains and miscellaneous products, loadings for all groups continued in smaller volume than in the same period of last year.

PRICES

Wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, increased from 145 in July to 147 in August. There were large increases in the prices of farm products and of clothing materials, while most of the other groups showed only slight changes. The price of raw cotton advanced from 17½ cents a pound on August 1 to over 23 cents on September 8, but since that date has declined by about three cents a pound. Prices of cotton goods, cattle, hogs, and sugar also increased during August and the first three weeks of September, while those of grains declined; recently there have been reductions in the prices of some iron and steel products.

BANK CREDIT

Total loans and investments of member banks in leading cities between August 17 and September 21 increased by \$400,000,000 to the largest figure on record. There were increases in loans on securities and in investments as well as the usual seasonal growth in loans for agricultural and commercial purposes.

The volume of Reserve Bank credit increased during the month ended September 21, reflecting the seasonal growth in the demand for currency and an export of gold. The increase was entirely in the holdings of acceptances and United States securities, as there was little change in the discounts for member banks.

In the open money markets, rates on security loans increased slightly during September, while rates on commercial paper and 90-day bankers acceptances remained unchanged at the lowest levels of the year. Discount rates at the Federal Reserve Banks of Philadelphia, Chicago, San Francisco, and Minneapolis were reduced during September from 4 to 3½ per cent, the rate prevailing in the other eight districts.