

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

November 1, 1927

#### Money Market in October

**A**FTER firmness early in October, money conditions in New York have become easier. The primary cause for this change is to be found in a return of funds to New York from other districts, which in its turn reflects, in part at least, a seasonal reduction in the amount of currency in circulation. This return flow of funds has enabled the banks in this district to reduce the amount of their borrowing from the Federal Reserve Bank of New York by more than 50 million dollars. The easier position of the money market is reflected in a lower call loan rate and a reduction of  $\frac{1}{8}$  in the time money rate. These changes are illustrated in the diagrams at the foot of this page, and the figures for money rates as compared with a month ago and a year ago are shown in the following table:

Money Rates at New York

	Oct. 30, 1926	Sept. 30, 1927	Oct. 31, 1927
Call money . . . . .	*4 $\frac{1}{2}$	*4	*3 $\frac{1}{2}$
Time money—90 day . . . . .	4 $\frac{3}{4}$	4 $\frac{1}{4}$	4 $\frac{1}{4}$
Prime commercial paper . . . . .	4 $\frac{1}{2}$	4	4
Bills—90 day unendorsed . . . . .	3 $\frac{7}{8}$	3 $\frac{1}{2}$	3 $\frac{1}{4}$
Treasury certificates and notes			
Maturing December 15 . . . . .	3.44	2.52	2.52
Maturing March 15 . . . . .	3.54	3.04	3.01
Federal Reserve Bank of New York			
rediscount rate . . . . .	4	3 $\frac{1}{2}$	3 $\frac{1}{2}$
Federal Reserve Bank of New York			
buying rate for 90 day bills . . . . .	3 $\frac{1}{4}$	3 $\frac{1}{4}$	3 $\frac{1}{4}$

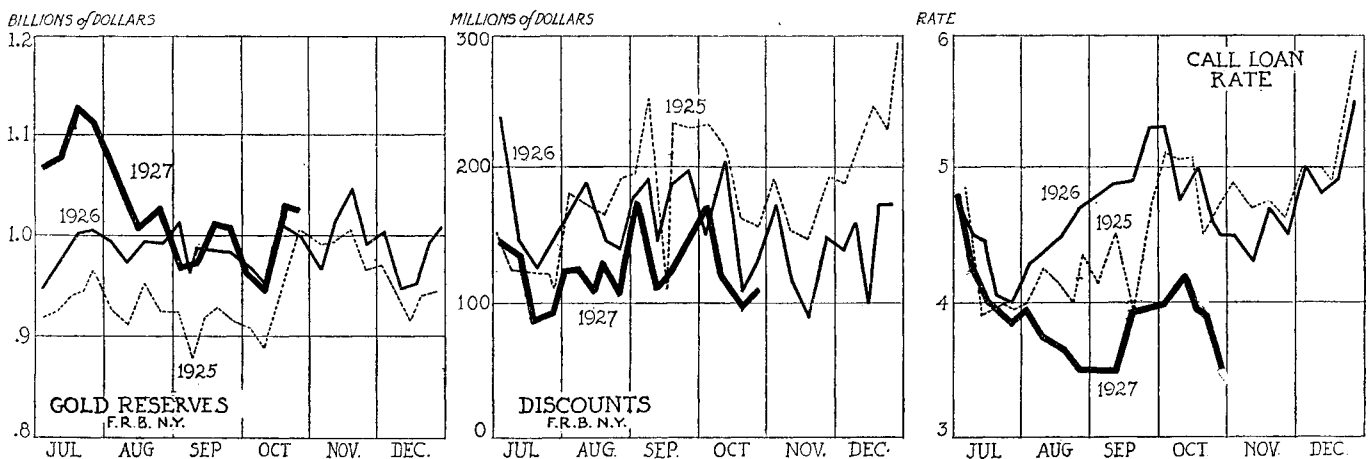
\*=Prevailing rate for preceding week

This easing in money after the middle of October follows rather precisely the pattern of the two years

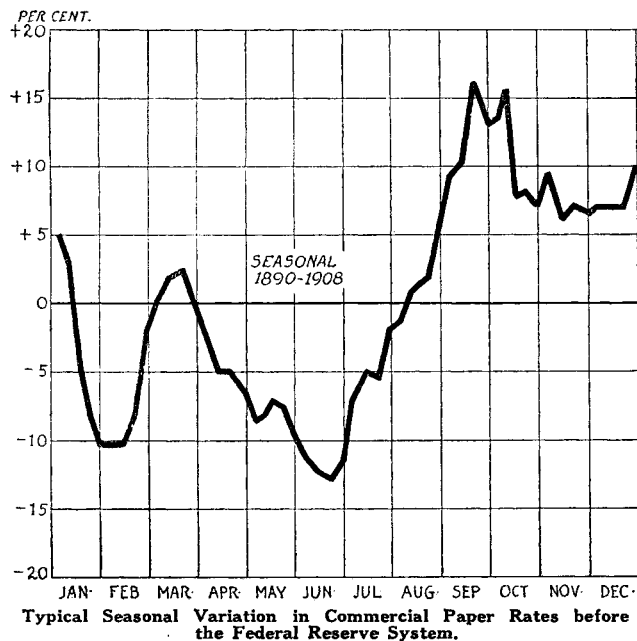
preceding, and follows moreover in its timing, though not in its extent, the seasonal changes in credit conditions, which have been customary in this country for many years in the past. It has long been true that the peak of the seasonal credit strain has occurred in the first half of October. At that time money rates have usually touched a high point for the year. It appears to be true in a number of foreign countries as well that the seasonal peak of credit strain occurs in October.

It might seem to be somewhat peculiar that early October should be the time of greatest strain rather than the Christmas season, with its far larger demand for currency. Among the factors which offer possible explanation are to be found the culmination of the demand for funds for crop moving early in October, the reaching of a seasonal peak at that time by a number of lines of wholesale trade, and, as far as money rates are concerned, the fact that 90-day loans made after the first of October, carry through into the beginning of the new year, and mature at a time when money is always in supply.

The old seasonal movement of interest rates prior to the establishment of the Federal Reserve System is shown in a diagram on the following page. It is typical of the movement of rates under the Federal Reserve System that the period of greatest seasonal strain in money has been passed this year without any quoted change in commercial paper rates and almost no change in the rates that banks are charging their customers. The only quotable change has been in call money rates, together with a slight change in time money, which, following an



Changes in the Gold Reserves and Discounts of the Federal Reserve Bank of New York and in Weekly Average Call Loan Renewal Rates, During Fall Season of 1927, Compared with 1925 and 1926.



advance in September from 4 to  $4\frac{1}{4}$ , rose in October to  $4\frac{3}{8}$ , but returned to  $4\frac{1}{4}$  again near the end of the month.

One factor in easing the autumn seasonal strain under the Federal Reserve System has been the use of the bankers acceptances, and the readiness of the Reserve Banks to purchase these acceptances at stated rates when member banks or dealers require funds. By their purchase of bankers acceptances the Reserve Banks place Federal Reserve funds in the market without the necessity for member banks' incurring the liability of borrowing. It is interesting to observe that from July 27 to October 19 this year the bill holdings of the Federal Reserve System have increased from 169 millions to 283 millions—an increase of 114 millions—and that in the same period the amount of currency in circulation has increased 115 million dollars. Thus the seasonal requirements for additional currency have been almost precisely met by additional purchases of bankers acceptances by the Reserve Banks.

#### INTERNATIONAL MONEY MARKET

In October for the second month this year gold movements showed a net balance of exports, due to shipments to the Argentine and to Canada,—both of them largely the result of the relative position of the exchanges. The total amount of the net export movement at New York was over 9 million dollars, of which 8 millions went to the Argentine and 1 million to Canada.

Sterling exchange continued to show unusual strength for this season of the year and reached a new high figure since 1914 of  $\$4.86\frac{7}{8}$ . Similarly, the exchanges on other important European centers have been strong, reflecting in part some tendency for funds to move abroad from the New York money market, accompanying large sales of new foreign issues in this market at a time when money rates here have tended to be lower than money rates abroad.

The delicacy of balance of the international money markets is, however, illustrated by increases since a

month ago in the discount rates of de Nederlandsche Bank from  $3\frac{1}{2}$  to  $4\frac{1}{2}$  per cent and the Reichsbank from 6 to 7 per cent. In the case of Holland the increase in the rate of the bank of issue followed a loss of gold to the United States, which totaled 15 million dollars since July, and a weakness in the exchanges, as a consequence of which, together with the strength of sterling, the gold export point on London had been practically reached.

The increase in the discount rate of the Reichsbank follows an increase in market rates, an increase in note circulation, and in the volume of credit outstanding.

These changes indicate that the exchanges and money rates of individual countries are now responding, somewhat as before the war, to movements in other countries. The New York money market has, however, become a far more influential factor in these movements than before the war.

#### BILL MARKET

Seasonal demands for funds to finance crop movements and exports resulted in a continued increase in the supply of bills offered to the market during October. Although the investment demand for bills also increased, dealers' portfolios rose early in the month to the highest levels in more than a year, and the offering rates on three and four months bills were advanced  $\frac{1}{8}$  per cent to  $3\frac{1}{4}$  and  $3\frac{3}{8}$  per cent respectively. Throughout the month, however, the supply continued to exceed the demand, and bill holdings of the Reserve Banks were increased.

#### COMMERCIAL PAPER MARKET

In the commercial paper market there continued to be a good demand for paper, particularly in the Middle West, and the volume of dealers' sales was limited chiefly by available supplies of paper. The going rate for prime paper, however, was slightly firmer, a larger proportion being made at 4 per cent than in the previous month. Transactions at  $3\frac{3}{4}$  per cent were reported to have become infrequent. During September the amount of paper outstanding through 26 dealers showed a further increase of over 1 per cent to \$600,000,000, an amount only 2 per cent smaller than a year ago, compared with reductions of as much as 16 per cent earlier in the year. During the latter part of last year there was an uninterrupted decline in outstandings of open market commercial paper.

#### MEMBER BANK CREDIT

Commercial loans of reporting member banks, both in this district and in the country as a whole, increased in the early part of October to the highest levels in recent years, but have declined subsequently to approximately the same volume as in the latter part of September. The increase in commercial loans since the low point of July, while substantial, has not been equal to that of the corresponding period in 1925 or 1926.

Security loans of reporting member banks reached a new high level in the first week of October, but subsequently declined somewhat. As an accompanying diagram shows, the amount of these loans, which in previous years varied closely with the level of stock prices, during the past year has shown a less rapid rise than stocks. As the second diagram indicates, the expansion in loans to brokers and dealers in securities, placed by



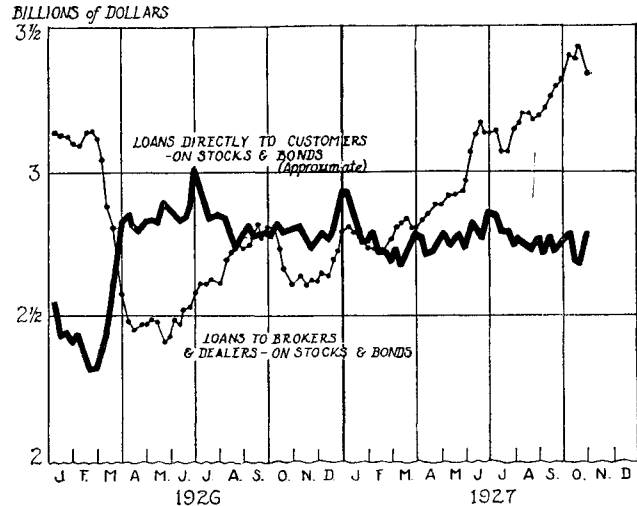
Total Loans on Stocks and Bonds of All Reporting Member Banks, Compared with the Movement of Stock Prices (Standard Statistics Company Index of 228 Stocks).

reporting New York City banks for their own account and for correspondents, has been more nearly proportionate to the rise in stock prices, and has apparently reflected more accurately the demand for stock trading purposes during the past year. This diagram indicates that, since the apparent movement in March 1926 to supplant borrowing through brokers with direct borrowing from banks, there have been only minor fluctuations in bank loans to customers on stocks and bonds. These figures, which represent the difference between loans to brokers and total security loans of reporting banks, are now about the same as a year ago, whereas brokers' loans have increased nearly 400 millions since the middle of July, and are nearly 800 millions higher than a year ago.

**Changes in Central Bank Rates**

On October 4th, the German Reichsbank raised its rate of discount from 6 per cent to 7 per cent; on the 13th, the Netherlands Bank from 3½ per cent to 4½ per cent, and on the 31st the Norwegian Bank rate was raised from 4½ per cent to 5 per cent. On the 10th, the Bank of Japan reduced its rate from 5.84 per cent to 5.47 per cent. Rates of principal banks of issue, compared with a year ago, are shown in the table.

Country	Rate at end of October	
	1926	1927
Austria.....	7	6½
Belgium.....	7	5
Czecho-Slovakia.....	5½	5
Denmark.....	5	5
England.....	5	4½
France.....	7½	5
Germany.....	6	7
Hungary.....	6	6
Italy.....	7	7
Netherlands.....	3½	4½
Norway.....	4½	5
Poland.....	10	8
Sweden.....	4½	4
Switzerland.....	3½	3½



Loans to Brokers and Dealers in Securities and Estimated Loans Directly to Customers on Stocks and Bonds, All Reporting Member Banks.

**The Foreign Exchanges**

The general rise in the exchanges, which began in the early summer, continued into October. Demand sterling reached \$4.867/8, a new post-war high, on the 20th, but reacted from this level. Netherlands florins, following the advance in the discount rate of the bank of issue of that country, rose above parity to 40.26 cents on the 28th. German marks were strong, touching 23.90 cents, also under the influence of higher money rates. Swedish crowns reached 26.94 cents; Danish crowns were steady at parity and Swiss francs slightly below. The Belga fluctuated between the narrow limits of 13.91 and 13.93 cents. Movements of French francs and Italian lire were small, although the latter has shown some tendency to accompany sterling in its advance.

At their present rates, most of the principal European exchanges now legally stabilized stand at or above dollar parity, although the premium, if any, is small, except in the cases of Sweden and Germany. The table below shows the extent of the rise which has occurred in a number of leading gold exchanges since the middle of July.

(Cents per unit for checks)

Country	Par of Exchange	July 1927 Low	Oct. 1927 High	Per cent Rise
England.....	486.65	485.06	486.88	.375
Denmark.....	26.80	26.71	26.80	.337
Germany.....	23.82	23.70	23.90	.844
Holland.....	40.20	40.03	40.26	.575
Sweden.....	26.80	26.76	26.94	.673
Switzerland.....	19.30	19.24	19.29	.260
Argentina.....	42.45	42.39	42.71	.755

Among the American rates, the Argentine peso, which had reached 42.71 cents, reacted somewhat, perhaps under the influence of the gold imports which have lately come to Buenos Aires from the United States, following a movement from London and South Africa. Canadian exchange has shown its usual seasonal strength, rising to \$1.0016 on the 21st.

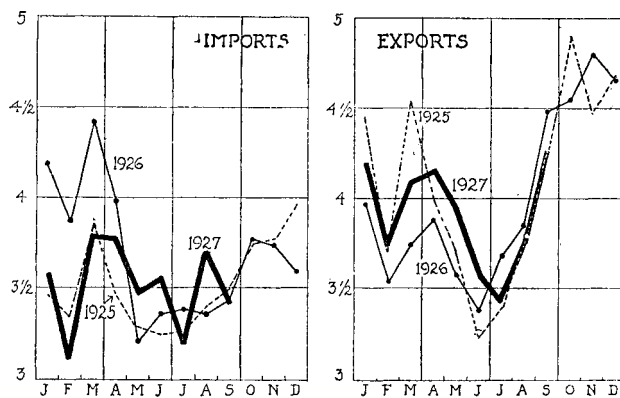
In the Far East, Japanese yen showed little change from late September fluctuating between 46.34 and 46.54 cents. Indian rupees were firm at the best levels since February. Silver and silver exchanges also rose, the metal touching 57 cents, a slightly higher quotation than was recorded in August or September.

### Foreign Trade

Merchandise exports were \$22,000,000 smaller in September this year than in September 1926, partly due to a reduction in the value of exports of finished manufactures, especially refined petroleum products (prices of which were lower than a year ago). Grain exports were considerably larger than a year ago, both in quantity and in value, and although cotton exports were more than one-fifth smaller in quantity than in September 1926, the value was only 10 per cent lower.

Imports showed more than the usual seasonal decline from August to September. Quantity receipts of rubber and coffee were smaller than in either August of this year, or September 1926. Silk imports, while smaller than the unusually large volume of August, continued above those of a year ago. The total value of crude materials and foodstuffs imported during September was \$10,000,000 smaller than last year, while imports of finished manufactures showed an increase in value of \$8,000,000.

The accompanying diagram shows that merchandise imports during the past five months have averaged larger than in 1926, whereas declines were reported in each of the first four months of the year. On the other hand, merchandise exports have recently been running somewhat lower than a year ago, reversing the tendency apparent earlier in the year.



Monthly Imports and Exports of Merchandise of the United States in 1927, Compared with 1926 and 1925. (In hundreds of millions of dollars)

### Security Markets

The trend of the stock market was generally downward in October. The turnover continued large; sales averaged about 2,200,000 shares daily, and on one day reached 3,200,000 shares. Industrial stocks in the first few days of the month advanced to new high levels, but subsequent liquidation reduced average prices by more than 10 points, and near the close of the month prices were generally the lowest since August. Reactionary move-

ments occurred also in railroad stocks, and an average decline of about 9 points from the high levels of the first part of the month carried prices to the lowest levels in several months.

Corporation bonds held firm throughout the reaction in stocks, and, notwithstanding the large volume of new securities floated during the month, showed an average advance of about  $\frac{1}{4}$  of a point further to the highest levels of recent years. United States Government bonds generally showed small net gains for the month but foreign issues eased slightly.

New security offerings were of substantial volume in October. In the domestic group, public utility offerings were especially large, and both industrial and railroad financing also increased. Foreign financing in this market, totaling over \$250,000,000, was heavier than for any month in the past. Issues of German origin accounted for more than \$100,000,000 of the total foreign offerings.

Foreign financing in this country exceeded the amount of foreign loans placed in Great Britain during most of the first nine months of this year, and during August and September the spread was particularly wide. During the first nine months of this year, foreign borrowings here were \$584,000,000 larger than the amount obtained in London, compared with an excess of \$304,000,000 in the corresponding period of last year. In the following table, the amounts of foreign financing in this country include the refunding here of issues originally floated in other countries, but exclude refunding issues to replace securities issued in this market in the first instance, and also any portion of new issues withdrawn for offering in foreign markets.

(New capital only; in millions of dollars)

	In United States (Including U. S. possessions)	In Great Britain (Including British possessions)
1927		
January.....	127.3	77.0
February.....	77.6	29.0
March.....	106.8	34.0
April.....	217.4	44.0
May.....	42.9	53.0
June.....	124.2	39.0
July.....	69.9	92.0
August.....	109.1	0.5
September.....	86.1	9.0
Total 9 months ended September:		
1927.....	961.3	377.5
1926.....	710.6	407.0

### Gold Movement

An additional \$8,400,000 of gold was shipped from New York to Argentina in October, bringing total shipments to that country since the first of September to \$31,500,000. The only other important export in October was \$1,000,000 to Canada near the end of the month, when Canadian exchange rose to approximately the gold export point for the first time since April. Other exports of gold from the Port of New York during October totaled about \$700,000 and total imports were somewhat smaller comprising numerous small shipments. The October gold movement at New York has thus resulted in net exports of about \$9,500,000.

In consequence of the Argentine demand, exports of

gold for the entire country during September were the largest since August 1926, amounting to \$24,440,000. Imports totaled \$12,980,000, of which \$9,700,000 was from Australia and \$1,100,000 from Ecuador. The result was therefore a net export of \$11,460,000, the first export balance since September 1926.

### Production

Production in leading industries showed no consistent change from August to September, after allowance for the usual seasonal variation, but was lower than a year ago in a majority of cases. Production of automobiles, and activity in the meat packing industry were reduced in September, and further declines occurred in the output of iron and steel. The textile industries, however, made a rather favorable showing; mill consumption of cotton continued at a high level; silk consumption was unusually large; and more than the usual seasonal increase occurred in woolen mill activity.

Trade reports in October have indicated continued irregularity in industrial activity. Production of iron and steel appears to have shown only a slight increase, and Detroit employment figures appear to reflect smaller automobile output than in September. Bituminous coal production has shown at least the usual seasonal increase from the low point of July, and anthracite production, which was unusually small for the time of year in September, showed an upward tendency in October. The production of cotton goods appears to have continued at a high level.

In the following indexes of production adjustment has been made for seasonal variations and year-to-year growth.

(Computed trend of past years=100 per cent)

	1926	1927		
	Sept.	July	Aug.	Sept.
<b>Producers' Goods</b>				
Pig iron.....	109	102	99	96
Steel ingots.....	116	89	96	94
Bituminous coal.....	100 <sup>r</sup>	74 <sup>r</sup>	82 <sup>r</sup>	83
Copper, U. S. mines.....	108	98	96	98
Tin deliveries.....	95	92	112	96
Zinc.....	116	95	101	103
Petroleum.....	110	119	119	...
Gas and fuel oil.....	98 <sup>r</sup>	90 <sup>r</sup>	97 <sup>r</sup>	...
Cotton consumption.....	107	105	115	116
Woolen mill activity*.....	93	84	89	96 <sup>p</sup>
Cement.....	132	136	136	134
Lumber.....	88	92	94	98 <sup>p</sup>
Leather, sole.....	92 <sup>r</sup>	114 <sup>r</sup>	111 <sup>r</sup>	109
Silk consumption.....	115 <sup>r</sup>	112 <sup>r</sup>	110 <sup>r</sup>	122
<b>Consumers' Goods</b>				
Cattle slaughtered.....	114 <sup>r</sup>	98 <sup>r</sup>	108 <sup>r</sup>	97
Calves slaughtered.....	98 <sup>r</sup>	76 <sup>r</sup>	90 <sup>r</sup>	81
Sheep slaughtered.....	103 <sup>r</sup>	98 <sup>r</sup>	106 <sup>r</sup>	99
Hogs slaughtered.....	100 <sup>r</sup>	101 <sup>r</sup>	111 <sup>r</sup>	94
Sugar meltings, U. S. ports.....	132	91	96	110
Wheat flour.....	99 <sup>r</sup>	87 <sup>r</sup>	87 <sup>r</sup>	91
Cigars.....	100 <sup>r</sup>	98 <sup>r</sup>	103 <sup>r</sup>	107
Cigarettes.....	109 <sup>r</sup>	102 <sup>r</sup>	118 <sup>r</sup>	117
Tobacco, manufactured.....	102 <sup>r</sup>	95 <sup>r</sup>	98 <sup>r</sup>	98
Gasoline.....	105 <sup>r</sup>	99 <sup>r</sup>	98 <sup>r</sup>	...
Tires.....	125 <sup>r</sup>	104 <sup>r</sup>	102 <sup>r</sup>	103 <sup>p</sup>
Newsprint.....	114 <sup>r</sup>	94 <sup>r</sup>	98 <sup>r</sup>	94
Paper, total.....	110 <sup>r</sup>	98 <sup>r</sup>	103 <sup>r</sup>	...
Boots and shoes.....	107 <sup>r</sup>	115 <sup>r</sup>	119 <sup>r</sup>	113 <sup>p</sup>
Anthracite coal.....	119 <sup>r</sup>	69 <sup>r</sup>	100 <sup>r</sup>	94
Automobile, all.....	144	92	102 <sup>r</sup>	91
Automobile, passenger.....	151	95	109 <sup>r</sup>	94
Automobile, truck.....	116	78	74 <sup>r</sup>	82

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

### Indexes of Business Activity

This bank's indexes of business activity for September continued to show mixed changes as compared with the previous month and a year ago. Bank debits in 140 centers outside of New York City increased sharply in September and were 10 per cent larger than a year ago, compared with an average increase of 3 per cent during the first 8 months of the year. The index of debits in New York City was higher than ever before, accompanying continued heavy stock exchange trading.

Car loadings of merchandise and miscellaneous freight on a daily basis also increased in September by more than the usual seasonal amount and compared favorably with 1926 and 1925. Loadings of the heavy bulk freight, however, increased less than seasonally and were considerably smaller than a year ago. An increase of 4 per cent in mail order sales over last year reflects the increased purchasing power in agricultural districts this year.

September indexes of business activity in percentages of the computed trend, with allowance for seasonal variations, and, where necessary, for price changes, are compared below with figures for recent months and a year ago.

(Computed trend of past years=100 per cent)

	1926	1927		
	Sept.	July	Aug.	Sept.
<b>Primary Distribution</b>				
Car loadings, merchandise and misc.....	109	105	103	105
Car loadings, other.....	108	93	97	96
Exports.....	106	104	105	102 <sup>p</sup>
Imports.....	121	119	127	122 <sup>p</sup>
Grain exports.....	112	63	120	166
Panama Canal traffic.....	98	96	97	...
<b>Distribution to Consumer</b>				
Department store sales, 2nd Dist.....	105	101	108	108
Chain store sales.....	104	106	101	105
Mail order sales.....	108	117	121	110
Life insurance paid for.....	115	109	113	111
Real estate transfers.....	104	97	98	94
Magazine advertising.....	104	97	104	100
Newspaper advertising.....	107	97	102	102
<b>General Business Activity</b>				
Bank debits, outside of N. Y. City.....	110	116	112	118
Bank debits, New York City.....	123	136	146	151
Bank debits, 2nd Dist. excl. N. Y. City.....	105	106	102	111
Velocity of bank deposits, outside of New York City.....	98	110	104	109
Velocity of bank deposits, N. Y. City.....	127	135	145	153
Shares sold on N. Y. Stock Exchange*.....	173	176	234	235
Postal receipts.....	99	92	98	93
Electric power.....	108 <sup>r</sup>	106 <sup>r</sup>	105 <sup>r</sup>	...
Employment in the United States.....	104	100	100	99
Business failures.....	93 <sup>r</sup>	104 <sup>r</sup>	107 <sup>r</sup>	101
Building permits.....	133	104	129	119
New corporations formed in N. Y. State.....	112	116	113	112
General price level.....	186	183	184	184

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

### Building

The volume of contracts awarded in September in the New York and Northern New Jersey district was 25 per cent smaller than in August, and 28 per cent smaller than in September of last year, according to reports received by the F. W. Dodge Corporation. Contracts for residential building were the smallest since March 1925, and commercial and industrial awards were the smallest this year, but public works and engineering projects increased following a temporary decline in

August. Building contract awards in this district from the first of the year to the end of September showed a reduction of about 4 per cent from the volume of a year ago.

Total contracts awarded in 37 states east of the Rockies in September were 6 per cent smaller than in August and 7 per cent smaller than a year ago. Residential, commercial, and educational building declined as compared with the previous month and a year ago, but the amount of contracts for public works and utilities construction showed an increase in both comparisons. Contracts awarded during the first nine months of this year were approximately 1 per cent smaller than the total for the corresponding period a year ago, the net result of declines in industrial and residential building, largely offset by increased construction of public works and utilities and miscellaneous buildings. Compared with the corresponding period of 1925, there was an increase of about 7 per cent in total contract awards.

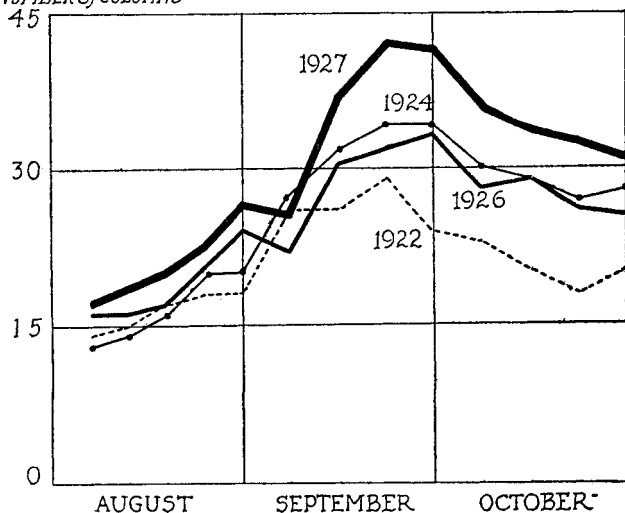
### Apartment Rents

Reports from representative apartment house managers and owners in the Metropolitan area covering the fall renting season of this year indicate a further slight decline in rentals, chiefly in the higher priced apartments, the supply of which has been augmented largely in recent years by new construction.

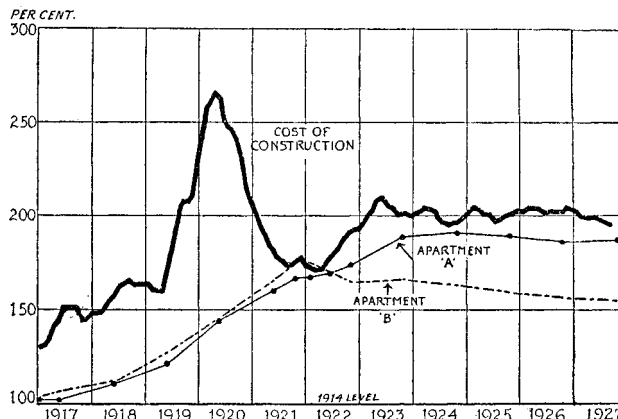
Rents were well maintained during the year for apartments which in 1920 rented for less than \$15 per room monthly, but showed an average decline of 1 per cent for apartments which rented in 1920 for between \$15 and \$30 and of 3 per cent for \$30 to \$50 per room apartments. Apparently due to the difficulty of building profitably, at current construction costs, apartments to rent for less than \$15 per room, average reported rentals for such accommodations are now only slightly below their highest level, and are higher relative to the pre-war level than are the medium priced apartments.

A larger number of vacancies after October 1 than in a number of years was reported this year, and

NUMBER of COLUMNS



Amount of Advertising of Apartments for Rent in Classified Columns of Sunday Editions of a New York Newspaper during Renting Seasons of 1927 and Previous Years.



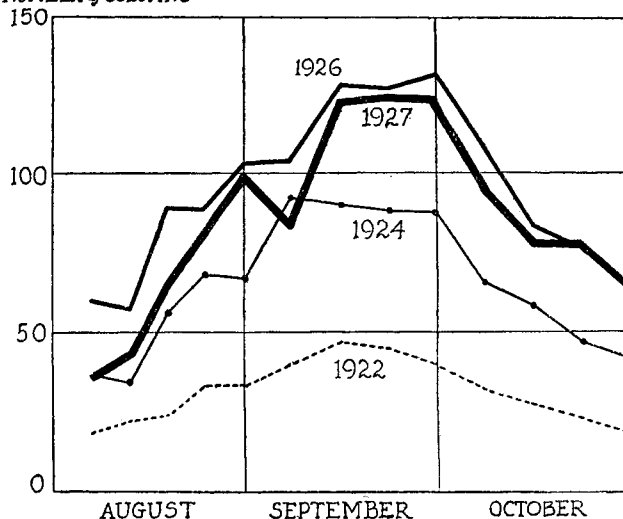
Rents of Apartments in New York City compared with Changes in the Cost of Building Construction. Apartment A is the Typical Apartment renting for less than \$15 per room in 1920. Apartment B is the Typical Apartment renting for between \$15 and \$30 per room in 1920.

contracts for residential building in New York City during the first nine months of the year have been about 20 per cent smaller than a year ago. In general, new buildings have rented fairly well, partly under the stimulus of the granting of concessions, but older apartment houses have shown some vacancies.

Further indication of a large supply of the older apartments for rent is indicated by a larger amount of advertising of apartments than last year in the classified columns. Display advertising, which represents principally new and usually large apartment houses, was of somewhat smaller volume throughout the renting season than in 1926, apparently reflecting the reduction in new building. The number of columns of classified and display advertising of apartments in the Sunday edition of a leading New York City newspaper during the renting season of this year is compared with several recent years in the accompanying diagrams.

Mortgage loan rates have shown a declining tendency during the past year, reflecting the pressure of funds

NUMBER of COLUMNS



Columns of Display Advertising of Apartments for Rent in Sunday Editions of a New York Newspaper during Renting Seasons of 1927 and Previous Years.

seeking employment in real estate loans. Although the general range of rates for mortgage money has remained unchanged at 5 to 6 per cent, depending on locality and type of building, the proportion of loans placed on high grade New York City property at 5 per cent has increased. At the same time, there has been some decrease in the demand for funds for real estate and building purposes.

**Crops**

There was a substantial improvement during September in prospects for late crops and, according to the Department of Agriculture, the composite condition advanced 1.7 per cent. Maturity of the corn crop was hastened by the unusually warm weather of September, so that by October 1 most of the crop was safe from frost damage. The estimate of yield was advanced nearly 150 million bushels over that of the first of September, and more than 300 millions over that of July 1, when late planting and cool weather made it appear doubtful that even the small crop indicated would have a chance to mature. An increase was also made in the estimated yield of spring wheat, which is now placed at more than 100 million bushels—over 50 per cent—higher than the actual production in 1926. There was a slight decrease in the estimated yield of the cotton crop, which is now put at only 70 per cent of last year's record production.

It appears that the income to producers will be considerably larger than it was last year. In general, the largest gains have been made in states which were seriously affected in recent previous years by the reduced prices for agricultural products, and in which bank failures have been numerous. Kansas, Nebraska, the Dakotas, and Montana, all have had good crops this year, which are selling generally at prices as high as, or higher than, a year ago.

Estimates based on the yields indicated by October 1 conditions, together with prices prevailing at the time of heaviest crop movement in the case of early crops, and October prices in the case of late crops, indicate that the small cotton crop will bring nearly one-third more than last year's very large crop, and that the value of the corn, oats, barley, and rye crops is considerably larger this year than last. The value of all wheat produced this year appears to be fully as high as that of the 1926 yield, and higher prices of fruit crops will probably offset in large measure the decline in the quantity produced.

**Department Store Trade**

September sales of leading department stores in this district were 2 per cent larger than in September a year ago, a smaller percentage increase than was reported for August. After allowance for an estimated decline of between 2 and 3 per cent in retail prices during the past year, this increase would appear to indicate at least the usual annual rate of growth in the quantity of merchandise sold. The warm weather of September was reported to have retarded retail sales of Fall merchandise, however, and a number of localities showed smaller sales than a year previous.

The value of merchandise on hand in reporting stores

at the end of the month averaged about the same as a year ago, and outstanding orders for merchandise were small for the time of year. The rate of stock turnover for the month continued to be slightly higher than last year, and the rate of collection of accounts receivable also continued above that of a year ago.

Locality	Percentage Change September 1927 from September 1926		Per cent of Charge Accounts Outstanding August 31 Collected in September	
	Net Sales	Stock on hand end of month	1927	1926
New York.....	+ 1.4	+ 1.6	42.4	40.1
Buffalo.....	- 1.4	- 9.0	51.8	49.8
Rochester.....	- 2.1	- 5.6	35.1	36.4
Syracuse.....	+ 2.9	- 9.5	.....	.....
Newark.....	+11.2	+ 9.1	43.1	42.2
Bridgeport.....	- 7.9	-26.9	.....	.....
Elsewhere.....	- 1.0	- 2.6	31.0	31.9
Northern New York State.....	- 1.3	.....	.....	.....
Central New York State.....	+ 7.2	.....	.....	.....
Southern New York State.....	- 8.3	.....	.....	.....
Hudson River Valley District.....	+ 3.8	.....	.....	.....
Capital District.....	- 2.3	.....	.....	.....
Westchester District.....	+ 1.7	.....	.....	.....
All department stores.....	+ 2.2	0	41.3	39.6
Apparel stores.....	- 0.1	+ 4.5	46.7	39.7
Mail order houses.....	+ 3.9	.....	.....	.....

**Wholesale Trade**

September wholesale trade in this district, as reported by representative dealers, fell 8 per cent below that of September last year, following increases in July and August. All lines covered by the reports showed less favorable comparisons with 1926 sales in September than in August, with the exception of jewelry and diamonds. Machine tool sales were little more than half those of September 1926, and sales of dresses, silks, and stationery showed large declines.

Reported stocks of drugs and hardware were considerably smaller than a year ago, and stocks of groceries and cotton goods were somewhat smaller, but stocks of shoes remained well above the low levels of a year ago. Collections in September appear to have been slightly slower than last year in most lines.

Commodity	Percentage Change September 1927 from August 1927		Percentage Change September 1927 from September 1926		Per cent of Accounts Outstanding August 31 Collected in September	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1927	1926
Groceries.....	+ 6.3	+ 9.4	- 3.2	- 4.9	76.3	77.4
Men's clothing.....	-15.8	.....	- 9.2	.....	35.0	38.2
Women's dresses.....	- 3.8	.....	-26.6	.....	58.2	60.0
Women's coats and suits.....	+ 0.4	.....	+ 1.3	.....	.....	.....
Cotton goods—Jobbers.....	- 0.2	- 1.8	- 9.9	- 4.3	37.2	38.3
Cotton goods—Commission.....	- 3.3	.....	- 8.2	.....	.....	.....
Silk goods.....	-18.9	.....	-19.1	.....	44.3	47.7
Shoes.....	+ 5.2	-12.6	+ 7.6	+40.8	36.0	35.1
Drugs.....	+27.7	- 1.9	+ 4.1	-12.2	42.9	47.3
Hardware.....	+14.0	+ 3.3	- 2.0	-16.6	43.8	42.7
Machine tools*.....	-37.7	.....	-45.3	.....	.....	.....
Stationery.....	- 3.8	.....	-15.6	.....	63.4	59.4
Paper.....	+ 5.3	.....	+ 4.2	.....	57.4	67.7
Diamonds.....	+15.5	.....	-20.2	.....	.....	.....
Jewelry.....	+40.0	.....	+10.4	+ 1.4	27.7	26.1
Weighted Average.....	- 0.7	.....	- 8.2	.....	50.9	52.5

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

**Business Conditions in the United States**

(Summarized by the Federal Reserve Board)

**I**NDUSTRIAL and trade activity increased less in September than is usual at this season of the year and continued to be in smaller volume than a year ago. The general level of wholesale commodity prices showed a further rise, reflecting chiefly price advances for agricultural commodities.

**PRODUCTION**

The Federal Reserve Board's indexes of both manufacturing and mineral production, in which allowance is made for usual seasonal variations, decreased between August and September. Production of iron and steel was in smaller volume in September than in any month since 1925. There were also decreases from August to September in the output of nonferrous metals, automobiles, and rubber tires, while the textile and shoe and leather industries continued active. The production of bituminous coal showed about the usual seasonal increase in September and October, but continued in smaller volume than during the same period of other recent years. The output of anthracite was considerably reduced during September and the first half of October, following an increase in August, and the weekly output of crude petroleum has decreased slightly since the early part of August. The value of building contracts awarded continued somewhat smaller during September and the first three weeks of October than during the corresponding period of 1925 or 1926; declines occurred in contracts for residential, commercial, industrial, and educational buildings, while contracts for public works and public utilities were larger in September than in the corresponding month of any previous year.

Crop conditions improved in September and the Department of Agriculture's estimates for October 1 indicate larger yields of most grain crops than were expected a month earlier. The estimate for the corn crop was increased by 146,000,000 bushels and was only 43,000,000 bushels smaller than the yield in 1926. Wheat production is expected to be 34,000,000 bushels larger than last year, while the estimated cotton crop of 12,678,000 bales is more than 5,000,000 bales below last year's yield.

**DISTRIBUTION**

Trade of wholesale and retail firms increased in September by somewhat less than the usual seasonal amount. Compared with a year ago, sales of wholesale firms in nearly all lines, except shoes and drugs, were smaller. Sales of department stores were in about the same volume, and those of mail order houses and chain stores were somewhat larger. Inventories of merchandise carried by reporting wholesale firms in leading lines were reduced in September and continued smaller than last year. Stocks of department stores, on the other hand, increased slightly more than is usual in September and at the end of the month were somewhat larger than a year ago.

Freight car loadings were in smaller volume during September and the first week of October than in the corresponding period of last year for all groups of commodities, except grain and grain products, of which loadings were larger than in the same period of any previous year since 1924.

**PRICES**

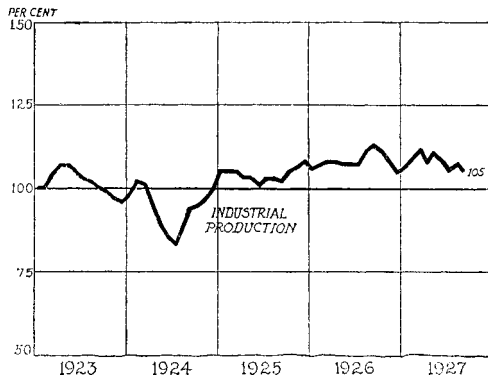
Wholesale commodity prices advanced in September for the fourth consecutive month, and the Bureau of Labor Statistics all-commodities index rose to the highest level since last January. There were large increases between August and September in the prices of livestock, meats, and cotton, and small advances in the prices of leather, coal, and chemicals, while prices of grains, building materials, and rubber declined. During the first three weeks in October the prices of spring wheat, corn, cotton, coal, and iron and steel declined, while prices of livestock, raw wool, and rubber advanced.

**BANK CREDIT**

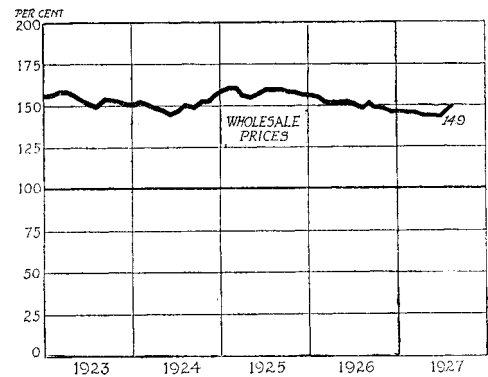
Total loans and investments of member banks in leading cities showed a further increase for the four weeks ended October 19 and on that date were about \$660,000,000 larger than in mid-summer. Of this growth in member bank credit about \$325,000,000 represented an increase in commercial loans, a considerably smaller increase than for the same period last year, and about \$335,000,000 an increase in investments and loans on securities.

At the Reserve Banks total bills and securities increased during the four weeks ended October 19, as is usual at this season, but were on the average about \$60,000,000 below the level of the corresponding period last year. The increase, which was largely in the form of additions to the Banks' holdings of acceptances, reflected chiefly an increase in member bank reserve requirements and an export demand for gold.

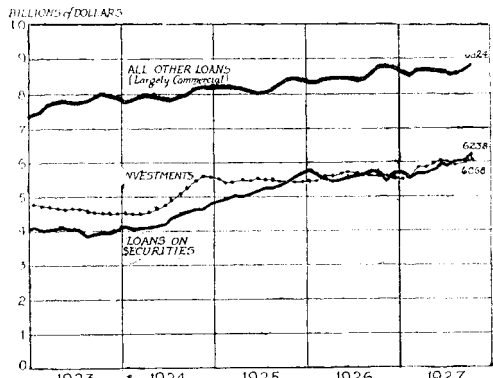
Some seasonal firmness in the money market in October was reflected in an increase from 3 1/8 to 3 1/4 per cent in rates on 90-day bankers acceptances. The rate on commercial paper remained unchanged at 4 per cent.



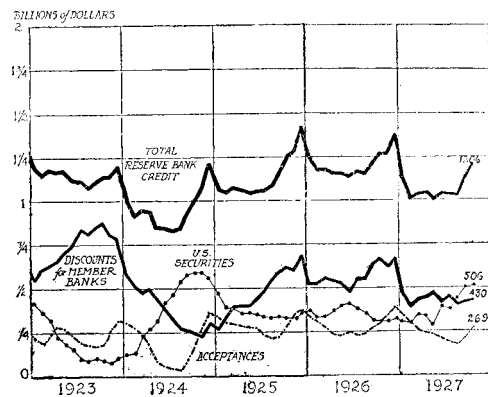
**Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variation. (1923-25 average = 100 per cent.)**



**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 October.)**



**Reserve Bank Credit: Monthly Averages of Daily Figures for 12 Federal Reserve Banks. (Latest Figures are Averages of First 23 Days in October.)**