

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

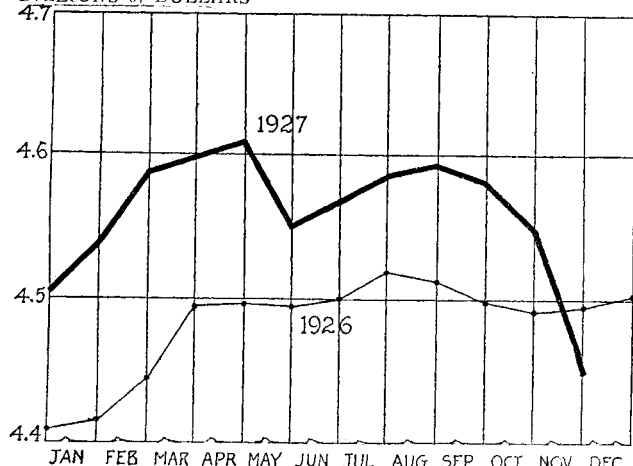
December 1, 1927

#### Money Market in November

The principal development in the money market during the past month has been a substantial loss of gold, following smaller losses in September and October. Shipments of \$33,000,000 of gold to Brazil were made during the month; a seasonal rise in Canadian exchange was followed by shipments of \$20,000,000 to Canada; and the amount of gold earmarked at the Federal Reserve Bank of New York for foreign account was increased by \$40,000,000. Including these movements the net withdrawals from the monetary gold stock of this country during the past three months have been the heaviest since the early part of 1925. Consequently, the large import movement which occurred in the first four months of 1927 has been more than offset, and, as is shown in the diagram below, the gold stock of the United States at the end of November is smaller than at the beginning of the year, and it is also smaller than at the end of 1924 when the flood of gold to this country was first checked. Changes in these gold holdings reflect chiefly gold imports, exports, and earmarking transactions, as domestic production is largely consumed in the arts and industry. The detail of principal changes since 1924 is given later in this *Review*.

Mainly as a result of this loss of gold, additional Reserve Bank credit has been needed by member banks to maintain their reserves at the required level, and the total amount of Federal Reserve credit in use, that is total bills and securities, has been larger than in the corresponding month of 1926 for the first time this year.

BILLIONS of DOLLARS



Changes in the Monetary Gold Stock of the United States in 1927, Compared with 1926.

Each autumn an additional amount of Reserve Bank credit is called into use in response to seasonal demands, but the increase this year has been accelerated by the outflow of gold, as the second diagram shows.

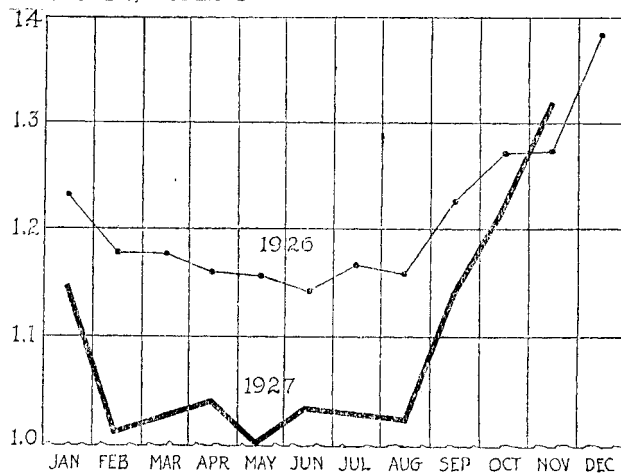
The normal effect of a considerable loss of gold, and consequent recourse to the Reserve Banks for credit to replace the loss, is a tightening of the money market and an advance in money rates. Such a tightening has not occurred in recent months largely because of the manner in which the additional Reserve Bank credit has been supplied. It has been supplied mainly by increases in holdings of bankers acceptances and Government securities rather than increases in member bank borrowing. Consequently, the money market has remained moderately easy notwithstanding the outflow of gold; money rates at the end of November were about the same as at the end of October, and continued to be well below those of a year ago.

Money Rates at New York

	Nov. 29, 1926	Oct. 31, 1927	Nov. 29, 1927
Call money.....	*4½-5½	*3½	*3½
Time money—90 day.....	4½-4¾	4¼	4
Prime commercial paper.....	4½	4	4
Bills—90 day unendorsed.....	3¾	3¼	3¼
Treasury certificates and notes			
Maturing December 15.....	3.15	2.52	2.20
Maturing March 15.....	3.10	3.01	3.10
Federal Reserve Bank of New York rediscount rate.....	4	3½	3½
Federal Reserve Bank of New York buying rate for 90 day bills.....	3¾	3¼	3¼

\*=Prevailing rate for preceding week

BILLIONS of DOLLARS



Total Bills and Securities of All Federal Reserve Banks in 1927, Compared with 1926.

## REDEMPTION OF SECOND LIBERTY LOAN BONDS

One of the influences toward easy money in the second half of November was Treasury operations in connection with the redemption of Second Liberty Loan bonds. As these bonds were presented for redemption on and following November 15 the Treasury secured a part of the funds required by selling to the Reserve Banks one day special certificates of indebtedness, pending the call of funds from depository banks. This operation brought about a temporary increase in Reserve Bank holdings of Government securities and put funds into the market which more than offset losses to the market from gold exports. Advances to the Treasury in this form amounted to \$164,500,000 on November 16 and \$80,500,000 on November 23.

The redemption of bonds was carried forward at a rapid rate. Notwithstanding the fact that most of the bonds of larger denominations had been previously exchanged for other Government securities or sold to the Treasury, more than two-thirds of the \$730,000,000 of these bonds outstanding on November 14 were presented for redemption during the following week. On November 28 about \$160,000,000 of the bonds still remained outstanding.

## MEMBER BANK CREDIT

Aside from the call of amounts remaining with depository banks on November 14 and temporary advances from the Reserve Banks, the funds needed for the redemption of Liberty bonds were provided by the Treasury sale on November 15 of about \$400,000,000 of 3½ per cent Treasury certificates. A considerable part of this issue was purchased by member banks and consequently investments of reporting banks in the larger cities increased 250 million dollars to a new high level. At the same time, the reinvestment of funds received by former holders of Second Liberty Loan bonds was reflected in a strong market for corporation securities, and loans to security brokers by reporting banks advanced nearly 140 million dollars and were at a new high level on November 23. Commercial loans have shown little net change during the past month, but, as the result of the large increases in investments and security loans, the total loans and investments of all reporting banks throughout the country exceeded any previous figures.

Most of the increase in the amount of loans to brokers was provided by New York City banks for their own account. Their investments showed an increase of nearly 100 million dollars, largely as the result of purchases of the new Treasury issue, and consequently the total loans and investments of banks in this district also advanced to a new high level.

## BILL MARKET

There was a substantial increase in the amount of bills offered to the market in November, reflecting several large syndicate drawings to cover the financing of tobacco and cotton. Due to local bank buying as well as heavy foreign buying, however, the investment demand for bills was very active and considerably exceeded new drawings coming into the market, and consequently dealers' portfolios were reduced by more than 25 per cent from the large amounts reported at the beginning of the month. Quoted open market rates were unchanged;

the 90 day maturity was offered throughout the month at 3¼ per cent.

## COMMERCIAL PAPER MARKET

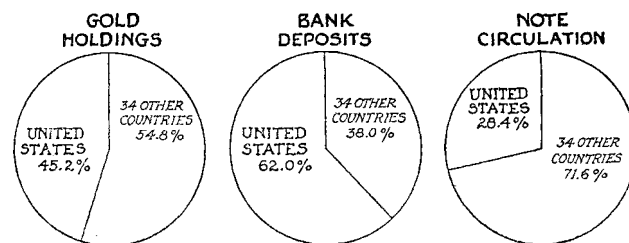
For the third consecutive month, the amount of commercial paper outstanding through the open market, as reported by 26 dealers, has shown an increase. At \$611,000,000, outstandings at the end of October were 3 per cent larger than a year ago, the first increase over the corresponding month of the previous year since January 1925. The increase recently reflects chiefly borrowings by a limited number of large concerns rather than a general increase in the use of the open market by companies in a position to finance their short term credit requirements in this manner. The bank investment demand for paper continued to absorb readily the amounts of new paper offered by dealers during November. While some sales were reported at 3¾ per cent, the prevailing level for the usual grade of prime names remained 4 per cent.

### Share of the United States in Gold, Bank Deposits, and Currency

In view of the frequent discussions of the large accumulation of gold in this country, figures recently published by the Economic and Financial Section of the League of Nations are of interest, showing the amount of bank deposits and paper currency circulation—the principal liabilities against which gold reserves are required.

It appears that out of a total of about \$8,800,000,000 of gold in the treasuries and central banks of 35 countries at the end of 1925, nearly \$4,000,000,000 or 45 per cent was held in this country, as shown in the accompanying diagram. These figures include data for all of the principal countries of the world except China and Russia. Figures for bank deposits in these same countries, when converted to dollars at the exchange rates then current, indicate that this proportion of gold is smaller than this country's proportion of the bank deposits of the world. The total amount of bank deposits in the 35 countries was nearly 84 billion dollars, of which 52 billions, or 62 per cent, was in the banks of the United States.

The great inflow of gold to the United States between 1915 and 1924 more than doubled the gold holdings of this country, but at the end of 1925 the proportion of gold holdings to total bank deposits was less than 8 per cent, as compared with an average of 15 per cent in the rest of the world. Great Britain and Switzerland had somewhat lower ratios of central gold holdings to deposits than the United States, but most other countries had considerably higher ratios.



Approaching the problem from another point of view, the ratio of gold holdings to paper money in circulation is considerably higher for the United States than the average for other countries, since the currency circulation of the United States is small relative to the amount of bank deposits, due to the much more common use of checks in this country than in most others. As the diagram shows, the United States has about 28 per cent of the total currency circulation of the 35 countries, as compared with 45 per cent of the total gold holdings. The ratio of gold reserves to combined bank deposits and note circulation is below the average for other countries, however.

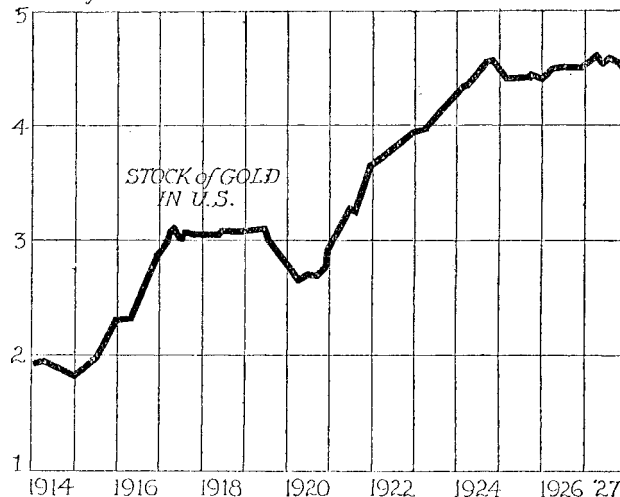
### Gold Movement

During the first 28 days of November gold exports at New York amounted to \$54,400,000, while imports totaled less than \$500,000. The exports included shipments of \$33,000,000 to Brazil and \$20,000,000 to Canada. In addition to exports of gold, there was an increase of \$40,000,000 in gold held under earmark by the Federal Reserve Bank of New York for foreign account. There was thus a total loss to the country's gold stock from November 1 to 28 of nearly \$94,000,000.

Exports and earmarking of gold in the past three months have more than offset gold imports and releases from earmarking in the early months of this year, and the country's stock of monetary gold shows a net loss for the year to date. It may also be noted that since the end of 1924 gains and losses of gold have been almost equal, and with the inclusion of the most recent movements the country's total gold stock is now somewhat smaller than in late 1924. The gold stock is shown for the end of each month since 1914 in the accompanying diagram. The plateau of the past three years when we have been making large private loans abroad bears some resemblance to the plateau in 1917, 1918, and 1919 when the United States Government was lending to the countries associated with us in the war.

Gains and losses of gold through exports and imports and through earmarking are given for the past four years in the following table. Heretofore changes in earmarkings have not been reported separately, but have

BILLIONS of DOLLARS



Stock of Gold in the United States, Reported by the Treasury Department.

been included for the most part in Treasury computations of the gold stock published each month. They are given here in detail in view of the size of such transactions in recent months. There were practically no earmarking operations between the conclusion of the war and 1924. Changes in gold stock are not completely accounted for by exports, imports, and changes in earmarkings, since some small amount of domestic gold production goes into monetary use. This past year there was also an unusual transaction in the purchase and later sale of 62 million dollars of gold abroad.

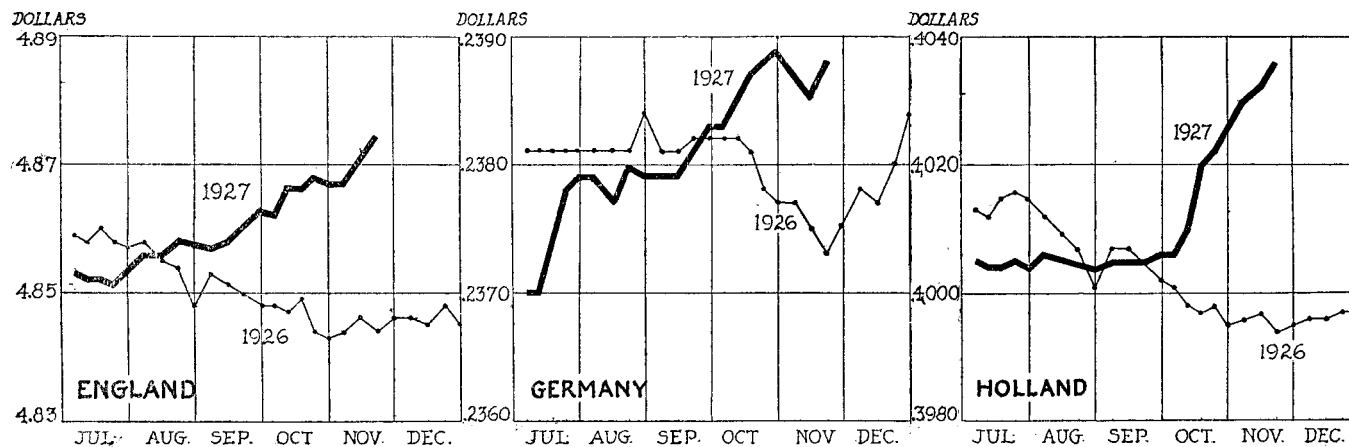
### Changes in Central Bank Rates

On November 16 the National Bank of Belgium reduced its discount rate from 5 per cent to 4½ per cent, the lowest Belgian rate since January 1923. This places the discount rate of the Belgian bank on the same level as that of the Bank of England and de Nederlandsche Bank. The Bank of Finland on November 26 reduced its discount rate from 6½ per cent to 6 per cent, the third reduction this year.

GAIN OR LOSS TO GOLD STOCK  
(In millions of dollars)

	1924			1925			1926			1927		
	Through Imports or Exports	Through Earmarking	Total	Through Imports or Exports	Through Earmarking	Total	Through Imports or Exports	Through Earmarking	Total	Through Imports or Exports	Through Earmarking	Total
January	+ 45	..	+ 45	- 68	- 1	- 69	+ 16	- 4	+ 12	+ 44	+ 20	+ 64
February	+ 35	..	+ 35	- 47	- 7	- 48	+ 21	- 11	+ 10	+ 20	+ 3	+ 23
March	+ 33	- 2	+ 31	- 18	- 7	- 25	+ 39	- 23	+ 16	+ 11	- 2	+ 9
April	+ 44	- 1	+ 43	- 13	+ 15	+ 2	- 5	..	- 5	+ 12	- 1	+ 11
May	+ 40	+ 1	+ 41	- 2	+ 13	+ 11	- 6	..	- 6	+ 32	- 95	- 63
June	+ 25	+ 2	+ 27	- 2	+ 5	+ 3	+ 16	- 1	+ 15	+ 13	- 1	+ 12
July	+ 18	- 2	+ 16	+ 6	- 4	+ 2	+ 15	+ 4	+ 19	+ 9	..	+ 9
August	+ 16	- 8	+ 8	+ 3	+ 8	+ 11	- 18	+ 19	+ 1	+ 6	- 2	+ 4
September	+ 2	- 13	- 11	- 3	+ 1	- 2	- 7	- 2	- 9	- 11	- 9	- 20
October	+ 16	- 17	- 1	+ 23	+ 3	+ 26	+ 8	..	+ 8	- 9	- 25	- 34
November	+ 13	..	+ 13	- 14	+ 2	- 12	+ 9	- 8	+ 1	- 54*	- 40*	- 94*
December	- 29	- 2	- 31	+ 1	- 4	- 3	+ 10	+ 1	+ 11	..	..	..
Total	+258	- 42	+216	-134	+ 30	-104	+ 98	- 25	+ 73	+ 73*	-152*	- 79*

\*November figures preliminary; 1927 totals are for first eleven months.



British, German, and Dutch Exchange Rates at New York in 1927, Compared with 1926.

## The Foreign Exchanges

The European exchanges generally continued strong during November. Sterling at \$4.8759 reached another post-war high figure, while the belga at 13.96 cents reached the highest quotation since it was established as the Belgian foreign exchange unit last year. Dutch guilders and Norwegian kroner also moved into higher ground. Reichsmarks were easier during the first half of November but showed renewed strength in the latter part of the month, and Swedish rates strengthened slightly toward the close of November. French, Italian, Swiss, and Danish exchanges showed little change, but pesetas at 16.60 cents were weaker than at any time since last February.

A seasonal advance in Canadian exchange carried the rate to the export point at \$1.0016 on November 7, and gold shipments totaling \$20,000,000 were made to Canada during the month.

The yen after declining gradually to 45.50 cents at the middle of the month, the lowest point since March 1926, later was somewhat firmer. The Chinese exchanges advanced accompanying a rise in silver prices, and the rupee rose slightly to 36.44.

## Foreign Trade

Merchandise exports in October showed a large increase over September, due chiefly to seasonal shipments of cotton, and the total value, \$490,000,000, was \$35,000,000 larger than a year ago. October imports were valued at \$356,000,000, an amount slightly larger than in September, but \$21,000,000 smaller than in October 1926.

A seasonal increase of \$56,000,000 in the value of raw cotton exports accounted for most of the October increase in export trade. The quantity of cotton shipped abroad in October continued to be nearly 20 per cent smaller than last year, but due to the higher prices this year the value was \$10,000,000 larger than in October 1926. Grain exports were somewhat smaller than in September, but were about 75 per cent larger in value than in October of last year. Our export trade in meat and meat products continued to decline.

Imports of silk and rubber were slightly smaller than

in September, but coffee imports showed a large increase. The quantity of these commodities imported in October was larger in each case than in October 1926.

## Business Profits

Net earnings of 171 industrial and mercantile companies for which reports are now available averaged nearly 10 per cent smaller in the third quarter of 1927 than in the corresponding period of 1926. As in the second quarter, the principal decline was in the profits of oil companies, reflecting the continued large production and low prices of petroleum products. Steel companies also had considerably smaller net earnings than in the third quarter of last year, but as the following table shows, their profits for the first nine months of the year, though smaller than in 1926, were larger than in 1925.

In the motor industry, General Motors again reported larger profits than a year ago, while 13 other motor companies as a group, not including Ford, showed profits about the same as last year. Declines in third quarter profits were reported by motor accessory, machinery, mining and smelting, and building supply companies. The principal increases, both for the third quarter and

(Net Profits in millions of dollars)

Group	No. of Corporations	Third Quarter		Nine Months		
		1926	1927	1925	1926	1927
Motors.....	14	83	92	202	255	277
General Motors.....	1	56	65	88	158	194
Other Motors.....	13	27	27	114	97	83
Motor Accessories.....	12	6	4	20	20	15
Oil.....	21	37	14	77	91	45
Steel.....	13	47	30	103	133	110
Food & Food Products.....	20	28	31	71	85	90
Machine & Machine Mfg.....	13	6	5	19	18	17
Mining and Smelting.....	23	15	13	35	43	42
Chemical.....	7	12	14	23	31	37
Building Supplies.....	9	6	5	17	18	17
Miscellaneous.....	39	33	38	66	90	94
<b>Total 10 groups.....</b>	<b>171</b>	<b>273</b>	<b>246</b>	<b>633</b>	<b>784</b>	<b>744</b>
Telephone.....	80	52	55	136	155	173
Other Public Utilities.....	10	10	11	34	36	36
<b>Total Public Utilities.....</b>	<b>90</b>	<b>62</b>	<b>66</b>	<b>170</b>	<b>191</b>	<b>209</b>
Class I Railroads.....	183	393	336	799	891	808

for the first nine months of the year, were reported by food products and chemical companies.

Net earnings of telephone and other public utility companies continued to expand, but the net operating income of Class I railroads failed to show the usual seasonal rise in the third quarter, and remained smaller than in 1926.

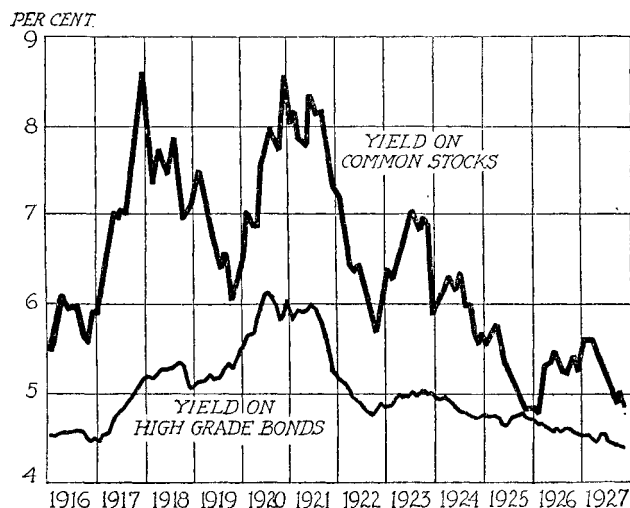
### Security Markets

A strong market for securities accompanied the retirement of Second Liberty Loan bonds in November. The short-term Government securities sold by the Treasury to provide part of the funds needed for redemptions were purchased largely by banks, and there was evidence that many of the holders of the Liberty bonds sought other types of securities for the reinvestment of their funds.

The volume of trading in stocks increased considerably around the middle of the month, and prices more than regained the October losses, so that the Standard Statistics Company index of 228 stocks reached a new high level on November 19. Industrial price averages rose about 10 points from the low points early in the month and were higher than ever before, and railroad shares recovered more than half of the October decline.

The bond market also showed increased activity and strength around November 15. Apparently reflecting a strong investment demand, not fully satisfied by offerings of new bond issues, price averages of corporation bonds advanced over 1/2 point further to the highest levels in at least fifteen years. United States Treasury post-war bond issues also advanced more than 1/2 point to the highest prices since issuance. Foreign bonds showed no consistent change with the exception of German issues, which declined about 3 points on the average and sold towards the end of November at the lowest prices of the year.

The accompanying diagram shows the present yields on high grade corporation bonds and common stocks, and indicates that notwithstanding increased dividend disbursements in recent years, the average yield on common stocks is now close to the lowest level in many years.



Average Yield on 33 Dividend Paying Common Stocks and on 60 High Grade Corporation Bonds. (Standard Statistics Company figures; November 1927 estimated.)

### Production

A majority of this bank's indexes of production declined from September to October, after allowance is made for the usual seasonal changes, and were lower also than in October 1926. Production of iron and steel was the smallest for the month of October since 1924, and the total automobile output was the smallest in any month this year. The number of passenger vehicles produced was about half the output of October 1925, and motor truck production, though somewhat larger than in September was smaller than in October of either 1925 or 1926.

Reduced activity was indicated also by the indexes of mill consumption of cotton and silk, and of the production of cement, lumber, leather, shoes, tires, and tobacco products. Woolen mill activity showed a further slight increase, and anthracite coal mining showed somewhat more than the usual increase over September, although the October output remained considerably smaller than a year previous.

(Computed trend of past years=100 per cent)

	1926 Oct.	1927		
		Aug.	Sept.	Oct.
<i>Producers' Goods</i>				
Pig iron.....	111	99	96	92
Steel ingots.....	107	96	94	84
Bituminous coal.....	104	82	83	82
Copper, U. S. mines.....	109	96	98	98
Tin deliveries.....	98	112	96	96
Zinc.....	118	101	102	104
Petroleum.....	114	119	117	...
Gas and fuel oil.....	101	97	97	...
Cotton consumption.....	98	115	116	105
Woolen mill activity*.....	103	89	95	97 <sub>p</sub>
Cement.....	126	136	134	125
Lumber.....	104	94	93	86 <sub>p</sub>
Leather, sole.....	93	111	109	103
Silk consumption.....	118	105	128	112
<i>Consumers' Goods</i>				
Cattle slaughtered.....	102	108	97	91
Calves slaughtered.....	101	90	81	88
Sheep slaughtered.....	100	106	99	102
Hogs slaughtered.....	87	111	94	85
Sugar meltings, U. S. ports.....	144	96	110	111
Wheat flour.....	95	87	91	91
Cigars.....	100	103	107	104
Cigarettes.....	105	118	117	108
Tobacco and snuff.....	95	98	98	94
Gasoline.....	105	98	100	...
Tires.....	110	102	100	97 <sub>p</sub>
Newsprint.....	110	98	94	87
Paper, total.....	106	104 <sub>r</sub>	103	...
Boots and shoes.....	100	121 <sub>r</sub>	113	100 <sub>p</sub>
Anthracite coal.....	118	100	94	101
Automobile, all.....	112	102	91	74
Automobile, passenger.....	112	109	93 <sub>r</sub>	70
Automobile, truck.....	110	74	82	92

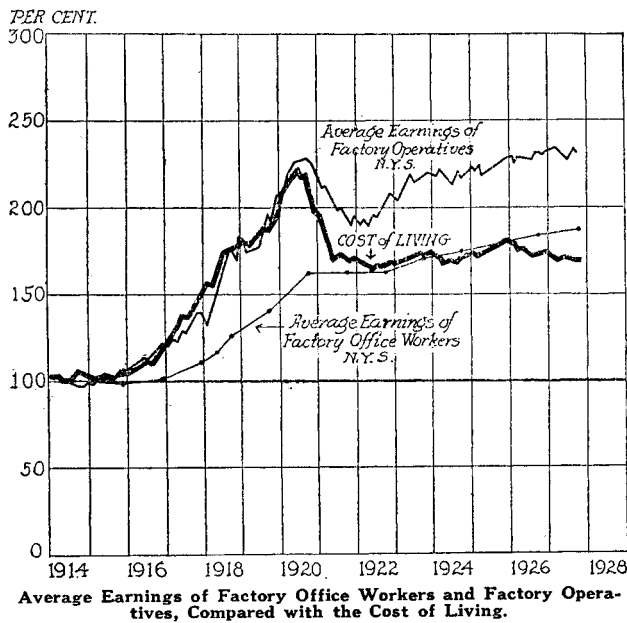
\*=Seasonal variation not allowed for p=Preliminary r=Revised

### Employment and Wages

The State Department of Labor reports that instead of showing a further seasonal increase, the number of workers employed in the factories of New York State in October remained at practically the same level as in September. For the country as a whole, the United States Department of Labor reports a decline of 1/2 of 1 per cent. More workers were employed in industries making holiday goods, but the usual seasonal curtailment occurred in the building materials industries, and the apparel trades did not show the usual fall expansion, apparently reflecting the rather unsatisfactory retail trade due to unseasonably warm weather in October.

The State Employment Service reports, however, that there have been some indications of a belated seasonal expansion in November.

The rate of voluntary labor turnover reported by the Metropolitan Life Insurance Company declined in October to the lowest point since last winter, and the ratio of orders for workers to applications for employment at State Employment Offices declined sharply. Both the labor turnover rate and the labor demand ratio remained considerably lower than a year previous. Some unemployment among the lower grades of unskilled workers and inexperienced office help is reported by employment agencies, but skilled workers and the higher classes of unskilled labor are reported to be well employed, although with the present low rate of turnover it is difficult to secure employment for those who may be out of work.



A calculation which is made for October of each year by the New York State Department of Labor indicates a further increase of approximately  $1\frac{1}{2}$  per cent during the past year in the average earnings of factory office workers. Although readjustments of the salaries of clerical help occur much more slowly than changes in the wages of factory operatives, the gradual advance in office workers' earnings during recent years, together with some decline in the cost of living during the past two years, has resulted in an increasing purchasing power of office workers as a class.

### Indexes of Business Activity

A slightly smaller distribution of goods in October is indicated by a rather general decline in this bank's indexes of business activity. Car loadings of merchandise and miscellaneous freight failed to show the usual seasonal increase and were smaller than in the two previous years, and loadings of other freight were the smallest for the month of October since 1922, due primarily to reduced loadings of coal and ore.

Department store trade apparently was retarded by

the unseasonably warm weather in October, but mail order sales continued to show an increase over last year. Foreign trade also showed slightly less than the usual Fall increase. The indication of business and financial activity given by bank debits was more favorable than most of the other indexes: debits in 140 cities outside New York City were 6 per cent larger than in October 1926. Debits in New York City also remained large, as did the volume of stock trading.

In the following table this bank's indexes of business activity are given 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)

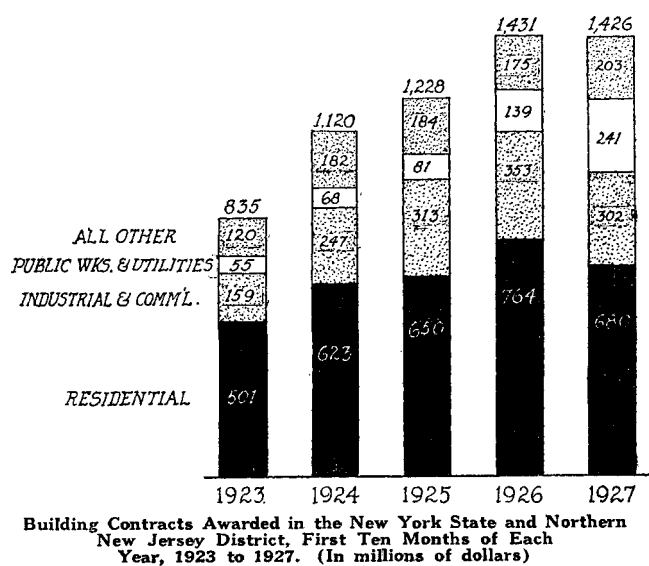
	1926 Oct.	1927		
		Aug.	Sept.	Oct.
<b>Primary Distribution</b>				
Car loadings, merchandise and misc. ....	110	103	105	103
Car loadings, other .....	109	97	96	92
Exports .....	92	105	100	97
Imports .....	125 <sup>r</sup>	123 <sup>r</sup>	114 <sup>r</sup>	114
Panama Canal traffic .....	97	97	96	101
<b>Distribution to Consumer</b>				
Department store sales, 2nd Dist. ....	103	108	108	100
Chain store sales .....	108	101	105	108
Mail order sales .....	101	121	110	102
Life insurance paid for .....	110	113	111	106
Real estate transfers .....	101	98	94	89
Magazine advertising .....	103	104	100	95
Newspaper advertising .....	111	102	102	102
<b>General Business Activity</b>				
Bank debits, outside of N. Y. City .....	113	112	118	117
Bank debits, New York City .....	122	146	151	136
Bank debits, 2nd Dist. excl. N. Y. City ..	108	102	111	112
Velocity of bank deposits, outside of N. Y. City ..	105	104	109	110
Velocity of bank deposits, N. Y. City ..	113	145	153	144
Shares sold on N. Y. Stock Exchange* ..	189	234	235	228
Postal receipts .....	98	98	93	90
Electric power .....	107	105	105	98
Employment in the United States .....	103	100	99	98
Business failures .....	102	107	101	102
Building permits .....	169	129	119	114
New corporations formed in N. Y. State ..	122	113	112	...
General price level .....	186	184	184	184
Composite wage index .....	221	221	222	222

\*=Seasonal variation not allowed for <sup>r</sup>=Revised

### Building

Building contract awards in the New York and Northern New Jersey district, after falling below 1926 in the previous two months, rose in October to the second highest monthly total this year, and were larger than in any previous October, according to the F. W. Dodge Corporation's reports. There was a notable increase in residential contracts, which were the largest since May 1926; public works and utilities projects were the largest since June, due to the inclusion of a \$20,000,000 bridge contract; and other principal classes of construction work also showed increases.

As a result of the October increase, contracts for the first ten months of the year reached a total only slightly smaller than for the corresponding period of 1926, and materially larger than in any other recent year, as the accompanying diagram shows. The unusual volume of public works and utilities projects, which has included large bridge and subway contracts, has nearly offset declines of 11 and 15 per cent respectively in residential, and industrial and commercial building.



**Department Store Trade**

Sales of leading department stores in this district in October were 4 per cent smaller than in October 1926, the largest decline from a year previous for any month in more than three years. The reduced volume of business was attributed by store executives to unseasonably warm weather. The largest declines were in the apparel departments, and sales of reporting apparel stores showed an even larger decline compared with a year ago.

As a result of the somewhat unsatisfactory business in October, and the consequent failure to move stocks as rapidly as anticipated, outstanding orders for merchandise were reduced, and at the end of October were smaller than a year previous. This in turn checked the seasonal expansion in factory activity in certain lines, as noted on a preceding page.

Although stocks at the end of October were not large, the smaller sales than a year previous resulted in a somewhat lower rate of stock turnover than in October 1926. Collections, however, continued to exceed those of a year ago.

Locality	Percentage Change October 1927 from October 1926		Per cent of Charge Accounts Outstanding September 30 Collected in October	
	Net Sales	Stock on hand end of month	1927	1926
New York	- 5.2	- 0.3	52.9	49.2
Buffalo	+ 3.2	- 2.9	42.2	53.1
Rochester	- 7.4	- 9.8	44.0	45.3
Syracuse	- 2.0	-10.4	...	...
Newark	- 6.0	+ 9.0	48.1	42.8
Bridgeport	+18.0	- 8.5	...	...
Elsewhere	- 1.9	- 4.6	35.9	38.0
Northern New York State	-17.8	...	...	...
Central New York State	+15.7	...	...	...
Southern New York State	-11.2	...	...	...
Hudson River Valley District	- 1.1	...	...	...
Capital District	- 4.3	...	...	...
Westchester District	+ 1.4	...	...	...
All Department Stores	- 4.3	- 0.6	49.5	47.5
Apparel stores	- 7.0	+ 4.3	49.3	45.9
Mail order houses	+ 3.5	...	...	...

Comparisons of sales and stocks in the principal departments with those of October 1926 are shown in the following table. Sales of women's and children's shoes appear to have been very good, but sales of women's clothing, men's and boys' clothing, and cotton and woolen goods were much smaller than a year ago.

	Net Sales Percentage Change October 1927 from October 1926	Stock on Hand Percentage Change October 31, 1927 from October 31, 1926
Toys and sporting goods	+17.3	- 4.0
Shoes	+15.5	+ 6.6
Books and stationery	+ 9.2	- 0.7
Luggage and other leather goods	+ 3.4	+18.7
Toilet articles and drugs	+ 3.4	- 5.5
Silks and velvets	+ 2.9	- 7.2
Home furnishings	+ 2.4	+ 2.3
Hosiery	+ 2.1	+ 3.1
Linens and handkerchiefs	+ 1.3	+ 3.4
Silverware and jewelry	- 0.9	- 7.8
Musical instruments and radio	- 0.9	-32.7
Furniture	- 4.6	- 3.0
Women's ready-to-wear accessories	- 5.9	- 1.7
Men's furnishings	- 7.0	+ 4.1
Women's and Misses' ready-to-wear	- 9.6	+ 0.1
Cotton goods	-15.1	- 6.9
Men's and Boys' wear	-16.9	+ 4.0
Woolen goods	-23.0	-10.3
Miscellaneous	- 2.1	- 7.8

**Wholesale Trade**

Sales in all reporting lines of wholesale trade except drugs, paper, and jewelry were smaller in October than a year previous, and the average decline for all lines was 11 per cent. The apparel trades were among those showing the largest reductions, and machine tool and diamond sales continued to be much smaller than a year ago. Grocery and hardware sales showed larger declines than in September, and textile sales remained smaller than in October 1926.

Stocks of merchandise carried by wholesalers were smaller at the end of October than a year previous in most lines except shoes, and, in that case, the large increase is partly due to very small stocks a year ago. Collections showed no consistent change, but averaged slightly lower than in October 1926.

Commodity	Percentage Change October 1927 from September 1927		Percentage Change October 1927 from October 1926		Per cent of Accounts Outstanding September 30 Collected in October	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1927	1926
Groceries	+ 6.0	+ 6.6	- 7.8	- 8.4	77.9	78.9
Men's clothing	-28.1	...	- 5.8	...	35.1	36.9
Women's dresses	-34.2	...	-35.8	...	63.8	73.1
Women's coats and suits	+ 0.3	...	-18.2	...	...	...
Cotton goods—Jobbers	- 5.7	- 8.7	- 7.0	- 4.2	43.3	41.3
Cotton goods—Commission	-15.7	...	- 2.9	...	...	...
Silk goods	- 3.7	...	- 2.7	...	48.4	47.5
Shoes	-31.0	+ 2.5	-11.0	+54.1	51.3	47.3
Drugs	+19.3	-12.2	+ 3.3	-12.3	42.0	43.8
Hardware	+ 2.4	+ 0.8	- 6.2	-13.4	45.3	47.9
Machine tools*	+25.6	...	-31.7	...	...	...
Stationery	+ 9.3	...	-14.9	...	69.3	70.3
Paper	+ 8.2	...	+ 1.8	...	68.7	67.6
Diamonds	+ 1.4	...	-26.4	...	...	...
Jewelry	+18.0	- 0.4	+ 4.9	+ 3.4	26.5	24.0
Weighted Average	- 6.8	...	-11.4	...	54.4	55.7

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

**Business Conditions in the United States**  
(Summarized by the Federal Reserve Board)

**I**NDUSTRY and trade were less active in October than in the preceding month and were in smaller volume than a year ago. The general level of wholesale commodity prices showed a further slight advance.

**PRODUCTION**

Production of manufactures declined in October, contrary to the usual seasonal tendency, while the output of minerals remained in practically the same volume as in September. In October and November, activity of iron and steel mills and of automobile plants was smaller than at any previous period of the year. There were also decreases during October in cotton consumption and in the production of building materials, crude petroleum, and boots and shoes. The output of bituminous coal and the number of hogs and cattle slaughtered increased by less than the usual seasonal amount. Production of flour, copper, and anthracite coal showed increases in October. Building contracts awarded increased considerably owing to unusually large awards in New York and Chicago in the last week of the month. The increases were largest in contracts for residential and commercial buildings.

Unusually favorable weather during October in agricultural states resulted in increased yield for late fall crops. The indicated production of corn, according to the November crop report of the Department of Agriculture, was placed at 2,753,000,000 bushels, an increase of 150,000,000 bushels over the estimate of the previous month and 106,000,000 bushels over the yield a year ago. Larger yields, as compared with the previous month's estimates were also indicated for cotton, tobacco, and potatoes.

**TRADE**

Trade at wholesale and retail showed less than the usual seasonal increase in October. Compared with October a year ago wholesale trade in all leading lines, except meats and drugs, was smaller. Department store sales were approximately 3 per cent smaller than in October 1926, while those of mail order houses and chain stores were somewhat larger. Inventories of merchandise carried by wholesale firms were smaller in all reporting lines at the end of the month than in September. Compared with a year ago, stocks were smaller in all lines except drugs. Stocks of department stores increased in October in anticipation of the growth in sales that usually occurs in November and December, but at the end of the month they were no larger than a year ago.

Freight car loadings declined in October and the first part of November, and were smaller than in the corresponding period of last year for all classes of freight except grain and grain products.

**PRICES**

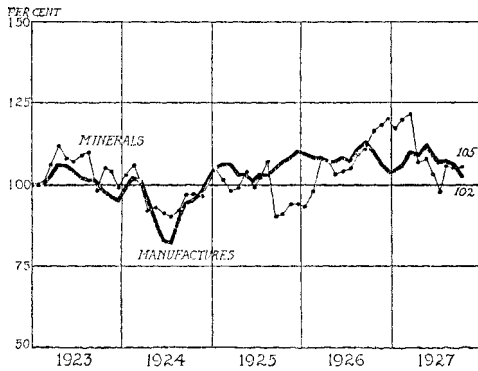
Wholesale commodity prices increased slightly in October, continuing the advance which began early in the summer, and the Bureau of Labor Statistics index for October was higher than for any previous month of this year. The advance in the average for all commodities from September to October reflected increases in the prices of livestock, meats, and dairy products. Prices of corn, cotton, coal, metals, paint materials, and automobile tires, on the other hand, declined. During the first three weeks in November there were increases in the prices of grains, cattle, copper, hides, and rubber, and decreases in hogs, cotton, silk, coal, petroleum, and iron and steel.

**BANK CREDIT**

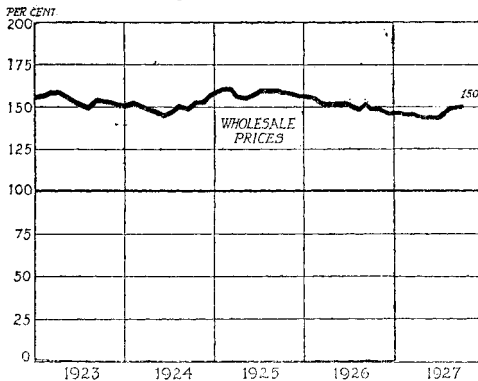
Total loans and investments of member banks in leading cities increased by nearly \$300,000,000 during the latter part of October and the first half of November, and on November 16 were the highest ever reported. Investments increased by more than \$200,000,000, reflecting in large part purchases of Treasury certificates issued on November 15, and loans on securities increased by about \$125,000,000. Loans chiefly for commercial and agricultural purposes declined during the period from the seasonal peak reached early in October.

There was a continued increase in the demand for Reserve Bank credit between October 19 and November 23, arising chiefly out of further exports of gold. Discounts from member banks declined somewhat, while acceptances and holdings of United States Government securities increased.

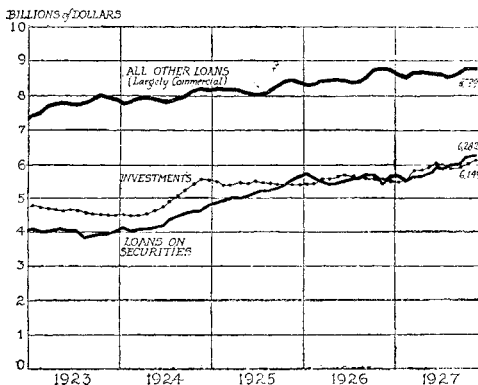
Conditions in the money market remained moderately easy in November. Call loan rates remained at the level reached in the latter part of October, and rates on prime commercial paper and bankers acceptances were unchanged.



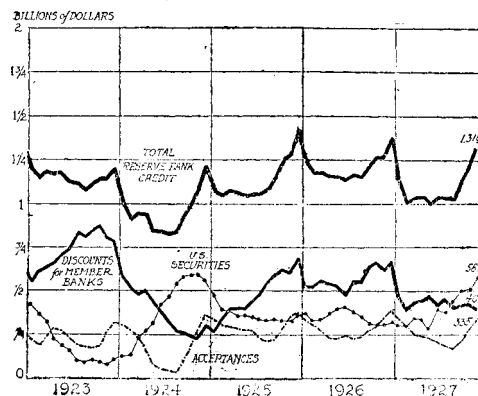
Index Numbers of Production of Manufactures and Minerals, Adjusted for Seasonal Variations. (1923-25 average = 100 per cent.)



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 November.)



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