MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent *Federal Reserve Bank, New York* *March 1, 1928*

Money Market in February

THE tendency towards firmer money which became apparent in January continued into February and money rates reached a level generally equal to or above the rates prevailing a year ago, as indicated in the following table.

Money Rates at New York

	Feb. 28, 1927	Jan. 30, 1928	Feb. 28, 1928
Call money	*4-4½	*3½-4½	*4¼
Time money—90 day	4⅜-4½	4½	4½-4⅝
Prime commercial paper	4	4	4
Bills—90 day unendorsed	3⅝-3¾	3½	3½
Treasury certificates and notes			
Maturing March 15	3.00	3.45	3.20
Maturing June 15	3.15	3.37	3.30
Federal Reserve Bank of New York—rediscount rate	4	3½	4
Federal Reserve Bank of New York—buying rate for 90 day bills	3¾	3⅜	3½

*—Prevailing rate for preceding week.

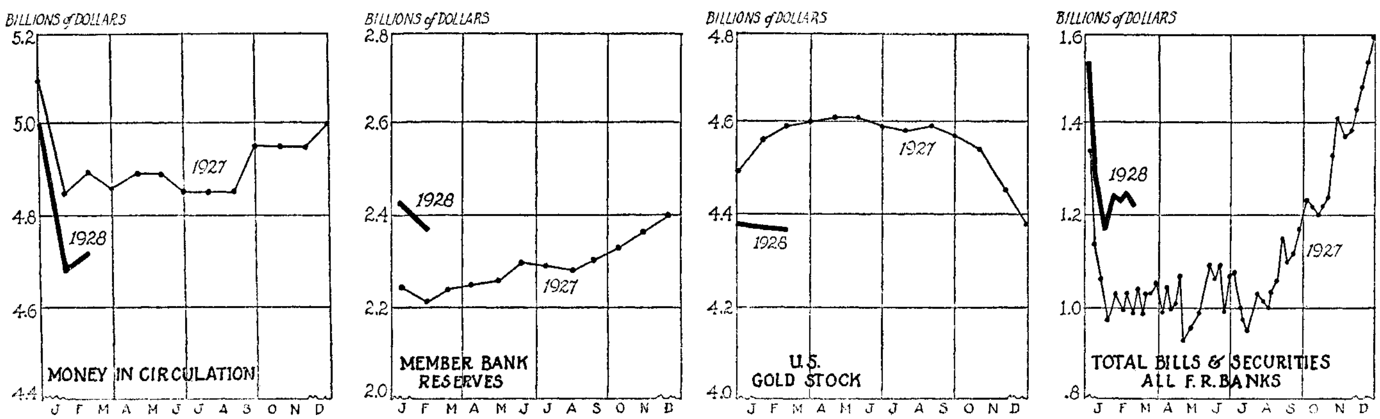
It has thus become evident that the ease in money rates which prevailed last autumn has passed. An increase in the discount rates of all the Reserve Banks during February from 3½ to 4 per cent, has been a factor in this change but in addition an analysis of the demand for and supply of reserve funds reveals important changes from the situation of a year ago which are shown in the diagram below.

The principal sources of demand for reserve funds are currency circulation and the reserve requirements of commercial banks. Accompanying reduced industrial payrolls and lower commodity prices, approximately 160 million dollars of currency has been retired from circulation in the past year. During that period, however, member bank reserve requirements, accompanying the rapid expansion of loans and investments, have increased by about 160 millions, so that the total demand for reserve funds is about the same as a year ago.

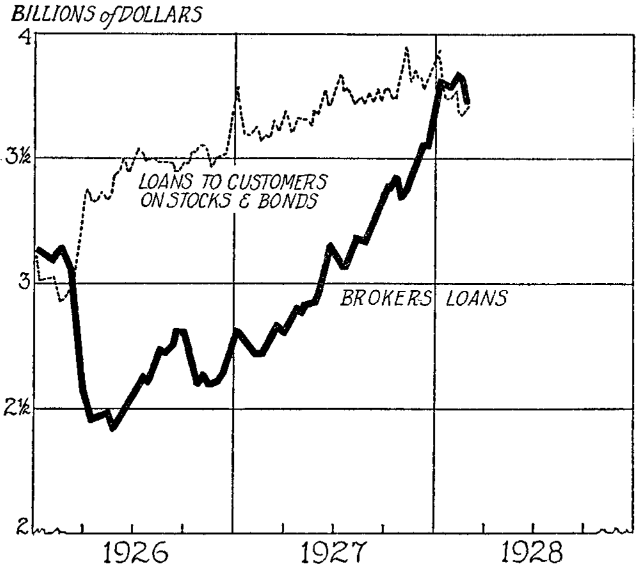
Gold movements and production and Federal Reserve credit are the two chief sources of reserve funds. The third section of the diagram shows that, as a result of the substantial earmarking and export movement last autumn, the gold stock of the country is now about 220 millions smaller than a year ago. In order to cover this gold loss, the Federal Reserve Banks have been called upon to extend about 230 million dollars of credit more than a year ago. The form in which this Reserve Bank credit has been supplied has been changing gradually during the past month; some further reduction of Reserve Bank security holdings early in the month has been followed by a corresponding increase in member bank borrowing, as has also the maturing of acceptances from Reserve Bank holdings, though these holdings are larger than a year ago.

Changes in Member Bank Credit

The principal change during the month in commercial bank credit has been a substantial reduction in loans on securities. The accompanying diagram shows that loans



Principal Sources of Demand for and Supply of Reserve Funds at the Beginning of 1928 Compared with 1927 (February 1928 figures partly estimated).



Loans to Brokers and Dealers in Securities Placed by New York City Reporting Banks, and Estimated Loans Directly to Customers by All Reporting Member Banks.

to brokers and dealers in securities placed by New York City banks for their own account and for correspondents, after advancing to a new high level early in February, declined 90 millions in the third week of the month, accompanying reductions in security prices, though they remained nearly 970 millions higher than a year ago. The diagram also indicates that direct loans to customers on stocks and bonds have been declining rather steadily since the first of the year. During the first two weeks of February the amount of these loans by all reporting member banks was reduced more than 100 millions, making a total reduction from the high point at the beginning of the year of nearly 270 millions. In the third week of February, however, an increase of 44 millions occurred, but the volume of such loans remained the smallest since last May.

Commercial loans made by reporting banks both in this district and in other districts showed the beginning of the seasonal expansion from the first week of February, several weeks earlier than last year. Consequently, the volume of these commercial loans, which at the end of December was about the same as a year ago, on February 21 was about 100 millions larger than on the corresponding date last year.

Bill Market

Following the increase in the discount rate of the New York Reserve Bank, and also in the bank's buying rates for bills early in February, open market bill rates were generally advanced an additional ⅛ per cent, bringing the offering rate for the 90 day maturity temporarily to 3⅝ per cent, or ⅜ per cent higher than a month earlier and the highest since last July. A greatly increased demand soon developed, from foreign funds seeking investment, so that dealers' rates for the 60 and 90 day maturities quickly reverted to 3⅜ and 3½ per cent respectively, the rates which had prevailed just before the Federal Reserve discount rate change, and dealers' portfolios were reduced to the lowest levels since last July.

Commercial Paper Market

The amount of commercial paper outstanding through 25 dealers showed an increase of 4 per cent during January, in accordance with the usual seasonal tendency, and, at $577,000,000 on January 31, was 5 per cent larger than a year ago. In February, the market was moderately active considering the somewhat limited supply of new paper that was created, and dealers generally reported that the bank investment demand fully and quickly absorbed their offerings. Paper of the large well known concerns continued to sell readily at 4 per cent; other good names were sold on occasions at 4¼ per cent.

Discount Rates Abroad

The only change in foreign central bank rates during February was the advance by the Norges Bank on the 2nd of the month to 6 per cent from the 5 per cent rate which had been in effect since November 1, 1927. A similar advance from 5 to 6 per cent was made two years ago in January and remained in force until the middle of April that year.

The discount rates of central banks in the principal countries are now as follows:

Per cent	*Countries*
3½	France, Sweden, Switzerland
4	Java, United States
4½	England, Netherlands
5	Belgium, Czecho-Slovakia, Denmark, Spain
5½	Japan
6	Austria, Finland, Hungary, Jugo-Slavia, Norway, Roumania, South Africa
7	Germany, India, Italy
8	Poland, Portugal, Russia
10	Bulgaria, Greece

Foreign Exchange

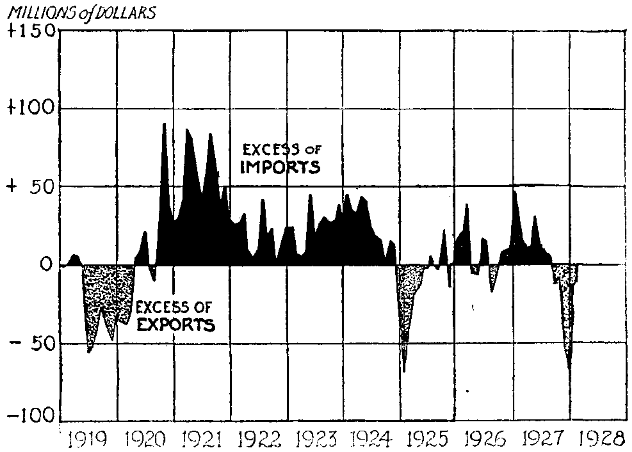
The gradual strengthening of sterling, which brought it on February 23 nearly to the high point of the year, was a feature of the foreign exchange market during the month. This firmness was shared only by German marks, which rose to 23.88 cents. French, Italian, Danish, Norwegian, Argentine, and Brazilian rates showed little change from last month, and other currencies continued the decline begun in January. Dutch guilders eased gradually to 40.18 cents, Swedish kronor were quoted at 26.84 cents during most of the month, and Swiss francs at 19.23 cents. Spanish quotations showed wide fluctuations falling from 17.13 cents to 16.91 cents.

Canadian dollars went to a discount of 25/128 of a cent and the shipment of gold to this country was resumed. The Far Eastern exchanges were also generally weak. The rupee dropped to 36.31 cents, but advanced later to 36.44. The yen which had reached 46.94 cents in January, ranged from 46.77 cents, downward to 46.65 cents. Chinese rates, after falling to 49.63 cents for Hong Kong taels and 62.63 for Shanghai taels, recovered to 49.88 cents and 63.38 cents respectively. Silver prices showed a similar trend, reaching 57.38 after a decline to 56.63 cents.

A slight firming of rates was parent during the closing days of the mont

Gold Movement

Gold movements at New York during February were appreciably smaller than for some months preceding. As the accompanying diagram shows, the heavy outflow of gold which accompanied the low money rates of last autumn has largely ceased, but, with foreign exchanges other than Canadian generally higher than a year ago, there has been no net inflow such as occurred in the early part of 1927.



Monthly Net Gold Exports or Imports of the United States (February 1928 partly estimated).

Imports during the month of February totaled $13,200,000, which included $7,400,000 from Canada and $5,200,000 from Russia. Exports totaled $24,600,000 of which Argentina received $12,000,000, France $7,500,000, Uruguay $3,000,000, and Venezuela $1,300,000, while smaller amounts went to Mexico, Germany, and India. The net export of $11,400,000 was in part offset by the release of $3,000,000 of gold held under earmark, making the net loss about $8,400,000.

Final figures for the country for January show exports of $52,100,000. The only large shipment in addition to those previously reported for the New York and St. Lawrence districts was $1,000,000 to Hong Kong. Imports totaled $38,300,000, of which $36,760,000 came from Canada. The export balance of $13,800,000 was reduced by the net release of $5,500,000 from earmark; so that the net loss of gold for the month was $8,300,000.

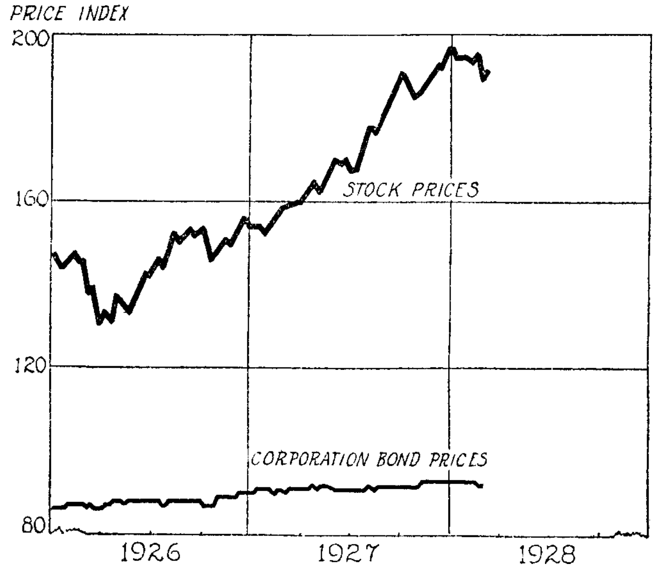
The principal receipts and shipments of gold during January and February are summarized below.

Source or Destination	January 1–February 29, 1928*	
	Net Imports	Net Exports
Argentina		$31,800,000
Canada	$44,100,000	
Brazil		11,800,000
France		15,000,000
Holland		4,000,000
Uruguay		6,000,000
Russia	5,200,000	
Belgium		2,000,000
Venezuela		1,900,000
India		1,400,000

*—February figures are for New York and St. Lawrence districts only.

Security Markets

Following a temporary rally early in February, stock prices in the third week of the month showed the largest decline since last October. During this reaction, which is shown in the accompanying diagram, representative industrial stock averages declined about 5 points, and railroad averages at least 2 points. In the final week of the month price movements were highly irregular and the volume of trading declined considerably.



Prices of 228 Stocks (Standard Statistics Company Index) and of 40 Domestic Bonds (New York Times Average).

The lower line in the diagram indicates that corporation bond prices were maintained at high levels until the latter part of February, when a slight decline occurred. In the foreign list, price movements were similar—a large number of active issues established new high points in the first half of the month but subsequently eased slightly. Liberty Loan bonds showed only minor fluctuations, and the four long-term Treasury issues recovered about one-half of the loss sustained in the last half of January, but still were quoted at prices ranging from ½ to 1 point below the high levels of the first weeks of January.

A moderately large volume of new securities was offered during February. The total was somewhat larger than for January, but offerings continued to be below last year's volume, and the total amount of new financing in the first two months of this year was about $250,000,000, or 14 per cent smaller than in the corresponding period last year. The month was featured by a number of stock issues of industrial and public utility companies, the total of which was about $85,000,000. Foreign financing during the month represented largely the refunding at lower coupon rates of bond issues floated several years ago carrying 6½ to 8 per cent coupons. Among these refunding issues were three large South American issues, a Republic of Finland issue, and a French railroad issue.

Employment

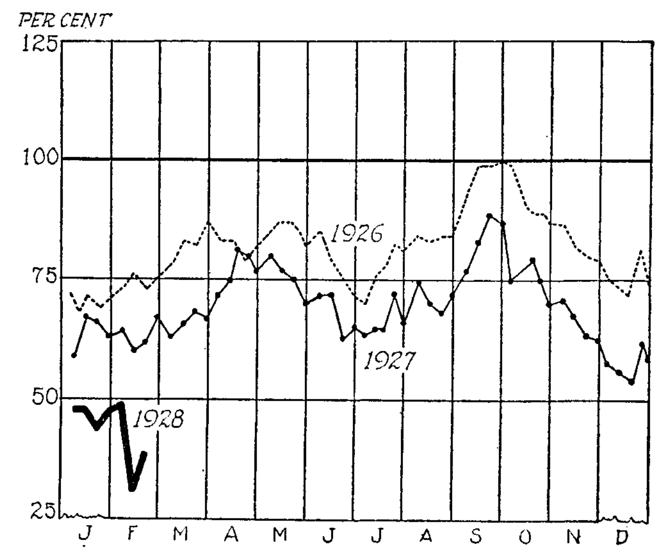
Reports from employment and relief agencies indicate some increase during the past month in the number of workers unemployed, and there appears in fact to be more serious unemployment in this district than at any time since 1921. In interpreting this statement it should, however, be noted that the recent reduction in business activity is the only important reduction since 1921, except for a reduction in 1924 which occurred in midsummer and partly for that reason was not accompanied by as extensive unemployment.

Some light on the character and causes of present unemployment is thrown by a survey recently made by the New York State Industrial Commissioner. This survey indicates that a considerable part of the unemployment in New York City is due to an influx of non-residents, some of which probably represents the usual migration to the city of men engaged at other times of the year in farm work, or road building and other construction work, and some of which probably arises from the curtailment of manufacturing and coal mining in nearby states. Due to the mild winter there has been a much smaller amount of snow shoveling and other temporary work to give employment to casual labor of this sort. Reports of relief agencies indicate that the present unemployment is more largely among migratory casual labor than among permanent residents. The increase in the needs for family relief has been considerably smaller than the increase in the care for homeless men.

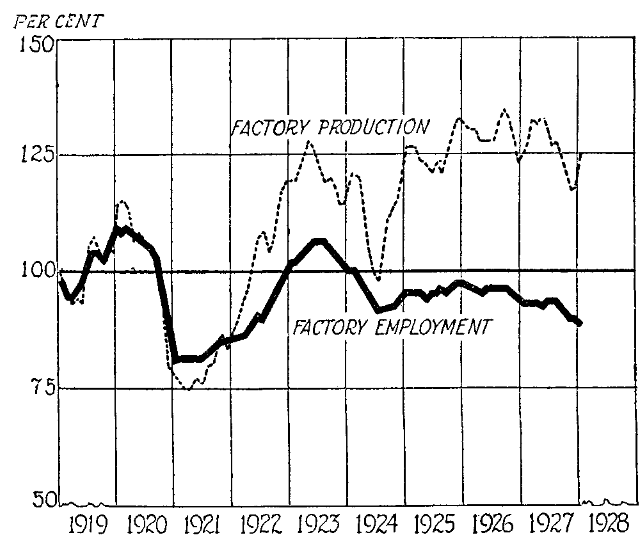
Some unemployment of residents is attributed to the poor season which has been experienced by the garment trades. In nearly all cities of New York State more than the usual seasonal unemployment among building workers is reported; although the total of building contracts has remained large, a considerable part of the new projects has been of a type that provides little work for building craftsmen.

Evidence of the present scarcity of work appears in the ratio of orders for workers to applications for employment at New York State employment offices, which is shown in the first of the accompanying diagrams. The ratios shown in this diagram cannot be taken as an accurate measure of employment opportunities, but serve as an indicator of the general tendencies; in January for the first time since the records were started in 1916, there were more than two applicants for each available job, but this does not show the real extent of unemployment, because of the fact that many of the jobless do not register when there appears to be little chance of obtaining work. In the first three weeks of February the labor demand ratio declined even further, but the decline is attributed to an increase in the number of applications for work, due to the publicity given to the State's inquiry and discussion of relief measures, rather than to a further reduction in the amount of work available.

The second diagram indicates that a further reduction in factory employment occurred in January, and indicates further that in the past nine years factory employment has failed to expand in proportion to the increase in factory production by a wide margin. The lines in this diagram represent the Federal Reserve Board's indexes of factory employment and of production in leading manufacturing industries. Both series are based on partial representations of manufacturing, not identical for the two series, but the complete census of manufactures which is taken every two years supports



Ratio of Workers Called for to Registrations for Employment at New York State Employment Offices.



Factory Production and Factory Employment since 1919, Adjusted for Seasonal Variations (1919 average = 100 per cent).

the conclusion that, through efficiencies of one sort or another, factory output per worker has been increased and thus the same or larger output achieved with a reduced number of workers. In the absence of any considerable amount of unemployment until recent months, it has been evident, however, that the reduced opportunities for employment in factories have been largely offset by increased opportunities for employment in other lines such as building, the radio industry, and automobile service and filling stations, and it seems probable that recent unemployment reflects temporary conditions in manufacturing, mining, and building more largely than this longer time tendency.

Production

Production in leading industries showed an increase in January after allowance for the usual seasonal variation, and, for the first time since last June, reached a level about the same as that of the preceding year. The outstanding features of the month were large inereases in the production of automobiles, tires, and steel ingots and in silk consumption. While these were exceptional cases, some increase seems to have been rather general; of the 30 production indexes now available, only 8 showed declines for the month, while 17 advanced.

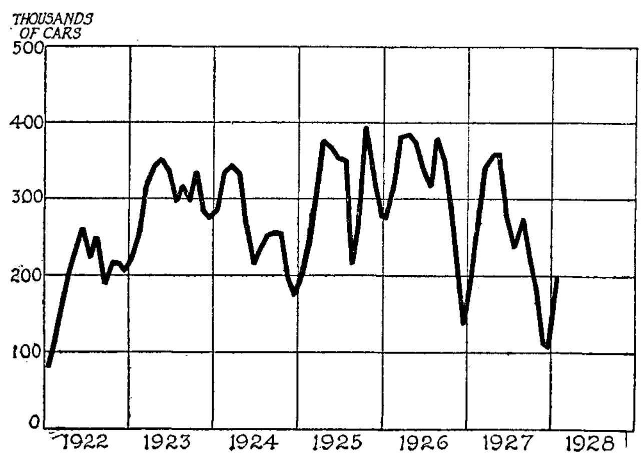
In February, steel mill operations were expanded further, but the rate of increase diminished considerably toward the end of the month, and purchases also slackened. The number employed in Detroit factories continued to increase, though at a slower rate, and remained larger than last year, but was nearly 40,000 below the level of February 1926; and it was reported that the increase in automobile production had not been so large as was predicted at the first of the year. The curtailment in the production of cotton goods which began in December continued throughout February. Production and sales of silk goods, however, were reported to be continuing at the high level of January.

This bank's indexes of production, which are adjusted for seasonal variations and for year-to-year growth, are shown below.

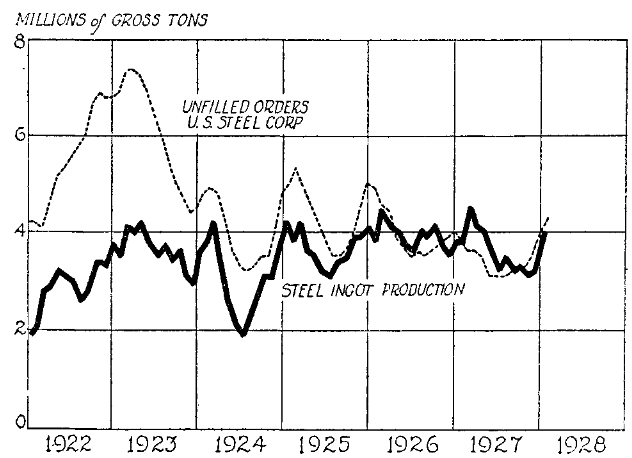
(Computed trend of past years=100 per cent)

	1927 Jan.	1927 Nov.	1927 Dec.	1928 Jan.
Producers' Goods				
Pig iron	104	88	91	95
Steel ingots	99	84	94	101
Cotton consumption	98	108	97	94
Cotton movement	118	82	66	67
Woolen mill activity*	95	96	90	89*p*
Silk consumption*	125	117	115	131
Petroleum	119	116	114	...
Bituminous coal	111	78	79	84
Coke	105	91	93	99
Lumberr	97*r*	97*r*	98*r*	98*p*
Copper, U. S. mines	109	102	97	97
Lead	112	106	100	100
Zinc	102	100	102	90
Tin deliveries	108	99	75	90
Leather, sole	91	110	104*r*	97
Cement	124	120	129	142
Paper, total	99	103*r*	101	99*p*
Wood pulp	107	100	100	104*p*
Consumers' Goods				
Hogs slaughtered	87	85	89	103
Cattle slaughtered	100	97	87	89
Sheep slaughtered	106	104	103	108
Calves slaughtered	105	95	100	95
Farm produce shipped	95	96	93	...
Wheat receipts	97	106	77	...
Corn receipts	69	87	110	...
Wheat flour	94	98	99	101
Sugar meltings, U. S. ports	106	103	119	112
Gasoline	107	100	99	...
Anthracite coal	96	102	84	84
Newsprint	103	93	94	89
Printing activity	102	102	102	...
Tobacco products	101	106	101	105
Boots and shoes	90	96	91	91*p*
Tires	106	101	99	109*p*
Automobile, passenger	103	50	54	100
Automobile, truck	136	71	86*r*	88

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



Monthly Production of Passenger Automobiles in the United States.



Monthly Production of Steel Ingots in the United States and Unfilled Orders of the U. S. Steel Corporation.

Foreign Trade

Exports of merchandise increased slightly from December to January, contrary to the usual seasonal tendency, and with a value of $411,000,000, were close to the average for January in the past four years. Imports of $338,000,000 showed the usual small increase, but were the smallest for the month of January since 1924.

Cotton exports declined further in January, but were nearly equal in value to those of a year ago, although the quantity was one-third smaller; grain shipments also showed a seasonal decline and were somewhat smaller than last year in value. Automobile exports, however, exceeded those of a year ago, both in number and in value.

Crude rubber imports in January were much larger than in December and were second only to the unusually large imports of April 1927. The quantity of silk received during the month remained somewhat smaller than a year ago, while coffee imports continued larger.

Building

Construction contracts awarded during January in the 37 states east of the Rockies from which reports are received by the F. W. Dodge Corporation were 11 per cent larger than a year ago, and were the second largest for any January on record. All districts, with the exception of the Philadelphia and Pittsburgh districts, reported substantial increases over last year. Residential building contracts were 15 per cent larger than a year ago, the largest increase since early in 1926, and projects for industrial, educational building, and public works and utilities also were larger than in January 1927. The increase in residential building was to a considerable extent concentrated in the Chicago and Boston districts. During the first half of February, the value of contracts awarded was slightly smaller than for the corresponding period of February 1927.

In the New York and Northern New Jersey district, the percentage increase over January of last year was nearly as large as for all reporting districts combined, and the contract volume was slightly larger than in December, contrary to the usual seasonal tendency. All classes of construction work, excepting commercial building, were larger than last year, but the chief increase was in engineering and public works projects.

Building permit values which largely exclude construction of public works and engineering developments, also showed an increase in January. The S. W. Straus & Company report of building permits issued in 517 cities throughout the country, indicates a January total 8 per cent larger than a year ago, following continuous declines compared with the previous year in each month since February 1927.

Indexes of Business Activity

After seasonal changes have been taken into consideration it appears that primary distribution of goods recovered in January a part of the December decline, but remained considerably below the level of last year. In February average daily carloadings of merchandise and miscellaneous freight have shown about the usual seasonal increase, and loadings of bulk freight the usual decrease.

Retail trade declined sharply in January even after allowance for the usual seasonal change; the index of department store sales was the lowest since last May, and other indexes of distribution to consumers showed rather substantial declines.

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

(Computed trend of past years=100 per cent)

	1927			1928
	Jan.	Nov.	Dec.	Jan.
Primary Distribution				
Car loadings, merchandise and misc.	106	100	95	102
Car loadings, other	105	86	86	93
Exports	90	90	78	85*p*
Imports	114	113	104*r*	103*p*
Panama Canal traffic	88	95	88	85
Wholesale trade*r*	97*r*	97*r*	96*r*	...
Distribution to Consumer				
Department store sales, 2nd Dist.	104	106	108	99*p*
Chain grocery sales	99	103	104	...
Other chain store sales	101	105	107	98
Mail order sales	96	102	119	96
Life insurance paid for	103	106	107	98
Advertising	100	100	97	87
General Business Activity				
Bank debits, outside of N. Y. City*r*	106*r*	106*r*	106*r*	107
Bank debits, New York City*r*	123*r*	134*r*	138*r*	142
Velocity of bank deposits, outside of New York City	108	106	104	109
Velocity of bank deposits, New York City	127	135	136	140
Shares sold on N.Y. Stock Exchange*r*	146*r*	179*r*	228*r*	234
Postal receipts	94	94	98	88
Electric power	103	103	102	...
Employment in the United States	100	96	95	95
Business failures	101	106	108	108
Building contracts	127	126	138	140
New corporations formed in N. Y. State	114	116	116	117
Real estate transfers	97	94	95	...
General price level*r*	170*r*	173*r*	174*r*	173
Composite index of wages	221	220	223	221

p=Preliminary *r*=Revised

Department Store Trade

January sales of leading department stores in this district were 3 per cent smaller than a year ago, whereas there has been an average year-to-year increase of at least 4 per cent in recent years. Lower prices this year probably account for a part, but not all of the January decline. As the following table shows, conditions varied considerably in the different localities within the district.

Apparel store sales showed a substantial increase over

January 1927, and mail order houses continued to report somewhat larger sales than a year previous, though the increase was smaller in January than in December.

Collections on charge accounts continued at a higher rate than a year ago in most localities for which an adequate number of reports were available. Stocks of merchandise at the end of January remained smaller than a year ago, but due to the relatively small sales, the rate of stock turnover for the month was slightly lower than in January 1927.

Locality	Percentage Change January 1928 from January 1927		Per cent of Charge Accounts Outstanding December 31 Collected in January	
	Net Sales	Stock on hand end of month	1927	1928
New York	— 4.2	— 3.4	47.0	55.1
Buffalo	— 1.5	+ 4.0	52.6	61.0
Rochester	+ 0.8	— 2.3	44.8	45.8
Syracuse	— 4.1	— 9.5	....	....
Newark	— 0.4	+ 1.1	51.7	49.7
Bridgeport	— 7.9	— 3.6	....	....
Elsewhere	+ 5.8	— 3.3	37.4	39.4
Northern New York State	+ 7.4	......	....	....
Central New York State	0	......	....	....
Southern New York State	— 7.7	......	....	....
Hudson River Valley District	+ 4.2	......	....	....
Capital District	+21.6	......	....	....
Westchester District	+12.9	......	....	....
All department stores	— 3.0	— 2.5	48.0	52.5
Apparel stores	+ 5.0	+ 3.9	45.8	51.4
Mail order houses	+ 3.6	......	....	....

The following table indicates that among the principal departments shoe sales showed the largest increase over last year, while sales in most of the apparel and yard-goods departments showed decreases.

	Net Sales Percentage Change January 1928 from January 1927	Stock on Hand Percentage Change January 31, 1928 from Jan. 31, 1927
Shoes	+10.2	+15.1
Books and stationery	+ 9.3	— 5.8
Home furnishings	+ 7.8	+ 5.4
Luggage and other leather goods	+ 6.7	—22.4
Toilet articles and drugs	+ 5.3	— 0.3
Hosiery	+ 1.7	+ 6.6
Toys and sporting goods	+ 1.4	— 4.3
Linens and handkerchiefs	+ 0.6	+ 0.2
Furniture	+ 0.5	+ 0.1
Women's and Misses' ready-to-wear	— 0.3	— 3.4
Women's ready-to-wear accessories	— 0.9	— 0.3
Silverware and jewelry	— 2.1	— 2.4
Musical instruments and radio	— 2.4	—51.7
Men's furnishings	— 3.3	+ 0.9
Cotton goods	— 3.8	0
Silks and velvets	— 6.0	+ 6.9
Woolen goods	—13.1	—17.2
Men's and boys' wear	—21.9	+12.0
Miscellaneous	— 7.0	— 6.3

Chain Store Sales

Reports of leading chain store organizations, as well as department stores, indicated rather slow retail trade in January. Total sales in most lines continued larger than a year previous, but sales per store were smaller than in January 1927 in all lines except groceries.

Variety stores continue to lead in the rate of growth, measured either by the increase in number of stores or in total sales. The expansion in the number of units operated by grocery chains is proceeding somewhat less rapidly than a year ago, but the volume of business continues to show a large increase each month. Five and ten cent store, shoe, and candy chains have increased the number of stores considerably during the past year, but the increase in volume of sales in January was not correspondingly large.

Type of Store	Percentage Change January 1928 from January 1927		
	Number of Stores	Total Sales	Sales per Store
Grocery	+ 7.4	+20.4	+12.2
Ten cent	+ 9.4	+ 7.1	— 2.2
Drug	+ 3.1	+ 1.2	— 1.9
Tobacco	+ 0.8	— 6.8	— 7.6
Shoe	+ 8.2	+ 5.5	— 2.5
Variety	+24.6	+21.6	— 2.4
Candy	+ 8.3	+ 0.9	— 6.8
Total	+ 7.3	+15.5	+ 7.7

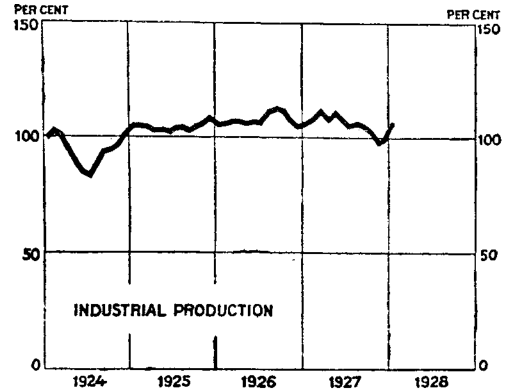
Wholesale Trade

Total sales of reporting wholesale dealers in this district were larger than a year previous in January for the first time since last August. The most important development was a large increase in orders for machine tools. In the past such an increase has usually preceded or accompanied an expansion of industrial activity. Substantial increases were reported also in sales of men's clothing, drugs, and diamonds, and moderate increases in cotton goods, silk goods, shoes, paper, and jewelry. Decreases continued to be reported in sales of groceries and hardware, but were the smallest in several months.

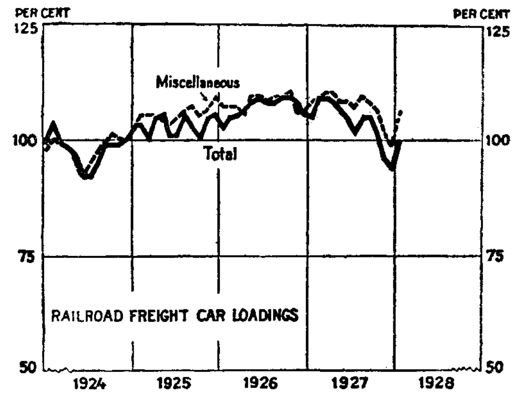
Collections on outstanding accounts continued at about the same rates as a year ago. Stocks held by dealers in shoes, cotton goods, and jewelry and diamonds remained substantially larger than last year, but stocks of grocery, drug, and hardware dealers were somewhat smaller.

Commodity	Percentage Change January 1928 from December 1927		Percentage Change January 1928 from January 1927		Per cent of Accounts Outstanding December 31, Collected in January	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1928	1927
Groceries	— 4.7	— 2.8	— 2.9	—10.5	72.8	73.0
Men's clothing	+ 60.5	.....	+17.5	.....	49.8	52.2
Women's dresses	+ 33.1	.....	—20.3	.....	......	.....
Women's coats and suits	+103.9	.....	— 1.6	.....	......	.....
Cotton goods—Jobbers	— 16.6	+ 6.9	+ 2.3	+14.7	31.1	32.1
Cotton goods—Commission	— 9.9	.....	— 6.4	.....	......	.....
Silk goods	+ 30.3	.....	+ 2.8	.....	50.3	52.4
Shoes	— 40.3	+14.6	+ 3.8	+21.1	37.1	35.0
Drugs	+ 27.4	+13.9	+10.2	— 1.3	47.8	44.1
Hardware	— 34.4	+30.9	— 3.2	— 4.6	45.4	43.0
Machine tools*	+ 28.8	.....	+77.6	.....	......	.....
Stationery	— 1.5	.....	— 9.6	.....	74.8	73.2
Paper	+ 5.3	.....	+ 2.1	.....	69.4	66.4
Diamonds	+ 23.7	— 4.6	+13.6	+ 5.3	53.4	48.3
Jewelry	— 64.2		+ 5.4			
Weighted Average	+ 19.8	.....	+ 3.8	.....	54.9	54.6

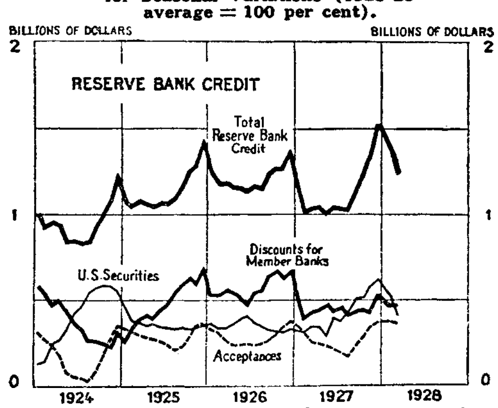
* Reported by the National Machine Tool Builders' Association.



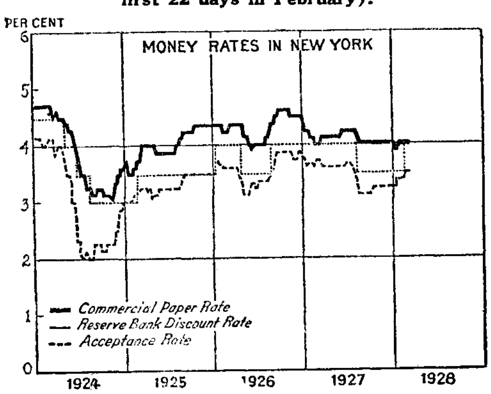
Index Number of Production of Manufactures and Minerals, Adjusted for Seasonal Variations (1923-25 average = 100 per cent).



Loadings of Revenue Freight Reported by the American Railway Association, Adjusted for Seasonal Variations (1923-25 average = 100 per cent).



Reserve Bank Credit: Monthly Averages of Daily Figures for 12 Federal Reserve Banks (Latest figures are averages of first 22 days in February).



Weekly Rates in the New York Money Market.

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL production and shipments of commodities by railroads increased considerably in January from the low point reached at the end of 1927. The general level of wholesale commodity prices showed a slight decline.

Production

The increase of 6 per cent in industrial production from December to January reflected a larger output of manufactures, particularly of iron and steel and automobiles. Daily average production of steel ingots increased by over 25 per cent in January—the largest monthly increase since 1924. Buying of steel products by the railroads, and by the automobile and construction industries was also active in January, and notwithstanding the large volume of production and shipments, unfilled orders showed an increase during the month. Since the first of February production of steel products has continued active with new orders and shipments more nearly in balance than in previous months. Automobile production, which in December was in smallest volume since 1922, increased considerably in January and was only slightly smaller than in the same month of the preceding year. Cotton consumption showed about the usual seasonal increase in January following substantial curtailment in December and the woolen and silk industries were somewhat more active than in December. Production of minerals, after adjustment for customary seasonal changes, was in practically the same volume in January as in December. Building contracts awarded in January exceeded those for the corresponding month of last year and awards during the first half of February were in practically the same volume as a year ago.

Trade

Sales of department stores showed more than the usual seasonal decline in January from the high levels reached in December and averaged slightly smaller than in January of last year. Sales of mail order houses, on the other hand, were about 6 per cent larger than a year ago. Wholesale trade in nine leading lines averaged larger than in January of last year. Stocks of groceries and hardware carried by wholesale firms were smaller than a year ago, but reports in other lines indicated that stocks were somewhat larger.

Freight car loadings for all groups of commodities were larger in January than in December—the increase being particularly large for miscellaneous commodities. Compared with January of last year, however, loadings of all classes of commodities, except livestock, were smaller.

Prices

The Bureau of Labor Statistics index number of wholesale commodity prices declined from 96.8 per cent of the 1926 average in December to 96.3 per cent in January. Prices of farm and hide and leather products increased, while prices of meats and dairy products, textiles, fuels, nonferrous metals, and rubber declined. During the first two weeks of February, prices of grains, cotton, silk, and wool advanced, while those of cattle, sugar, and rubber declined.

Bank Credit

For the four weeks ended February 15 total loans and investments of member banks in leading cities showed a decline of more than $200,000,000, the decline being almost entirely in loans on securities. From the peak at the turn of the year this class of loans decreased by nearly $460,000,000. Loans for commercial purposes, after a further decline in January, showed a seasonal increase in the first two weeks of February. The decline in the volume of loans since the first of the year has been accompanied by a corresponding decline in net demand deposits, while time deposits have continued to increase.

At the Reserve Banks the total volume of member bank borrowing declined seasonally during the opening weeks of the year and reached a low point on January 25, but increased by about $70,000,000 between that date and February 21. This increase in discounts accompanied smaller reductions in the Reserve Banks' holdings of United States securities and acceptances, and the total volume of Reserve Bank credit in use showed an increase for the four weeks.

During the four weeks ended February 21 a firmer tendency in the money market was indicated by increased rates on call and time loans and by a further increase from 3⅜ per cent to 3½ per cent in the rate on 90-day bankers acceptances. Between January 25 and February 21 discount rates at eleven Federal Reserve Banks were advanced from 3½ to 4 per cent.