

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

June 1, 1928

Money Market in May

The gradual tightening of the New York money market, which has been in progress since last autumn, has during the past month become more apparent, and open market money rates have advanced to the highest levels for this time of year since 1923.

The following table reviews the changes that have taken place in money rates during the past month and since last November.

Money Rates at New York

	May 29, 1928	Change since	
		April 27, 1928	Nov. 29, 1927
Call money.....	*6	+ 1	+2½
Time money—90 day.....	5½	+ ½	+1½
Prime commercial paper.....	4½-¾	+ ½	+ ½
Bills—90 day undorsed.....	4-4½	+ ¾	+ ½
Customers' rates on commercial loans.....	4.53	+.06	+.25
Treasury issues maturing in 6-8 months.....	3.89	+.06	+.72
Federal Reserve Bank of New York rediscount rate.....	4½	+ ½	+ 1
Federal Reserve Bank of New York minimum buying rate for 90 day bills.....	4	+ ¼	+ ¼

* Prevailing rate for preceding week
† Average rate of leading banks at middle of month

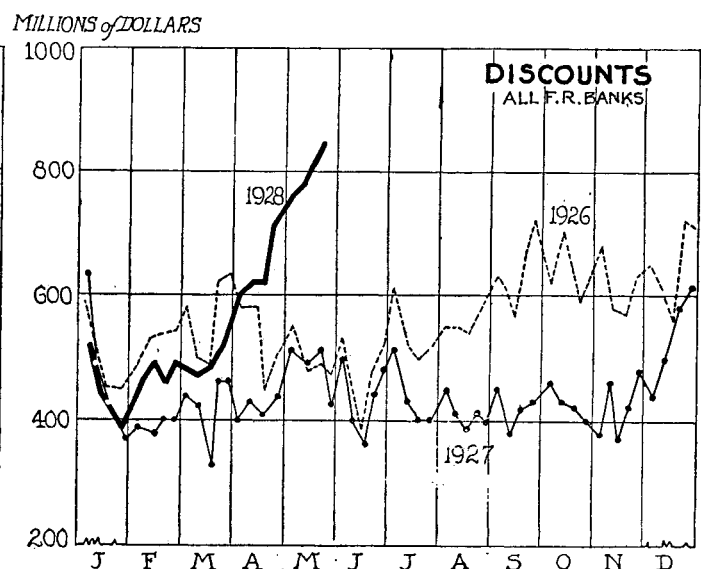
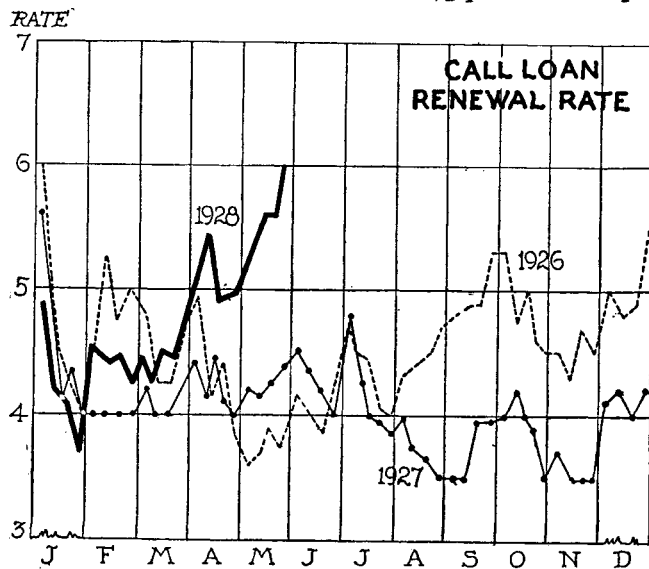
The table shows that the advance in rates has been in keeping with the nature of credit expansion in recent months, which has been largely concentrated in security loans. Since last November the charge on loans to security brokers has advanced from 3½ per cent to 6 per

cent on demand loans, and from 4 per cent to 5½ per cent on time loans. During the same period the rise in open market rates on commercial paper and acceptances has been less than 1 per cent, and average rates charged on direct loans to customers for commercial purposes by even the large New York City banks have risen only fractionally. Interest rates on business loans made by banks in smaller localities have probably changed even less.

CAUSES OF HIGHER MONEY RATES

The causes of this advance in money rates are to be found in the changes in credit conditions that have forced member banks to depend more and more heavily upon borrowings from the Reserve Banks to maintain their reserves at the required level, and in the discount rates member banks pay on borrowings. These changes have been taking effect gradually for the past six months.

Gold exports and earmarkings in the latter part of 1927, and substantial sales of securities by the Reserve Banks in January took about 300 million dollars of reserve funds from member banks, but this loss was largely offset by the heavy return flow of holiday currency from circulation in January. Since that month, however, there has been no such offsetting factor and losses of funds to the market have been reflected in increases in member bank borrowing at the Reserve Banks.



Call Loan Rates and Volume of Member Bank Borrowing from All Federal Reserve Banks in 1928, Compared with 1926 and 1927.

The combined statement of all Federal Reserve Banks for May 23 showed discounts for member banks amounting to 847 million dollars, an increase of 462 million since January 25. The principal factors in this increase were a continued loss of gold through exports and earmarkings, amounting to over 200 million dollars, and a further reduction of more than 200 million in the Government security holdings of the Reserve Banks.

Notwithstanding this loss of reserves, weekly reporting banks, which represent in resources about two-thirds of all member banks, expanded their loans and investments by about one billion dollars during this period. In order to extend this additional credit, member banks were forced to borrow from the Reserve Banks amounts sufficient, not only to cover the reserve funds withdrawn from them, but also to provide for the further increase in their required reserves. As their indebtedness increased, the rates at which member banks were willing to make loans were successively advanced; the rise in call loan rates has roughly paralleled the rise in member bank borrowings. This close relationship between money rates and the extent to which member banks are dependent on the Federal Reserve Banks is illustrated in the diagram on the preceding page.

The continuance of the increase in member bank loans and in their indebtedness at the Reserve Banks during the past month has been accompanied by further advances in Reserve Bank discount rates. Following advances in seven other districts, the discount rate of the Federal Reserve Bank of New York was raised from 4 to 4½ per cent on May 18. This is the first year since 1920 in which the discount rate of this bank has been advanced twice within a period of a few months, and the 4½ per cent rate now in effect is the highest since early 1924.

MEMBER BANK CREDIT IN MAY

Loans and investments of weekly reporting banks, both in this district and elsewhere increased further at the beginning of May. As the following table shows, about 60 per cent of the billion dollar increase during the three months from February 21 to May 16 was in this district.

	(In millions of dollars)		
	February 21	April 25	May 16
Second District	8,159	8,606	8,752
Other Districts	13,416	13,732	13,839
Total	21,575	22,338	22,591

The greater part of the increase has been in loans on stocks and bonds, and these loans continued to rise until the middle of May, reaching a level nearly 600 million higher than in the latter part of February. Loans to security brokers placed by New York City banks for their own account and for correspondent banks increased less than 400 million since February, but loans to brokers placed for interests other than banks (the identity of which is not definitely known) showed an additional increase of over 400 million; so that, as the accompanying diagram shows, the total increase in brokers' loans in a little over two months was nearly 800 million dollars. In addition there was a less rapid but substantial increase in the estimated volume of security loans made directly by banks to their customers.



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.

Other loans of reporting banks, which are assumed to be largely for commercial purposes, both in this district and elsewhere, declined somewhat in May, but remained substantially larger than in the early part of this year or than in May of last year. Investments showed no important change.

BILL MARKET

Investment demand for bills was active throughout May, due largely to foreign account orders. As a result, dealers' portfolios were reduced somewhat, notwithstanding the appearance in the market of a continued large volume of new bills. Following an increase in the Reserve Bank's buying rates on May 18 open market rates were also advanced. The 30 day maturities showed the largest increase, rising ⅜ per cent to 4 per cent. Longer maturities were raised ⅛ to ¼ per cent, and at the end of May, ninety day unindorsed bills were being offered at a range of 4-4⅞ per cent, the highest since March 1924. The volume of bills outstanding at the end of April was only slightly below the record amount reported for March, and remained \$260,000,000 larger than in April 1927.

COMMERCIAL PAPER MARKET

The commercial paper market remained quiet during May. Not only was the bank inquiry for investment purposes rather light, but dealers had difficulty in securing additional amounts of new paper from open market borrowers. The scarcity of prime names was a continuation of the condition in earlier months of the year; the amount of paper outstanding through 25 dealers has varied little during the first four months of the year, and on April 30 was about 4½ per cent smaller than a year ago. Rates for prime paper continued to harden, and by the end of May sales were fairly evenly divided between 4½ and 4¾ per cent paper.

Gold Movement

The net export of gold was substantially smaller during May than during March and April, but amounted to \$82,500,000, and as gold earmarked during the month exceeded releases from earmark by \$26,000,000, the net reduction in the country's stock of gold during May amounted to \$108,500,000, an amount considerably above even the previous record figure of last November. Exports during the month totaled \$83,000,000, while imports amounted to only \$500,000; new earmarkings totaled \$69,000,000, but \$43,000,000 was released from earmark and shipped.

The following table shows the principal destinations of gold exports since September 1:

(In thousands of dollars)

	May, 1928*	Sept. 1, 1927 to May 31, 1928*
Argentina	12,700	129,790
Brazil		54,994
France	42,462	175,001
Germany	208	27,140
Italy	4,000	16,000
United Kingdom	20,035	31,068
Uruguay .....	.....	11,000

*May figures preliminary, covering Port of New York only.

The monthly changes in the country's stock of gold in consequence of exports, imports, and earmarking transactions since the first of September are indicated below:

Gain or Loss of Gold through Exports and Earmarkings
(In millions of dollars)

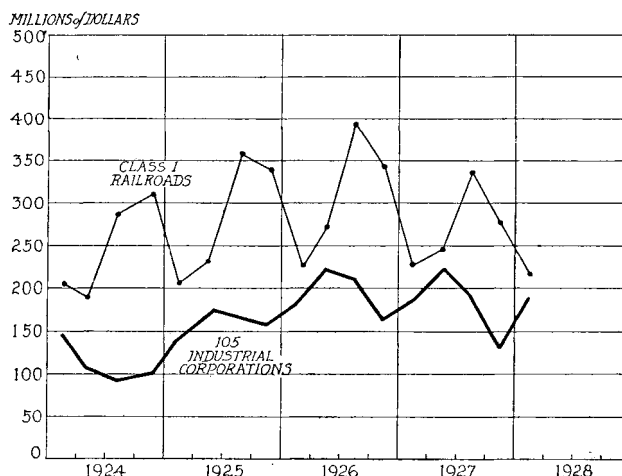
Month	Through Net Exports	Through Earmarking	Total
1927			
September	— 11	— 9	— 20
October	— 9	— 25	— 34
November	— 53	— 40	— 93
December	— 68	— 8	— 76
1928			
January	— 14	+ 6	— 8
February	— 11	+ 3	— 8
March	— 95	+ 36	— 59
April	— 91	+ 46	— 45
May	— 83*	— 26*	— 109*
Total, 9 months	— 435*	— 17*	— 452*

*Preliminary

Business Profits

First quarter earnings reports of 210 industrial and mercantile companies indicated net profits about 4 per cent larger than for the corresponding periods of 1927 and 1926, a smaller increase than was indicated by earlier calculations based on a smaller number of companies. If, however, the large increase in the earnings of General Motors and the related increase in the earnings of Du Pont de Nemours be excluded from the tabulation, the net profits of the remaining companies would show a decline of 6½ per cent from 1927, and of 11 per cent from 1926.

The motor group had the largest increase over 1927. Aside from a 32 per cent increase in the profits of General Motors Corporation, net earnings of 15 other companies (exclusive of Ford, for which figures are not available) were 10 per cent above last year. Increases



Quarterly Profits of 105 Industrial Corporations and Net Operating Income of Class I Railroads.

in profits were reported also by mining and smelting, food and food products, machine and machine manufacturing, chemical, and amusement companies. The miscellaneous group of companies showed a large increase, half of which represented the increase of Du Pont de Nemours.

A heavy decline continued to be reported in the profits of the oil companies; first quarter earnings were less than one-third as large as in 1927, apparently reflecting the continuation of conditions which developed in the industry during 1927. Profits of steel companies showed a reduction of about 18 per cent; a reduction was reported by the United States Steel Corporation as well as the independent concerns. Other groups to report a lower net return this year were the tobacco, and building supply companies.

Telephone and other public utility companies continued to expand their earnings, though the increase this year was not as large as that reported a year ago. Net operating income of the principal railroads was the smallest for the first quarter of any year since 1925, accompanying the reduction in freight traffic.

(Net Profits in thousands of dollars)

Corporation Groups	Number	1926	1927	1928
		First Quarter	First Quarter	First Quarter
Motors	16	76,100	77,778	97,230
Motor accessories	16	8,826	6,515	6,680
Oil	21	27,222	25,587	7,509
Steel	16	47,760	45,680	37,231
Food and food products	26	27,370	29,259	30,875
Machine and machine mfg.	16	8,813	8,645	9,261
Mining and smelting	24	14,753	15,041	15,981
Chemicals	10	11,089	11,850	13,132
Building supplies	10	5,187	4,964	3,820
Tobacco	5	1,515	2,099	1,709
Amusement	6	7,389	8,525	10,360
Miscellaneous	44	32,949	32,732	45,015
Total 12 groups	210	268,973	268,675	278,803
Telephone	83	50,500	58,600	62,200*
Other Public Utilities	17	20,400	24,500	27,300
Total Public Utilities	100	70,900	83,100	89,500*
Class I Railroads	186	224,000	226,000	217,000

*Partly estimated

Foreign Exchange

Sterling tended to advance gradually during May, despite the further advance in money rates in the New York market, and near the end of the month was higher than a month previous.

Following the re-establishment of the gold standard in Norway on May first, the krona rose gradually until parity was reached on the 14th. Dutch exchange was likewise strong, cable rates advancing to 40.37 cents, and German reichsmarks advanced to the highest level of the year. Spanish pesetas continued to fluctuate irregularly, but on an average were slightly lower than in April. Other European exchanges showed little variation in May from the levels reached in the previous month.

Canadian funds went to a discount, somewhat earlier than last year, Argentine rates were slightly stronger, and Brazilian quotations were unchanged.

In the Far Eastern exchanges, the rupee showed little change, the yen weakened soon after the beginning of the month, but Chinese rates were strong.

As the following table shows, nearly all of the principal exchanges are substantially higher than a year ago, notwithstanding the relatively high level of money rates in the New York market at the present time.

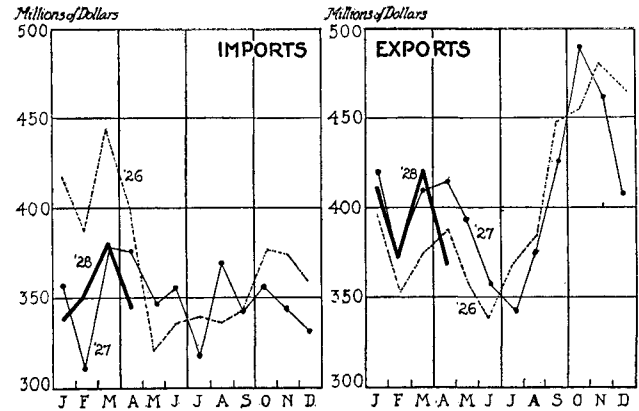
Country	Cable rates	
	May 31, 1927	May 28, 1928
Belgium.....	.1389	.1395
England.....	4.8574	4.8834
France.....	.0392	.0394
Germany.....	.2370	.2395
Italy.....	.0550	.0527
Netherlands.....	.4004	.4037
Norway.....	.2596	.2679
Switzerland.....	.1924	.1927
Canada.....	1.0006	.9984
Argentina.....	.9627	.9716
Brazil.....	.1183	.1203
India.....	.3626	.3659
Japan.....	.4621	.4655
Hong Kong, dollar.....	.4923	.5154
Shanghai, tael.....	.6296	.6836

Foreign Trade

Both exports and imports of merchandise in April showed somewhat more than the usual seasonal declines from March, as the accompanying diagrams show, and were also smaller than last year, despite higher prices in several commodities that are important in our foreign trade. Exports, valued at \$368,000,000, were \$47,000,000 smaller than last year, and imports, at \$345,000,000 were \$31,000,000 smaller; both were the smallest for any April since 1924.

Many of the leading commodities contributed to the April decline in exports. Shipments abroad of raw cotton decreased about 40 per cent in volume, and \$11,000,000 in actual value from a year ago. Total grain exports were only about half as large in quantity, and were \$17,000,000 less in value. Declines occurred also in the exports of coal, cotton manufactures, and automobiles, the last two following increases in the first three months of 1928.

Quantity receipts of raw silk and crude rubber declined from the comparatively high figures of March, and



Monthly Imports and Exports of Merchandise of the United States in 1928, Compared with 1927 and 1926.

were 21 and 24 per cent, respectively, below last year. These reductions in volume, accompanying a slight decrease in the price of silk and a decrease of over 50 per cent in the price of rubber, largely account for the loss in the value of imports.

Security Markets

Stock prices continued to advance during the first half of May and representative averages of industrial and railroad shares again advanced to new high levels. A succession of days with a turnover of well over four million shares on the New York Stock Exchange, and the distribution of trading among a large number of issues, indicated a widespread participation in the market. Around the middle of the month, however, the market became hesitant and the averages declined from 5 to 9 points. In the last week of the month there was a partial recovery from this decline, but movements of individual stocks were very irregular and the volume of trading was considerably reduced.

In the bond market there was a further gradual but persistent decline in prices. United States Government bonds reached the lowest levels of the year; domestic corporate bond averages likewise declined to new low points for the year; and foreign issues were somewhat lower.

Present levels of stock and bond prices, relative to those of a month ago, and to those of May of last year, are shown in the following table.

	Current quotations	Change from month ago	Change from year ago
197 Industrial stocks.....	242	+3 points	+66 points
31 Railroad stocks.....	166	-2 "	+13 "
228 Industrial and rail stocks.....	220	+2 "	+50 "
40 Domestic corporation bonds.....	98.2	- $\frac{7}{8}$ "	+ $\frac{7}{8}$ "
7 U. S. Government bonds.....	104 $\frac{1}{4}$	- $\frac{1}{2}$ "	- $\frac{3}{4}$ "
10 Foreign Government bonds.....	106.4	- $\frac{1}{2}$ "	+ $\frac{1}{4}$ "

New Financing

Although security offerings in May were somewhat smaller than the unusually heavy volume floated in April, and were also slightly smaller than in May of last year, the total nevertheless was of substantial size.

The principal reduction from April was in domestic public utility issues. Foreign borrowings, on the other hand, continued to increase; the principal issues were \$50,000,000 of Commonwealth of Australia bonds, priced to yield 5 per cent; \$30,000,000 German Central Bank for Agriculture bonds, yielding 6.62 per cent; \$20,000,000 Mortgage Bank of Chile bonds, priced at 6.30 per cent; a \$17,500,000 German Consolidated Municipal loan, yielding 6.50 per cent; a \$15,000,000 City of Berlin loan on a 6.38 per cent yield basis; and \$10,000,000 General Electric Company of Germany bonds, yielding 6.50 per cent.

Although foreign loans floated in this market, have been fairly numerous during the first four months of this year, the total of issues which represent only the securing of new capital funds in this country, eliminating all offerings of a refunding nature, has been \$96,000,000 smaller than in the corresponding period of last year. The decrease has been in Canadian, Latin American, and Asiatic and Oceanic borrowings; European borrowers have secured about \$90,000,000 more of new capital than in the corresponding period of last year.

Building

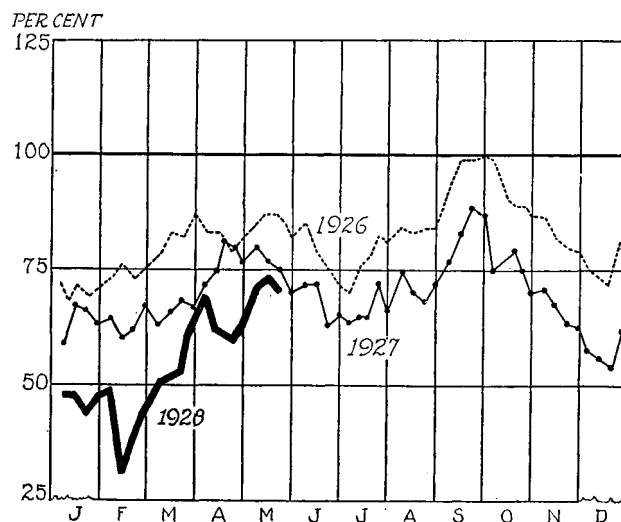
Construction contracts reported by the F. W. Dodge Corporation for the 37 states East of the Rockies were larger than for any previous month. There was an increase of 9 per cent over the March total, and of 6 per cent over April of last year. The most important element in the large total for April was a substantial increase in industrial building, a good part of which was in the Middle Atlantic district. Residential building also was somewhat larger than a year ago, but the volume of other types of building showed little change. Total building contracts awarded during the first four months of this year were 6 per cent larger than a year ago, and for the first 25 days of May an even larger increase over the corresponding period of last year was indicated.

The April report for the New York and Northern New Jersey district was not as favorable as for the country as a whole; contracts awarded were slightly smaller than in March and were 8 per cent below a year ago, due primarily to a drop in residential work which in the preceding months of this year had been heavier than during the corresponding period of 1927. For the first four months of the year, however, building in this district was 6 per cent larger than a year ago, the same increase as for all districts combined.

Employment and Wages

Factory employment in the country as a whole declined slightly less than usual in April, and our index, in which allowance is made for seasonal variations, showed a small advance from the low level of March. As in each previous month for a year and a half, however, employment remained below the level of the corresponding month of the preceding year. In New York State, there was a reduction of about 1 per cent.

The State Employment Service reports, however, that this seasonal decline in factories was accompanied by increases in outdoor activities. There was a marked expansion of employment in building, and in farm and



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

road work. The supply of farm labor is larger relative to the demand than in a number of years, and wages are lower than a year ago.

Although the largest volume of unemployment continues among the unskilled workers, employment opportunities for this type of labor have shown a pronounced increase in recent weeks; the work, however, is largely of a casual nature. There is still reported to be some unemployment among the semi-skilled, but very little among the highly skilled workers. In general, it may be said that the situation has shown substantial improvement.

Indication of this is found in the ratio of orders for workers to applications for employment at State employment offices, which is shown in the accompanying diagram. This ratio has shown a rapid and fairly steady increase from the low point of mid-February, and on May 12 was the highest since last October, and was nearer the corresponding week of the preceding year than at any time since April 1927. Another evidence of improvement is to be found in the rate of voluntary labor turnover, which showed an increase in April, after allowance is made for the usual seasonal variations. This indicates that workers are not holding quite so closely to their jobs as was the case during the immediately preceding months.

Indexes of Business Activity

Car loadings of both bulk freight and merchandise and miscellaneous freight increased slightly in April, after seasonal allowance, but remained below the levels of a year ago; in fact, they have been smaller than last year in every week of this year, and have exceeded the corresponding week of 1926 only twice. Foreign trade showed a decline of more than the usual seasonal proportions in April, both in exports and imports. There were increases in mail order sales and in advertising, after allowance for seasonal variations, but department store sales were practically unchanged, and life insurance sales declined.

Financial activity continued at high levels, and this

bank's indexes of stock trading and bank debits in New York City advanced to new high points. Business failures showed more than the usual seasonal decline, but new incorporations also were less numerous than in March.

Adjustment is made in the following indexes for seasonal variations, year-to-year growth, and, where necessary, for price changes.

(Computed trend of past years = 100 per cent)

	1927		1928	
	Apr.	Feb.	Mar.	Apr.
Primary Distribution				
Car loadings, merchandise and misc.....	109	104	103	104
Car loadings, other.....	105	96	92	95
Exports.....	104	90	97	87 ^p
Imports.....	115	107	104	100 ^p
Panama Canal traffic.....	96	102	96	89
Wholesale trade.....	98	102	98	..
Distribution to Consumer				
Department store sales, 2nd Dist.....	100	104	98	97
Chain grocery sales.....	104	103	102	..
Other chain store sales.....	103	102	100	98
Mail order sales.....	102	98	97	100
Life insurance paid for.....	114	113	111	106
Advertising.....	101	98	95	97
General Business Activity				
Bank debits, outside of N. Y. City.....	109	102	107	112
Bank debits, New York City.....	127	135	159	162
Velocity of bank deposits, outside of New York City.....	107	104	111	115
Velocity of bank deposits, New York City.....	134	138	162	164
Shares sold on N. Y. Stock Exchange.....	195	196	281	306
Postal receipts.....	97	95	90	87
Electric power.....	106	107	104	..
Employment in the United States.....	100	96	95	96
Business failures.....	111	114	115	102
Building contracts, 36 States.....	128	151	125	133
New corporations formed in N. Y. State.....	114	127	115	110
Real estate transfers.....	96	101	92	..
*General price level.....	169	173	174	175
*Composite index of wages.....	220	221	223	221

^p Preliminary.

*1913 average = 100 per cent.

Production

Productive activity in leading industries continued irregular in April, and in general remained at about the level of a year ago. The average daily production of steel ingots increased 3 per cent and established a new high record for all time, in spite of a slight decline in activity in the latter part of the month. Average daily production of automobiles also increased, and remained above the level of a year ago. Production of coke and of anthracite coal increased, after seasonal allowance, but there were declines in bituminous coal and in petro-

leum, the latter apparently indicating successful efforts to restrict output, following the over-production of the past year. There was also a substantial lessening of activity in the textile industries; mill consumption of silk reached the lowest level since May 1926, and cotton consumption declined further.

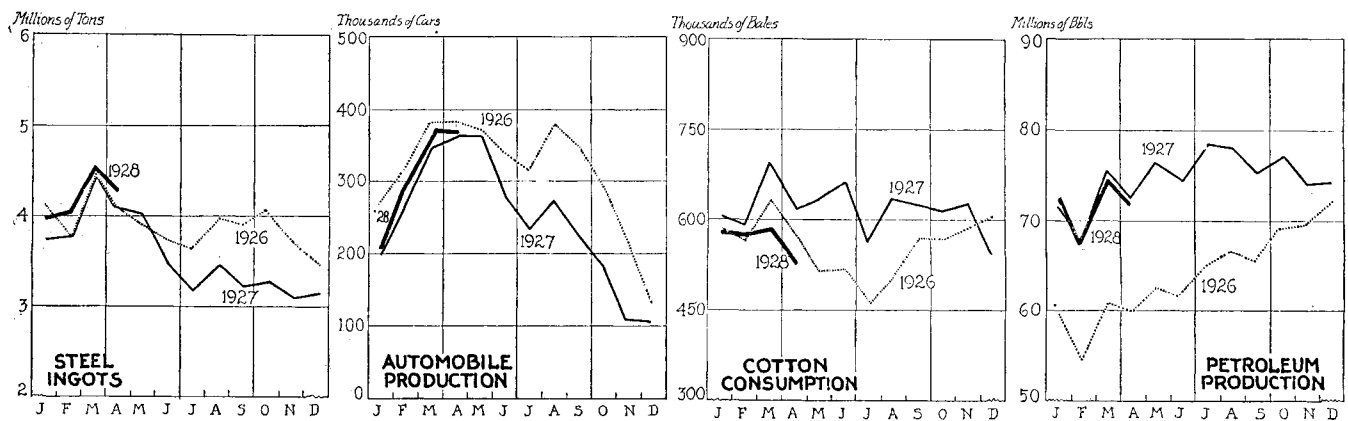
There is evidence that the irregularity in industrial activity of March and April continued into May. Employment in the Detroit automobile center increased further, coal output showed a seasonal expansion, and the production of cotton goods was reported as slightly above that of April; on the other hand, there were declines in steel mill activity, and in petroleum production.

This bank's indexes, in which allowance is made for year-to-year growth, and the usual seasonal variations, are shown below.

(Computed trend of past years = 100 per cent)

	1927		1928	
	Apr.	Feb.	Mar.	Apr.
Producers' Goods				
Pig iron.....	115	105	104	107
Steel ingots.....	111	115	109	114
Cotton consumption.....	106	104	95	89
Cotton movement.....	136	65	89	110
Woolen mill activity*.....	87	88	86	83 ^p
Silk consumption*.....	122	124	140	98
Petroleum.....	117	115	109	107 ^p
Bituminous coal.....	88	86	87	83
Coke.....	108	100	100	103
Lumber.....	94	103	101	96
Copper, U. S. mines.....	102	104	96	98
Lead.....	114	107	100	92
Zinc.....	94	93	93	94
Tin deliveries.....	104	88	114	105
Leather, sole.....	113	112	109	113
Cement.....	122	114	106	113
Paper, total.....	106	109 ^r	107	107 ^p
Wood pulp.....	102	109 ^r	101	96 ^p
Consumers' Goods				
Hogs slaughtered.....	95	126	128	96
Cattle slaughtered.....	110	100	94	91
Sheep slaughtered.....	108	114	106	102
Calves slaughtered.....	88	98	83	80
Farm produce shipped.....	112	105	95	..
Wheat receipts.....	99	107	134	..
Corn receipts.....	77	116	158	..
Wheat flour.....	108	115	103	107
Sugar meltings, U. S. ports.....	94	76	88	77
Gasoline.....	98	99	97	..
Anthracite coal.....	108	85	76	111
Newsprint.....	98	95	91	88
Printing activity.....	101	104	103	..
Tobacco products.....	106	107	105	101
Boots and shoes.....	95	103	100	88 ^p
Tires.....	118	126	116	..
Automobile, passenger.....	118	128	132	118
Automobile, truck.....	92	92	87 ^r	87

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



Production of Steel Ingots, Passenger Automobiles, and Petroleum, and Mill Consumption of Cotton in 1928 Compared with 1927 and 1926.

Department Store Trade

Total sales of reporting department stores in this district in April showed an unusually large decline from those of a year ago, due at least in part to the fact that there was one less business day in April this year, and in part to the fact that a larger proportion of the Easter business this year was done in March. After taking these facts into account, however, the volume of business in April does not appear to have been large, and for the first four months of the year, total sales were slightly smaller than in the corresponding period of last year.

Leading apparel stores in the district have made a more favorable showing; their sales in April were 3 per cent larger than last year, and for the first four months of the year 8 per cent larger.

Stocks of merchandise on hand in department stores remained slightly smaller than last year, but, owing to the substantial decline in sales, the rate of stock turnover was lower than in April 1927. For the January to April period the turnover was about the same as last year. The rate of collections on charge accounts during April was the same as last year, notwithstanding the one less business day.

Locality	Percentage Change April 1928 compared with April 1927		Per cent of Charge Accounts Outstanding March 31 Collected in April	
	Net Sales	Stock on hand end of month	1927	1928
New York	-6.7	-1.4	50.4	51.3
Buffalo	-7.0	+3.6	55.9	52.5
Rochester	-9.1	+1.0	39.6	41.2
Syracuse	-12.0	-5.7	.....	.....
Newark	-7.3	+2.0	47.4	45.6
Bridgeport	-13.0	-6.7	.....	.....
Elsewhere	-9.0	-2.8	36.6	34.4
Northern New York State	-9.3	.....	.....	.....
Central New York State	-10.2	.....	.....	.....
Southern New York State	-12.1	.....	.....	.....
Hudson River Valley District	-5.5	.....	.....	.....
Capital District	-9.7	.....	.....	.....
Westchester District	-5.1	.....	.....	.....
All department stores	-7.3	-0.9	48.4	48.4
Apparel stores	+3.1	+10.2	48.4	48.1
Mail order houses	-1.0	.....	.....	.....

Only a few departments showed larger sales than in April 1927; all the apparel departments were among those showing reductions.

Commodity	Net Sales Percentage Change April 1928 compared with April 1927	Stock on Hand Percentage Change April 30, 1928 compared with April 30, 1927	1927	1928
Cotton goods	+7.2	-9.9	74.2	74.4
Books and stationery	+5.0	-0.8	36.3	33.8
Furniture	+2.2	-0.6	.....	.....
Luggage and other leather goods	+1.8	-16.0	.....	.....
Toys and sporting goods	+1.7	+0.3	.....	.....
Musical instruments and radio	-1.4	-21.4	31.4	30.5
Men's furnishings	-2.1	-12.3	.....	.....
Toilet articles and drugs	-2.7	+0.7	.....	.....
Linens and handkerchiefs	-2.9	-12.8	47.2	45.1
Shoes	-3.2	+12.5	49.9	46.0
Women's ready-to-wear accessories	-4.4	-2.1	48.7	53.4
Home furnishings	-4.4	-0.6	46.6	43.0
Women's and Misses' ready-to-wear	-7.9	+0.3	.....	.....
Silverware and jewelry	-10.6	+3.8	77.8	67.0
Hosiery	-13.3	-5.1	66.4	65.4
Silks and velvets	-17.4	-3.4	.....	.....
Men's and Boys' wear	-19.9	-0.2	25.8	29.4
Woolen goods	-21.9	-14.7	.....	.....
Miscellaneous	-14.1	-8.4	52.1	50.9

Chain Store Sales

For the first time in several years, the total sales of reporting chain store systems in April showed practically no increase over the previous year. Grocery chains, which seem to be little affected by general trade conditions, were the only type to show an increase; all others reported declines of varying amount, even those which have considerably increased the number of units operated during the past year. The declines in sales per store were even larger.

Part of the decline was due to the fact that there was one less selling day in April this year, but after allowance for this, the daily rate of sales compared less favorably with that of a year ago than at any time in a considerable number of months. A partial explanation may probably be found in the earlier Easter this year, as the result of which a larger part of the Easter buying was done in March.

Type of Store	Percentage Change April 1928 compared with April 1927		
	Number of Stores	Total Sales	Sales per Store
Grocery	+2.0	+14.1	+11.8
Ten cent	+9.0	-0.2	-8.5
Drug	+3.1	-2.8	-5.8
Tobacco	+1.3	-11.8	-12.9
Shoe	+9.6	-14.8	-22.3
Variety	+17.7	-2.9	-17.6
Candy	+9.9	-9.4	-17.5
Total	+4.6	+0.1	-4.3

Wholesale Trade

Reports from wholesale dealers indicated that April business was highly irregular in the various lines. Hardware sales showed the largest increase over a year previous in nearly three years, notwithstanding the fact that April was a shorter business month this year, due to the inclusion of five Sundays. Drug sales also showed an unusually large increase, and orders for machine tools, reported by the Machine Tool Builders' Association, continued far above those of last year.

Shoe sales declined sharply, however, and fairly large reductions, partly accounted for by the short month, were reported in sales of stationery, cotton goods, men's and women's clothing, and diamonds.

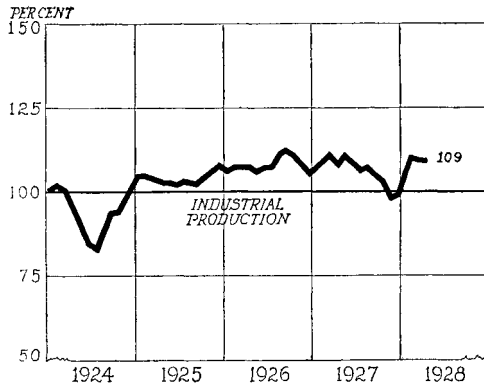
Commodity	Percentage Change April 1928 compared with March 1928		Percentage Change April 1928 compared with April 1927		Per cent of Accounts Outstanding March 31 collected in April	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1927	1928
Groceries	-6.3	-8.7	-1.0	-0.2	74.2	74.4
Men's clothing	-43.0	.....	-12.3	.....	36.3	33.8
Women's dresses	-16.5	.....	-24.8	.....	.....	.....
Women's coats and suits	-50.1	.....	-16.0	.....	.....	.....
Cotton goods—Jobbers	-14.9	-3.9	-6.4	-4.7	31.4	30.5
Cotton goods—Commission	-25.6	.....	-10.0	.....	.....	.....
Silk goods	-27.2	.....	+1.2	.....	47.2	45.1
Shoes	-36.2	-2.2	-32.1	-3.1	49.9	46.0
Drugs	+3.1	-2.8	+16.5	+18.3	48.7	53.4
Hardware	+26.0	-4.1	+8.6	+10.1	46.6	43.0
Machine tools*	+0.1	.....	+76.1	.....	.....	.....
Stationery	-21.2	.....	-8.4	.....	77.8	67.0
Paper	-6.2	.....	-2.7	.....	66.4	65.4
Diamonds	-3.0	+8.0	-22.4	+7.3	25.8	29.4
Jewelry	-7.7	.....	+3.7	.....	.....	.....
Weighted Average	-19.4	.....	-5.2	.....	52.1	50.9

*Reported by the National Machine Tool Builders' Association.

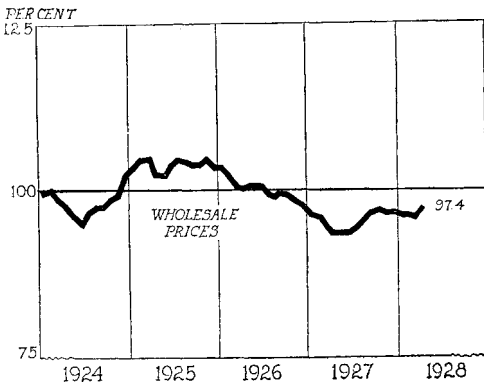
Business Conditions in the United States

(Summarized by the Federal Reserve Board)

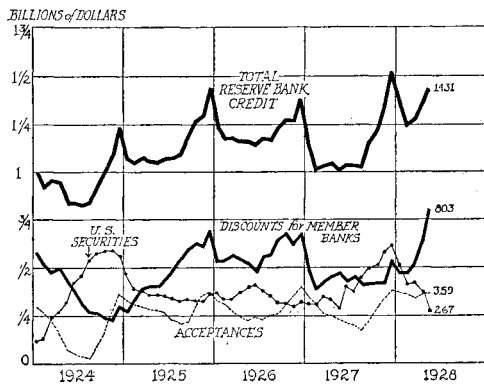
VOLUME of industrial production continued large during April, reflecting chiefly increased output in metal industries, while activity in industries producing food and clothing decreased. Wholesale and retail trade also declined. The general level of wholesale commodity prices increased in April reflecting advances in farm products. There were large exports of gold in April and May, member bank loans and their borrowings at the Reserve Banks continued to increase, and money rates showed further advances.



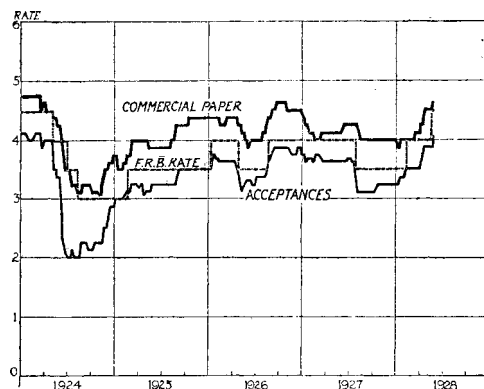
Index Number of Production of Manufactures and Minerals, Adjusted for Seasonal Variations (1923-25 average = 100 per cent).



Wholesale Price Index of United States Bureau of Labor Statistics (1926 average = 100 per cent).



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



Weekly Rates in the New York Money Market.

PRODUCTION

Production of manufactures remained in about the same volume in April as in March, while output of minerals declined slightly, owing chiefly to a decrease in production of bituminous coal. Daily average output of iron and steel, copper, and zinc, increased in April, but since the first of May there has been some curtailment in steel-mill activity. Automobile production was maintained in large volume during April and according to preliminary reports also during the first half of May. Textile mill activity, output of boots and shoes, and meat production showed substantial declines during April. Volume of factory employment declined slightly, reflecting chiefly decreases in the food, leather, and textile industries. Building contracts awarded in April exceeded those for any previous month, and awards during the first three weeks of May continued in unusually large volume.

TRADE

Sales by department stores and by wholesale firms in most lines of trade declined in April and were in smaller volume than a year ago. Average daily sales of department stores, after allowance is made for the earlier date of Easter and the usual seasonal changes, were smaller in April than in March and were also smaller than in April a year ago. This decrease was due largely to unfavorable weather conditions. Stocks of department stores, after adjustment for seasonal changes, were in about the same volume as in March and slightly smaller than a year ago.

Freight car loadings showed an increase between the beginning of April and the middle of May, but continued smaller than a year ago for most classes of commodities.

PRICES

The general level of wholesale commodity prices, as indicated by the index of the Bureau of Labor Statistics, increased from 96 per cent of the 1926 average in March to 97.4 per cent in April. This increase reflected sharp advances in the prices of grains, cotton, livestock, and hide and leather products. Rubber prices continued to decline, and most of the other groups of commodities showed little change. During the first three weeks of May there were decreases in the prices of grains, flour, sheep, and hogs, and increases in copper, zinc, and rubber.

BANK CREDIT

At member banks, loans largely for commercial and industrial purposes, following a rapid increase during February and March, have shown little change since the early part of April. Loans on securities continued to increase and total loans and investments of reporting member banks in the middle of May were larger than at any previous time.

The outward movement of gold continued in May, the decline in monetary gold stock during the four weeks ended May 23 being nearly \$90,000,000. This loss of gold, together with further sales of United States securities by the Reserve Banks, was reflected in an increase of nearly \$140,000,000 in member bank borrowing at the Reserve Banks.

There were further advances in open-market money rates during May, and discount rates at the Federal Reserve Banks of New York, Philadelphia, Cleveland, Atlanta, and Dallas were raised from 4 to 4½ per cent.