

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

July 1, 1928

Money Market in June

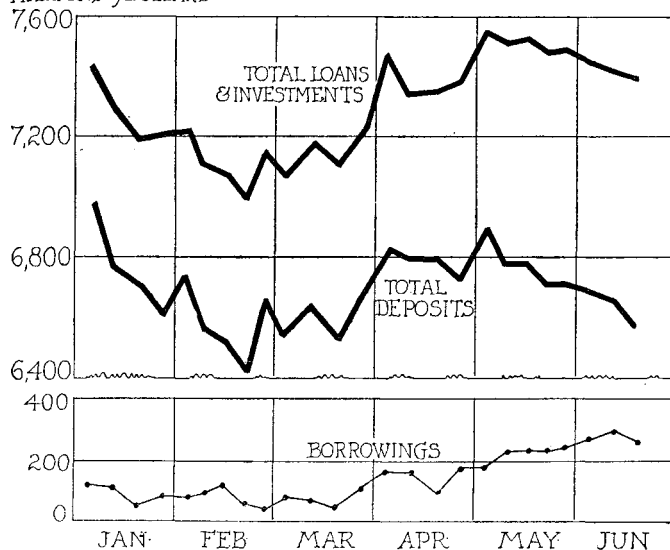
Accompanying further gold exports and earmarking, higher money rates, and some liquidation in the stock market, there has been a decrease during the past month in the volume of bank credit in use. This decrease has been confined altogether to the banks in New York City and to one type of credit, loans on securities. The changes in the figures for the reporting member banks since the highest point on May 2 have been as follows:

(In millions of dollars)

| | May 2 | May 29 | June 27 | Change May 2- June 27 |
|---|--------|--------|---------|-----------------------------|
| Reporting Banks—New York City... | | | | |
| Loans on Stocks and Bonds..... | 2,746 | 2,696 | 2,466 | — 280 |
| All other loans..... | 2,856 | 2,815 | 2,829 | — 27 |
| Investments..... | 1,949 | 1,987 | 2,043 | + 94 |
| Total Loans and Investments..... | 7,551 | 7,497 | 7,338 | — 213 |
| Total Deposits..... | 6,892 | 6,715 | 6,554 | — 338 |
| | May 2 | May 29 | June 20 | Change May 2- June 20 |
| Reporting Banks—U. S. outside New York City..... | | | | |
| Loans on Stocks and Bonds..... | 4,104 | 4,193 | 4,192 | + 88 |
| All other loans..... | 6,245 | 6,190 | 6,252 | + 7 |
| Investments..... | 4,688 | 4,696 | 4,646 | — 42 |
| Total Loans and Investments..... | 15,037 | 15,079 | 15,090 | + 53 |
| Total Deposits..... | 14,075 | 13,953 | 13,954 | — 121 |

The figures for the New York City banks are shown in graphic form in the diagram below.

MILLIONS of DOLLARS

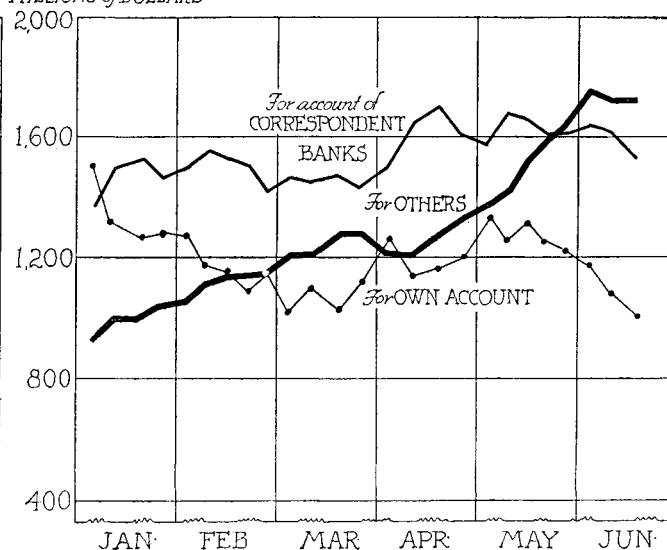


New York City Reporting Member Banks, Loans and Investments, Deposits, and Borrowings from the Federal Reserve Bank, January to June 1928.

The more rapid decline in deposits than in loans and investments is largely accounted for by the conversion of foreign bank balances in New York into gold for export or for earmarking at the Reserve Bank. The net loss of gold since the beginning of 1928 is now about 280 million dollars. The consequent decline in deposits has been accompanied by some reduction in reserve requirements, but as the entire amount of gold exports represented a loss of reserve funds, dollar for dollar, New York banks have been forced to replace a considerable part of the loss by an increase in their borrowings at the Reserve Bank, which is also shown in the diagram below.

The retirement of bank credit during May was offset by a comparatively new type of credit expansion which has taken place without a corresponding increase in bank deposits or reserves. This credit expansion, requiring no reserves, takes the form of loans to brokers on stock exchange collateral largely by individuals and corporations other than banks. Brokers loans of this sort placed by New York City banks for their customers, and reported as loans "for account of others," have increased more than 350 million dollars since May 2, and 800 million since January 4. The credit made available in this way thus more than offset the decline in bank credit during May. These loans apparently represent the lending to brokers of idle deposits of individuals and corporations, and the consequent conversion of inactive deposits into very active accounts. Accompanying

MILLIONS of DOLLARS



Loans to Brokers and Dealers in Securities Placed by New York City Reporting Member Banks, January to June 1928.

this tendency in recent weeks the ratio of checks debited to individual accounts relative to the amount of deposits in New York City banks—in other words the velocity or rate of turnover of deposits,—has been higher than ever before.

The changes in recent weeks in the three forms of loans to brokers and dealers, reported by New York City banks, are shown in the right-hand diagram on the preceding page. The diagram shows that increases in "all other" loans during May more than offset declines in loans placed for domestic bank account. Between June 6 and June 20, however, total brokers loans have declined nearly 300 million dollars, due wholly to declines in loans for bank account. It is interesting that this decline is greater than the decline of loans on stocks and bonds of reporting member banks, which only dropped 133 million in these two weeks. The probable explanation is that about half of the decrease in brokers loans represented not real liquidation, but a transfer of borrowing accounts from brokerage houses to banks. Transfers of this sort took place during the spring of 1926. A further decline of 110 million in brokers loans took place during the week ended June 27.

Interest rates moved generally higher during June. Call loan rates, after advancing temporarily to 7 per cent early in June, eased to $5\frac{1}{2}$ and 6 per cent until after the first few days of the June tax period, when income tax collections and preparations for mid-year statements and settlements caused an advance to $6\frac{1}{2}$ and later to $7\frac{1}{2}$ and 8 per cent. Rates on 90 day security loans advanced further to the highest level since September 1921, and open market rates on commercial paper advanced to the highest level since March 1924.

Interest rates charged by leading New York banks on unsecured customers' loans, which ordinarily show only minor fluctuations, have recently shown the sharpest increase in several years. As the accompanying diagram shows, the average rate charged by reporting banks advanced in June to the highest level since the early part of 1924. As on previous occasions, however, changes in these rates have been smaller and less rapid than the rates for loans on stock exchange collateral. Money rates near the end of June are compared in the following table with those of a month previous and a year ago.

Money Rates at New York

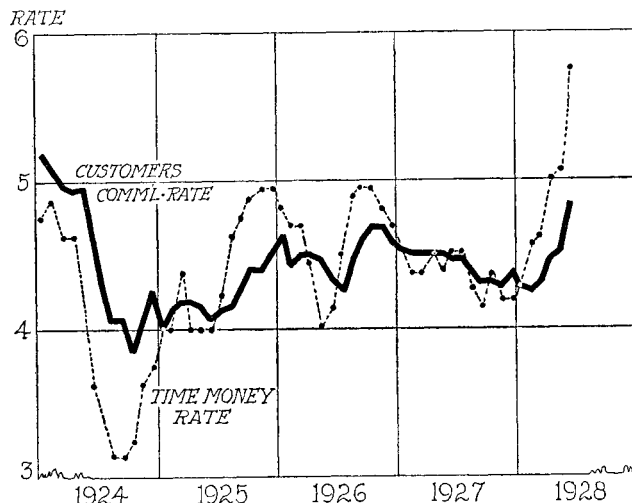
| | June 28, 1927 | May 28, 1928 | June 28, 1928 |
|--|---------------------------------|---------------------------------|-------------------|
| Call money..... | *4 | *6 | * $6\frac{1}{2}$ |
| Time money-90 day..... | $4\frac{5}{8}$ | $5\frac{1}{2}$ | $5\frac{7}{8}$ -6 |
| Prime commercial paper..... | $4\frac{1}{4}$ | $4\frac{1}{2}$ - $4\frac{3}{4}$ | $4\frac{3}{4}$ -5 |
| Bills-90 day unindorsed..... | $3\frac{5}{8}$ - $3\frac{3}{4}$ | 4 - $4\frac{1}{8}$ | $4\frac{1}{8}$ |
| Customers' rates on commercial loans..... | †4.47 | †4.53 | †4.84 |
| Treasury certificates and notes | | | |
| Maturing December 15..... | 3.12 | 3.89 | 3.96 |
| Maturing March 15..... | 3.24 | 3.80 | 4.06 |
| Federal Reserve Bank of New York rediscount rate..... | 4 | $4\frac{1}{2}$ | $4\frac{1}{2}$ |
| Federal Reserve Bank of New York buying rate for 90 day bills..... | $3\frac{3}{4}$ | 4 | 4 |

*Prevailing rate for preceding week

†Average rate of leading banks at middle of month

TREASURY TAX PERIOD OPERATIONS

The principal transactions of the June 15 tax period included the redemption of 400 million of Treasury $3\frac{1}{8}$



Rates on Commercial Loans to Customers Charged by Leading New York City Banks Compared with Open Market Rates on 90-day Security Loans.

per cent certificates; the sale of refunding issues, including approximately 216 million of six months 4 per cent certificates and 212 million of nine months $3\frac{7}{8}$ per cent certificates; the second quarterly payment of taxes on 1927 income; and the purchase for retirement of Liberty third $4\frac{1}{4}$'s at 100 $2\frac{3}{32}$.

As usual, a large part of the maturing issue was presented for redemption in New York, and although about 135 million were exchanged for the new series, cash redemptions together with interest payments in this district exceeded tax and other collections on June 15 by nearly 90 million dollars. Due to the heavy indebtedness of New York City banks, this amount was readily absorbed by the repayment of borrowings at the Reserve Bank, and the call money market eased only slightly. The Treasury issued the usual special certificate of indebtedness to the Reserve Bank to cover its overdraft, which was paid off within a few days out of the proceeds of tax collections, and a deposit balance was built up, with which the Treasury purchased on June 20 about 75 million of Liberty thirds.

BILL MARKET

Buying of bills, chiefly for foreign account, continued large during the first half of June, and exceeded substantially the supply of new bills offered to the market. There was a decline in the foreign demand for bills during the second half of June, however, and dealers' portfolios began to mount. In order to attract new buying, the dealers on June 20 advanced their rates on the 60 and 90 day maturities by $\frac{1}{8}$ per cent; ninety day unindorsed bills rose to $4\frac{1}{8}$ per cent from the 4 per cent level which had prevailed since early in June.

COMMERCIAL PAPER MARKET

The principal development in the commercial paper market during June was a further gradual firming in rates. Prime names were being sold toward the end of June at a range of $4\frac{3}{4}$ -5 per cent, or $\frac{1}{4}$ per cent higher than a month ago, and the highest level since March 1924. The demand for paper by the banks was

rather small, a number of institutions indicating that they were reluctant to increase their investments in view of their large indebtedness to the Reserve Banks. Dealers were called upon to furnish only limited amounts of funds to open market borrowers, however, and consequently offering lists remained of moderate size. Twenty-four dealers reported at the end of May that they had outstanding \$541,000,000 of commercial paper, an amount 5 per cent smaller than a month earlier, and 7 per cent smaller than on May 31, 1927.

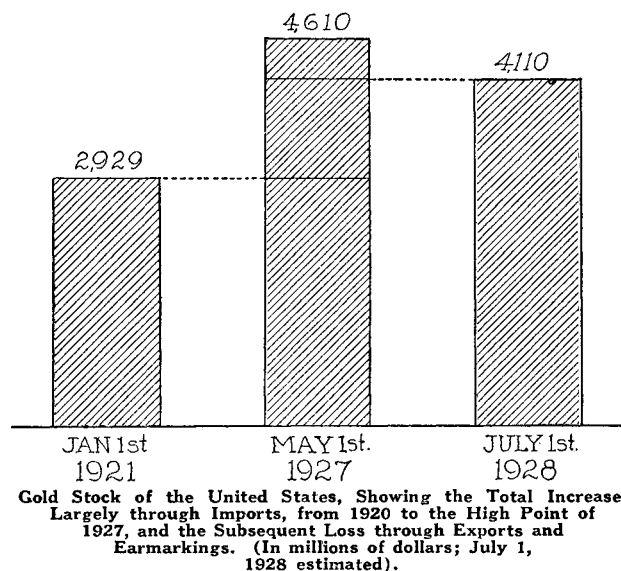
Gold Movement

During the month of June there was an additional loss of gold through net exports and earmarkings of \$52,000,000. This brought the total loss of gold since the beginning of 1928 to \$280,000,000, and since August 1927 to over \$500,000,000. As a consequence the total gold stock of the United States has been reduced about 10 per cent, from over \$4,600,000,000, the highest point, reached in April 1927, to about \$4,100,000,000.

The accompanying diagram is an attempt to visualize the recent loss of gold in relation to the gain in gold which took place between the end of 1920 and mid-1927. It indicates that the gold loss during the past year has been between one-third and one-fourth as large as the total increase of the previous seven years, most of which occurred between 1920 and 1924. This leaves the gold stock of this country about \$1,200,000,000 larger than at the end of 1920 just before the heavy import movement began.

In considering the effects of gold exports upon the credit structure it may be noted that the total increase in gold stock since the end of 1920 was used in two ways: first to repay member bank indebtedness at the Federal Reserve Banks, and second to supply the basis for a large expansion in member bank credit, which has increased member bank reserve requirements by 600 million dollars since 1920. As has been apparent in recent weeks the export of gold involves ordinarily either a liquidation of credit, which reduces bank requirements for reserves or else the calling into use of additional amounts of Federal Reserve credit. Since the current gold export movement began last year there has been an increase rather than a decrease in bank credit and hence in member bank reserve requirements, and hence a larger use of Federal Reserve credit has been required. The amount of Federal Reserve credit in use is now about 400 million dollars larger than a year ago. A reduction in currency in circulation has also supplemented reserves by about 100 million dollars. The effect on the money market of this additional use of Reserve funds depends largely upon whether they are drawn into use through borrowing by member banks or by Federal Reserve purchases of acceptances or securities. In recent months the increases in Federal Reserve credit required because of gold exports have been in the form of member bank borrowing.

The principal gold movements during June were the export of \$54,000,000 of gold previously earmarked to France; shipments of \$10,000,000 to Great Britain, \$4,000,000 to Italy, \$3,000,000 to Poland, and \$1,000,000 to the Argentine; and the import of \$18,600,000 from



Canada. During the month there was a net reduction of \$2,000,000 in gold held under earmark, as \$57,000,000 was released and shipped, while \$55,000,000 additional gold was earmarked.

Net exports and changes in the amount of gold held under earmark during the past ten months are summarized below.

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

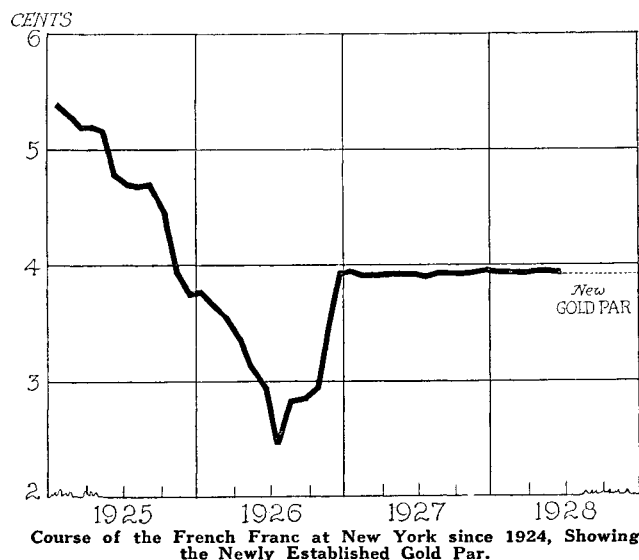
| Month | Net Exports | Through Earmarkings | Total |
|-----------------------|-------------|---------------------|-------|
| 1927 | | | |
| September..... | — 11 | — 9 | — 20 |
| October..... | — 9 | — 25 | — 34 |
| November..... | — 53 | — 40 | — 93 |
| December..... | — 68 | — 8 | — 76 |
| 1928 | | | |
| January..... | — 14 | + 6 | — 8 |
| February..... | — 11 | + 3 | — 8 |
| March..... | — 95 | + 36 | — 59 |
| April..... | — 91 | + 46 | — 45 |
| May..... | — 82 | — 26 | — 108 |
| June..... | — 54* | + 2* | — 52* |
| Total, 10 months..... | —488* | — 15* | —503* |

* Preliminary

Stabilization of the Franc

Legal stabilization of the French currency on a gold basis became effective on June 25, after the French Parliament had passed by a large majority the bill submitted by Premier Poincaré fixing the value of the franc at 65½ milligrammes of gold, 9/10ths fine. The gold parity between the franc and the dollar is thereby fixed at 3.9179 cents per franc or 25.5239 francs to the dollar, which is at a rate approximately equivalent to that at which the French currency has in fact been stabilized for the past year and one-half, as the accompanying diagram shows.

France has for the present a form of gold bullion standard which may become the traditional gold standard without further legislation. The Bank of France is given the option of paying its notes either in gold coin or in gold bullion of a certain minimum quantity, fixed for the present by the Bank at 215,000 francs. The fixed limit on the issuance of Bank of France notes has been re-



moved and the bank is now required by law to keep a minimum gold reserve of 35 per cent of its notes and its sight deposits. It is noteworthy that the French Government did not require any foreign loan nor did the Bank of France obtain a central bank credit such as was secured by central banks of other countries in connection with their stabilization programs.

The French stabilization marks an important step in the return of the world to currency stability in terms of gold, and is particularly significant for world finance and trade because world money markets have been much affected in recent months by large movements of funds associated with French financial reconstruction.

The French return to gold payments brings close to completion the monetary stabilization of Europe. The following chronology indicates the progress of the return to the gold or gold exchange standard by principal European and other countries for which dates can be given.

| | | | |
|-----------|---------------------|----------|------------------|
| 1920 | | 1926 | |
| January | — Salvador | January | — Finland |
| | | July | — Canada |
| 1922 | | October | — Belgium |
| September | — Lithuania | December | — Brazil |
| November | — Latvia | | |
| 1923 | | 1927 | |
| July | — Colombia | January | — Denmark |
| 1924 | | April | — Czechoslovakia |
| April | — Sweden | | — India |
| June | — Hungary | August | — Argentina |
| October | — Germany | October | — Poland |
| 1925 | | December | — Italy |
| January | — Austria | | |
| April | — Australia | 1928 | |
| | — Dutch East Indies | January | — Estonia |
| | — England | April | — Norway |
| | — Netherlands | May | — Greece |
| | — South Africa | June | — France |
| July | — Chile | | |

The first statement of the Bank of France under the stabilization plan indicates that the total gold reserve is nearly 29 billion francs or \$1,134,000,000, which is slightly larger in value than the total amounts of gold which the old statement showed under the three categories, gold in hand, gold available abroad, and gold abroad not available. It gives the Bank of France a gold reserve equivalent to 49 per cent against its note

circulation and over 40 per cent against notes and sight deposit liabilities. The statement further indicates that the bank has foreign balances, both at sight and in the form of negotiable bills, totaling 26 billion francs, or over one billion dollars, not including nearly 10 billion francs of foreign exchange loaned. If gold and amounts available at sight abroad and in bills abroad, excluding foreign exchange loaned, are placed against notes and sight deposits, the percentage of cover is 77.5.

A further interesting feature of the statement is that advances to the state, which formerly constituted a considerable percentage of the assets of the bank, have been largely wiped out by the application to this purpose of the profit from revaluation of the gold reserves, except for a small loan to the government without interest. The bank also holds negotiable bonds of the Caisse d'Amortissement and is thus in possession of a portfolio of negotiable securities.

Discount Rates Abroad

There were three changes in June in the discount rates of foreign central banks, a seasonal reduction in the rate of the Imperial Bank of India from 7 to 6 per cent; a reduction in the discount rate of the Bank of Italy from 6 to 5½ per cent, following two previous reductions this year; and of the National Bank of Belgium from 4½ to 4 per cent.

| Country | June 30, 1927 | June 30, 1928 |
|------------------|---------------|---------------|
| Belgium..... | 5 | 4 |
| England..... | 4½ | 4½ |
| France..... | 5 | 3½ |
| Germany..... | 6 | 7 |
| Italy..... | 7 | 5½ |
| Netherlands..... | 3½ | 4½ |
| Norway..... | 4½ | 5½ |
| Switzerland..... | 3½ | 3½ |
| India..... | 5 | 6 |
| Japan..... | 5.84 | 5.48 |

Foreign Exchange

Foreign exchange rates at New York tended to decline somewhat in June, probably due in part to seasonal conditions and in part to the comparatively high level of money rates in New York. Sterling and the continental exchanges in nearly all cases were slightly lower at the end of June than at the end of May, but remained considerably higher than a year ago.

The Canadian dollar was subject to a further discount in June, and a gold movement to New York began. The South American rates also weakened perceptibly, and the gold exports to Argentina ceased. Far Eastern rates also declined, especially Chinese rates.

The following table shows foreign exchange rates near the end of June, compared with a month previous and a year ago.

| Country | Cable rates | | |
|------------------------|---------------|--------------|---------------|
| | June 30, 1927 | May 31, 1928 | June 28, 1928 |
| Belgium..... | .1389 | .1396 | .1396 |
| England..... | 4.8553 | 4.8837 | 4.8762 |
| France..... | .0391 | .0394 | .0393 |
| Germany..... | .2369 | .2394 | .2390 |
| Italy..... | .0552 | .0527 | .0526 |
| Netherlands..... | .4005 | .4037 | .4029 |
| Norway..... | .2585 | .2680 | .2676 |
| Switzerland..... | .1925 | .1927 | .1928 |
| Canada..... | .9985 | .9982 | .9975 |
| Argentina..... | .9650 | .9715 | .9674 |
| Brazil..... | .1178 | .1203 | .1193 |
| India..... | .3616 | .3660 | .3633 |
| Japan..... | .4711 | .4665 | .4648 |
| Hong Kong, dollar..... | .4904 | .5100 | .5034 |
| Shanghai, tael..... | .6259 | .6704 | .6598 |

Foreign Trade

The foreign merchandise trade of the United States showed a considerable increase in May, contrary to the usual seasonal tendency, and was larger than a year ago. Exports, valued at \$423,000,000, showed an increase of \$30,000,000 over last year and were larger than in May of any year since 1920, when commodity prices were at the highest level of recent years. Imports, valued at \$355,000,000, were also somewhat larger than in April and were the largest for May of any year since 1923.

Shipments abroad of raw cotton increased about 22 per cent in volume from the previous month, but remained somewhat smaller than a year ago; the value was considerably greater than in either April of this year or May of last year. Total grain exports were \$11,000,000 smaller in value than a year ago.

The quantity of raw silk imported during May was 45 per cent above the comparatively small volume of April and was somewhat larger than in May 1927. Quantity receipts of crude rubber, on the other hand, showed a decline as compared either with the previous month or a year ago.

Security Markets

Following the rapid advance of the previous three months, stock prices declined in June to approximately the levels of early March. The daily turnover on the New York Stock Exchange diminished sharply, from a high record of 5,200,000 shares on June 12 to between 1,000,000 and 2,000,000 shares during the latter part of the month. The extent of the fall in prices is indicated by a reduction of about 18 points or something less than 10 per cent in representative averages of industrial stocks, and by a decline of about 10 points or about 7 per cent in railroad shares. Later in the month, there

was some recovery from these levels and current quotations for industrial stocks are about 25 per cent higher than a year ago, while average prices of the rails are only slightly higher.

Corporation bond price averages showed another loss of a point during June, and are now $2\frac{1}{2}$ points below the highest levels of the year. Ever since the first of the year the trend of bond prices has been downward in response to gradually firming money conditions, and in the last two months, when money rates advanced more rapidly, there was a correspondingly rapid decline in bond prices, as the accompanying diagram indicates.

United States Government obligations again declined but the net losses for the month were much smaller than in May. Foreign bonds continued to decline, and about one-half of the active issues sold at new low prices for the year.

New Financing

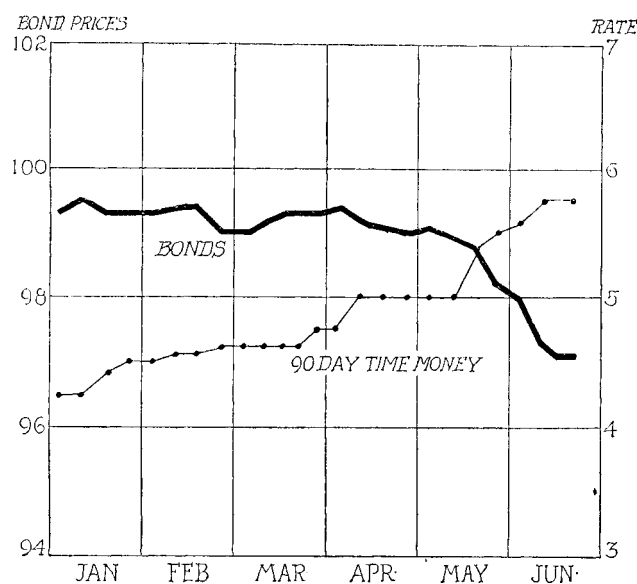
As a result of difficulty in distributing new issues, the creation of new securities during June proceeded at a much slower rate than in the previous four months. The volume of foreign offerings was better maintained than that of domestic issues. The principal foreign issues were a \$70,000,000 loan of the Tokyo Electric Light Company, Ltd., yielding 6.80 per cent, a \$50,000,000 Abitibi Power and Paper Co., Ltd. of Canada issue, to yield 5.40 per cent, and a \$25,000,000 Consolidated Agricultural Loan of German Provincial and Communal Banks, priced to yield 6.70 per cent, and in addition there were numerous other smaller issues, about one-half of which were of German origin. Domestic corporate offerings were considerably smaller than in the preceding month; the only sizeable domestic issue was one of \$26,000,000 of Federal Land Bank bonds.

Employment and Wages

Factory employment in New York State showed a further seasonal decline of about 1 per cent in May, but for the country as a whole, there was practically no change; in both New York State and the entire country, employment remained below the levels of last year.

In New York State, employment in the metals and machinery group showed an increase for the second successive month, in contrast to the usual seasonal decline. This was due largely to further increases in the iron and steel, the brass, copper, and aluminum, and the railroad equipment industries. Employment in other industries generally was unchanged or showed small declines, after seasonal allowance.

The State Employment Service reports that, while factory employment continues below a year ago, out-of-door activities, such as building, farm, and road work, have shown a further expansion in June, and are furnishing more employment than last year. The ratio of orders for workers to applications for employment at New York State employment offices in the third week of June exceeded the corresponding figure of the preceding year for the first time since April 1927.



Prices of 40 Corporation Bonds (Dow-Jones Average) and Rates on 90-day Time Money, January to June 1928.

An indication of improvement in general employment conditions since the first of the year is afforded also by the rate of voluntary labor turnover computed by the Metropolitan Life Insurance Company. This bank's index series based on these figures, in which adjustment is made for seasonal variations, declined during the past winter to the lowest level in recent years, but in recent months has shown a moderate increase. Ordinarily an increase in voluntary labor turnover reflects increased opportunities for employment.

Production

Productive activity in general remained in May at about the same level as in February, March, and April, but there continued to be a considerable amount of irregularity between industries. Average daily production of steel ingots showed a decline of more than the usual seasonal proportions, and there were smaller decreases in the daily rates of production of passenger automobiles and petroleum. On the other hand, the output of motor trucks reached the highest level since September 1925, and increases were shown in the production of coal, and in daily mill consumption of both cotton and silk.

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

(Computed trend of past years = 100 per cent)

| | 1927 | 1928 | | |
|----------------------------------|------|------|------|------|
| | May | Mar. | Apr. | May |
| Producers' Goods | | | | |
| Pig iron..... | 114 | 104 | 107 | 110 |
| Steel ingots..... | 110 | 109 | 114 | 113 |
| Cotton consumption..... | 108 | 95 | 89 | 97 |
| Cotton movement..... | 125 | 89 | 110 | 86p |
| Woolen mill activity*..... | 88 | 86 | 83 | 86p |
| Silk consumption*..... | 128 | 140 | 98 | 115 |
| Petroleum..... | 119 | 110 | 107 | 106p |
| Bituminous coal..... | 85 | 87 | 83 | 82 |
| Coke..... | 109 | 100 | 103 | 109 |
| Lumber..... | 96 | 101 | 98 | 95p |
| Copper, U. S. mines..... | 99 | 96 | 92r | 101 |
| Lead..... | 107 | 100 | 92 | 93 |
| Zinc..... | 92 | 93 | 94 | 92 |
| Tin deliveries..... | 102 | 114 | 105 | 87 |
| Leather, sole..... | 107 | 109 | 113 | 111 |
| Cement..... | 125 | 106 | 113 | 125 |
| Paper, total..... | 102 | 107 | 106 | 112p |
| Wood pulp..... | 98 | 100 | 96 | 99p |
| Consumers' Goods | | | | |
| Hogs slaughtered..... | 99 | 128 | 96 | 100 |
| Cattle slaughtered..... | 111 | 94 | 91 | 101 |
| Sheep slaughtered..... | 108 | 106 | 102 | 109 |
| Calves slaughtered..... | 85 | 83 | 80 | 82 |
| Farm produce shipped..... | 106 | 95 | 87 | 103 |
| Wheat receipts..... | 112 | 134 | 131 | 152 |
| Corn receipts..... | 83 | 158 | 141 | 148 |
| Wheat flour..... | 105 | 103 | 107 | 109 |
| Sugar meltings, U. S. ports..... | 92 | 88 | 77 | 67 |
| Gasoline..... | 95 | 97 | 95 | 95 |
| Anthracite coal..... | 116 | 76 | 111 | 114 |
| Newsprint..... | 98 | 91 | 88 | 96 |
| Printing activity..... | 103 | 104r | 105 | 105 |
| Tobacco products..... | 107 | 105 | 101 | 101 |
| Boots and shoes..... | 95 | 101 | 87 | 98p |
| Tires..... | 118 | 116 | 109 | 109 |
| Automobile, passenger..... | 121 | 132 | 118 | 125 |
| Automobile, truck..... | 93 | 87 | 87 | 98 |

* Seasonal variation not allowed for p Preliminary r Revised

Building

Construction contracts awarded during May in the 37 states East of the Rockies from which reports are received by the F. W. Dodge Corporation reached a larger total than ever before, 4 per cent above the pre-

vious record volume of April, and 21 per cent higher than a year ago. Total contracts awarded between the first of January and the end of May likewise were the heaviest ever reported,—9 per cent larger than in the corresponding period of 1927, and 7 per cent larger than in 1926. The volume of building in the New York and Northern New Jersey district in May was much larger than a year ago, and the total for the first five months of the year was 12 per cent above that of 1927. The largest increases, however, have been in the New England and Central Western districts.

A substantial increase in residential building has been chiefly responsible for the larger totals of this year, both for the month of May and for the completed five months, and as a result there has been a considerable increase in the amount of new floor space represented by contracts. The increase in public works and utilities projects, which last year was the principal factor in the maintenance of a large volume of contracts, during the first five months of this year continued to be substantial, but in dollar value was only about one-third as large as that shown by residential building. During the first three weeks of June, the amount of building contracts awarded continued large, and the increase over last year was nearly as large as in May.

Indexes of Business Activity

Average daily freight car loadings increased more than usual in May; merchandise and miscellaneous loadings were larger than in the corresponding month of the previous year for the first time since April 1927, but loadings of bulk freight continued smaller. Foreign trade increased in May, contrary to the usual seasonal tendency; there were irregular changes in this bank's indexes of domestic retail trade.

(Computed trend of past years = 100 per cent)

| | 1927 | 1928 | | |
|--|------|------|------|------|
| | May | Mar. | Apr. | May |
| Primary Distribution | | | | |
| Car loadings, merchandise and misc..... | 107 | 103 | 104 | 105 |
| Car loadings, other..... | 104 | 92 | 95 | 96 |
| Exports..... | 103 | 97 | 87 | 105p |
| Imports..... | 110 | 104 | 98 | 107p |
| Panama Canal traffic..... | 87 | 86 | 89 | 84 |
| Wholesale trade..... | 99 | 98 | 93 | .. |
| Distribution to Consumer | | | | |
| Department store sales, 2nd Dist..... | 94 | 98 | 97 | 96 |
| Chain grocery sales..... | 106 | 102 | 103 | 102 |
| Other chain store sales..... | 100 | 100 | 98 | 98 |
| Mail order sales..... | 100 | 97 | 100 | 110 |
| Life insurance paid for..... | 106 | 111 | 106 | 110 |
| Advertising..... | 102 | 95 | 97 | 95 |
| General Business Activity | | | | |
| Bank debits, outside of N. Y. City..... | 110 | 107 | 112 | 111 |
| Bank debits, New York City..... | 129 | 159 | 162 | 167 |
| Velocity of bank deposits, outside of New York City..... | 108 | 111 | 116r | 117 |
| Velocity of bank deposits, New York City..... | 131 | 162 | 164 | 169 |
| Shares sold on N. Y. Stock Exchange..... | 179 | 281 | 306 | 307 |
| Postal receipts..... | 92 | 90 | 87 | 92 |
| Electric power..... | 108 | 104 | 104 | 104 |
| Employment in the United States..... | 99 | 95 | 96 | 96 |
| Business failures..... | 105 | 115 | 102 | 113 |
| Building contracts, 36 States..... | 123 | 125 | 133 | 144 |
| New corporations formed in N. Y. State..... | 113 | 115 | 110 | 118 |
| Real estate transfers..... | 91 | 92 | 89 | 82 |
| General price level..... | 170 | 174 | 175 | 177 |
| Composite index of wages..... | 222 | 223 | 221 | 222 |

p Preliminary. r Revised.

Crops

As a result of the late spring, crop development this year has been retarded. Winter wheat did not have the usual snow protection; so that a substantial acreage was winter killed, and the indicated yield on the first of June (as reported by the United States Department of Agriculture) was 7 per cent under the harvest of 1927. In Ohio, Indiana, and Illinois, the crop is expected to be only one-third that of a year ago, and of the sixteen largest producing states, gains were indicated for only five, with Kansas the only state to show a substantial increase. The condition of spring wheat, oats, rye, hay, and pastures was reported as below that of a year ago; barley and fruit are the only crops for which increases were indicated.

Since the first of June, rains have improved materially the condition of wheat and most of the other crops, but have retarded the development of cotton, which is reported to be in need of warm and dry weather.

Department Store Sales

Sales of leading department stores in this district in May showed the largest increase over last year that has been reported so far this year. Part of the increase was due to the fact that there were 26 business days in May this year, as compared with 25 last year, but even after allowance for this, the figures indicate more active trade than in April. The southern and eastern sections of the district reported the largest gains, while the northern and western sections reported either comparatively small increases or decreases. Apparel stores sales showed a large increase over May 1927.

The rate of stock turnover in department stores showed a moderate increase over last year in May, and the average for the first five months of the year is slightly above that of the corresponding period a year ago. The rate of collections on charge accounts was slightly lower than last year, after allowance for the extra day this year.

| Locality | Percentage Change May 1928 compared with May 1927 | | Per cent of Charge Accounts Outstanding April 30, Collected in May | |
|-----------------------------------|--|-------------------------------------|---|------|
| | Net Sales | Stock on hand end of month | 1927 | 1928 |
| New York..... | + 7.6 | - 1.1 | 51.3 | 52.6 |
| Buffalo..... | - 1.1 | - 0.3 | 44.6 | 55.9 |
| Rochester..... | + 4.0 | + 0.9 | 40.1 | 41.9 |
| Syracuse..... | + 1.7 | - 3.2 | .... | .... |
| Newark..... | + 9.1 | - 0.7 | 46.9 | 45.9 |
| Bridgeport..... | + 6.4 | - 1.7 | .... | .... |
| Elsewhere..... | + 6.0 | - 2.5 | 31.3 | 34.9 |
| Northern New York State..... | + 1.4 | .... | .... | .... |
| Central New York State..... | - 8.7 | .... | .... | .... |
| Southern New York State..... | + 4.1 | .... | .... | .... |
| Hudson River Valley District..... | + 7.8 | .... | .... | .... |
| Capital District..... | +12.4 | .... | .... | .... |
| Westchester District..... | +12.4 | .... | .... | .... |
| All department stores..... | + 6.8 | - 0.9 | 48.0 | 49.6 |
| Apparel stores..... | +18.8 | + 4.8 | 48.5 | 51.3 |
| Mail order houses..... | +19.7 | .... | .... | .... |

May sales and stocks in the principal departments are compared with those of a year ago in the following table.

| | Net Sales Percentage Change May 1928 compared with May 1927 | Stock on Hand Percentage Change May 31, 1928 compared with May 31, 1927 |
|--|---|---|
| Musical instruments and radio.... | +25.4 | -29.6 |
| Shoes..... | +24.0 | + 8.0 |
| Books and stationery..... | +21.9 | + 0.4 |
| Women's ready-to-wear accessories..... | +12.8 | - 1.2 |
| Luggage and other leather goods..... | +11.5 | -24.0 |
| Home furnishings..... | +10.7 | + 0.7 |
| Toys and sporting goods..... | +10.6 | + 4.4 |
| Silverware and jewelry..... | +10.4 | - 3.2 |
| Men's furnishings..... | +10.2 | -13.4 |
| Cotton goods..... | + 8.2 | - 7.4 |
| Women's and Misses' ready-to-wear..... | + 7.6 | + 0.1 |
| Toilet articles and drugs..... | + 7.2 | + 1.4 |
| Hosiery..... | + 5.7 | - 7.4 |
| Furniture..... | + 5.4 | + 0.4 |
| Linens and handkerchiefs..... | + 4.6 | - 7.5 |
| Men's and boys' wear..... | + 0.4 | - 1.2 |
| Silks and velvets..... | - 4.3 | - 6.3 |
| Woolen goods..... | - 7.7 | -17.9 |
| Miscellaneous..... | - 0.9 | - 7.7 |

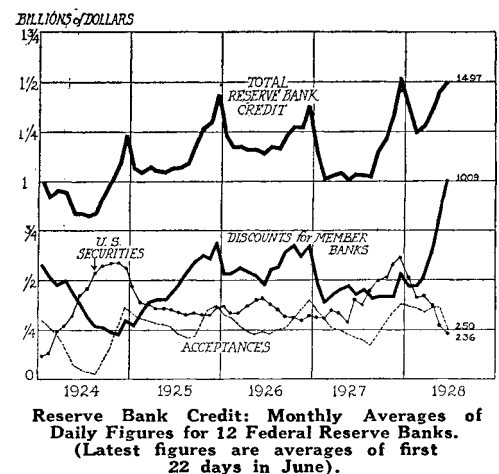
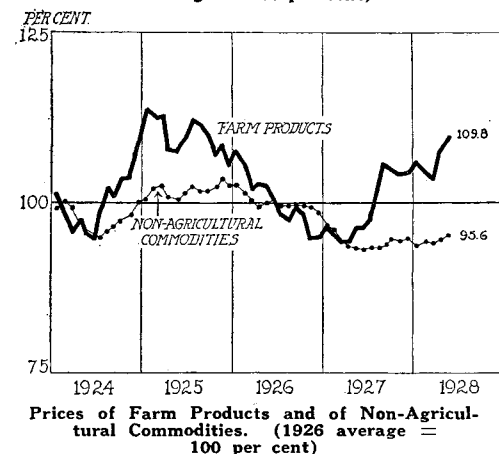
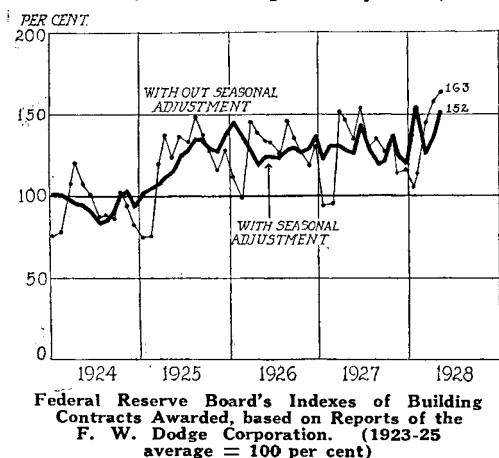
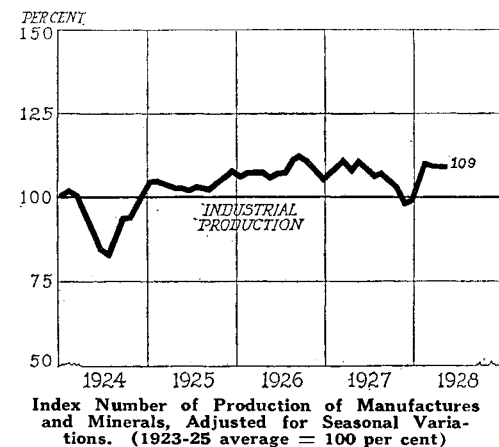
Wholesale Trade

Following decreases in each of the two months preceding, wholesale trade in this district in May was slightly larger than a year ago, due partly to one more business day than in May of last year. Commission house sales of cotton goods and sales of men's clothing showed fairly substantial increases following declines in March and April, shoe sales were closer to those of last year than in any month since January, and drug and stationery sales showed the largest increases so far this year. Hardware, paper, and silk goods sales also showed moderate increases over a year ago, and grocery sales continued close to those of last year. Orders reported by the Machine Tool Builders Association continued to be much larger than a year ago. In the women's clothing and diamond trades, however, sales remained smaller than last year.

Stocks of cotton goods and shoes held by wholesale dealers at the end of May were considerably smaller than a year ago, but silk stocks reported by the Silk Association were substantially larger. Stocks of drugs, jewelry and diamonds, and hardware also were larger than a year ago.

| Commodity | Percentage Change May 1928 compared with April 1928 | | Percentage Change May 1928 compared with May 1927 | | Per cent of Accounts Outstanding April 30, Collected in May | |
|-----------------------------------|--|--------------------------|--|--------------------------|---|------|
| | Net Sales | Stock end of month | Net Sales | Stock end of month | 1927 | 1928 |
| Groceries..... | + 6.3 | - 6.4 | - 1.8 | + 0.7 | 71.9 | 75.4 |
| Men's clothing..... | -24.2 | .... | + 8.9 | .... | 33.8 | 35.4 |
| Women's dresses..... | +12.2 | .... | -20.9 | .... | .... | .... |
| Women's coats and suits..... | -63.8 | .... | - 8.0 | .... | .... | .... |
| Cotton goods—Jobbers..... | + 3.2 | - 2.5 | - 3.4 | -15.1 | 31.2 | 31.9 |
| Cotton goods—Com- mission..... | +30.4 | .... | + 8.4 | .... | .... | .... |
| Silk goods..... | + 3.2 | + 4.2* | + 3.8 | +15.0* | 48.2 | 49.2 |
| Shoes..... | +11.9 | - 1.8 | - 0.9 | -11.6 | 42.0 | 45.9 |
| Drugs..... | -18.6 | - 7.5 | +29.8 | +12.8 | 52.7 | 56.2 |
| Hardware..... | - 6.7 | - 6.7 | + 5.7 | + 3.2 | 49.4 | 49.9 |
| Machine tools**..... | - 7.5 | .... | +61.4 | .... | .... | .... |
| Stationery..... | +10.9 | .... | + 9.7 | .... | 61.0 | 61.3 |
| Paper..... | + 3.0 | .... | + 5.2 | .... | 65.3 | 64.9 |
| Diamonds..... | - 5.4 | .... | -12.4 | .... | 24.9 | 25.1 |
| Jewelry..... | +18.9 | - 2.4 | - 0.6 | + 7.1 | .... | .... |
| Weighted Average..... | - 6.2 | .... | + 2.8 | .... | 50.2 | 52.3 |

* Quantity not value. Reported by the Silk Association of America.
** Reported by the National Machine Tool Builders' Association.



Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL production continued during May in about the same volume as in the three preceding months. Wholesale and retail trade increased in May and the general level of commodity prices showed a further advance. Security loans of member banks, which were in record volume in May, declined considerably during the first three weeks in June. Conditions in the money market remained firm.

PRODUCTION

Production of manufactures was slightly smaller in May than in April, when allowance is made for usual seasonal variations, while the output of minerals increased somewhat. Production of steel declined in May from the high level attained in April but was in about the same volume as a year ago. Since the first of June buying of steel products has been light and there have been further decreases in production. Daily average production of automobiles was in about the same volume in May as in April and preliminary reports for the first three weeks in June indicate that factory operations were maintained at practically the same level. Activity of textile mills was somewhat larger in May and there were also increases in the slaughter of livestock and in the production of building materials, nonferrous metals, and coal, while the production of petroleum declined. The value of building contracts awarded during May, as reported by the F. W. Dodge Corporation for 37 states East of the Rocky Mountains, was larger than in any previous month, and awards during the first half of June exceeded those for the corresponding period of last year. Indicated production of winter wheat, as reported by the Department of Agriculture on the basis of June 1 condition, amounted to 512,000,000 bushels, 40,000,000 bushels less than the harvested production of 1927.

TRADE

Distribution of merchandise, both at wholesale and at retail, was in larger volume in May than in April. Making allowances for customary seasonal influences, sales in all lines of wholesale trade showed increases, although in most lines they continued in smaller volume than a year ago. Department store sales were larger than in April, and at about the same level as a year ago, while sales of chain stores and mail order houses showed increases both over last month and over last year.

Volume of freight-car loadings increased further during May, but continued smaller than during the corresponding month of either of the two previous years. Loadings of miscellaneous commodities, however, which represent largely manufactured products, were larger in May of this year than in that month of any previous year.

PRICES

The general level of wholesale commodity prices, as indicated by the Bureau of Labor Statistics index, increased in May by over one per cent to 98.6 per cent of the 1926 average, the highest figure recorded for any month since October 1926. There were increases in most of the principal groups of commodities but the largest advances in May as in April occurred in farm products and foods. Contrary to the general trend, prices of pig iron, hides, raw silk, fertilizer materials, and rubber showed declines during the month. Since the middle of May there have been decreases in prices of grains, hogs, sheep, pig iron, and hides, while prices of raw wool, nonferrous metals, lumber, and rubber have advanced.

BANK CREDIT

Loans and investments of member banks in leading cities on June 20 showed a decline from the high point which was reached on May 16. Loans on securities, which had increased by more than \$1,000,000,000 since May 1927 declined \$200,000,000, while all other loans, including loans for commercial and agricultural purposes, increased somewhat. There was a small increase in total investments.

During the four weeks ended June 20 there were withdrawals of nearly \$75,000,000 from the country's stock of gold, and the volume of Reserve Bank credit outstanding increased somewhat, notwithstanding a decline in member bank reserve requirements. Member bank borrowing at the Reserve Banks continued to increase and early in June exceeded \$1,000,000,000 for the first time in more than six years. Acceptance holdings of the Reserve Banks declined considerably, while there was little change in their holdings of U. S. securities.

After the middle of May firmer conditions in the money market were reflected in advances in the open market rates to the highest level since the early part of 1924.