

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

August 1, 1928

Money Market in July

At the close of July money rates were distinctly higher than at the beginning of the month. Rates for commercial paper and bankers acceptances and yields of Government securities were from a quarter to a half of one per cent higher than in the latter part of June and at least one per cent higher than at this time last year. Bank rates to commercial customers, however, showed only moderate advances. A comparison of rates is shown in the following table:

Money Rates at New York

	July 30, 1927	June 29, 1928	July 31, 1928
Call money.....	*3½-4	*6½-7½	*5½-6
Time money-90 day.....	4¾	5¼-½	6
Prime commercial paper.....	4-4¼	4¾-5	5¼
Bills-90 day unindorsed.....	3½	4½	4¾
Customers' rates on commercial loans.....	†4.47	†4.84	†5.09
Treasury certificates and notes			
Maturing December 15.....	2.78	3.99	4.28
Maturing March 15.....	3.19	4.03	4.32
Federal Reserve Bank of New York			
rediscount rate.....	4	4½	5
Federal Reserve Bank of New York			
buying rate for 90 day bills.....	3½	4	4½

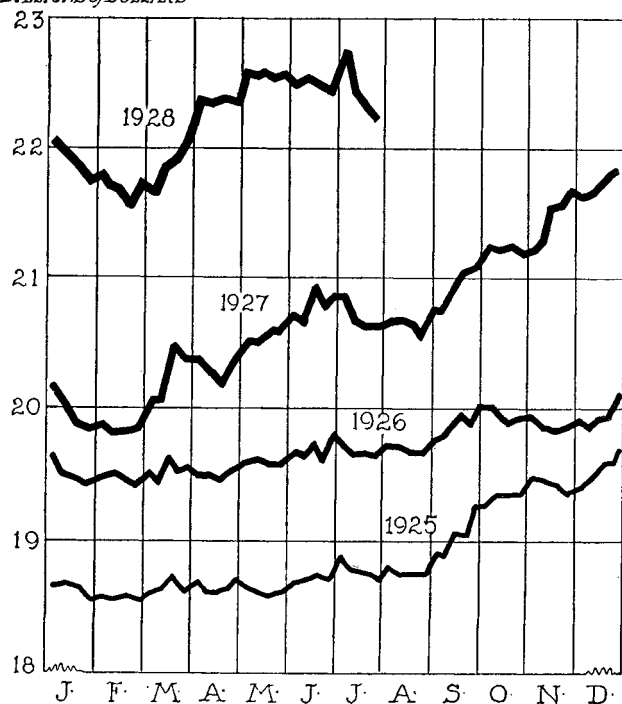
*Prevailing rate for preceding week

†Average rate of leading banks at middle of month

While increases during the course of the month of one-half of one per cent in discount rates of seven of the Federal Reserve Banks have been an influence in the direction of higher rates, firmer money conditions are a logical outcome of the banking situation. Specifically, higher rates have reflected an increasingly vigorous effort by the banks of the country to correct an over-loaned position.

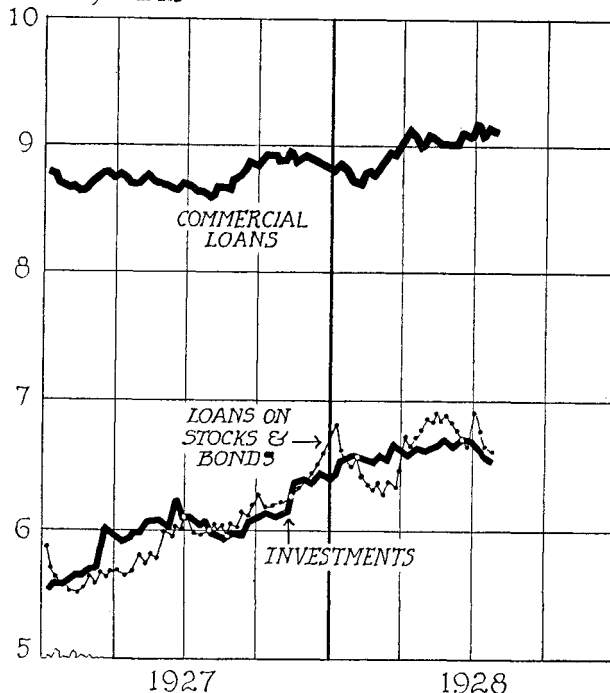
Principally because of gold exports of over \$500,000,000 since last autumn, and in smaller degree because of Federal Reserve sales of securities and increases in the volume of credit, the banks have found it necessary to borrow increasingly large amounts from the Reserve Banks to maintain the minimum reserves required by law. An inspection of the balance sheets of the banks shows an increasing discrepancy between their deposits and their loans and investments. Decreases in deposits in recent months have not been compensated fully by decreases in loans and investments, and the banks have been making up the difference by borrowing from the Federal Reserve Banks. By the end of June this borrowing mounted to over one billion dollars and has since remained near that

BILLIONS of DOLLARS



Growth of Total Loans and Investments of All Reporting Member Banks, 1925 to 1928.

BILLIONS of DOLLARS



Changes in Loans and Investments of All Reporting Member Banks, 1927 and 1928.

figure. This is the largest amount of member bank borrowing since 1921.

Conservative bankers are not content to continue long in a position where they can balance their books only by borrowing money. While funds from the Reserve Banks are available to meet seasonal and unusual needs, it is not regarded as sound banking for a bank to be continuously dependent upon the use of such funds. In conformity with these principles and in anticipation of autumn credit and currency requirements many member banks have in recent weeks begun to take steps to repay the Reserve Banks. Total loans and investments of reporting member banks have shown no increase since May, with the exception of a temporary rise to meet holiday and month-end requirements at the beginning of July. Since May there has in fact been a gradual decrease in bank loans on stocks and bonds, and in July banks began to decrease their investment accounts. The reduction in loans and investments has been more marked in New York City than elsewhere.

The accompanying diagrams show the changes in the volume and character of bank credit in use as reported by member banks in principal centers having about 40 per cent of the banking resources of the country. Since a year ago the total loans and investments of these banks have increased nearly one and three-quarter billion dollars, a larger increase than in any year since 1924 (when gold imports were heavy), and much larger than is required by the usual growth in the country's business. Much of this increase took place during a time when the banks were losing deposits and reserves through the export of gold. The analysis of the credit increase, shown in the second diagram, indicates that it took the forms principally of loans on stocks and bonds and investments, although there was some increase in "other loans," the bulk of which is presumably for commercial use. The diagram shows that recent reductions have been in loans on stocks and bonds and in investments rather than in commercial loans.

CALL MONEY MARKET

A fluctuation in call money rates unusual for recent years occurred in July when the rate for new loans reached 10 per cent on Monday July 2 and dropped to 5 per cent on the following day. The 10 per cent rate on July 2 was not difficult to explain in view of the usual tendency for rates to rise sharply at the end of June and beginning of July because of the combination of a large demand for funds for "window dressing" for June 30 statements of banks and corporations, large currency withdrawals for the July 4th holiday, and the accumulation of corporation deposits in preparation for dividend disbursements. The stringency was accentuated this year by corporation withdrawals of funds from the call market and the reluctance of banks to take over such loans because of their already heavy borrowing from the Reserve Banks. The demand for funds on Monday did, however, lead to heavy borrowing and the loans of the Federal Reserve Bank of New York increased 63 million dollars on that day. On Tuesday out-of-town banks and others who had built up their deposits in New York on Monday withdrew about 90 million dollars and placed it in the call market, while

New York banks decreased their call loans correspondingly and repaid the Reserve Bank 86 million dollars. This rapid shift of funds into the call market, continuing for several days thereafter, appears to have been largely responsible for the reduction in the call rate. There was no considerable flow of funds into New York on July 3rd.

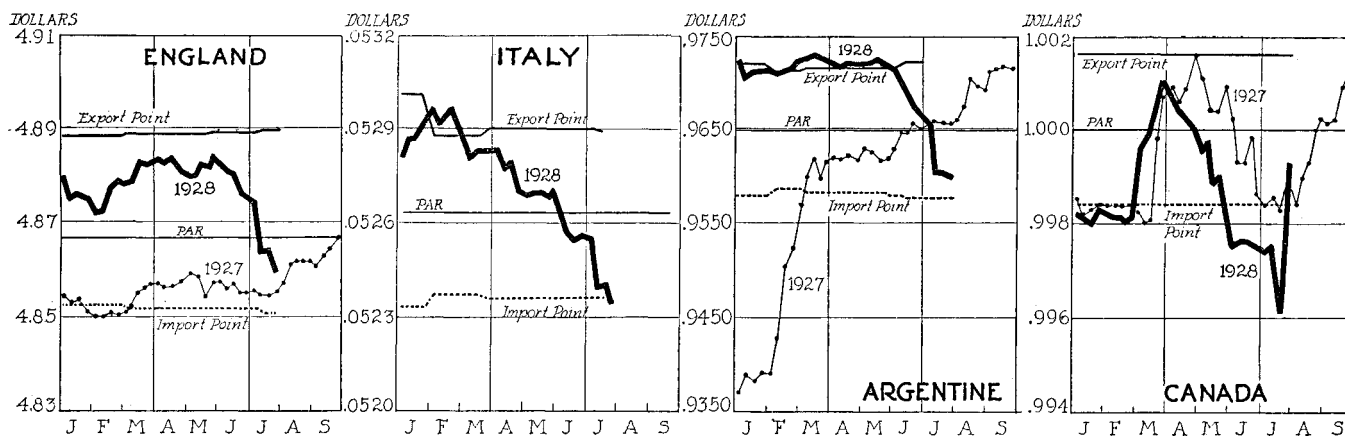
During most of the month the call rate fluctuated between 5 and 6 per cent and in the latter half of the month $5\frac{1}{2}$ per cent was the most frequent rate, a somewhat lower level than the general credit situation would seem to justify. The second half of July, however, is ordinarily a time when funds flow toward New York. Other factors were some reduction in the demand for call money and some flow of funds into the market from corporations and individuals with temporarily idle funds awaiting later employment in business or awaiting investment.

BILL MARKET

Investment demand by foreign account improved during July, but was slightly less than the supply of bills, while domestic account buying was very light. There were two increases in open market rates which raised quotations for the various maturities of bills from $\frac{1}{2}$ to $\frac{3}{4}$ of one per cent above the rates prevailing at the opening of the month to the highest levels since October 1921. The first upward revision occurred around the time when discount rate increases were made effective by several Reserve Banks, and this change carried the offering rate for 90 day unindorsed bills to $4\frac{3}{8}$ per cent. Towards the end of the month, there was some decline in the demand and the dealers were faced with the beginning of a seasonal increase in offerings of new bills; so that rates for all maturities were raised $\frac{1}{4}$ per cent further, making the 90 day quotation $4\frac{5}{8}$ per cent. Dealers' portfolios of bills were about the same at the end of the month as at the beginning.

COMMERCIAL PAPER MARKET

Rates for prime commercial paper continued to harden during July. At the beginning of the month dealers' offerings were made at $4\frac{3}{4}$ and 5 per cent, but as the result of the successive marking up of rates, the range by the end of the month became 5 to $5\frac{1}{2}$ per cent. The effective rate at which the major proportion of the sales was made in the latter part of the month was $5\frac{1}{4}$ per cent, which is the highest quotation for open market paper since October 1923. Dealers again reported a rather slack demand for paper on the part of the banks throughout the country, and at the same time supplies of paper on hand remained limited. At the present level of rates it was reported that many borrowers preferred to borrow directly from their banks rather than through the open market. Some confirmation of this tendency may be found in the relatively high level of unsecured loans of reporting banks. On June 30 the amount of commercial paper outstanding through 24 dealers had declined 7 per cent from the previous month to \$503,000,000, the smallest figure in at least 10 years, and 13 per cent below the outstandings of a year ago.



Foreign Exchange Rates at New York, Shown in Relation to Par and to Gold Export and Import Points.

Discount Rates Abroad

There were two changes in central bank discount rates during July. On July 17 the National Bank of Austria advanced its rate to 6½ per cent from 6 per cent, at which level it had been maintained since January 28, 1928. The official rate of the Imperial Bank of India was on July 19 reduced 1 per cent further from 6 per cent to 5 per cent, following a reduction from 7 per cent to 6 per cent in June; these reductions apparently represent simply the usual seasonal changes.

Gold Movement

The net loss of gold during July was the smallest for any month since the gold outflow began last September. Heavy shipments continued, but consisted largely of gold that had been previously taken from the gold stock of this country and held under earmark for foreign account. Most of the foreign exchanges were closer to the gold import points than to the gold export points during July, and, in fact, some gold was received from Canada on exchange transactions which approximately offset special purchases of gold by foreigners in this market during the month.

The principal gold movements during July included the export to France of about \$61,500,000 of gold previously earmarked, exports of \$4,000,000 to Italy and \$3,000,000 to Brazil, and imports totaling \$8,000,000 from Canada. The official figures on gold movements during July will also include the export of \$3,000,000

GAIN OR LOSS OF GOLD
(In millions of dollars)

Month	Net Exports* (—) or Imports (+)	Net increase in earmarkings (—) or releases from earmark (+)	Net gain or loss
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.....	— 80	+ 30	— 50
July.....	— 64‡	+ 61‡	— 3‡
Total, 11 months....	—578‡	+ 74‡	—504‡

*=Including export of gold previously earmarked. ‡=Preliminary.

to Poland, which was previously reported as shipped in June. Earmarking transactions during the month included the release of \$61,500,000 from earmark for shipment, and new earmarking of \$500,000.

Foreign Exchange

Nearly all of the foreign exchange rates at New York declined rapidly in July, and, whereas many of the exchanges were considerably above par in May—some close to their gold export points—several of the leading exchanges fell below par by the latter part of July. The decline may be attributed partly to the usual seasonal tendencies, but the unusual rapidity of the decline appears to have been due to the relatively high level of money rates in this market which has attracted funds here from other markets.

Sterling declined steadily and reached the lowest point since early last August; French and Swiss francs also went to a discount; and Belgian, Dutch, German, and Norwegian exchanges declined substantially from the fairly high levels that prevailed until recent weeks.

The Canadian dollar declined shortly after the middle of July to the lowest point since March 1926, but subsequently recovered rapidly and at the end of the month was above par. The Argentine peso also declined rapidly to a level below that which prevailed at this time last year. The Brazilian milreis, however, was relatively firm.

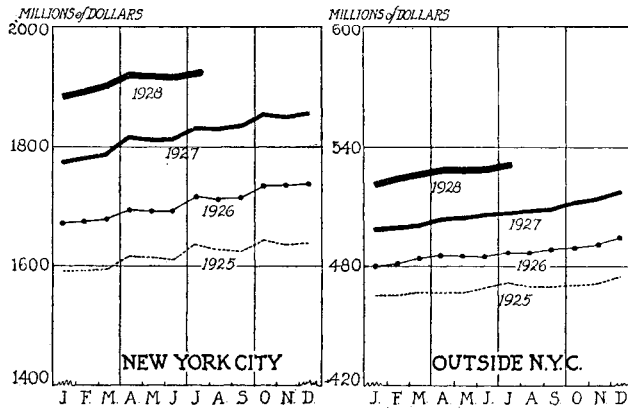
In the Far East, the yen was depressed, and the rupee continued its downward trend.

Country	Cable rates		
	July 30, 1927	June 30, 1928	July 30, 1928
Austria.....	.1405	.1407	.1409
Belgium.....	.1390	.1397	.1392
England.....	4.8557	4.8766	4.8576
France.....	.0391	.0393	.0391
Germany.....	.2378	.2390	.2388
Italy.....	.0544	.0526	.0523
Netherlands.....	.4007	.4029	.4021
Norway.....	.2582	.2677	.2670
Switzerland.....	.1926	.1928	.1925
Canada.....	.9987	.9976	1.0004
Argentina.....	.9661	.9673	.9602
Brazil.....	.1182	.1195	.1194
India.....	.3610	.3631	.3620
Japan.....	.4714	.4649	.4532
Hong Kong, dollar.....	.4893	.5033	.5005
Shanghai, tael.....	.6220	.6592	.6534

Savings Bank Deposits

For several years this bank has received monthly reports on the deposits of 15 representative savings banks in New York City and 15 elsewhere in the district. In general, the growth of deposits in the banks outside of New York City has been only slightly more rapid than would have been the case if the deposits of 1918 had been left without additions or withdrawals but with interest compounded at 4 per cent semi-annually; the growth in New York City has been somewhat more rapid.

In view of the reported withdrawal of savings deposits to finance speculation in stocks it is interesting to note that the increase in the deposits of the 15 reporting banks outside of New York City during the past year has been somewhat larger than in either of the two previous years. In New York City the increase has been slightly smaller than last year, but about the same as the average for the past two years.



Deposits in 15 Representative Savings Banks in New York City and 15 Elsewhere in the Second Federal Reserve District.

Security Markets

Stock prices fluctuated irregularly during July, and the daily turnover of stocks during the greater part of the month was between 1 and 2 million shares, or about half the average volume during May. Toward the close of July, average prices of industrial shares were several points below the highest levels of early June, but were considerably above the low levels reached in the June reaction. Railroad stocks were nearer their recent low points than the highest levels of the year.

Bond prices advanced slightly shortly after the first of July in response to demand for bonds in reinvestment of dividend and interest disbursements, but the advance was not long sustained. During the rest of the month prices of corporation bonds declined and the total decline for the month, about one point, was about the same as in each of the previous two months. Corporation bond averages are now at the lowest levels since November 1926, and more than $3\frac{1}{2}$ points below the highest levels of the current year. United States Government long term obligations during the month sold down to the lowest levels of the year; Treasury bonds showed net losses for the period averaging nearly 3 points, while in the case of Liberty issues losses averaged about $\frac{3}{4}$ of a point.

New Financing

Total security offerings during the first half of 1928 amounted to \$5,700,000,000, as compared with \$5,300,000,000 in the first half of 1927 and \$4,100,000,000 in the first half of 1926. The increase over last year was wholly due to an increase of about \$400,000,000 in refunding issues. As between domestic and foreign issues, domestic offerings (exclusive of refunding issues) decreased more than \$200,000,000 from the first half of 1927, while foreign borrowings increased by about an equivalent amount. There was a notable change in the character of new domestic corporate offerings in that long term bond issues decreased approximately \$460,000,000, largely during May and June, while stock offerings increased about \$350,000,000. State and municipal issues were about \$100,000,000 smaller than a year ago.

Preliminary figures for July show a pronounced decrease in new financing, much greater than the usual seasonal decrease. The July total appears in fact to be only about one-fourth as large as the June total, and approximately half as large as the total of July last year. All principal classes of domestic issues were in smaller volume than in the previous month or a year ago. The largest reduction was in public utility financing. There was also a substantial decrease in foreign loans compared with June, and a moderate decline compared with a year ago.

The decrease in new financing in July may be ascribed to the very heavy offerings of the first half of the year made during a period when gold was being exported and interest rates were rising, and to the generally overloaned position of the banks of the country which has recently made them sellers rather than buyers of securities. It has been difficult to distribute new issues and funds to carry them have been obtainable only at relatively high rates.

Foreign Trade

Both exports and imports of merchandise showed seasonal declines in June. Exports, valued at \$390,000,000, were \$32,000,000 smaller than in May, but were larger than in June of any of the past seven years. Imports, valued at \$317,000,000, showed a decline of \$38,000,000 from the May total, and a similar decline from the total for June of last year.

For the year ended June 30, 1928 the total foreign trade of the United States was slightly smaller than in the preceding year; both exports and imports were somewhat smaller. Exports totaled \$4,878,000,000 and imports totaled \$4,148,000,000, leaving a favorable balance of trade of about \$730,000,000, a slightly larger amount than in the previous year.

Exports of cotton showed a further seasonal decline in June and were somewhat smaller in volume than a year previous, although, due to higher prices, the value was larger than in June 1927. The total amount of cotton shipped abroad during the fiscal year was approximately 30 per cent smaller than in the previous year, but the total value was only about 5 per cent less. Grain exports also declined in June and were smaller than a year ago; the total value of grain shipments during the past twelve months was slightly less than in the previous year.

Quantity imports of raw silk were smaller in June than in May but were larger than in June 1927, and the total for the fiscal year showed a slight increase over the preceding year. Rubber imports continued to decline, and the total during the past twelve months was about 3 per cent smaller in quantity than in the previous year and considerably smaller in value, due to the substantial decline in prices.

Indexes of Business Activity

This bank's indexes of various types of business activity showed no consistent change in June. Retail trade, especially mail order trade, was more active than in May, after allowance for the usual seasonal changes, and showed a substantial increase compared with a year ago. Car loadings, adjusted for seasonal variations, declined somewhat following a gradual increase in the months just preceding, and were smaller than in June 1927. Wholesale trade and foreign trade also declined.

June indexes, in which allowance is made for year-to-year growth, for the usual seasonal variations, and where necessary for price changes, are compared in the following table with indexes for other recent months and a year ago.

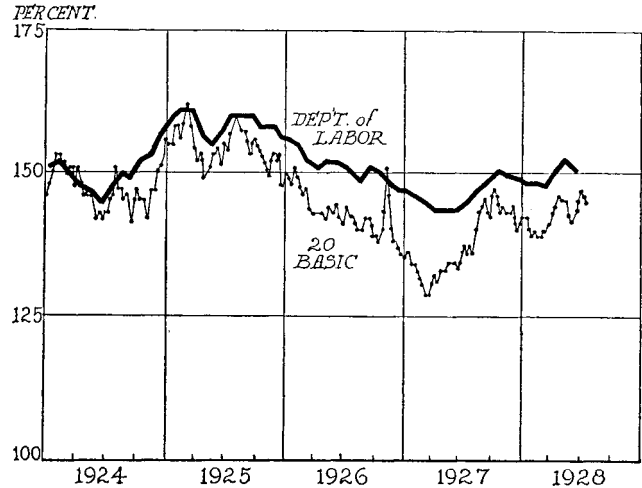
(Computed trend of past years=100 per cent)

	1927	1928		
	June	Apr.	May	June
Primary Distribution				
Car loadings, merchandise & misc.	106	104	105	101
Car loadings, other.	97	95	96	91
Exports.	99	87	104	102 ^p
Imports.	118	98	105	98 ^p
Panama Canal traffic.	91	89	84	80
Wholesale trade.	99	93	100	93
Distribution to Consumer				
Department store sales, 2nd Dist.	101	97	96	103
Chain grocery sales.	109	103	102	104
Other chain store sales.	100	98	98	102
Mail order sales.	106	100	110	123
Life insurance paid for.	112	106	110	111
Advertising.	99	97	95	95
General Business Activity				
Bank debits, outside of N. Y. City	107	112	111	114
Bank debits, New York City.	129	162	167	167
Velocity of bank deposits, outside of New York City.	106	116	117	119
Velocity of bank deposits, N. Y. City.	128	164	169	177
Shares sold on N. Y. Stock Exchange.	185	306	307	239
Postal receipts.	95	87	92	89
Electric power.	107	104	...	...
Employment in the United States.	100	96	96	97
Business failures.	115	102	113	121
Building contracts, 36 States.	141	133	144	138
New corporations formed in N. Y. State.	123	110	121 ^r	127
Real estate transfers.	96	89	82	...
General price level.	171	175	177	176
Composite index of wages.	221	221	222	223

^p=Preliminary ^r=Revised

Commodity Prices

After reaching in May the highest level since 1926, the wholesale price index of the United States Bureau of Labor Statistics reacted a point in June. Increases in prices of agricultural commodities and their products largely accounted for the substantial advance from March to May, but there were also increases in certain other commodities, particularly building materials, following almost continuous declines since the autumn of 1926. The decline in June was entirely accounted for by lower agricultural prices, as in general there was a further slight increase in other prices.



United States Bureau of Labor Statistics General Index of Wholesale Prices and Federal Reserve Bank of New York Weekly Index of Basic Commodity Prices, (1913=100 per cent).

This bank's index of basic commodity prices has also been influenced largely by fluctuations in agricultural products. A substantial decline in May and the early part of June from the high point reached at the end of April was due largely to declines in wheat and corn prices, reflecting improved crop prospects. After this, sharp increases in the prices of hogs, steers, and cotton brought the index in the first week of July to a new high level for the year, but subsequently renewed declines in wheat and cotton have lowered the index somewhat.

Crops

Current reports by the United States Department of Agriculture indicate that an increase in total crop acreage this year may be more than offset by lower yields per acre, although much depends upon weather conditions between now and harvest. Smaller production than in 1927 is indicated by the July 1 reports for corn, wheat, rye, and hay, while an increase is forecast in oats, barley, and tobacco.

The advance in farm prices over 1927 has been larger than the probable decline in production, and consequently the income of the farming community appears likely to show a further increase this year. According to an estimate by the Standard Statistics Company, the indicated total value of nine major crops is about 5 per cent above a year ago.

This season's crops, indicated by July 1 forecasts, are compared in the following table with actual yields last year and the average crops of the past five years.

(In millions)

Crop	1923-1927 Average Harvest	1927 Harvest	Indicated by Condition July 1, 1928
Corn, bushels.	2,752	2,774	2,736
All wheat, bushels.	808	873	800
Oats, bushels.	1,348	1,184	1,320
Barley, bushels.	209	264	303
Potatoes, white, bushels.	384	407	444
Tobacco, pounds.	1,336	1,196	1,312
Hay, tame, tons.	93.1	106.5	84.4
Apples, total, bushels.	183	123	178

Production

After remaining for four months at practically a constant level, except for seasonal fluctuations, a composite index of production in leading industries declined somewhat in June. The output of pig iron and steel ingots decreased more than usual, and there were also declines, after allowance for usual seasonal changes, in petroleum and coal productions. Cotton consumption fell to a level 23 per cent below that of a year ago, and this bank's index was lower than at any time since July 1926; woolen mill activity and mill consumption of silk also were smaller than in May. The output of passenger automobiles did not decline as much as usual, but the production of trucks was sharply reduced. Out of twenty-six of this bank's production indexes now available, seventeen declined in June, and nine advanced.

During July employment at Detroit increased further to a new high level for the year, indicating that the automobile industry as yet is not showing the usual tendency toward a seasonal decline. There has been some increase in the production of bituminous coal and of crude petroleum, but steel mill operations have been reduced slightly from the June level, and production of cotton goods, lumber, and anthracite coal have shown further declines.

(Computed trend of past years=100 per cent)

	1927	1928		
	June	April	May	June
Producers' Goods				
Pig iron.....	108	107	110	107
Steel ingots.....	98	114	113	104
Cotton consumption.....	116	89	97	88
Cotton movement.....	98	110	125	79
Woolen mill activity*.....	89	83	85	83 _p
Silk consumption*.....	110	98	115	109
Petroleum.....	118	107	108	104 _p
Bituminous coal.....	81	83	82	78
Coke.....	102	103	110 _r	103 _p
Lumber.....	96	98	95 _p	...
Copper, U. S. mines.....	99	99	101	103
Lead.....	105	92	93	90 _p
Zinc.....	98	94	92	87
Tin deliveries.....	88	105	87	104
Leather, sole.....	107	113	112 _r	113
Cement.....	133	113	125	130
Paper, total.....	103	106	113	...
Wood pulp.....	97	95 _r	99	...
Consumers' Goods				
Hogs slaughtered.....	105	96	100	99
Cattle slaughtered.....	107	91	101	94
Sheep slaughtered.....	108	102	109	112
Calves slaughtered.....	87	80	82	76
Farm produce shipped.....	99	87	103	...
Wheat receipts.....	112	131	152	...
Corn receipts.....	90	141	148	...
Wheat flour.....	100	107	109	95
Sugar meltings, U. S. ports.....	96	77	67	75
Gasoline.....	95	95	96	...
Anthracite coal.....	97	111	114	72
Paper, newsprint.....	97	88	96	92
Printing activity.....	104	105	...	...
Tobacco products.....	105	101	108	...
Boots and shoes.....	107	88 _r	96	102 _p
Tires.....	117	109	122	...
Automobile, passenger.....	102	118	125	129
Automobile, truck.....	91	87	98	85

*=Seasonal variation not allowed for _p=Preliminary _r=Revised

Employment and Wages

Contrary to the usual seasonal tendency, factory employment increased slightly in June, and this bank's index, in which allowance is made for the usual seasonal variations, reached the highest level since last October. There was also an expansion in out-of-door activities, such as building, farming, and road work.

A measure of the improvement in employment conditions is to be found in the ratio of orders for workers to applications for employment at New York State Employment Offices, which has increased sharply since February, and during the past month has averaged only slightly below the level of a year ago.

Average weekly earnings of factory workers also have shown an improvement in New York State, and in May and June reached new high levels for those months; farm wages, however, are reported as somewhat below the level of a year ago.

Building

Building contracts reported to the F. W. Dodge Corporation during June showed a small decline from the large volume of May but were larger than in June of any previous year. The increase over June 1927 was about 3 per cent for all districts combined. During July the average daily volume of contracts reported was slightly larger than a year ago.

For the completed half year there was an increase of 8 per cent over the corresponding six months of 1927 and of 9 per cent over the corresponding period in 1926 for all districts combined. In the New York and Northern New Jersey district the increase was 9 per cent compared with last year and about 4 per cent compared with 1926. An increase in residential building contracts has been the most important element in the larger volume of construction work this year. There has also been a considerable increase in contracts for public works and utilities and in industrial building, and some increase in educational building. Commercial and miscellaneous projects, however, have been somewhat smaller than in 1927.

The following table shows the volume of construction contracts awarded in the 37 states as a whole and in this district during the first half of 1928, and the change compared with the corresponding period last year.

(In millions of dollars)

Class	Total 37 States		New York and Northern New Jersey	
	January to June 1928	Change compared with Jan.-June 1927	January to June 1928	Change compared with Jan.-June 1927
Residential.....	1,531	+ 223	527	+ 104
Public Works and Utilities.....	641	+ 44	122	— 7
Commercial.....	468	— 35	150	— 10
Industrial.....	307	+ 66	30	— 5
Educational.....	201	+ 13	41	+ 9
All Other.....	297	— 54	64	— 11
Total.....	3,445	+ 257	934	+ 80

Wholesale Trade

June sales of reporting wholesale dealers in this district were 7 per cent smaller than in June 1927. This was the largest decline from the sales of a year previous for any month since last October. Unusually large declines were reported in sales of shoes, silk goods, jewelry, and jobbers sales of cotton goods, and declines, following increases in May, were also reported by hardware and men's clothing dealers. Sales of women's clothing remained smaller than last year. An unusually large increase occurred in diamond sales, however, machine tool

orders remained much larger than last year, and drug sales continued to show a considerable increase.

For the first half of the year, wholesale trade in this district averaged about the same as last year. The principal increases were in sales of machine tools and drugs, and the principal declines in women's clothing. A majority of other lines showed small declines.

Collections were irregular in June, but in general averaged somewhat slower than a year ago.

Commodity	Percentage Change June 1928 compared with June 1927		Per cent of Charge Accounts Outstanding May 31 collected in June		Percentage Change in Net Sales	
	Net Sales	Stock end of Month	1927	1928	June 1928 from May 1928	First Six Months 1928 from 1927
Groceries.....	- 4.5	- 4.5	72.6	70.7	+ 2.7	- 1.4
Men's clothing.....	-11.8	...	52.5	44.3	-31.4	- 0.4
Women's dresses.....	-28.9	...	...	...	-32.9	-20.9
Women's coats and suits.....	-15.9	...	...	...	-48.1	-10.5
Cotton goods—Jobbers.....	-10.9	-19.6	33.0	34.3	+ 1.2	- 2.5
Cotton goods—Commission.....	- 3.3	...	...	...	+ 2.2	- 2.3
Silk goods.....	-19.8	+18.9*	52.3	53.4	-10.7	- 2.9
Shoes.....	-19.3	-11.1	41.5	41.9	+ 3.4	-12.1
Drugs.....	+15.6	+ 6.4	48.5	43.5	- 8.7	+13.1
Hardware.....	- 4.8	+13.7	56.3	54.1	- 2.7	- 1.1
Machine tools**.....	+54.8	...	...	...	+ 4.4	+58.4
Stationery.....	+ 0.2	...	78.0	75.1	-12.1	- 1.3
Paper.....	0	...	61.6	73.1	- 7.3	+ 2.2
Diamonds.....	+44.4	...	...	...	+36.7	1.7
Jewelry.....	- 8.1	+ 8.5	25.3	24.6	+17.7	+ 0.4
Weighted Average...	- 7.0	...	55.2	53.1	-12.4	- 1.8

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

Chain Store Sales

Sales of reporting chain store systems in June continued substantially larger than a year ago,—on a daily basis the increase was even larger than in May. Chain grocery business was not as good as in other recent months, but shoe sales showed an unusually large increase, and substantial increases were reported also by variety and ten cent stores.

For the first six months of the year total sales for all reporting chains were nearly 10 per cent larger than a year ago. The largest increase was in the sales of variety stores, and substantial gains were reported also by grocery, ten cent, and shoe chains. In several lines the increases in sales during May and June were well above the average increase for the first half of the year.

Type of Store	Percentage Change June 1928 compared with June 1927			Percentage Change First Six Months 1928 compared with 1927	
	Number of Stores	Total Sales	Sales per Store	Total Sales	Sales per Store
Grocery.....	+ 1.4	+ 6.9	+ 5.4	+13.5	+11.7
Ten cent.....	+ 8.6	+12.4	+ 3.6	+ 9.2	+ 0.3
Drug.....	+ 2.4	+ 2.4	0	+ 2.9	0
Tobacco.....	+ 3.0	- 1.4	- 4.3	- 4.9	- 6.3
Shoe.....	+ 9.7	+24.5	+13.4	+ 8.7	- 0.9
Variety.....	+17.7	+23.9	+ 5.3	+19.4	0
Candy.....	+15.5	+ 4.9	- 9.2	+ 0.4	- 9.3
Total.....	+ 4.8	+11.6	+ 6.4	+ 9.8	+ 5.0

Department Store Trade

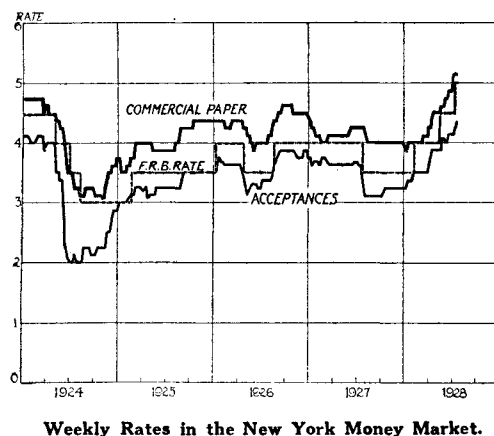
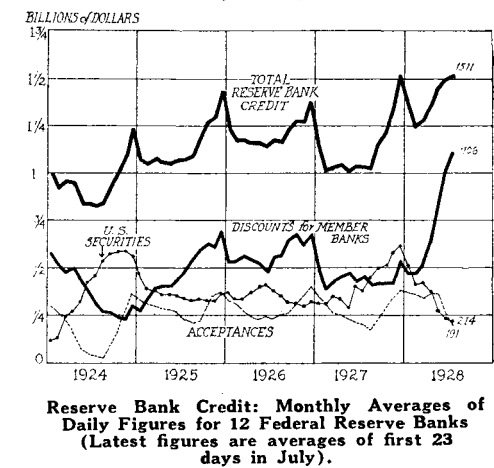
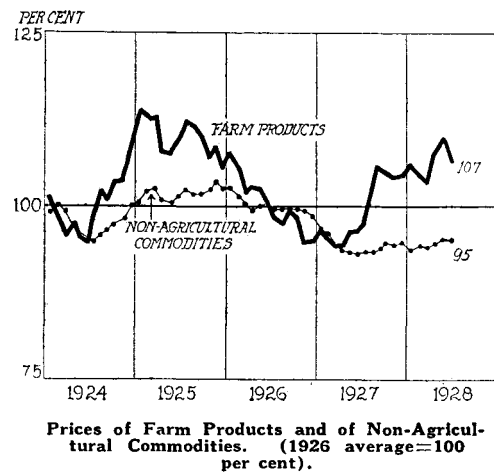
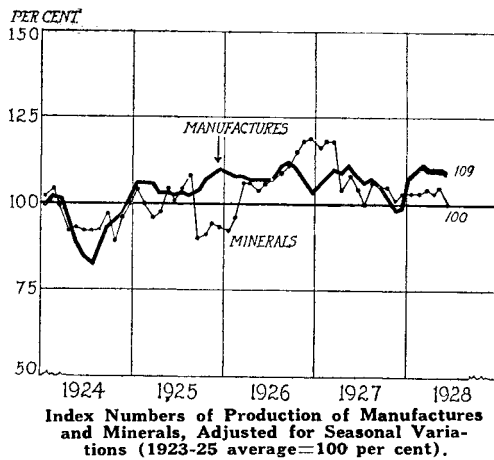
Department store sales continued in June to show moderate increases over last year in most sections of this district. The average increase over June 1927 for all reporting stores was close to 3 per cent. The largest increases were reported from Newark and Bridgeport. Apparel store sales continued to show a fairly large increase over last year, and sales of leading mail order houses showed a large increase.

Due to rather poor business in the early months of the year, total sales of reporting department stores for the first six months of 1928 were less than 1 per cent larger than in the corresponding period of 1927, the smallest increase in several years. Stocks of merchandise on hand were slightly smaller than last year, and the rate of stock turnover showed a further slight increase.

Locality	Percentage Change June 1928 compared with June 1927		Percentage Change First Six Months 1928 compared with 1927		Per cent of Charge Accounts Outstanding May 31 Collected in June	
	Net Sales	Stock on hand end of month	Net Sales	Average Stock on hand	1927	1928
New York.....	+ 2.2	+ 0.2	+ 0.9	- 1.7	51.2	51.5
Buffalo.....	- 1.6	+ 0.8	- 1.5	+ 3.2	49.9	54.7
Rochester.....	+ 2.4	- 1.1	- 0.3	+ 0.4	39.9	42.0
Syracuse.....	+ 1.6	- 2.5	- 1.6	- 3.2	...	...
Newark.....	+ 8.0	- 0.1	+ 2.9	+ 0.6	47.4	48.2
Bridgeport.....	+ 5.3	- 9.1	- 2.4	- 6.2	...	...
Elsewhere.....	+ 1.3	- 3.7	+ 1.5	- 4.5	37.2	38.7
Northern N. Y. State.....	- 1.4	...	+ 0.6	...	...	...
Central N. Y. State.....	+ 0.2	...	- 1.4	...	...	...
Southern N. Y. State.....	+ 4.3	...	- 3.2	...	...	...
Hudson River Valley District.....	+ 4.7	...	+ 3.8	...	...	...
Capital District.....	- 3.6	...	+ 3.5	...	...	...
Westchester District.....	+ 4.6	...	+ 8.2	...	...	...
All department stores..	+ 2.8	- 0.4	+ 0.9	- 1.4	48.8	49.7
Apparel stores.....	+ 8.4	+ 3.1	+ 9.0	+ 5.2	48.0	49.3
Mail order houses.....	+22.9	...	+ 8.4	...	...	...

Departments selling vacation goods were among those showing the largest increases in sales compared with June 1927. Comparisons of June sales and stocks for the principal departments follow.

	Net Sales Percentage Change June 1928 compared with June 1927	Stock on Hand Percentage Change June 30, 1928 compared with June 30, 1927
Musical instruments and radio.....	+26.7	-26.1
Shoes.....	+21.3	+13.6
Books and stationery.....	+15.2	+ 9.2
Toys and sporting goods.....	+ 6.8	+ 9.3
Luggage and other leather goods.....	+ 5.4	- 9.3
Women's ready-to-wear accessories.....	+ 5.0	+ 3.8
Men's and boys' wear.....	+ 4.9	+ 4.6
Cotton goods.....	+ 3.9	+ 5.5
Toilet articles and drugs.....	+ 3.6	+ 7.0
Furniture.....	+ 2.9	+ 2.3
Home furnishings.....	+ 2.5	+ 7.7
Linens and handkerchiefs.....	+ 2.1	- 0.7
Men's furnishings.....	+ 1.6	- 8.8
Women's and Misses' ready-to-wear.....	+ 0.4	+ 1.2
Hosiery.....	- 0.1	- 2.0
Silverware and jewelry.....	- 2.2	+ 2.7
Silks and velvets.....	-13.2	+ 5.6
Woolen goods.....	-24.9	- 8.9
Miscellaneous.....	- 4.3	- 3.7



Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL production and the distribution of commodities in June were in smaller volume than in May and the general level of wholesale prices, following a sharp advance in April and May, also declined. Member bank credit was in record volume early in July and indebtedness at the Reserve Banks was larger than at any time in the past six years.

PRODUCTION

Activity of manufacturing industries declined slightly in June, and there was a decrease of about 6 per cent in the output of minerals owing to declines in the production of coal. The manufacture of iron and steel decreased in June by somewhat more than the usual seasonal amount, but there are indications that there were no further declines in July and the industry was somewhat more active than a year ago. Production of flour and activity of cotton and wool mills also declined in June. Automobile production showed considerably less than the usual seasonal decline in June, and weekly employment figures for Detroit indicate that operations of automobile plants were well maintained during the first three weeks of July. The manufacture of agricultural implements and machine tools continued in June at the high level reached last spring. Production of lumber, copper, and shoes, and activity of silk mills increased in June.

Contracts awarded for new building continued large in June and total awards for the first half of the year exceeded those for any previous corresponding period. There were increases over last year in contracts for residential, industrial, public, and educational building. Awards during the first three weeks in July were in somewhat smaller volume than for the corresponding period of last year.

The July estimates of the Department of Agriculture indicate a yield of wheat of 800,000,000 bushels, a decrease of 8 per cent from the harvested yield of 1927, and a yield of corn of 2,736,000,000 bushels, a reduction of 2 per cent. The production of oats, barley, white potatoes, and tobacco is expected to be larger than last year. The acreage of cotton in cultivation on July 1 was estimated at 46,695,000 acres, an increase of 11 per cent as compared with that of a year ago.

TRADE

Merchandise distribution at retail and wholesale was seasonally smaller in June than in May. Sales of department stores declined by about the usual seasonal amount, while the declines in sales of chain stores were smaller. Sales of wholesale firms in most lines of trade showed a more than usual seasonal decline. Compared with a year ago sales of department stores and chain stores were larger and those of wholesale firms were smaller. Stocks of wholesale firms were in about the same volume at the end of June as a year ago and those of department stores were smaller.

Freight car loadings for practically all classes of commodities declined in June and continued in smaller volume than a year ago. During the first two weeks of July, however, owing to increases in loadings of grains and miscellaneous commodities, total loadings were larger than in the corresponding period of 1927 but continued below the high level of 1926.

PRICES

The general level of wholesale commodity prices declined in June and the Bureau of Labor Statistics index, which had advanced from 96 per cent of the 1926 average in March, the low point for the year, to 98.6 per cent in May, declined in June to 97.6 per cent. The decline in the all-commodities index reflected decreases in those groups which had advanced most rapidly in previous months—farm products, foods, and hides and leather products. Prices of livestock and meats, which are included in these groups, however, showed further advances in June, and there was also an increase in the prices of building materials, while prices of silk and rayon, fertilizer materials, house furnishings, and automobile tires declined. During the first three weeks in July there were declines in the prices of wheat and cotton, and advances in those of cattle and hogs.

BANK CREDIT

Member bank credit, after rising to a record volume early in July, declined somewhat during the two following weeks and on July 18 total loans and investments of reporting banks in leading cities were about \$160,000,000 smaller than four weeks earlier. The decrease was largely the result of reduction by about \$125,000,000 in the banks' investment holdings, but reflected also a decline in the volume of loans on securities following a temporary increase over the mid-year. Contrary to the usual seasonal trend, loans largely for commercial purposes were in record volume during the period.

Member bank borrowing at the Reserve Banks showed a decline following the mid-year settlement period, but the volume on July 25, at slightly more than \$1,000,000,000, was somewhat larger than five weeks earlier. Holdings of acceptances and United States securities declined during the period.

In July there were further advances in open market rates for commercial paper and bills, and discount rates at seven of the Federal Reserve Banks were raised from 4½ to 5 per cent.