

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

September 1, 1928

(The following article is quoted from the forthcoming September Bulletin of the Federal Reserve Board.)

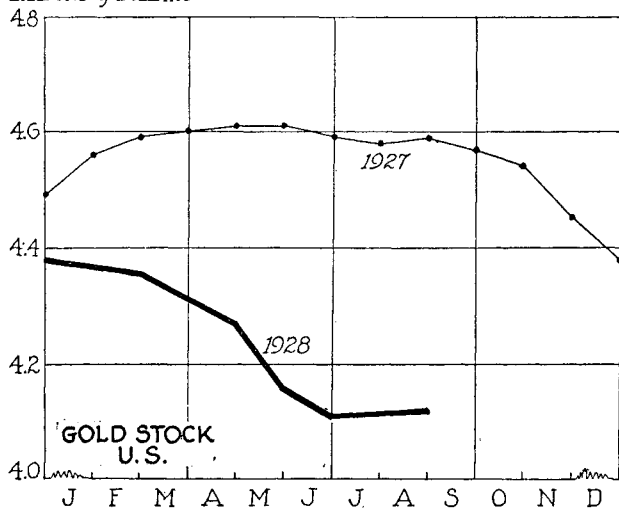
Position of Reserve Banks

Total Reserve Bank credit outstanding in the third week of August averaged \$1,470,000,000, showing an increase of \$370,000,000 over the corresponding period in 1927. This increase in Reserve Bank credit was brought about by a loss of \$467,000,000 from the country's stock of monetary gold, offset in part by a decrease of \$107,000,000 in the demand for currency. Changes for the year in other factors in the Reserve Bank position have been of relatively minor importance.

As a consequence of the loss of gold during the year the ratio of reserves of the Federal Reserve Banks to their combined note and deposit liabilities declined from 78.5 per cent on August 24, 1927, to 69.6 per cent on August 22 of this year. The present ratio for the System as a whole, furthermore, represents an average of the ratios for the twelve Federal Reserve Banks, which range from 46.6 per cent for the Federal Reserve Bank of St. Louis, to 76.5 per cent for the Federal Reserve Bank of Boston. The amount of reserves held by the Federal Reserve System in excess of its legal requirements of 40 per cent against Federal Reserve notes in circulation and 35 per cent against deposits was about \$1,300,000,000 on August 22. The amount of gold legally required by the Reserve Banks, however, is measured under present conditions not by their reserve requirements alone, but also by their requirements of collateral against outstanding Federal Reserve notes,

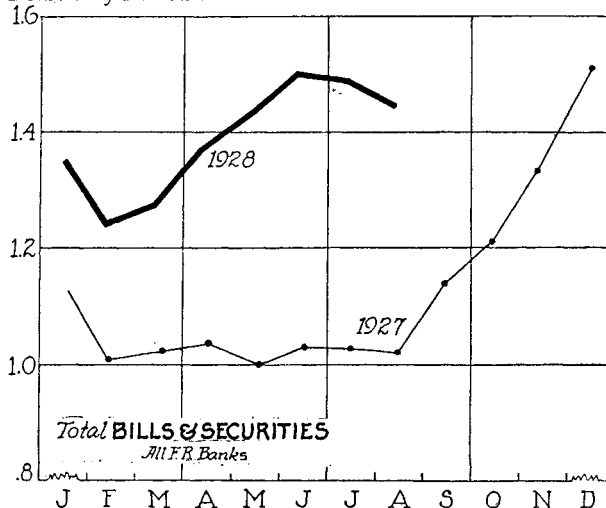
which under the law must be covered up to 100 per cent by gold or eligible paper pledged with the Federal Reserve Agent. The volume of Federal Reserve notes outstanding on August 22, i.e., of notes issued by the Federal Reserve Agents to the Federal Reserve Banks, was \$2,027,000,000, including about \$385,000,000 of notes held by the issuing banks for counter requirements. On that date eligible paper available as collateral was \$1,190,000,000 leaving about \$838,000,000 of notes to be covered by gold. In addition a 5 per cent redemption fund must be carried with the Treasurer of the United States against the part of the notes that is not covered by gold; this redemption fund requires another \$60,000,000 of gold. The 35 per cent reserves necessary against deposits would absorb about \$814,000,000 of reserves, bringing the total of reserve money required by the Reserve Banks to \$1,712,000,000. With total reserves amounting to \$2,761,000,000 the Reserve Banks thus have more than \$1,000,000,000 in gold above their legal requirements. This relatively large amount of surplus gold reflects the fact, however, that the volume of eligible paper at the present time is between \$400,000,000 and \$500,000,000 larger than the average amount for the preceding five years, as the result of the unusually heavy indebtedness of member banks. If member bank borrowings declined to a more usual level, gold would have to be used to replace the liquidated eligible paper as collateral with the Federal Reserve Agents, and this would reduce the amount of surplus

BILLIONS of DOLLARS



Stock of Monetary Gold in the United States, 1928 Compared with 1927. (August 1928, estimated).

BILLIONS of DOLLARS



Total Bills and Securities of All Federal Reserve Banks, 1928 Compared with 1927. (August 1928, preliminary).

gold to between \$500,000,000 and \$600,000,000, or a little more than was exported during the past year.

It is often stated that the Federal Reserve Banks could increase their surplus gold by paying out Federal Reserve notes and substituting them for the gold certificates now in circulation. This statement overlooks the fact that collateral will be required against the additional Federal Reserve notes put into circulation, and that the entire amount of gold drawn into the Federal Reserve Banks would thus have to be impounded with the Federal Reserve Agents as cover for the additional notes issued. There would, therefore, be no addition to the surplus gold from this source. Even leaving out of consideration the necessity for additional collateral for Federal Reserve notes, gold withdrawn from circulation would have but a slight effect on the reserve position of the Reserve Banks, because their liabilities on Federal Reserve notes would increase by the same amount through the paying out of notes as their reserves would increase through the receipt of gold certificates from circulation. If the entire amount of gold certificates in circulation, which is about \$1,000,000,000, were withdrawn from circulation and Federal Reserve notes were paid out to replace them, the reserve ratio of the Federal Reserve Banks would advance only from 69.6 to 75.6 per cent. Withdrawal of such a large amount of certificates could not be accomplished without considerable delay, and some certificates held in hoards at home and abroad could not be called in. The low point in the circulation of gold certificates, after several years of effort to concentrate them in the Federal Reserve Banks, was \$170,000,000 in February 1922. It is, therefore, evident that, while the Federal Reserve Banks have a considerable volume of excess reserves, or unused lending power, this amount is much smaller than is popularly believed and cannot be materially increased by the device of substituting Federal Reserve notes for gold certificates in the country's circulation.

Money Market in August

A further gradual advance during August carried the general level of money rates to new high levels since 1921. The largest increases continued to be in rates on security loans, but there were further moderate advances also in rates on commercial paper and on loans made directly to customers by New York City banks. Changes in the various rates during the past month and during the past year are shown by the following table.

Money Rates at New York

	Aug. 31, 1927	July 31, 1928	Aug. 30, 1928
Call money.....	*3½	*5½-6	*7-8
Time money-90 day.....	4	6	6½
Prime commercial paper.....	4	5½	5½
Bills-90 day undorsed.....	3½	4½	4½
Customers' rates on commercial loans.....	†4.38	†5.09	†5.34
Treasury certificates and notes			
Maturing December 15.....	2.61	4.28	4.25
Maturing March 15.....	2.95	4.32	4.36
Federal Reserve Bank of New York rediscount rate.....	3½	5	5
Federal Reserve Bank of New York buying rate for 90 day bills	3¼	4½	4½

*Prevailing rate for preceding week

†Average rate of leading banks at middle of month

Except for a temporary break at the middle of the month, call money held throughout the month at rates varying between 6 and 8 per cent. As in July there was more fluctuation in the call rate than generally in recent years. August 15 provided a striking illustration, for after opening at 7 per cent the rate declined rapidly to a closing rate of 5½ per cent, and to 4½ per cent on the 16th, followed quickly by a rise to a closing rate of 7 per cent on the 17th. Rapid rate fluctuations of this sort appear to reflect the increased dependence of the Stock Exchange money market on loans from sources other than the New York City banks. Since the beginning of May loans to brokers and dealers in securities placed by weekly reporting New York City banks for their own account have declined from 1329 million dollars to 793 million, or from 31 per cent of the total of all such loans placed by them to under 20 per cent. Of the 800 million dollars which these banks are continuing to lend for their own account some considerable part is lent to brokers or dealers who are depositing customers and whose loans cannot be called freely. With their limited participation in the market, and their overloaned position which makes it necessary for them to borrow largely at the Reserve Bank the New York banks cannot well exert their customary influence in stabilizing the market.

BILL MARKET

The supply of new bills appearing in the market declined substantially in August. Dealers' sales continued to be principally to foreign account buyers, but there was some increase in domestic buying, and distribution was wider than in several months. Consequently, dealers' portfolios remained small throughout the month. As there was a tendency toward an increase in the proportion of long maturities among new bills created during the month, dealers around the middle of the month raised their rates for 4, 5, and 6 months bills, but the advance was not maintained in the 4 months maturity, and only partly maintained in the 5 and 6 months datings. Bills of 30 to 90 day maturity were offered throughout the month at 4½ per cent.

COMMERCIAL PAPER MARKET

In August as in other recent months the commercial paper market was very quiet. Dealers' sales were confined largely to scattered business in small lots among the country banks, and the limited amounts of new paper appearing in the market gave evidence that commercial concerns were continuing to finance their requirements principally through direct borrowing at their banks. There appears to have been little change in available supplies of paper since the end of July, when outstandings through 24 dealers were \$483,000,000, an amount 4 per cent smaller than a month earlier, and 14 per cent below the outstandings on July 31, 1927. The upward tendency in rates continued, and towards the end of August, the prevailing rate for the usual grade of prime names reached 5½ per cent. Most dealers reported at that time that there were only a few especially choice names that could still be sold at a rate as low as 5¼ per cent.

Foreign Exchange

The decline of the foreign exchanges, which has been in evidence since money rates in this country have advanced and was especially rapid during the early summer, continued almost uninterruptedly as concerns most European exchanges during August. Belgian, Italian, Spanish, and Swiss exchanges, however, were able to resist the movement, although the schilling, the belga, and the reichsmark alone continue to be quoted at or above par. Sterling has declined fractionally to \$4.8528, which is only slightly above the gold import point. The French and Dutch exchanges have followed a similar course and are in the same position with respect to their gold points.

The announcement of the extension of credits to the Bank of Spain by English and American banks, together with the creation of a governmental bureau for the regulation of the peseta exchange, stimulated an advance in the peseta from 16.44 to 16.75 in two days. This movement was quickly checked, however, and the peseta declined to a slightly lower level at 16.60. The other European exchanges moved within very narrow limits.

Of the American exchanges, the Canadian and Argentine are the only ones which showed any appreciable fluctuation. Since the middle of the month the former has been at a premium, as it usually is in the late summer and autumn. The Indian rupee appreciated fairly consistently throughout August, although it is still below par. The Japanese yen fluctuated widely, standing at about a 9 per cent discount on August 30.

Country	Cable rates		
	August 30, 1927	July 30, 1928	August 30, 1928
Austria	.1407	.1409	.1408
Belgium	.1392	.1392	.1390
England	4.8617	4.8576	4.8528
France	.0392	.0391	.0390
Germany	.2380	.2388	.2382
Italy	.0543	.0523	.0524
Netherlands	.4007	.4021	.4009
Norway	.2601	.2670	.2668
Spain	.1685	.1645	.1660
Switzerland	.1928	.1925	.1925
Canada	1.0000	1.0004	1.0011
Argentina	.9691	.9602	.9580
Brazil	.1184	.1194	.1193
India	.3616	.3620	.3629
Japan	.4722	.4532	.4523
Hong Kong, dollar	.4819	.5005	.4983
Shanghai, tael	.6047	.6534	.6478

Discount Rates Abroad

Two increases in central bank discount rates took place in August. On the 7th the Bank of Finland raised its rate by ½ per cent to 6½ per cent. This is the first swing upward in the discount rate of this bank since the end of November 1923, when the rate was 10 per cent. Steadily improving business conditions since 1923 made possible a progressive decrease in the rate to 6 per cent on November 24, 1927, the date of the last prior change. The Finnish money market has been tight during most of this year, and the volume of discounts and rediscounts in the National Bank increased by 42 per cent between January and the end of July.

The Bank of Sweden raised its rate from 4 to 4½

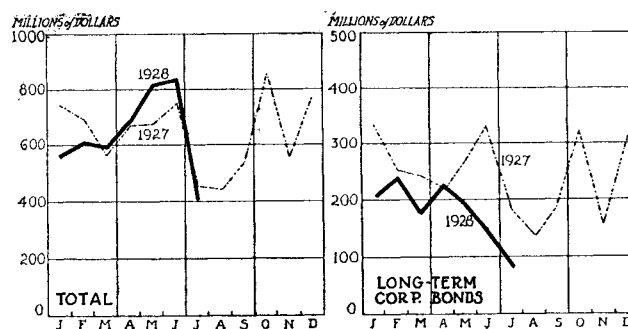
per cent on August 24, the last previous increase having been a ½ per cent rise on April 30. The unfavorable trade balance of Sweden and the strong position of the German mark as against the Swedish crown combined in the course of the year to bring about a reduction in the foreign assets of the central bank from 240 million crowns at the end of January to 136 million at the end of July.

Gold Movement

In August, for the first time in a year, there was a small gain to the gold stock of this country, as the net result of exports, imports, and earmarkings. Due to the rapid decline in foreign exchanges since May, gold exports in connection with exchange transactions ended some time ago, but, as most of the leading exchanges have held at least slightly above the levels at which gold could be profitably imported, there has been no evidence of a return movement of gold to this country. No special purchases of any considerable amount of gold have occurred in this market since July. Consequently, actual movements of gold during August were the smallest in about two years. The net gain of gold for the month was due to the release of about \$5,900,000 of gold that had been held under earmark.

New Financing

Total offerings of new securities, after maintaining a very high level during the first half of this year, showed an unusually large decline in July, as the left-hand portion of the accompanying diagram indicates. The July total would have been much smaller had it not been for a substantial amount of new stock issues offered by the companies directly to their stockholders; public offerings of new securities were very small as compared either with previous months or a year ago. The second half of the diagram indicates that a considerable decline in issues of long-term domestic corporate bonds has been in progress since April. The volume of such securities offered during July was less than half as large as a year previous.



Flotations of New Securities in the United States in 1928, Compared with 1927; Total of All Types of Securities and Long-Term Domestic Corporate Bonds (Refunding Issues Excluded).

In August new security issues continued in small volume and there was an increase in the proportion of short-term issues. Preliminary figures indicate that total new financing for the month will prove to have

been the smallest for any month in the past 4 or 5 years. The only important domestic issues were offerings of a number of public utilities, generally yielding around 6 per cent. The month was marked by the complete absence of public offerings of foreign securities, curtailment of which was evident in July, following the very large volume floated during the past year. The amount of foreign issues, excluding refunding, offered in this market is shown below:

Month	1927	1928
January.....	\$110,430,800	\$133,618,000
February.....	89,369,500	98,476,000
March.....	115,290,000	134,562,000
April.....	214,686,000	114,642,750
May.....	56,507,375	225,180,000
June.....	114,165,000	197,455,087
July.....	89,319,000	53,169,400
August.....	110,890,000	0

Security Markets

Trading on the New York Stock Exchange increased during August and in the last half of the month reached 3 million shares on a number of days, the largest volume since before the June decline. Prices of a number of leading shares were carried upward rapidly to levels considerably higher than those prevailing in May and early June, and averages including large numbers of industrial stocks advanced to levels approximately equal to the May and June high points. Railroad shares also showed some rise in prices, but, on the whole, were only slightly higher near the end of August than a month earlier, and averaged about 8 points below the highest levels of the year.

Following the substantial declines of the previous three months, corporation bond prices were relatively stable in August, with the trend slightly upward in the latter part of the month. United States Government long-term bonds were also much steadier than in July, and average prices at the end of the month were little different from a month earlier. In general, the principal foreign issues showed very slight declines.

Business Profits

Second quarter corporation earnings compared more favorably with a year ago than did earnings in the first quarter of this year, especially in the oil and steel industries. Reports of 222 industrial and mercantile concerns indicated net earnings about 15½ per cent larger than in the second quarter of last year, but it seems probable that this figure exaggerates the increase in corporation profits during the period,—profits of tire and rubber companies, which have been greatly reduced by the decline in crude rubber prices this year, are not reported quarterly in most cases and therefore could not be included in the tabulation; and there is a tendency for the reports that are issued fairly promptly after the close of a period to include an unduly large proportion of companies whose profits have increased.

The largest percentage increase over last year was in the earnings of the oil companies, which during the first quarter of this year were much smaller than in 1927. Other groups to show relatively large increases were the mining and smelting and motor accessories companies.

The motor group continued to report the largest actual increase in profits, about three-fourths of which represented the increase in profits of the General Motors Corporation. Steel companies as a group earned more than in the second quarter of 1927; and chemical, amusement, machine and machine manufacturing, food and food products, tobacco, and miscellaneous companies all had larger second-quarter profits than last year. Railroad equipment and building supply companies, on the other hand, did not earn as much as a year ago.

For the completed half year, profits of these 222 companies were nearly 10 per cent larger than in the corresponding period of 1927, and about 8 per cent larger than in 1926, but these increases also are probably larger than the actual increases for all corporations.

Net profits of telephone and other public utility companies, both for the second quarter and for the half year, were around 9 to 10 per cent higher than last year. Net operating income of the leading railroads increased slightly more than last year during the second quarter, but still remained somewhat below that of 1927 and 1926.

(Net profits in millions of dollars)

Corporation Groups	Number	Second Quarter		First Six Months		
		1927	1928	1926	1927	1928
Motors.....	18	110	131	168	185	225
Motor accessories.....	15	8	11	17	15	17
Oil.....	25	19	27	78	45	38
Steel.....	14	43	45	92	87	81
Railroad equipment.....	5	5	3	11	10	6
Food and food products.....	26	38	39	65	68	70
Machine and machine mfg.....	20	12	13	24	24	25
Mining and smelting.....	24	15	20	29	30	36
Chemicals.....	9	12	14	20	24	27
Building supplies.....	10	6	4	10	10	7
Tobacco.....	5	3	3	3	5	4
Amusement.....	6	3	4	6	8	10
Miscellaneous.....	45	41	49	76	83	103
Total 13 groups.....	222	315	363	599	594	649
Telephone.....	89	59	65*	103	117	128*
Other public utilities.....	95	185	203	359	391	429
Total public utilities.....	184	244	268*	462	508	557*
Class I railroads.....	185	248	245	496	473	462

* Partly estimated

Foreign Trade

Both exports and imports of merchandise showed considerably less than the usual seasonal decline in July. Exports, valued at \$382,000,000, continued to exceed the corresponding month of any year since 1920; the increase over July 1927 was approximately \$40,000,000. Imports, valued at \$316,000,000, however, were slightly less than last year, and were also smaller than in July of any previous year since 1924.

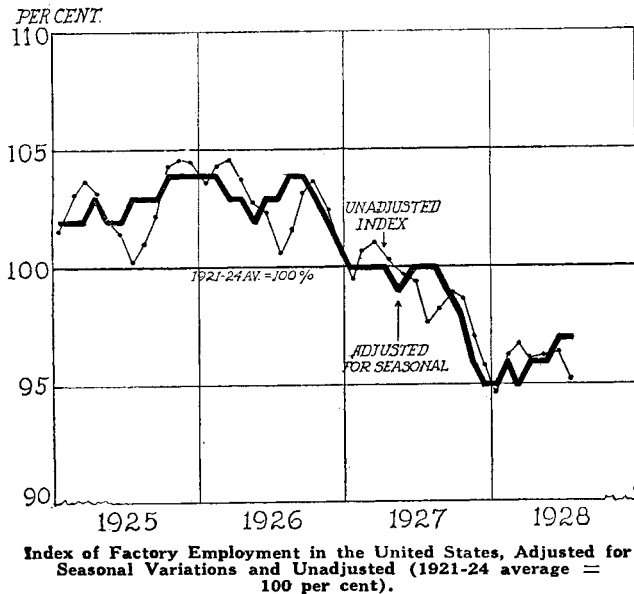
An analysis of exports by types of merchandise shows that, except for a decline in crude foodstuffs, chiefly grains, practically all groups of exports showed increases over a year ago. Shipments of finished manufactures, which now represent at least one-half of the total exports in value, increased 24 per cent over July 1927; this increase accounted for the entire gain in total exports for the month. Exports of crude materials, chiefly raw cotton, increased 10 per cent over July last year, despite a decline of about 12 per cent in the quantity of the cotton exported during the month, but

this increase was more than offset by the decline in grain shipments.

Imports of crude materials, the largest group among our imports, were \$15,000,000 less in value than in July 1927. This decline was the result of reductions in the quantity of crude rubber and raw silk imported, together with declines in the prices of these commodities amounting to about 45 per cent and 10 per cent, respectively, during the year. Imports of finished manufactures were \$8,000,000 larger than in July 1927, and imports of crude foodstuffs were \$9,000,000 larger.

Employment and Wages

Both in New York State and in the country as a whole, the number of factory workers employed showed slightly less than the usual decrease from June to July. The accompanying chart shows that, while the actual level of factory employment in July was not greatly above that of January, the decline since last spring has been substantially less than usual, and, after allowance for the usual seasonal changes, there has been a considerable improvement since the beginning of the year.



The continued seasonal expansion in out-of-door activities, such as farming, building, and road work, is reported to have more than offset the seasonal slackening in factory work in July; so that the total volume of employment increased further during the month.

Building

There was a decline of 10 per cent from June to July, partly seasonal, in building contracts awarded in 37 states east of the Rockies in July, but the total was 9 per cent larger than a year ago and was larger than in July of any previous year, according to the F. W. Dodge Corporation. As in most other recent months, the increase over last year was due primarily to a larger amount of residential building. Commercial building programs also were somewhat larger, but contracts for public works and utilities were below the large volume

of July 1927. During the first three weeks of August the daily average amount of contracts awarded was slightly smaller than for the corresponding period of last year.

In the New York and Northern New Jersey district, July construction awards were 12 per cent smaller than a year ago, due principally to smaller amounts of commercial, industrial, and public works projects. Residential building continued larger than last year, and educational contracts also were larger. The amount of contracts awarded during the first seven months of this year has been 6 per cent above the total for the corresponding period last year, as compared with an increase of 8 per cent in the total for 37 states.

Production

Productive activity in leading industries, after a small decline in June from the fairly high levels of the preceding four months, showed mixed changes in July. Mill consumption of cotton declined further to the lowest level since September 1924, and there were also decreases, after allowance for the usual seasonal variations, in the output of anthracite coal and newspaper and in the slaughtering of animals. Production of iron and steel showed little change, after seasonal allowance, and remained larger than a year ago. Bituminous coal production showed a slight increase, but petroleum output remained much smaller than last year. Production of passenger automobiles showed less than the usual July decline, and motor truck production increased substantially.

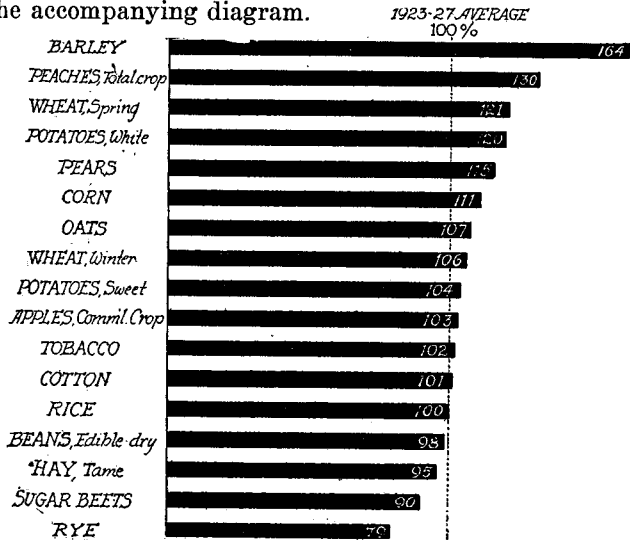
Computed trend of past years=103 per cent; adjusted for seasonal variations)

	1927	1928		
	July	May	June	July
Producers' Goods				
Pig iron.....	102	110	107	106
Steel ingots.....	89	113	104	105
Cotton consumption.....	105	97	88	80
Woolen mill activity*.....	84	85	83	77 ^p
Silk consumption*.....	112	115	109	110
Petroleum.....	119	108	106	104 ^p
Bituminous coal.....	74	82	78	79
Coke.....	98	110	103	99
Lumber.....	96	95	93	92 ^p
Copper, U. S. mines.....	98	101	103	108 ^p
Lead.....	110	93	90	..
Zinc.....	95	92	97	..
Tin deliveries.....	92	87	104	83
Leather, sole.....	114	112	113	123
Cement.....	136	125	130	132
Paper, total.....	98	113	104	..
Wood pulp.....	98	99	98	..
Consumers' Goods				
Hogs slaughtered.....	101	100	99	86
Cattle slaughtered.....	98	101	94	87
Sheep slaughtered.....	98	109	112	103
Calves slaughtered.....	76	82	76	73
Farm produce shipped.....	97	103	97	103
Wheat receipts.....	131	152	80	169
Corn receipts.....	84	148	66	138
Wheat flour.....	87	109	95	87
Sugar meltings, U. S. ports.....	91	67	74	83
Gasoline.....	99	96	95	..
Anthracite coal.....	69	114	72	62
Paper, newsprint.....	94	96	92	86
Printing activity.....	103	106	101	..
Tobacco products.....	99	108	109	105
Boots and shoes.....	115	96	103	110 ^p
Tires.....	104	122	120	127 ^p
Automobile, passenger.....	95	125	129	134
Automobile, truck.....	78	98	85	128

*=Seasonal variation not allowed for ^p=Preliminary

Crops

Heavy rainfall and high temperatures during the month of July substantially improved crop prospects, and the composite condition of all crops reported by the Department of Agriculture was raised from 94.2 per cent of the ten-year average on July 1 to 103.4 per cent on August 1, probably one of the largest advances ever made in a single month. Indicated yields of all of the important crops were increased, in most cases to levels above both last year's harvest and the average for the past five years. The first estimate of the cotton crop indicates a yield about 10 per cent larger than last year, but close to the average for the past five years. Comparisons with the five-year average are presented in the accompanying diagram.

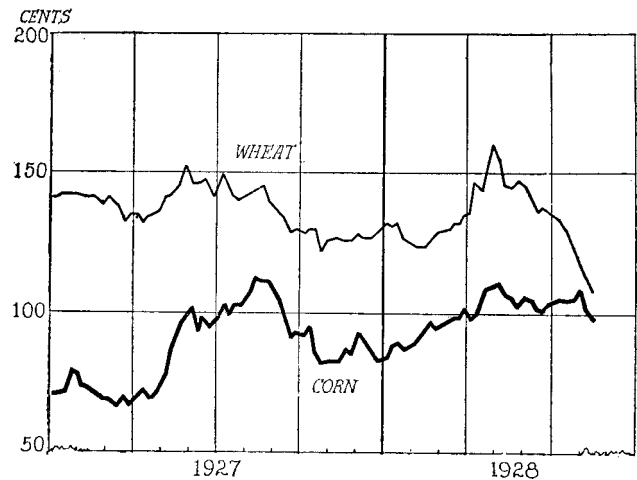


Crop Yields Indicated by August 1, 1928 Condition Reported by United States Department of Agriculture, Compared with 1923-27 Average Harvests.

The greatest improvement in crop conditions during July was in the belt extending from Mississippi and Texas to Minnesota, North Dakota, and Montana. In New York State, crop conditions on August 1, although slightly better than on July 1, remained below the average for recent years; the fruit crops probably will be substantially larger than the much reduced output of a year ago, but these, as well as other crops, generally are expected to fall short of the average for the past five years.

Reflecting the prospects of larger yields, grain prices have declined rather sharply, as the accompanying diagram shows. Earlier in the year, when prospects for crops were poor, the wheat and corn prices turned upward and in April advanced to the highest levels since last summer. The improvement in the wheat crop since May, however, has resulted in a substantial decline in wheat prices to the lowest level since 1924; corn also has declined somewhat, and is below the level of a year ago.

These decreases in prices have to a large extent offset the increase in indicated yields, and make it appear less probable that the farming community will receive a larger total income than last year. The value of the cotton, tobacco, and barley crops seems likely to be above the level of a year ago, but this may be counterbalanced by declines in other important farm products.



Course of Wheat and Corn Prices since January 1927.

Indexes of Business Activity

This bank's indexes of business for July continued to show mixed conditions as compared either with the previous month or a year ago. Mail order sales showed less than the usual July decline and were much larger than a year ago; average daily car loadings of merchandise and miscellaneous freight increased somewhat above last year's volume; and foreign trade declined less than usual from June to July. Life insurance sales, and the average daily volume of department store sales, declined after seasonal allowance, however, and car loadings of bulk freight remained unchanged at a level below that of a year ago.

(Computed trend of past years=100 per cent; adjusted for seasonal variations)

	1927	1928		
	July	May	June	July
Primary Distribution				
Car loadings, merchandise and misc.....	105	105	101	103
Car loadings, other.....	93	96	91	91
Exports.....	104	104	101	109 _p
Imports.....	111	105	99	102 _p
Panama Canal traffic.....	96	84	80	83
Wholesale trade.....	101	100	93	97
Distribution to Consumer				
Department store sales, 2nd Dist.....	101	96	103	97
Chain grocery sales.....	108	102	104	103
Other chain store sales.....	106	98	102	99
Mail order sales.....	117	110	123	132
Life insurance paid for.....	109	110	111	104
Advertising.....	97	95	95	94
General Business Activity				
Bank debits, outside of N. Y. City.....	108	111	114	104
Bank debits, New York City.....	133	167	167	142
Velocity of bank deposits, outside of N. Y. City.....	109	117	119	114
Velocity of bank deposits, New York City.....	135	169	177	154
Shares sold on N. Y. Stock Exchange.....	189	307	239	186
Postal receipts.....	92	92	89	87
Electric power.....	106	108	106	..
Employment in the United States.....	100	96	97	97
Business failures.....	104	113	121	101
Building contracts, 36 States.....	122	144	138	126
New corporations formed in N. Y. State.....	116	121	127	..
Real estate transfers.....	97	82	88	86
General price level.....	170	177	176	176
Composite index of wages.....	220	222	223	222

_p=Preliminary

Department Store Trade

Total sales of reporting department stores in this district were nearly 4 per cent larger in July than a year previous, due chiefly to increases in New York City and Newark. In these localities a considerable part of the increase appears to have been due to one more business day than in July 1927; stores in the vicinity of New York City are closed all day Saturday in July and August, and there were five Saturdays in July last year but only four this year. On a daily basis, therefore, the volume of sales in July was about the same as last year for the district as a whole. Sales of large apparel stores continued to show a substantial increase over a year previous.

Stocks of merchandise on hand in department stores at the end of July were about the same as a year ago, and the rate of stock turnover showed little change. The rate of collections on charge accounts also was about the same as in July 1927.

Locality	Percentage Change July 1928 compared with July 1927		Per cent of Accounts Outstanding June 30, Collected in July	
	Net Sales	Stock on hand end of month	1927	1928
New York	+ 4.8	+ 1.0	46.4	46.2
Buffalo	- 1.3	- 1.5	49.1	50.9
Rochester	+ 3.4	+ 3.9	36.4	39.9
Syracuse	- 3.5	- 2.0	...	...
Newark	+ 6.6	+ 0.4	43.8	44.1
Bridgeport	+ 2.0	- 4.7	...	...
Elsewhere	- 4.1	- 3.7	33.2	36.2
Northern New York State	- 3.4	...	...	...
Central New York State	-20.3	...	...	...
Southern New York State	- 5.4	...	...	...
Hudson River Valley District	- 5.2	...	...	...
Capital District	+ 2.0	...	...	...
Westchester District	+ 4.6	...	...	...
All department stores	+ 3.6	+ 0.3	44.8	45.1
Apparel stores	+ 8.8	+ 5.8	44.3	44.7
Mail order houses	+20.4	...	...	...

Comparisons of sales and stocks in major departments with those of a year ago are given in the following table.

	Net Sales Percentage Change July 1928 compared with July 1927	Stock on Hand Percentage Change July 31, 1928 compared with July 31, 1927
Musical instruments and radio	+61.4	-27.0
Shoes	+15.7	+ 6.1
Toys and sporting goods	+11.6	+16.0
Books and stationery	+ 9.1	+18.4
Men's furnishings	+ 9.0	- 3.1
Cotton goods	+ 7.2	+ 5.2
Women's ready-to-wear accessories	+ 6.6	+ 4.4
Toilet articles and drugs	+ 6.1	+ 5.3
Home furnishings	+ 5.1	+ 6.6
Silverware and jewelry	+ 3.9	+ 1.6
Luggage and other leather goods	+ 1.3	-11.0
Women's and Misses' ready-to-wear	+ 0.8	- 5.4
Linens and handkerchiefs	+ 0.5	+ 0.6
Men's and Boys' wear	- 0.2	+16.2
Hosiery	- 1.5	+ 3.9
Silks and velvets	- 3.8	+11.9
Furniture	- 5.4	+ 0.4
Woolen goods	-22.5	- 5.2
Miscellaneous	- 5.9	0

Chain Store Sales

Sales of reporting chain store organizations in this district in general showed a smaller increase over last year in July than in June. The one exception was

the grocery trade, where the increase was somewhat larger than in June. This was the only line in which, after making allowance for the increase in the number of units operated, sales per store were larger than a year ago. The decreases in sales per store in other types of chains varied from 2½ per cent in drug chains to nearly 16 per cent in candy chains.

Type of Store	Percentage Change July 1928 compared with July 1927		
	Number of Stores	Total Sales	Sales per Store
Grocery	+ 1.4	+10.4	+ 9.0
Ten cent	+ 8.3	+ 5.0	- 3.1
Drug	+ 3.6	+ 1.0	- 2.5
Tobacco	+ 3.4	- 9.5	-12.5
Shoe	+ 9.3	+ 4.6	- 4.3
Variety	+18.6	+14.9	- 3.1
Candy	+18.6	- 0.1	-15.7
Total	+ 5.0	+ 5.9	+ 0.8

Wholesale Trade

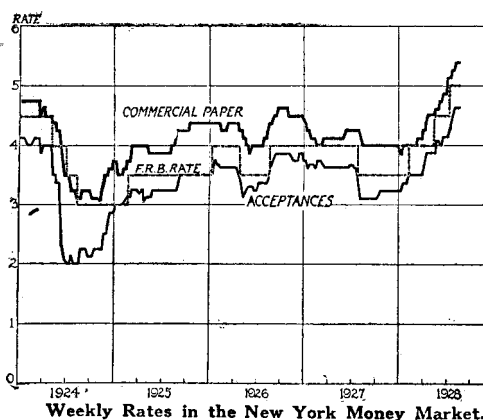
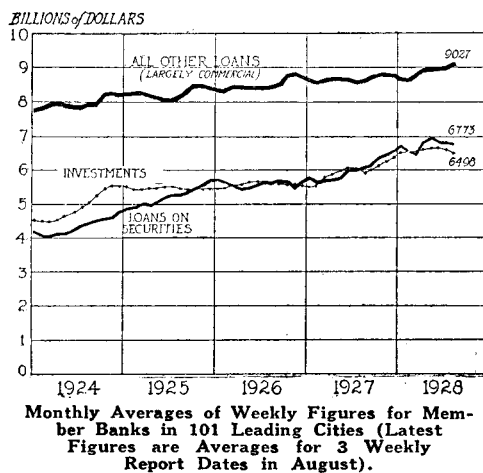
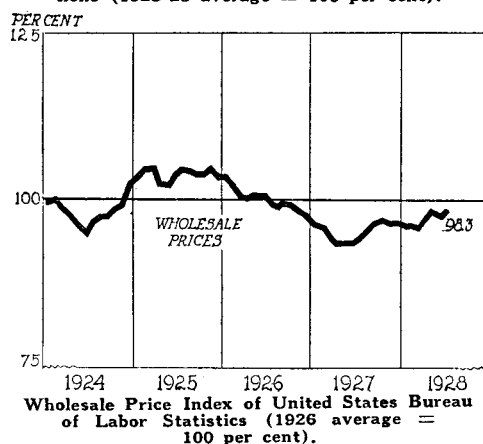
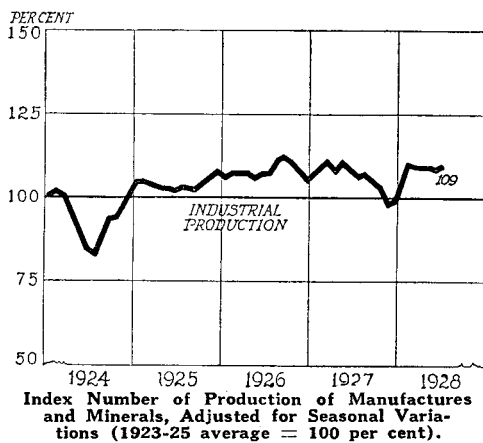
Sales of reporting wholesale dealers in general compared more favorably with those of a year ago in July than in June. The weighted total for all lines covered by the reports in this district was about equal to that of July 1927, whereas the June total was 7 per cent below that of a year ago.

Sales of women's coats and suits reflected the beginning of the autumn season, and were larger than a year previous for the first time this year; men's clothing sales also showed a seasonal increase but remained smaller than last year. An increase of more than 50 per cent in machine tool sales was again reported by the Machine Tool Builders Association, and smaller increases were reported in sales of stationery, shoes, diamonds, paper, drugs, and groceries. Cotton goods sales were about the same as a year ago, but silk goods sales were considerably smaller, and jewelry and hardware sales showed small declines.

Stocks of silk goods reported by the Silk Association showed a further increase over last year, and stocks of drugs and hardware also showed substantial increases. The principal decreases were in stocks held by shoe and cotton goods jobbers.

Commodity	Percentage Change July 1928 compared with June 1928		Percentage Change July 1928 compared with July 1927		Per cent of Accounts Outstanding June 30 Collected in July	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1927	1928
Groceries	- 4.8	+ 5.0	+ 1.1	- 5.8	70.5	71.1
Men's clothing	+75.3	...	-13.4	...	40.9	36.4
Women's dresses	-11.8	...	-10.5	...	...	...
Women's coats and suits	+400.5	...	+11.3	...	...	...
Cotton goods—Jobbers	- 2.0	+ 2.4	+ 0.1	-17.7	...	...
Cotton goods—Commission	-14.2	...	+ 0.2	...	...	...
Silk goods	- 9.7	+ 4.1*	-16.9	+25.0*	49.2	51.6
Shoes	- 2.7	+ 1.9	+ 5.4	-18.6	40.7	39.3
Drugs	- 0.3	+12.2	+ 2.4	+14.0	39.2	42.3
Hardware	-19.1	+ 1.4	- 4.4	+12.6	46.2	45.4
Machine tools**	- 4.9	...	+57.7	...	...	...
Stationery	- 1.7	...	+13.0	...	68.1	68.7
Paper	- 6.1	...	+ 3.9	...	63.2	61.8
Diamonds	-23.6	...	+ 4.2	...	24.2	23.9
Jewelry	-39.2	- 2.0	- 3.3	+ 3.3	...	...
Weighted Average...	+44.9	...	0	...	51.3	50.7

*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 and trade activity was in larger volume in July than is usual in midsummer and the general level of commodity prices advanced slightly. Member bank holdings of securities and loans on securities declined in July and August, while all other loans increased to the highest level since 1921. Conditions in the money market remained firm.

PRODUCTION

Production of manufactures and minerals showed a smaller decrease than usual in July, and the index of industrial production, which makes allowance for seasonal variations, advanced. Production of steel, bituminous coal, petroleum, automobiles, and footwear was larger in July than in June, while activity in textile mills, meat packing, and copper and anthracite mines declined. Lumber production showed less than the usual seasonal decrease. Steel mill activity, while during July was at an unusually high level for the summer season, was well maintained during August. Weekly reports from Detroit factories show a larger volume of employment in the middle of August than at any previous date, indicating that automobile production continued large in that month. Building contracts awarded declined by somewhat more than the usual seasonal amount in July, but were larger than in any previous July, the increase over last year being chiefly in residential building. Contracts awarded in the first two weeks in August were slightly smaller than in the same period of last year. Estimates of the Department of Agriculture as of August 1 indicate considerable improvement in crop conditions during July. Estimated wheat production was 891,000,000 bushels, larger by 91,000,000 than on July 1 and slightly larger than the yield in 1927. The corn crop is expected to be more than 3,000,000,000 bushels, an increase of 250,000,000 bushels from last year. Forecasts for other grain crops were also larger than the July 1 estimates and in most cases exceeded last year's yields. The August 1 forecast of cotton production was 14,290,000, as compared with yields of 12,955,000 bales in 1927 and nearly 18,000,000 bales in 1926.

TRADE

Distribution of commodities at wholesale and retail was in large volume in July. Sales of dry goods and shoes at wholesale were larger than in June, and those of other lines were only slightly smaller. Department store sales, after allowance for seasonal changes, increased in July. Compared with July a year ago, trade of both wholesale and retail firms was larger. Stocks of department stores and of wholesale firms continued smaller than a year ago.

Freight-car loadings increased by more than the usual seasonal amount in July and for the first time this year were larger than in the corresponding month of 1927. Increases, compared with last year, were reported in loadings of miscellaneous commodities and of grain, reflecting the early harvesting of the crop this year. The largest decrease, as compared with a year ago, was in livestock shipments. During the first two weeks in August, total loadings were in about the same volume as in the corresponding weeks of last year.

PRICES

The general level of wholesale commodity prices increased slightly in July reflecting chiefly advances in the prices of livestock and meats, although there were also small increases in hide and leather products, textiles, petroleum products and building materials. There was a sharp decline in the price of grains, other than corn, and some decrease in chemicals and drugs, silk, rubber, and automobile tires. During the first half of August there were increases in the prices of sugar, hogs and pork products, coke, and lumber, and decreases in grains, cotton, wool, and hides.

BANK CREDIT

Between July 18 and August 15 total loans and investments of member banks in leading cities decreased by about \$130,000,000. This decline reflected a considerable reduction in investments, chiefly at banks in New York City, and some further decline in loans on securities. All other loans, which include loans for commercial purposes, showed a small seasonal increase and at the middle of August were in the largest volume since early in 1921 and nearly \$230,000,000 larger than at the autumn peak of last year. There was a further large decline in net demand deposits, and practically no change in time deposits.

Volume of Reserve Bank credit outstanding showed little change between July 25 and August 22. Discounts and acceptance holdings increased slightly while United States security holdings were practically unchanged. Increased demand for currency, which is usual at this time of the year, has not resulted in an equivalent growth in Reserve Bank credit, because it was offset in part by a decline in reserves required by member banks, which reflected the decrease in their deposits.

There were further increases between the middle of July and the middle of August in open-market rates on collateral loans, commercial paper, and bankers acceptances.