MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

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

Money Market in September

Accompanying a renewed demand for loans on securities, coincident with the beginning of the seasonal demand for credit and currency to finance crop moving and autumn trade, interest rates for stock exchange loans, both call and time loans, have risen to the highest levels since early in 1921. During the first three weeks of September call loan rates averaged about 7½ per cent, or approximately double the rates of a year ago.

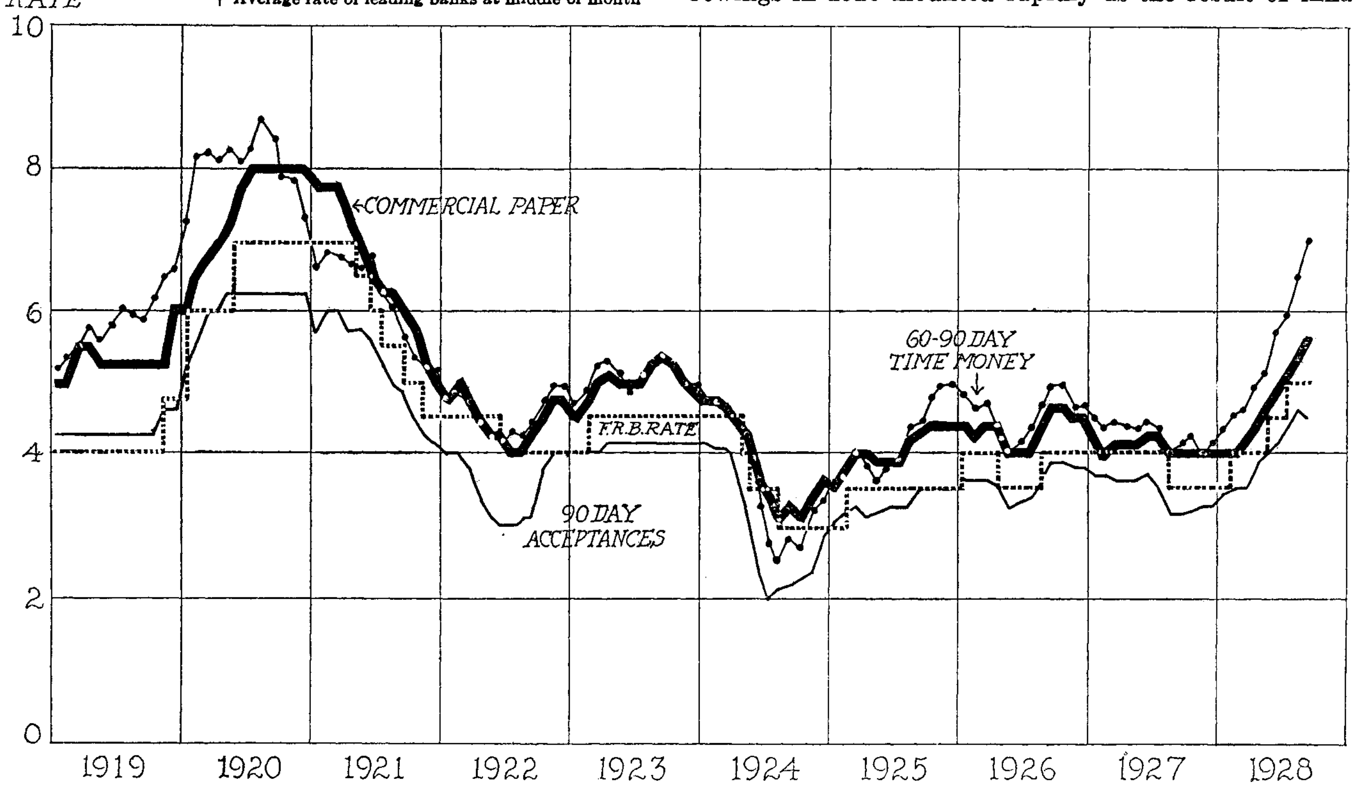
Money Rates at New York

	Sept. 30, 1927	Aug. 30, 1928	Sept. 28, 1928
Call money	*4	*7–8	*6–8
Time money—90 day	4¼	6½	7¼
Prime commercial paper	4	5½	5½
Bills—90 day unindorsed	3⅛	4⅝	4½
Customers' rates on commercial loans	†4.31	†5.34	†5.47
Treasury certificates and notes			
Maturing December 15	2.52	4.25	4.73
Maturing March 15	3.04	4.36	4.81
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

Ninety-day loans advanced from 6½ to 7½ per cent and closed the month at 7¼, and funds were scarce at these levels. Open market rates on commercial borrowing remained moderate, however, and rates on direct loans of New York City banks to their customers for commercial purposes, which are eligible for rediscount at the Reserve Bank, showed only a slight advance in September.

For several years prior to 1928, interest rates on 90-day security loans were approximately the same as rates on prime 4 to 6 months' commercial paper, but, as the diagram below indicates, a spread between these rates has developed this year which has no parallel since 1919-1920. In 1919, as in the present year, the rise in rates on security loans relative to commercial paper rates accompanied a rapid expansion of security loans while the gold reserve underlying the credit structure of the country was diminishing. The spread between these interest rates in the earlier period was ended by a rise in commercial paper rates, which was caused by conditions that are not present in 1928: commercial borrowings in 1920 mounted rapidly as the result of infla-



Average Monthly Rates for 60 to 90 Day Stock Exchange Time Money, 4 to 6 Months Commercial Paper, and 90 Day Bills, and Discount Rate of the Federal Reserve Bank of New York, 1919 to 1928.

tion of commodity prices and the accumulation of inventories, and the reserves of the Federal Reserve System declined practically to the legal minimum. Thus far, in 1928 there has been little evidence of commodity price inflation or accumulation of inventories, and, although the reserves of the Federal Reserve System have declined materially, they are still well above minimum requirements; so that the Reserve Banks are still in a position to supply reserve funds for necessary credit demands.

The present high rates on security loans reflect the extraordinary demand for funds for this purpose and also the effort of banks generally to correct an overloaned position by diminishing those loans which do not bring them paper eligible for rediscount and as to which they do not feel the same obligation as in the case of loans to their commercial customers.

Renewed Increase in Loans on Securities

Between the middle of May and the latter part of August more than half of the large increase in loans on stocks and bonds made by reporting member banks during the spring was liquidated. Toward the end of August and during September, however, there has been a renewed demand for loans on securities, accompanying renewed activity in the security markets. The total increase in loans to brokers and dealers in securities, placed by the New York City banks for their own account, for correspondent banks, and for others, has amounted to 320 million, carrying these loans close to the highest level of the year. A comparison of brokers loans reported by New York City banks on September 26 with those of May 16, which was close to the highest point of the year, reveals some interesting changes.

Even after some increase in recent weeks, the loans placed by New York City banks for their own account are over 450 million smaller than at the middle of May. Loans placed for out-of-town correspondent banks are close to the highest level of year, and loans placed for account of other customers have been increased by nearly 500 million.

A further change is the reduction in time loans. Time loans placed by New York banks for their own account have been reduced nearly one-half during the past four months, and time loans placed for correspondent banks have been reduced nearly 40 per cent. Consequently, the security markets have become increasingly dependent upon day-to-day loans.

Financing of Autumn Trade

The beginning of the seasonal increase in credit requirements to finance crop moving and autumn trade has appeared in recent weeks. Loans other than those secured by stocks and bonds have shown little change in this district during the past month, but an unusually high level was maintained during the summer, accompanying a high level of general business activity, and the present volume of loans is substantially above that of a year ago. The total volume for all districts of these unclassified loans, which include loans for agricultural and business purposes, has increased moderately, however, and has reached a new high level for the past seven years.

The amount of currency in circulation has also shown a seasonal increase during the past month, but remains smaller than a year ago. Over the Labor Day holiday approximately 100 millon dollars of additional currency was drawn into circulation, and although a part of it was retired during the following two weeks, the amount of currency that remained in circulation on September 19 was nearly 35 million larger than a month previous, and about 70 million larger than in the third week of July.

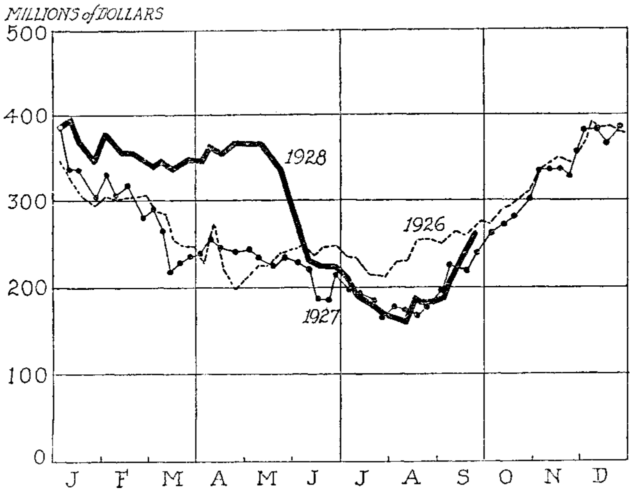
These seasonal increases in credit and currency, as in previous years, have caused a considerable increase in the demand for reserve funds, and this demand as usual has been met by the Reserve Banks. The increase in loans, and resulting deposits, increases the reserve requirements of member banks, and payments of additional currency into circulation constitute a heavy drain on bank reserves during the last four months of each year. There is, consequently, a substantial increase in the amount of Reserve Bank credit required to keep the reserve balances of member banks at the required level during the autumn months. The average amount of this seasonal increase in Reserve Bank credit, and the manner in which it has been supplied during the past six years is indicated in the following table:

(Monthly averages of daily figures; in millions of dollars)

1922-1927	Increase over August Average		
	Total Bills and Securities, after adjustment for changes to offset Gold Movements	Amount supplied through Bills Purchased	Amount supplied through Discounts and Securities
September	+ 86	+ 32	+ 54
October	+155	+ 83	+ 72
November	+197	+139	+ 58
December	+312	+181	+131

These figures show that the amount of Reserve Bank credit required in September during the past six years has averaged about 86 million dollars larger than in August, and that further increases have occurred in each subsequent month to the end of the year; so that in December the amount of Reserve Bank credit in use has averaged more than 300 million larger than in August, after allowance for changes to offset gold exports and imports. In two years this seasonal increase has exceeded 350 million. It will be noted that a considerable part of the additional Reserve Bank credit is normally supplied through purchases of bills (bankers acceptances). These purchases are not made on the initiative of the Reserve Banks, but the Reserve Banks stand ready to take, at established buying rates, the bills offered by bill dealers and banks. The Reserve Banks in this way purchase the surplus of bills which the market is unable to absorb. This support, which is somewhat similar to that given to the London bill market by the Bank of England, makes possible the maintenance of a bill market in this country.

Every autumn the volume of acceptances outstanding is increased materially through the creation of new bills largely to finance the storage of crops and the export of cotton and other agricultural products. As this increase occurs at the time of year when the demand on banks for currency and credit is heaviest, it is essential to the existence of a bill market in this country that the Reserve Banks should stand ready to purchase bills when they come into the market more rapidly than new buyers appear, or when banks find it necessary to reduce their holdings of bills in order to obtain needed reserve



Acceptance Holdings of Federal Reserve Banks in 1928 Compared with 1926 and 1927.

funds. These bill purchases by the Reserve Banks are made at rates established by them, which are adjusted to conform closely with the rates at which bills are sold in the open market.

In this way the Reserve Banks each year assist in the financing of autumn crop movements and trade. The amount of bills purchased by the Reserve Banks depends principally upon the amount of bills created and the condition of the market for them. This year the volume of bills held by the Reserve Banks has increased considerably since the early part of August in accordance with the usual seasonal tendency. As the accompanying diagram shows, this increase has followed much the same course as in the past two years, though, with an unusually large amount of bills created and a firm money position, there has latterly been a tendency for the Reserve Banks to get larger amounts of bills.

The mechanism of bill purchases by the Reserve System provides a semi-automatic way in which a considerable share of autumn requirements for reserve credit are met without increasing bank indebtedness at the Reserve Banks.

Tax Period Operations

The volume of transactions conducted by the Reserve Banks for the Government during the September 15 tax period was unusually large, due to the fact that the remainder of Third Liberty Loan bonds still outstanding, amounting to over 950 million dollars, were called for redemption on that date. The redemption of these bonds as they were presented for payment, the sale of a new issue of approximately 550 million of Treasury certificates, interest payments, the collection of third quarter income taxes, and the withdrawal of funds from depositary banks, contributed to a volume of transactions totaling well over two billion dollars. Notwithstanding the very large movements of funds involved in these transactions, the money market was not greatly affected—there was a brief period of ease around the 15th of the month, which was followed by a period of rather scant supply around the 19th.

Bill Market

Following the general reduction on August 31 of 1/8 per cent on all maturities of bills, the rate level remained unchanged throughout September, except for the 5 and 6 months maturities, which became established around the middle of the month at 4 7/8 per cent, as against a previous range of 4 7/8-5 per cent. Coincident with the advent of the crop moving season, the supply of new bills coming into dealers' hands increased considerably, and was materially in excess of the rather moderate investment demand. As a result of this condition offerings of bills to the Reserve Banks increased, bringing Reserve Bank holdings slightly above last year at this time. Dealers' portfolios of bills which had been comparatively small in August also increased about 50 per cent during September.

Commercial Paper Market

Commercial paper rates remained fairly steady during September, and the prevailing rate of 5 1/2 per cent for prime names towards the end of the month was quotably the same as at the end of August. A slightly higher tendency was indicated, however, by the appearance in the market of a considerable number of offerings at 5 3/4 per cent, and the virtual elimination of sales at 5 1/4 per cent, except of a few especially high grade names. During the first week of the month, the investment demand for paper on the part of the interior banks temporarily became more active, but subsequently declined. On the supply side, there was little indication of any increase in the amount of commercial borrowing being handled through the open market. At the end of August, 24 dealers had outstanding $458,000,000 of paper, an amount 5 per cent smaller than a month earlier, and 22 1/2 per cent below the outstandings of August a year ago.

Retirement of the Third Liberty Loan

When the Third Liberty Loan was originally issued in May 1918, $4,176,000,000 of these bonds were sold throughout the country. In the period between 1918 and the end of 1927, $2,028,000,000, or nearly one-half of these bonds were retired by the Treasury, chiefly through the operation of the cumulative sinking fund, purchases from surplus money in the Treasury, purchases with the proceeds of cash debt payments by foreign governments, and retirement of bonds received as payments from foreign governments. As a result, only $2,148,000,000 of the Third Liberty Loan bonds remained at the beginning of 1928 to be retired by the date of maturity, September 15.

The first step toward the refunding of this remaining half of the issue was an exchange offering on January 16 of a new issue of 3 1/2 per cent Treasury notes maturing in 1932, but callable in 1930; more than one-fourth of the Liberty bonds then outstanding were exchanged for these notes. In July an additional $108,000,000 were exchanged for 3 3/8 per cent Treasury bonds of 1940-43, and, on the maturity date September 15 $103,000,000 were exchanged for 4 1/2 per cent Treasury certificates of indebtedness due on June 15, 1929. Throughout the entire period, the Treasury also purchased Third Liberty bonds for the sinking fund, and with surplus and other monies. As a consequence of operations preceding maturity, when September 15, arrived, the Treasury had to provide for the redemption of only about $955,000,000, or considerably less than one-half of the amount outstanding at the beginning of the year, and less than one-fourth of the original issue.

On the first day of redemption, September 15, nearly 50 per cent of these remaining bonds were redeemed, whereas on November 15, 1927, the day the Second Liberty Loan was called for retirement, a little over 40 per cent of the outstanding bonds of that issue were redeemed. Subsequent redemptions of Third's fell off more rapidly than did redemptions of Second's during the corresponding period; so that, at the end of the first thirteen calendar days of the redemption period, approximately 80 per cent of the bonds had been redeemed, or practically the same proportion as in the case of the Second's. This left at the close of business September 27 a little over $196,000,000 of Third's still to be redeemed. While the larger part of the remaining bonds will no doubt be presented within the next few months, a considerable number will probably remain outstanding for some time, despite the statements widely circulated by the Treasury that interest on the bonds ceased on September 15. At the end of August this year, 9½ months after the Second Liberty Loan bonds were called for redemption, there were still $25,000,000 of that issue outstanding.

The principal operations leading to the retirement of the Third Liberty Loan are summarized below:

Originally issued May 9, 1918	$4,175,650,050
Retired prior to December 31, 1927	2,027,996,900
Balance outstanding	$2,147,653,150
Exchanged during January 1928 for 3½ per cent Treasury Notes, Series C 1930-32	607,399,650
Balance outstanding	$1,540,253,500
Exchanged during July for 3⅜ per cent Treasury Bonds of 1940-43	107,521,550
Balance outstanding	$1,432,731,950
Purchased by Treasury for sinking fund, and from surplus money in Treasury, January 1 to September 14, 1928	477,344,100
Balance outstanding September 14	$ 955,387,850
Exchanged on and after September 15 for 4½ per cent Treasury Certificates of Indebtedness, Series TJ 1929	102,821,300
Redeemed September 15 to 27 from sinking fund	202,975,000
Redeemed September 15 to 27 from tax receipts	453,415,200
Balance outstanding on September 27 (on which interest has ceased)	$ 196,176,350

With the redemption of these bonds, three of the great war loans have been retired—the Victory Loan issued in 1919, the Second issued in 1917, and the Third issued in 1918. Part of this retirement has been accomplished by the application of revenue, both from internal sources and from foreign debt payments, and the rest has been consummated through refunding operations. To the extent that these Liberty bonds and other obligations have been redeemed out of income, there has been a reduction in the National debt. The estimated gross debt at the end of September is about $17,400,000,000, an amount more than one billion dollars, or 6 per cent, smaller than a year ago. The total reduction in the National debt since the high point was reached in 1919 has now amounted to over nine billion dollars or a little more than one-third.

Gold Movement

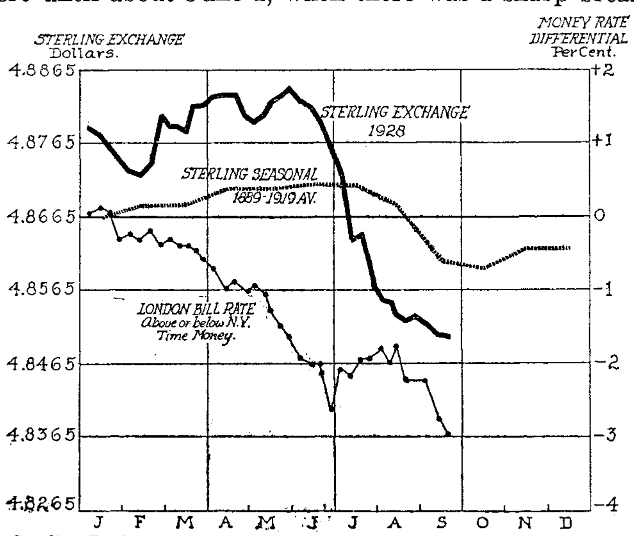
In September the net result of exports, imports, and earmarkings shows a small loss of gold to this country, amounting, according to a preliminary calculation, to $1,500,000. The only important movement resulting directly from the position of the exchanges was the importation of $2,434,000 of gold from England on the 21st. A shipment of $2,000,000 was made to Italy towards the end of the month. There were other minor imports chiefly from Latin America and exports to Mexico, and to the British and Dutch colonies in the Far East. The amount of gold held here under earmark showed a net increase of $1,200,000.

Elsewhere, interest in gold movements centered chiefly upon London and Berlin. Germany is reported to have taken approximately $20,000,000 in gold from London and to have received gold from Russia and Denmark. Thus, in the four weeks ended September 22, the Reichsbank has been able to increase its gold holdings by roughly $22,500,000.

Foreign Exchange

The outstanding feature of the foreign exchange market during September was the recession of sterling to a position below the gold import point. With sterling quoted under $4.85 for the first time since February 1927, the market has been expecting a movement of gold from London to this country, but the only shipment thus far received is that of about $2,400,000 noted above.

The range of sterling during the month has been between $4.85¼ and $4.84 15/16, and the decline was fairly steady from the first of the month until the third week, after which there was a slight recovery. The seasonal curve in the accompanying chart shows that a decline at this time of year is normally to be expected, but the 1928 curve shows that the decline since May has been more than usually rapid. The curve which shows the amount the London rate on three months bills is above or below the New York time money rate indicates the abnormal factor in the situation. The sterling curve shows effective resistance to the attraction of higher rates here until about June 1, when there was a sharp break.



Sterling Exchange in 1928, Compared with Amount London Bill Rate Has Been Above or Below Time Money Rate in New York; also Compared with Average Seasonal Movement, 1889 to 1919.

The resistance or steadiness which usually appears when an exchange approaches closely the gold point, was apparent last month but a fresh weakening tendency is shown in September due to continued firming of money here, combined with pressure of seasonal demand for dollars.

The French franc has been maintained at a fairly constant level between 3.90½ and 3.91 1/16, just above the out-going gold point to New York. The strength of the German reichsmark, which is quoted at a premium over the dollar, is noteworthy in contrast with the decline which took place in other European exchanges, and may perhaps be explained by German borrowing abroad and high money rates in Germany. Fairly wide fluctuation was observable in the Spanish, Argentine, Japanese, and Shanghai exchanges, the Argentine peso remaining below the gold import point throughout the month.

The Canadian dollar, which is normally quoted at a premium at this time of year, when grain exports from Canada must be paid for, was quoted at par during the second half of the month. High money rates here may have tended to offset somewhat the usual demand for Canadian exchange at this season.

Security Markets

Despite heavy trading on the New York Stock Exchange, ranging on most full days between 4,000,000 and 4,800,000 shares, the general body of stocks had relatively little net advance during the month of September. Price movements were irregular, and, while a number of the more active stocks reached new high levels, a considerable number showed at least small net losses for the month. Representative averages of industrial stocks rose a few points further to new high levels, and near the end of the month were from 7 to 20 points above their previous high levels of May and June. Averages including a large number of stocks made comparatively small advances. Public utility stocks also advanced somewhat during the month, but remained close to their previous high levels of May. Railroad stocks continued inactive; price averages declined slightly during the month and remained from 6 to 10 points below the high quotations of May.

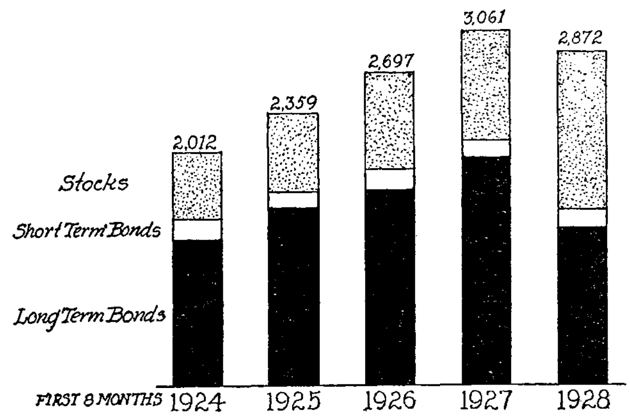
The general trend of corporation bond prices was upward in September. The decline in corporation bond prices, which began last April, continued until the middle of August, at which point average prices showed a loss of 3¾ points from the high levels of the first quarter of the year; since that time, prices have recovered about 1 point. While all important classes of corporate issues shared in the advance, railroad bonds showed the largest net gain. Foreign bond prices also advanced slightly, and towards the end of September were fractionally above their mid-August low levels. The United States Government long-term list, however, moved generally lower; Treasury bonds declined on the average more than ½ point and the First Liberty 3½'s declined over a point during the month.

New Financing

A marked revival of new security issues has occurred in September following the small volume of August, and it now appears likely that the September total will compare favorably with that of a year ago. The increase has occurred especially in domestic public utility offerings and in foreign securities.

In August the total volume of security issues reported by the Commercial and Financial Chronicle amounted to only 267 million dollars, compared with 617 million a year ago, but an analysis of the figures indicates that the greater part of the decline was due to the stoppage of refunding operations and the almost complete absence of foreign financing. Refunding operations to reduce interest charges were in unusually large volume in August 1927, but have been made impracticable in recent months by the rise in interest rates. The volume of new domestic corporate securities offered during August, although smaller than last year, was larger than in August of 1924 and 1926, and was close to the volume of August 1925.

The total of new security offerings during the first eight months of the year was about 5 per cent smaller than in the corresponding period last year, but was considerably larger than in any of the three preceding years.



New Capital Issues of Domestic Corporations During First Eight Months of Each Year, 1924 to 1928 (in millions of dollars).

As the accompanying diagram indicates, the substantial decline in the volume of long-term bond issues for domestic corporations has been largely offset by an exceptionally large volume of stock issues. Many of these stock issues have been offered directly to stockholders and therefore have not been included in the records of public offerings. As a result, the total amount of new capital obtained by domestic corporations during this period has been larger than in any recent year except 1927.

Notwithstanding the virtual cessation of foreign financing during August, the total of foreign issues during the first eight months of the year was larger than in the corresponding period of any of the past four years. Domestic municipal security offerings, however, have been in smaller volume than in most of the recent years.

Foreign Trade

Exports of merchandise during August were valued at $381,000,000. This indicates an increase over July of considerably less than the usual seasonal proportions, and an increase over a year ago that would hardly cover the increase in wholesale commodity prices during the year. Imports, on the other hand, valued at $347,000,000, showed far more than the usual seasonal increase over July, but were $22,000,000, or nearly 6 per cent, smaller than a year ago.

Shipments abroad of manufactured products, although slightly less than in July, continued to be large and were valued at $27,000,000 more than in August of last year. Exports of crude foodstuffs were valued at $18,000,000 less than a year ago, although there was an increase over July, due partly to the seasonal influence of grain exports.

The volume of raw silk imported during August was the largest ever recorded. Rubber imports, however, were smaller than in the previous month, or in August 1927, and the value showed a considerably larger decline compared with last year, due to lower prices.

Building

Construction contracts awarded in the New York and Northern New Jersey district during August were 10 per cent smaller than a year ago, following a decrease of 12 per cent in July, according to reports received by the F. W. Dodge Corporation. The August total for the 37 states east of the Rockies showed a decline of 6 per cent from that of a year ago, the first decrease from last year's volume since March. Since the very heavy volume of May, the trend of building contracts has been downward, due in part to seasonal tendencies, but the decline of the past three months has been more rapid than is usual. In fact, there is frequently an increase from July to August, whereas this year a decline of 11 per cent occurred. The decline does not appear to have continued in September, however; for the first three weeks of the month, the daily average of contracts awarded was about 15 per cent larger than in the same period of 1927.

The August decline from last year's level was primarily due to a decline in commercial building, and also to some reduction in educational projects. Residential building continued heavier than last year, though the increase was much smaller than in other recent months. Contracts for the other principal classes of construction—industrial building and public works and utilities—showed little change from the volume of a year ago.

Production

Production in leading industries in general showed a substantial increase in August. A number of important lines, such as pig iron, bituminous coal, coke, lumber, and copper, showed little change after seasonal allowance, but none of the large industries curtailed operations materially, and several showed substantial increases. One of the most important increases was in the automobile industry; production of passenger automobiles for the first time in the history of the industry exceeded 400,000 cars, and the output of trucks also reached a new high level. Production of steel ingots increased substantially, and established a new high record for the month of August. Some improvement was reported in the textile industries; cotton consumption, though still considerably below last year, showed a substantial increase over July, and operations in the woolen and silk industries also showed increases after seasonal allowance.

From weekly trade reports, it appears that industrial activity continued at a high level during September. Employment at the Detroit automobile center for seven consecutive weeks established new high levels; there was a small decline in the week of September 25, but employment was about 50 per cent above the level of a year ago. Lumber orders reached the largest volume of the year, and production continued in substantial volume. Steel mill operations also were reported at a high level. Production of anthracite coal was slightly below the level of August, but the output of both bituminous coal and of petroleum was larger than in August.

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

	1927	1928		
	Aug.	June	July	Aug.
Producers' Goods				
Pig iron	99	107	106	105
Steel ingots	96	104	105	114
Cotton consumption	115	88	80	94
Woolen mill activity*	89	83	78	81*p*
Silk consumption*	105	109	110	117
Petroleum	119	106	106	107*p*
Bituminous coal	82	78	79	79
Coke	97	103	99	100
Lumber	102	93	92	92
Copper, U. S. mines	96	103	108	109
Lead	105	90	92	99
Zinc	101	97	97	104
Tin deliveries	112	104	83	114
Leather, sole	111	113	123	119
Cement	136	130	132	134
Paper, total	104	105*r*	100	..
Wood pulp	103	98	99	..
Consumers' Goods				
Hogs slaughtered	111	99	86	90
Cattle slaughtered	108	94	87	91
Sheep slaughtered	106	112	103	108
Calves slaughtered	90	76	73	80
Farm produce shipped	101	97	103	..
Wheat flour	87	95	87	95
Sugar meltings, U. S. ports	96	74	83	95
Gasoline	98	95	101	..
Anthracite coal	100	72	62	90
Paper, newsprint	98	92	86	88
Printing activity	104	101	112	..
Tobacco products	108	109	105	116
Boots and shoes	121	106*r*	114	118*p*
Tires	102	120	126	126*p*
Automobile, passenger	109	129	134	155
Automobile, truck	74	85	129*r*	124

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

Employment and Wages

Factory employment, both in New York State and in the country as a whole, increased more than usual in August, but remained somewhat below the level of a year ago. This bank's index, in which allowance is made for the usual seasonal variations, advanced further to the highest level since last September. As compared with a year ago, the largest gains were shown in the automobile, agricultural implement, and machine tool industries, while the largest declines were in shipbuilding and cotton goods. Out-of-door activities, as well as manufacturing, increased during the month, and furnished additional employment for large numbers of workers.

Wage earnings also have increased during recent months. In every month since May, average weekly earnings of factory workers in New York State have reached new high levels for those months, but because of the lower level of employment total factory payrolls remain somewhat smaller than a year ago.

Indexes of Business Activity

This bank's indexes of business activity showed no consistent change from July to August. Carloadings of merchandise and miscellaneous freight declined slightly, after seasonal allowance, while loadings of bulk freight, which have been comparatively small, increased somewhat. The various other indexes of business and financial activity also showed mixed changes, but, in general, indicated a fairly high level of general business activity.

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

	1927	1928		
	Aug.	June	July	Aug.
Primary Distribution				
Car loadings, merchandise and misc.	103	101	103	102
Car loadings, other	97	91	91	93
Exports	105	101	108	101p
Imports	123	99	104	107p
Panama Canal traffic	97	80	83	..
Wholesale trade	105	93	97	101
Distribution to Consumer				
Department store sales, 2nd District	108	103	97	99
Chain grocery sales	106	104	103	103
Other chain store sales	101	102	99	96
Mail order sales	121	123	132	137
Life insurance paid for	113	111	104	107
Advertising	103	95	94	97
General Business Activity				
Bank debits, outside of N. Y. City	104	114	104	104
Bank debits, New York City	142	167	142	149
Velocity of bank deposits, outside of N. Y. City	104	119	114	113
Velocity of bank deposits, New York City	145	177	154	166
Shares sold on N. Y. Stock Exchange	230	239	186	293
Postal receipts	98	89	87	90
Electric power	105	106	107	..
Employment in the United States	100	97	97	99
Business failures	107	121	101	115
Building contracts, 36 States	126	138	126	110
New corporations formed in N. Y. State	113	127	120	108
Real estate transfers	98	88	86	..
General price level	171	176	176	176
Composite index of wages	221	223	222	223
Cost of living	169	170	172	172

p Preliminary

Wholesale Trade

August sales of wholesale dealers in this district, reported to this bank, showed substantial seasonal increases in a majority of lines, but compared with a year ago indicated mixed conditions. Hardware sales showed a substantial gain over last year, following decreases in the two months preceding, and machine tools continued far above the level of a year ago. There were smaller increases also in sales of drugs and paper, but decreases of varying amount were reported in most other lines. In some cases, notably shoes and stationery, these decreases followed increases in July.

Commodity	Percentage Change August 1928 compared with July 1928		Percentage Change August 1928 compared with August 1927		Per cent of Accounts Outstanding July 31 Collected in August	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1927	1928
Groceries	+ 0.4	+ 1.0	— 1.3	— 3.9	75.0	73.1
Men's clothing	+117.8	....	—10.2	....	37.6	36.6
Women's dresses	+75.9	....	—11.2	....	....	....
Women's coats and suits	+111.8	....	— 8.8	....	....	....
Cotton goods—Jobbers	+35.0	+ 4.8	— 9.1	+ 0.5	....	....
Cotton goods — Commission	+ 6.7	....	—12.8	....	....	....
Silk goods	+28.2	+ 1.9*	—20.6	+30.2*	48.4	45.9
Shoes	+37.0	—10.4	— 7.7	—25.0	35.0	31.8
Drugs	+15.0	+11.9	+ 3.2	+12.5	46.8	52.4
Hardware	+20.6	— 4.1	+ 8.6	+ 3.7	52.3	51.6
Machine tools**	+18.2	....	+41.4	....	....	....
Stationery	— 4.7	....	— 9.7	....	71.4	75.2
Paper	+ 4.9	....	+ 2.5	....	63.8	60.6
Diamonds	+24.9	— 1.7	+ 0.6	+ 2.1	25.0	23.4
Jewelry	+38.4		—14.8			
Weighted Average	+46.7	....	— 4.7	....	49.5	48.4

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

Department Store Trade

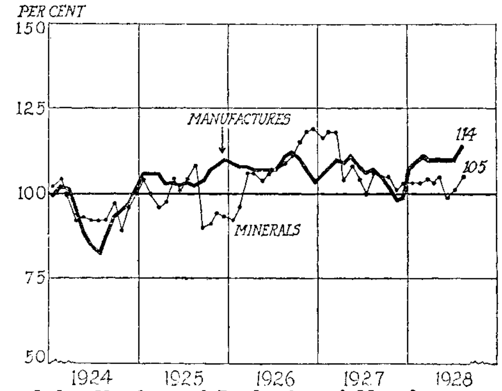
August sales of leading department stores in this district were 7 per cent smaller than a year ago. In August 1927 sales were unusually large, however, whereas in August this year, weather conditions were unfavorable to the sale of fall apparel and other merchandise. All of the reporting stores in New York City, and most of the stores in leading cities up-State, had a smaller volume of business than in August of last year. The large apparel stores also reported smaller sales than a year previous for the first time since last October. The leading mail order houses, however, continued to report very substantial increases over the sales of a year ago.

Stocks of merchandise on hand at the end of the month remained only slightly larger than a year previous. Collections were slightly smaller, relative to the amount of accounts outstanding, than in August 1927.

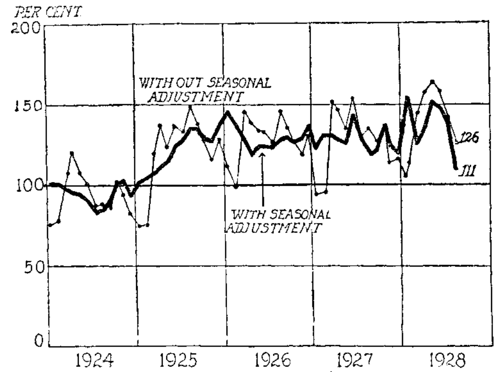
Locality	Percentage Change August 1928 compared with August 1927		Per cent of Accounts Outstanding July 31, Collected in August	
	Net Sales	Stock on hand end of month	1927	1928
New York	— 9.1	+ 1.1	43.1	42.5
Buffalo	—12.0	— 1.1	49.3	49.5
Rochester	—10.6	+ 2.1	33.8	33.6
Syracuse	— 8.9	— 1.9	....	....
Newark	+ 3.4	+ 2.4	41.7	39.6
Bridgeport	+ 0.4	— 5.2	....	....
Elsewhere	— 4.4	— 3.9	34.4	35.6
Northern New York State	— 2.2	....	....	....
Central New York State	— 9.2	....	....	....
Southern New York State	— 2.1	....	....	....
Hudson River Valley District	— 7.8	....	....	....
Capital District	— 2.8	....	....	....
Westchester District	— 2.8	....	....	....
All department stores	— 7.1	+ 0.7	42.0	41.3
Apparel stores	— 3.5	+ 5.5	41.3	39.5
Mail order houses	+21.1	....	....	....

As the following table indicates, sales of shoes were considerably larger than a year ago, and sales of men's furnishings were slightly larger. Most of the apparel departments, however, showed substantial declines compared with last year, as did also the furniture and home furnishings, yard goods, and other principal departments.

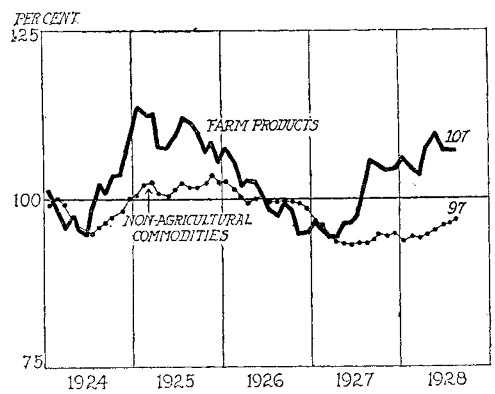
	Net Sales Percentage Change August 1928 compared with August 1927	Stock on Hand Percentage Change August 31, 1928 compared with August 31, 1927
Shoes	+14.2	+15.5
Toys and sporting goods	+ 2.5	+12.6
Men's furnishings	+ 1.4	— 3.0
Books and stationery	+ 0.6	+13.3
Toilet articles and drugs	— 1.4	+ 5.5
Hosiery	— 1.6	+ 7.1
Silverware and jewelry	— 4.1	— 4.4
Women's ready-to-wear accessories	— 4.2	+ 4.1
Luggage and other leather goods	— 6.3	—10.6
Home furnishings	— 6.3	+ 9.2
Women's and Misses' ready-to-wear	— 9.6	+ 2.8
Linens and handkerchiefs	—10.6	— 0.5
Furniture	—12.8	+ 4.0
Men's and Boys' wear	—12.9	+ 7.9
Cotton goods	—13.5	+17.9
Silks and velvets	—17.4	+10.6
Musical instruments and radio	—25.9	—22.7
Woolen goods	—43.8	+ 4.2
Miscellaneous	—11.7	+ 0.4



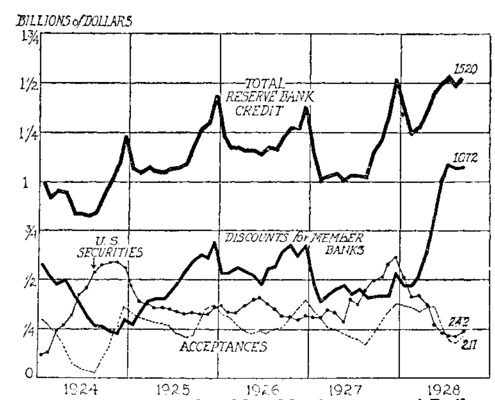
Index Numbers of Production of Manufactures and Minerals, Adjusted for Seasonal Variations (1923-25 average = 100 per cent).



Federal Reserve Board's Indexes of Building Contracts Awarded Based on Reports of the F. W. Dodge Corporation (1923-25 average = 100 per cent).



Prices of Farm Products and of Non-Agricultural Commodities (1926 average = 100 per cent).



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

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

VOLUME of industrial and trade activity increased in August, and there was a further advance in wholesale commodity prices. Reserve Bank credit outstanding increased in September reflecting in part seasonal demands for currency and credit. Money rates remained firm.

Production

Production of both manufactures and minerals increased considerably in August, the output of manufacturing plants being larger than at this season of any earlier year. Automobile production was in record volume in August, and available information indicates that output was maintained by many producers at a high level during September. Iron and steel production continued large in August and September, and output of nonferrous metals increased between July and August. Textile mill activity, which had been somewhat reduced in recent months, also showed a substantial increase. Factory employment and payrolls have increased since midsummer and in August were close to the levels of a year ago. In the building industry there was evidence of recession in a sharp decline after the early summer in contracts awarded, which were in smaller volume during August than in the corresponding month of any year since 1924. In the first three weeks of September, however, awards were somewhat larger than last year.

Estimates of the Department of Agriculture for September 1 indicate that yields of principal crops will be larger than last year and above the average for the preceding five years.

Trade

Distribution of commodities showed seasonal increases in August, although sales in most lines of wholesale and retail trade did not equal the unusually large sales of August 1927. Department stores stocks increased as is usual in August but continued smaller than a year ago, while inventories in several lines of wholesale trade were somewhat larger than last year. Freight-car loadings were in about the same volume in August as a year earlier. Shipments of miscellaneous commodities and grains were larger and those of coal, livestock, and forest products smaller than last year.

Prices

The general level of commodity prices increased in August and the Bureau of Labor Statistics index, at 98.9 per cent of the 1926 average, was the highest in nearly two years. Increases in August were chiefly in the prices of livestock and livestock products, which are now higher than at any time since 1920. There were also small increases in fuels, metals, and building materials. Grains and cotton showed sharp declines, and there were decreases also in hides and skins and wool. Since the first of September there have been some declines in livestock and meats, and a sharp further decrease in cotton, while prices of pig iron, copper, and petroleum have advanced.

Bank Credit

Between the middle of August and the middle of September there was a considerable increase in the loans and investments of member banks in leading cities. Part of the increase was in loans on securities and part reflected a seasonal increase in other loans. Deposits of the member banks also increased during the period.

Volume of Reserve Bank credit outstanding increased during the four weeks ended September 19 in response to seasonal demands for currency and growth in member bank reserve requirements. The increase in total bills and securities was largely in holdings of acceptances and in discounts for member banks.

During the same period there were further increases in open-market rates on collateral loans and on commercial paper, while rates on bankers acceptances were reduced from 4⅝ per cent to 4½ per cent.