

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

January 1, 1929

#### Money Market in December

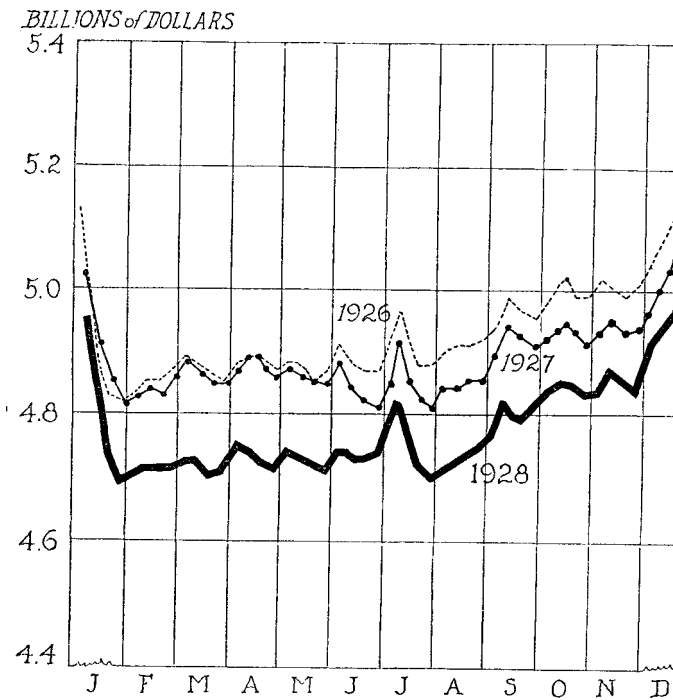
The call money market in December was unstable to an unusual degree, due to wide fluctuations in the demand for loans, together with a limited supply of funds. The advance in the call loan rate to 12 per cent early in the month reflected a rapid increase in the demand for brokers' loans with no ready source of additional funds. New York City banks were heavily in debt at the Reserve Bank and were not in a position to make additional loans, and it was not until drastic advances in the rate had been made that a volume of funds sufficient to meet the demand was attracted from other sources.

The decline to 6 per cent which followed within a few days was partly the result of a rapid liquidation of about 200 million dollars of brokers' loans, which relieved somewhat the tension in the money market. Additional factors in the easier money condition around the middle of the month were a return flow of gold from Canada, a moderate inflow of funds from other districts such as occurs frequently in the first week of the month, and the temporary excess of Government redemptions of maturing securities and interest payments over income tax and other collections.

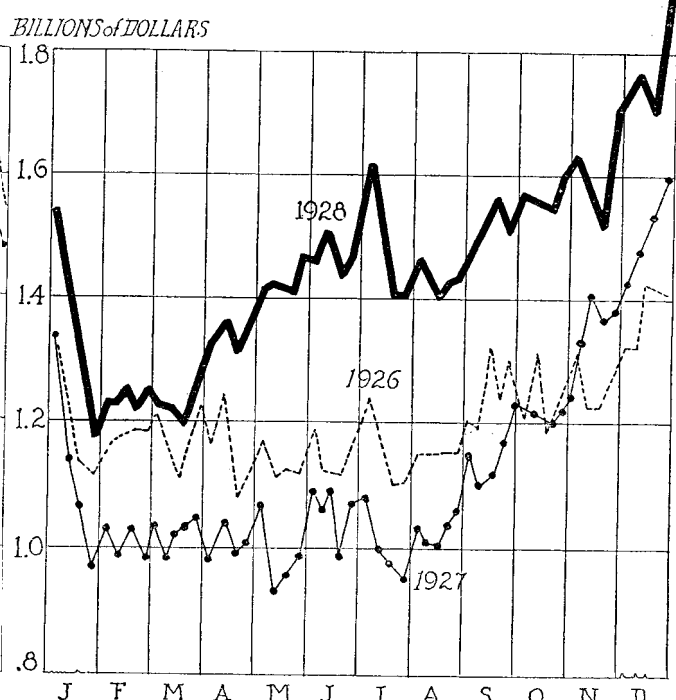
Subsequently there was a steady drain on the commercial banks, due in part to Treasury collections of taxes and withdrawals from depositaries, and in part to the usual heavy withdrawals of currency from the banks which mark the culmination of the Christmas trade. The loss of reserves sustained by the banks in these ways caused a rapid increase in their dependence upon the Reserve Banks, and although the demand for loans remained smaller than in the first week of the month, call loan rates again advanced substantially.

#### CURRENCY AND RESERVE BANK CREDIT

The accompanying diagrams indicate the rapid increase in recent weeks in the amount of currency in circulation, and the correspondingly large increase in the demand for Reserve Bank credit to enable member banks to maintain their reserves at the required levels. The additional amount of currency drawn into circulation during recent weeks has been larger than usual, and the total amount in circulation has risen closer to the level of a year previous than in more than a year. The amount of Reserve Bank credit in use has shown an increase somewhat smaller than in 1927, when a considerable amount was required to offset the rapid out-



Amount of Currency in Circulation in the United States (Weekly averages of daily figures computed by the Federal Reserve Board).



Total Bills and Securities of all Federal Reserve Banks in 1928, Compared with 1926 and 1927.

flow of gold, but at least equal to the usual seasonal increase, and has reached the highest level since 1921.

During the next four weeks approximately 300 million dollars of currency will in normal course flow back to the banks and be redeposited by them with the Reserve Banks for credit. In view of the large volume of member bank borrowing it is expected that the funds derived from these re-deposits of currency will be used, not for the expansion of loans, but for the repayment of indebtedness at the Reserve Banks.

#### MEMBER BANK CREDIT

The recent tendency toward rapid expansion of member bank loans continued in the first week of December, and on December 5 the total loans and investments of weekly reporting banks in this district were more than 300 million dollars higher than at the middle of November. Nearly all of the increase was in loans to security brokers. The expansion was checked by a large increase in the indebtedness of these banks at the Reserve Bank, and during the liquidation of brokers' loans which occurred in the second week of the month, New York City banks withdrew more than 200 million dollars of their own funds from the call money market. Little change occurred subsequently until near the end of the month, when year-end withdrawals of funds by out-of-town banks and others caused the usual heavy temporary demand on the New York banks for credit.

Other loans, which include commercial loans, showed some further increase in December, contrary to the usual seasonal tendency, and investments showed little net change.

#### TAX PERIOD OPERATIONS

The temporary easing effect on the money market of Treasury operations around the December 15 tax date was due to large redemptions of maturing securities, which caused the largest temporary overdraft with the Reserve Banks in recent years. The maturing securities amounted to about 570 million dollars of which 335 million were redeemed in New York on December 15th. Those redemptions, together with interest payments, exceeded Treasury collections in this district by about 300 million dollars.

As a result of these large disbursements, New York banks repaid over 150 million of borrowings at the Reserve Bank from December 13 to 15, inclusive. In order to provide temporary employment for surplus funds received by banks that were out of debt, the Reserve Bank sold 70 million of participations in the day-to-day certificate of indebtedness issued by the Treasury to cover its overdraft with the bank on the 15th, and an additional 20 million on the 17th, to these banks. These participations were repurchased on the 18th to replace funds drawn from the banks through income tax collections. Funds derived from tax collections and withdrawals from Government depositaries were used by the Treasury to reduce and eventually eliminate the overdraft.

#### MONEY RATES

Aside from the wide fluctuations in call loan rates, money rates were somewhat firmer in December. Stock exchange time money continued to be very scarce and showed the largest advance; 90 day loans were placed in small amounts at  $7\frac{3}{4}$  per cent after the first week of the month, as compared with 7 per cent or under

in November, and 30 day loans were placed at rates as high as  $8\frac{1}{4}$  and  $8\frac{1}{2}$  per cent. Commercial rates, however, continued steady. Dealers' buying rates on bankers acceptances were advanced  $\frac{1}{8}$  per cent, but offering rates generally remained the same as in November; commercial paper rates were quatably unchanged; and rates on commercial loans to customers of large New York City banks also were practically the same as in November.

Money Rates at New York

	Dec. 30, 1927	Nov. 30, 1928	Dec. 27, 1928
Call money.....	*5 - $5\frac{1}{2}$	* $6\frac{1}{2}$ -10	*7 -12
Time money—90 day .....	$4\frac{1}{4}$	7	$7\frac{3}{4}$
Prime commercial paper .....	4	$5\frac{1}{4}$ - $5\frac{1}{2}$	$5\frac{1}{4}$ - $5\frac{1}{2}$
Bills—90 day unindorsed .....	$3\frac{1}{4}$	$4\frac{1}{2}$	$4\frac{1}{2}$
Customers' rates on commercial loans.....	†4.38	†5.47	†5.50
Treasury certificates and notes			
Maturing March 15 .....	3.24	4.20	4.40
Maturing June 15 .....	3.25	4.20	4.49
Federal Reserve Bank of New York rediscount rate.....	$3\frac{1}{2}$	5	5
Federal Reserve Bank of New York buying rate for 90 day bills.....	$3\frac{1}{4}$	$4\frac{1}{2}$	$4\frac{1}{2}$

\*Prevailing rate for preceding week

†Average rate of leading banks at middle of month

#### BILL MARKET

The demand for American acceptance credits has remained large during the past month. The outstanding volume of bills exceeded \$1,200,000,000 on November 30, and the supply continued in large volume throughout December. Investment demand, coming largely from foreign banks, also increased substantially, with the result that the bill holdings of the Reserve Banks were reduced temporarily from the high level of December 12 to \$453,000,000 on December 19.

Rates that had been current throughout the autumn were maintained until about the middle of the month, when, in expectation of very firm money conditions over the turn of the year, the discount market advanced its buying rates generally by  $\frac{1}{8}$  per cent, making the rate for unendorsed 90-day bills  $4\frac{3}{4}$  per cent. Selling rates for unendorsed bills up to 90-day maturity continued to be quoted at  $4\frac{1}{2}$ , although some sales were reported at  $4\frac{5}{8}$  per cent, and the rate for endorsed bills remained firm at  $4\frac{1}{2}$  per cent for maturities up to 90 days. A spread of  $\frac{1}{4}$  per cent between buying and selling rates was also established for bills of longer maturity, as against a spread of  $\frac{1}{8}$  per cent prevailing during recent months.

#### COMMERCIAL PAPER MARKET

Considering the limited amount of new drawings, the commercial paper market throughout the country was fairly active during the entire month of December. As usual, there was a decline in the supply of new paper coming into the market in December, due to the desire of industrial and commercial concerns to show as little indebtedness as possible on year-end statements, and there were numerous reports that the investment demand during the month was sufficient to absorb a larger volume of the very high grade material than was available. In November, the amount of commercial paper outstanding through 24 dealers was reduced about 1 per cent further to \$421,000,000 on the 30th, a figure 30 per cent smaller than the outstandings a year ago. The prevailing range for prime names remained  $5\frac{1}{4}$ - $5\frac{1}{2}$  per cent during December.

## Central Bank Rate Changes

Two central banks have reduced their official discount rate and two others have raised theirs since the publication of the last issue of this Review. On November 30 the Bank of Greece lowered its rate from 10 to 9 per cent, the higher rate having been in force since June 1927. The National Bank of Bulgaria also reduced its rate from 10 to 9 per cent. In this case the earlier rate had been in effect since the end of August 1924.

The Imperial Bank of India raised its rate from 6 to 7 per cent on December 13, following an advance from 5 to 6 per cent on November 15. These advances were seasonal and were similar to the changes made in 1927. The Bank of Spain increased its official rate on December 19 from 5 to 5½ per cent. The earlier rate had been in force since March 1923.

## Gold Movement

The outflow of gold to Canada recorded last month was reversed as suddenly as it was initiated, and, following a total export of \$22,000,000 in November, \$23,000,000 was received from Canada between the 5th and the 28th of December. Apart from this inflow and a net loss of \$16,000,000 in additional earmarkings, only small transactions were reported. The totals for the month, according to a preliminary calculation, are as follows: imports \$23,400,000; exports \$800,000; earmarkings \$16,000,000; net gain to country \$6,600,000.

The following table reviews the gold movements of the past year and indicates a loss of \$272,000,000 through net exports and earmarkings, following the net loss of \$154,000,000 in 1927.

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
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
August.....	+ 1	+ 6	+ 7
September.....	0	— 1	— 1
October.....	+ 13	+ 1	+ 14
November.....	+ 7	— 25	— 18
December.....	+ 23‡	— 16‡	+ 7‡
Total, 12 months	—393‡	+121‡	—272‡

\*Including export of gold previously earmarked ‡Preliminary

## Foreign Exchange

In the last month of the year, the exchanges are normally subject to an unusual variety of influences. Payments for holiday goods, interest and dividend disbursements, the settlement of commercial accounts maturing at the year-end, and the window dressing requirements of foreign banks, are some of the elements which create exceptional activity in the foreign exchange market in December. All of these cause a demand for foreign currencies and bring about firmer rates. Meanwhile, this stiffening of rates is further aided by the relaxation of seasonal pressure as the foreign purchases of American grain and cotton decline. For these reasons, the exchanges were strong in December 1928, just as they were at the end of 1927, despite the difference in New York money rates last year and this.

Practically every European exchange appreciated as against the dollar. Sterling stood well above the gold import point, ruling towards the end of the month at above \$4.85½, a position it had not reached since the beginning of last August. The reichsmark held firmly above par. Reflecting the end of the seasonal payments for American exports to Holland, the guilder continued the appreciation begun in early November and rose to its parity of \$4.020. An upward movement was recorded also by the Swedish crown, the improvement of which was accompanied in a lesser degree by that of the Danish and Norwegian exchanges. The Swiss franc and the Belgian belga were among the currencies which showed a firmer tone in December. The Spanish peseta bettered its position somewhat during the month and crossed \$1.630.

The Canadian dollar, after rising to a premium in the last ten days of November, fell below par on November 30 and continued irregularly at a progressively lower discount through December, ruling at last report at 9/32 discount. The Argentine peso weakened to \$.9573, thus losing the advance made in November. The Japanese yen recovered some of the ground lost at the end of the previous month, but it was still well below the November average of \$.4635.

## Security Markets

Following the strong advance throughout November which carried average prices at the close of that month to much higher levels than ever before, stock prices drifted irregularly lower during the first few days of December. On December 6 and the succeeding two days there was an unusually sharp decline, which, together with the small decline of earlier in the month, cancelled a considerable part of the November gains. The industrial list, as represented by an average of a large number of shares, dropped 10½ per cent from November 30 to December 8, public utility stocks declined 9 per cent, and railroad shares 6 per cent.

Subsequently there was an irregular advance from these levels, and toward the end of the month prices had generally recovered more than one-half of the losses sustained in the early December decline. Trading on the Exchange, which had been in 5 and 6 million share volume up to the time of the reaction early in December, was reduced later in the month to a daily turnover of between 2 and 4 million shares.

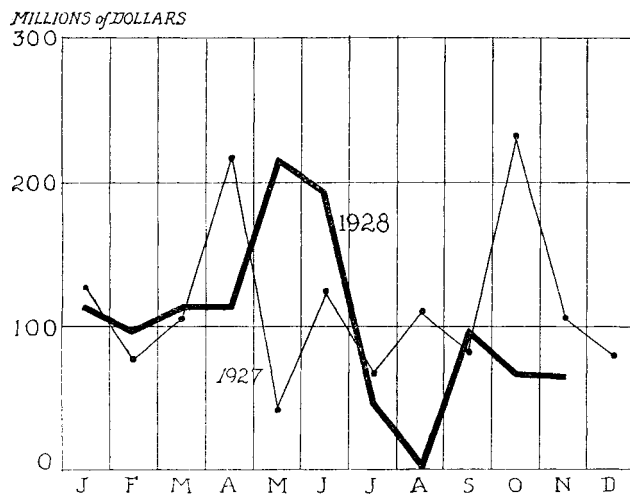
Domestic corporation bonds continued, at an accelerated pace, the downward trend which had been evident since the first part of November, and showed an average decline for December of about ¾ of a point. The largest average decline was in the prices of domestic railroad bonds. Toward the end of December, domestic corporate bond prices were less than ½ of a point above the lowest level of the year, reached in August. Prices of representative foreign bonds declined about one point during the month, and United States Government long-term obligations generally showed net losses ranging between ⅓ of a point and one point.

## New Financing

Due principally to a number of large offerings of new stock direct to stockholders, the total amount of new securities of all kinds floated in November proved to be about 24 per cent larger than a year ago, and, after

excluding securities sold for refunding purposes, the issues for new capital purposes only were about 62 per cent larger than in November 1927. Domestic corporation offerings of securities for new capital were more than double the total of a year ago; the larger part of the increase was attributable to the unusually large volume of stock issues.

Offerings of foreign new capital issues in November were only about three-fifths as large as a year ago. In fact, the amount of new foreign financing in this country in four of the past five months has shown a considerable reduction from that of a year ago, as the accompanying diagram indicates. In December, however, several large issues were offered, and it appears that the final total for the month will be larger than that of December 1927. The figures used in the diagram represent this bank's tabulation of foreign loans, which includes security issues of domestic corporations the proceeds of which are to be used abroad, and excludes any part of issues offered here which is sold in foreign markets.

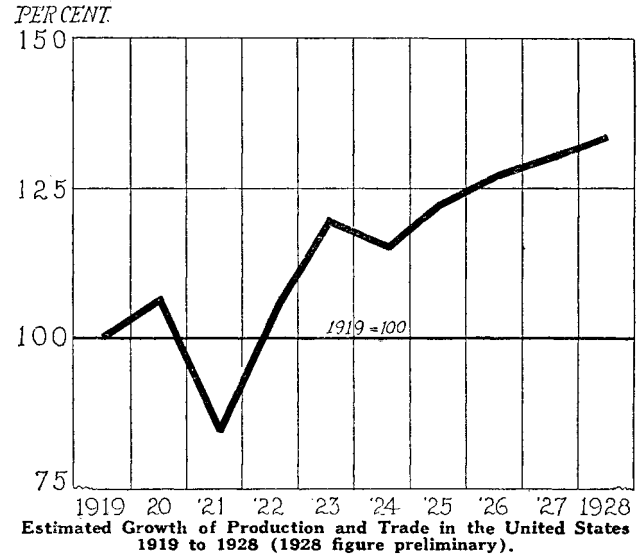


Foreign Securities Sold in the United States in 1928, Compared with 1927 (Refunding issues excluded).

New security offerings of domestic corporations in December continued to include an unusual proportion of stock issues, especially in the case of industrial corporation issues. The total of State, municipal, and farm loan bond issues, which had been smaller than last year for several months, increased to unusually large volume in November, and although the amount in December was considerably smaller, it compared favorably with offerings in December a year ago.

### Production and Trade in 1928

A compilation of all of the principal series of industrial and business data indicates that the total volume of production and trade for the whole year 1928 will show a moderate increase over 1927. This increase reflects the high level of productive and trade activity which developed especially during the second half of the year, and which more than offset the effects of the comparatively low levels of operations that prevailed in the early months of 1928 following the recession in the autumn of 1927. Preliminary data of 1928 production and trade have been obtained by adding to actual figures



for the first eleven and, in some cases, ten months of the year, estimated figures for the remaining one or two months of the year. According to these data, an unweighted average of 121 series indicates that the total volume of business in 1928 was about 3 per cent larger than in 1927, a slightly larger increase than occurred in 1927.

The estimated year-to-year growth in the total volume of production and trade is depicted in the accompanying diagram. Although there are wide fluctuations in individual industries, it appears from this diagram that a composite of a large number of series shows a steady increase since the close of the War, except for the sharp recession in 1921 and the equally sharp recovery of 1922-1923, and the moderate decline of 1924.

	Per cent Change 1928 from 1927	Per cent Change 1928 from 1927		
<b>Manufactures</b>				
Automobiles, pass. cars....	+31	Wheat flour.....	+ 5	
Tires.....	+24	Cigars.....	- 1	
Automobiles, trucks.....	+18	Butter.....	- 2	
Malleable castings.....	+ 7	Sugar meltings.....	+ 4	
Silk consumption.....	+ 4	Cheese.....	- 8	
Sole leather.....	+ 3	Cattle slaughtered.....	- 11	
Boots and shoes.....	+ 1	Group Average.....	- 0.4	
Wool mill activity.....	- 5	<b>Building Materials and Construction</b>		
Radiators.....	- 7	Building contracts.....	+ 6	
Cotton consumption.....	-11	Cement.....	+ 2	
Cottonseed oil, refined.....	-27	Building permits.....	- 3	
Locomotives.....	-48	Face brick.....	- 3	
Group Average.....	+ 2.8	Lumber.....	- 6	
		Group Average.....	+ 0.5	
<b>Minerals and Metals</b>				
Steel sheets.....	+18	<b>Trade</b>		
Steel ingots.....	+15	Grocery, chain store sales..	+18	
Gasoline.....	+14	Mail order sales.....	+15	
Copper.....	+ 7	Other chain store sales.....	+ 8	
Pig iron.....	+ 4	Merchandise exports.....	+ 7	
Zinc.....	+ 1	Department store sales.....	+ 1	
Petroleum.....	+ 1	Wholesale trade.....	0	
Anthracite coal.....	- 3	Merchandise imports.....	- 3	
Bituminous coal.....	- 5	Group Average.....	+ 4.4	
Group Average.....	+ 2.5	<b>Financial</b>		
<b>Crops</b>			Stock sales, N. Y. Ex.....	+56
Peaches, total.....	+50	New securities.....	+ 4	
Apples, total.....	+49	Grain future sales.....	- 2	
Barley.....	+34	Cotton future sales.....	- 6	
Oats.....	+23	Bond sales.....	-18	
Potatoes, white.....	+15	Group Average.....	+10.1	
Tobacco.....	+13	<b>General</b>		
Cotton.....	+11	Bank debits, N. Y. C.....	+26	
Wheat.....	+ 3	Electric power.....	+11	
Corn.....	+ 3	B'k debits, outside N. Y. C.	+ 8	
Grapes, total.....	+ 1	New corporations, N. Y. S.	+ 5	
Rice.....	- 6	Life insurance sales.....	+ 4	
Hay.....	-14	Carloadings, mdse. and misc.	+ 2	
Rye.....	-28	Postal receipts.....	0	
Group Average.....	+ 5.3	Employment (U. S.).....	- 2	
<b>Foods and Tobacco</b>			Carloadings, other.....	- 2
Hogs slaughtered.....	+13	Newspaper, advertising.....	- 4	
Cigarettes.....	+ 9	Group Average.....	+ 5.5	
Lard.....	+ 5	Average of 121 items.....	+ 2.9	

FEDERAL RESERVE AGENT AT NEW YORK

An examination of the accompanying tabulation, in which only the more important series are listed, shows that nearly all groups of production and trade data showed some increase over 1927. The largest increase continued to be in financial transactions. While there was some irregularity in the various groups, the individual increases far exceeded the declines.

**Building**

Building and engineering contract awards, after diminishing considerably in the first three weeks of November, increased sharply in the final week, with the result that the total for the month for the 37 states east of the Rockies reached a figure slightly larger than for November 1927. The F. W. Dodge Corporation report indicated that the value of November contracts was 21 per cent smaller than the amount in October, but the decline was largely seasonal. Public works and utilities projects and commercial building operations were in larger volume than a year ago, while residential and industrial contracts were somewhat smaller.

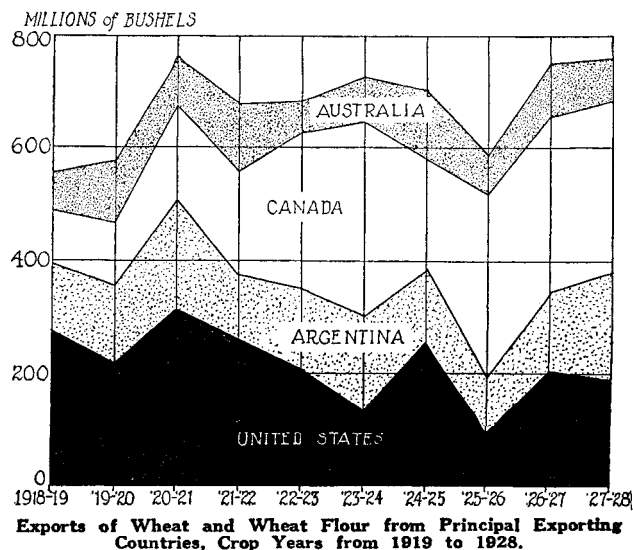
The total amount of contracts awarded during the first eleven months of this year shows an increase of 6 per cent over the total for the corresponding period of last year. During the first three weeks of December, however, the daily average of contracts awarded was about 11 per cent smaller than in the corresponding weeks of 1927.

In the New York and Northern New Jersey district, November building contracts were 4 per cent larger than a year ago, but were 28 per cent smaller than in the preceding month. Contracts for residential building were somewhat larger than in November 1927, whereas in October they were considerably below the level of a year ago. Commercial and educational building work continued above the volume of last year for the third successive month. On the other hand, public works and utilities contracts, which had been in unusually large volume, dropped sharply in November and were smaller than a year ago for the first time since July. Contracts for industrial buildings also were smaller than in November 1927. For the first eleven months of the year, the amount of contracts awarded in this district has been 8 per cent larger than the volume of the corresponding period of last year.

**Foreign Trade**

Exports of merchandise, valued at \$546,000,000, were approximately the same as in October and were the largest for November of any year since 1920. Imports, valued at \$327,000,000, were considerably smaller than in the previous month, however, and were the smallest for November of any year since 1924. As a result, there was in November the largest favorable balance of trade for any month since February 1921.

Shipments abroad of raw cotton showed a further seasonal increase and were almost half again as large as in November of last year. Exports of domestic wheat and wheat flour, on the other hand, were about 40 per cent smaller than in November 1927, and for the first five months of the 1928-1929 crop year have shown a decline of similar amount from the corresponding period last year. This seems to indicate a continuation of the tendencies of recent years; since the war, exports



of wheat and wheat flour from the United States have tended to diminish, while as a wheat exporting country Canada has gained considerably in importance. The other principal wheat exporting countries, Australia and Argentina, have shown no important change during recent years.

**Value of Crops**

On the basis of revised crop estimates and December 1 farm prices, the Department of Agriculture has estimated the value of all important crops this year at \$8,456,052,000. This represents a decline of only \$66,511,000, or 0.8 per cent, from the 1927 level, and an increase of \$662,572,000, or 8.5 per cent, over the 1926 level.

The value of the corn crop increased about \$135,000,000, as prices were slightly higher than a year ago despite a moderate increase in the quantity produced. On the other hand, there was a decline of \$139,000,000 in the white potato crop, due to lower prices that accompanied a larger harvest than was gathered last year, and a decline of \$103,000,000 in the value of the wheat crop, which also reflected lower prices, caused by larger production in Canada and in Europe, as well as a yield considerably above average in the United States. Other crops showed smaller changes in dollar value; increases were shown by oats, cotton, cottonseed, barley, apples, and oranges, while declines occurred in hay and tobacco.

Crop	Change from 1927 to 1928 in		
	Physical Production	Value	
		Per cent	Per cent
Corn.....	+ 2.8	+ 6.8	+135,232
Oats.....	+22.6	+11.5	+ 60,912
Cotton.....	+10.9	+ 1.7	+ 21,704
Cottonseed.....	+11.0	+ 9.4	+ 19,997
Barley.....	+34.2	+ 9.4	+ 16,928
Apples.....	+49.5	+ 8.0	+ 13,732
Oranges.....	+37.8	+ 4.6	+ 5,700
White Potatoes.....	+14.9	-35.7	-138,698
Wheat.....	+ 2.8	-10.5	-102,620
Hay.....	-14.1	- 5.6	- 73,798
Tobacco.....	+13.3	- 1.0	- 2,560
<b>Total, 50 crops.....</b>	<b>+ 3</b>	<b>- 0.8</b>	<b>- 66,511</b>

### Production

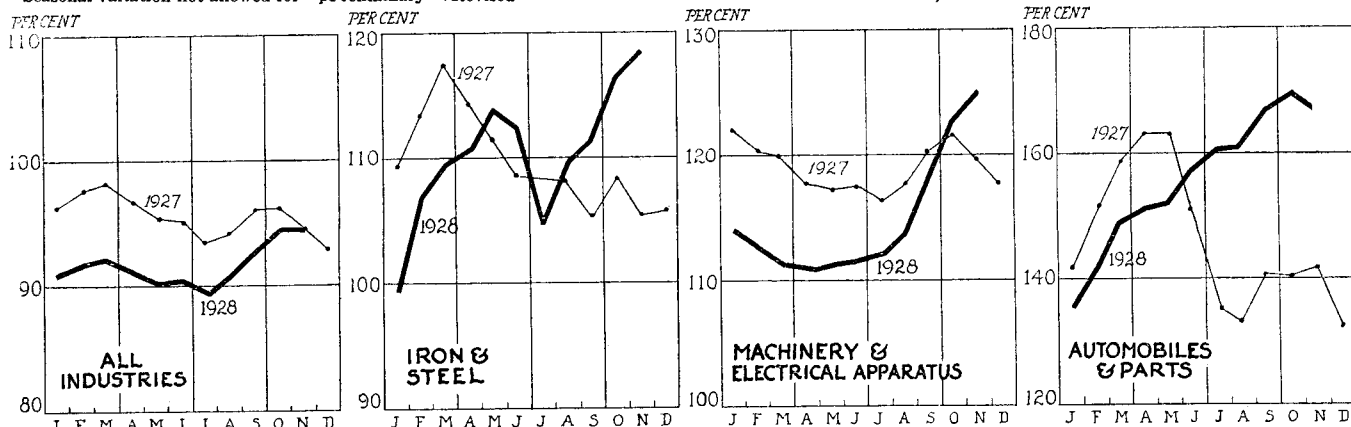
There is some evidence that industrial activity in November did not hold quite all of the gains made in previous months; activity continued at a relatively high level, however, and was substantially above the level of last year when production was being curtailed rather rapidly. Output of both passenger automobiles and trucks declined more than usual, but remained substantially larger than a year ago. Average daily production of pig iron increased somewhat less than usual from October to November, but was the largest in any month since April 1927, and in any November since the war year of 1918. Output of steel ingots decreased slightly, after allowance for the usual seasonal variations, but was the largest for any November on record.

Production of both bituminous and anthracite coal also decreased slightly after seasonal allowance, but was larger than a year ago. Mill consumption of cotton showed only about the usual decline, and was only 2 per cent under the record November production of 1927.

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

	1927		1928	
	Nov.	Sept.	Oct.	Nov.
<b>Producers' Goods</b>				
Pig iron	88	105	110	109
Steel ingots	84	119	118	114
Cotton consumption	108	90	104	104
Woolen mill activity*	96	87	98	99 <sub>p</sub>
Silk consumption*	117	118	109	116
Petroleum	116	110	112	111 <sub>p</sub>
Bituminous coal	78	83	89	88
Coke	91	101	106	105
Lumber	97	78	...	...
Copper, U. S. mines	102	114	122	127
Lead	106	105	98 <sub>r</sub>	107
Zinc	100	102	101	98
Tin deliveries	99	105	101	120
Leather, sole	110	111	...	...
Cement	120	132	123	121
Paper, total	103	99	105	...
Wood pulp	97	99	101	...
<b>Consumers' Goods</b>				
Hogs slaughtered	85	92	105	100
Cattle slaughtered	97	88	81	83
Sheep slaughtered	104	108	119	115
Calves slaughtered	95	75	81	83
Farm produce shipped	96	89	99	...
Wheat flour	98	85	95	96
Sugar meltings, U. S. ports	103	115	124	136
Gasoline	100	106	104	...
Anthracite coal	102	90	114 <sub>r</sub>	112
Newsprint	93	83	91	97
Printing activity	102	108	...	...
Tobacco products	106	105	113	108
Boots and shoes	96	103 <sub>r</sub>	102	98 <sub>p</sub>
Tires	101	134	142	130 <sub>p</sub>
Automobile, passenger	50	145	124	97
Automobile, truck	71	133	138	107

\*Seasonal variation not allowed for p Preliminary r Revised



Workers Employed in all Manufacturing Industries in New York State and in the Iron and Steel, Machinery, and Automobile Industries in 1928, Compared with 1927 (Indexes reported by State Department of Labor).

### Indexes of Business Activity

This bank's indexes of business activity for November showed no consistent change as compared either with October or with a year ago. In the following table, allowance has been made for year-to-year growth, for seasonal variations, and where necessary for price changes.

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

	1927		1928	
	Nov.	Sept.	Oct.	Nov.
<b>Primary Distribution</b>				
Car loadings, merchandise and misc.	100	104	103	101
Car loadings, other	86	97	97	98
Exports	90	94	105	103 <sub>p</sub>
Imports	113	102	111	104 <sub>p</sub>
Panama Canal traffic	95	85	89	...
Wholesale trade	97	95	98	...
<b>Distribution to Consumer</b>				
Department store sales, 2nd District	100	106	94	97
Chain grocery sales	103	104	101	100
Other chain store sales	105	109	101	102
Mail order sales	97 <sub>r</sub>	119 <sub>r</sub>	105 <sub>r</sub>	106
Life insurance paid for	96	101	98	...
Advertising	100	96	95	95
<b>General Business Activity</b>				
Bank debits, outside of New York City	106	111	106	108
Bank debits, New York City	134	165	164	173
Velocity of bank deposits, outside of New York City	106	120	117	117
Velocity of bank deposits, New York City	135	190	188	191
Shares sold on N. Y. Stock Exchange	179	398	389	393
Postal receipts	94	84	88	84
Electric power	103	107	108	...
Employment in the United States	96	98	98	98
Business failures	106	104	115	103
Building contracts, 36 states	126	142	136	118
New Corporations formed in N. Y. State	116	100	126	115
General price level	173	178	177	178
Composite index of wages	220	224	224	224
Cost of living	171	173	172	172

p Preliminary r Revised

### Employment and Wages

Factory employment in the country as a whole showed only a small seasonal decline in November, and was well above the level of a year previous. In New York State also, factory employment declined only slightly, and for the first time since September 1926 was practically equal to a year previous. The total amount of factory payrolls was also larger than a year previous in November for the first time in more than two years. The accompanying diagram contrasts the 1928 trend of factory employment in New York State with that of 1927 in all industries combined, and in three industries which have

contributed in large measure to the recovery. Out-of-door activity declined seasonally in November, releasing a substantial number of workers, but there have been no reports of serious unemployment, as there were a year ago.

Additional indication of the improved conditions this year is afforded by the rate of voluntary labor turnover, reported by the Metropolitan Life Insurance Company. Although the usual seasonal decline occurred this November, the rate was higher than in November of 1926 or 1927, indicating that employees are finding the present conditions more favorable to obtaining other positions than in either of the past two years. The ratio between orders for workers to applications for employment at New York State Employment Offices has also compared favorably with a year ago in recent weeks.

A further increase in the average weekly earnings of factory office employees during the past year is reported by the New York State Labor Department. The increase in office workers' earnings over the pre-war level is not as large as the increase in operatives' earnings, but the increase during the past few years has been at least as large; so that the office workers are now sharing to some extent the increase in the purchasing power of individual earnings.

### Wholesale Trade

Sales of wholesale dealers in this district in general did not show as large increases over a year ago in November as in October. Clothing sales, in particular, fell off considerably in November, and decreases followed October increases in sales of drugs, groceries, and cotton goods. Sales of hardware, shoes, silk goods, and jewelry remained somewhat smaller than last year.

Stationery sales, however, showed an unusually large increase, sales of dealers in fine paper and of cotton goods commission houses showed moderate increases, and machine tool sales increased to a new high level for recent years.

Stocks of silk goods and drugs continued substantially larger than a year ago, but stocks in most other lines were at least slightly smaller. Collections averaged a little slower than last year, although there were considerable differences in the various lines.

Commodity	Percentage Change November 1928 compared with October 1928		Percentage Change November 1928 compared with November 1927		Per cent of Accounts Outstanding October 31 Collected in November	
	Net Sales	Stock end of month	Net Sales	Stock end of month	1927	1928
Groceries.....	- 7.8	+ 4.6	- 1.5	- 0.6	73.8	71.1
Men's clothing.....	-46.8	...	+ 8.3	...	33.1	33.6
Women's dresses.....	-65.7	...	-26.6	...	...	...
Women's coats and suits	-62.6	...	-19.7	...	...	...
Cotton goods—Jobbers	-17.1	-11.3	- 4.6	- 5.2	31.9	33.6
Cotton Goods — Com- mission.....	- 6.6	...	+ 5.8	...	...	...
Silk goods.....	+ 2.3	+ 6.5*	- 1.7	+21.9*	51.2	48.9
Shoes.....	-10.5	- 3.8	- 1.9	-18.5	47.0	44.7
Drugs.....	-31.0	+ 1.0	- 1.3	+24.2	48.0	47.2
Hardware.....	- 6.8	-11.4	- 2.7	- 1.6	46.5	48.1
Machine tools**.....	+ 2.2	...	+116.4	...	...	...
Stationery.....	+32.7	...	+21.7	...	69.4	60.3
Paper.....	- 7.2	...	+ 5.3	...	58.4	62.9
Diamonds.....	- 3.5	...	+ 0.9	...	...	...
Jewelry.....	- 0.3	}- 5.9	+ 7.8	}- 0.5	21.4	24.0
Weighted Average...	-24.4	...	+ 0.9	...	50.7	49.8

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

### Department Store Trade

As the result of active holiday trade, December sales of department stores in this district appear to have been about 5 per cent larger than a year ago, although there was one less business day than in December 1927. This estimate is based on preliminary reports from stores in New York and vicinity on sales during the period from December 1 to 24 inclusive.

November sales were slightly below the substantial volume of a year ago. Assuming an increase of 5 per cent for the whole of December, the increase in total sales for the entire year will be 1.5 per cent, an increase even smaller than that reported last year. During the last six months of the year, however, sales were 2 per cent larger than a year previous, as compared with an increase of only 0.9 per cent for the first six months. Sales of reporting apparel stores showed a slight increase over last year in November, and for the first eleven months of the year were 8 per cent larger.

Locality	Percentage Change November 1928 compared with November 1927		Per cent of Accounts Outstanding October 31 Collected in November	
	Net Sales	Stock on hand end of month	1927	1928
New York.....	- 0.6	+ 2.3	48.9	49.8
Buffalo.....	- 0.8	- 4.8	55.5	53.4
Rochester.....	- 1.4	- 2.4	43.8	44.4
Syracuse.....	+ 1.7	+ 3.3	34.7	42.2
Newark.....	+ 1.8	+10.3	46.8	46.1
Bridgeport.....	+ 4.3	- 5.1	...	...
Elsewhere.....	- 6.8	- 2.8	35.3	37.0
Northern New York State.....	- 5.3	...	...	...
Central New York State.....	-12.4	...	...	...
Southern New York State.....	- 3.4	...	...	...
Hudson River Valley District.....	- 3.2	...	...	...
Capital District.....	-14.3	...	...	...
Westchester District.....	0	...	...	...
All department stores.....	- 0.5	+ 2.1	47.1	47.6
Apparel stores.....	+ 0.3	+ 1.0	49.5	49.6

The departments selling musical instruments and radio sets, furniture, and home furnishings were among those showing the principal increases over a year ago in November. The apparel departments in most cases showed smaller sales than last year.

Commodity	Net Sales Percentage Change November 1928 compared with November 1927		Stock on Hand Percentage Change November 30, 1928 compared with November 30, 1927	
	Net Sales	Stock end of month	1927	1928
Musical instruments and radio.....	+23.6	...	-44.3	...
Furniture.....	+14.5	...	- 1.9	...
Hosiery.....	+12.3	...	+11.5	...
Shoes.....	+ 9.7	...	+13.0	...
Cotton goods.....	+ 6.6	...	- 6.7	...
Toilet articles and drugs.....	+ 6.3	...	+13.3	...
Home furnishings.....	+ 5.6	...	+ 1.9	...
Books and stationery.....	+ 2.5	...	- 2.4	...
Linens and handkerchiefs.....	+ 2.4	...	+ 0.4	...
Luggage and other leather goods.....	+ 2.4	...	+ 0.1	...
Men's furnishings.....	0	...	- 4.2	...
Women's and Misses' ready-to-wear.....	- 0.3	...	+ 7.4	...
Women's ready-to-wear accessories.....	- 0.8	...	+ 2.7	...
Toys and sporting goods.....	- 2.1	...	+11.6	...
Silverware and jewelry.....	- 3.4	...	- 5.2	...
Men's and Boys' wear.....	- 9.3	...	+ 3.6	...
Silks and velvets.....	-10.4	...	- 0.5	...
Woolen goods.....	-17.8	...	- 8.0	...
Miscellaneous.....	+ 3.8	...	- 2.9	...

## Business Conditions in the United States

(Summarized by the Federal Reserve Board)

**I**NDUSTRIAL activity declined somewhat in November, but continued above the level of a year ago. Wholesale commodity prices declined further, reflecting principally a continued decrease in the prices of farm products. Security loans of member banks declined sharply after the first week of December, while other loans increased.

### PRODUCTION

Total output of manufactures was somewhat lower in November, reflecting primarily a decrease in production of automobiles and steel, larger than is usual at this season, but total output continued larger than a year ago. Production of pig iron and copper continued to increase in November, textile mills remained active, and meat-packing increased, while sugar refining declined seasonally during the month, and the production of building materials was smaller. Factory employment and payrolls were seasonally reduced but were larger than in 1927. Mineral production was in about the same volume as in October, according to the Federal Reserve Board's index which makes allowance for seasonal variations. Increases occurred in the daily average production of copper, zinc, tin, and bituminous coal, while anthracite coal decreased and the output of petroleum was smaller. The value of building contracts awarded in November and the early part of December receded sharply from the record figures of the two preceding months. The November total was slightly larger than in the corresponding month in 1927, and the volume of contracts for the first two weeks of December was smaller than a year ago.

The December forecast of the Department of Agriculture increased the estimated 1928 production of cotton by 240,000 bales to a total of 14,373,000 bales, which is nearly 11 per cent larger than a year ago. The total value of crops, based on December farm prices, is estimated at \$8,456,052,000 as compared with \$8,522,563,000 in 1927.

### TRADE

Department store sales showed a seasonal increase in November when allowance is made for the number of business days, and approximated those of a year ago, while inventories continued smaller than in 1927. Sales at wholesale declined seasonally, but were larger than in the same month of last year. Railroad freight shipments decreased in volume during November and the early part of December, but continued larger than in 1927. The decrease from October was especially marked in loadings of miscellaneous freight.

### PRICES

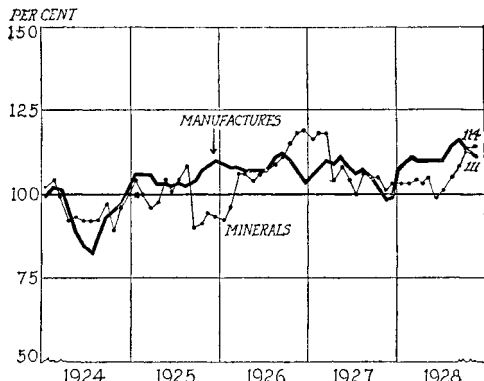
Wholesale commodity prices decreased further in November and the first two weeks of December. The largest price declines during the six-week period were in farm and food products and leather, while several groups of industrial products, notably iron and steel, nonferrous metals, and cotton goods, were generally higher. Wholesale prices of gasoline and automobile tires declined. Among the agricultural products, prices of raw silk, corn, livestock, and meats were lower during November, while raw cotton and wool, wheat and oats increased somewhat. During the first two weeks of December, however, prices of all these products, with the exception of raw silk, declined. Building materials were generally higher in November, but declined somewhat in the middle of December.

### BANK CREDIT

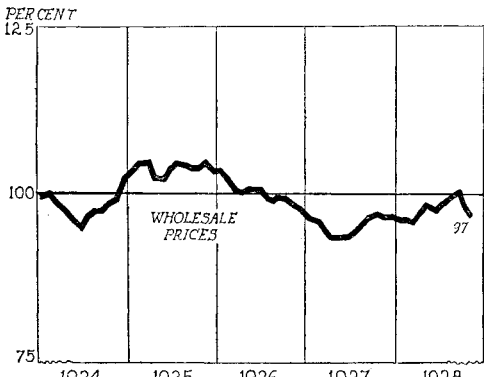
Loans and investments of member banks in leading cities increased \$329,000,000 during the four-week period ended December 19. The advance during the first two weeks reflected chiefly a rapid increase in security loans, which include loans to brokers and dealers in securities. Subsequently, a sharp decline in loans on securities was more than offset by a rapid increase in all other loans and in holdings of investments. The increase in all other loans, which include loans for commercial purposes, was contrary to the usual movement at this season and carried the total to the highest figure in eight years.

Seasonal growth in the demand for currency in November and December, together with increases in member bank reserve requirements, consequent upon an increase in their deposits, have been reflected in larger borrowings by the member banks from the Reserve Banks. This recent growth, following upon demand caused by the loss of gold in earlier months, has carried the total volume of Reserve Bank credit to the highest level in seven years.

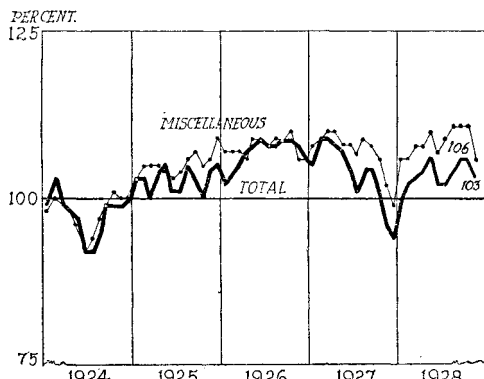
The rates on call and time loans on security collateral increased during the last week in November and the first part of December, while rates for commercial paper were generally steady. Rates on certain maturities of bankers bills increased somewhat.



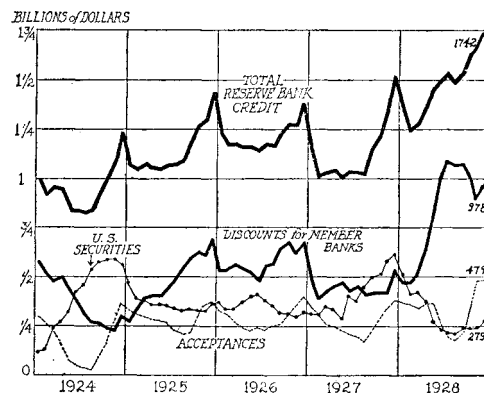
Index Numbers of Production of Manufactures and Minerals, Adjusted for Seasonal Variations (1923-25 Average = 100 per cent).



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



Loadings of Revenue Freight Reported by the American Railway Association, Adjusted for Seasonal Variations (1923-25 average = 100 per cent).



Reserve Bank Credit: Monthly Averages of Daily Figures for 12 Federal Reserve Banks (Latest Figures are Averages of first 21 days of December).