

MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

February 1, 1929

Money Market in January

Customarily at the end of each year the New York money market is subjected to a heavy withdrawal of funds for currency and for the seasonal needs of banks and others all over the country. In January, after the requirements of the holiday season and the year-end adjustments have been met, there is normally a rapid return of both currency and credit.

This past year-end followed much the usual course except that the size of the movement of funds was much larger than usual. Currency requirements were about normal but there was an extraordinarily large amount of funds withdrawn from the call loan market by lenders all over the world who wanted to show large amounts of cash or who did not want to show call loans in their year-end statements. The current available figures indicate that during the past twelve months the total volume of loans to brokers and dealers placed by New York City banks for their own account, as well as for correspondent banks and "others" have increased approximately \$1,650,000,000. Of this increase \$1,500,000,000 has been for account of "others," that is, for individuals, firms, or corporations other than domestic banks. Further call loans were made by these "other" lenders through channels other than New York City banks. In the last week of the year these "other" lenders called about \$400,000,000 of their loans. Correspondent banks outside of New York City also withdrew approximately \$70,000,000 during this same week. Largely because of these withdrawals the New York City banks found it necessary to take over nearly \$600,000,000 of call loans in order to prevent demoralization of the New York money market. This large increase in the loans of the New York City banks resulted in a temporary increase in their deposits with the consequent need for an increase in their reserves. To build up these reserves they were forced to increase their borrowings at the Federal Reserve Bank of New York by \$182,000,000.

This year-end experience demonstrates that these loans "for account of others" are subject to rapid and large withdrawal by lenders whose relationship to the money market is very different from that of the banks which used to provide most of the funds loaned on call. The large size of these loans at the present time is due to unusual conditions, including unusually large holdings of surplus funds by corporations and individuals built up in part, at least, by huge issues of new securities in recent years. But, primarily, rates for money in the call market which are abnormally high relative both to other rates in this country and to rates abroad have induced individuals and domestic corporations, as well

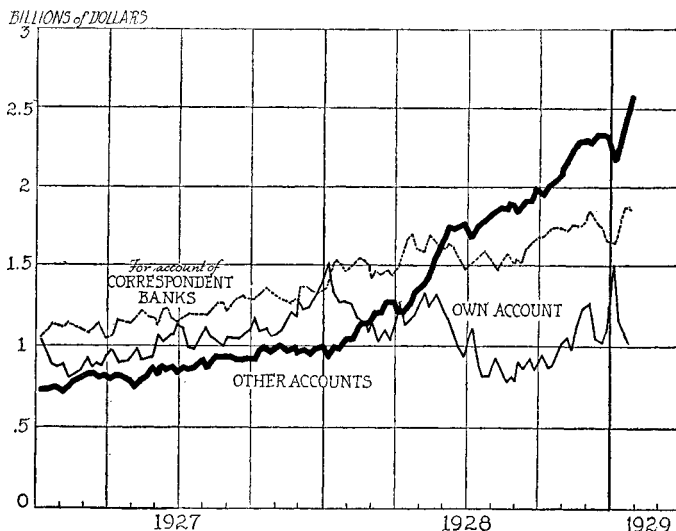
as foreign banks, having surplus funds, to place their funds on call in the New York market rather than to employ them elsewhere.

These are conditions subject to change. The experience of the year-end shows that the market may be subjected to sudden and substantial withdrawals of funds by individual lenders who have no general responsibility toward the money market and who must have a primary concern for their own particular business. In such instances the borrowers of these funds must turn to banks for accommodation usually at times when the banks are under the greatest pressure for funds. To the extent that these loans by others may be taken over by banks they become a charge against the country's basic bank reserves which have been diminished through gold exports during the period of heaviest increase in these loans.

It may be further noted that in making these loans corporations and individuals are in effect engaging in a banking function which, to many of them at least, is outside the field of their previous experience and outside the scope of their principal operations. Because of this aspect of the matter and because of the general considerations previously mentioned, it is the policy of a number of large well-managed industrial corporations not to make call loans.

MONEY RATES

The return of funds to the New York market during January resulted in the reduction of the call loan rate to 6 per cent for a number of days during the month,



Loans to Brokers and Dealers in Securities Placed by New York City Banks for Own Account, for out-of-town Correspondent Banks, and for Other Lenders (as of weekly reporting dates).

though there were increases to 9 per cent in connection with mid-month payments and to 8 per cent at the month end. The tendency towards ease in the call loan market was accentuated in the second half of the month by further increases in loans made for account of others, only partly offset by decreases in loans for the account of New York banks. As a consequence, the total amount of loans to brokers and dealers reached new high figures.

A more fundamental tendency, however, toward firmer money was indicated by two increases in the rates for bankers acceptances which raised the offering rate for 90 day bills $\frac{1}{2}$ per cent to 5 per cent. There were corresponding increases in the buying rates of the Federal Reserve Bank of New York. Rates for open market commercial paper were also slightly firmer at $5\frac{1}{2}$ per cent and yields on Treasury short-term securities were higher. The changes in money rates during the month are shown in the following table.

Money Rates at New York

	Jan. 31, 1928	Dec. 31, 1928	Jan. 30, 1929
Call money.....	* $3\frac{1}{2}$ -5	*9-12	*6-8
Time money—90 day.....	4 $\frac{3}{8}$	7 $\frac{3}{4}$	7 $\frac{5}{8}$ - $\frac{1}{4}$
Prime commercial paper.....	4	5 $\frac{1}{4}$ - $\frac{1}{2}$	5 $\frac{1}{2}$
Bills—90 day unindorsed.....	3 $\frac{1}{2}$	4 $\frac{1}{2}$	5
Customers' rates on commercial loans.....	†4.28	†5.50	†5.53
Treasury certificates and notes			
Maturing June 15.....	3.37	4.42	4.81
Maturing September 15.....	.....	4.54	4.70
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 $\frac{3}{8}$	4 $\frac{1}{2}$	5

* Prevailing rate for preceding week
† Average rate of leading banks at middle of month

BILL MARKET

The volume of American bankers acceptances outstanding increased \$84,000,000 further during December to \$1,284,000,000, an amount \$204,000,000 larger than the volume outstanding at the end of 1927. At the close of December, the Reserve Banks' holdings of bills for their own account were about \$100,000,000 larger than a year ago, and their holdings for foreign correspondents were also about \$100,000,000 larger, thus absorbing all of the increase in bills outstanding. During January the amount of bills held by the Reserve Banks in their own portfolio was reduced considerably more than in the

corresponding period of last year, but the decline was somewhat smaller than occurred in 1927 and 1926.

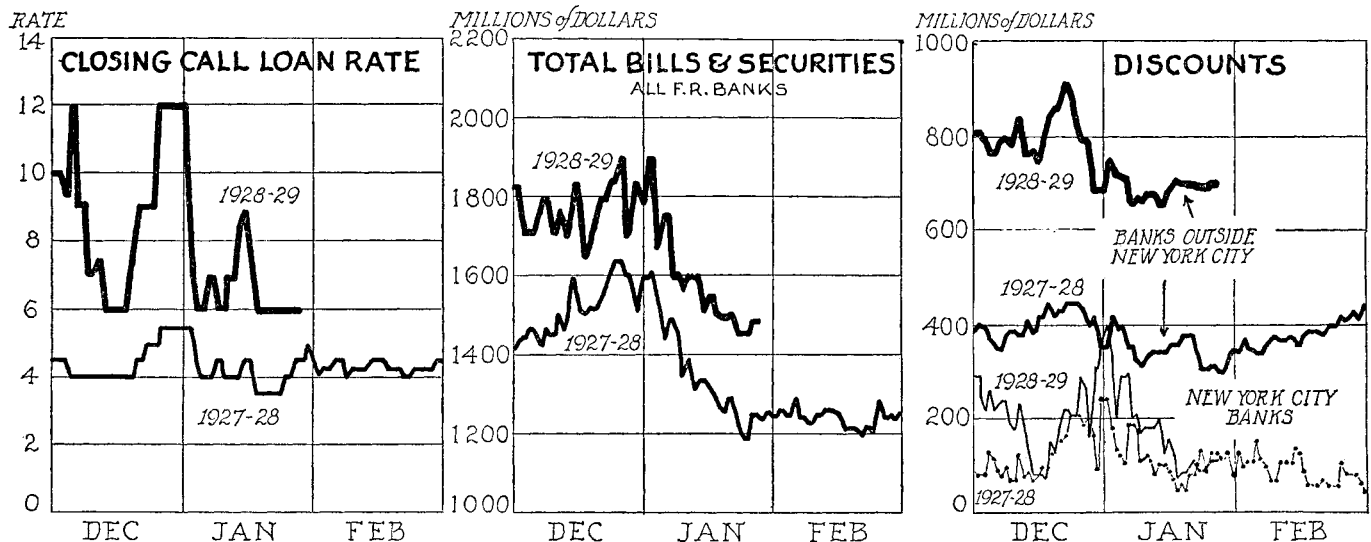
The supply of new bills coming into dealers' hands was smaller than in December, but nevertheless continued in substantial volume. In order to attract more investment buying and thereby obtain a wider distribution of bills, the dealers made two advances in their rates; the first, shortly after the opening of the month, and the second on the 18th. As a result of these two advances, the open market offering rate for 90 day unendorsed bills became 5 per cent, or $\frac{1}{2}$ per cent higher than the quoted rate at the end of December, and the highest level since September 1921. Sixty-day bills also were advanced $\frac{1}{2}$ per cent during the month, and rates on 30 day, and 4, 5, and 6 months bills were increased $\frac{3}{8}$ per cent. The spread of $\frac{1}{4}$ per cent between bid and offered rates, which prevailed at the end of December, was reduced to $\frac{1}{8}$ per cent in the case of unendorsed bills up to 90 day maturity, but was unchanged for the longer maturities. Two advances of $\frac{1}{4}$ per cent during the month raised the Reserve Bank's current minimum buying rate for 90 day bills to 5 per cent.

COMMERCIAL PAPER MARKET

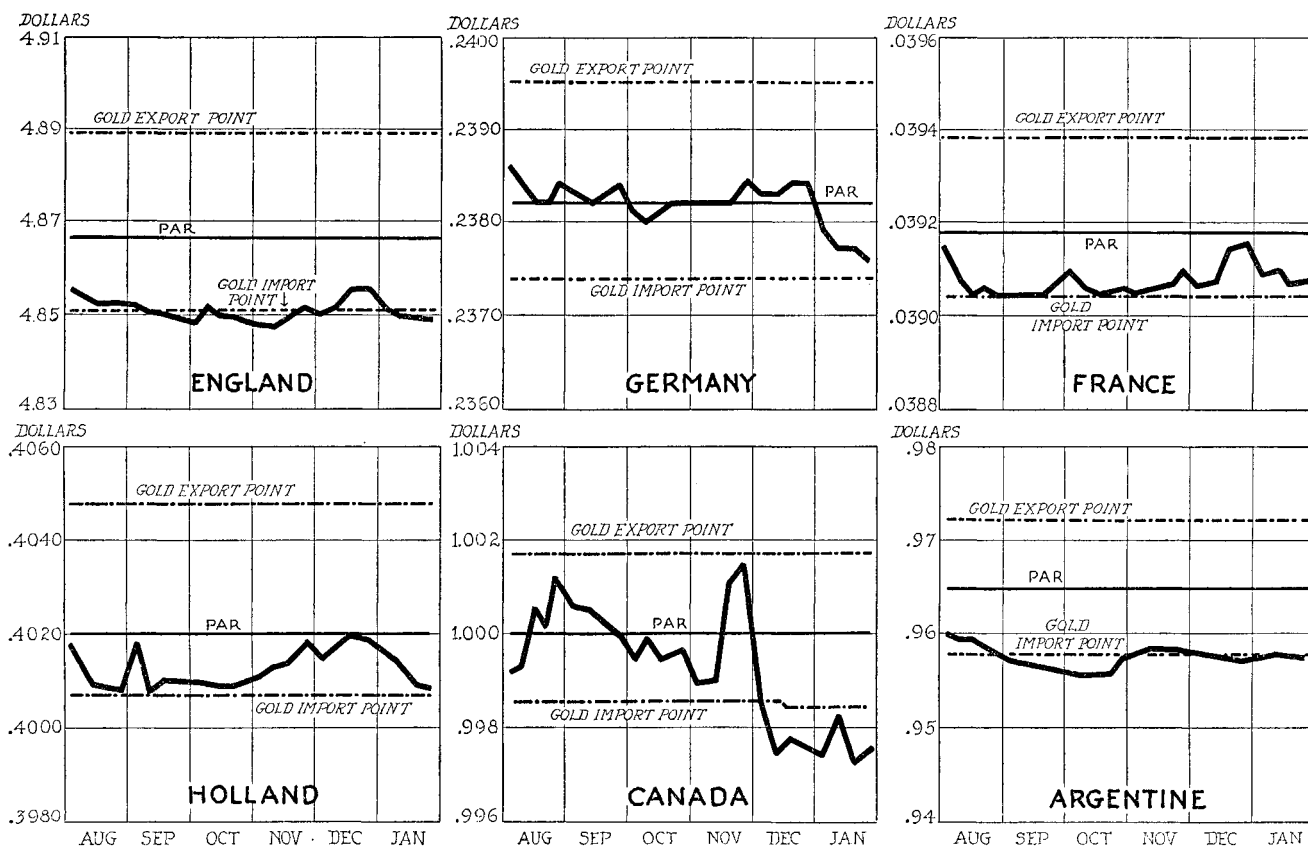
The amount of commercial paper outstanding through 23 dealers was reduced seasonally during December, and at \$383,000,000 on December 31, was 9 per cent smaller than the outstandings a month earlier and 31 per cent smaller than a year ago. During January, supplies of new paper increased somewhat, though there were reports that new drawings were smaller than is customary for that month. Bank investment demand for paper was reported in satisfactory volume, relative to the amount of new paper created. The prevailing range for prime names remained at $5\frac{1}{4}$ - $5\frac{1}{2}$ per cent until shortly after the middle of the month, when $5\frac{1}{2}$ per cent became the going rate for the bulk of the paper, with some sales reported $\frac{1}{4}$ per cent above and below that level.

Foreign Exchange

The seasonal trend of the European exchanges over the turn of the year was the same this year as last. December saw the exchanges progressively stronger as against the dollar, owing chiefly to withdrawals of



Year End Call Loan Rates, Total Bill and Security Holdings of All Federal Reserve Banks, and Discounts at the Reserve Banks of New York City Banks and of Banks Outside New York City, 1928-29 Compared with 1927-28.



Position of Foreign Exchange Rates at New York Relative to Par and Gold Export and Import Points, August 1928 to January 1929.

foreign funds for various year-end purposes; in January, foreign funds flowed back into this country, the trend of the exchanges was reversed, and with two exceptions every European currency closed at a lower level than that at which it had opened the month.

Shipments of gold from Canada to the United States focused attention in the first half of January upon the Canadian dollar, which has been at a discount for about two months. In the closing days of the month Canadian exchange ruled at a discount of about 1/4 per cent and the gold movement towards New York was resumed. From the 10th of the month onward sterling stood below the gold import point from London and a number of gold shipments were reported. The German reichsmark, which had already weakened toward the end of December, fell off four points to \$0.2375 during January. The Netherlands guilder lost all of the gain it had made in the last two months of the year, and closed twelve points below par at \$0.4008.

Declines of lesser severity were recorded by the Swiss franc, the three Scandinavian exchanges, the belga, the lira and the Austrian crown. The French franc was undisturbed, and the Spanish peseta was firm around \$0.1632 until the end of the month when the quotation dropped to \$0.1590. In the Far East the Japanese yen suffered a relapse to a low of \$0.4524, a level not touched since last August.

The National Bank of Czechoslovakia has announced the withdrawal of its support of the Czechoslovak crown on January 2, 1929, and the unrestricted trading in foreign exchange at Prague from that date. The crown had been pegged since 1922 at about \$0.29625. No unfavorable results of this measure were manifested during January.

Central Bank Rate Changes

The official discount rate of the Bank of Italy, which had been 5 1/2 per cent since June 25, 1928, was raised to 6 per cent on January 7, 1929. The Bank of Italy has been in a strong technical position since stabilization was effected thirteen months ago. Its reserve ratio is well over 50 per cent, and gold forms an appreciable part of its cover. In recent months there has been some loss of reserves.

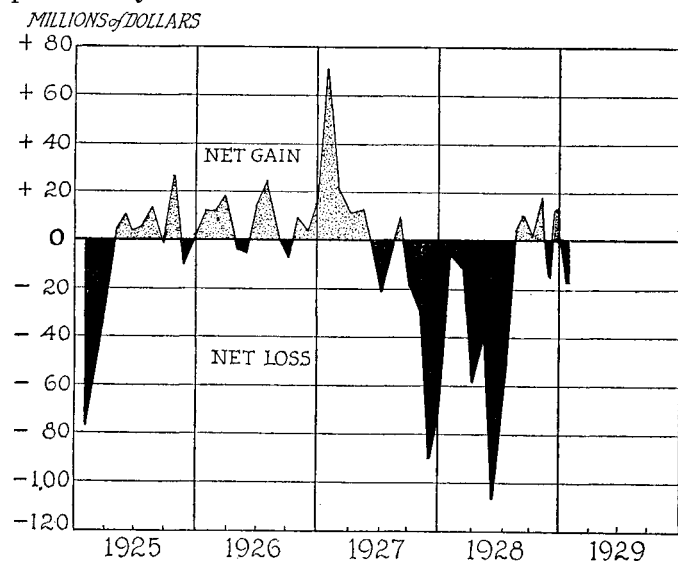
On January 12 the German Reichsbank reduced its official discount rate from 7 to 6 1/2 per cent, and its rate on advances from 8 to 7 1/2 per cent, the earlier rates having been in force since October 4, 1927. A considerable inflow of foreign funds seeking short-term investment at the attractive rates obtaining in Berlin throughout most of the year had brought about a reduction in private rates and widened the spread between them and the Bank rate. Since the reduction in the rate German exchange has been lower and gold has ceased to move from London to Berlin.

Gold Movement

Due to the persistent weakness of Canadian exchange, the gold import movement initiated on December 5 continued irregularly throughout January and resulted in an inflow of about \$38,500,000 from Canada, increasing the total from this source on the current movement to \$61,500,000. In addition, approximately \$7,300,000 was received from England late in the month in response to exchange transactions, while \$750,000 arrived from Argentina, the peso standing slightly below the gold export point from Buenos Aires to New York.

Other imports were negligible. Exports of \$521,000 were inconsiderable, but there was a large increase in earmarkings. The total gold movements for the month, according to a preliminary calculation, were as follows: Imports \$47,200,000; exports \$500,000; earmarkings (net increase) \$65,000,000; net loss to country \$18,300,000.

The accompanying diagram reviews the changes that have occurred in the country's gold stock during the past four years.



Monthly Changes in the United States Stock of Monetary Gold, 1925-29 (January 1929 partly estimated).

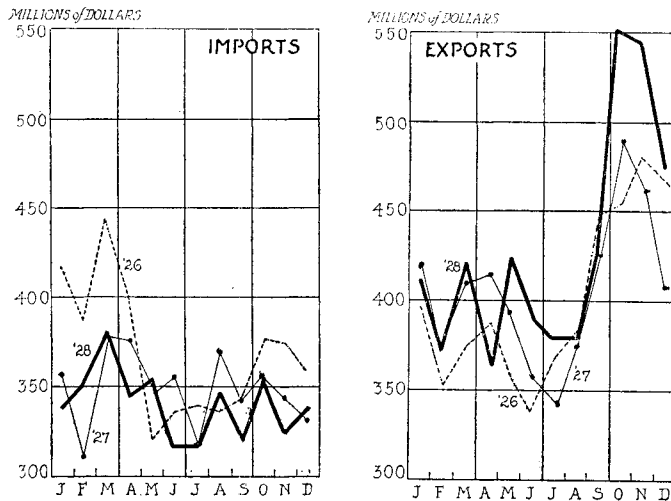
Foreign Trade

Exports of merchandise in December, valued at \$475,000,000, were \$70,000,000 less than in November, but were \$67,000,000 more than in December 1927. Imports, valued at \$338,000,000, were slightly larger than in the previous month or in December a year ago. The volume of cotton shipped abroad was smaller than in November, but continued to be larger than in the corresponding month of 1927. Grain exports showed a slight seasonal decline from November, but were in somewhat larger volume than a year ago, reversing the tendency of the past twelve months. Receipts of raw silk were practically the same as a year ago, although slightly less than in November. The volume of crude rubber imports was about 35 and 60 per cent, respectively, above that of November 1928 and December 1927, but prices were less than half those of a year ago.

For the calendar year 1928, exports were valued at \$5,129,000,000, the largest annual total since the peak of prices in 1920, while imports for the year, valued at \$4,090,000,000, were slightly less than in 1927 and the smallest since 1924. Accordingly, the balance of merchandise trade in favor of this country increased to \$1,039,000,000, the largest figure since 1921. Every group of exports, except raw foods (principally grains), showed an increase over the previous year. A large gain in exports of finished manufactures, mainly automobiles and refined petroleum products, more than accounted for the increase in total exports. On the other hand, the decline in the value of imports of crude materials, largely crude rubber and raw silk, more than accounted for the

decline in total imports. Corresponding with the decline in the value of total imports, the value of crude material imports likewise was the smallest since 1924, due largely to the much lower prices for crude rubber.

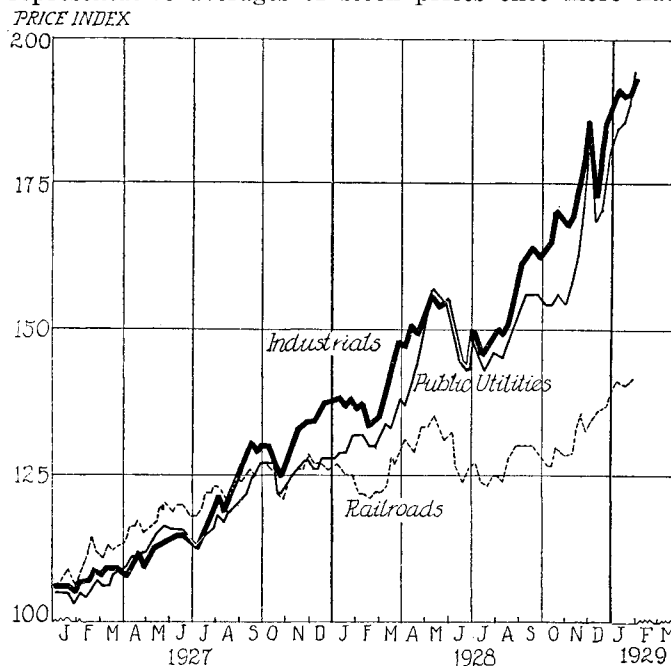
The accompanying diagram, showing imports and exports of merchandise during the past three years, indicates that imports in most months of 1928 were smaller than in the two preceding years, while exports generally were larger.



United States Monthly Imports and Exports of Merchandise in 1928, Compared with 1927 and 1926.

Security Markets

As a result of a recovery in stocks during the latter part of December and a further advance during the first few days of January, stock price averages again reached new high levels early in January. Subsequently, the trend of the market turned irregularly downward until after the middle of the month, when the advance in prices was resumed. Toward the end of the month, representative averages of stock prices once more had



Prices of 342 Industrial Stocks, 33 Railroad Stocks, and 35 Public Utility Stocks (Standard Statistics Company indexes).

moved up to new high levels. The net advance from the end of December amounted to about 2 per cent in industrial and railroad stocks and to about 11 per cent in public utility shares. In general, stock prices fluctuated within a considerably narrower range than in the two previous months. While the turnover of shares on the Exchange was above 4 million shares on most full days of the month, activity did not approach that of late November and early December.

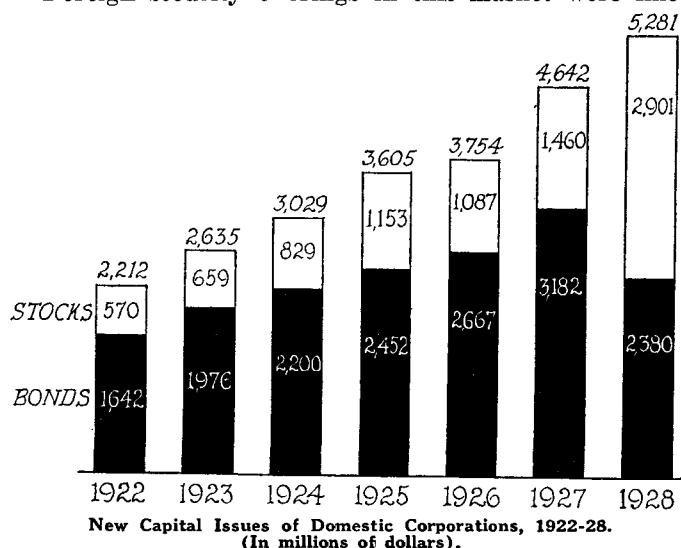
Domestic corporation bond prices were relatively steady throughout January, and average prices at the end of the month remained close to the August low level of last year. Foreign bonds advanced slightly during the month, after declining in December. United States Treasury long-term bonds showed further net declines for the month of over a point, the 3⅞ per cent issues selling off to the lowest prices since issuance.

New Financing

Final figures for December showed that in that month new capital issues of domestic corporations were nearly 60 per cent larger than in December a year ago, due entirely to heavier offerings of common stock. In each month since August, domestic corporate financing has been larger than a year previous. December issues by municipalities and States, as in November, were also larger than a year ago, and the volume of new foreign financing exceeded that of December 1927, following reductions in most months of the last half of 1928.

For the completed year 1928, offerings of securities in the United States for new capital purposes totaled nearly \$8,000,000,000, an increase of \$400,000,000 over 1927. Refunding issues, on the other hand, were about \$300,000,000 smaller than in the previous year due to the higher money rates prevailing through a good part of the year, which made refunding operations unprofitable. While State and municipal financing declined, new domestic corporate financing, excluding refunding issues, was about \$600,000,000 larger than in the previous year; stock issues were practically twice as large as in 1927, while the volume of bond financing declined to the smallest amount since 1924. The accompanying diagram of domestic corporate financing compares 1928 financing with that of previous years since 1922.

Foreign security offerings in this market were like-



wise reduced, but the total remained larger than in any other year except 1927. The decrease was principally in governmental loans, as is shown in the following table compiled from this bank's record of new foreign loans placed in this market.

	1922	1923	1924	1925	1926	1927	1928
Government...	614	518	845	766	628	853	722
Corporate...	170	121	189	365	424	529	525
Total...	784	639	1,034	1,131	1,052	1,382	1,247

In January, foreign issues were very small, and domestic offerings appear to have declined from the very large total of December. Stock issues again constituted the larger proportion of the corporate financing. During recent months, and especially so in the past month, very substantial amounts of stocks have been issued by concerns, essentially in the nature of financial, holding, or investment corporations. This tendency denotes a change from the situation of several months ago, when stock issues represented principally the sale of direct equities in mercantile, industrial, and public utility concerns.

There is question as to the extent to which financing by holding or investment companies results in making additional funds available for business use. Under some circumstances it may simply result in shifting the character of ownership of equities, or the bidding up of prices of these equities.

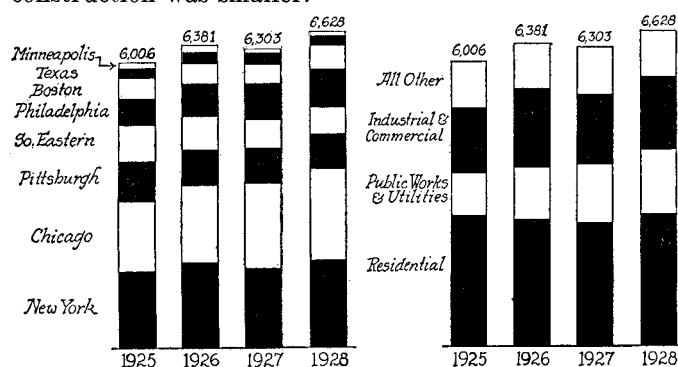
Building

The volume of building and engineering contracts awarded in 37 states east of the Rockies declined further in December. The total was 8 per cent smaller than in November and 9 per cent below the figure of December a year ago, according to reports received by the F. W. Dodge Corporation. All the important classes of construction work were smaller than in November, and, as compared with December 1927, only industrial and educational building showed increases. In the New York and Northern New Jersey district, however, December contracts were 2 per cent larger than in November and 7 per cent heavier than a year ago, due chiefly to an increased volume of public works and utilities projects. During the first 25 days of January, the average daily volume of contracts awarded was only slightly smaller than in the corresponding period of 1928.

The total value of building contracts awarded in 1928 reached a new high level, 5 per cent above the total for 1927, and 4 per cent above the previous record year of 1926. The amount of new floor space provided for, a figure that largely excludes projects of an engineering nature, was about 14 per cent larger than in 1927 and 9 per cent larger than in 1926.

A substantial increase in residential building in 1928, following declines in the previous two years, is indicated by the accompanying diagram. Also contributing to the larger total volume of building in 1928 were a further expansion in public works and utilities projects, and a partial recovery in commercial and industrial construction work from the decline that occurred in 1927. The diagram also shows that while construction contracts in the Chicago district continued to exceed

those in the New York district, both districts reported about the same amount of increase over the preceding year. The Philadelphia, Boston, and Texas districts also showed increases over 1927, while in the Pittsburgh, South Eastern, and Minneapolis districts the volume of construction was smaller.



Building Contracts in 37 States, Reported by F. W. Dodge Corporation for 1925, 1926, 1927, and 1928, Classified by District and by Type of Construction. (In millions of dollars.)

Employment and Wages

Factory employment, both in New York State and in the country as a whole, showed only about the usual small seasonal decline in December. In New York State, employment was above the level of a year previous for the first time since September 1926, and in the country as a whole, the increase over a year previous was the largest since December 1925.

The New York State Employment Bureau reports that conditions are satisfactory for this time of the year. The largest amount of unemployment usually occurs in the winter months, because manufacturing, building, and out-of-door work are all at or near their lowest levels. So far this winter, only about the usual volume of unemployment is apparent, and there have been no reports of serious distress.

Average weekly earnings of factory operatives in New York State in December were larger than ever before, and total payrolls were in substantial volume. Payrolls for the entire country also were larger than a year ago, and were not far below the level of December 1926.

According to a calculation made by this bank, based on reports received from about twenty employers of unskilled labor in this district, the average hourly hiring rate increased about 2 per cent between January 1, 1928 and January 1, 1929. The rate on the latter date was the highest on record. The average number of working hours declined slightly, but the decline was not sufficient to prevent average weekly wages from also reaching a new high level. The returns generally indicated that there was a surplus of unskilled workers, but a few companies reported that it was difficult to obtain some types of semi-skilled and skilled labor. The State Employment Bureau reports comparatively few applications for work from skilled workers, and states that the surplus of unskilled laborers is not as large as a year ago, and is not larger than could normally be expected at the present time.

Production

Following a slight decline in November, production of leading commodities showed irregular changes in De-

ember, but remained above the level of a year previous. The iron and steel industry did not curtail operations as much as usual; production of steel ingots reached a new high level for the month of December, and production of pig iron was larger than for any December excepting the war year of 1918. There were also increases, after seasonal allowance, in the output of petroleum and of passenger automobiles. On the other hand, more than the usual decrease occurred in motor truck production. The textile industries operated at lower levels in December, and, after seasonal adjustment, declines were also shown in mine production of copper and of bituminous and anthracite coal.

This bank's indexes of production, in which allowance is made for year-to-year growth and for seasonal changes, appear below.

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

	1927	1928		
	Dec.	Oct.	Nov.	Dec.
Producers' Goods				
Pig iron	91	110	109	113
Steel ingots	94	118	114	118
Cotton consumption	97	104	104	94
Woolen mill activity*	90	98	100	92 ^p
Silk consumption*	115	109	116	112
Petroleum	114	112	110	113 ^p
Bituminous coal	79	89	88	84
Coke	93	106	106 ^r	109
Lumber	98	81	85	86 ^p
Copper, U. S. mines	97	122	127	122
Lead	100	98	107	..
Zinc	102	101	98	96
Tin deliveries	75	101	120	114
Leather, sole	104	116	114	105
Cement	129	123	121	126
Paper, total	101	105	110	..
Wood pulp	99	101	104	..
Consumers' Goods				
Hogs slaughtered	89	105	100	103
Cattle slaughtered	87	81	83	75
Sheep slaughtered	103	119	115	99
Calves slaughtered	100	81	83	85
Farm produce shipped	93	99	97	97
Wheat flour	99	95	96	93
Sugar meltings, U. S. ports	119	124	136	..
Gasoline	99	104	101	..
Anthracite coal	84	114	112	92
Paper, newsprint	94	91	97	89
Printing activity	102	111	110	..
Tobacco products	101	113	108	105
Boots and shoes	91	103 ^r	95	85
Tires	99	142	129	117 ^p
Automobile, passenger	54	124	97	102
Automobile, truck	86	138	107	81

* Seasonal variation not allowed for p Preliminary r Revised

Indexes of Business Activity

Average daily car loadings, both of merchandise and miscellaneous commodities, and of bulk freight, declined more than usual in December, but remained larger than a year previous. Merchandise exports also declined in December, after seasonal allowance, while imports increased slightly. December retail trade was of record volume, and average daily sales of department stores and of mail order houses increased more than usual. Shares sold on the New York Stock Exchange declined sharply from the November peak, but bank debits, both in New York City and in 140 centers outside of New York City, advanced further to very high levels.

This bank's indexes of business activity, in which allowance is made for year-to-year growth, for seasonal variations, and where necessary for price changes, are shown in the following table.

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

	1927	1928		
	Dec.	Oct.	Nov.	Dec.
Primary Distribution				
Car loadings, merchandise & misc.....	95	103	101	98
Car loadings, other.....	86	97	98	91
Exports.....	78	105	103	89p
Imports.....	104	111	104	106p
Panama Canal traffic.....	88	89	88	..
Wholesale trade.....	96	98	102	..
Distribution to Consumer				
Department store sales, 2nd Dist.....	98	94	97	101
Chain grocery sales r.....	99r	99r	97r	93r
Other chain store sales.....	107	101	102	108
Mail order sales.....	97	105	106	113
Life insurance paid for.....	97	98	99	103
Advertising.....	97	95	95	93
General Business Activity				
Bank debits, outside of New York City..	106	106	108	115
Bank debits, New York City.....	138	164	173	183
Velocity of bank deposits, outside of New York City.....	104	117	117	121
Velocity of bank deposits, New York City.....	136	188	191	201
Shares sold on N. Y. Stock Exchange.....	228	389	393	330
Postal receipts.....	98	88	84	89
Electric power.....	102	109	107	107
Employment in the United States.....	95	98	98	98
Business failures.....	108	115	103	96
Building contracts, 36 states.....	138	136	118	111
New corporations formed in N. Y. State.....	116	126	115	112
General price level.....	174	177	178	178
Composite index of wages.....	223	224	224	226
Cost of living.....	172	172	172	171

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Wholesale Trade

Wholesale dealers in this district reported a slight increase in the volume of business during December as compared with the corresponding month of 1927. Sales of silk goods were unchanged from a year ago, following decreases since May, and machine tool sales continued in substantially larger volume than in the previous year, although they dropped somewhat below the high level of November. Drug sales showed the largest increase over a year ago since June.

Stocks of silk goods and drugs continued larger than a year ago, while stocks of diamonds and jewelry showed

Commodity	Percentage Change December 1928 compared with December 1927		Per cent of Accounts Outstanding November 30 Collected in December		Percentage Change in Net Sales	
	Net Sales	Stock end of month	1927	1928	Dec. 1928 compared with Nov. 1928	Year 1928 compared with Year 1927
Groceries.....	- 3.0	+ 2.5	70.5	67.4	-14.5	- 0.8
Men's clothing.....	+ 8.1	.....	50.8	47.8	-21.6	- 0.2
Women's dresses.....	- 1.3	.....	.....	.....	+83.3	-13.1
Women's coats & suits.....	-11.8	.....	.....	.....	-37.5	- 9.0
Cotton goods— Jobbers.....	+ 1.1	- 4.8	.....	.....	-12.9	- 3.4
Cotton goods— Commission.....	+18.1	.....	.....	.....	+12.4	+ 1.0
Silk goods.....	0	+20.0*	51.6	44.8	- 0.8	- 5.3
Shoes.....	-31.3	-13.6	44.4	43.2	- 5.4	-12.0
Drugs.....	+13.9	+22.1	49.0	39.7	-18.9	+ 7.6
Hardware.....	- 9.2	+ 1.0	53.2	47.9	- 5.1	- 3.7
Machine tools**.....	+62.4	.....	.....	.....	- 5.5	+72.0
Stationery.....	- 1.7	.....	74.5	71.0	+ 0.8	+ 1.9
Paper.....	+ 3.5	.....	63.3	63.0	- 6.0	+ 2.8
Diamonds.....	+14.2	.....	31.7	32.8	-18.6	+ 1.7
Jewelry.....	- 0.6	.....	.....	.....	- 2.3	- 5.4
Weighted Avg....	+ 0.8	.....	56.0	52.4	- 4.0	- 0.6

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

the largest decrease in more than two years. Collections were slower in all lines with the exception of diamonds and jewelry.

Department Store Trade

The December final reports on department store business in this district showed sales 2½ per cent larger than a year ago, although there was one less trading day than in December 1927. There were moderate increases in New York, Syracuse, Newark, Bridgeport, and Southern New York, and a slight increase occurred in the Hudson River Valley district, but the remaining localities reported decreases. Total sales of reporting department stores for the year 1928 proved to be 1.3 per cent larger than in 1927.

December sales of large apparel stores were unchanged from a year ago, but the figures for the completed year of 1928 showed a substantial increase over 1927.

The rate of department store stock turnover was higher in December and the full year 1928 than in 1927. The rate of collections on charge accounts continued to be higher than a year ago.

Locality	Percentage Change December 1928 compared with December 1927		Per cent of Charge Accounts Outstanding November 30 Collected in December		Percentage Change Year 1928 compared with Year 1927	
	Net Sales	Stock end of month	1927	1928	Net Sales	Stock on hand
New York.....	+ 2.6	+ 0.8	50.3	50.8	+ 1.2	- 0.5
Buffalo.....	- 0.3	- 1.3	52.9	51.2	- 1.4	+ 0.1
Rochester.....	- 4.1	+ 0.1	39.1	41.3	- 0.7	0
Syracuse.....	+ 3.5	- 1.5	.....	.....	- 0.6	- 1.6
Newark.....	+ 4.6	+ 0.4	32.1	33.4	+ 4.2	+ 1.1
Bridgeport.....	+ 4.8	+ 3.4	.....	.....	+ 1.3	- 5.5
Elsewhere.....	+ 0.3	- 2.1	39.4	38.3	- 0.4	- 4.9
Northern N. Y. State.....	- 3.0	.....	.....	.....	+ 0.4	.....
Central N. Y. State.....	- 1.9	.....	.....	.....	- 5.0	.....
Southern N. Y. State.....	+ 4.0	.....	.....	.....	- 0.8	.....
Hudson River Valley District.....	+ 0.5	.....	.....	.....	+ 0.3	.....
Capital District.....	- 0.3	.....	.....	.....	- 0.3	.....
Westchester.....	- 0.7	.....	.....	.....	+ 4.1	.....
All department stores..	+ 2.5	+ 0.4	45.0	45.6	+ 1.3	- 0.7
Apparel stores.....	0	+ 0.2	49.7	48.9	+ 6.6	+ 3.2

Sales and stocks in major groups of departments are compared with those of December 1927 in the following table.

	Net Sales Percentage Change December 1928 compared with December 1927	Stock on Hand Percentage Change December 31, 1928 compared with December 31, 1927
Cotton goods.....	+11.2	- 7.5
Luggage and other leather goods.....	+ 9.6	- 3.0
Books and stationery.....	+ 9.5	+ 4.4
Musical instruments and radio.....	+ 8.3	-35.6
Furniture.....	+ 7.8	- 2.2
Women's ready-to-wear accessories.....	+ 7.2	- 3.6
Toys and sporting goods.....	+ 7.1	-11.7
Linens and handkerchiefs.....	+ 7.0	- 3.6
Hosiery.....	+ 6.3	+ 5.6
Women's and Misses' ready-to-wear.....	+ 5.6	+ 8.8
Men's furnishings.....	+ 4.9	- 8.4
Home furnishings.....	+ 4.3	+10.2
Shoes.....	+ 4.2	+14.2
Silverware and jewelry.....	+ 3.6	- 7.3
Toilet articles and drugs.....	+ 3.0	+11.4
Men's and Boys' wear.....	+ 2.8	+ 4.1
Silks and velvets.....	- 4.9	- 2.7
Woolen goods.....	-20.5	-10.4
Miscellaneous.....	+11.1	+ 1.0

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRY and trade continued active in December, and the general level of prices remained unchanged. Banking and credit conditions at the turn of the year were influenced chiefly by seasonal changes in the demand for currency and by requirements for end-of-year financial settlements.

PRODUCTION

Output of manufactures decreased in December, but the decline was less than is usual during the month, and the Board's index was slightly higher than in November and above the level of a year ago. Smaller than usual seasonal reductions were reported in the daily average output of steel, pig iron, automobiles, copper, cement, silk, and flour, while cotton and wool textiles declined considerably. Meat-packing increased in December, reflecting a larger output of pork products, though beef and mutton production was smaller. Volume of factory employment and payrolls was larger than at this season of last year. Production of minerals was in somewhat smaller volume in December than in November, reflecting chiefly a large reduction in the output of bituminous and anthracite coal. Production of copper and zinc ore on a daily average basis was slightly smaller, while petroleum output increased. Preliminary reports for the first half of January indicate a steady increase in the output of petroleum and greater activity in the steel, automobile, coal, and lumber industries following the temporary lull during the inventory period at the end of the year.

Building contracts awarded in 37 Eastern states declined sharply during December, as in the preceding month, and were smaller than in any December since 1924. The decline from November was attributable largely to decreases in awards for residential building and public works and utilities. By districts, the largest declines over the preceding month were in the Cleveland, Chicago, Boston, and Richmond Federal Reserve districts, while increases were reported in the New York, Philadelphia, and Atlanta districts.

TRADE

Department store trade showed greater activity in December than in the preceding month, after allowance is made for the customary holiday increase. Total sales for the month were the largest on record, exceeding December 1927 by one per cent, although there was one less trading day this year. Increases over a year ago were reported for the New York and Philadelphia districts while substantial decreases occurred in Atlanta and Minneapolis. Distribution at wholesale declined seasonally and was smaller than a year ago.

Freight-car loadings in December and the first half of January showed a slightly larger than usual seasonal reduction, but, as in earlier months, were above a year ago.

PRICES

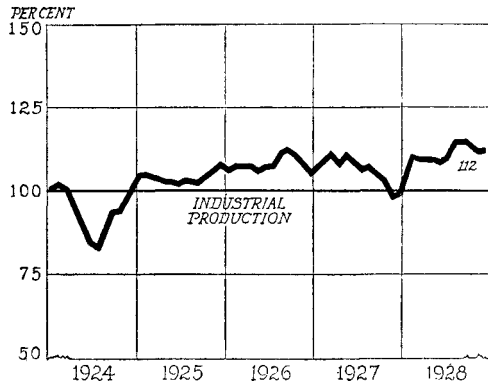
The general level of wholesale prices, as measured by the index of the United States Bureau of Labor Statistics, remained approximately the same during December as in the preceding month. Average prices of iron and steel, automobiles, copper, and building materials continued to advance slowly, and prices of farm products, after declining during October and November, also rose in December, reflecting higher average prices for raw cotton, oats, rye, and some grades of wheat, offset in part by lower prices for corn and cattle. In the first three weeks of January the price of rubber advanced sharply, and wheat, corn, potatoes, and flour also increased, while silk and sugar decreased somewhat, and hides reached the lowest level in more than a year.

BANK CREDIT

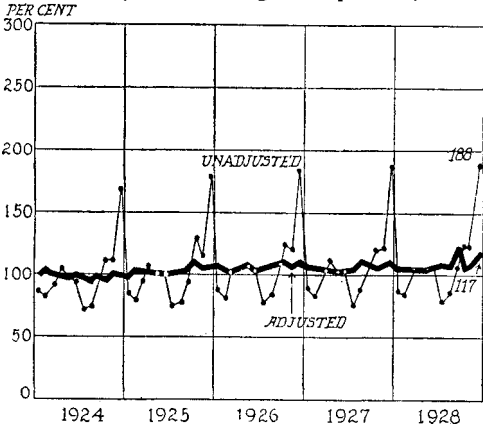
Banking and credit conditions in January were influenced chiefly by the seasonal decline in the volume of money in circulation. At the Reserve Banks the return flow of currency from circulation resulted in a liquidation of member bank borrowing and small declines in Reserve Bank holdings of acceptances and of United States securities. Total bills and securities showed a decline of about \$450,000,000 for the period from December 26 to January 23 and were in about the same volume as in midsummer of last year.

At member banks there was an increase in the total volume of loans at the turn of the year due chiefly to year-end financial settlements, and the temporary withdrawal of funds loaned by corporations in the New York market. In January deposits and loans of member banks declined to approximately the level of the early part of December.

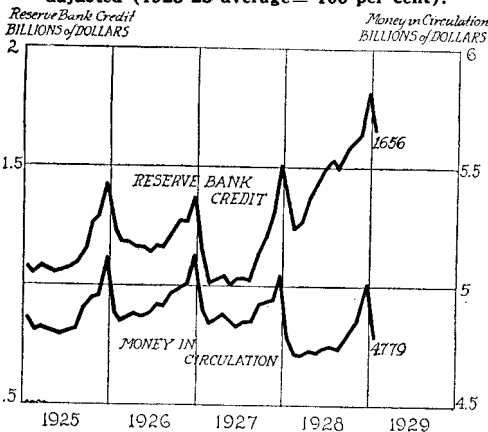
In the money market, rates on call loans declined sharply in January, while rates on time loans on securities remained firm and rates on acceptances advanced.



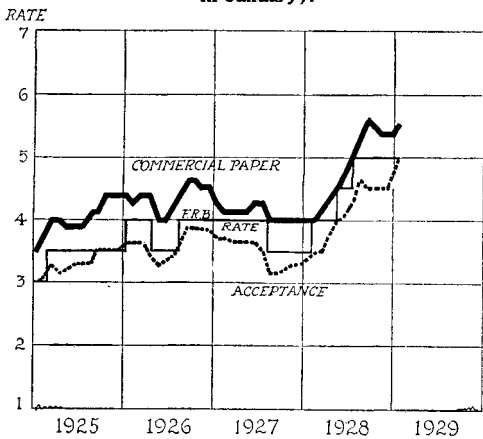
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average=100 per cent).



Federal Reserve Board's Index of Department Store Sales, Adjusted for Seasonal Variations and Unadjusted (1923-25 average=100 per cent).



Reserve Bank Credit and Money in Circulation (Monthly Averages of daily figures; latest figures are averages of first 23 days in January).



Money Rates in the New York Market.